

## GRYPHON DIVIDEND INCOME FUND - 28 FEBRUARY 2018

### 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. All dividend yielding investments are secured by the top five banks, i.e. Standard Bank, ABSA, Nedbank, Investec and FirstRand. 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.

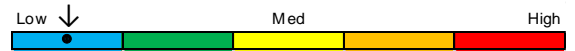
Yields as at 28 February 2018	Individual	Company
<b>After tax money market rate</b>	<b>Yields</b>	
Gryphon Money Market rate	7.80%	7.80%
Marginal tax rate	45%	28%
After tax return	4.29%	5.62%
Gryphon Dividend Fund Return (C Class)	6.96%	6.96%
Dividend Tax, at 20%	-1.39%	0.00%
<b>After tax return</b>	<b>5.57%</b>	<b>6.96%</b>
Net gain above	1.28%	1.34%
<b>Interest rate equivalent yield</b>	<b>Yields</b>	
Gryphon Dividend Fund Return (C Class)	6.96%	6.96%
Dividend Tax	20%	0%
After tax return	5.57%	6.96%
Marginal tax rate	45%	28%
<b>Pre Tax equivalent yield</b>	<b>10.12%</b>	<b>9.67%</b>
Net gain	2.32%	1.87%
% Yield enhancement above MM	30%	24%

### DECLARATION INFORMATION FOR THE PREVIOUS 5 DECLARATIONS

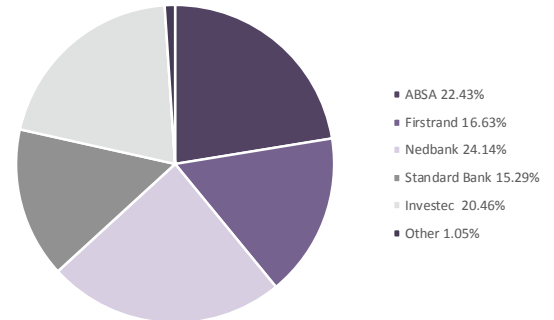
Dividend Declaration Date	Dividend Payment Date	A-CLASS cents per unit	C-CLASS cents per unit
28-Feb-17	1-Mar-17	0.505680	0.519377
31-Jan-17	1-Feb-17	0.556507	0.573644
31-Dec-17	2-Jan-17	0.541547	0.557108
30-Nov-17	1-Dec-17	0.522630	0.539087
31-Oct-17	1-Nov-17	0.543373	0.559660

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 1.9bn

**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 (31 December 2017)  
0.74% Class C (31 December 2017)

**Transactional Cost (TC):**  
0.00% Class A (31 December 2017)  
0.00% Class C (31 December 2017)

**Total Investment Charges (TER + TC):**  
0.94% Class A (31 December 2017)  
0.74% Class C (31 December 2017)

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

**Highest Actual Annual Figure:**  
6.79% A Class (30 September 2017)  
7.02% C Class (31 September 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:**  
1<sup>st</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 28 FEBRUARY 2018

	1 Year	3 Years	5 Years
A-Class	6.76%	6.25%	5.24%
C-Class	6.97%	6.47%	5.13%
Benchmark (70% of STEFI Composite Index)	5.26%	5.79%	4.76%

## GRYPHON MARKET COMMENTARY – 28 FEBRUARY 2018

THE PAST												
INTERNATIONAL						LOCAL						
<p>Global markets eased off in February, with Developed Markets down -4.1% and Emerging Markets -4.6%. Energy, -9.1%; Consumer Staples, -6.9% and Real Estate, -6.3% led stocks lower. Earnings and growth expectations had been aggressively priced into markets and while actual results were in line with expectations, as often is the case, markets had gotten ahead of themselves. The return of volatility was a reminder to global investors that markets can come down. We remain constructive on global economic growth. Our risk indicators are not elevated and we continue to see equities as prospectively the best performing asset class.</p>						<p>The transition from Zuma to Ramaphosa proceeded smoothly and was followed by an inspiring SONA, realistic budget and a cabinet reshuffle. The impact of global volatility and a strong Rand made themselves felt on the JSE, which ended the month down -2.0%. While global property stocks were under pressure as the result of interest rates being revised higher, a considerable segment of our local property stocks were under additional pressure due to questionable accounting. Financials outperformed as our bonds rallied and their defensiveness seemed a good option in the slow-growth, local environment.</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)	-4%	1%	15%	ZAR vs USD	11.79	1%	5%	10%	USA BOND 10 YEAR	2.93%	51	58
MSCI EMERGING MARKETS (USD)	-5%	3%	28%	ZAR vs GBP	16.23	4%	3%	0%	USA BOND 2 YEAR	2.24%	35	104
DOW JONES INDUSTRIAL	-4%	1%	20%	ZAR vs EUR	14.39	3%	3%	-4%	GERMAN BOND 10 YEAR	0.62%	20	41
S&P 500	-4%	2%	15%	ZAR vs AUD	9.15	5%	5%	9%	GERMAN BOND 2 YEAR	-0.60%	4	30
UK FTSE 100	-4%	-6%	0%	EUR vs USD	1.22	2%	-2%	-15%	UK BOND 10 YEAR	1.59%	35	51
JAPANESE NIKKEI 225	-4%	-3%	15%	GBP vs USD	1.38	3%	-2%	-11%	UK BOND 2 YEAR	0.83%	35	73
GERMAN DAX	-5%	-3%	9%	YEN vs USD	106.68	2%	5%	6%	RSA LONG TERM GILT	8.33%	-49	-51
FRENCH CAC 40	-3%	0%	10%	GOLD	1318	-2%	2%	6%	RSA 10 YEAR	8.33%	-49	-51
AUSTRALIAN ASX	0%	-1%	7%	PLATINUM	980	-2%	5%	-4%	RSA 3 YEAR	7.00%	-49	-79
JSE ALL SHARE	-2%	-2%	17%	IRON ORE	79	8%	8%	-14%	RSA REPO RATE	6.75%	0	-25
JSE TOP 40	-2%	-2%	20%	COPPER	6953	-2%	-3%	17%	RSA PRIME LENDING RATE	10.25%	0	-25
JSE ALL SHARE SWIX	-1%	-2%	18%	NICKEL	13800	2%	13%	27%	USA INFLATION RATE	2.10%	0	-40
JSE TOP 40 SWIX	-1%	-2%	21%	BRENT OIL	65	-6%	-3%	16%	RSA INFLATION RATE	4.40%	-30	-220
THE FUTURE												
INTERNATIONAL						LOCAL						
<p>The chemistry between valuation, economics and politics turned somewhat toxic early in the new month, as in China, a revision of the Constitution holds the prospect of the President serving for more than two terms. In the U.S. President Trump is losing his advisors at a rapid rate, as he embarks on tariff protection for local industries. While he does not seem to fear trade wars, the financial and investment impacts of these policies are many and mostly negative. The impact on global trade and in the medium term global inflation has the bond markets concerned. While global business and consumer confidence are holding strong, rising costs from policies of this nature will adversely impact these indicators.</p>						<p>While the impact of the 1% increase in the VAT rate is yet to be felt on local “pockets”, the Q4 GDP release reflected an economy in slightly better shape than previously anticipated. The stronger GDP numbers also positively impact our country’s fiscal ratios and the new “old” broom in Treasury seems set on averting a downgrade. Corporate earnings releases reflect struggling but still financially strong entities who are coping with an indebted consumer. However, there are signs of a pick-up in capital expenditure which would bode well for the economy as a whole. The strong currency and well-behaved oil price have improved the prospect of a cut in interest rates at the forthcoming meeting of the SARB. While this would be positive, we cannot ignore the fact that global interest rates are heading the other way.</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.						
	HIGH	Global Equity Fund					Low cost exposure to the internationally diversified with associated currency benefit.					

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