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GTC Market Update

April 2015

Global

First quarter company results in the U.S. came in better than expected in spite of dollar strength and this resulted in the benchmark S&P 500 gaining 1%. Further influencing factors were a recovery in crude oil prices together with a pick-up in merger and acquisition (M&A) activity.

However the weak GDP figure of 0.2% for Q1 was most disappointing which sparked a late month end sell-off. In spite of macro-economic data being considerably below market expectations it had the effect of providing improved investor confidence in that any move by the Federal Reserve in terms of interest rates was now likely to be delayed until sometime later in the year.

M&A activity was considerable during the month with FedEx bidding for European rival TNT, while generic drugs group Mylan bid for rival group Perrigo. Energy was the best performing sector rising by some 7% as U.S. crude oil futures soared 25% with the oil price ending the month just below $60 a barrel. The sudden reversal in the crude oil price was occasioned by market sentiment suggesting that a large number of U.S. based fracking operations would no longer be economically viable at the lower oil prices and that this would result a considerable decrease in oil production.

The durability of the U.S. economic recovery is however being called into question given the disappointing GDP number, the overly strong dollar and relatively cheap oil. The far lower than expected number of jobs at 126,000 for March, which was about half of what was expected, also weighed on a full recovery.

In a statement following on the latest Federal Open Market Committee (FOMC) rate setting meeting, the Fed suggested that in view of the current economic statistics available it may have to delay any interest rate move to later in the year.

Eurozone equities declined sharply in the closing days of April erasing all the months' earlier gains amid fresh concerns of slowing global economic growth. Equities delivered negative returns for April in spite of the MSCI EMU Index being up some 17% on a y/y basis. April also saw a reversal of recent trends in the bond market with yields rising albeit from ultra-low levels. The Euro also strengthened against the Dollar particularly at month end when the U.S. announced the poor GDP number for Q1.

Greece's negotiations with the European Central Bank continue to raise fears of an impending default with contentious negotiations being the order of the day. Yields on short dated Greek sovereign debt rocketed above 20% at times reflecting the high degree of uncertainty surrounding Greece's sovereign debt. European bonds came under severe pressure with yields falling to historic lows. In an extreme example, Switzerland issued 10 year notes at a negative yield of -0.055% -the first time that any country had ever been able to place an issue of this kind.

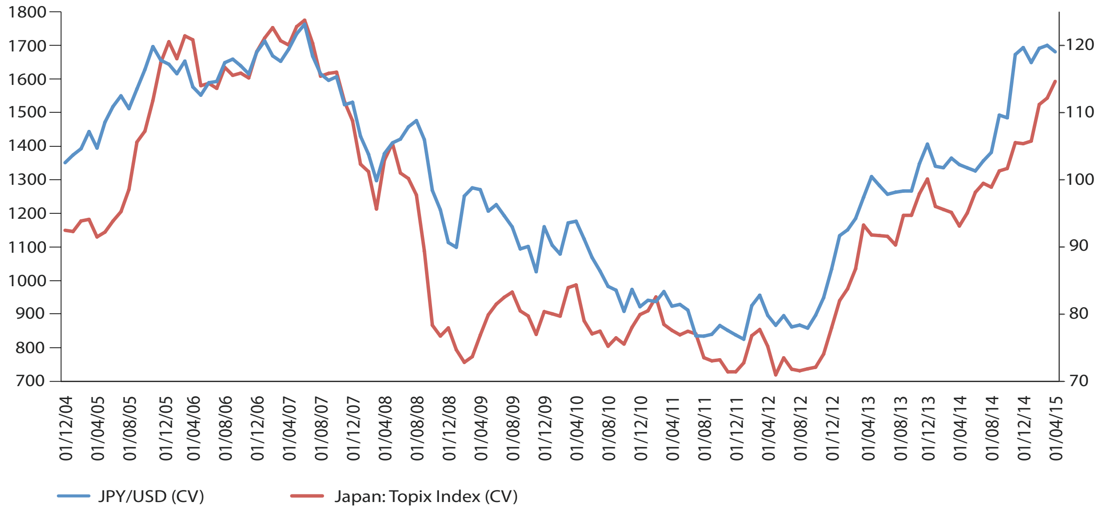
U.K. equities performed strongly in April led by the oil and gas and basic resources sector.

The FTSE All Share rose 3% for the month outperforming most other global equity indices. The big event of the month was the bid by Royal Dutch Shell for the BG Group (British Gas) which was given added impetus by the strong recovery in the crude oil price. U.K. focused companies posted good performances.

General retailers improved after Marks and Spencer reported an increase in Q4 sales. Unfortunately the consumer services sector dragged down overall market performance as Tesco announced its biggest ever full year loss of 6.4bn Pounds. The outlook for the U.K. economy has improved considerably.

The Japanese market continued improving steadily over the month but experienced a sharp correction at month end. As a result the TOPIX Index only reflected a positive return of 3.2% for the month. Economic data was very mixed. Industrial production for March was slightly better than expected although the near term outlook remains uncertain. Inflation data is considerably below the Bank of Japan's target with the result that deflationary pressures continue to be cause for concern.

Japan Topix vs. Yen/US$



Source: GTC/I-net

The Japanese Monetary Policy Committee failed to provide any further stimulus to the economy and this decision was the catalyst for the sharp market sell-off on the 30th April. The market declined 2.1%.

Emerging markets enjoyed strong returns in April with the MSCI Emerging Markets Index returning 7.51% against the MSCI World Equity Index which returned 2.16%. Half the gains were due to a powerful liquidity driven rally in the Chinese market. China was the feature market after the local securities regulator permitted mainland mutual funds to invest in Hong Kong stocks. Expectations for further stimulus measures also fuelled the equity markets as macro-economic data turned negative. Chinese inflation grew 1.4% y/y in March.

Domestic

In spite of growing concern around continuing labour unrest and the ongoing crisis at Eskom in terms of load-shedding, the JSE/ALSI continued to astound by reaching a new all-time high during the month, of 55188.34 points before closing down at 54440.43. The Index gained 4.33% and in total return terms 4.70%. Market volatility declined from 11.0 to 10.43.

The resource laden RES120 was the best performing tradable index returning 7.89%. Somewhat ironically Standard and Poor's rating agency simultaneously placed several of the underlying mining groups on credit watch citing concerns relating to the extremely low commodity price environment.

From a market perspective the reasoning behind the improved interest in resources was that in view of the economic slowdown in China the authorities in Beijing would soon introduce fresh stimulus measures resulting in increased demand for commodities.

Venture Capital was the best performing sector gaining 40.48% mainly on the back of the Brait /Virgin Active deal which saw Brait pay $1bn for an 80% interest. On a y/y basis Fixed Line Services continued to be the best performing sector returning 118.1%.Pharmaceuticals were the worst performing sector losing 5.18% followed by Support Services which lost 3.56%. Property stocks ended the month lower declining 0.5%. The Rand strengthened against both the $ and the Euro trading at 11.79/$ and 13.11/ Euro respectively. Foreign inflows totalled R2.6bn. Not surprisingly South Africa's Business Confidence Index fell to a 3 month low of 89.1 in March from 92.8 in February as power disruptions continued and government labour wage negotiations deadlocked.

COSATU have vowed to bring S.A to a standstill if its wage demands in the public sector are not acceded to. Workers are demanding a salary increase of 10.0 % plus a R1500 monthly housing allowance whilst the government is offering 5.8% and a R1000 housing allowance.

Finance Minister Nhlanhla Nene has said that given the current economic constraints coupled with the high level of government debt there is a limited scope to provide more resources for wages. Any departure from the path of consumer inflation-linked cost of living adjustments cannot be financed through debt issuance and will require therefore either a reallocation of resources from other spending areas or prompt a need to reduce government employment.

In order to try and avert an implosion of the national power grid Public Services Minister Lynne Brown has seconded former Transnet CEO Brian Molefe to take over as acting CEO of Eskom in order to try and help resolve the utility's problems. Denton's, an International law firm, has been mandated to provide an in depth audit and assessment of Eskom with particular emphasis on procurement policies. Labour unrest among private contractors continues to hamper construction work at the critically important Medupi power station.

In order to try and assist in providing some longer term relief from the current power generation debacle Energy Minister Tina Joemat-Petterson announced that 13 new private power producer's would be introduced providing wind, solar and gas energy. The Minister is to ask the National Energy Regulator to approve an additional 6300MW of renewable energy from independent power producers.

GTC Fund Performances - April 2015

Client portfolios	1Year %	*2Year %	*3Year %	*4Year %	*5Year %
GTC EB Market Plus - Pension	9.46	17.29	15.83	13.47	14.21
GTC EB Market Plus Benchmark	15.40	17.75	17.70	15.36	14.38
GTC EB Market Plus - Provident	11.21	18.22	16.44	13.92	14.57
GTC EB Market Plus Benchmark	15.40	17.75	17.70	15.36	14.38
GTC High Equity Fund - Provident	11.22	15.17	13.95	12.33	11.67
GTC High Equity Inflation Target - CPI+5%	9.05	10.05	10.33	10.50	10.23
GTC High Equity Fund - Pension	11.41	15.15	13.77	12.16	11.66
GTC High Equity Inflation Target - CPI+5%	9.05	10.05	10.33	10.50	10.23
GTC Moderate Fund - Provident	9.41	12.83	12.07	10.68	10.52
GTC Moderate Inflation Target - CPI+3%	7.05	8.05	8.33	8.50	8.23
GTC Moderate Fund - Pension	9.45	12.72	12.05	10.64	10.43
GTC Moderate Inflation Target - CPI+3%	7.05	8.05	8.33	8.50	8.23
GTC Conservative Fund - Provident	7.55	7.97	8.40	7.54	7.38
GTC Conservative Inflation Target - CPI+1%	5.05	6.04	6.32	6.50	6.23
GTC Conservative Fund - Pension	7.36	8.29	8.66	8.02	7.75
GTC Conservative Inflation Target - CPI+1%	5.05	6.04	6.32	6.50	6.23
FTSE/JSE All Share Index (ALSI)^	13.09	20.41	18.38	15.30	15.45
FTSE/JSE Shareholder Weighted Index (SWIX)^	19.18	22.86	20.21	17.60	17.27
BEASA All Bond Index (ALBI)^	9.88	2.44	6.54	7.64	7.67
Cash (SteFi)^	4.61	4.17	4.04	4.06	4.22
MSCI World Index (R)^	16.56	23.75	26.48	21.05	17.16

* Annualised ^Benchmark returns include 1,5% fees GTC performances shown are net of all fees

The **GTC Market Plus Funds** has benefited from its equity market exposure, both domestically as well as offshore. Within our manager blend, exposure to attractive and depressed materials exposure has detracted in the short term.

The **GTC High Equity Funds** (previously Aggressive) is ahead of its inflation target over all the longer term periods. Equity markets continue to be the main driver for fund performance. Our manager blend has a component of protection which we feel is prudent in the current environment.

The **GTC Moderate Funds** is ahead its inflation target over all periods. Equity markets remain the key driver of performance .

The **GTC Conservative Funds** is ahead its inflation target over all periods. Equity markets remain the key driver of performance.

Contact us

National Manager - Client Consulting
Jeff Morgan-HIll
T +27 (0) 10 597-6838
E jmhill@gtc.co.za

National Manager - Strategic Partners
Roger Schärges
T +27 (0) 10 597-6858
E rscharges@gtc.co.za

Head - Investment Analytics
Clive Eggers
T +27 (0) 10 597-6827
E ceggers@gtc.co.za

Head - Healthcare
Jill Larkan
T +27 (0) 21 412-1062
E jlarkan@gtc.co.za

Head - Employee Benefits Administration
Nadira Sarang
T +27 (0) 21 713-8500
E nsarang@gtc.co.za

Head - Wealth Management
Jenny Williams
T +27 (0) 10 597-6840
E jwilliams@gtc.co.za

Head - Employee Benefits Consulting
Toy Otto
T +27 (0) 10 597-6861
E totto@gtc.co.za

Head - Marketing & Media
Carey Else
T +27 (0) 10 597-6825
E celse@gtc.co.za

Managing Director - Securities & Derivatives
Mike Bolus
T +27 (0) 10 597-6827
E mbolus@gtc.co.za

Managing Director - Risk Solutions
Roy Wright
T +27 (0) 21 286-0037
E rwright@gtc.co.za

Group Chief Operating Officer
Farhadh Dildar
T +27 (0) 10 597-6830
E fdildar@gtc.co.za

Group Chief Executive Officer
Gary Mockler
T +27 (0) 10 597-6831
E gmockler@gtc.co.za

Compliance Officer
Dale Nussey
T +27 (0) 10 597-6828
E dnussey@gtc.co.za