

MANAGING INVESTMENT. MANAGING RISK.



CHRIS GREYLING
CHAIRMAN: FOORD UNIT TRUSTS

Volatility also provides opportunities to invest in undervalued shares or asset classes.



This issue of Foreword promises to be an interesting and informative read. We'd love your feedback and thoughts. Send us an email or visit our website to submit your comment.

We might well have entered the most difficult phase of the current investment cycle. Shares and listed property both have performed exceptionally well over the past few years. They will have certainly exceeded most investors' expectations in reaching all time highs.

The investment markets are currently characterised by increased volatility. Some commentators are calling an end to the bullish cycle. Others believe that the economy will continue to reap the benefits of sound economic policies. And this at a time when the world at large is experiencing a phase of above-trend economic growth.

Having said that, the South African economy currently faces critical challenges. A persistent deficit on the current account of the balance of payments is a cause for concern. So too, is the fact that the inflation rate (CPIX) could exceed the 3% - 6% inflation target for longer than anticipated. These inflationary worries may well lead to further increases in interest rates. These factors may encourage investors to contemplate liquidating some of their investments.

Increased volatility is typically viewed as increased risk. However, I have previously alluded to the beneficial role of volatility when it acts as a catalyst for releasing value. Volatility also provides opportunities to invest in undervalued shares or asset classes. Our view is that investment managers should not aim to eliminate investment risk. Rather, they should aim to manage investment risk by constructing diversified portfolios.

In his article *Clear Skies or Stormy Weather?* William Fraser discusses how Foord is managing the investment risks I have mentioned. In this issue, Moneen d'Hotman de Villiers also addresses non-investment risks associated with unit trust investments and highlights the structures that our regulators have put in place to protect your investments.

I hope you enjoy the read.

Chris Greyling | Chairman: Foord Unit Trusts

IS YOUR INVESTMENT IN A UNIT TRUST FUND SAFE?

The possibility of fraud resulting in loss of hard earned savings is a risk for any investor. There are, however, substantially reduced risks when investing in registered collective investment schemes (unit trusts). Moneen d' Hotman de Villiers explains the rules and regulations and the reasons why unit trusts are still a safe investment choice.

Unit trusts are strictly regulated by the Financial Services Board (FSB) under the Collective Investment Schemes Control Act ("the Act").

The Act prescribes certain governance requirements that substantially reduce the risks associated with investing. Most important is that all unit trust managers are required to be registered with the FSB. In fulfilling their function, the FSB conducts routine onsite visits to inspect the operation of the manager.

The Act requires each manager to appoint an independent trustee. The trustee - typically one of the four large banks - is responsible for the safe custody of investors' assets. Foord Unit Trusts uses FirstRand Bank as its trustee.

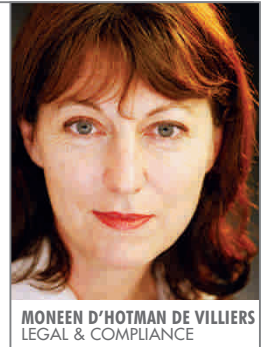
The responsibilities of the independent trustee are clearly defined in the Act. Their duties include ensuring that there is a legal separation of assets between the manager and the scheme. The trustee must also be satisfied that the manager maintains appropriate internal control systems and record keeping. Managers are, furthermore, required to demonstrate clearly that they can identify the nature and value of all assets under custody and the ownership of each asset.

Trustees must report to the manager any irregularity or undesirable practice of which it becomes aware. If steps to rectify the irregularity are not taken to the satisfaction of the trustee or custodian, it must as soon as possible report such irregularity or undesirable practice to the FSB.

The Act also requires that managers appoint independent directors to their boards. Foord Unit Trusts has appointed an independent chairman, Chris Greyling. Adam Cowell is also an independent director.

YOUR MONEY IS IN SAFE HANDS

Your unit trust investment is held and controlled by an independent trustee. The unit trust management company only has authority to manage the assets. It cannot at any time take title to any of these assets. There is therefore a very low risk of misappropriation. Of course, investors still face the risk of fluctuating markets – but it's the manager's job to maximise returns for the risk assumed.



MONEEN D'HOTMAN DE VILLIERS
LEGAL & COMPLIANCE

All unit trust managers are required to be registered with the FSB. In fulfilling their function, the FSB conducts routine onsite visits to inspect the operation of the manager.



CLEAR SKIES OR STORMY WEATHER? FOORD IS PREPARED.



WILLIAM FRASER
PORTFOLIO MANAGER

With clear changes in the investment climate, William Fraser takes a look at the forecast and the preparations Foord is making to its portfolios in the light of risk and opportunity.

As we enter the second half of 2007, the outlook for asset classes has changed. South Africa remains on a sound and strong economic growth path. Fixed investment spending will anchor this growth and a growing workforce will keep the consumer sector buoyant. But the prices of listed companies have risen to reflect the improved outlook for earnings growth relative to four years ago. In some cases share prices have risen to levels where the shares no longer offer much value. Interest rates also continue to rise and inflationary pressures are building.

The asset allocation of our balanced funds reflects the change in the available investment opportunities. The risk for potential capital losses in listed equity and property shares has increased concomitantly with the rise in share prices. The diminished outlook for earnings growth due to higher interest rates and higher inflation adds to the risk.

High commodity prices are reflective of a healthy global economy, and a tight balance between supply and demand. Much of the additional demand for commodities has emanated from China, which is absorbing a large amount of the raw materials being produced globally. We do not forecast a significant reversion in commodity prices in the short to medium-term.

These factors have affected the allocations within our portfolios. Firstly, the change in the outlook for local equity is most noticeable in the reduced allocation to shares. We have been underweight in bonds for a long time because of the interest rate and inflationary pressures. We no longer hold any bonds, instead preferring cash. Within equities, we have reduced our allocation to shares exposed to the consumer, but increased our allocation to resources.

South African investors needn't be overly concerned about the decline in available opportunities in South Africa. Share prices and yields on interest bearing assets will revert to levels where value is once again restored. In the interim, investors can benefit from the diversification properties of a balanced fund, which has the potential to invest in asset classes outside the borders of South Africa. We continue to maintain a full weighting to foreign assets within our balanced mandates, favouring large capitalisation companies operating in developed markets.

The investment landscape has changed. Remaining invested in a diversified balanced fund is a sound decision. For those investors contributing significant amounts of new capital, it may be prudent to spread the investment over a number of months in order to avoid buying just before a correction.



THE INTRINSIC VALUE OF AN INVESTMENT PROFESSIONAL

SNIPPET

So what is the value in investing in unit trusts managed by a portfolio manager?

Aristotle maintained that it was "the mark of an educated mind to be able to entertain a thought without accepting it." In the same way it is the job of a professional portfolio manager to consider all information, understand it, use it, discard it, question it or model it and make the best investment decisions with the information available.

The successful investor has the unique ability to assimilate all information offered by the market, be it rumours, debates, technicals or fundamentals and use it to consistently make sound investment choices, while preserving the initial capital.

Read the full article by [Lara Smith](#) in our NEWS section: www.foord.co.za



THROUGH THE WALL...

After months of planning and preparation the renovations at Foord are underway. And while many view change as a somewhat scary subject, our staff members are embracing the dust, noise and new seating arrangements bravely.

By the end of the year this renovation should be complete with modern furnishings and fittings with a very Foord feel, indoor and outdoor relaxation areas, gym facilities and a mean coffee machine, our refreshed tree house promises to be a fantastic work environment to inspire and support us during our working hours.

However, for the next few months, Foord will not be the most hospitable environment to visit. And as much as we'd love to see you at our offices, may we suggest we wait until the dust settles and in the meantime, we can always suggest another spot.

SPOTLIGHT



ARLENE THOMPSON
CLIENT SERVICES

What exactly do you do?
I'm the first point of call for all new and existing clients and I am responsible for ensuring that clients' instructions are attended to timeously and accurately. I deal with all queries and I take special care in ensuring that clients, individuals and companies, are treated in a professional and personal manner.

What makes you so important?
Clients deal directly with me and I ensure that their questions or concerns are answered personally. Being passionate about client service delivery, I have committed myself to delivering a superior client service at all times.

What do you like most about your work?
The daily contact with our clients and the variety of duties.

Spender or saver?
Spender!

Who would you love to have round for dinner?
Richard Gere or George Clooney

FOORD BALANCED FUND

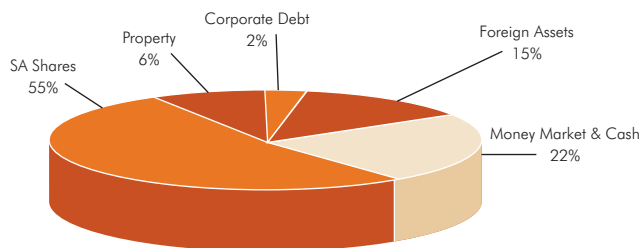
30 June 2007

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 Medium Equity unit trust sector.

The Foord Balanced Fund is ideally suited to being a substantial component of any retirement savings portfolio. Given the fund's risk return profile, it is a more appropriate investment vehicle for investors whose risk tolerance is below that of a pure equity fund investor.

ASSET ALLOCATION



TOP 5 EQUITIES

INVESTMENT	% OF FUND
BHP Billiton	4.8
Anglo American	4.5
Sasol	3.5
Bidvest	3.5
RMB Holdings	3.1

INVESTMENT RETURNS

	LAST 6 MONTHS	LAST 12 MONTHS	LAST 3 YEARS	SINCE INCEPTION
FOORD*	10.8%	30.2%	37.8%	26.9%
BENCHMARK	9.9%	28.0%	30.6%	22.5%

*Net of fees and expenses.

BENCHMARK

The market value weighted average total return of the Domestic Asset Allocation Prudential Medium Equity unit trust sector, excluding Foord Balanced Fund. Periods greater than 1 year are annualised.

FUND INFORMATION

MINIMUM LUMP SUM: R 20 000
MINIMUM MONTHLY: R 1 000
FUND SIZE: R 1 615 231 624



FOORD EQUITY FUND

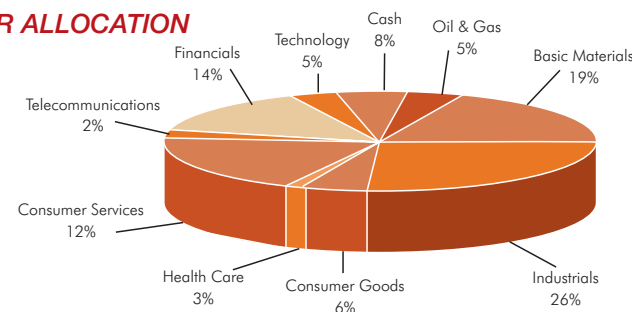
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ABOUT THE FUND

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



TOP 5 INVESTMENTS

INVESTMENT	% OF FUND
Anglo American	6.3
BHP Billiton	5.9
RMB Holdings	5.2
Sasol	5.1
Bidvest	4.5

INVESTMENT RETURNS

	LAST 6 MONTHS	LAST 12 MONTHS	LAST 3 YEARS	SINCE INCEPTION
FOORD*	14.5%	41.5%	45.7%	33.2%
BENCHMARK	15.1%	36.9%	44.9%	28.7%

*Net of fees and expenses.

BENCHMARK

Total return (capital plus income) of the FTSE/JSE All Share Index. Periods greater than 1 year are annualised.

FUND INFORMATION

MINIMUM LUMP SUM: R 20 000
MINIMUM MONTHLY: R 1 000
FUND SIZE: R 519 157 420



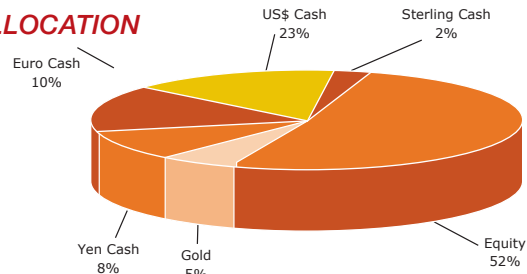
FOORD INTERNATIONAL FEEDER FUND

30 June 2007

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. The manager's specific aim is 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 ZAR depreciation.

ASSET ALLOCATION



* for Equity Sector Allocation and Regional Equity Exposure, download the full fact sheet from our website: www.foord.co.za

TOP 5 EQUITIES

- BHP Billiton
- Nestle SA
- General Electric
- Canon
- Tesco

INVESTMENT RETURNS

	LAST 6 MONTHS	LAST 12 MONTHS	SINCE INCEPTION
FOORD*	5.4%	12.4%	21.8%
BENCHMARK	9.0%	19.5%	28.7%
ZAR / USD	0.9%	-1.6%	14.3%

*Net of fees and expenses.

BENCHMARK

The ZAR equivalent of the MSCI World Equities Index. Periods greater than 1 year are annualised.

FUND INFORMATION

MINIMUM LUMP SUM: R 50 000
MINIMUM MONTHLY: n/a
FUND SIZE: R 82 902 872



FUND CHARACTERISTICS

FEES, FACT SHEETS AND APPLICATION FORMS ARE AVAILABLE ON OUR WEBSITE

CHARACTERISTICS	BALANCED FUND	EQUITY FUND	INTERNATIONAL FEEDER FUND
Benchmark	The market value weighted average return of the Domestic Asset Allocation Prudential Medium Equity unit trust sector, excluding Foord Balanced Fund.	The total return (capital plus income) of the FTSE / JSE All Share Index.	The ZAR equivalent of the MSCI World Equities Index
Mandate Restrictions	Maximum equity exposure of 75%. Maximum offshore exposure of 15%. Complies with pension fund investment regulations.	Minimum equity exposure of 75%. No offshore exposure.	Limited from time to time by the foreign exchange capacity of the Foord Unit Trust Scheme.
Income Distributions	End-February and end-August each year.	End-February and end-August each year.	End-February and end-August each year.
Income Characteristics	Typically double that of the FTSE/JSE All Share Index dividend yield.	Low income yield, typically similar to FTSE/JSE All Share Index dividend yield.	Marginal to zero income yield as the Foord International Trust is a roll up fund.
Portfolio Orientation	Typically a medium to high weighting in JSE shares and includes exposure to bonds and money market instruments, listed property and foreign assets.	Fully invested equity portfolio of JSE shares that present compelling long-term investment value.	Fully invested in the Foord International Trust allowing South African investors to diversify their portfolios offshore and hedge against ZAR depreciation.
Risk of Loss	High in periods shorter than 6 months. Slight in periods greater than 1 year.	High in periods less than 1 year. Slight in periods greater than 3 years.	Currency risk means that risk of loss is high in periods less than 1 year. Slight in periods greater than 3 years.
Return Objective	To exceed the return of the Benchmark over rolling one-year periods.	To exceed the return on the Benchmark over rolling one year periods.	To produce an annualised return over time in excess of 10% in US Dollars and thereby outperform world equities indices.
Suitable Investors	Pension funds, pension fund members, holders of contractual savings products, medium-term investors and those investors who require the asset allocation decision to be made for them, within the prudential investment guidelines.	Those requiring long-term capital growth and who are able to withstand investment volatility in the short to medium-term.	Those requiring diversification into a conservatively managed offshore portfolio and those who require a hedge against ZAR depreciation.
Fund Manager/s	Dave Foord	Dave Foord	Dave Foord and Bruce Ackerman

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. This document is not an advertisement, but is provided exclusively for information purposes and should not be regarded as an offer or solicitation to purchase, sell or otherwise deal with any particular investment. While we have taken and will continue to take care that the information contained herein is true and correct, we do not guarantee the accuracy, timeliness or completeness of the information provided, and therefore disclaim any liability for any loss, liability, damage (whether direct or consequential) or expense of any nature whatsoever which may be suffered as a result of or which may be attributable, directly or indirectly, to the use of or reliance upon the information. The document is protected by copyright and may not be copied, reproduced, sold or distributed without prior written consent.