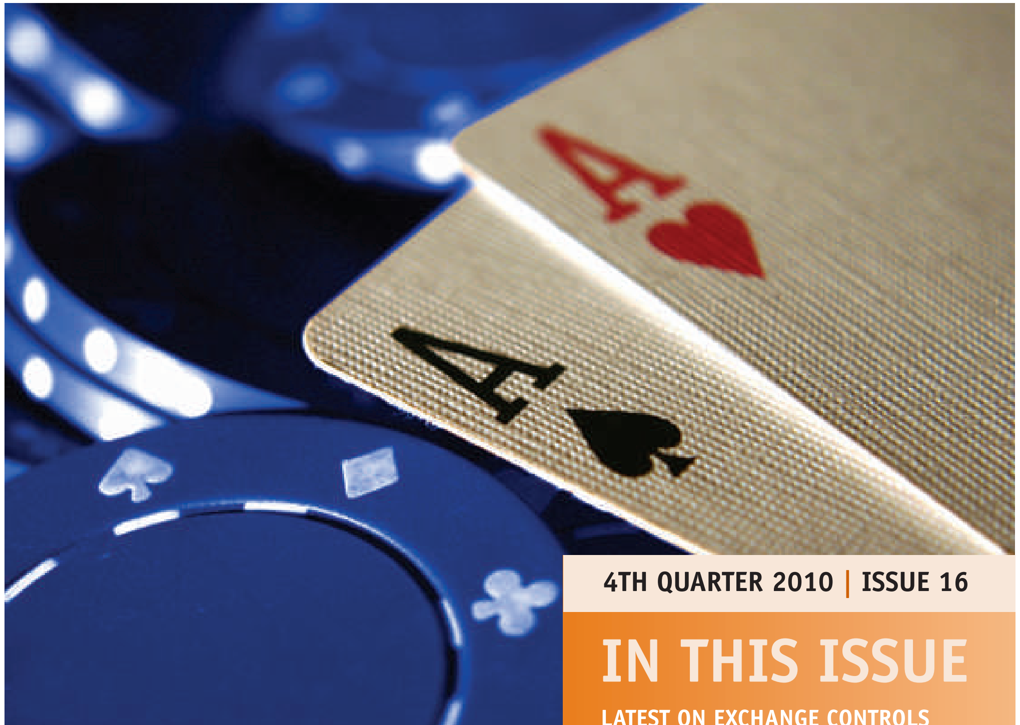
FOREWORD



4TH QUARTER 2010 | ISSUE 16

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DID YOU KNOW?
BLUE CHIP COMPANIES

We've all heard of "blue chip" companies - those which have a large and stable market capitalisation, which operate in established industries, which are financially sound and which pay solid dividends. Blue chip companies often trade at a premium to the market because of investors' confidence in their ability to operate profitably in the face of adverse economic conditions, which helps contribute to their long record of stable growth.

But did you know that the term "blue chip" was borrowed from the game of poker? In poker, the simplest sets of poker betting discs include white, red and blue chips. Tradition dictates that the blues are highest in value, which may have derived from the "blue blooded" description for aristocrats and royals. The phrase "blue chip stocks" is attributed to Oliver Gingold of Dow Jones in the early 1920s. Gingold's "blue chip" reference was originally to high-priced shares, but today the term typically refers to high-quality shares.

ON A HIGH

I would firstly like to wish all our investors and clients a happy new year as we bid farewell to 2010. And what a tumultuous year it was! On the investment front, market participants dedicated much of the year to the double-dip debate: would the world suffer another recession or would growth persist?

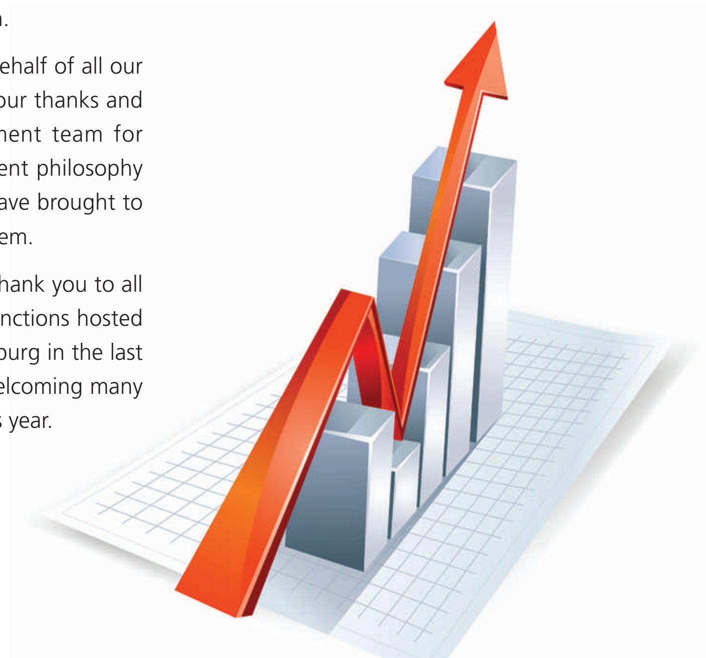
In hindsight it is evident that the global economy avoided the dreaded "double-dip"- but not all economies were spared. In Europe we witnessed unprecedented sovereign bailouts, first of Greece (€110 billion) and then later of Ireland (€85 billion) while Portugal, Spain and Great Britain implemented unpopular austerity measures. In contrast, the US forged ahead with its "QE2" stimulus package, pumping $600 billion into its economy in round two of its quantitative easing programme in a bid to stave off recession and deflation.

Against this backdrop of uncertainty, the Foord portfolios achieved top ranking returns. By year-end, the Foord Equity Fund was the top ranked equity fund in 2010 out of 99 qualifying funds in the General, Growth and Value sectors. The Foord Flexible Fund was top ranked in its sector for the year, while the Foord Balanced Fund was in the top 10% of its sector (ranked 5th of 54 funds). All these funds also have excellent long-term track records. However, I would like to highlight the return achieved by the Foord Equity Fund of 26% for the year (after fees and costs). This return exceeds the benchmark return by 7% (the FTSE/JSE All Share Index returned 19% for the year).

In this issue, we therefore profile the Foord Equity Fund, focusing specifically on the success of the multiple-counsellor approach and its recent expansion. Mario Schoeman briefs us on the recent changes to the exchange control framework which affects all South African investors and Arlene Thompson and Wilma Mostert explain the benefits of joint-name registration.

As we embark on the new year, on behalf of all our investors I would first like to extend our thanks and appreciation to the fund management team for remaining true to the Foord investment philosophy and for the care and patience they have brought to managing the monies entrusted to them.

I would also like to extend a special thank you to all clients who attended the year-end functions hosted in Cape Town, Durban and Johannesburg in the last quarter of 2010. I look forward to welcoming many new faces to these functions later this year.



Chris Greyling
Chairman: Foord Unit Trusts

IN A NUTSHELL

BRUCE ACKERMAN and WILLIAM FRASER review the markets for the fourth quarter of 2010.

	INTERNATIONAL	SOUTH AFRICA
EQUITIES	Equities gained significantly, the catalysts being further US monetary easing and the extension of the Bush tax cuts, while corporate profits growth remained strong - as developed world companies avoided expansion costs in a still uncertain aggregate demand environment	SA shares tracked global markets higher, rising nearly 10% - supported by better-than-anticipated global economic results, additional liquidity provided by the US Federal Reserve through QE2 and a global appetite for growth assets
BONDS	Bond yields rose - as deflationary fears diminished in response to stimulatory fiscal and monetary measures	Benchmark 10-year bond yields rose on sentiment - but less severely than in developed markets
CURRENCIES	Developing world inflation not as benign as in developed world so their currencies appreciated as interest rates rose, while the euro weakened - due to renewed concern that financial woes of peripheral European countries could weaken their banking systems further	The rand appreciated 5% against the US dollar - on enduring demand for emerging market assets, rising commodity prices (positive for SA export demand) and on high relative SA interest rates
COMMODITIES	Most commodity prices rose significantly over the quarter – supported by persistently strong Chinese demand, improved utilisation by developed market economies and the diminished appeal of reserve currencies	
ECONOMY	US job creation remained muted despite the economic recovery - prompting a second round of monetary easing by the Fed	SA GDP grew only 2.6% yoy in Q3 2010, below expectations of 3.2% - dragged down specifically by weak manufacturing output as the sector suffered from protracted strikes throughout the automotive pipeline
MONETARY AND FISCAL POLICY	Developed market interest rates remained at nominal levels - encouraging investors to assume risk	SARB cut short-term interest rates by 0.5% during the quarter - citing subdued domestic demand and inflation which has surprised on the downside

RELAXING EXCHANGE CONTROLS

In October's Medium Term Budget Policy speech, the Minister of Finance announced further significant easing of exchange controls for individuals, which are effective 5 November 2010. MARIO SCHOEMAN explains.

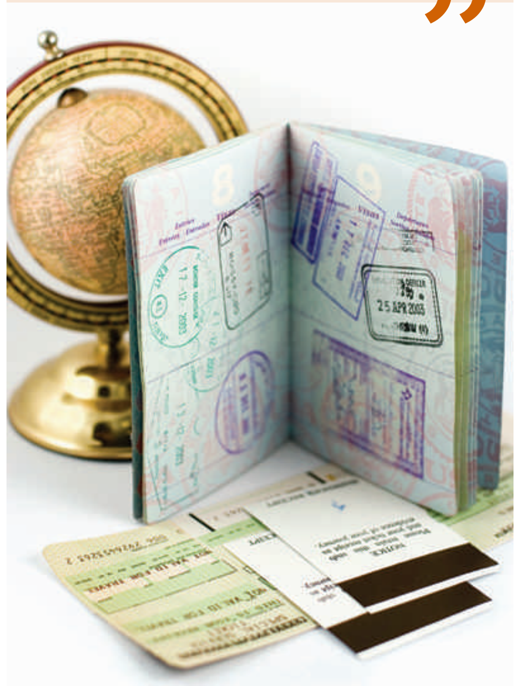
The major amendment was that the lifetime Foreign Capital Allowance limit of R4 million per adult South African has become a *per-calendar year* limit. This allowance is subject to compliance with all tax and financial integrity requirements.

The other change was that the single discretionary allowance was increased from R750,000 to R1 million per annum for SA citizens over the age of 18 and from R160 000 to R200 000 for citizens under the age of 18 (for travel purposes only). The discretionary allowance is not subject to tax clearance. Emigrants may now also remit blocked assets without suffering the 10% exit levy previously applied.

These reforms mean that each South African adult can remit up to R5 million offshore annually - or R10 million per couple. While there are conditions and paperwork attached, for most South African individuals exchange controls have all but been abolished. Investors may utilise some or all of this annual allowance to diversify their investment portfolios offshore. Direct investment into the Foord International Trust (see www.foordinternational.com) is available to South Africans who have remitted rands abroad.

Many investors would previously have obtained foreign exposure via the asset swap or foreign allowance mechanisms granted to investment managers. However, such monies cannot be accessed by investors in foreign currency since investment managers are obliged to repatriate the investments before paying investors out in rands.

> **“EACH SOUTH AFRICAN ADULT CAN REMIT UP TO R5 MILLION OFFSHORE ANNUALLY – OR R10 MILLION PER COUPLE.”**



The latest changes described above allow individuals to externalise rands in their own names, giving them access to the foreign current assets directly. We strongly encourage this practice. However, investors contemplating the repatriation of assets and subsequent externalisation via the R4 million per annum own-name Foreign Capital Allowance must consider the capital gains tax consequences of such a move.

MULTIPLE PLANS FOR EQUITY FUND

1 December 2010 marked the one year anniversary of the adoption by Foord of the multiple-counsellor approach to fund management within its equity portfolios. PAUL CLUER provides an overview of the past year and sneak preview of what lies ahead.

On 1 December 2009, Dane Schrauwen participated in a minority share of the portfolio management of Foord's institutional equity mandates (including amongst others, the Foord Equity Fund unit trust). It has been a good year for our clients, with returns over 12 months being at the top of the ranking tables. Foord Equity Fund, specifically, is the top ranked equity fund out of 99 funds in the General Equity, Growth and Value sectors over the past year.

During this time, we have experienced how the multiple-counsellor approach has been beneficial to clients by splitting the growing volume of assets under management amongst multiple managers; diversifying key-man risk; introducing new investment ideas into the fund; allowing each manager to build more concentrated portfolios of their best ideas; increasing internal competition as well as diversifying investment risk.

At the same time, the technology, dealing, performance and administration infrastructure supporting the multiple-counsellor portfolios has also been refined and is working well. This is vital, ensuring that every part of the process is slick and error free.

In our view, it is an opportune time to expand the system and to introduce a new manager to the mix. From 1 December, Dane Schrauwen was allocated an increased percentage of the participating institutional equity portfolios. Nick Balkin was also allotted a minority share of the portfolios. As a consequence, Dave Foord's slice will reduce but he nevertheless will still manage a majority share of the portfolios.

> **“IT HAS BEEN A GOOD YEAR FOR OUR CLIENTS, WITH RETURNS OVER 12 MONTHS BEING AT THE TOP OF THE RANKING TABLES.”**

For the time being, the multiple-counsellor system will continue to apply only to equity portfolios. However, over the next year we will be trialing the process using dummy portfolios with a view to expanding the system to multi-asset portfolios at a later date.

In addition to its operational and investment success over the past year, the expansion of the multiple-counsellor system gives recognition to the depth of talent in Foord's investment team. This talent has been groomed over more than five years from when Foord first implemented a young research team which is now finding their wings in the fund management arena. We look forward to their continued contribution in the years ahead.

The Foord Equity Fund fee rate will decrease on 1 March 2011. The at-benchmark fee rate decreases to 1.0% per annum while the performance fee participation rate changes to 15%.

A rising star on our investment team, NICK BALKIN is an analyst for the financial, media and retail sectors on the JSE and fund manager on an important long-short equity fund. He is also back up manager for certain other mandates. Nick will now be responsible for a minority share in the equity portfolios participating in the multiple-counsellor process.

WISE WORDS

“It has been said that investing is simple, but not easy.

To be a successful investor you need patience, discipline, hard work and common sense.

THE PROBLEM WITH COMMON SENSE IS THAT IT'S NOT THAT COMMON.”

WHY JOINT-NAME REGISTRATION MAKES SENSE

Losing a spouse is a devastating experience. The emotional trauma alone is enormous. Couple that with the possible immediate loss of income as a result of frozen unit trust investments and the stress of loss is extreme. These scenarios are far too common and as ARLENE THOMPSON and WILMA MOSTERT explain, could be so easily avoided.

In South Africa, the Administration of Estates Act requires the assets of deceased estates to be frozen. Such assets include all bank accounts but also all investment accounts. The accounts can only be accessed when the bank or investment manager receives instruction from an executor under letters of executorship granted in terms of the Act.

The registration of an executor and the issue of such letters should be a relatively straightforward process if the deceased left a valid will nominating an executor. However, it can take some time to conclude. If an investor dies intestate (no valid will exists), this process can take significantly longer.

Unlike retirement investments or insurance policies where you nominate beneficiaries, unit trust investments automatically fall into the deceased's estate and become subject to the executorship process. However, if your account is registered in terms of joint-name registration, the second registered account holder may still issue valid instructions on the jointly held assets.

> **"WHILE JOINT-NAME REGISTRATION MAKES PERFECT SENSE IN A SOUTH AFRICAN SCENARIO, IT IS GENERALLY MORE ADVISABLE FOR OUR FOORD INTERNATIONAL TRUST CLIENTS."**

While joint-name registration makes perfect sense in a South African scenario, it is generally even more advisable for our Foord International Trust clients. Such investors are additionally subject to Guernsey probate law and face plenty of red tape in dealing with the courts and legal systems in a foreign jurisdiction.

Joint-name registration is generally only advisable where there are no donations tax implications, such as between two spouses. However, tax consequences aside, joint-name registration can be implemented between any two persons, for example an aging parent and child.

The process to switch your investment to that of joint-name registration is simple and requires presentation of your ID, proof of address and a signature. For more information please call Arlene or Wilma on 021 532 6988.

FOORD FLEXIBLE FUND OF FUNDS

INVESTMENT RETURNS

	Since Inception %	3 Years %	1 Year %	3 Months %
Foord*	7.1	-	16.9	6.5
Benchmark	12.1	-	8.7	1.6

Benchmark: CPI + 5% per annum, which is applied daily by using the most recently available inflation data and accordingly will be lagged on average by 5 to 6 weeks.
Inception date: 1 April 2008

OBJECTIVE

To provide investors with real returns exceeding 5% per annum, measured over rolling three-year periods. The fund will exploit 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. The fund is suitable for investors with a moderate risk profile who require long-term inflation beating total returns, but who do not require a high income yield.

FOORD INTERNATIONAL FEEDER FUND

INVESTMENT RETURNS

	Since Inception %	3 Years %	1 Year %	3 Months %
Foord*	6.5	0.6	-1.5	-0.1
Benchmark	3.7	-5.2	1.3	3.7

Benchmark: The ZAR equivalent of the MSCI World Equities Index (developed markets)
Inception date: 1 March 2006

OBJECTIVE

To provide exposure to a portfolio of international assets, including equities, fixed interest investments, commodities and cash. 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 is suitable for South African investors who seek to diversify their portfolios offshore and to hedge against rand depreciation.

FOORD BALANCED FUND

INVESTMENT RETURNS

	Since Inception %	3 Years %	1 Year %	3 Months %
Foord*	17.9	7.9	15.5	5.3
Benchmark	15.6	7.2	10.8	4.5

Benchmark: The market value weighted average total return of the Domestic Asset Allocation Prudential Variable Equity unit trust sector, excluding Foord Balanced Fund.
Inception date: 1 September 2002

OBJECTIVE

The steady growth of income and capital, as well as the preservation of real capital (being capital adjusted for the effects of inflation). The fund is managed to comply with the prudential investment limits set for retirement funds in South Africa (Regulation 28 to the Pension Funds Act). The fund is suitable for pension funds, pension fund members, holders of contractual savings products, medium- to long-term investors and those investors who require the asset allocation decision to be made for them, within prudential investment guidelines.

FOORD EQUITY FUND

INVESTMENT RETURNS

	Since Inception %	3 Years %	1 Year %	3 Months %
Foord*	21.7	9.4	26.0	9.5
Benchmark	18.9	6.5	19.0	9.5

Benchmark: Total return of the FTSE/JSE All Share Index
Inception date: 1 September 2002

OBJECTIVE

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 fund is suitable for investors who require maximum long-term capital growth and who are able to withstand investment volatility in the short to medium-term.

NOTE: Investment returns for periods greater than 1 year are annualised   * Net of fees and expenses

PLEASE REFER TO THE FACT SHEETS CARRIED ON WWW.FOORD.CO.ZA FOR MORE DETAILED INFORMATION.

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. 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. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. Unit trusts are traded at ruling prices and can engage in borrowing and scrip lending. A schedule of fees and charges and maximum commissions is available on request from Foord Unit Trusts Limited. Commission and incentives may be paid and if so, this cost is not borne by the investor. Forward pricing is used. A Feeder Fund Portfolio is a portfolio that, apart from assets in liquid form, consists solely of units in a single portfolio of a single investment scheme. A fund of funds is a portfolio that invests in portfolios of collective investment schemes. A MEMBER OF THE ASSOCIATION FOR SAVINGS & INVESTMENT SA

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