FOREWORD

FOORD FLEXIBLE FUND OF FUNDS

INVESTMENT RETURNS

	3 Months %	1 Year %	Since Inception %
Foord*	9.8	4.8	**-1.1**
Benchmark	3.0	11.3	**15.3**

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*	6.9	-11.2	1.3	**8.5**
Benchmark	13.8	-13.1	-7.3	**1.4**

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*	11.0	7.2	7.7	**18.1**
Benchmark	9.2	10.2	8.9	**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*	15.1	9.8	7.7	**20.7**
Benchmark	13.9	7.7	6.7	**17.8**

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.

3RD QUARTER 2009 | ISSUE 11

IN THIS ISSUE

DID YOU KNOW? GREEN SHOOTS

The term "green shoots" is used to describe the first sprouting signs of economic recovery following a recession. The term is originally attributed to the then British Chancellor of the Exchequer, Norman Lamont, following the recession of the early 1990s. Lamont was subsequently criticised for his insensitivity in optimistically forecasting the end of the recession.

The phrase enjoyed renewed notoriety this year when certain US commentators incorrectly cited "green shoots" as evidence that economic contraction in the first quarter of 2009 would not be as severe as in the last quarter of 2008. In this regard they were wrong, but the term "green shoots" continues to be linked to prospects of recovery during this recession.

IN A NUTSHELL

BRUCE ACKERMAN and **WILLIAM FRASER**
PORTFOLIO MANAGERS

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

INTERNATIONAL

EQUITIES

World equities enjoyed one of their strongest quarterly performances for decades (up over 17%) - buoyed by unequivocal evidence that government intervention had succeeded in turning the recessionary tide

BONDS

Bond yields fell - the absence of inflationary pressures should permit interest rates to remain at nominal levels for an extended period

CURRENCIES

Dollar remained weak - escalating concerns about how the US massive budget deficit would be trimmed given the cost of Obama's health care plans

COMMODITIES

Metals prices rose further - based on very strong Chinese demand as the economy responded vigorously to ongoing reflationary measures. The gold price rose - on renewal of pact by central banks to limit gold sales

ECONOMY

UK and US house prices appear to be stabilising - beneficial for banks, many of which are already repaying emergency government assistance

Consumer spending remains muted especially in US - as unemployment increased and individuals reduced their excessive indebtedness, hence increasing net savings

MONETARY AND FISCAL POLICY

Interest rates expected to remain at nominal levels - as inflationary pressures are absent owing to excess global industrial capacity

SOUTH AFRICA

EQUITIES

SA equities rose sharply as reduced risk aversion and greater demand for emerging market securities lifted local share prices - but less so than SA's emerging market peers

BONDS

Bond yields firmed - driven by a further interest rate reduction, lower inflation expectations and currency strength

CURRENCIES

Rand gained against most developed market currencies - with an improving trade balance, potential inflows from corporate activity and a general appetite for emerging market securities improving sentiment

ECONOMY

Economic growth in SA expected to have contracted at a slower pace in third quarter relative to the previous quarter

The manufacturing, retail and financial services sectors continue to underperform - despite the significant reduction in interest rates and the current uplift in global trade

MONETARY AND FISCAL POLICY

Recessionary unemployment and spending declines caused government budget deficit to rise faster than forecasted - while government debt rises to fund the shortfall. Interest rates declined further - as poor outlook for economic activity overshadowed sticky inflation expectations

NOW THAT'S WORTH CELEBRATING

CHRIS GREYLING CHAIRMAN: FOORD UNIT TRUSTS

They say that time flies when you're having fun and this is certainly something to which we can attest. At the end of August our flagship funds, the Foord Equity Fund and the Foord Balanced Fund, reached their seven-year track records.

Since inception, the Foord Equity Fund returned 20.5% p.a. after costs, which is 2.5% p.a. ahead of the benchmark, the FTSE/JSE All Share Index (ALSI) return of 18.0% p.a. A lump sum investment of R1m at the fund's inception would have grown to R3.7m at the end of August 2009 if all distributions were reinvested. The same investment in the ALSI would be worth only R3.2m.

> "OUR FLAGSHIP FUNDS, THE FOORD EQUITY FUND AND THE FOORD BALANCED FUND, REACHED THEIR SEVEN-YEAR TRACK RECORDS"

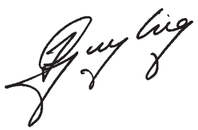
The Foord Balanced Fund's annualised return of 18.2% p.a. exceeds the average return of the Medium and Variable Equity asset allocation sectors of 15.5% by a clear margin. An investment of R1m in the Foord Balanced Fund would have grown to R3.2m with reinvested distributions while an equal investment in all funds across the two sectors would be worth R2.7m.

I have used this forum many times to communicate a key strategy for non-professional investors: invest with a manager who has a tested track record; remain invested for the long-term; reinvest your income and compound your investment returns. I am proud to say that many of our first investors into these two funds remain invested with Foord. These investors have applied all four rules and have benefited as a result. Thank you for your continued loyalty.

In this issue we profile the Foord International Trust by summarising a recent presentation given by Dave Foord (see International Investing - Finding Simplicity in the Complexity). The Foord International Trust which has a 12-year track record has been managed since inception by Dave and Bruce Ackerman. Examples of such uninterrupted management of a single fund are rare globally and almost unheard of locally.

In his article Why We Continue to be Cautious, Mike Soekoe focuses on Foord's "safety-first" approach and explains why we continue to remain cautious about equities despite recent gains by local and international markets.

Finally, I would like to extend a warm welcome to Dane Schrauwen, who joined Foord in July. Enjoy the read. I look forward to communicating with you after the Christmas break in early January 2010.



Chris Greyling

INTERNATIONAL INVESTING - FINDING SIMPLICITY IN THE COMPLEXITY

DAVE FOORD DIRECTOR AND CHIEF INVESTMENT OFFICER

International investment became available to South Africans with the introduction of the asset swap in 1997. Subsequent progressive relaxation of exchange controls has meant South Africans have greater access to international investing than ever before. In a recent presentation DAVE FOORD explained how Foord has simplified the complexities of international investing for South Africans.

We opened the Foord International Trust (FIT) in 1997 when exchange controls were first relaxed. We believed, somewhat boldly, that our clients would benefit from our own expertise in managing a global conservative asset allocation fund at lower cost. Our track record has vindicated this decision.

We settled on a fund where the objective was to maximise returns with minimum risk. At the outset we aimed for 10% per annum in US dollars, believing that achieving this result would also outperform world equity markets as represented by the MSCI World Equities Index. The MSCI is, however, very much a secondary benchmark. Our primary benchmark remains making money for our clients.

Our investment style is one of long-term, absolute value - investing only in quality assets. Value and quality are not restricted to share investments. As an asset allocation fund, FIT can invest in shares, bonds, property, commodities and cash. The asset allocation strategy is determined by expected future returns to asset classes. This involves forecasting and we look for the broad direction of returns to guide our allocations rather than second decimal point accuracy.

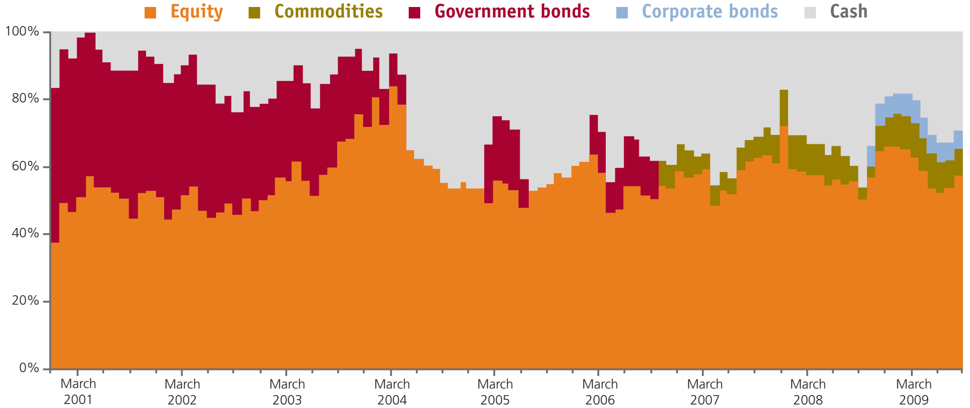
In practice, the asset allocation decisions employed in the fund have been bold - but not used frequently. The graph below shows the asset allocation activity in FIT over this decade. The large government bond positions held from the inception of the fund to about 2003 shielded the fund during the 1998 meltdown and the recession of 2000/2001.

More recently, opportunities in the corporate bond market have provided an additional source of low-risk return for the fund's investors. Positions in grain and gold commodities serve as protection against global inflation and US dollar weakness.

> "THE ASSET ALLOCATION STRATEGY IS DETERMINED BY EXPECTED FUTURE RETURNS TO ASSET CLASSES"

The current asset allocation reflects the conservative nature of the fund. We have a safety-first objective with our investments and the cash holding will mitigate against an expected pull back in global equities (we feel the bear market still has some legs) yet also provides reserves for purchases of quality assets when prices normalise.

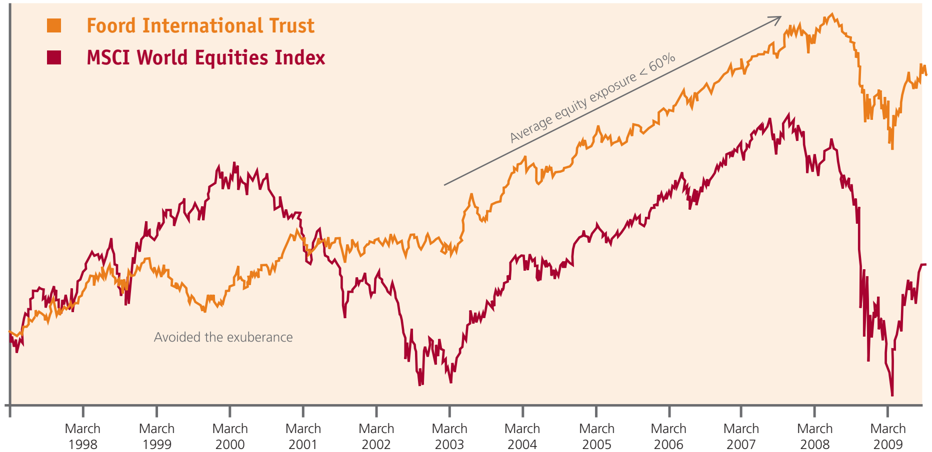
Long-term asset allocation



While we have concerns about equity returns in the short-term, you'll notice that we haven't bet the farm on this view by selling all our equities. Such radical action falls within the realm of speculation. Being invested in the right (quality) companies in a diversified spread of industries and sectors will reduce the risk of loss.

The use of asset allocation and the focus on quality have meant that the fund has enjoyed a relatively stable upward return trajectory when world equity markets have been through several boom bust cycles (refer graph below). We were disappointed by the 35% drawdown sustained to March 2009, but it was substantially better than the 59% suffered by world equities. From peak to current price the fund is down 12% whereas world equity markets are still down 33%.

Cumulative returns since inception (1997)



Warren Buffet said that investing is simple but not easy. In making the Foord International Trust available we have tried to make international investing simple - for ourselves and for our clients. What is important is that the returns Foord achieves on its global investment portfolio are non-correlated with the market and with the peer group. Because this is a low-risk, safety-first fund, investors should allocate a core holding of their international portfolio to the Foord International Trust.

WHY WE CONTINUE TO BE CAUTIOUS

MIKE SOEKOE BUSINESS DEVELOPMENT

The Foord investment portfolios continue to maintain a conservative weighting to shares despite rapid rises in global and local company share prices this year. MIKE SOEKOE explains why we continue to be cautious about equities.

From its lows in early March 2009 the SA share market has advanced nearly 40% to the end of September 2009. In dollar terms, the FTSE/JSE All Share Index has nearly doubled during this period (97% return). At the same time, global developed market equities have returned 64% in a strong recovery which many believe precedes a new bull market.

Judging by the strength of the share price rises one could be forgiven for believing the world was not in global recession or that unemployment in the United States was not at multi-decade highs. So why are equity markets rising?

Firstly, it is important to understand that the world is awash with cash - the result of record low interest rates and the stimulus packages introduced by G8 governments to reflate their economies. Some of this extra liquidity has found its way into emerging market shares. The SA share market has benefited from these flows and prices have risen.

Secondly, investors have optimistically started to price a recovery into corporate earnings. This expectation is based on a recovery in global economic activity which we are witnessing as certain large economies emerge from technical recession, despite still being troubled.

In our view, the rapid rise in share prices incorrectly prices in the recovery path of company earnings which we believe will be lower than what the market is anticipating. We therefore feel that the risk to share prices if earnings disappoint is great enough to warrant a conservative portfolio structure and a lower weighting to quality shares in our portfolios. We would rather actively manage the downside risk of loss than speculate on a premature recovery which in our view is not supported by the fundamentals.

Why, then, do we still include a significant exposure to equities within our portfolios? The answer is we accept that in the long-term a large equity allocation is required to achieve real returns. Within equities there is scope to hold quality shares with a much lower risk of negative earnings surprises. The shares we hold during this time of uncertainty are of companies which have ungeared balance sheets, good management and strong cash flows and which are dominant in their industries and sectors.

The strategy we've adhered to has allowed client portfolios to benefit from the share price rises. However, and more importantly, portfolios are cushioned against a significant pull-back in share prices should earnings disappoint. Portfolios also hold sufficient cash to take advantage of a decline in prices and to acquire growth assets at below fair value.

WHAT'S NEW

WELCOME, DANE SCHRAUWEN

DANE SCHRAUWEN
PORTFOLIO MANAGER

This quarter we are pleased to announce that Dane Schrauwen accepted an invitation to join Foord's investment team as a portfolio manager. Dane joins us from BoE Private Clients, where he worked for the past 14 years as a private client portfolio manager. He also served on BoE's investment committee and was jointly responsible for shaping many of BoE's current investment processes.

Dane's transition was prompted by his desire for positive change and continuing development in his field. Dane will assist the team in the management of certain institutional equity portfolios and will add capacity to the team's company research efforts.

Cape Town born and raised, Dane combines his passion for the markets with a love of the sea. He surfs as often as possible and also enjoys sailing.

NEW PRINT CAMPAIGN

Our clients may have recently noticed some different Foord branding in the financial media. In looking for a fresh concept for our brand awareness adverts we went back to the core principles of investing. The adverts comprise a series of quotes about investing. They were inspired by Dave Foord's many insights gained over his three-decade investment career and documented in a chapter he contributed to Franco Busetti's book, The Effective Investor (Pan Macmillan).

Unlike adverts from just about all of our direct competitors, these adverts do not profile any specific product, philosophy, achievement or award. The focus is simply on successful investing delivered in an honest and frank fashion.