

## GRYPHON PRUDENTIAL FUND OF FUNDS – 31 OCTOBER 2017

### 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

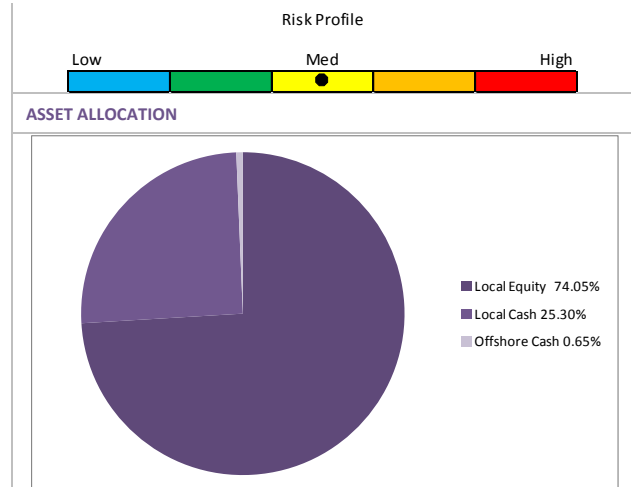
The portfolio is premised on the philosophy that most value is added with asset allocation rather than with stock selection. Stock selection is indexed and asset allocation is actively and aggressively managed to the extreme. This, coupled with our low cost focus (utilizing indexation building blocks), 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](http://www.gryphon.com) or by contacting us on 021 915 5100 or [invest@gryphon.com](mailto:invest@gryphon.com).



### 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:**  
R8 782 913

**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:**  
13.49% (31 January 2016)

**Income Declarations:**  
Twice per year on the 1<sup>st</sup> of October and the 1<sup>st</sup> of April or subsequent business day.

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

### ADMINISTRATION

**Gryphon Contact Details:**  
Tel: +27 21 915 5100  
Fax: +27 86 206 2635  
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:**  
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  
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:**  
GRYFF

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		
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%	TBC							12.32%	TBC
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%	4.89%	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%	Fund	CPI+5%		
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%	TBC								
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%	11.66%	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 – 31 OCTOBER 2017

THE PAST												
INTERNATIONAL						LOCAL						
Global economic growth remains robust and increasing reference is being made to a synchronized global recovery. US growth has not been derailed by hurricanes and the Eurozone upswing remains on track underpinned by strong industrial activity and exports. Emerging markets too are increasingly reflecting economic strength. Recent developments in China have strengthened the hand of the ruling elite and the countries evolution to services and consumer-oriented economy continues. The ECB continued to reassure markets of a gradual exodus from QE. Global equity markets returned +1.9% in dollars, while Emerging markets outperformed, returning +3.5%.						Another strong month from local equities, +6.3%, reflects the dominance of large capitalization rand-hedge stocks on our bourse. Resources led, up +7.1%, however, large capitalization Industrials like Naspers continued to rally. The Medium Term Budget Policy Statement was, if anything, concerning and precipitate a weakening in the currency as the increased likelihood of a downgrade is factored in. The prospect of further rate cuts has been virtually eliminated. However, global commodity prices are strong, as is global growth. This rising tide may lift a floundering South African ship. However, you cannot avoid “hopeless” by relying only on “hope”. Action is required.						
THE PRESENT												
EQUITY INDICES	MTD	YTD	12m	CURRENCIES / COMMODITIES	Value	MTD	YTD	12m	BONDS	Value	YTD BPS Δ	12M BPS Δ
MSCI WORLD (USD)	2%	16%	20%	ZAR vs USD	14.12	-4%	-3%	-5%	USA BOND 10 YEAR	2.40%	-6	56
MSCI EMERGING MARKETS (USD)	3%	30%	24%	ZAR vs GBP	18.77	-4%	-12%	-14%	USA BOND 2 YEAR	1.59%	43	74
DOW JONES INDUSTRIAL	4%	21%	32%	ZAR vs EUR	16.46	-3%	-14%	-11%	GERMAN BOND 10 YEAR	0.37%	26	28
S&P 500	2%	17%	24%	ZAR vs AUD	10.82	-1%	-9%	-6%	GERMAN BOND 2 YEAR	-0.75%	5	-13
UK FTSE 100	2%	5%	8%	EUR vs USD	1.17	-1%	11%	6%	UK BOND 10 YEAR	1.37%	13	12
JAPANESE NIKKEI 225	8%	12%	26%	GBP vs USD	1.33	-1%	8%	9%	UK BOND 2 YEAR	0.54%	43	22
GERMAN DAX	3%	18%	25%	YEN vs USD	113.65	-1%	3%	-8%	RSA 10 YEAR	9.26%	33	56
FRENCH CAC 40	3%	13%	22%	GOLD	1271	-1%	10%	0%	RSA 3 YEAR	7.95%	-16	5
AUSTRALIAN ASX	4%	4%	11%	PLATINUM	921	1%	2%	-6%	RSA REPO RATE	6.75%	-25	-25
JSE ALL SHARE	6%	20%	20%	IRON ORE	59	-6%	-26%	-9%	RSA PRIME LENDING RATE	10.25%	-25	-25
JSE TOP 40	7%	23%	23%	COPPER	6802	5%	24%	41%	RSA LONG TERM GILT	9.26%	33	56
JSE ALL SHARE SWIX	7%	18%	17%	NICKEL	11850	12%	18%	12%				
				BRENT OIL	61.22	8%	8%	25%				
THE FUTURE												
INTERNATIONAL						LOCAL						
Technology-laden U.S. markets have delivered earnings in line with expectations and in some instances, like Facebook, even better. Politics aside, the U.S. continues to perform. However, there may be a re-evaluation of how high some stocks can fly. Tesla, Yelp, FireEye and GoPro all fell around 10%, in after-hours trading, after disappointing the market. The froth and fervor around Bitcoin, is also reminiscent of prior excesses that have ended badly. Nevertheless, investors need to remain focused on their financial goals. As does the U.S. Federal Reserve. And its primary goal remains to hike rates further in December. Looking out to 2018, it has more rate hikes penciled in than the market and this could be an inflection point. While economic growth remains strong, investors must be cognizant of what is priced into the market.						The uncertain local political and economic environment has resulted in a dearth of investment in infrastructure and new business ventures. Sadly, it is exactly investment of this nature which creates jobs, which is in essence what South Africa needs. It is the enterprising investor who is able to, in the midst of this confusion and uncertainty, identify opportunities offering value and allocate capital which generates inflation-beating returns. It is worth reflecting on the stellar returns enjoyed locally over the past 10 years. For example, annualized returns of 9.8% for equities, 8.0% for bonds and 7.2% for cash. What is also increasingly clear however, is that active managers have underperformed the index over this period and with the strong performance since July have continued to do so. An allocation to indexation is certainly worth considering.						
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.							
	<b>Prudential Fund of Funds</b>				<b>Aggressively exposed to SA equities. Regulation 28 compliant.</b>							
	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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