

Gryphon Collective Investments

Abridged Annual Report

2018



CEO REPORT

The first three months of our current financial year (the last quarter of 2017) proved to be a continuation of the very strong global markets witnessed during the rest of 2017. The mood, however, changed dramatically in the first quarter of 2018 on the back of “saber-rattling” on trade from President Trump and indications that the synchronized global upswing would not last forever. As the year progressed, concerns around Brexit and slower growth in China served to undermine commodity prices and global markets. While fiscal support has helped US growth remain elevated, markets realize that this will only provide a temporary boost.

While global equities performed well, the differential between developed market returns and emerging markets continued, with emerging markets underperforming. The economic and financial reality of tighter US interest rates and “quantitative tightening” as central banks globally shrink their balance sheets, has resulted in the imbalances in emerging markets being laid bare. This lack of synchronized global growth is increasingly manifest in populist uprisings and fractious electorates across the globe and will make for a far less forgiving economic and investment environment than we have enjoyed for the past few years.

LOCAL ECONOMIC OVERVIEW

Local economic growth disappointed despite the positive reaction to the election of President Ramaphosa at the ANC Elective Conference in December 2017. The reality that significant investment and time would be required to rekindle growth soon set in. Economic growth for Q1 and Q2 of 2018 was negative, resulting in South Africa being in recession. While Q3 delivered some growth, sadly it was insufficient to provide the impetus for growth in jobs.

The JSE total return for 12 months, at 3.3%, was muted and beaten by cash and bonds at just over 7.0%. Resource stocks performed well, while local focused counters struggled. A number of companies which had been acquisitive internationally (Aspen, Brait, MediClinic, Woolworths) struggled to integrate the acquisitions and, as a result, reported poor profits and write-downs. Property stocks, which had been stellar performers until the end of 2017, came under pressure as both local and global interest rates started to rise and the migration to online shopping raised the risk of excess retail shopping space.

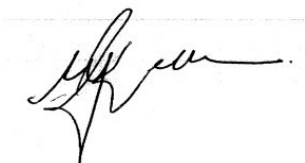
Our caution is reflected in the very conservative asset allocation of our multi-asset funds, which are currently only exposed to cash. We believe cash to be the best asset class in the near-term until either value is restored to other asset classes or prospects for global growth improve.

IN CLOSING

We referred last year to the deluge of investments into index (passive) funds. This trend has continued. However, we now have additional “evidence” of the efficacy of this investment philosophy from none other than one of the greatest active investors of all time, Mr. Warren Buffet. In the Berkshire Hathaway Annual Report of 2017, Page 11, reference is made to the 10-year bet made on 19 December 2007 between an investment in the S&P500 Index and five “fund-of-funds”. To quote Mr. Buffet, “That was not a small sample. Those five fund-of-funds in turn owned interests in more than 200 hedge funds.” Despite the competition commencing at the “top-of-the-cycle” in 2008, none of these fund-of-funds managed to come within 2% of the return of the S&P500 Index, on an annual basis. May we rely once more on Mr. Buffet to espouse our philosophy of low-cost index tracking as the solution to sustainable investing, “Performance comes, performance goes. Fees never falter.”

We would like to thank you for your continued support.

Yours sincerely

A handwritten signature in black ink, appearing to read 'MJ Kellerman', written over a horizontal line.

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

TRUSTEE'S REPORT



Gryphon Collective Investment (RF) (PTY) Limited
Bonitas Office Park East
1st Floor, Southgate
Tyger Waterfront
Carl Cronje Drive
Tyger Valley
Bellville
7530

Attention: MJ Kellerman

11 December 2018

Gryphon Collective Investment Scheme (the scheme) Year end 30 September 2018

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

Standard Chartered Bank
Johannesburg Branch
5th Floor, 4 Sandown Valley Crescent,
Sandton 2196, Gauteng, South Africa
P.O. Box 782080, Sandton 2146, Gauteng, South Africa
Tel +27 (0)11 217 6600 Fax +27 (0)11 217 6601
www.standardchartered.com/za

SUMMARISED INFORMATION
FOR THE YEAR ENDING
30 SEPTEMBER 2018

	Gryphon Money Market Fund	Gryphon Dividend Income Fund	Gryphon Prudential Fund of Funds	Gryphon Flexible Fund of Funds	Gryphon All- Share Tracker Fund	Gryphon Global Equity Fund
	R	R	R	R	R	R
	2018	2018	2018	2018	2018	2018
CONDENSED STATEMENT OF COMPREHENSIVE INCOME						
Income	23 694 236	137 274 604	549 946	661 157	6 575 223	249 986
Expenditure	(914 649)	(15 110 118)	(52 495)	(78 832)	(578 832)	(190 172)
Net income/(loss) for the year before finance costs	22 779 587	122 164 486	497 451	582 325	5 996 391	59 814
Retained income, beginning of the year	-2	-3 977	352	-15	295	429
Distribution of income	(22 779 588)	(122 178 183)	(494 328)	(579 610)	(5 991 658)	(60 286)
Change in net assets attributable to unit holders	-3	-17 674	3 475	2 700	5 028	-43
DISTRIBUTION PER UNIT (cents)	7.26 (A)	6.40 (A)	22.69 (A)	21.08 (A)	20.42 (A)	- (A)
	7.37 (C)	6.83 (B)	36.02 (B)	34.57 (B)	3.51 (Z)	6.86 (B)
	7.54 (Z)	6.59 (C)				
		3.02 (C2)				
		3.59 (E)				

CONDENSED STATEMENT OF FINANCIAL POSITION

	R	R	R	R	R	R
Net assets attributable to unit holders	307 263 601	1 776 872 628	21 908 224	18 152 107	196 136 498	12 832 430
Accrued expenses	133 055	1 306 008	6 270	5 552	132 932	6 338
Trade and other payables	-	-	-	-	2 391 468	-
Distributions payable	1 863 752	9 612 134	360 998	297 248	3 661 563	41 003
Liabilities other than net assets attributable to unit holders	1 996 807	10 918 142	367 268	302 800	6 185 963	47 341
Investments	305 000 000	1 734 062 988	22 204 734	18 379 438	184 930 071	12 849 668
Accrued income	3 866 983	10 943 655	65 436	58 599	302 719	7 711
Trade and other receivables	-	-	-	-	-22 890	-
Cash and bank balances	393 425	42 784 127	5 322	16 870	17 112 561	22 392
Total Assets	309 260 408	1 787 790 770	22 275 492	18 454 907	202 322 461	12 879 771

PORTFOLIO COMPOSITION

	(%)	(%)	(%)	(%)	(%)	(%)
Non-Equity Securities						
Debentures	-	91,96%	-	-	-	-
Money Market Instruments	69,52%	-	-	-	-	-
Off shore cash	-	-	29,86%	30,03%	-	0,06%
Liquid Assets	30,48%	8,04%	0,31%	41,81%	8,61%	0,23%
Unit Trusts	-	-	69,83%	28,16%	-	10,09%
Equity Securities						
Basic Materials	-	-	-	-	21,67%	-
Consumer Goods	-	-	-	-	12,60%	-
Consumer Services	-	-	-	-	24,26%	-
Financials	-	-	-	-	20,05%	-
Health Care	-	-	-	-	2,24%	-
Industrials	-	-	-	-	4,95%	-
Technology	-	-	-	-	0,30%	-
Telecommunications	-	-	-	-	3,30%	-
Local Commodities	-	-	-	-	2,02%	-
Off shore equities	-	-	-	-	-	89,62%
TOTAL	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

INVESTMENT PERFORMANCE

	(%)	(%)	(%)	(%)	(%)	(%)
Year to 30 September 2018	7.52% (A)	6.59% (A)	8.67% (B)	7.8% (B)	3.95%	(0.02%) (B)
Year to 30 September 2017	7.83% (A)	6.79% (A)	9.28% (B)	9.41% (B)	11,59%	11.82% (B)

All-share Index

Sep 2018: 3.32% Sep 2017: 10.22%

STEFI

Sep 2018: 7.27% Sep 2017: 7.62%

FEES:

	(%)	(%)	(%)	(%)	(%)	(%)
Maximum Initial fee	-	-	-	-	-	-
Service fee (including VAT)	0.2875 (A)	1.035 (A)	1.495 (A)	1.495 (A)	0.23 (A)	1.495 (A)
	0.1725 (C)	0.575 (B)	0.345 (B)	0.345 (B)	- (Z)	0.575 (B)
	- (Z)	0.8625 (C)				
		1.265 (E)				
Total Investment Charges (TER + TC)% - 3 years annualised	0.31 (A)	0.96 (A)	1.87 (A)	1.84 (A)	0.50 (A)	1.83 (A)
	0.20 (C)	0.56 (B)	0.74 (B)	0.71 (B)	0.23 (Z)	1.39 (B)
	0.02 (Z)	0.77 (C)				
		0.08 (C2)				
		1.25 (E)				