Foord Flexible Fund: Good for the long term

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In my last Pro Pick, I offered investors a 'hiding place' in the highly volatile market environment we found ourselves in then, and still find ourselves in. As expected I received a few emails from people wanting an option where they could continue to invest in growth assets, without having to decide when it was time to get back into the markets. Many also did not wish to be burdened with deciding where to invest if they did commit fresh capital to these markets.

For these investors we would suggest that they consider the unit trust Worldwide Multi-Asset Flexible category. Funds in this category give the manager full discretion in terms of which assets to invest in, locally or internationally.

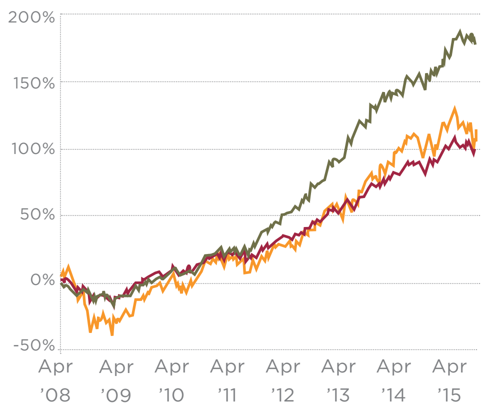
It is important that the investor reads the mandate of any fund they would like to invest in to ensure that there are no self-imposed restrictions on where to invest from the manager's side. Our preference in this category is the Foord Flexible Fund (FFF), which was launched in 2008. The fund has since attracted almost R8bn in investments, and has delivered solid results.

The chart below shows the asset allocation of the fund over time. What is clear from the graph is that this is an actively managed fund. The manager had over 50% exposure to local equities in 2010, and today has less than 15% exposure.

One attraction of actively managed multi-asset class funds is that switches between asset classes do not trigger capital gains taxes (CGT). It is only when the investor exits the fund that CGT becomes payable.

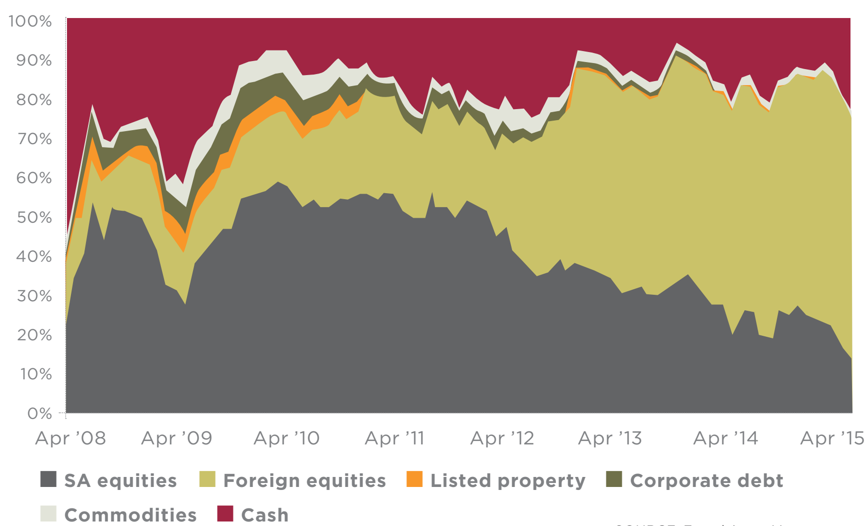
The fund is managed by Dave Foord, who is supported by a team of investment professionals and analysts. Foord has an enviable track record in managing multi-asset mandates. He has one of the longest unbroken track records, having managed retirement fund monies since the early 1980s. The track record of the FFF is shown in the graph on the right, relative to the sector and to the prime growth asset class, listed equities. The fund has outperformed both since inception, on a risk-adjusted and after-fee basis.

How it stacks up



SOURCE: Profile Media, Fund Analytics

Asset allocation: Foord Flexible Fund



SOURCE: Foord Asset Management

The fund has a performance benchmark of CPI+5% p.a. It also has a performance-based fee structure that sees the investor paying a fee of 1% plus VAT for benchmark return, with the manager sharing in the upside at a rate of 10% of the outperformance. The performance fee is calculated over rolling 12-month periods, which is great because periods of excess return do not 'hang around' for too long. The structure is also fair in that the manager earns lower fees when the fund underperforms the benchmark.

This is a solid option for the long-term growth investor who does not want the hassle of finding growth assets to invest in, or the administrative burden of switching between asset classes over time as things change. ■

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