

# 2015

## **Gryphon Collective Investments**

### **ABRIDGED ANNUAL REPORT**



**GRYPHON**

Gryphon Collective Investments (RF) (Pty) Ltd

# CEO REPORT

There was a subtle but sure change in global financial markets over the past 12 months as it became clear to global investors that global central bankers were considering the potential of hiking interest rates. At this stage it appears that the U.S. central bankers are isolated in their thinking, however, the impact on markets has nevertheless been significant. This would be the first interest rate hike from the U.S. central bank since 2006 and reflects the extremely long period of monetary easing required to cope with the ramifications of the financial crisis of 2008 / 2009. With European and Japanese central bankers still possibly providing more monetary stimulus to their economies, the impact on the Dollar has been dramatic. Conversely, emerging market currencies, including the Rand have come under intense pressure. For the past 12 months the Rand has weakened by 18.3% against the U.S. Dollar.

As a result of Rand weakness, the best performing investments for local investors over the past year was foreign equity investments, which returned +13.7%.

Within global equities, in Dollar terms, developed market equities (-4.6%) outperformed emerging market equities (-19.0%) by some margin as the underlying growth rate of emerging economies continued to slow. As has been the case in the past, this slower level of growth also brought to the fore the imbalances which exist in these economies.

Within local markets, sector performances continued to diverge as resource stocks underperformed financial and industrial stocks dramatically. Underlying commodity prices continued to come under pressure. For a range of commodities, excess supply appears to be depressing prices as producers ramp up production in the effort to compensate for lower prices.

## Local economic overview:

At the commencement of the calendar year 2015, economic growth projections locally were muted. Sadly, even these were not met as lower commodity prices and slower global growth dragged down the local economy. While lower oil prices provided some respite to fuel prices, the weakness in the currency resulted in little of this benefit flowing through to local consumers.

We continue to be cautious in our outlook for the year ahead. Higher maize prices are likely to result in higher food prices and a deterioration in inflation. While the recent drought has impacted adversely on agricultural crops we continue to believe that South Africa is underestimating the potentially adverse impact of reduced water supply on households and business.

The recent volatility associated with the conclusion drawn by international rating agencies of South Africa's prospects has been exacerbated by the surprise decision to replace our Minister of Finance. Were South Africa a nation of savers, this would not be problematic, however, our low savings rate, results in us being highly dependent on global investors as a source of funds. Their continued support requires clear goals and communication of those goals as well as the demonstration of fiscal prudence in the management of our economy. Anything less will result in global investors finding other investment destinations for their capital.

## Other industry developments:

The TCF (Treating Customers Fairly) and the RDR (Retail Distribution Review) regulations passed and proposed by the Financial Services Board have changed and will continue to change the financial services landscape into the future.

Some of the objectives of the RDR are the establishment of clear accountability associated

with the giving of advice to clients and also the protection of clients against conflicts of interest, which currently exist in the business structure of some industry players. The achievement of these objectives would significantly benefit clients and would we believe remove current perverse incentives among such players, to the obvious benefit of the consumer.

We would like to thank you for your continued support. While volatility and uncertainty are always a source of concern to all, they also often present opportunities to astute investors who have the emotional and financial fortitude to focus on those metrics which have driven and will continue to drive superior returns into the future. We would consider ourselves privileged to share your investment journey into 2016 and beyond.

Yours sincerely

A handwritten signature in black ink, appearing to read 'MJ Kellerman', written over a horizontal line.

MJ Kellerman  
CHIEF EXECUTIVE OFFICER  
GRYPHON COLLECTIVE INVESTMENT (RF) (PTY) LTD

# REPORT OF THE TRUSTEES

Standard  
Chartered



Gryphon Collective Investments (RF) (Pty) Limited  
Pro Sano Park  
2nd Floor, Southgate Tyger Waterfront,  
Carl Cronje Drive  
Tyger Valley  
Bellville  
7530

Attention: MJ Kellerman

10 December 2015

## Gryphon Collective Investment Scheme (the scheme) Year end 30 September 2015

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the Scheme, are required in terms of Section 70(3) of the Collective Investments Scheme Control Act, 45 of 2002, as amended (the "Act"), to satisfy ourselves that every Statement of Financial Position, Statement of Comprehensive Income and other return prepared by the manager of the Scheme in terms of Section 90 of the Act (the "Accounts") fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the manager of the Scheme.

We note that responsibility for the Accounts rests with the manager of the scheme in terms of the Act and that they have the obligation to ensure that the Accounts have been properly drawn up in accordance with both generally accepted accounting principles and the Act and that they fairly represent the financial position of each portfolio of the Scheme. Nothing in this report can be construed as us giving an accounting opinion in relation to the Accounts.

Based on our records, and the Accounts, we hereby report that nothing has come to our attention that would lead us to believe anything other than:

- (a) the fact that the Accounts fairly represent the assets and liabilities of every portfolio of the Scheme;
- (b) the fact that the Accounts fairly represent the income and distribution of income of every portfolio of the Scheme; and
- (c) the fact that the Manager has administered the scheme in accordance the provisions of the Act and the relevant deed.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Chantell Kruger'.

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**Chantell Kruger**  
Senior Manager, Trustee Services

A handwritten signature in black ink, appearing to read 'Henning Bisschoff'.

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**Henning Bisschoff**  
Head, TB SA

Standard Chartered Bank  
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Standard Chartered Bank is incorporated in England with limited liability by Royal Charter 1853, reference number ZC18 and with its principal office situated in England at 1 Basinghall Avenue, London, EC2V 5DD. Standard Chartered Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority. In South Africa, Standard Chartered Bank, Johannesburg Branch is a licensed Bank in terms of the South African Banks Act 94 of 1990, an authorised financial services provider in terms of the Financial Advisory & Intermediary Services Act 37 of 2002, a registered Credit Provider in terms of the National Credit Act 34 of 2005 and registered as an external company in terms of the South African Companies Act 71 of 2008 under company registration number 2003/020177/10.  
Court of Directors: WT Winters\*, TJ Clarke\*\*, AN Halford\*\*, AMG Rees\*\* (\*American, \*\* British)

**SUMMARISED INFORMATION  
FOR THE YEAR ENDING  
30 SEPTEMBER 2015**

	<b>Gryphon All-Share Tracker Fund</b>	<b>Gryphon Dividend Income Fund</b>	<b>Gryphon Flexible Fund of Funds</b>	<b>Gryphon Global Equity Fund</b>	<b>Gryphon Money Market Fund</b>	<b>Gryphon Prudential Fund of Funds</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>CONDENSED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
Income	5 428 178	64 148 806	351 042	352 069	17 429 169	55 235
Expenditure	(524 317)	(7 372 791)	(29 017)	(129 217)	(806 172)	(9 408)
Net income/(loss) for the year before finance costs	4 903 861	56 776 015	322 025	222 852	16 622 997	45 827
Retained income, beginning of the year	2 905	264 157	20	-	253	3
Distribution of income	(4 903 094)	(56 753 155)	(321 961)	(222 923)	(16 622 998)	(45 824)
Change in net assets attributable to unit holders	3 672	287 017	84	-71	252	6
<b>DISTRIBUTION PER UNIT (cents)</b>	<b>20.29</b>	<b>5.13 (A)</b> <b>5.55 (B)</b> <b>5.35 (C)</b> <b>6.01 (C2)</b>	<b>33.52 (A)</b> <b>45.38 (B)</b>	<b>8.74 (A)</b> <b>11.28 (B)</b>	<b>6.49 (A)</b> <b>6.28 (C)</b>	<b>29.33 (A)</b> <b>40.05 (B)</b>

<b>CONDENSED STATEMENT OF FINANCIAL POSITION</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
<b>Net assets attributable to unit holders</b>	<b>146 059 399</b>	<b>1 126 958 739</b>	<b>7 169 505</b>	<b>25 686 931</b>	<b>230 556 688</b>	<b>1 263 460</b>
Accrued expenses	116 867	689 814	2 018	13 968	81 803	364
Trade and other payables	6 314 816	-	-	-	-	-
Distributions payable	3 259 597	15 653 808	153 452	79 406	1 214 768	24 201
<b>Liabilities excluding net assets attributable to unit holders</b>	<b>9 691 280</b>	<b>16 343 622</b>	<b>155 470</b>	<b>93 374</b>	<b>1 296 571</b>	<b>24 565</b>
Investments	147 670 297	1 105 000 000	7 274 450	25 707 570	203 568 795	1 261 498
Accrued income	294 346	551 800	28 178	12 906	3 112 082	4 850
Trade and other receivables	5 784 694	-	-	-	-	-
Cash and bank balances	2 001 342	37 750 561	22 347	59 829	25 172 382	21 677
<b>Total Assets</b>	<b>155 750 679</b>	<b>1 143 302 361</b>	<b>7 324 975</b>	<b>25 780 305</b>	<b>231 853 259</b>	<b>1 288 025</b>

<b>PORTFOLIO COMPOSITION</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
<b>Non-Equity Securities</b>						
Debtentures	-	90.09%	-	-	-	-
Money Market Instruments	-	-	-	-	87.80%	-
Off shore cash	-	-	26.56%	10.71%	-	26.37%
Liquid Assets	5.23%	9.91%	0.69%	0.28%	12.20%	2.06%
<b>Unit Trusts</b>	-	-	72.75%	7.95%	-	71.57%
<b>Equity Securities</b>						
Basic Materials	12.39%	-	-	-	-	-
Consumer Goods	26.31%	-	-	-	-	-
Consumer Services	14.95%	-	-	-	-	-
Financials	19.61%	-	-	-	-	-
Health Care	3.88%	-	-	-	-	-
Industrials	6.33%	-	-	-	-	-
Oil & Gas	2.75%	-	-	-	-	-
Technology	0.25%	-	-	-	-	-
Telecommunications	5.97%	-	-	-	-	-
Local Commodities	2.33%	-	-	-	-	-
Off shore equities	-	-	-	81.06%	-	-
<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<b>INVESTMENT PERFORMANCE</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Year to 30 September 2015	5.42%	5.24% (A)	11.41% (B)	*	6.43% (A)	10.81% (B)
Year to 30 September 2014	14.96%	4.53% (A)	**	*	5.61% (A)	**
<b>All-share Index</b>						
Sep 2015: 4.79%		Sep 2014: 15.44%				
<b>STEFI</b>						
Sep 2015: 6.38%		Sep 2014: 5.64%				
<b>FEES:</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>
Maximum Initial fee	-	-	-	-	-	-
Service fee (including VAT)	0.228	0.912 (A) 0.513 (B) 0.7125 (C) 0.05 (C2)	1.482 (A) 0.342 (B)	1.482 (A) 0.57 (B)	0.285 (A) 0.171 (C)	1.482 (A) 0.342 (B)
Total Expense Ratio (TER)	0.33	0.92 (A) 0.53 (B) 0.72 (C) 0.07 (C2)	1.53 (A) 0.39 (B)	2.08 (A) 1.03 (B)	0.30 (A) 0.19 (C)	2.01 (A) 0.77 (B)

\* Fund launched November 2014  
\*\* Fund launched April 2014