

GRYPHON DIVIDEND INCOME FUND - 31 DECEMBER 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.

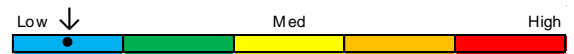
Yields as at 31 December 2017	Individual	Company
After tax money market rate		
Yields		
Gryphon Money Market rate	7.78%	7.78%
Marginal tax rate	45%	28%
After tax return	4.28%	5.60%
Gryphon Dividend Fund Return (C Class)	6.74%	6.74%
Dividend Tax, at 20%	-1.35%	0.00%
After tax return	5.39%	6.74%
Net gain above	1.11%	1.14%
Interest rate equivalent yield		
Yields		
Gryphon Dividend Fund Return (C Class)	6.74%	6.74%
Dividend Tax	20%	0%
After tax return	5.39%	6.74%
Marginal tax rate	45%	28%
Pre Tax equivalent yield	9.80%	9.36%
Net gain	2.02%	1.58%
% Yield enhancement above MM	26%	20%

DECLARATION INFORMATION FOR THE PREVIOUS 5 DECLARATIONS

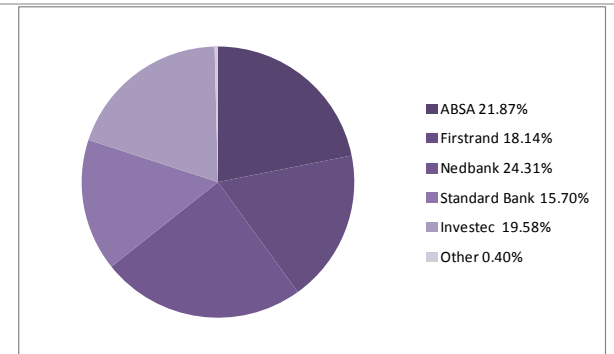
Dividend Declaration Date	Dividend Payment Date	A-CLASS cents per unit	C-CLASS cents per unit
31-Dec-17	2-Jan-17	0.541547	0.557108
30-Nov-17	1-Dec-17	0.522630	0.539087
31-Oct-17	1-Nov-17	0.543373	0.559660
30-Sep-17	2-Oct-17	0.547493	0.563097
31-Aug-17	1-Sep-17	0.568265	0.585306

Further information regarding the Gryphon Dividend Income fund is available on our website www.gryphon.com or by contacting us on 021 915 5100 or 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 1 959 046 543

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 September 2017)
0.74% Class C (30 September 2017)

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

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

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Website: www.gryphon.com

Physical Address:
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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
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:
A Class : GDICA
C Class : GDICC

ANNUALISED TOTAL RETURN FIGURES AS AT 31 DECEMBER 2017

	1 Year	3 Years	5 Years
A-Class	6.76%	6.16%	5.49%
C-Class	6.97%	6.39%	5.71%
Benchmark (70% of STEFI Composite Index)	5.28%	5.09%	4.71%

GRYPHON MARKET COMMENTARY – 31 DECEMBER 2017

THE PAST												
INTERNATIONAL						LOCAL						
<p>Global markets continued to strengthen, with Emerging Markets setting the pace, at +3.6%. U.S. markets were undeterred by the anticipated rate hike from the FOMC and the benefits of the tax changes were priced in. Economic growth for the year ahead is forecast as continuing to be strong. While inflation does not appear to be on the forecast horizon just yet, forward looking indicators are pointing to the build of inflationary pressures, particularly in the U.S. where the labour market is likely to be at or close to full employment. While global central bankers remain accommodative, the one unpleasant surprise in 2018 would be an unexpected pick-up in inflation in developed markets.</p>						<p>Local equities reflected the political anxiety around the ANC Elective Conference and at the 13th of December, were -4.0% month-to-date. Markets rallied on the outcome to end the month flat (-0.34%). The year to date performance from equities was strong, +21.0%, with large capitalization stocks represented by the Top 40 up 21.2% against small and mid-caps, up 7.4% and 3.1% respectively. While a number of active investors suffered as result of the value destruction in Steinhoff, index funds delivered the index return. Needless to say, the impact of subsequent price action has reduced considerably. Bonds were up 10.2%, ahead of cash, at 7.5%.</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)	1%	20%	20%	ZAR vs USD	12.38	9%	10%	10%	USA BOND 10 YEAR	2.42%	-4	-4
MSCI EMERGING MARKETS (USD)	3%	34%	34%	ZAR vs GBP	16.74	10%	0%	0%	USA BOND 2 YEAR	1.89%	73	73
DOW JONES INDUSTRIAL	2%	28%	28%	ZAR vs EUR	14.86	8%	-3%	-3%	GERMAN BOND 10 YEAR	0.42%	31	31
S&P 500	1%	22%	22%	ZAR vs AUD	9.68	7%	2%	2%	GERMAN BOND 2 YEAR	-0.64%	16	16
UK FTSE 100	5%	8%	8%	USD vs EUR	1.20	1%	-14%	-14%	UK BOND 10 YEAR	1.24%	0	0
JAPANESE NIKKEI 225	0%	16%	16%	USD vs GBP	1.35	1%	-10%	-10%	UK BOND 2 YEAR	0.48%	37	37
GERMAN DAX	0%	16%	16%	YEN vs USD	112.63	-1%	4%	4%	RSA LONG TERM GILT	8.82%	-10	-10
FRENCH CAC 40	-1%	9%	9%	GOLD	1297	2%	13%	13%	RSA 10 YEAR	8.82%	-10	-10
AUSTRALIAN ASX	2%	8%	8%	PLATINUM	930	-1%	3%	3%	RSA 3 YEAR	7.49%	-62	-62
JSE ALL SHARE	0%	21%	21%	IRON ORE	73	7%	-8%	-8%	RSA REPO RATE	6.75%	-25	-25
JSE TOP 40	-1%	23%	23%	COPPER	7157	6%	30%	30%	RSA PRIME LENDING RATE	10.25%	-25	-25
JSE ALL SHARE SWIX	0%	21%	21%	NICKEL	12260	9%	22%	22%	USA INFLATION RATE	2.2	50	50
JSE TOP 40 SWIX	-1%	24%	24%	BRENT OIL	66.52	6%	17%	17%	RSA INFLATION RATE	4.6	-200	-200
THE FUTURE												
INTERNATIONAL						LOCAL						
<p>Our recommendation remains that investors retain exposure to a broad range of developed market stocks via the MSCI All Country World Index as global economic growth underpins markets in the near term. The exuberance around crypto currencies continues, however, we believe that the significant volatility should be cause for concern. The oil price ended the year strongly, as did the copper price and we believe resource companies and countries are likely to benefit as late cyclical activity (infrastructure spend and construction) picks up. Global bond yields continue to reflect economies which have yet to reach their full potential; however, as indicated above, the return of inflation would be the one event, which would cause a reassessment.</p>						<p>Our currency and financial markets have rallied strongly post the ANC Elective Conference. We would caution that the hard work lies ahead. While the change in sentiment is welcome, investors need to recognize the continued constraints to growth and the political will that would be required to alleviate these. South African management teams have generally managed the low-growth local economic environment well, however, continued cost-cutting may eventually result in cutting away “muscle” rather than “fat” and this may impact the benefits to be enjoyed, should the economy eventually turn positive. The impact of the stronger currency will have to be factored in to the results of those corporate who have pursued growth aggressively offshore at less favourable rand exchange rates.</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.						
	Global Equity Fund					Low cost exposure to the internationally diversified with associated currency benefit.						
HIGH												

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