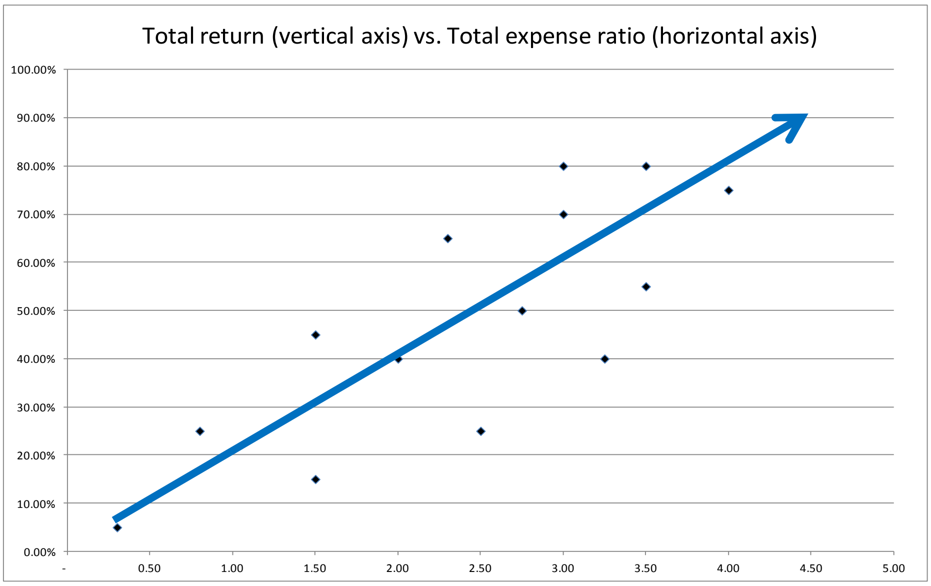
INVESTING WITH PURPOSE

GRYPHON

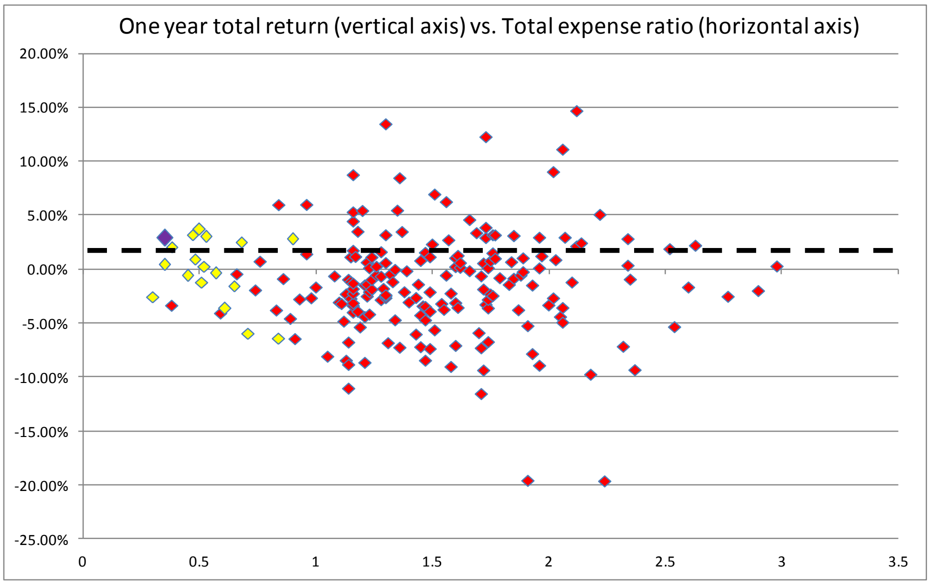
Portfolio manager commentary

Spending on asset managers

South African financial markets are way behind the curve when it gets to fees and how we pay investment professionals. In one subset of the industry we often believe fund managers when they proclaim that in order to produce outstanding long term performance it makes sense to pay a higher cost for research and investigation. In other words, higher fees equal higher total returns. We should find a graph as indicated below should this argument be true. Funds with a higher TER (total expense ratio – a measure of how much investors pay for being invested in the fund) will produce higher returns.



We've investigated this statement by analysing collective investment schemes in the general equity sector of South Africa and then plotting each fund's TER against its total return:



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Conclusions:

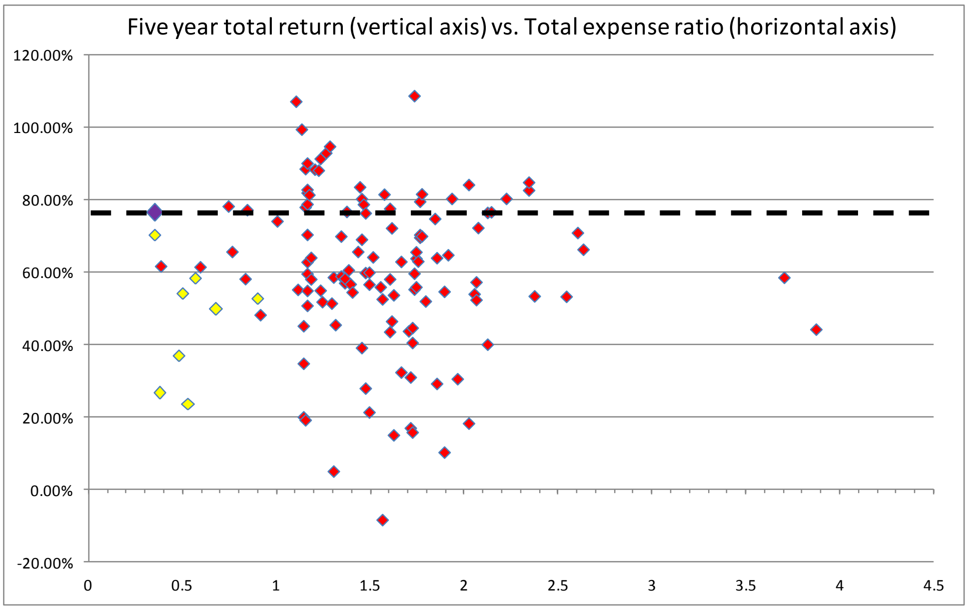
1) The majority of funds do not beat the market (black line = J203T).

2) Paying more for an active fund does not guarantee higher performance.

3) Passive funds (green) on average achieved a better result compared to their active counterparts (red).

***Yellow intercepts also depict industry or style specific low cost & passive investment funds.**

***Data is based on respective periods to 30 June 2017.**



For the 5 years to date the overall conclusions did not differ much, however, non-index based passive funds underperformed by a larger extent.

*The purple diamond in the graph indicated the position of the Gryphon All Share Tracker fund and all funds in the sector were included.

Best regards

Casper Treurnicht – Portfolio Manager – Gryphon All Share Tracker Fund