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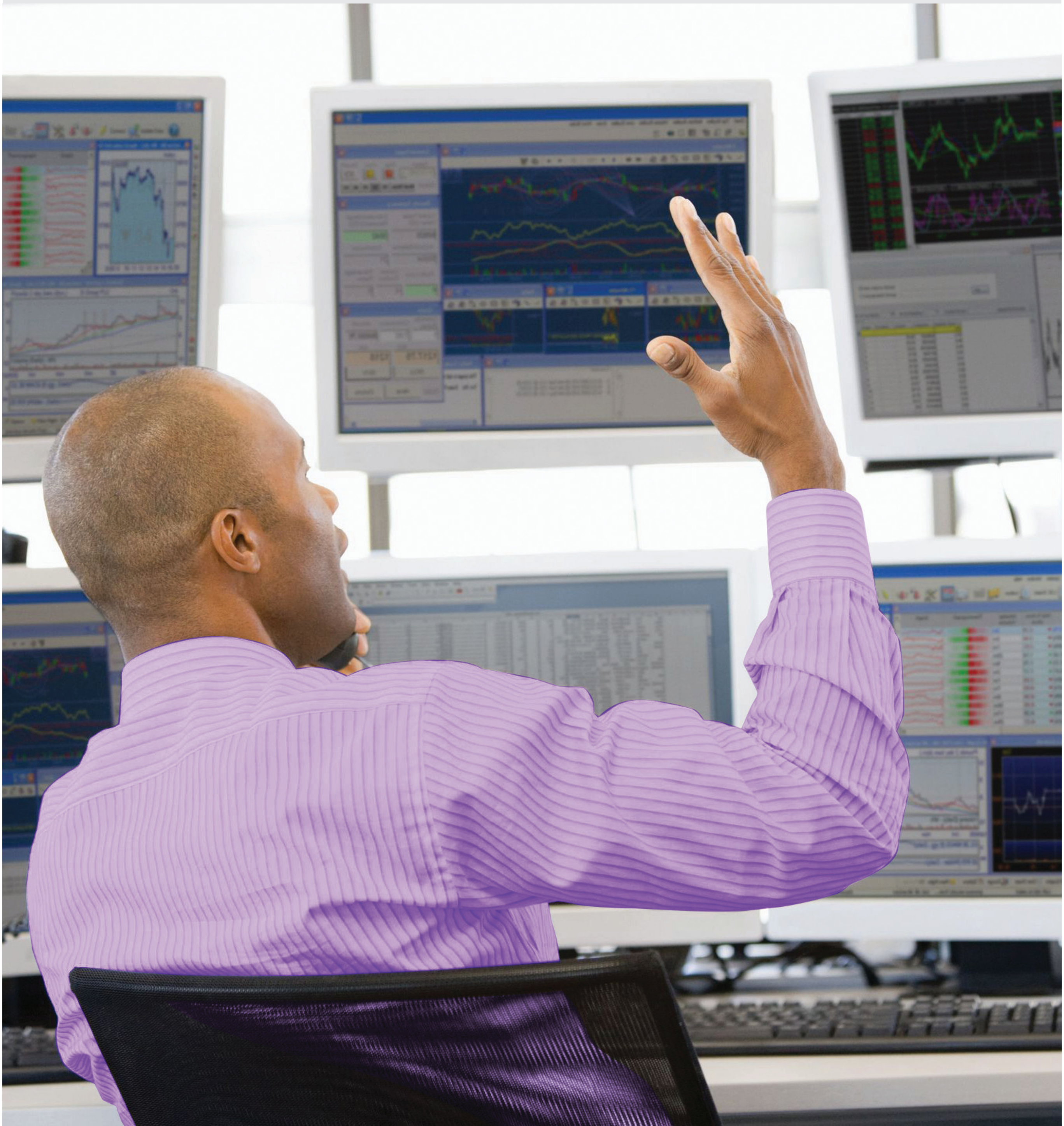
GTC Trendline

2nd Quarter 2015



Global - "Greeks bearing gifts?"

The first half of the year and more importantly the last three months in particular, have been more than eventful. In spite of disappointing U.S. economic data, the Greek financial crisis and concerns over a slowing Chinese economy, world equity markets have managed to weather the storm and although not entirely unscathed, have retained a remarkable degree of buoyancy.

However, the last quarter has seen many developed markets remain flat, after experiencing a significant decline in share prices towards the end of March. Fixed income markets have been under considerable pressure, mainly in anticipation of a rise in interest rates in the U.S. later in the year, as well as the ongoing impact from considerably lower oil prices. European rates, after having experienced a three month decline, showed some improvement in early May, rising to close at pre-quantitative easing levels.

U.S. equity prices retained a degree of equilibrium, with the S&P 500 recording a 0.3% gain over the quarter and reaching new all-time highs. Investors continued to view equities as their investment of choice, as bond yields and interest rates remained near record low levels.

Merger and acquisition (M&A) activity continued apace, with Thomson Reuters reporting that M&A activity in the first six months of 2015 was at its highest level since records began in 1980. Consumer spending, together with the Conference Board's measure of consumer confidence rising back above the 100 level, lent some cheer to the market, but also reinforced the belief that interest rates were likely to rise in September. Strong May non-farm payrolls added strength to this belief.

Euro-zone - GDP growth

Source: GTC/I-net

Energy, industrial and utility sectors continued to under perform on the back of easing oil prices and concerns over slowing Chinese growth, while bond related investments came under pressure as bond prices declined. 10 year treasuries saw a 20 basis point rise to trade at 2.33%. Macroeconomic data was mixed, although it did improve towards the end of the quarter, adding confidence to the view that the disappointing first quarter economic contraction in GDP was a one-off event.

Eurozone equities came under considerable pressure in Q2, returning a negative -4.5% (MSCI EMU index in Euros). This was largely on the back of nervousness relating to the Greek monetary crisis and the fear of contagion creeping into other struggling economies. In spite of Greece's default in failing to meet its commitment of Euro 180bn to the International Monetary Fund, European financial markets remained strikingly calm as they awaited the outcome of the referendum, called for by the incumbent Greek government, to decide whether or not to remain in the Eurozone. This lack of panic is in marked contrast to 2011 when the Greek crisis threatened the very future of the single currency. The European Central Bank has been a tower of strength as this saga has unfolded, bringing a degree of reassurance and calm to the markets.

Economic data for the Eurozone continued to display improvement over the quarter, with GDP for Q1 coming in at 0.4% compared to 0.3% for Q4/14. The flash composite purchasing manager index (PMI) rose to 54.1 in June, up from 53.6 in May to finish on a four year high. Eurozone annual inflation was subdued, but remained in positive territory at 0.0% in April, 0.3% in May and 0.2% in June. Unemployment at 11.1% was unchanged for April and May. Surprisingly Germany's DAX was one of the weaker performers, as a result of the Euro strengthening against the dollar. All sectors of the market delivered negative returns, with financial and industrials being the worst performers.

The U.K. market recorded a dismal performance, delivering a negative return of -1.6% (FTSE All Share in GBP). Domestically focused companies tended to benefit from the Conservative Party majority win in the general election, with all but one of the U.K. banks generating positive returns.

The telecommunications sector shone amid speculation of a merger between Vodafone and Liberty Global. Oil and gas companies were, not unexpectedly, the worst performers. U.K. macroeconomic data was mixed, with the Bank of England revising growth prospects upward. However, retail sales for May were better than expected on the back of real wage growth of 2.7% in the three months to April. Mid-cap companies performed well with the FTSE 250 up 3.6%, versus the negative -2.8% in respect of the FTSE 100.

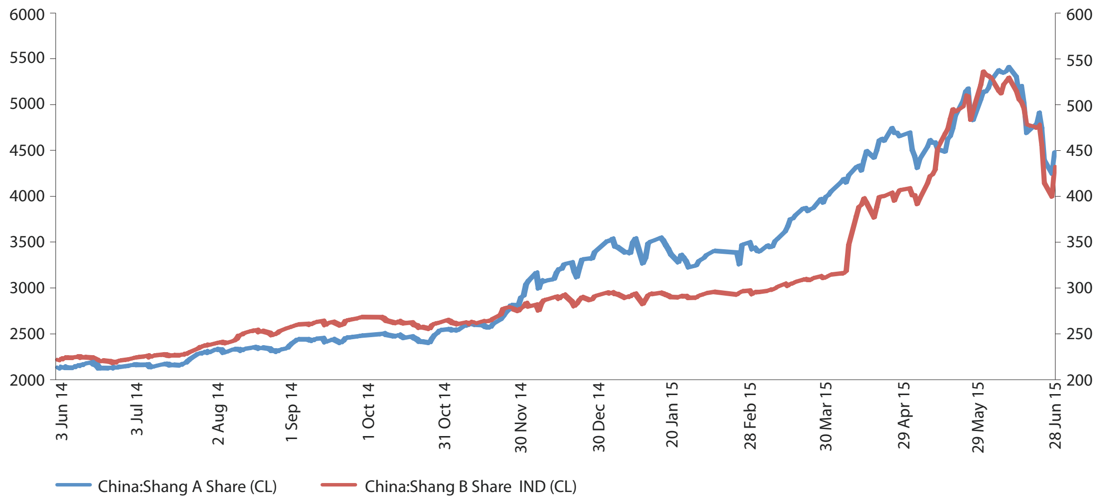
Japan saw the TOPIX index record a significant 5.8% return in Yen terms, with market optimism largely driven by positive corporate results. Economic data was mixed with Capex greater than expected and GDP numbers being revised upwards.

However, weak industrial production numbers were released in June, and this, together with concern over the Greek crisis, had a calming effect on an exuberant market.

Chinese equities posted robust returns for the quarter, but this masked dangerously high levels of volatility. The Shanghai exchange ran up gains of 150% in the year to 12 June, before profit takers moved in and authorities introduced stricter rules regarding margin trading, which brought a degree of sanity to an otherwise grossly overheated market.

Over the quarter, economic data continued to deteriorate, with Q1 GDP slowing to 7% year on year. HSBC's widely recognised PMI reading for May came in at a disappointing 49.2, mainly on the back of weak overseas demand.

China stockmarket



Source: GTC/I-net

The People's Bank of China cut interest rates and reserve requirement ratios twice over the quarter, in an attempt to revive flagging economic growth and bring some stability and reassurance to already overvalued equity markets. Whilst world markets are firmly focused on the Greek crisis, the unfolding events in Chinese stock markets are certainly worthy of more close attention.

U.S. bond markets saw yields climb significantly during the quarter, driven by unequivocal statements from the U.S. Federal Reserve that investors should expect rate hikes to begin later this year.

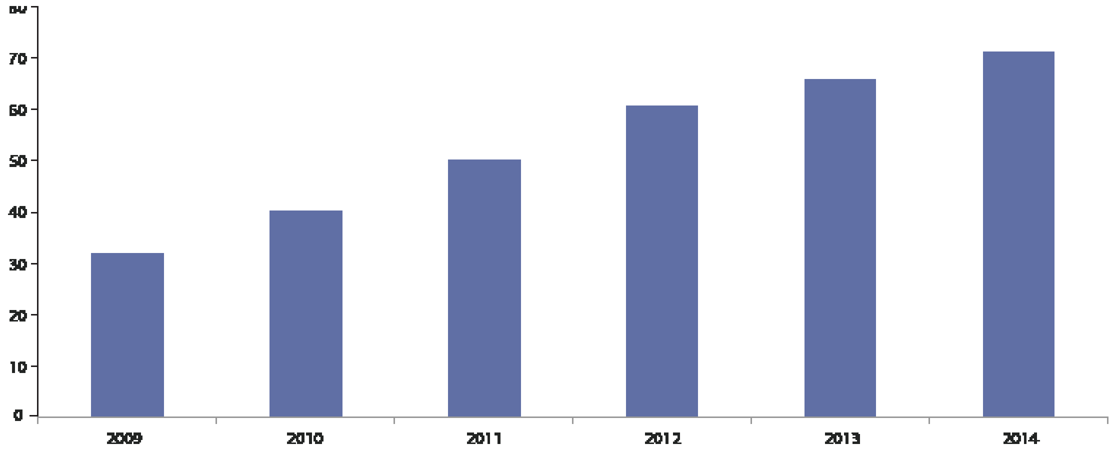
In the U.K, the Bank of England's view remains that the economy is strengthening and GDP growth for Q1 was revised upwards. In the Eurozone, the region's economy continued to build on Q1's improvement, with a series of encouraging updates.

Inflation expectations were revised upwards and Bond yields rose substantially in April, May and at the start of June. Towards the end of the quarter, Bond yields declined due to uncertainties surrounding the Greek crisis, but nevertheless remained substantially higher. Corporate bonds had a difficult passage as returns on sovereign bonds declined and supply from the U.S. increased.

Domestic - Molefe to the rescue!

The June quarter closed off on a subdued note, with equities and bonds off their previous highs. The JSE/ALSI closed the quarter at 51806 points, some 3382 points below its all-time high of 55188, recorded on 26 April 2015. All other major tradable indices closed down, except for the IND125, which yielded a positive result of 0.94% for the closing month. It is indicative of the volatility of markets that on a year on year basis the Oil and Gas index returned 51.8%, whilst Platinum and Precious Metals lost 42.7%, with Industrial Metals plummeting 52.3%.

SA average electricity price (P/KW)



Source:GTC/I-net

Although the Greek crisis continued to influence the local equity and bond markets, the issue which occupied centre stage was undoubtedly the deteriorating situation at Eskom and the possibility of the economy having to absorb a massive 25.3% increase in electricity prices.

Fortunately sanity prevailed and Eskom's application for the increase to the National Energy Regulator of South Africa (NERSA) was rejected. NERSA indicated that Eskom's application was flawed, in that it had not factored in governments support measures, with a R60bn subordinated loan being converted to equity and an additional amount of R23bn from the sale of government assets being made available. Certainly NERSA did not buy into the Eskom threat that unless tariff increases were granted, load shedding would become a more frequent and regular occurrence.

In addition, the Municipal Finance Management Act prescribes that no tariff increase for the current year was permissible after 1 July 2015.

The government move to ease Eskom's liquidity plight should enable the utility to more readily approach both domestic and global bond markets for additional funding.

In his closing remarks the Chairman of NERSA said that the organisation had not closed the door on Eskom, but that a new application would need to be lodged in accordance with the Multi-Year Determination Policy methodology.

The acting CEO Brian Molefe has indicated that Eskom will endeavour to keep the lights on, in spite of current generating constraints and that every endeavour will be made to ensure that there will be no further delays in the completion of both Medupi and Kasile power stations. Power generation is at the very heart of the pedestrian economic growth within the S.A economy and is hampering the urgent need for job creation in an environment of 30% unemployment.

During the quarter, two of the globally recognised rating agencies reported on their economic outlook for South Africa. Fitch maintained SA's rating at "BBB" with a negative outlook and revised SA's growth forecast down to 2.1% in 2015 and 2.3% in 2016. Standard & Poor's confirmed SA's sovereign rating at "BBB". It expects SA growth to accelerate from 2.1% in 2015 to 2.7% between 2016 and 2018.

On the inflationary front, SA's Producer Price Index (PPI) rose to 3.6% in May, slightly ahead of expectations. The SA Reserve Bank (SARB) must have heaved a sigh of relief when the full additional 12.61% Eskom tariff increase was refused, as this will hopefully avoid an interest rate increase at the Bank's July Monetary Policy Committee meeting. On the labour front, some stability has returned with COSATU agreeing to a 7% increase for 2015 with Consumer Price Index (CPI) increases plus 1% for 2016/17 and CPI plus 1% for 2017/18.

The public sector wage bill has swelled more than 80% over the last decade as annual increases averaged more than 6% above inflation. Public service Minister, Nathi Mthethwa, said the new pay deal for public servants would increase the government's wage bill from R412.7bn to R466.8bn over three years, reviving concerns about Treasury's ability to put a lid on spending.

However, in spite of the economy being in the doldrums, the combination of higher municipal rates, above inflation wage increases and increased electricity tariffs represents a threat to SARB's ability to adhere to their inflation targeting mandate.

In addition, any concrete move on the part of the U.S. Federal Reserve towards monetary normalisation could force SARB to raise interest rates to avoid the inflationary impact of substantial capital outflows. We are indeed in somewhat of a catch-twenty-two situation.

A snippet of good news for a change was that South Africa's trade balance swung into a surplus of R4.99bn in May, from a revised shortfall of –R4.99bn in April. Exports increased by 4.6% to R88.94bn, while imports declined 2.9% to R83.95bn on a month by month basis. Consensus was for a deficit of R3bn. Motor vehicle exports and lower oil imports were the key drivers of the improved situation.

Mining production increased 7.7% year-on-year in April. The highest positive growth rate was recorded by platinum group metals up 81.6%, partly as a result of the low base recorded in April 2014, when strike action on the platinum belt was at its height. Seasonally adjusted mining production decreased by 4.1% in April vs. May 2015. This followed month-on-month changes of 6.4% in March and 4.9% in February.

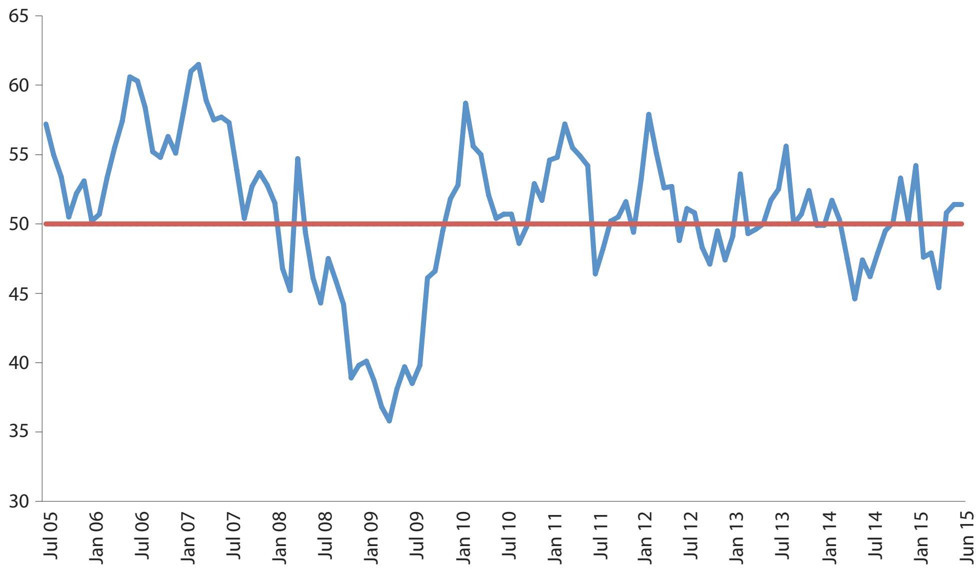
Manufacturing production decreased 2% in April 2015 vs. April 2014. Seasonally adjusted manufacturing production increased 0.1% in the three months ended April 2015, demonstrating the limp along growth in the economy.

The seasonally adjusted manufacturing Purchasing Manager's Index, compiled by the Bureau for Economic Research, ticked up by 0.6 index points, to reach 51.4 in June. Any number above 50 indicates economic expansion.

This brought the average for Q2 to 49.2 index points, slightly down from the average 49.9 recorded in Q1. June's increase was driven by improvements in business activity, inventories and employment indices. On the downside, new sales orders dipped compared to May.

Encouragingly the business activity index rose above the neutral 50 point mark for the first time since January. The index rose to 51.7 from 49.6 in May. In line with the improvement in output, the employment index rose to 48.7 index points, which is the best level since June 2014.

SA PMI



Source: GTC/I-Net

GTC Fund Performances - June 2015

Investment portfolios	3Mth %	6Mth %	1Year %	2Year* %	3Year* %	4Year* %	5Year* %
GTC Fixed Income B	0.99	2.43	7.84	6.16	5.66	5.70	5.90
GTC Wealth Accumulator FOF B	0.14	4.03	2.73	12.07	11.42	9.85	11.82
GTC Capital Plus FOF B	0.28	3.27	3.35	8.14	8.61	7.66	7.74
GTC Prosperity Wealth FOF	-0.03	3.52	3.91	11.22	9.77	10.08	11.67
GTC Prosperity Wealth Composite Benchmark	-0.38	4.38	7.58	13.44	13.44	12.71	13.51
FTSE/JSE All Share Index (ALSI)^	-0.58	4.85	3.23	16.20	17.21	14.73	16.31
FTSE/JSE Shareholder Weighted Index (SWIX)^	-0.50	5.95	8.57	18.78	18.87	17.02	18.11
BEASA All Bond Index (ALBI 1-3 year)^	0.63	2.05	4.97	4.52	3.99	5.20	5.40
Cash (SteFi)^	1.18	2.34	4.70	4.27	4.08	4.09	4.20
GTC Wealth Protector FOF	0.76	2.75	5.98	6.99	6.14	6.97	7.66
CPI +1% target	2.83	3.36	5.57	6.59	6.58	6.60	6.39
GTC Balanced Wealth FOF	0.01	3.32	3.26	9.26	8.32	8.79	10.03
CPI +5% target	3.74	5.28	9.57	10.60	10.59	10.60	10.39
GTC Conservative Absolute Growth (R)	-0.43	3.64	10.59	11.46	19.47	17.52	14.56
GTC CAG's Composite Benchmark (R)^	-0.74	3.45	8.75	12.58	15.64	16.22	12.88
R/$ Exchange rate	1.05	5.64	15.18	11.24	13.87	15.63	9.79
GTC Global Conservative Absolute Growth ($)	-0.42	0.26	-4.53	2.77	4.31	1.97	4.81
GTC Global CAG's Composite benchmark ($)^	-1.77	-2.07	-5.60	1.19	1.54	0.49	2.80

* Annualised ^Benchmark returns include 1,5% fees Not all fund class returns are shown. Class B refers to indirect investments

The **GTC Fixed Income Fund** has delivered outperformance against the Cash (SteFI) and Bond (ALBI 1-3 year) benchmarks.

The **GTC Wealth Accumulator FoF** had a good quarter, despite the sell- off in the local equity market. The fund blend contains equity protection which has served it well.

The **GTC Capital Plus FoF** has shown its capital protection focus over the quarter. The significant absolute return exposure ensures that the Fund captures upside equity return while focusing on avoiding losses over 12 month periods.

The **GTC Conservative Absolute Growth Fund** (USD and Rand classes) continues to deliver outperformance against its benchmark over the longer term. It should be highlighted that investment decisions within the fund are based on long term prospects and earnings streams of individual companies as opposed to any short term macroeconomic outlook or individual company prospects.

The fund remains defensively positioned with the anticipation of continued volatility.

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