

GRYPHON FLEXIBLE FUND OF FUNDS – 31 DECEMBER 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 or by contacting us on 021 915 5100 or at invest@gryphon.com

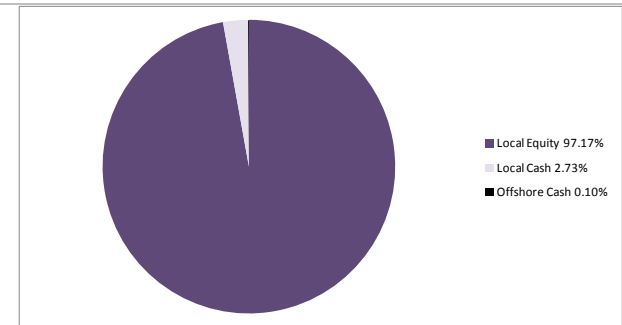
FUND'S PERFORMANCE (Net of Fees)

	1 Year	2 Years	3 Years
Cumulative (%)	14.63%	18.01%	36.75%
Annualised (%)	14.63%	8.63%	9.99%

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:
R21 976 144

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):
0.56% (30 September 2017)

Transactional Cost (TC):
0.03% (30 September 2017)

Total Investment Charges (TER + TC):
0.59% (30 September 2017)

Lowest Actual Annual Figure:
0.30% (28 February 2017)

Highest Actual Annual Figure:
16.53% (30 November 2017)

Income Declarations:
Twice per year on the 1st of October and the 1st of April or subsequent business day.

ADMINISTRATION

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Email: invest@gryphon.com
Website: www.gryphon.com

Physical Address:
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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
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:
GYFFF

Payment date:	Cents per unit:
2-Oct-17	13.463473
3-Apr-17	40.272302

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	0.89%	0.60%	-1.58%	1.09%	2.35%	0.59%	2.56%	0.10%	-0.47%	0.29%	-2.86%	0.19%	5.45%	0.29%	2.27%	0.10%	-0.76%	0.48%	5.63%	0.29%	1.69%	0.10%	-0.84%	TBC	14.63%	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%	0.46%	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%	Fund	CPI+7%
2017	2.35%	13.58%	0.30%	13.28%	4.24%	13.13%	7.41%	12.36%	3.73%	12.45%	2.04%	12.12%	8.55%	11.57%	11.51%	11.78%	9.41%	12.07%	14.82%	11.85%	16.53%	11.63%	14.63%	TBC		
2016	13.98%	13.20%	13.88%	14.06%	10.70%	13.30%	10.14%	13.24%	12.63%	13.23%	10.87%	13.31%	8.35%	13.03%	6.13%	12.92%	5.80%	13.14%	5.97%	13.44%	4.65%	13.65%	2.95%	13.74%		
2015					8.06%	11.03%	7.68%	11.46%	8.04%	11.57%	7.90%	11.67%	8.93%	11.97%	10.27%	11.62%	11.41%	11.62%	11.41%	11.61%	12.13%	11.72%	12.75%	12.29%		

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.						
↓	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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