

2017



Gryphon Collective Investments

ABRIDGED ANNUAL REPORT



GRYPHON

Gryphon Collective Investments (RF) (Pty) Ltd

CEO REPORT

Despite US rising interest rates, the US and global growth have shown some positive signs of normalization to the average growth rate per annum. This positive news and the low international interest rates had the effect of US Equity Indexes being at all time highs. The new US president, Mr Donald Trump, definitely rattled the international political scene, despite his somewhat controversial and unexpected election. We await the effect of election promises of reforms in the US economy with the influences and effects on the rest of the world.

The best asset class, once again, was global equities. Last year and this year, in dollar terms, emerging market equities 22.91% (2016: 17.21%) outperformed developed market equities 18.83% (2016: 12.02%) by some margin. This seems to be in contrast with general news that clearly communicate that developed markets are currently better than emerging markets. For the second year in a row, the underlying economic growth rate of emerging economies remained low, despite developed market growth, picking up. Many an investor opted for foreign assets and utilization of the SARB investment allowance to expatriate funds offshore, and rightly so.

Listening to John C. Bogle, the founder and president of Vanguard, the US experienced a very large shift from active management to index (passive) managed funds. Numbers quoted by him at the CFA Institute conference dated 23 May 2017 in Philadelphia, were that about \$1.3 trillion inflows occurred into index funds in the last decade whilst about \$1.1 trillion outflows were experienced by active managers, a swing of \$2.4 trillion. This underscores the move of many investors moving more and more assets into index products than ever before. That against the background that index investment only got traction in the late nineties.

Local economic overview:

The negative local economic growth trend remains true in 2017 and under pressure with an updated growth rate expectation of only 0.7% for 2017/18. This trend held true for three consecutive fiscal years.

Commodity prices recovered further over the course of the year in dollar terms having had a positive effect on the South African balance of payments in the last couple of quarters. Fixed Investment remains low due to political uncertainty and the lack of essential services such as water, electricity and infrastructure. This definitely put further pressure on unemployment numbers that remain on the rise with the concomitant social instability.

JSE total returns for the 12 months surprised to the upside having returned 10.22% over the 12 months outperforming inflation at 5.06% substantially, mainly due to equities rallying with turnover exposure in hard currencies. The possibility increased for a further downgrade by the international credit rating agencies, as early as December 2017.

Our caution communicated in the past, extends also into 2017/2018. Local and Offshore investors, given the state of the local economy and political events, will predominantly consider international investments for 2018 with equities the preferred asset class.

In closing:

No major changes affecting the industry occurred during the year under review.

I would like to emphasize the principles of having a personal investment strategy and “sticking to your strategy” is the best way to achieve superior returns by building it in a disciplined and constructive manner! I need to quote once more from John C Bogle's presentation titled, Reflections from a Revolution, 23 May 2017, Philadelphia:

“I've plied my trade of investing for almost 66 years, and I've seen so many of my principles find acceptance—not just on indexing, on the importance of low costs, and on short-term speculation vs. long-term investment, but on investment standards, ethics, and fiduciary duty.”

We would consider ourselves privileged to share and assist you on your investment journey into the future, the words of John C. Bogle being core to GCI's philosophy.

We would like to thank you for your continued support.

Yours sincerely



MJ Kellerman
CHIEF EXECUTIVE OFFICER
GRYPHON COLLECTIVE INVESTMENT (RF) (PTY) LTD

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Attention: Inge Potgieter

12 December 2017

Gryphon Collective Investment Scheme (the scheme) Year end 30 September 2017

We, Standard Chartered Bank, Johannesburg Branch, in our capacity as trustee of the Scheme, are required in terms of Section 70(3) of the Collective Investments Scheme Control Act, 45 of 2002, as amended (the "**Act**"), to satisfy ourselves that every Statement of Financial Position, Statement of Comprehensive Income and other return prepared by the manager of the Scheme in terms of Section 90 of the Act (the "**Accounts**") fairly represents the assets and liabilities, as well as the income and distribution of income, of every portfolio of the Scheme administered by the manager of the Scheme.

We note that responsibility for the Accounts rests with the manager of the scheme in terms of the Act and that they have the obligation to ensure that the Accounts have been properly drawn up in accordance with both generally accepted accounting principles and the Act and that they fairly represent the financial position of each portfolio of the Scheme. Nothing in this report can be construed as us giving an accounting opinion in relation to the Accounts.

Based on our records, and the Accounts, we hereby report that nothing has come to our attention that would lead us to believe anything other than:

- (a) the fact that the Accounts fairly represent the assets and liabilities of every portfolio of the Scheme;
- (b) the fact that the Accounts fairly represent the income and distribution of income of every portfolio of the Scheme; and
- (c) the fact that the Manager has administered the scheme in accordance the provisions of the Act and the relevant deed.

Yours sincerely,



Chantell Kruger
Senior Manager, Trustee Services, SA



Henning Bisschoff
Head of Transactional Banking

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**SUMMARISED INFORMATION
FOR THE YEAR ENDING
30 SEPTEMBER 2017**

	Gryphon All-Share Tracker Fund	Gryphon Dividend Income Fund	Gryphon Flexible Fund of Funds	Gryphon Global Equity Fund	Gryphon Money Market Fund	Gryphon Prudential Fund of Funds
	R	R	R	R	R	R
	2017	2017	2017	2017	2017	2017
CONDENSED STATEMENT OF COMPREHENSIVE INCOME						
Income	4,424,380	124,128,848	993,912	354,873	20,513,305	456,182
Expenditure	(429,101)	(12,049,033)	(72,530)	(254,075)	(805,830)	(33,314)
Net income/(loss) for the year before finance costs	3,995,279	112,079,815	921,382	100,798	19,707,475	422,868
Retained income, beginning of the year	5,209	550,236	274	-340	252	39
Distribution of income	(4,000,193)	(112,634,028)	(921,671)	(100,029)	(19,707,729)	(422,555)
Change in net assets attributable to unit holders	295	-3,977	-15	429	-2	352
DISTRIBUTION PER UNIT (cents)	17.23 (A)	6.61 (A)	41.27 (A)	- (A)	7.61 (A)	45.55 (A)
	2.46 (Z)	7.01 (B)	53.73 (B)	4.07 (B)	8.03 (C)	57.97 (B)
		6.80 (C)			4.51 (Z)	
		7.48 (C2)				
CONDENSED STATEMENT OF FINANCIAL POSITION						
	R	R	R	R	R	R
Net assets attributable to unit holders	167,639,224	1,792,130,586	19,023,273	33,503,505	297,261,325	8,293,371
Accrued expenses	102,662	1,052,726	5,344	15,206	144,180	2,334
Trade and other payables	314,469	-	-	318,094	-	-
Distributions payable	2,395,056	10,060,664	227,792	55,848	1,872,628	120,233
Liabilities other than net assets attributable to unit holders	2,812,187	11,113,390	233,136	389,148	2,016,808	122,567
Investments	158,771,314	1,733,522,756	18,893,608	33,799,112	295,612,721	7,993,095
Accrued income	221,072	10,553,329	2,491	6,653	2,784,651	11,408
Trade and other receivables	360,184	3,631	-	-	-	-
Cash and bank balances	11,098,841	59,164,260	360,310	86,888	880,761	411,435
Total Assets	170,451,411	1,803,243,976	19,256,409	33,892,653	299,278,133	8,415,938
PORTFOLIO COMPOSITION						
	(%)	(%)	(%)	(%)	(%)	(%)
Non-Equity Securities						
Debentures	-	91.70%	-	-	-	-
Money Market Instruments	-	-	-	-	83.40%	-
Off shore cash	-	-	0.13%	15.02%	-	0.65%
Liquid Assets	6.85%	8.30%	4.47%	0.28%	16.60%	5.03%
Unit Trusts	-	-	95.40%	2.95%	-	94.32%
Equity Securities						
Basic Materials	18.47%	-	-	-	-	-
Consumer Goods	16.13%	-	-	-	-	-
Consumer Services	24.15%	-	-	-	-	-
Financials	18.00%	-	-	-	-	-
Health Care	3.53%	-	-	-	-	-
Industrials	5.73%	-	-	-	-	-
Technology	0.24%	-	-	-	-	-
Telecommunications	4.75%	-	-	-	-	-
Local Commodities	2.15%	-	-	-	-	-
Off shore equities	-	-	-	81.75%	-	-
TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
INVESTMENT PERFORMANCE						
	(%)	(%)	(%)	(%)	(%)	(%)
Year to 30 September 2017	11.59%	6.79% (A)	9.41% (B)	11.82% (B)	7.83% (A)	9.28% (B)
Year to 30 September 2016	4.01%	6.14% (A)	5.80% (B)	8.68% (B)	7.36% (A)	5.48% (B)
All-share Index						
Sep 2017: 10.22%	Sep 2016: 6.59%					
STEFI						
Sep 2017: 7.62%	Sep 2016: 7.12%					
FEES:						
	(%)	(%)	(%)	(%)	(%)	(%)
Maximum Initial fee	-	-	-	-	-	-
Service fee (including VAT)	0.228 (A) - (Z)	0.912 (A) 0.513 (B) 0.7125 (C) 0.057 (C2)	1.482 (A) 0.342 (B)	1.482 (A) 0.57 (B)	0.285 (A) 0.171 (C) - (Z)	1.482 (A) 0.342 (B)
Total Investment Charges (TER + TC)% - 3 years annualised	0.54 (A) 0.25 (Z)	0.94 (A) 0.55 (B) 0.74 (C) 0.08 (C2)	1.72 (A) 0.59 (B)	1.62 (A) 1.16 (B)	0.31 (A) 0.20 (C) 0.03 (Z)	1.90 (A) 0.78 (B)