DID YOU KNOW?
DISINFLATION AND DEFLATION DEFINED

We all know what inflation is and what it means in our day to day lives. The concepts of disinflation and deflation, and their consequences, are less well known. Economies experience disinflation when the growth in prices decreases. In other words, prices are not rising as fast as they once did. South Africa is currently in a disinflationary period as the rate of inflation is slowing. Disinflation is lower inflation and is generally welcomed.

Deflation on the other hand refers to the general decline in the price of goods and services. Deflation occurs when disinflation causes price rises to reverse. Deflation is simply negative inflation.

Whereas inflation erodes the purchasing power of money, deflation causes money to be more valuable (the same money can buy more goods and services). Contrary to what most consumers may believe, sustained deflation is typically harmful to economies. This is because when prices are falling, consumers cease borrowing and delay spending, which reduces overall economic activity - contributing to a deflationary spiral.

WHAT'S NEW

MIKE SOEKOE
BUSINESS DEVELOPMENT

WELCOME MIKE SOEKOE

During the quarter, Mike Soekoe joined the team. Mike takes on a business development and client servicing role at Foord.

Mike's fund management (BoE Private Clients) and stock broking (Simpson McKie) background and wealth of experience in the investment management industry provide him with the ideal credentials for the position. We are very pleased to have someone of Mike's calibre on board to develop this new role.

Please feel free to contact Mike directly, your fund manager or any member of the Foord team for advice on your portfolio.

ANDREA SPOCTER
ADMINISTRATION ASSISTANT

ANDREA IS RETIRING

Many of our long-term clients will know Foord's administration assistant Andrea Spocter (now Alexander). Andy retires from Foord Asset Management at the end of May 2009. After decades of dedicated service to Foord and a life time of hard work, she most assuredly deserves her rest.

Andy has the distinction of being just the fourth person ever to be employed at the then Foord & Meintjes. She joined Foord in December 1985 in its Market House days and has travelled a long road with the firm to her present location in number 10 Forest Mews! Andy's zest for life, infectious laugh and colourful stories will be sorely missed. She carries our blessings for a long and enjoyable retirement filled with excitement and adventure.

FOREWORD
ISSUE 9
1ST QUARTER 2009

CHRIS GREYLING
CHAIRMAN: FOORD UNIT TRUSTS

Looking ahead, the crystal ball is clouded.

UNCERTAIN TIMES REQUIRE CERTAIN THINKING

As autumn moves in, we bring you the first Foreword of 2009. Based on feedback from clients, we are moving towards including more detailed commentary as well as making the newsletter more readable. The newsletter is therefore evolving and we'd appreciate your comments on the changes.

The quarter was marked by continued volatility in local and global financial markets. The JSE Financials index, which had staged a recovery late last year, fell below its 2008 lows as losses in global financial institutions continued to mount amid further nationalisations by governments of multi-national firms. Yet we have also seen two bear market rallies in the last two months, with March and early April showing particularly strong gains.

Looking ahead, the crystal ball is clouded. However, in an article titled *Are We Over The Worst Yet?*, Mark Hodges takes a look at the fundamentals and provides advice to investors in the face of an uncertain future. He notes that despite some encouraging signs, it is still too early to say whether the bottom has been reached.

Aside from the declines experienced in most financial markets in the past year, investors have also been stunned by the revelations of the fraud committed by Bernie Madoff. Investors are questioning how they could have avoided investing in his scams. In this edition, Paul Cluer looks at ways in which investors can avoid investment charlatans by performing some simple steps before investing.

This quarter we also welcome Mike Soekoe to the firm (see What's New). Mike will have a marketing role with a focus on relationship management, business development and client service, predominantly in the retail / private client space. We trust that over the coming months and years our clients will get to know Mike well and will seek his advice and wise counsel regarding their investments.

Finally, KPMG Inc. are completing our annual audit. Abridged copies of our financial statements will be distributed during the coming months.

Until next quarter

Chris Greyling

IN THIS ISSUE

PAUL CLUER
MD: FOORD UNIT TRUSTS

HOW SECURE ARE YOUR INVESTMENTS?

The unfolding story about the world's largest financial fraud has rightly shaken some investors into asking questions about the security of their investments. Bernie Madoff's Ponzi scheme is estimated to have defrauded 4 800 investors of around $65 billion since the early 1990's. Investors the world over have realised that they could easily have been his victims. Paul Cluer examines how one mitigates the risks of investing money with fraudsters.

All financial services providers are required to be approved by the Financial Services Board.

In South Africa, all financial services providers (financial advisors, investment managers, unit trust funds and life insurance companies) are required to be approved by the Financial Services Board (FSB). Before making any commitment, investors should first check whether their financial services provider is licensed to operate. This can be done by accessing the FSB website or telephoning the FSB using the contact information set out below. Do not deal with an unlicensed institution or individual. Report these persons to the FSB for further investigation.

If you are satisfied that the institution/individual is duly licensed you should then enquire as to their good standing. You can check their records with the FSB, the Ombud for Financial Services Providers or appropriate industry bodies such as the Association for Savings and Investment SA (ASISA) or the Financial Planning Institute (FPI).

In addition to these steps, all unit trust managers are required to appoint an independent corporate trustee to safeguard the assets of investors. When investing in unit trusts, ask about the manager's trustee and contact the trustee to enquire about the unit trust manager. Foord Unit Trusts uses FirstRand Bank Limited as the corporate trustee.

A final step would be to contact an independent director of the firm, the chairman of the firm's audit committee or the auditor of the unit trust scheme. This information should be available in the company's annual financial statements, which by law should be made available to you by the unit trust manager. Outstanding, outdated or qualified audit reports are additional signs that you should be wary about investing with the manager concerned.

FSB	012 428-8000	www.fsb.co.za
OMBUD FOR FINANCIAL SERVICES PROVIDERS	012 470-9080	info@faisombud.co.za
ASISA	011 325 6223	www.asisa.co.za
FPI	086 100-0374	www.fpi.co.za
FIRSTRAND BANK (TRUSTEE DIVISION)	011 371-1051	nelia.debeer@fnb.co.za dl-trusteeservices-custody@fnb.co.za

BRUCE ACKERMAN
and
WILLIAM FRASER
PORTFOLIO MANAGERS

IN A NUTSHELL

Bruce Ackerman and William Fraser review the markets in the quarter that was on the home front and abroad.

	INTERNATIONAL	SOUTH AFRICA
EQUITIES	Developed world markets fell during quarter - despite a significant March recovery on optimism that US plans to restore bank balance sheets could work	SA share market also declined - despite March optimism that global fiscal and monetary policy efforts will stabilise the financial sector
BONDS	Bond markets declined - investors fearing the possible longer term inflationary implications of massive deficit financing and the consequences of burgeoning government debt	Bond yields rose - concerns about longer term current account risk due to poor exports and higher inflation offsetting positive sentiment from more frequent MPC meetings
MONETARY POLICY	Interest rates were cut further to virtually zero in most countries - UK and US thus having to resort to unprecedented "money printing" to encourage bank lending	Rates reduced by 2% - but with poor manufacturing and household expenditure signals, MPC has scope to reduce rates further despite shorter term inflation worries
CURRENCIES	The dollar strengthened - on a flight from asset classes with higher perceived risk	Rand was volatile but ended the quarter largely unchanged - increased risk appetite in March offset by earlier concerns for poor export demand
COMMODITIES	Commodity prices generally rose - including copper on expectations of an early recovery in Chinese industrial production	
ECONOMIES	US unemployment highest for 25 years with more auto industry layoffs due - US employers more rapid response than other countries to declining demand. Japanese and German exports fell sharply - threat of protectionism not averted despite G20 accord	Overall economic growth contracted in Q4 2008 and is likely to contract further in Q1 2009 - thereby taking SA into technical recession as GDFI spend insufficient to offset poor global demand for SA goods and contraction in manufacturing sector

ARE WE OVER THE WORST YET?

MARK HODGES
DIRECTOR AND PORTFOLIO MANAGER

The year 2008 has already been well documented as the "worst of times" in terms of the size and scale of wealth destruction across most asset classes. Mark Hodges adds perspective to the future path of investment.

Government bonds and cash, both of which showed positive returns, were the notable exceptions to the wealth destruction experienced last year. The first quarter of 2009 has delivered a mixed bag of returns with developed equity markets continuing their downward trend, despite a strong rally in March. Emerging equity markets were flat to positive. Government bonds gave up some of their 2008 gains. Returns to cash declined - in some cases to almost zero percent. House prices have continued to fall. There were some positive signs in the commodity markets with most commodities showing a sharp increase in prices, albeit from their record lows reached in 2008.

Do these early positive signs in some asset markets indicate that the worst is over; that the bottom has been reached and that we can look forward to positive returns in the months and years ahead?

In my view, the answer lies in the future path of corporate earnings and dividends. In the longer term and fundamentally, stock markets and company share prices are driven by corporate earnings and earnings growth. As Ben Graham put it: "In the short run, the market is a voting machine, and in the long run a weighing machine." And it is corporate earnings that are being weighed and evaluated.

Earnings will fluctuate depending on the economic environment and the success (or lack thereof) of management at guiding their company through the peak and trough of the business cycle. Earnings are also impacted by differing accounting policies and standards, which are sometimes randomly changed to suit the prevailing circumstances. So investors must be aware that real earnings are often not what they are reported to be.

Many investors prefer to use cash earnings as a more reliable measure of absolute performance. P/E multiples in the market place do not take account of this type of earnings which can make comparisons difficult.

More simplistically, an investor can purely follow the dividends that are paid, as they represent the real cash return to equity investors. Dividends DO matter and especially so in current times, when the only positive return to investors is the cash received as dividends. Recently, some major companies have summarily passed their dividends, leaving investors with only a negative capital return to feed on. The market has "weighed" these companies, found them wanting and punished them harshly for being so "underweight" in their distributions. In most cases, poor management has led to poor balance sheets which now need urgent rectification. This is especially difficult to achieve under the current credit and liquidity crisis conditions. Cutting dividends becomes part of the risk management and balance sheet restoration process implemented by management. Shareholders suffer the consequences.

Dividends remain an important component of the total return on investment - especially when the dividend is stable and growing.

THE OUTLOOK FOR EARNINGS AND DIVIDENDS

Earnings growth is dependent on the economic environment. The global economy, and especially the developed economies, are in deep recession. Economic activity is reducing. Consequently, earnings have already declined substantially, thanks to both the financial crisis and latterly the real economic slow down. Corporate earnings (including the losses from banks) on the NYSE (S&P500) have declined more than 60% from a year ago. In anticipation, perhaps, of such an earnings decline the S&P500 Index has also dropped 60% from its peak in October 2007 to its low point in March 2009. Dividend growth is at -20% on a year ago. This market has both 'voted' and 'weighed'.

In SA, the JSE All Share Index 12 month earnings growth has dropped to 0% and is likely to go lower. The All Share Index itself has dropped 45% from its high in May 2008 to its low point in March 2009. Interestingly and perversely for now, dividend growth on this Index is at +30%, but this will certainly decline in the months ahead.

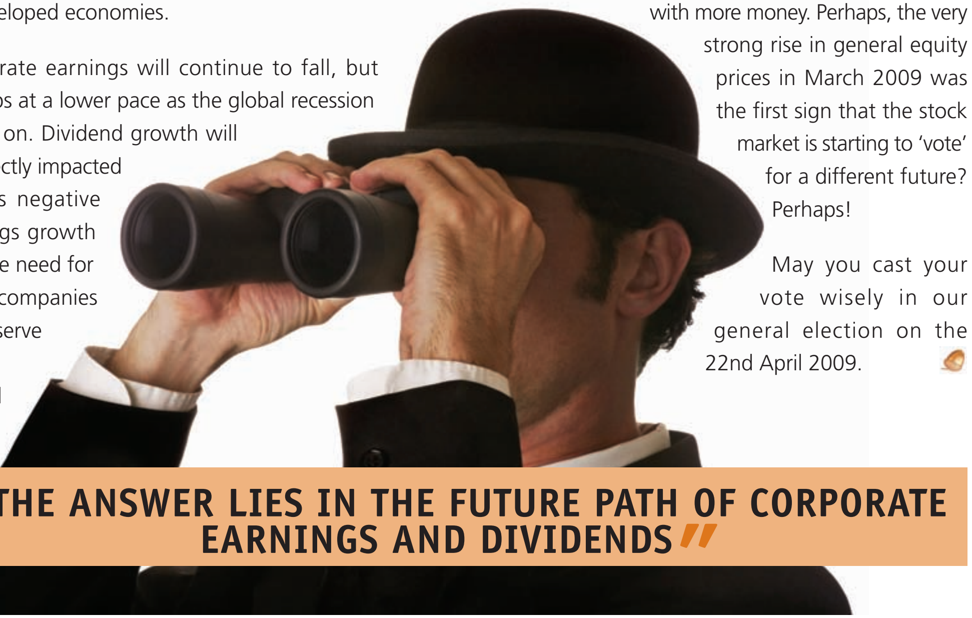
The economic environment in SA is impacted directly by global economic conditions and our own unique conditions. This economy is slowing down rapidly which implies that earnings growth will be hard to achieve, especially for commodity-based companies and those dependent on them for their well-being. On the positive side, interest rates are falling (albeit latterly), and we are part of a range of emerging market economies which are showing some signs of nascent growth, in contrast to the recessionary mode of developed economies.

Corporate earnings will continue to fall, but perhaps at a lower pace as the global recession grinds on. Dividend growth will be directly impacted by this negative earnings growth and the need for many companies to preserve the capital on their balance sheets. So dividends too will decline. Despite this broadly negative environment for shareholders, there are exceptional companies who have managed themselves well through this current business cycle; whose earnings base is intact and possibly growing; whose balance sheet is in good order; who have little or no debt and who generate strong positive cash flows. These companies will not pass their dividends and instead are likely to grow them, even in these difficult times.

Your equity investment portfolio with Foord is made up of many such companies, and I am confident that dividends received in a year's time will be greater than the current level of dividends generated from this portfolio. Ultimately, it is the long-term flow of dividends received from an investment that determine its true fundamental value, while the stock market machine continues with its process of 'voting' and 'weighing'.

Finally, it is still too early to say that the market bottom has been reached. However, there are some encouraging signs from different quarters that some economies and asset prices have passed their lows. There is some economic growth in some parts of the world and some commodity prices are rising. The world is to be awash with liquidity from the world's biggest ever stimulus package. Interest rates are extremely low. The system is being pump-primed with more money. Perhaps, the very strong rise in general equity prices in March 2009 was the first sign that the stock market is starting to 'vote' for a different future? Perhaps!

May you cast your vote wisely in our general election on the 22nd April 2009.



"THE ANSWER LIES IN THE FUTURE PATH OF CORPORATE EARNINGS AND DIVIDENDS"

FUND OBJECTIVE

INVESTMENT RETURNS (Periods greater than 1 year are annualised)

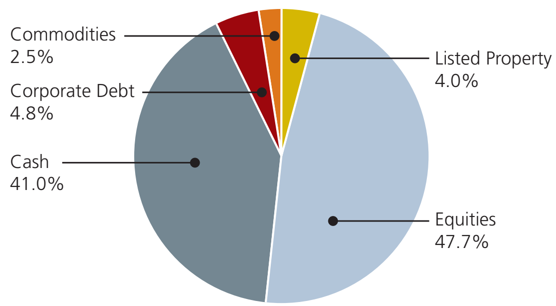
ASSET / SECTOR ALLOCATION

FOORD FLEXIBLE FUND OF FUNDS

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.

	6 Months %	1 Year %	Since Inception %
Foord*	- 6.1	-12.0	-12.0
Benchmark	3.5	15.2	15.2

Benchmark: CPIX + 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. From 1 January 2009 the CPIX measure was discontinued by Stats SA and replaced by CPI excluding owners' equivalent rent.
Inception date: 1 April 2008

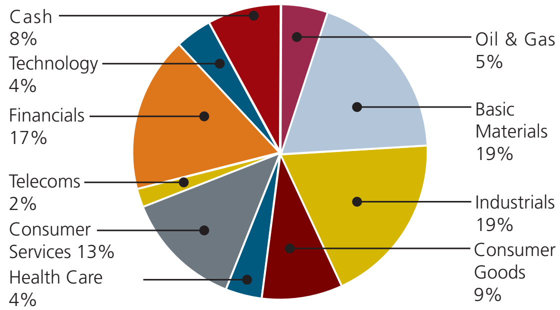


FOORD EQUITY FUND

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.

	6 Months %	1 Year %	3 Years %	5 Years %	Since Inception %
Foord*	-13.9	-22.9	0.5	17.7	18.0
Benchmark	-13.0	-28.5	3.0	17.1	15.5

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

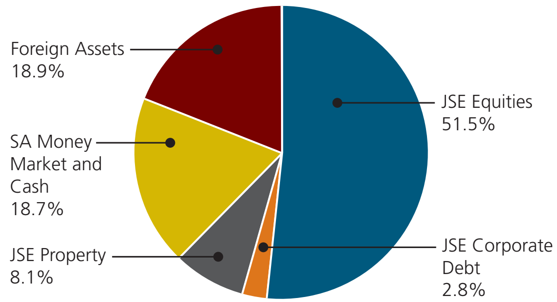


FOORD BALANCED FUND

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.

	6 Months %	1 Year %	3 Years %	5 Years %	Since Inception %
Foord*	- 7.3	-13.3	4.5	17.7	16.9
Benchmark	- 7.6	-14.4	4.1	14.3	13.8

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

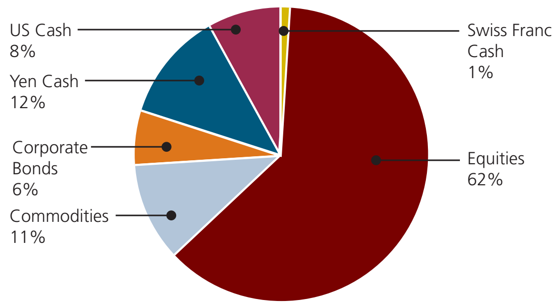


FOORD INTERNATIONAL FEEDER FUND

To provide exposure to a portfolio of international 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 is suitable for South African investors who seek to diversify their portfolios offshore and to hedge against rand depreciation.

	6 Months %	1 Year %	3 Years %	Since Inception %
Foord*	- 6.8	-12.4	11.8	11.7
Benchmark	-20.9	-33.7	- 2.0	- 1.4

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



* Net of fees and expenses

Please refer to the detailed fact sheets carried on www.foord.co.za for more information on fees, fund availability and for application forms.

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