WILLIAM FRASER
PORTFOLIO MANAGER

On the whole, the lower inflation outlook in 2009 is good news for consumers with interest rate cuts expected to continue well into 2009.

IN THE INTEREST OF OPTIMISM

A period of above trend growth in the global and local economy, employment, commodity prices, corporate profits and consumer spending came to an abrupt end in 2008. William Fraser explains why all is not bleak when it comes to interest rates and inflation.

Unlike in previous cycles, the business cycle taps were turned off fast in 2008, causing the policy response of central banks and governments globally to shift quickly. Concerns about the impact of record high commodity prices on inflation rapidly gave way to worry about the weak economy and poor consumer spending - despite interest rate cuts and disinflation.

While higher local interest rates have meant that the consumer has been in a recession for some time, the latest economic data for South Africa shows that our economy continued to expand, albeit only marginally in the third quarter of 2008. The increase in government spending on infrastructure projects was sufficient to offset the contraction in the consumer, manufacturing and mining sectors.

On a positive note, the outlook for SA inflation has improved significantly. Lower petrol prices will directly affect the discretionary spending patters of consumers. The second round effects of lower transport and input costs will also be positive. In addition, the components of the inflation basket are set to be revised in early 2009. This should also lead to an immediate decline in the official measurement of inflation. On the negative side, the depreciation of the currency will have imported inflationary pressures.

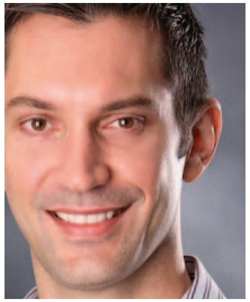
On the whole, the lower inflation outlook for 2009 is good news for consumers. Locally, interest rate decisions are driven predominantly by the outlook for inflation. The Reserve Bank has modeled a decline in inflation to below 6% before the end of 2009. This means that the interest rate cuts which commenced in December 2008 are expected to continue well into 2009, unless inflationary fears revive.

So although consumer spending is currently a drag on the economy, the improvement in the near-term inflationary outlook is cause for some optimism. While infrastructure spending will lead continued economic expansion into 2009, and towards 2010 (and beyond), lower inflation and interest rates should mean that this growth will be supported by improved consumer spending.

The South African Reserve Bank cut the repo rate by 0.5% on 11 December 2008 - the first rate cut after successive increases amounting to 5.0% since mid-2006. Given current forecasts for inflation, our expectations are that interest rates will decline by a further 2.5% in 2009.

FOREWORD

ISSUE 8 4TH QUARTER 2008



PAUL CLUER
MD: FOORD UNIT TRUSTS

Wishing you all the best for a better 2009.

IN THIS ISSUE

William sees the positive in high interest rates.

Darron goes back to basics.

Bruce studies the highs and lows of the markets.

Recession and depression unpacked.

NEW CHALLENGES AHEAD

First off, I would like to wish all our investors a successful and prosperous new year. And welcome back to those of you who took some time off to relax over the festive season after what can only be described as a very tumultuous 2008.

From their peak at the end of October 2007, developed world equity markets as represented by the MSCI World Index fell 53% in just over a year to mid November 2008. The South African equity market in dollar terms fared worse. The FTSE/JSE All Share Index fell 64% in dollars in the year to its October low (but by only 40% in rand terms given the depreciation of the currency over the period). There was a flight from all risky assets to the "safe haven" US government bonds, with the resultant slump in world currencies relative to the dollar and falling asset prices globally.

This severe market correction came about as the world experienced a liquidity crisis unseen since the days of the Great Depression in 1929. The crisis this time was sparked by the popping of the low quality debt bubble in the US housing market - with consequences being felt around the globe. Unlike was the case in 1929, governments and central banks around the world have acted swiftly in reducing the cost of borrowing and making bailout packages available as they try to avoid a depression.

In his article, *In The Interest of Optimism*, William Fraser explores the resultant interest rate and inflation expectations for the coming year. Darron West takes this opportunity to remind us of the basic tenets of investing, providing five simple rules for investors to live by.

Moving to matters operational, it is with regret that we had to temporarily close the Foord International Feeder Fund to new business in the last quarter of 2008. The beauty of the Feeder Fund is that it allows investors to access foreign exposure without utilizing their personal offshore allowances. However, as the fund grows, it uses excess capacity granted to Foord Unit Trusts by the South African Reserve Bank. With the sudden weakening of the Rand in the previous quarter, our existing offshore capacity was quickly consumed. The fund will open for new investment again as additional foreign exchange capacity becomes available to Foord. We will let all investors know when this happens.

Wishing you all the best for a better 2009,

Paul Cluer

BRUCE ACKERMAN
and
WILLIAM FRASER
PORTFOLIO MANAGERS

IN A NUTSHELL

Bruce Ackerman and William Fraser explain what's been shaking the markets over the quarter.

International

- Equities fell sharply - as all developed world economies simultaneously entered recession, the first such since the second World War
- Government bonds continued to strengthen - on safe haven buying and on significant co-ordinated interest rate cuts designed to revive economic activity
- Commodity prices reflected slowing Chinese economic growth and the depressed outlook for industrial production - especially oil, despite OPEC production cuts
- Financial shares continued to under-perform - as US and European governments engaged in part nationalisations to avert financial system collapse
- Forced selling of equities and credit instruments by hedge funds to meet redemptions - exacerbated by largest fraud in history
- The dollar initially recovered strongly on massive economic stimulus measures - but weakened later as US interest rates were effectively cut to zero

South Africa

- SA economic growth prospects faltered in line with world economic conditions - amid severe domestic consumer slowdown and manufacturing recession
- JSE declined further following substantial Q3 losses - with global sentiment, the deleveraging from risky assets and lower commodity prices offsetting gains in the non-discretionary consumer and gold sectors
- Bond market rallied strongly as yields fell across all maturities - despite expected future debt issues from government to cover budget deficit over 2009 / 2010
- Short-term interest rates declined - as consumer recession, lower inflation outlook and synchronised global central bank policy rate reductions enabled MPC to act sooner than anticipated
- Rand weakened against the dollar and euro - amid global flight to safety, deleveraging and lower commodity prices

DID YOU KNOW?

Recession or depression - what's the difference? An old joke notes that a recession is when your neighbour loses his job; a depression is when you lose yours! The common definition of recession is two successive quarters of economic contraction. A depression typically refers to a "sustained" downturn in one or more national economies and is always more severe than a recession. A depression is usually accompanied by high unemployment coupled with price deflation. The USA, Europe and Japan recently entered a recessionary period, with governments and central banks implementing emergency measures to avoid a depression.

DARRON WEST
BUSINESS ANALYST

Investors must have at least a basic understanding of investing...

SENSE AND SENSIBILITY: 5 SIMPLE RULES FOR INVESTORS TO LIVE BY

Tough times can make us question our beliefs. The difficult investment environment that prevailed in 2008 has shaken many investors to the core. However, as Darron West explains, it is precisely in these turbulent times that we should revisit the underlying tenets of investing, cut out the noise and the complexity and reduce matters to their simplest form.

Investing successfully requires a solid framework and a sense of individual responsibility for our investments. The advice of a professional financial advisor can be helpful in establishing a plan and maintaining financial discipline. However, investors should have at least a basic understanding of investing so that they might hold their professional advisors and managers to account by asking the right questions.

Firstly, know that investing is a long-term endeavour with time horizons exceeding at least five years. Regretfully, the long-term is a notion often absent from the media and other commentary that is offered daily.

Secondly, investing is about understanding risk and especially your own tolerance for it. Risk has little to do with short-term price volatility, and much more to do with earning appropriate returns over your investment term. An older person with a shorter investment horizon and modest accumulated wealth may have moderate rather than high return expectations. A young person with little accumulated wealth and a long investment horizon should be invested to earn higher returns.

Thirdly, investing is about harnessing the power of compounding, which necessarily requires patience. Switching from one type of investment to the next to chase what you perceive as the best return has two likely outcomes. First, you may well get your timing wrong - too many people lose patience or faith (or both) and sell assets when they are cheap (or buy them when they are expensive). Second, you incur costs each time you move money from one investment to the next. Great or small, such costs erode your returns and diminish your wealth.

Fourthly, investing is about skill and consistency. You should select an investment manager who is capable of delivering consistent long-term results - not every investment manager can make this claim. Fortunately, Foord's proven, lengthy and consistent track record of generating excellent returns over the long-term allows us to do exactly that.

Finally, investing is about simplicity of choice in the face of almost overwhelming complexity. Foord's deliberately limited suite of funds offers a combination of skill and simplicity that should be most compelling to investors.

Foord Flexible Fund of Funds

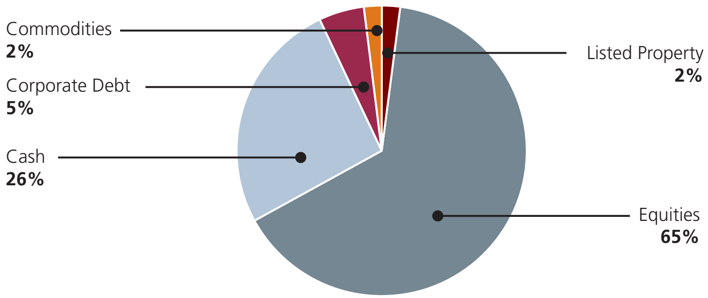
Targeting inflation beating returns over the long-term

31 December 2008

About the Fund

The objective is to provide investors with a net-of-fee return of 5% per annum above the annual change in the South African Consumer Price Index (CPIX), measured over rolling three year periods. The fund aims to achieve this objective by exploiting the benefits of global diversification in a portfolio that continually reflects Foord Asset Management's prevailing view on all available asset classes, both in South Africa and abroad.

Asset Allocation



Investment Returns

Investment returns are stated net of fees and expenses and periods greater than one year are annualised.

	Last 6 Months	Since Inception
Foord*	-5.1%	-9.3%
Benchmark	8.4%	13.9%

*Net of fees and expenses.

Benchmark:

CPIX plus 5% per annum, which is applied daily using the most recently available inflation data and accordingly will be lagged on average by 5 to 6 weeks.

Regional Equity Exposure

Region	**% of Equities**
South Africa	77
UK	7
USA	7
Europe	6
Japan	2
Asia excl. Japan	1

Fund Details

Inception Date:	1 April 2008
Minimum Lump Sum:	R20 000
Minimum Monthly:	R1 000
Size:	R220.5 million

Foord Balanced Fund

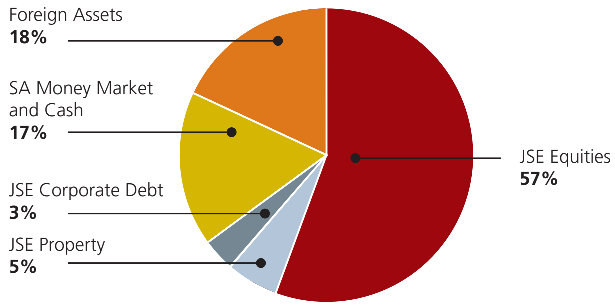
The foundation for long-term growth

31 December 2008

About the Fund

The fund's investment objective is the steady growth of income and capital, as well as the preservation of real capital (being capital adjusted for the effects of inflation). It aims to exceed the average rate of return achieved in the Domestic Asset Allocation - Prudential Variable Equity unit trust sector. The Foord Balanced Fund is managed to comply with the prudential investment limits set for retirement funds in South Africa (Regulation 28 to the Pension Funds Act).

Asset Allocation



Investment Returns

	Last 6 Months	Last 12 Months	Last 3 Years	Last 5 Years	Since Inception
Foord*	-7.0%	-7.2%	10.7%	19.1%	18.4%
Benchmark	-5.9%	-8.4%	9.2%	16.4%	15.6%

Periods greater than 1 year are annualised. *Net of fees and expenses.

Benchmark:

The market value weighted average total return of the Domestic Asset Allocation Prudential Variable Equity unit trust sector, excluding Foord Balanced Fund.

Top 5 Equity Investments

Investments	**% of Fund**
BHP Billiton	5.3
RMB Holdings	4.8
Absa	3.2
Massmart	2.9
Standard Bank	2.9

Fund Details

Inception Date:	1 September 2002
Minimum Lump Sum:	R20 000
Minimum Monthly:	R1 000
Size:	R2.02 billion

FUND AWARDS 2008 SOUTH AFRICA WINNER Micropal

Foord Equity Fund

Nurturing superior returns

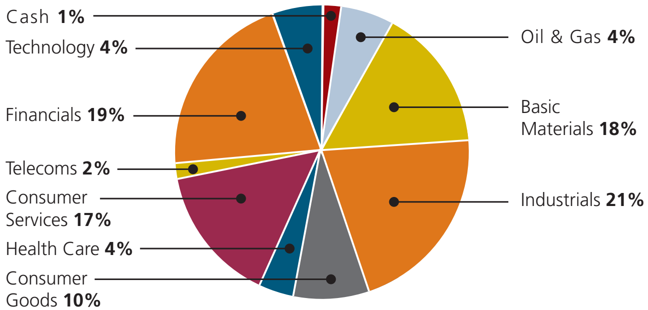
31 December 2008

About the Fund

The fund's investment objective is to earn a higher total rate of return than that of the South African equity market, as represented by the return of the FTSE/JSE All Share Index including income, without assuming greater risk.

The Foord Equity Fund is ideally suited to investors who require maximum long-term capital growth and who are able to withstand investment volatility in the short to medium-term.

Sector Allocation



Investment Returns

	Last 6 Months	Last 12 Months	Last 3 Years	Last 5 Years	Since Inception
Foord*	-16.4%	-19.9%	8.3%	19.6%	19.8%
Benchmark	-27.8%	-23.2%	8.9%	19.0%	16.9%

Periods greater than 1 year are annualised. *Net of fees and expenses.

Benchmark:

Total return of the FTSE/JSE All Share Index

Top 5 Equity Investments

Investments	**% of Fund**
BHP Billiton	8.2
RMB Holdings	7.7
Absa	5.0
Bidvest	4.9
Aspen	4.1

Fund Details

Inception Date:	1 September 2002
Minimum Lump Sum:	R20 000
Minimum Monthly:	R1 000
Size:	R434.1 million

Foord International Feeder Fund

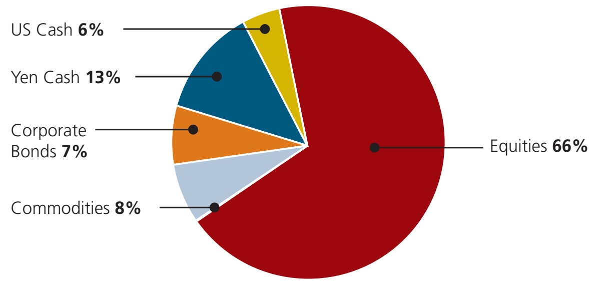
Risk management through global diversification

31 December 2008

About the Fund

The fund's objective is to provide investors with exposure to a portfolio of international equity and fixed interest securities, constructed with the purpose of maximising return with minimum risk. This is achieved through direct investment into the Foord International Trust, which aims to produce an annualised return over time in excess of 10% in US Dollars, thereby expecting to outperform world equity indices. The fund provides South African investors with an opportunity to diversify their portfolios offshore and to hedge against rand depreciation.

Asset Allocation



Investment Returns (in rands)

	Last 6 Months	Last 12 Months	Since Inception
Foord*	-4.1%	10.5%	14.7%
Benchmark	-20.1%	-19.0%	3.0%
ZAR/USD contribution	21.7%	39.8%	16.6%

Periods greater than 1 year are annualised. *Net of fees and expenses.

Benchmark:

The ZAR equivalent of the MSCI World Equities Index.

Top 5 Equity Investments

(36% of Equities):

Nestle

Syngenta

Vodafone

Diageo

LVMH

Fund Details

Inception Date:	1 March 2006
Minimum Lump Sum:	R20 000
Minimum Monthly:	R1 000
Size:	R236.9 million