

COMMENTARY

- Global equities (+1.5% in US dollars) rose latterly in anticipation of a trade war détente – emerging markets (+4.1%) continued higher led by a resurgent China (+7.3%) while developed markets (+1.2%) lagged
- Emerging market currencies gained against the US dollar following dovish comments from US Fed Chairman Powell on the pace of US interest rate increases – rand strength (+6.5%) pared foreign asset returns
- The FTSE/JSE Capped All Share Index (-4.1%) was led lower by resources (-11.5%) under pressure from lower commodity prices and a stronger rand – industrials (+2.8%) and financials (+0.5%) were slightly positive
- The All Bond Index (+3.9%) rose on currency gains and a benign inflation print, despite SARB's 25 basis point interest rate increase – the portfolio's meaningful allocation to R186 government bonds substantially offset foreign asset translation losses
- Oil (-22.2%) tumbled as concerns for oversupply and weakening demand overshadowed expectations for OPEC production cuts, pushing Sasol (-16.1%) sharply lower – basic materials (-11.5%) was amongst the weakest performing JSE sectors as most industrial commodity prices fell, compounding the effects of the stronger rand
- British American Tobacco (-24.8%) fell sharply when the US Federal Drug Administration announced its intention to ban the sale of menthol flavoured tobacco products – although this would impair BAT's earnings, the market reaction was probably overdone given the significant legal obstacles and time before any sanction is pronounced
- Naspers (+6.6%) contributed positively to returns – the share rose on good financial results and price recovery of major Chinese technology investment, Tencent
- The portfolio's low listed property (-5.7%) weight and zero exposure to Nepi Rockcastle (-13.7%) and Intu (-45.4%) also added relative value – the latter falling dramatically with the withdrawal of an acquisition bid on continued Brexit uncertainty

FEE RATES (CLASS A)

Initial, exit and switching fees	0.0%
Standard annual fee for equalling benchmark	1.0% plus VAT
Performance fee sharing rate	10% (over- and under-performance)
Minimum annual fee	0.5% plus VAT
Maximum annual fee	Uncapped
Foreign assets	The fee accrued in the Foord global funds is rebated in full

ANNUALISED COST RATIO (CLASS A)

	12 MONTHS	36 MONTHS
TER —Basic	1.35%	1.32%
—Performance	-0.56%	-0.36%
Transaction costs	0.01%	0.01%
Total cost ratio	0.80%	0.97%

FEE STRUCTURE

The annual fee is based on portfolio performance fee with the daily fee rates being adjusted up or down based on the portfolio's one-year rolling return relative to that of its benchmark and is subject to a minimum fee rate.

PERFORMANCE FEES

Performance fees align investor and manager return objectives by rewarding the manager for outperformance while penalising the manager for underperformance. Foord's performance fee structure increases or decreases the daily fee levied based on the over- or underperformance of the Foord unit trust portfolios relative to their benchmarks. When the portfolio return exceeds the benchmark return, the daily performance fee rate is increased proportionately. Similarly, underperformance causes the daily performance fee rate to decrease proportionately. Performance fee rates are not capped for the reason that outperformance is generally not earned smoothly.

The annual fee is adjusted up or down daily by the performance fee calculated as the difference between the rolling one-year net-of-fee return and the benchmark return for the same period, multiplied by the performance fee sharing rate.

PERFORMANCE FEE EXAMPLES FOR FOORD FLEXIBLE FUND OF FUNDS (CLASS A)

	SCENARIO			
	A	B	C	D
Foord 1-year rolling return	10.0%	10.0%	10.0%	10.0%
Benchmark 1-year rolling return	8.0%	12.0%	10.0%	16.0%
Relative performance	+2.0%	-2.0%	0.0%	-6.0%
Performance fee sharing rate	10.0%	10.0%	10.0%	10.0%
Daily adjustment to 1% annual fee	+0.2%	-0.2%	0.0%	-0.6%
Annual fee rate applied (excl. VAT)	1.2%	0.8%	1.0%	0.5%*

* Minimum fees apply

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IMPORTANT INFORMATION FOR INVESTORS

Foord Unit Trusts (RF) (Pty) Ltd (Foord Unit Trusts) is an approved CISA Company Management Company (#10), regulated by the Financial Services Board. Portfolios are managed by Foord Asset Management (Pty) Ltd (Foord), an authorised Financial Services Provider (FSP: 578). The custodian/trustee of Foord Unit Trusts is RMB Custody and Trustee Services (a division of FirstRand Bank Limited), contactable on T: 087 736 1732, F: 0860 557 774, www.rmb.co.za.

Collective Investment Schemes in Securities (unit trusts) are generally medium- to long-term investments. The value of participatory interests (units) may go down as well as up and past performance is not necessarily a guide to the future. Performance is calculated for the portfolio. Individual investor performance may differ as a result of the actual investment date, the date of reinvestment and withholding taxes. Performance may be affected by changes in the market or economic conditions and legal, regulatory and tax requirements. Foord Unit Trusts does not provide any guarantee either with respect to the capital or the performance return of the investment. Unit trusts are traded at ruling prices and can engage in borrowing. Foord Unit Trusts does not engage in scrip lending. Commission and incentives may be paid and if so, this cost is not borne by the investor. A schedule of fees and charges and maximum commissions is available on request. Distributions may be subject to mandatory withholding taxes. A fund of funds invests only in other Collective Investment Scheme portfolios, which may levy their own charges, which could result in a higher fee structure. A feeder fund is a portfolio that, apart from assets in liquid form, consists solely of units in a single portfolio of a Collective Investment Scheme which could result in a higher fee structure. Foord Unit Trusts is authorised to close the portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate.

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UNIT PRICE

Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the portfolio including any income accruals and less any permissible deductions from the portfolio. Forward pricing is used. Prices are determined at 15h00 each business day and are published daily on www.foord.co.za and in national newspapers. The cut-off time for instruction is 14h00 each business day.

TER

A Total Expense Ratio (TER) is a measure of a portfolio's annual expenses, fees and charges, expressed as a percentage of the average daily value of the portfolio. These expenses include the annual fee, VAT, audit fees, bank charges and costs, including trading costs, incurred in any underlying funds. Included in the TER, but separately disclosed, is a performance fee (or credit) resulting from overperformance (or underperformance) against the benchmark. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs. Performance return information and prices are always stated net of the expenses, fees and charges included in the TER. The TER for the fund's financial year ended 28 February 2018 was 0.53%.

FOREIGN INVESTMENT RISK

The portfolio may include underlying foreign investments. Fluctuations or movements in exchange rates may cause the value of underlying foreign investments to go up or down. The underlying foreign investments may be adversely affected by political instability as well as exchange controls, changes in taxation, foreign investment policies, restrictions on repatriation of investments and other restrictions and controls that may be imposed by the relevant authorities in the relevant countries.

Foord is a member of the Association for Savings and Investment SA.

This is a Minimum Disclosure Document. Published on 5 December 2018. Additional detailed analysis is published in the Quarterly Portfolio Report available on www.foord.co.za