

## GRYPHON FLEXIBLE FUND OF FUNDS – 31 JULY 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.

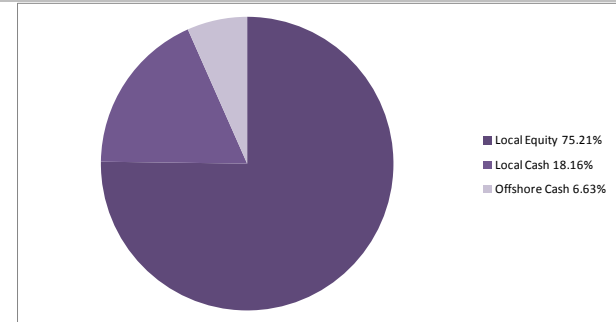
*The fund is particularly attractive to investors from a diversification point of view, since the unique way in which it is managed, differs significantly from its peers.*

Further information regarding the Gryphon Flexible Fund of Funds is available on our website [www.gryphon.com](http://www.gryphon.com) or by contacting us on 021 915 5100 or at [invest@gryphon.com](mailto: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:**  
R20 261 924

**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 1<sup>st</sup> of October and the 1<sup>st</sup> of April or subsequent business day.

### ADMINISTRATION

**Gryphon Contact Details:**  
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Fax: +27 86 206 2635  
Email: [invest@gryphon.com](mailto:invest@gryphon.com)  
Website: [www.gryphon.com](http://www.gryphon.com)

**Physical Address:**  
2<sup>nd</sup> Floor  
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  
5<sup>th</sup> 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%	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%	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 JULY 2017

THE PAST												
INTERNATIONAL						LOCAL						
<p>Global equity markets continued to rally. Cyclical sectors and cyclical regions led the performance, with Emerging Markets continuing to set the pace. Software, Insurance and Resources were amongst the leaders while the laggards included Health Care and Consumer Staples. Central Bankers continued to provide an environment conducive to risk assets. The dollar weakened and commodities rallied. Internal squabbles and struggles within the Trump administration have not concerned markets. Strong earnings have soothed markets concerns about the lack of delivery of proposed healthcare legislative changes and tax reform.</p>						<p>The local market ended the last day of the month of July at an all-time high, returning +7.65% for the month. This month therefore makes equities the best asset class year-to-date in the local market. As with international markets Resources lead the rally, on the back of rising commodity prices and good results and a resumption of dividends from Anglos. A surprise rate cut from the Reserve Bank also buoyed the market. Were it not for regulatory and political uncertainty our currency would have reflected the strength of commodities as do the Canadian and Australian currencies. South Africans would have benefitted!</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)	2%	12%	14%	ZAR vs USD	13.17	-1%	4%	5%	USA BOND 10 YEAR	2.30%	-16	82
MSCI EMERGING MARKETS (USD)	5%	24%	22%	ZAR vs GBP	17.38	-2%	-4%	5%	USA BOND 2 YEAR	1.35%	19	68
DOW JONES INDUSTRIAL	3%	12%	22%	ZAR vs EUR	15.57	-4%	-8%	0%	GERMAN BOND 10 YEAR	0.55%	44	73
S&P 500	2%	12%	16%	ZAR vs AUD	10.54	-5%	-7%	0%	GERMAN BOND 2 YEAR	-0.66%	14	1
UK FTSE 100	1%	3%	10%	EUR vs USD	1.18	3%	12%	6%	UK BOND 10 YEAR	1.29%	5	49
JAPANESE NIKKEI 225	-1%	2%	20%	GBP vs USD	1.32	1%	7%	0%	UK BOND 2 YEAR	0.27%	16	16
GERMAN DAX	-1%	8%	18%	YEN vs USD	110.36	2%	6%	-8%	RSA 10 YEAR	8.75%	-18	13
FRENCH CAC 40	-1%	5%	15%	GOLD	1270	2%	10%	-6%	RSA 3 YEAR	7.42%	-69	-43
AUSTRALIAN ASX	0%	1%	2%	PLATINUM	940	1%	4%	-18%	RSA REPO RATE	6.75%	-25	-25
JSE ALL SHARE	7%	11%	8%	IRON ORE	74	13%	-7%	24%	RSA PRIME LENDING RATE	10.25%	-25	-25
JSE TOP 40	8%	13%	9%	COPPER	6347	7%	15%	31%	RSA LONG TERM GILT	8.75%	-18	13
JSE ALL SHARE SWIX	6%	10%	5%	NICKEL	10235	10%	2%	-2%				
				BRENT OIL	52.72	8%	-7%	22%				
THE FUTURE												
INTERNATIONAL						LOCAL						
<p>Global central bankers continue to adopt a measured approach to raising interest rates and scaling back their balance sheets. Inflation globally remains muted. However, the impact of central bank action on bond yield curves requires investors to consider yield gaps, i.e. the difference between long bonds and shorter term bonds rather than the absolute levels of these instruments. Commodity prices and exports from export-oriented economies indicate a sustained pick-up in world growth and trade. Commodities as well as commodity stocks and currencies are likely to benefit.</p>						<p>Car sales for July reflected some signs of “life”; however we remain concerned that this is more a function of a very low base rather than a resurrection of the South African consumer. The impending earnings release season will give us an indication of the true state of the consumer. The recent decision by Pick ‘n Pay, to reduce staff, causes us to question what the true growth prospects for the sector are. Globally retailers are under intense pressure, a function of the aggressive expansion of the past few years and the relentless move to online purchases by consumers. While South African consumers are a few years behind in this trend, the direction is nevertheless clear!</p>						
OUR FUNDS												
RISK	GRYPHON FUND						POSITIONING					
LOW	Money Market Fund						Conservatively managed, superb yield.					
↑	Dividend Income Fund						Enhanced before tax yield of over 10.00%. A stable interest rate cycle increases the attraction.					
	Prudential Fund of Funds						Aggressively exposed to SA equities. Regulation 28 compliant.					
	<b>Flexible Fund of Funds</b>						<b>Aggressively exposed to SA equities.</b>					
↓	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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