GTC Management Company

Fixed Income Fund

February 2014

Investment mandate and objective

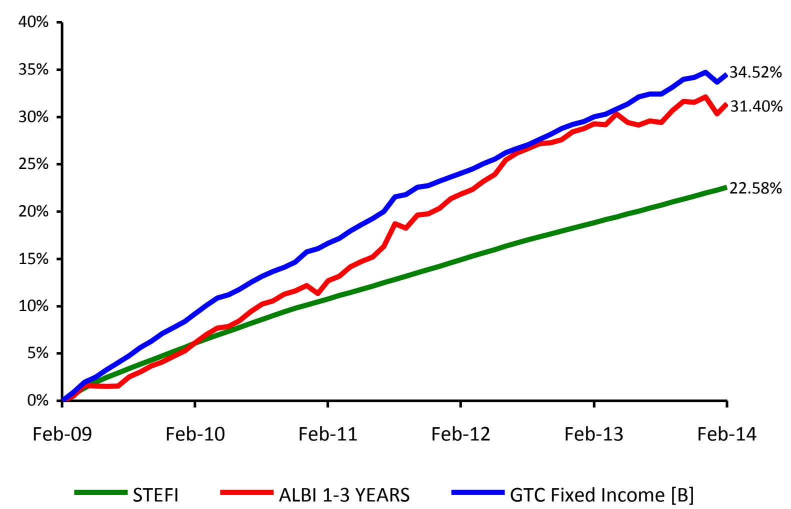
The primary investment objective of the Fund is to generate real positive returns over time through the active management of a combination of money market, bond and income generating instruments. The strategy and investment mandate of the fund has a focus on income generation, with downside protection of capital.

Investment features

Domestic- Fixed Income-Interest Fund

The Fund will primarily invest in a range of fixed income securities including instruments guaranteed by the Republic of South Africa, gilts, semi-gilts, loan stock, preference shares, debentures, debenture stock, debenture bonds, unsecured notes, financially sound listed property investments, participatory interest in collective investment schemes and any other instruments guaranteed by the Republic of South Africa which are considered consistent with the fund's primary objective.

5 year cumulative performance history (%)



Performance history (%)

	1 Year	2 Year*	3 Year*	4 Year*	5 Year*
Fixed Income Class A¹	2.90	3.67	4.36	4.87	5.60
Fixed Income Class B¹	3.47	4.13	4.86	5.36	6.11
ALBI 1-3 year¹	1.64	3.84	5.25	5.50	5.61
SteFi Call Rate¹	3.65	3.77	3.89	4.19	4.72

*Annualised

¹The stated performance is after fees have been deducted

Risk profile of the fund

Low risk

Fund Facts

Manager:	Prescient
Inception date:	July 2007
Classification:	Domestic Fixed Income Varied Specialist
Fund size:	**R 682 913 617**
Benchmark:	Better of STeFI Call rate and ALBI 1-3 year measured over a 3 year rolling period.
Trustee:	ABSA Bank
Auditors:	KPMG Inc
Administrators:	Global Independent Administrators
Management company:	GTC Management Company
Income declarations:	28 February, 31 May, 31 August, 30 November Class A: 1.1732 cpu Class B: 1.3443 cpu
Income distribution:	First day of following month
Minimum initial investment:	R20 000
Initial fees:	0-5% excl VAT
NAV & dealing prices:	Class A R 1.055 — Class B R 1.0567
Valuation:	Priced a day in arrears

Fees:

	Class A	Class B
Annual management fee	1.14%	1.14%
General expenses	0.81%	0.24%

Performance fees

Performance fees are absolute return based, which implies that performance fees are only accrued on positive performances above an adjusted cash benchmark.

Performance Fee

20% of performance over Alexander Forbes Money Market (capped at 2%)

Manager Performance fee - 15% of out-performance of Albi 1-3 year.

Performance fees of 0.87% (Class A) and 0.96% (Class B) were levied on the fund due to outperformance of the benchmark.

Total expense ratio (TER)

A Total Expense Ratio (TER) is a measure of a portfolio's assets that are relinquished as operating expenses. The total operating expenses are expressed as a percentage of the average value of the portfolio. Included in the TER is the proportion of costs that are incurred by the performance component, fee at target, trading costs (including brokerage, VAT, STT, STRATE and insider trading levy) and other expenses. These are disclosed separately as percentages of the net asset value. A higher TER ratio does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER cannot be regarded as an indication of future TERs.

The total TER* was therefore 2.82% (Class A) and 2.34% (Class B).

TERs shown include VAT

*as at September 2013

Fund performance history (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Cumulative
Class B 2014	-0.77	0.63											**-0.14**
Class B 2013	0.23	0.38	0.21	0.42	0.42	0.56	0.22	0.01	0.53	0.62	0.16	0.41	**4.26**
Class B 2012	0.37	0.33	0.35	0.48	0.37	0.53	0.35	0.31	0.45	0.43	0.47	0.34	**4.78**
Class B 2011	0.28	0.52	0.42	0.67	0.57	0.55	0.62	1.30	0.18	0.65	0.14	0.38	**6.28**
Class B 2010¹	0.60	0.70	0.86	0.71	0.30	0.51	0.65	0.60	0.43	0.38	0.48	0.95	**7.41**
Class B 2009¹	1.00	0.98	0.93	1.02	0.52	0.76	0.73	0.72	0.80	0.67	0.73	0.61	**9.89**
Class B 2008¹	0.37	0.74	0.62	0.45	-0.08	1.12	1.76	1.05	1.05	0.75	1.38	1.03	**10.72**
Class B 2007¹							0.76	0.65	1.14	0.99	0.44	0.62	**9.20**

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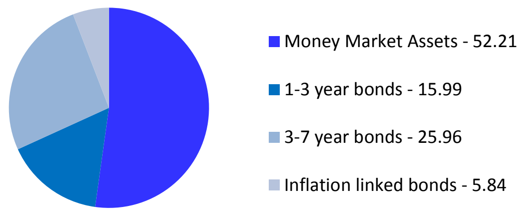
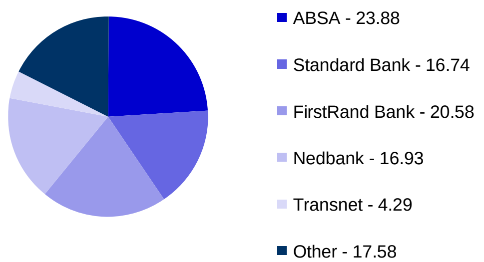
Asset class exposure (%)



Fund statistics (%)

Duration	0.48
Modified Duration	0.51
Yield to maturity	4.62

Issuer exposures (%)



Portfolio Comment

The fund has maintained its outperformance of the cash target over all reporting periods. The managers have applied various yield enhancing strategies including credit and duration to improve the overall return, whilst minimising the risk of capital loss.

The local bond market experienced a high degree of volatility in recent months as foreign investors retreated to the comforts of developed markets.

The local market selloff was spurred by a comment from Ben Bernanke (US Fed) indicating a possible reduction in the quantitative easing measures which have helped the US avoid a depression.

The impact of the quantitative easing reduction comment reached all ends of the emerging markets as foreigners chose to exit the higher yielding investments in favour of developed market bonds.

This moved lasted only a few weeks and a subsequent statement confirming the continuation of quantitative easing realised a strong inflow back into emerging markets.

During the flurry of activity, bond yields in South Africa spiked from 6.1% to over 8% (10 year bond yields) in the space of 4 weeks. The longer end of the yield curve lost even greater value.

This selloff also realised losses for these investors as they suffered currency depreciation and capital losses from the sale of the bonds at 15% to 20% higher yields than at which they were purchased.

The fund remains short duration focussed although there has been an increase in exposure to the 3-7 year bond yield curve. The credit exposures are also concentrated around the large 4 banks in South Africa.

Contact Details
Grant Thornton Office Park
137 Daisy Street
Sandown
Johannesburg

Telephone: (011) 322 4752
Fax: (011) 322 4610
E-mail: info@gtc.co.za
Web: www.gtc.co.za

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