

GRYPHON FLEXIBLE FUND OF FUNDS – 31 AUGUST 2017

FUND PROFILE & PERFORMANCE OBJECTIVE

The primary objective of the fund is to generate real (after-inflation) wealth for investors, at lowest possible cost, with due cognizance of risk and in particular secular down side risk. This is achieved by consistently producing real returns and long-term capital growth through maximum exposure to equities (the asset class of choice over the long-term to protect investors against inflation) during bull markets, whilst minimising exposure to equities in secular bear markets. As such, the product is suitable for investors of all ages as it maximises return per unit of risk throughout their various life stages.

INVESTMENT POLICY & STRATEGY

The portfolio is premised on the philosophy that most value is added with asset allocation rather than with stock selection. Stock selection is indexed and asset allocation is actively and aggressively managed to the extreme. This, coupled with our low cost focus (utilizing indexation building blocks), has the objective of achieving superior investment returns. The portfolio investment strategy is to invest in a flexible combination of the Gryphon All Share Tracker Fund, Gryphon Money Market Fund, Gryphon Global Equity Fund, offshore cash and bond/property indexed products. Funds are allocated between these alternatives based primarily on proprietary quantitative indicators, which predict the primary bull / bear market cycles in equities and the Rand currency. Short term equity volatility and secondary market cycles are generally ignored, since they are more difficult to predict and their effect on portfolio returns relatively small and short lived. The Portfolio can invest up to a 100% in equities (including international equities). Maximum foreign exposure limits as permitted by prevailing legislation (currently 25%), apply.

WHO SHOULD INVEST?

- Investors seeking long term exposure to equity market returns, but cognizance of downside risk.
- Investors who have a long-term investment horizon and a required return profile in excess of inflation and which thus necessitates exposure to equities.
- Investors lacking the time, infrastructure or resources and/or investment sophistication to choose between and subsequently monitor the performance of: various asset classes i.e. asset allocation; and/or individual stocks i.e. stock selection; and/or individual asset managers i.e. manager selection.
- Investors cognizant of the effects of costs on their returns.
- Multi Asset Funds are more tax compliant and tax efficient.

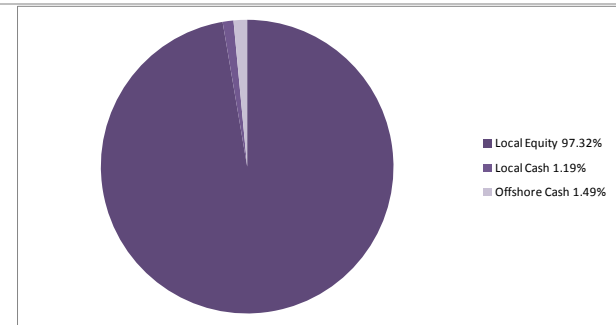
The fund is particularly attractive to investors from a diversification point of view, since the unique way in which it is managed, differs significantly from its peers.

Further information regarding the Gryphon Flexible Fund of Funds is available on our website www.gryphon.com or by contacting us on 021 915 5100 or at invest@gryphon.com

Risk Profile



ASSET ALLOCATION



FUND DETAILS

Sector Classification:
SA Multi Asset Flexible

Portfolio Managers:
Abri Du Plessis
M.Comm (Econometrics)
Reuben Beelders
B.Comm (Hons), CA(SA), CFA

Benchmark:
CPI + 7%

Inception Date:
01 April 2014

Portfolio Size:
R19 033 419

Charges:

Initial Fee:
0.00%

Annual Management Fee:
0.34% (Incl. VAT)

Performance Fee:
Gryphon does not charge any performance fees.

Total Expense Ratio (TER):
0.67% (30 June 2017)

Transactional Cost (TC):
0.02% (30 June 2017)

Total Investment Charges (TER + TC):
0.69% (30 June 2017)

Lowest Actual Annual Figure:
0.30% (28 February 2017)

Highest Actual Annual Figure:
13.98% (31 January 2016)

Income Declarations:
Twice per year on the 1st of October and the 1st of April or subsequent business day.

ADMINISTRATION

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Email: invest@gryphon.com
Website: www.gryphon.com

Physical Address:
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Pro Sano Park East
Southgate
Tyger Valley
7536

Postal Address:
Private Bag X20
Tyger Valley
7536

Valuation:
The Fund is valued daily at 9:00 the following morning, at the previous day's closing prices. Instructions must reach us before 14:00 to ensure next morning pricing.

Minimum Lump Sum:
R2,000

Minimum Monthly Premium:
R200

Trustee:
Standard Chartered Bank
5th Floor
4 Sandown Valley Crescent
Sandton
2196

Tel: +27 11 217 6600
Fax: +27 11 217 6601

Administration Manager:
Prescient Fund Services
JSE Code:
GYFFF

Payment date:	Cents per unit:
3-Apr-17	40.272302
3-Oct-16	27.380000

GRYPHON FLEXIBLE FUND OF FUNDS NETT MONTHLY TOTAL RETURNS																											
	Jan		Feb		Mar		Apr		May		Jun		Jul		Aug		Sep		Oct		Nov		Dec		YTD		
	Fund	CPI	Fund	CPI	Fund	CPI	Fund	CPI	Fund	CPI	Fund	CPI	Fund	CPI	Fund	CPI	Fund	CPI	Fund	CPI	Fund	CPI	Fund	CPI	Fund	CPI	
2017	0.69%	0.60%	-1.58%	1.09%	2.35%	0.59%	2.56%	0.10%	-0.47%	0.29%	-2.86%	0.19%	5.45%	0.29%	2.27%	TBC											
2016	1.27%	0.75%	0.43%	1.38%	-1.52%	0.73%	-0.47%	0.83%	3.06%	0.21%	-1.25%	0.51%	-0.89%	0.82%	-0.44%	-0.10%	1.15%	0.20%	0.65%	0.51%	0.20%	0.30%	0.81%	0.40%	2.95%	6.72%	
2015	0.18%	-0.11%	0.52%	0.56%	1.31%	1.45%	0.03%	0.88%	0.77%	0.22%	0.32%	0.44%	1.42%	1.09%	1.64%	0.00%	1.47%	0.00%	0.48%	0.21%	1.46%	0.11%	2.48%	0.32%	12.75%	5.28%	
2014							0.39%	0.46%	0.44%	0.11%	0.45%	0.34%	0.47%	0.80%	0.40%	0.34%	0.43%	0.00%	0.48%	0.22%	0.81%	0.00%	1.91%	-0.22%	5.92%	2.06%	

GRYPHON FLEXIBLE FUND OF FUNDS PAST 12 MONTHS TOTAL RETURNS																										
	Jan		Feb		Mar		Apr		May		Jun		Jul		Aug		Sep		Oct		Nov		Dec			
	Fund	CPI+7%	Fund	CPI+7%	Fund	CPI+7%	Fund	CPI+7%	Fund	CPI+7%	Fund	CPI+7%	Fund	CPI+7%	Fund	CPI+7%	Fund	CPI+7%	Fund	CPI+7%	Fund	CPI+7%	Fund	CPI+7%		
2017	2.35%	13.57%	0.30%	13.27%	4.24%	13.12%	7.41%	12.35%	3.73%	12.44%	2.04%	12.11%	8.55%	11.56%	11.51%	TBC										
2016	13.98%	13.19%	13.88%	14.05%	10.70%	13.28%	10.14%	13.23%	12.63%	13.22%	10.87%	13.30%	8.35%	13.02%	6.13%	12.91%	5.80%	13.12%	5.97%	13.43%	4.65%	13.64%	2.95%	13.72%		
2015					8.06%	11.01%	7.68%	11.45%	8.04%	11.56%	7.90%	11.66%	8.93%	11.96%	10.27%	11.61%	11.41%	11.61%	11.41%	11.60%	12.13%	11.71%	12.75%	12.28%		

GRYPHON MARKET COMMENTARY – 31 AUGUST 2017

THE PAST													
INTERNATIONAL						LOCAL							
<p>Global equity markets continued to rally. Emerging Markets outperformed World Markets by 2.1%. LatAm, driven by Peru (+8.5%), Brazil (+6.3%) and Chile (+5.4%) was the best performing region. However, currency strength also assisted strong gains from Russia, Hungary, Poland and Turkey. It would appear that the “Fragile Five” are less fragile. Materials, Energy and Telecoms were the best performing equity sectors. US Dollar weakness coupled with strength in commodity prices has driven Emerging Market performance. We see this trend as likely to continue. However, the movement in long bonds has gone against our expectation and is a development we are watching closely.</p>						<p>Following the very strong +7.65% return for July, local equities delivered another strong month, +2.65%. A number of active managers have not been well positioned to benefit from the returns of the past two months. This once again, highlights the benefits of indexation, with index returns outperforming most active managers. Year to date performance has been driven by Exxaro (+51%), Naspers (+46%), Kumba (+44%). On the negative side ArcelorMittal (-57%), Brait (-33%) and EOH (-33%) have detracted from performance. While consumer-facing stocks have bounced post the cut in interest rates, the consumer continues to look weak.</p>							
THE PRESENT													
EQUITY INDICES	MTD	YTD	12m	CURRENCIES / COMMODITIES	Value	MTD	YTD	12m	BONDS	Value	YTD BPS Δ	12M BPS Δ	
MSCI WORLD (USD)	0%	12%	14%	ZAR vs USD	13.01	1%	5%	11%	USA BOND 10 YEAR	2.13%	-33	56	
MSCI EMERGING MARKETS (USD)	2%	26%	22%	ZAR vs GBP	16.81	3%	-1%	13%	USA BOND 2 YEAR	1.33%	17	53	
DOW JONES INDUSTRIAL	1%	13%	22%	ZAR vs EUR	15.48	1%	-7%	6%	GERMAN BOND 10 YEAR	0.36%	25	49	
S&P 500	0%	12%	16%	ZAR vs AUD	10.33	2%	-4%	7%	GERMAN BOND 2 YEAR	-0.73%	7	-11	
UK FTSE 100	1%	4%	10%	EUR vs USD	1.19	1%	13%	7%	UK BOND 10 YEAR	1.09%	-15	45	
JAPANESE NIKKEI 225	-1%	0%	16%	GBP vs USD	1.29	-2%	5%	-2%	UK BOND 2 YEAR	0.18%	7	2	
GERMAN DAX	0%	7%	15%	YEN vs USD	110.07	0%	6%	-7%	RSA 10 YEAR	8.72%	-20	-28	
FRENCH CAC 40	0%	5%	15%	GOLD	1322	4%	15%	1%	RSA 3 YEAR	7.33%	-78	-85	
AUSTRALIAN ASX	0%	1%	4%	PLATINUM	999	6%	11%	-5%	RSA REPO RATE	6.75%	-25	-25	
JSE ALL SHARE	3%	14%	10%	IRON ORE	79	7%	0%	34%	RSA PRIME LENDING RATE	10.25%	-25	-25	
JSE TOP 40	3%	16%	11%	COPPER	6792	7%	23%	48%	RSA LONG TERM GILT	8.72%	-20	-28	
JSE ALL SHARE SWIX	2%	13%	8%	NICKEL	11620	14%	16%	19%					
				BRENT OIL	52.86	0%	-7%	13%					
THE FUTURE													
INTERNATIONAL						LOCAL							
<p>The Central Bank conference at Jackson Hole under-delivered in terms of providing direction as to when and to what degree the ECB would reduce its policy of QE. However, North Korea did provide a level of uncertainty to markets with its missile testing, which kept euphoria in check. Adverse weather in the U.S. failed to ignite the oil price, which has us concerned. Our reference to long bond yields above is a function of an increasing concern that inflation remains muted. While this is ascribed to (1) technological innovation, (2) global oversupply, (3) China overcapacity and (4) falling inflation expectations; this development requires caution.</p>						<p>Local earnings releases have been in line with expectation. We are seeing an increasing sign of a slow-down in the construction in retail space, both locally and abroad. Recent results from Spur point to a consumer focused on non-discretionary purchases and confirm a trend observed in the Famous Brands results a few months ago. While lower interest rates will assist stretched consumers, banks and retailers are battling to generate profit. Companies exposed to the Rest of Africa are also downbeat on prospects. New listings in the form of Steinhoff Retail Africa and African Rainbow Capital should keep punters happy in September. We continue to see value in large capitalization Rand hedges, which are well represented in the All Share. This is likely to result in the continuation of the trend of outperformance of indexation over active management.</p>							
OUR FUNDS													
RISK	GRYPHON FUND						POSITIONING						
LOW	Money Market Fund						Conservatively managed, superb yield.						
↑	Dividend Income Fund						Enhanced before tax yield of + / - 10.00%. Attractive relative to other interest rate products.						
	Prudential Fund of Funds						Aggressively exposed to SA equities. Regulation 28 compliant.						
	Flexible Fund of Funds						Aggressively exposed to SA equities.						
	All Share Tracker Fund						Lowest cost, superbly diversified exposure to equities.						
↓	All Share Tracker Fund						Lowest cost, superbly diversified exposure to equities.						
HIGH	Global Equity Fund						Low cost exposure to the internationally diversified with associated currency benefit.						

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