

## SYNOPSIS

### PORTFOLIO PERFORMANCE

	Fund <sup>1</sup>	Peer Group <sup>2</sup>	US Inflation	MSCI World Equities	World Bonds <sup>3</sup>
	%	%	%	%	%
Last 3 months	2.5	6.3	0.5	11.4	8.1
Last 1 year	-3.9	8.7	3.2	23.8	5.2
Last 3 years	0.4	0.5	5.7	7.3	-7.2
Last 5 years	4.9	4.2	4.0	12.8	-1.4
Last 10 years	3.1	2.0	2.8	8.6	-0.3
Last 20 years	5.5	2.6	2.6	7.8	1.9
Since inception	6.0	3.7	2.5	6.9	3.2

<sup>1</sup> Based on Class R performance return. The fund was launched on 2 April 2013 by contributions in-kind from the net assets of Foord International Trust ("FIT"), which was incepted on 10 March 1997. Investment returns prior to 2 April 2013 are those of the FIT's track record.

<sup>2</sup> USD Flexible Allocation Morningstar category average

<sup>3</sup> FTSE World Government Bond Index. Source: Bloomberg L.P.  
Returns for periods greater than one year are annualised.

### FUND VALUE

\$1.3 billion (30/09/2023: \$1.3 billion)

### INVESTMENT OUTLOOK

US interest rates have likely peaked with the next move down

US leading economic indicators, auto loan and credit card delinquencies, point to US economic softening

Core inflation declined towards target, driven by a respite in shelter inflation

Headline inflation outlook uncertain due to volatile food and energy prices

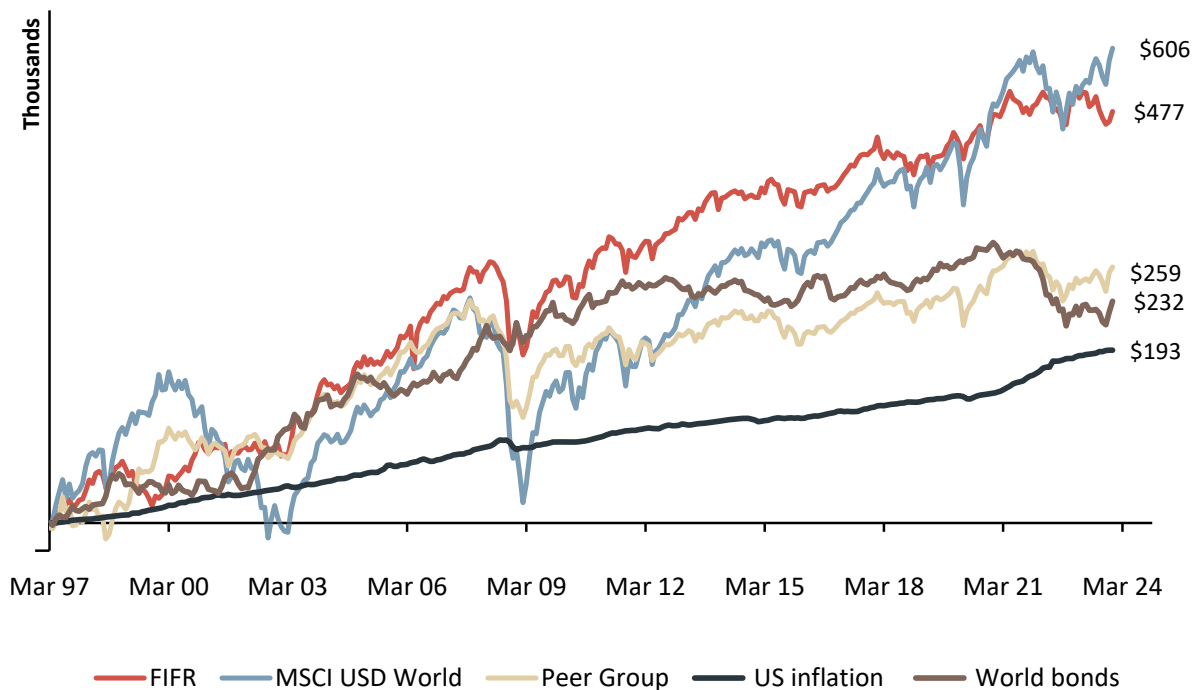
Chinese equities at trough valuations and peak negative sentiment creates opportunity

Gold maintains safe-haven appeal amid heightened political tensions

Declining interest rates provides an additional catalyst for precious metals prices

Prefer defensive, high-quality, dividend-paying equities and high-quality credit

**PORTFOLIO PERFORMANCE**



**PERFORMANCE COMMENTARY (PERCENTAGE RETURNS IN US DOLLAR UNLESS OTHERWISE STATED)**

- The US Federal Reserve’s FOMC left interest rates unchanged for the third straight month as the US 10-year Treasury yield fell to its lowest level in six months during the quarter — and ending at 3.88% after touching 5.0% earlier in the year
- Forward interest rate expectations again drove markets, with investors now pricing in a full 150bp in rate cuts by year-end 2024 (rare outside of recessions) — global equities and bonds rallied sharply
- The fund rose over the period, but understandably lagged world equities and sovereign bonds as the fund’s conservative positioning weighed on performance — declining interest rate expectations trumped deteriorating forward-looking indicators in driving markets upwards
- The fund’s interest-rate-sensitive securities, including UK utility SSE Plc (+20.4%), precious metals streamer Wheaton Precious Metals (22.1%), and the fund’s gold holding (+11.4%) contributed most to fund returns — while gold became increasingly attractive as federal funds rate futures priced in outsized rate cuts for 2024
- Other contributors to returns included global copper miner Freeport-McMoRan (+14.6%) and the fund’s 17% allocation to fixed income securities — prospects of a soft landing buoyed the cyclical miner while fixed income prices move inversely to rates (rising in a falling interest rate environment)
- The fund’s equity hedges in the form of short futures positions (+8.5%) detracted most from fund returns as the market surged toward record levels — despite deteriorating forward-looking economic indicators, including rising auto loan and credit card delinquencies

**PORTFOLIO STRUCTURE<sup>1</sup>**
**ASSET ALLOCATION (%)**
**Changes since last quarter**

Equities		69 ▲	23.0
Government bonds		13 ▲	3.9
Commodities		7 ▼	(0.2)
Corporate Bonds		5 ▲	1.6
Real estate		4 ▼	(0.2)
Cash		3 ▼	(28.2)

**TOP 10 INVESTMENTS**

SECURITY	ASSET CLASS	LISTING	% OF FUND
SSE PLC	Equity	GBR	6.4
Freeport-McMoran Inc	Equity	USA	5.5
ETFs Physical Gold	Commodity	GBR	5.4
Wheaton Precious Metal	Equity	USA	4.2
Nestle	Equity	CHE	4.1
FMC Corp	Equity	USA	3.8
Sasol convertible bond 5.875%	Corporate bond	USA	3.7
Occidental Petroleum	Equity	USA	2.8
Alibaba	Equity	HKG	2.7
US Treasury 4.00% 31/07/2030	Government bond	USA	2.7

**GEOGRAPHIC EXPOSURE ANALYSIS**

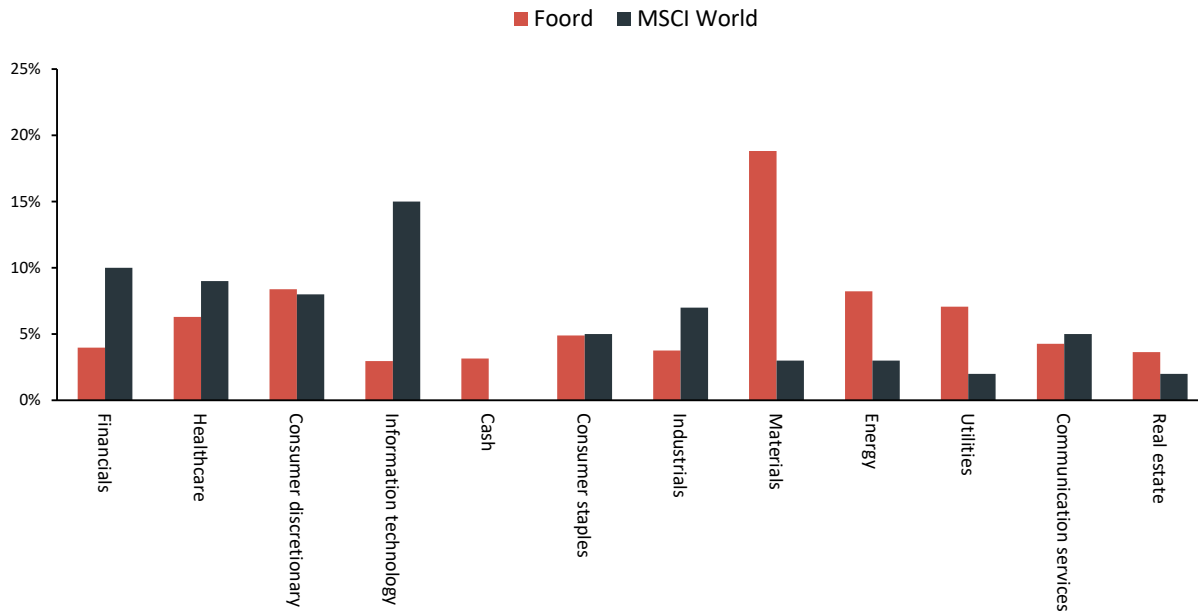
REGION (%)	TOTAL	EQUITY		CASH
		Current Qtr	QoQ change	
North America	47	31 ▲	24	3
Europe	25	19 ▼	(1)	-
Pacific	11	7 ▲	1	-
Emerging Asia	12	12	-	-
Africa & Middle East	5	-	-	-
<b>TOTAL</b>	<b>100</b>	<b>69</b>		<b>3</b>

<sup>1</sup> Figures may vary and total may not cast perfectly due to rounding

**PORTFOLIO STRUCTURE (CONTINUED)**

EQUITY SECTOR ALLOCATION (%)		Changes since last quarter	
Materials	19 ▲	8	
Consumer discretionary	8 ▲	3	
Energy	9 ▲	6	
Utilities	7 ▲	3	
Healthcare	6 ▼	(1)	
Consumer staples	5 ▲	2	
Communication services	4 ▼	(2)	
Financials	4 ▲	1	
Industrials	4 ▲	1	
Information technology	3 ▲	1	
	<u>69</u>		

**EQUITY SECTOR WEIGHTING RELATIVE TO MSCI WORLD INDEX**



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**FUND CONSTRUCTION**

- The fund's equity exposure increased materially after the tactical expiration without rolling of a large portion of the fund's equity hedges — though valuations remain elevated and the prospects of a forthcoming slowdown temper our short-term return expectations, the fundamentals backing our equity investments, particularly those with claims to real assets and with real pricing power, remain strong
- The fund's fixed income exposure nearly doubled from a low base as the managers took buying opportunities in high quality corporate and sovereign credit as yields approached levels not seen in over 15 years — after having been mostly absent this asset class for years owing to excessive valuations
- As nominal rates brushed and retreated from what is likely to be a near-term peak, gold once again has begun to perform well (the non-interest-bearing metal faces headwinds in rising rate environments) — the metal's uncorrelated drivers of return continue to serve the portfolio as a hedge during periods of geopolitical and/or market volatility
- The materials and energy sectors constitute 25% of the fund's holdings and 40% of the fund's equity exposure — underinvestment in traditional energy resources and, for select commodities, global industrial metals is likely to result in attractive supply and demand dynamics over our investment horizon
- Utilities is also among fund's largest sector allocations — investors underappreciate the growth tailwinds now evident in select regulated utilities companies due to the electrification of large portions of the economy, including transportation
- Persistent property-sector woes and relatively sluggish growth combined with geopolitical tensions have resulted in peak negative foreign-investor sentiment and least-expensive Chinese equity valuations in decades — while timing a rebound is uncertain, the fundamentals for select equities within the Chinese market are amongst the most attractive globally
- Cash and cash equivalents decreased during the quarter following the expiration of a large portion of the fund's equity hedges — though the managers remain cautious and the fund conservatively positioned, the managers have chosen to reallocate a portion of this capital into interest-bearing sovereign credit
- Foord's approach to finding value and managing risk by buying quality businesses underpinned by strong fundamental moats and real cash earnings is embedded firmly in our investment philosophy — we continue to employ this approach, investing with conviction in companies that meet our fundamental investment criteria while offering adequate downside protection and good value
- In the pursuit of the fund's dual mandate to protect investor capital and to safely grow returns meaningfully ahead of inflation over time, our caution towards overvalued US markets and conviction in undervalued quality Chinese names hurt the portfolio's year-to-date performance — while we will reflect separately on 2023, we still believe it was prudent to exercise caution and as we head into 2024, the fund is balanced with holdings both positioned to benefit from economic growth over the long-term while maintaining its conservatism

## VOTING RESOLUTIONS

We apply our minds to every single resolution put to shareholders. We do not abstain unless it would be for strategic or tactical reasons.

We typically vote against any resolution that could dilute the interests of existing shareholders. Examples include placing shares under the blanket control of directors, authorising loans and financial assistance to directors, associate companies or subsidiaries and blanket authority to issue shares. On the rare occasion, we have voted in favour of such resolutions, we were able to gain the required conviction in the specifics of the strategic rationale for such activities and could gain comfort that such activities are indeed to be used to the reasons stated.

The firm also has a strong philosophy regarding management remuneration models. We believe in rewarding good managers with appropriate cash remuneration on achievement of relevant performance metrics that enhance long-term shareholder value. We are generally not in favour of share option schemes given the inherent asymmetry between risk and reward typical of such schemes.

In addition, we do not believe that existing shareholders should be diluted by the issuing of new shares to management as is the case with most option schemes. We are in favour of the alignment created between management and shareholders when management has acquired its stake in the company through open market share trading and paid for out of management's own cash earnings.

	Total vote	For (%)	Against (%)	Abstain (%)
Auditor/Risk/Social/Ethics related	10	10	90	-
Political expenditure/Donation	1	100	-	-
Re/Elect director or members of supervisory board	13	100	-	-
Remuneration policy including directors' remuneration	4	25	75	-
Signature of documents/ Ratification	6	100	-	-

B ARCESE / D FOORD  
January 2024

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Economic forecasts and predictions are based on Foord’s interpretation of current factual information, and exploration of economic activity based on expectation for future growth under normal economic conditions, not dissimilar to previous cycles. Forecasts and commentaries are provided for information purposes only and are not guaranteed to occur.

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**MORE ABOUT THE FUND**

Foord SICAV—Foord International Fund is authorised in Luxembourg and regulated by the Commission de Surveillance du Secteur Financier (CSSF). For regulatory matters, please contact the Management Company, Lemanik Asset Management S.A. on T: +352 26 39 60, F: +352 26 39 60 02 or E: [info@lemanik.lu](mailto:info@lemanik.lu). A summary of investor rights, available in English, is available on [www.foord.com](http://www.foord.com). The Management Company or Foord may terminate the arrangements made for marketing of collective investment undertakings in accordance with Article 93a of Directive 2009/65/EC and Article 32a Directive 2011/611/EU.

Foord does not guarantee the capital invested or the performance of the investment. The portfolio includes qualifying investments listed on regulated exchanges outside the fund's domicile that carry risks as described in the prospectus, including the possibility of non-recoverable withholding taxes and non-repatriation of funds. Investment values and some costs may fluctuate because of factors including but not limited to currency exchange rates that can be affected by a wide range of economic factors.

The Fund is actively managed. The portfolio information is presented using effective exposures. The fund may borrow up to 10% of the NAV and does not engage in scrip lending. Since inception, no subscription fees or realisation fees were charged. No dividends or distributions were declared or made. Shares will be issued or realised on a forward pricing basis only on Valuation Day (as defined in the prospectus) and calculated based on the net asset value (“NAV”) represented by one share. Prices are published on [www.foord.com](http://www.foord.com) within 2 business days after the relevant Valuation Day. All dealing application requests must be received before 16h00 (Central European time) on each Valuation Day. A schedule of fees and charges and maximum commissions is disclosed in the prospectus or PRIIP KID and available on request.

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