

## GRYPHON DIVIDEND INCOME FUND - 31 AUGUST 2017

### FUND PROFILE

The primary objective of the portfolio is to obtain a high level of primarily dividend income while also achieving capital preservation and liquidity. Capital gains will be of an incidental nature. The portfolio will be permitted to make investments in any equity securities and non-equity securities that generate a dividend return and which may be included in a portfolio in terms of the Collective Investment Schemes Control Act, 2002 and relevant legislation. The manager may from time to time invest in participatory interests and similar investment schemes. The portfolio may be capped from time to time in order to manage the portfolio in accordance with its mandate. Income tax legislation is subject to amendment and any such changes could affect the tax status of distributions by the Gryphon Dividend Income Fund.

### KEY FEATURES

The Fund offers regular income in the form of dividends. The fund will to a large extent track the local interest rate cycle. The risk profile of the fund is low. The minimum credit rating for investments to be considered, for inclusion in the portfolio, is A1/F1. The portfolio manager may borrow up to 10% of the market value of the portfolio to bridge insufficient liquidity.

### WHO SHOULD INVEST?

Investors seeking an alternative to interest income such as dividends but at the same time with minimum risk to their capital.

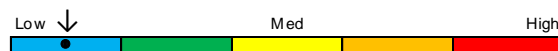
Yields as at 31 August 2017	Individual	Company
<b>After tax money market rate</b>	<b>Yields</b>	
Gryphon Money Market rate	7.89%	7.89%
Marginal tax rate	45%	28%
After tax return	4.34%	5.68%
Gryphon Dividend Fund Return (C Class)	7.10%	7.10%
Dividend Tax, at 20%	-1.42%	0.00%
<b>After tax return</b>	<b>5.68%</b>	<b>7.10%</b>
Net gain above	1.34%	1.42%
<b>Interest rate equivalent yield</b>	<b>Yields</b>	
Gryphon Dividend Fund Return (C Class)	7.10%	7.10%
Dividend Tax	20%	0%
After tax return	5.68%	7.10%
Marginal tax rate	45%	28%
<b>Pre Tax equivalent yield</b>	<b>10.33%</b>	<b>9.86%</b>
Net gain	2.44%	1.97%
% Yield enhancement above MM	31%	25%

### DECLARATION INFORMATION FOR THE PREVIOUS 5 DECLARATIONS

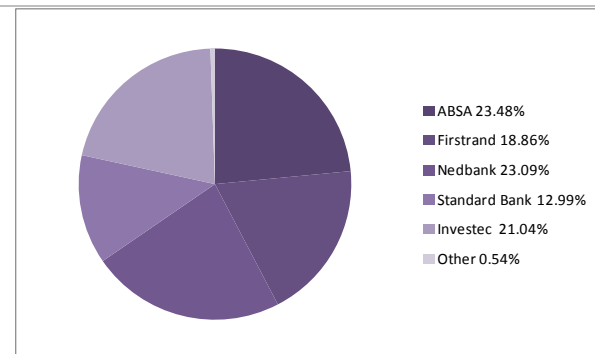
Dividend Declaration Date	Dividend Payment Date	A-CLASS cents per unit	C-CLASS cents per unit
31-Aug-17	1-Sep-17	0.568265	0.585306
31-Jul-17	2-Aug-17	0.569150	0.585915
30-Jun-17	3-Jul-17	0.545317	0.562686
31-May-17	1-Jun-17	0.560974	0.578949
30-Apr-17	3-May-17	0.543383	0.561306

Further information regarding the Gryphon Dividend Income fund is available on our website [www.gryphon.com](http://www.gryphon.com) or by contacting us on 021 915 5100 or [invest@gryphon.com](mailto:invest@gryphon.com).

### Risk Profile



### ASSET ALLOCATION



\*Other comprises exposures of the fund via the STANLIB Corporate Money Market Fund, Nedgroup Investment Corporate Money Market Fund and direct holdings in the trustee, Standard Chartered Bank Limited.

### FUND DETAILS

**Sector Classification:**  
South African - Interest bearing - Short term

**Portfolio Manager:**  
Reuben Beelders  
B.Comm (Hons), CA(SA), CFA  
Sunette Swart  
B.Compt (Hons), CTA, CA(SA)

**Benchmark:**  
70% of STEFI Composite Index

**Inception Date:**  
28 January 2009

**Portfolio Size:**  
R 1 554 941 025

**Charges:**  
**Initial Fee:**  
0.00%

**Annual Management Fee:**  
0.91% (Incl. VAT) Class A  
0.72% (Incl. VAT) Class C

**Total Expense Ratio:**  
0.94% Class A (30 June 2017)  
0.74% Class C (30 June 2017)

**Transactional Cost (TC):**  
0.00% Class A (30 June 2017)  
0.00% Class C (30 June 2017)

**Total Investment Charges (TER + TC):**  
0.94% Class A (30 June 2017)  
0.74% Class C (30 June 2017)

**Lowest Actual Annual Figure:**  
3.96% A Class (31 December 2012)  
4.32% C Class (31 December 2012)

**Highest Actual Annual Figure:**  
6.78% A Class (31 August 2017)  
7.00% C Class (31 August 2017)

**Income Declarations:**  
Income is declared and paid on a monthly basis.

### ADMINISTRATION

**Gryphon Contact Details:**  
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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

**Minimum Lump Sum:**  
R10 000 (A-Class)  
R10 000 000 (C-Class)

**Minimum Monthly Premium:**  
R2 000

**Valuation:**  
The Fund is valued daily at 15:00. Instructions must reach us before 11h00 to ensure same day processing.

**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:**  
A Class : GDICA  
C Class : GDICC

### ANNUALISED TOTAL RETURN FIGURES AS AT 31 AUGUST 2017

	1 Year	3 Years	5 Years
A-Class	6.78%	5.99%	5.30%
C-Class	7.00%	6.22%	5.53%
Benchmark (70% of STEFI Composite Index)	5.34%	5.00%	4.61%

GRYPHON MARKET COMMENTARY – 31 AUGUST 2017

THE PAST

INTERNATIONAL	LOCAL
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.	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 Exaro (+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.

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
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.	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.

OUR FUNDS

RISK	GRYPHON FUND	POSITIONING
LOW	Money Market Fund	Conservatively managed, superb yield.
↑ ↓	<b>Dividend Income Fund</b>	<b>Enhanced before tax yield of + / - 10.00%. Attractive relative to other interest rate products.</b>
	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.
HIGH	Global Equity Fund	Low cost exposure to the internationally diversified with associated currency benefit.

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