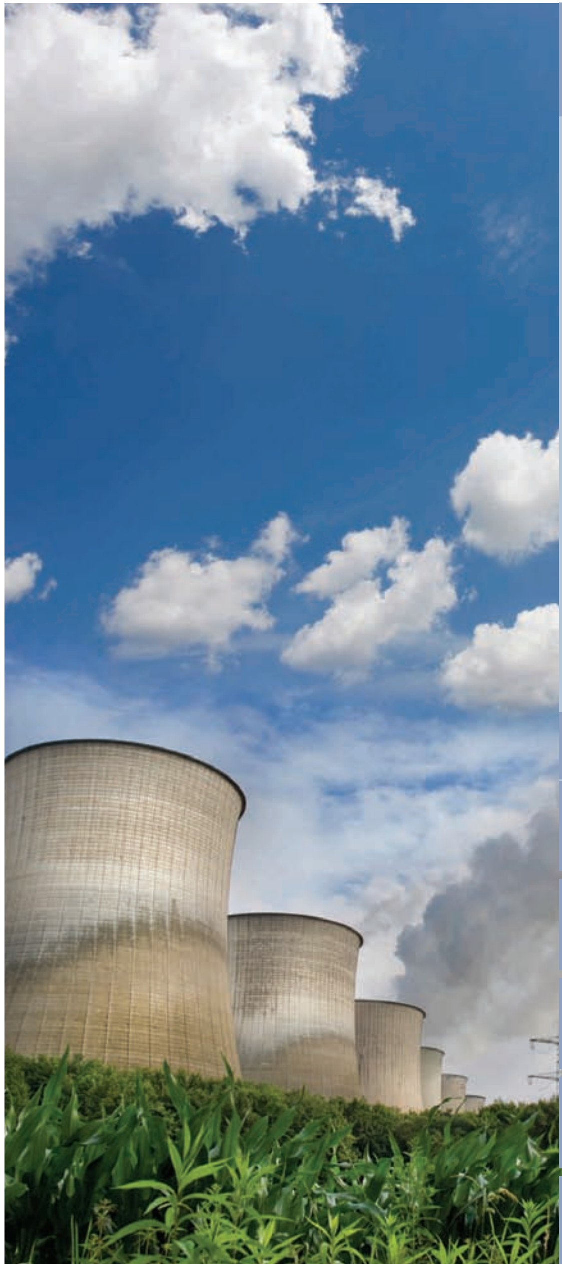
FOREWORD



DID YOU KNOW?
CARBON CREDITS

The Kyoto Protocol adopted in 1997 established emissions limits on four green house gases ("GHG"). Subsequently, 187 sovereign states signed and ratified the protocol, with 37 industrialised countries committing to reduce their collective GHG emissions by 5.2% from 1990 levels. In turn, these countries set quotas on the GHG emissions of local businesses (called "operators").

Carbon credits were introduced as a market mechanism to allocate emissions among participating operators. Each "credit" amounts to one metric tonne of CO_2 or other GHG. Certain operators who have successfully reduced their emissions may have surplus carbon credits. These can then be sold to commercial and individual customers who wish to voluntarily reduce their own carbon footprints. Carbon credits are traded in the open market and their price is determined by demand and supply.

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FOORD FLEXIBLE FUND OF FUNDS

INVESTMENT RETURNS

	3 Months %	1 Year %	3 Years %	Since Inception %
Foord*	4.9	23.0	-	**9.2**
Benchmark	1.9	11.6	-	**11.8**

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

	3 Months %	1 Year %	3 Years %	Since Inception %
Foord*	4.0	-0.9	2.3	**8.5**
Benchmark	3.3	13.5	-7.4	**2.0**

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 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.

FOORD BALANCED FUND

INVESTMENT RETURNS

	3 Months %	1 Year %	3 Years %	Since Inception %
Foord*	5.2	28.4	5.3	**18.4**
Benchmark	1.5	23.0	5.8	**15.9**

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

	3 Months %	1 Year %	3 Years %	Since Inception %
Foord*	6.1	46.1	4.3	**21.3**
Benchmark	4.5	44.1	4.6	**18.9**

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.

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IN A NUTSHELL

Portfolio Managers, **BRUCE ACKERMAN** and **WILLIAM FRASER**, review the markets in the quarter that was on the home front and abroad.

INTERNATIONAL	SOUTH AFRICA
EQUITIES	
Equity markets rose strongly on accumulating evidence world economic growth was recovering rapidly - despite early quarter weakness on misplaced fears of a Chinese growth slowdown, Greek debt default concerns and uncertainty over the exit timing for government fiscal and monetary stimuli	JSE rose 8% in March and 4.5% for Q1 2010 - with rising earnings expectations, demand for emerging market assets, an improving macro-economic environment and still-low interest rates supporting growth assets
BONDS	
Bond yields fell slightly - despite record government new issuance to finance their massive budget deficits	Bond yields declined sharply - driven by a declining inflation environment (food prices in particular), a strong and stable currency, carry trade inflows and the surprise interest rate cut in March
CURRENCIES	
Dollar rose strongly, especially against the euro - faster US economic growth expected to permit withdrawal of zero interest rate policies there first	The rand appreciated against developed market currencies - on rising commodity prices and positive fund flows, combined with a weaker euro and sterling
COMMODITIES	
Bulk commodities, oil and platinum prices rose - supported by an improving global economic environment and some supply constraints, while soft commodity prices are declining following record crops in many parts of the world, including in SA	
ECONOMY	
World economic growth has rebounded sharply - driven mainly by inventory rebuild in developed markets, as sales growth remains subdued. US health reforms passed, inhibiting US Budget deficit reduction	Economic growth has been muted compared to global recovery - as consumer expenditure has not yet recovered. Sizable budget deficit forecasted over 3 year horizon, financed through debt issuances
MONETARY AND FISCAL POLICY	
Global interest rates remain low in most parts of the world - selective tightening, most notable in Australia, has taken place while China increased bank reserve requirements in an attempt to curb excessive lending	In a surprise move, MPC cut the repo rate by a further 0.5% in March - taking the prime overdraft rate to its lowest level since 1981

Remain focused on the LONG TERM

Change in the seasons is as inevitable as change in the global economy. Summer has slowly transitioned into early Autumn and in the global economy, most economies have slowly emerged from the great recession. While we expect improved corporate profits to lead to increased dividend payouts which should support further share price growth, there are still risks to global growth including the timing and extent of interest rate rises and how and when global stimulus packages will be withdrawn. The upward correction in equity markets since their March 2009 lows highlights the belief that investors should remain invested for the long term - irrespective of short-term turbulence or volatility.

In this issue, we take a closer look at how one of the proposed changes to Regulation 28 to the Pension Funds Act will affect retirement annuities. Darron West argues that RA's are not necessarily an investment panacea. He describes how each investor's exposures will likely be restricted to prudential limits and cautions against the assumption that an upfront tax deduction automatically translates into a long-term benefit. In this regard, he asserts that there are many instances where RA products are not an optimal choice.

We also report this quarter on Darron's acceptance of a position in the Faculty of Commerce at UCT. Darron continues his role at Foord but is on a reduced-hours basis to allow him the time to contribute to UCT in his position as senior lecturer within the Department of Finance. I personally look forward to reading his research papers and I wish him all the best with the curriculum.

Continuing on the educational theme we also report on Foord's continued sponsorship of the Foord Chair in Investments at Rhodes University. Foord is a long-time supporter of Professor Pierre Faure and we're pleased to continue our association with him as he strives to broaden university access to the subject of investments. That old Chinese adage rings true: *Give a man a fish and you feed him for a day; teach a man to fish and you feed him for a life time.*

We also profile the achievements of the Foord International Trust (FIT). It has achieved an enviable track record and is ranked in the top three funds in its sector by Morningstar over all major periods up to ten years. FIT's ten-year return of 8.1% per annum in US dollars ranks it 1st out of 28 comparable funds. It has outperformed world equity markets by nearly 10% per annum for ten years. We're justifiably proud of Dave and Bruce's achievement and wish them the best for the next ten years.

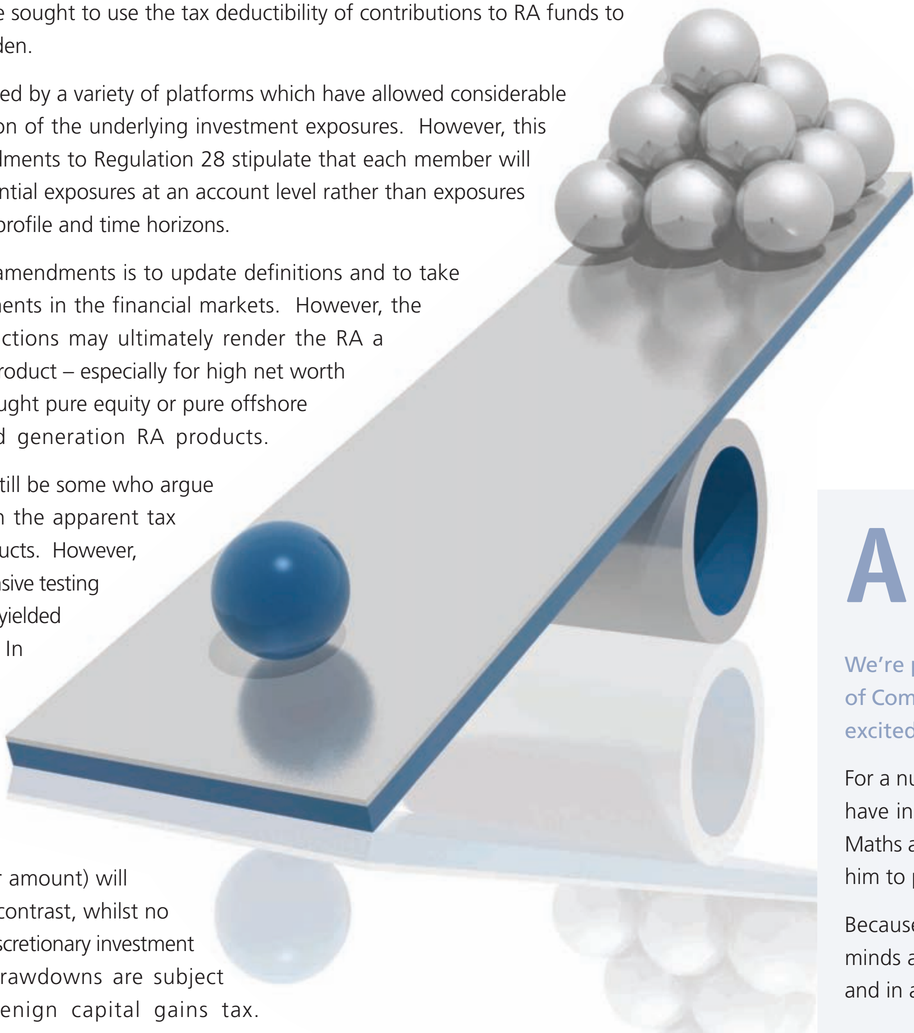
Last but not least we say farewell to Bernie Louw. She retired at the end of March after nearly two decades at Foord. We wish her all the best for a long and peaceful retirement.

Chris Greyling
Chairman: Foord Unit Trusts

RETIREMENT ANNUITIES - CHANGES AHEAD

Recently released draft changes to Regulation 28 of the Pension Funds Act (which governs how the underlying assets of a retirement fund may be invested) are likely to make retirement annuities (RA's) less beneficial for investors. RA's have long been considered an astute choice of product for providing for one's retirement. But for many as DARRON WEST explains, a discretionary direct investment in unit trusts may now be more appropriate.

So-called "third generation" RA products are today much more transparent and cost-effective than traditional life insurance based RA's. They have been hailed as the panacea of investment products, especially of late with changes to estate duties and emigration laws. Typically, RA's have been favoured by investors with higher incomes who have sought to use the tax deductibility of contributions to RA funds to lower their immediate tax burden.



Third generation RA's are offered by a variety of platforms which have allowed considerable client discretion in the selection of the underlying investment exposures. However, this will soon change. The amendments to Regulation 28 stipulate that each member will be required to maintain prudential exposures at an account level rather than exposures more aptly suited to their risk profile and time horizons.

The pretext of the proposed amendments is to update definitions and to take account of modern developments in the financial markets. However, the account-level exposure restrictions may ultimately render the RA a fundamentally less desirable product – especially for high net worth individuals who have often sought pure equity or pure offshore exposures within their third generation RA products.

With all that said, there may still be some who argue in favour of the RA based on the apparent tax benefits inherent in these products. However, Foord's detailed and comprehensive testing of these perceived benefits has yielded quite different conclusions. In principle, investors in an RA are obtaining a tax benefit on a relatively small invested amount. This amount should grow considerably, and the resulting annuity (conceivably a greater amount) will be subject to income tax. By contrast, whilst no tax deduction is offered on a discretionary investment into unit trusts, the later drawdowns are subject principally to the more benign capital gains tax.

We have considered the effects of estate duty (from which RA's are exempt), variations in the taxable yield on unit trusts (on which a unit trust investor would be taxed whilst accumulating savings, and on which no tax is payable in an RA fund), differing pre-retirement income scenarios, measures taken by the revenue authorities to reduce fiscal drag, and a variety of accumulation and drawdown periods. The analysis shows that the discretionary unit trust investment, devoid of any upfront and seemingly attractive tax benefits, trumps the RA over time.

In the mean time, investors should be aware that the RA is not necessarily a retirement funding panacea. The prospect of well-intentioned, but more restrictive, investment constraints amplifies this notion.

> "THE ACCOUNT-LEVEL EXPOSURE RESTRICTIONS MAY ULTIMATELY RENDER THE RETIREMENT ANNUITY A FUNDAMENTALLY LESS DESIRABLE PRODUCT - ESPECIALLY FOR HIGH NET WORTH INDIVIDUALS"

An Academic Decision

We're pleased to advise that DARRON WEST has been offered a post as senior lecturer in the Faculty of Commerce at the University of Cape Town. Given Darron's love for academia he was understandably excited about the opportunity.

For a number of years now, Foord Asset Management has sponsored a variety of educational initiatives, which have included sponsorship of the Foord Chair of Investments at Rhodes University and the LEAP School of Maths and Science. Given this shared passion for education, we have agreed to reduce Darron's hours to allow him to pursue this lecturing post.

Because of his proximity to the students, there may hopefully be synergies in identifying talented young minds and profiling Foord to the student body. We wish him all the best with his joint endeavours at Foord and in academia.

EDUCATIONAL INITIATIVE AT RHODES

For the past three years, Foord has sponsored a chair in investments at Rhodes University (see *Foreword*, Issue 1). We have renewed our commitment to Rhodes, and specifically to Professor Pierre Faure, for a further three years. PAUL CLUER provides the detail.

The chair aims to promote the study and understanding of investments and investment management. The major objective remains post-graduate study of investments. However, Foord hopes that through the chair, the subject of investments will be included in as many degree courses as possible. This will ensure broad-based understanding of the subject which we believe to be a critical life skill.

Our sponsorship of an investments chair is a specific strategy. Rather than endorse bursaries from which just a handful of students may benefit, we believe that funding one skilled and passionate educator will provide learning to a far greater number of people.

Bernie Louw RETIRES

This quarter we bid farewell to Bernie Louw who retired in March. Her quiet, helpful and unassuming nature has been an ever-present feature at Foord for the last 20 years and will be sorely missed by all. Bernie has plans to keep occupied and to continue making a difference in people's lives. After retirement, Bernie plans to spend quality time with her 85 year old mom and to pursue volunteer work at her local hospital. Bernie, thank you for your dedication and help all these many years. We all wish you the very best of everything in your retirement.

WISE WORDS

"Diversification is critically important in risk reduction.
Use it as often as possible, but not as much as possible.

TOO MUCH DIVERSIFICATION REDUCES RETURN.
The more conviction you have the less diversification you need."

FIT - 1st over 10 years

We've reported before on the management and successes of the Foord International Trust (FIT). We're pleased to report that the fund continues to perform exceptionally well across all major periods, achieving a massive 10% per annum outperformance of world equity markets over the past 10 years (see table below). MIKE SOEKOE takes a closer look at the FIT performance.

The success of the trust shows that global investing isn't the exclusive domain of overseas investment houses. All too often, South African investors seeking the necessary diversification benefits of offshore investments seem to put their faith in institutions and funds about which they have heard little and understand less, often to their considerable prejudice and chagrin.

FIT is a conservative asset allocation fund (which means that it invests in all classes of assets). Notwithstanding this, the fund's benchmark is the MSCI World Equities Index (developed markets). This reconciles comfortably with Foord's belief that the maximum return should be earned with the minimum risk of loss. It is also indicative of the proven confidence that the fund managers (Dave Foord and Bruce Ackerman) have in their investment process, as they have made no effort to shy away from or tone down the benchmark return by which they are measured.

South Africans seeking to invest offshore within their permissible offshore investment allowance (now R4 million for individuals over the age of 18 in good standing with SARS) would do well to consider very carefully the obvious advantages of an investment into the trust – an investment with a local investment house whose philosophy is known, understood and trusted.

"INVEST WITH A LOCAL INVESTMENT HOUSE WHOSE PHILOSOPHY IS KNOWN, UNDERSTOOD AND TRUSTED."

To 28 February 2010	6 months	1 year	3 years	5 years	7 years	10 years
Foord International Trust	6.6%	31.0%	1.6%	5.7%	13.8%	8.1%
MSCI World Equities Index	4.4%	50.9%	-9.7%	-0.7%	8.5%	-1.6%
Variance	**2.2%**	**-19.9%**	**11.4%**	**6.4%**	**5.3%**	**9.7%**
Ranking	**2 / 74**	**34 / 72**	**3 / 57**	**1 / 49**	**2 / 40**	**1 / 28**

Notes:
- Returns for periods greater than 1 year have been annualised
- FIT returns net of fees and fund expenses
- Ranking is relative to the Morningstar Global Asset Allocation Neutral (USD) sector in which FIT is listed