

GRYPHON PRUDENTIAL FUND OF FUNDS – 28 FEBRUARY 2018

FUND PROFILE & PERFORMANCE OBJECTIVE

The primary objective of the fund is to generate real (after-inflation) wealth for investors, at the 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. The portfolio complies with the statutory investment limits set for retirement funds in South Africa (Regulation 28).

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 75% in equities (including international equities). Maximum foreign exposure limits as permitted by prevailing legislation (currently 25%), apply.

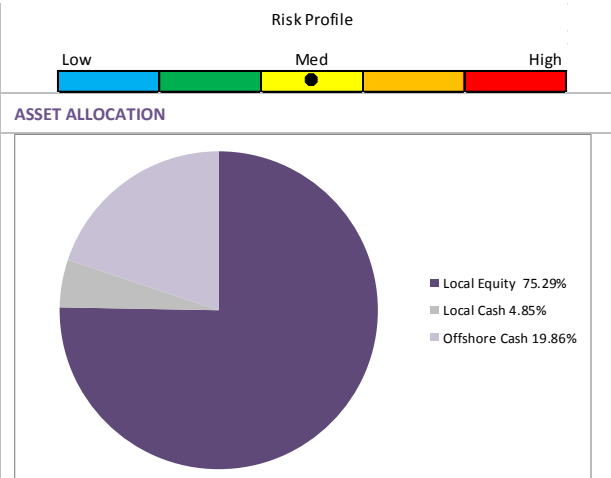
WHO SHOULD INVEST?

- 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 Prudential fund of funds is available on our website www.gryphon.com or by contacting us on 021 915 5100 or invest@gryphon.com.

FUND'S PERFORMANCE (Net of Fees)			
	1 Year	2 Years	3 Years
Cumulative (%)	12.68%	13.34%	27.79%
Annualised (%)	12.68%	6.46%	8.52%



FUND DETAILS

Sector Classification:
SA Multi Asset High Equity

Portfolio Managers:
Abri Du Plessis
M.Comm (Econometrics)
Reuben Beelders
B.Comm (Hons), CA(SA), CFA

Benchmark:
CPI + 5%

Inception Date:
01 April 2014

Portfolio Size:
R8m

Charges:
Initial Fee:
0.00%

Annual Management Fee:
0.34% (Incl. VAT)

Performance Fees:
Gryphon does not charge any performance fees.

Total Expense Ratio:
0.75% (30 September 2017)

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

Total Investment Charges (TER + TC):
0.78% (30 September 2017)

Lowest Actual Annual Figure:
0.59% (28 February 2017)

Highest Actual Annual Figure:
14.23% (30 November 2017)

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

ADMINISTRATION

Gryphon Contact Details:
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Fax: +27 86 206 2635
Email: invest@gryphon.com
Website: www.gryphon.com

Physical Address:
1st Floor
Pro Sano Park East
Southgate
Tyger Valley
7536

Postal Address:
Private Bag X20
Tyger Valley
7536

Minimum Lump Sum:
R2,000

Minimum Monthly Premium:
R200

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.

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:
GRYFF

Payment date:	Cents per unit:
2-Oct-17	16.185002
3-Apr-17	41.780378

GRYPHON PRUDENTIAL 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		
2018	0.66%	0.29%	-1.53%	TBC																							-0.88%	TBC
2017	0.71%	0.60%	-1.54%	1.09%	2.32%	0.59%	2.58%	0.10%	-0.49%	0.29%	-2.96%	0.19%	5.38%	0.29%	1.79%	0.10%	-0.22%	0.48%	4.43%	0.29%	0.92%	0.10%	-0.55%	0.48%	12.73%	4.70%		
2016	1.12%	0.75%	0.25%	1.38%	-1.14%	0.73%	-0.47%	0.83%	3.03%	0.21%	-1.24%	0.51%	-0.91%	0.82%	-0.50%	-0.10%	1.13%	0.20%	0.65%	0.51%	0.17%	0.30%	0.78%	0.40%	2.83%	6.72%		
2015	0.46%	-0.11%	0.91%	0.56%	1.25%	1.45%	0.05%	0.88%	0.67%	0.22%	0.27%	0.44%	1.32%	1.09%	1.55%	0.00%	1.44%	0.00%	0.47%	0.21%	1.32%	0.11%	2.38%	0.32%	12.75%	5.28%		
2014						0.40%	0.46%	0.38%	0.11%	0.42%	0.34%	0.48%	0.80%	0.34%	0.34%	0.36%	0.00%	2.66%	0.22%	0.11%	0.00%	-0.34%	-0.22%	4.88%	2.06%			

GRYPHON PRUDENTIAL FUND OF FUNDS PAST 12 MONTHS TOTAL RETURNS																								
	Jan		Feb		Mar		Apr		May		Jun		Jul		Aug		Sep		Oct		Nov		Dec	
	Fund	CPI+5%	Fund	CPI+5%	Fund	CPI+5%	Fund	CPI+5%	Fund	CPI+5%	Fund	CPI+5%	Fund	CPI+5%	Fund	CPI+5%	Fund	CPI+5%	Fund	CPI+5%	Fund	CPI+5%	Fund	CPI+5%
2018	12.67%	9.38%	12.68%	TBC																				
2017	2.41%	11.58%	0.59%	11.28%	4.11%	11.13%	7.30%	10.36%	3.63%	10.45%	1.81%	10.12%	8.27%	9.57%	10.76%	9.78%	9.28%	10.07%	13.38%	9.84%	14.23%	9.63%	12.73%	9.71%
2016	13.49%	11.20%	12.75%	12.06%	10.08%	11.30%	9.52%	11.24%	12.09%	11.23%	10.40%	11.31%	7.98%	11.03%	5.80%	10.92%	5.48%	11.13%	5.67%	11.44%	4.46%	11.65%	2.83%	11.74%
2015					7.66%	9.02%	7.28%	9.46%	7.59%	9.57%	7.43%	9.67%	8.33%	9.97%	9.64%	9.62%	10.81%	9.62%	8.44%	9.61%	9.76%	9.72%	12.75%	10.29%

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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