FOREWORD

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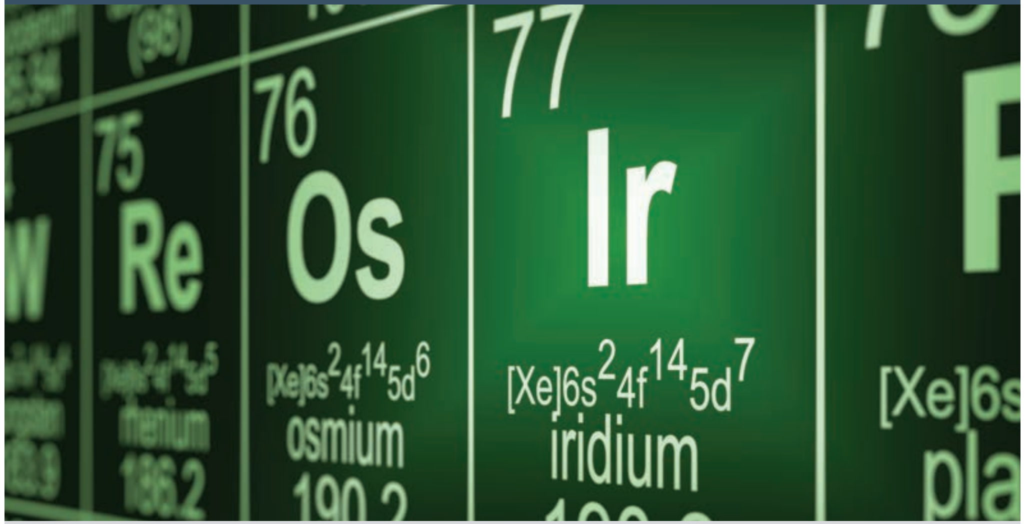

DID YOU KNOW? PGMS

Platinum group metals or PGMs are six noble, precious metal elements clustered together in the D block of the periodic table (transition metals). PGMs have similar physical and chemical properties and are mined from the same mineral deposits.

The six elements in order of increasing atomic weight are ruthenium, rhodium, palladium, osmium, iridium and platinum. Known for their purity, high melting points and unique catalytic properties, they are also extremely resistant to corrosion.

Consumer and industrial products made with platinum and other PGMs include flat panel monitors, glass fibre, medical tools, computer hard drives, nylon and razors. Platinum, palladium and rhodium play a critical role in autocatalysis and automotive pollution control.

South Africa has more than 80 per cent of the world's platinum reserves and is the world's largest producer of platinum group metals.

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MORE THAN ENOUGH

In an innovative first for the financial services industry, Foord Asset Management is targeting its consumer education initiatives at the very youngest generation. Foord's communications manager and author of the children's book *More Than Enough*, CHRISTINA CASTLE, explains.

Foord has proudly just published the first in a planned series of beautiful picture books to teach children aged four to seven the basic concepts of investing. The series will reach out to future generations of South Africans with clear, yet creative, messaging about investing.

It will explore concepts such as time, saving, income generation, compounding, diversification, risk, patience and investing for the long term. These are the basic investment principles that we drive at Foord. Understanding and embracing these principles from an early age will set young readers on the path to successful investing.

More Than Enough is a story about a young squirrel who sets off with her mother one autumn morning to collect acorns. There is no jargon. No reference to money. And not a hint of greed. Beautifully illustrated by Carla Kreuser, this simple story is about acorns and why our squirrel family collects them — to eat, to enjoy, to share, to save and to grow for the years to come.

Foord is passionate about teaching children (and their parents) the importance of investing for the long term. What better way to do it than with a book you can read repeatedly? It is the perfect platform for parents and teachers to start the conversation about investing and, more importantly, to keep having that conversation.

A passion project, Foord will be distributing *More Than Enough* to libraries and schools throughout the country and to anyone keen to build a culture of investing and saving in South Africa.

Soft copies of the book are available for download from Foord's website, www.foord.co.za.

PUBLISHING GAME CHANGERS

Since its inception in 2014, Book Dash (see *Foreword 49*) has received ongoing recognition for its innovative book-creation model and social-impact work.

The organisation published 21 brand new books in 2019. It printed and distributed over 300,000 copies of those books directly to children who could not otherwise afford to own books. Book Dash has received several accolades, including the Impumelelo Social Innovation Award for publishing disruption and the Open Publishing Awards for "Best Open Content." It was an education-category finalist of the MTN App of the Year Awards.

With 137 titles and over 750 000 books printed and distributed for free, Book Dash is on track to achieve its vision that every child should own 100 books by the age of five. Foord is proud to be a Book Dash sponsor.

THE YEAR IN REVIEW

MIKE TOWNSHEND Portfolio Manager

Global equity markets were buoyant in 2019, delivering the best calendar year return in a decade. This was a dramatic turnaround from the negative returns of 2018. The JSE's mining stocks surged, but SA Inc. counters struggled. Portfolio manager MIKE TOWNSHEND looks at the year that was.

The bellwether S&P 500 Index in the US advanced 31.5% in US dollars last year (including dividends). The MSCI World Index excluding US markets rose by a more modest 21.4%.

The rally came after US Federal Reserve Chair Jerome Powell in January dramatically U-turned on the Fed's policy of gradual interest rate normalisation. Three quarter-point rate cuts last year helped propel US markets to all-time highs.

Although markets surged, robust economic growth was elusive. The escalating US-China trade war imperilled global growth, now at its lowest level in a decade. The European Central Bank also launched new stimulus measures to support the bloc's stagnating economy. The Bank of Japan's massive quantitative easing programme continues.

British Prime Minister Theresa May resigned on Tory infighting amid Brexit malaise. However, new leader Boris Johnson later secured a convincing UK electoral majority, improving prospects of a quicker Brexit resolution. The UK and EU must now work even harder to prevent more Brexit economic damage in the world's second-largest economic cluster.

> "Although markets surged, robust economic growth was elusive."

Given this backdrop of slowing growth and elevated geopolitical risks, global corporate earnings grew by less than 5%. It was thus not earnings growth, but lower interest rates, quantitative easing and subsiding fears of a rapid slowdown that ignited investor confidence. US bourses were also supported by the tech behemoths and a recovery in cyclical sectors.

Turning to South Africa, the national election results were broadly as per expectations. The ANC retained its majority with a slight decline in support. The appointment of a new, nominally smaller cabinet was positive. But the ruling party is still plagued by factional tensions — frustrating President Ramaphosa's ability to deliver much-needed reform.

Policy uncertainty and near-recessionary economic conditions persist. State-owned enterprises are in turmoil. Eskom implemented unprecedented Stage 6 load shedding in December and SAA was placed in business rescue.

South Africa's debt-to-GDP ratio has deteriorated to uncomfortably high levels. Worryingly, Finance Minister Mboweni, in October's Medium-term Budget Policy Statement, forecast no improvement within the next five years. South Africa is teetering on the brink of a Moody's debt downgrade. All three major debt rating agencies may soon rate the country sub-investment grade.

Business and consumer sentiment is subdued. Wins for South Africa in the Rugby World Cup and Miss Universe contest brought much-needed but temporary *gees*. The rand also surprised, despite significant intra-year volatility. The currency advanced 2.6% against the US dollar on renewed emerging market sentiment after the US and China made eleventh-hour trade war progress.

The FTSE/JSE Capped All Share Index delivered 10.5% in rands and 13.7% in US dollars. Precious metals were particularly strong, especially PGMs (see *Did You Know?*). Palladium surged by 57.1% and rhodium by a dramatic 146.0%. Platinum advanced 20.6%. On the back of these price gains, the JSE's platinum sector delivered a phenomenal 202.9% return. With the gold sector doubling, the resources sector's 28.5% return dominated the bourse.

In contrast, financial counters rose nominally by 0.6% and industrials gained 8.9%. There was a wide dispersion within the industrial sector. Companies exposed to the local economy struggled. For example, general retailers declined by 18.7%. The large JSE-listed multinationals all gained more than 20%, in many instances reversing losses from 2018. The All Bond Index returned 10.3%.

> "Foord's SA and global funds had a good year, with returns comfortably beating their benchmarks."

Foord's strategy to favour global shares and high-yielding, medium-term SA debt over SA Inc. shares was broadly correct. Being underweight resources counters was a performance drag. Many of the big portfolio holdings bounced strongly in 2019. Shares such as Capital & Counties, British American Tobacco, Naspers, Richemont and Anheuser-Busch posted double-digit returns.

Foord's SA and global funds had a good year, with returns comfortably beating inflation and their respective benchmarks. With its low resources weight, the Foord Equity Fund was the exception. The long-term track records on all funds are excellent.

Looking ahead, global markets should drift higher on persistent monetary support and moderate growth, despite expensive valuation multiples and elevated geopolitical risks. South Africa needs urgent economic and political reform to prevent it sinking further into a growth limiting debt trap.

SETTING SMART FINANCIAL GOALS FOR THE NEW DECADE

KAREN DU TOIT
Head of Retail Investments: North Gauteng

The new year heralds the prospect of a fresh start and the setting of new year's resolutions. KAREN DU TOIT recommends that investors take the opportunity to set smart financial goals for the coming decade and beyond.

Investors can make use of the popular acronym SMART* to set goals that focus one's efforts and increase the chances of success. SMART goals are specific, measurable, achievable, relevant and time-bound.

We are more likely to achieve goals that are expressed unambiguously, within reach and realistically achievable. Goals should be attainable, yet challenging. They should not be impossible to achieve. We should set specific criteria to monitor goal progress within a defined timeline. Absent these criteria, resolutions look more like wishes than goals.

Financial goals should also follow the SMART framework. For example, your financial goal might be a comfortable retirement 35 years hence. You could target a pension or annuity amounting to three-quarters of your final salary and you would want to sustain purchasing power for your reasonable life expectancy.

Here we have a relevant, specific goal with a timeline. The goal is readily achievable if you have already started an investment programme, saving enough of your monthly income in a high equity multi-asset fund with a long-term investment horizon.

A qualified financial advisor can help you with the calculations, considering your current investments, income and expenditures. You can approximate your life expectancy, but we are all living longer and we should plan to retire later than past generations.

It is important to monitor progress regularly. This entails monitoring progress towards your goal, not daily monitoring of fund performance. Assess your fund's performance over much longer periods, from five to ten years. Do not make changes to a portfolio based on short-term performance. A good financial advisor can help you stick to your financial plan.

I would also suggest that you do not compare your investment returns to those of friends or family. As with weight loss or fitness goals, comparing your progress with someone else's may affect your motivation. If your goal is to fit into size 10 pants when you wear a size 16, your journey and timeline will look different to someone who is also targeting a size 10, but wears a size 12.

So it is with investments. The process, risk and time horizon of other people's investment funds may be completely different to, and conflict with, your own goals and plan.

Within a longer term financial plan, there may also be medium and short-term goals. For example, paying off a house or saving for a child's education. These goals need their own timeline to become SMART goals. You should develop detailed strategies to achieve them.

Unrealistic and unachievable financial goals may produce unrealistic return expectations. These may lure you into products that promise returns far above what a prudential investment portfolio can practically deliver. In this case, heed the adage: "If it sounds too good to be true, it probably is."

* www.mindtools.com: SMART GOALS – How to make your goals achievable

FOORD IN BRIEF

TAX FREE TOP-UP

Investors have until the end of the tax year to utilise this year's annual allowance of R33,000 per taxpayer across all tax free investment (TFI) accounts. Foord offers TFI accounts in the Foord Balanced, Foord Equity and Foord Flexible Funds.

FOORD GLOBAL FUNDS

Foord's two feeder funds are closed to investment owing to exchange control constraints. We are engaged in a process to migrate these funds to another service provider. Please look out for correspondence on this in the coming months.

South African investors can nevertheless access Foord's global funds directly by utilising their annual exchange control allowances to purchase US dollars or other hard currencies.

The single discretionary allowance is a R1 million per calendar year, no-questions-asked facility for the purchase of foreign exchange for any purpose, including investment abroad. Investors should enquire of their banks, acting as Authorised Dealers in foreign exchange, about the process to transfer monies abroad.

Further, every South African in good tax standing and over the age of 18 can apply to transfer up to R10 million per calendar year pursuant to a SARS Tax Compliance Status foreign investment allowance application. This is an online application process available from the SARS eFiling portal. The process involves the provision of a personal balance sheet and documents supporting the proof of monies and source of funds for the intended transfer abroad.

TRANSACT ONLINE

Foord investors can now buy, switch and sell units online using the new secure Investor Online portal. The portal is available on Foord's website, www.foord.co.za.

Most investors were pre-registered to use the facility. If you are not yet registered, please contact unittrusts@foord.co.za. You will need a valid email address and mobile number to activate your account. Please let us know if your contact details have changed or if you have not previously given Foord your mobile number. Investors acting on behalf of trusts or other legal entities can register for view only or full online access by completing a registration form.

MARKETS IN A NUTSHELL

WORLD

EQUITIES

Global equities rose on broad-based developed market strength, led by rampant US bourses — buoyed by the rising likelihood of a US–China "phase one" trade resolution

BONDS

Developed market government bond yields drifted higher as growth expectations improved — the US yield curve continued to normalise after its mid-year, panic-inducing inversion

CURRENCIES

The dollar was weaker against the euro and pound after a Tory electoral landslide improved prospects of a decisive Brexit — emerging market currencies gained on improved risk appetite

COMMODITIES

Gold and silver were sharply higher on escalating geopolitical risks and their increasing attractiveness as portfolio diversifiers — precious metals prices should stay well bid as the effects of a decade's worth of experimental monetary policies inevitably begin to manifest

ECONOMY

Global growth expectations improved as the US economy benefited from Federal Reserve monetary stimulus — growth should persist in the near term given highly supportive monetary conditions and benign inflation risks

MONETARY AND FISCAL POLICY

Global interest rates are anchored at very low levels given the absence of meaningful inflation pressures — central bank indications are that low rates will endure through 2020

SOUTH AFRICA

EQUITIES

Financials and industrials were mostly unchanged but a narrow set of precious metal miners led the bourse higher — as demand for commodities drove prices up

BONDS

SA bonds achieved good returns after yields moved lower — on improved emerging market sentiment and benign inflation

CURRENCIES

The rand strengthened on improved emerging market sentiment and attractive real yields — but the currency is vulnerable given deteriorating public finances and the looming Moody's credit rating decision

ECONOMY

South Africa registered its second quarterly GDP contraction for 2019 in the third quarter — growth prospects are bleak with the World Bank estimating 2020 growth to fall below 1%

MONETARY AND FISCAL POLICY

SARB kept interest rates unchanged despite recessionary conditions and benign inflation — expectations are that SARB will cut rates in the first quarter of 2020

FUND RANGE

BEST INVESTMENT VIEW FUNDS

Fund	For investors
FOORD FLEXIBLE Exploiting the benefits of global diversification, the fund aims to provide investors with an after-fee return of 5% per annum above the South African inflation rate.	• With a moderate risk profile • Seeking long-term inflation-beating returns over periods exceeding five years • Requiring a balanced exposure to South African and global investments.
FOORD INTERNATIONAL (US$) The fund aims to achieve meaningful inflation-beating US$ returns over rolling five-year periods from a conservatively managed portfolio of global investments reflecting Foord's prevailing best investment view.	• With a moderate risk profile • Requiring diversification through investments not available in South Africa • Seeking to hedge rand depreciation.

REGULATION 28 FUNDS

Fund	For investors
FOORD BALANCED Managed to comply with the statutory investment limits set for retirement funds in South Africa, the fund aims to grow retirement savings by meaningful, inflation-beating returns over the long term.	• With a moderate risk profile • Seeking long-term, inflation-beating returns over periods exceeding five years • From an SA retirement fund investment product (Reg 28).
FOORD CONSERVATIVE Managed to comply with the statutory investment limits set for retirement funds in South Africa, the fund aims to provide conservative, medium-term investors with inflation-beating returns over rolling three-year periods.	• With a conservative risk profile • Close to or in retirement • Seeking medium-term, inflation-beating returns over periods of three to five years • From an SA retirement fund investment product (Reg 28).

SPECIALIST EQUITY FUNDS

Fund	For investors
FOORD EQUITY The fund aims to outperform the FTSE/JSE Capped All Share Index over the long term, with lower risk of loss.	• With a higher risk profile • Seeking long-term growth over periods exceeding five years • From a portfolio of JSE-listed equity, commodity and property stocks • And able to withstand investment volatility in the short to medium term.
FOORD GLOBAL EQUITY (US$) The fund aims to outperform the MSCI All Country World Net Total Return Index from an actively managed portfolio of global equities, without assuming greater risk.	• With a higher risk profile • Requiring diversification through investments not available in South Africa • Seeking to hedge rand depreciation • And able to withstand investment volatility in the short to medium term.

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