Market Update

February 2015

Global - Interest rates, the million Dollar question

After a disappointing end to the previous month the S&P 500 reversed the trend snapping back 5.7% in February reflecting the growing hopes of a sustained long term U.S. economic recovery. Retail sales and durable goods orders have declined in recent months and the Conference Board's consumer confidence index retreated from a seven and a half year high but neither of these factors had any major impact on the market. Instead investors concentrated on rising real wage growth numbers and consistently high growth in employment numbers.

Minutes of the Federal Open Markets Committee were surprisingly "dovish" suggesting that there was no impending interest rate hike. There is certainly evidence to suggest that export oriented companies such as Proctor and Gamble are seeing their earnings being impacted by dollar strength. The currency's strength is in a way doing the job of an interest rate hike and lifting rates mid-year might well exacerbate the problem by causing the dollar to rise even further.

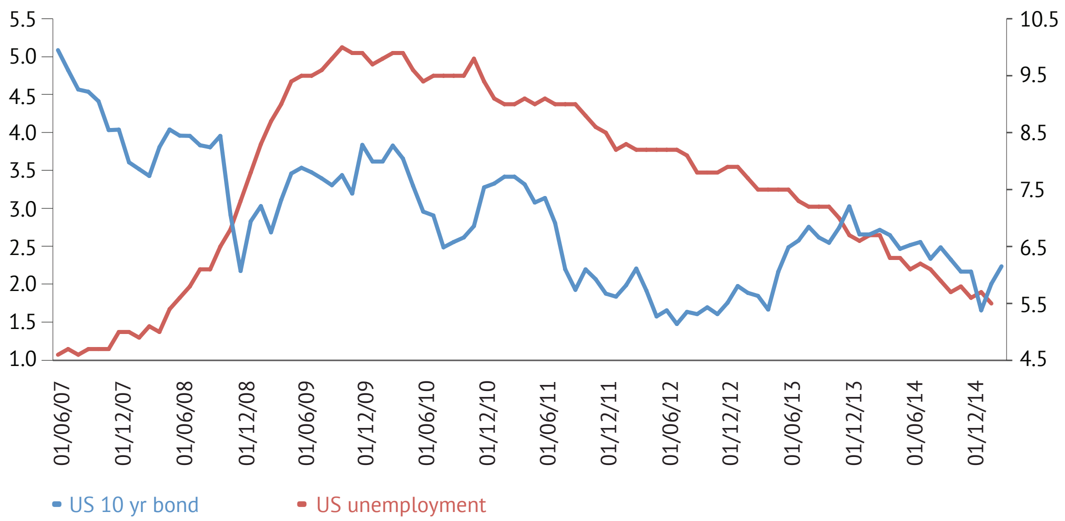
Risk-on has been the order of the day which has been reflected in a strong performance from cyclical sectors particularly retailers and technology in anticipation of a sustained consumer led recovery. Investors shrugged off a downward revision of Q4 GDP and paid scant attention to the possibility of a mid-year increase in interest rates.

U.S. jobless numbers which were expected to be in the region of 290,000 came in lower at 278,000 and 257,000 new jobs were created. The trade deficit widened sharply to its highest level since 2012. The U.S. department of energy announced that the oil stockpile is now at its highest level for this time of the year in 80 years.

Eurozone equities continued their climb aided by improving economic data as well as optimism over the ECB's soon to be announced sovereign bond-buying programme. The MSCI EMU index returned 7.3% for the month. Less concern about a possible "Grexit" and the news of a cease fire agreement between Russia and Ukraine helped support equity gains. Eurozone GDP expanded by 0.3% in fourth quarter of 2014 following the 0.2% rise in the third quarter. The European Commission upgraded its growth forecasts for the Eurozone to 1.3% from 1.1% for 2015 and to 1.9% from 1.7% for 2016.

The purchasing manager's index data for February indicated the composite index at 53.5 up from the previous month's 52.6 and above analyst's forecasts, indicating economic expansion and was at a seven month high. Preliminary inflation numbers for February showed an improvement to -0.3% month-on-month from -0.6% the month before. Pay increases in Germany also eased concerns over deflation with the country's biggest trade union negotiating a 3.4% wage hike. German exports were up 3.7% year-on-year in 2014 reaching a new all-time high.

US 10 year Treasury bond vs Unemployment rate



Source: GTC/I-Net

formerly Grant Thornton Capital

The financial sector was the top performer in February having been the laggard the previous month. Economically sensitive sectors such as consumer discretionary continued to perform well while in contrast the more defensive utilities and consumer staples underperformed. Greece has managed to negotiate four months of additional leeway as the European Central Bank accepted its revised reform plan regarding the previously imposed austerity measures and fears of Greece leaving the Eurozone have for the moment marginally receded.

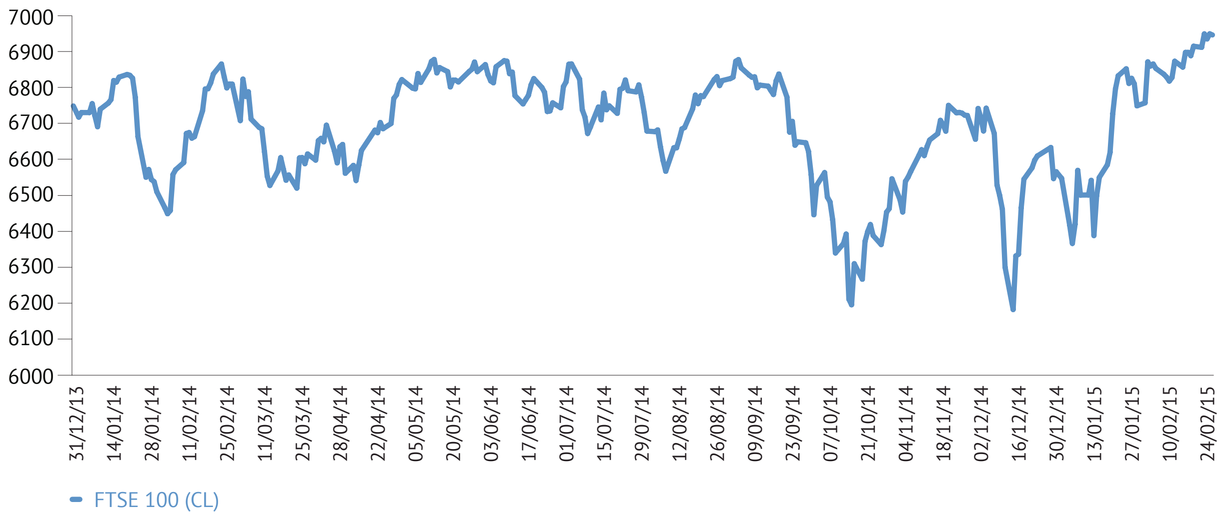
U.K equities performed strongly in February with the FTSE 100 exceeding its previous closing high reached in December 1999. The U.K's PMI came in at a healthy 57 indicative of economic expansion. Mining companies recovered well from their lows as heavyweights BHP Billiton and Rio Tinto both announced better than expected results on the back of substantial reductions in capital expenditure.

The major oil companies also staged a recovery as the oil price moved up from its lows and this helped the FTSE all-share finish the month up 3.7%. Merger and acquisition activity remained a feature with the news of British Telecom's bid for wireless network EE for 12, 5 billion pounds being well received by the market. The U.K.'s domestically-focused counters returned a mixed performance with general retailers lagging.

The Japanese stock market performed well in February with the TOPIX index rising 7.7%. The market was led upwards by the financial and real estate sectors which had been lagging for many months. Economic data released in February was very mixed. Industrial production showed a stronger than expected recovery whilst there was a marginal improvement in employment numbers. Disappointing retail sales showed a larger than expected decline in spite of relief gained from lower fuel prices.

Chinese equities showed strong gains despite weaker economic data particularly the HSBC's widely acknowledged manufacturing PMI which contracted for the second successive month coming in at 49.7 just below the 50 level indicating economic contraction. Weaker trade data also served to heighten expectations that the Chinese Peoples Bank would soon introduce further stimulus measures to accelerate economic growth. January inflation dropped to a five year low with consumer prices rising only 0.8% year on year heralding potential deflation.

United Kingdom FTSE 100 index



Source: GTC/I-Net

Domestic - You win some, you lose some

Finance Minister Nhlanhla Nene's 2015 budget was much as expected save for the increase in fuel levies which was only made possible by the recent sharp decline in the oil price. Undoubtedly mindful of the country's fiscal slippage and the ever looming threat of a possible sovereign debt credit rating downgrade, Nene's rhetoric was aimed at restoring investor confidence and underscoring the need to consolidate public finances. Overall a R25 billion reduction in budgeted expenditure is planned for over the next two years.

Nene said the tax proposals were aimed at increasing tax revenues, limiting the erosion of the corporate tax base, increasing incentives for small business and promoting a greener economy. Taxpayers will pay an additional 1% more in personal income tax to enable the government to raise an additional R12 billion this year and R15 billion in 2016. There will be relief for those earning below R450,000 per annum while those in the higher tax brackets will pay more.

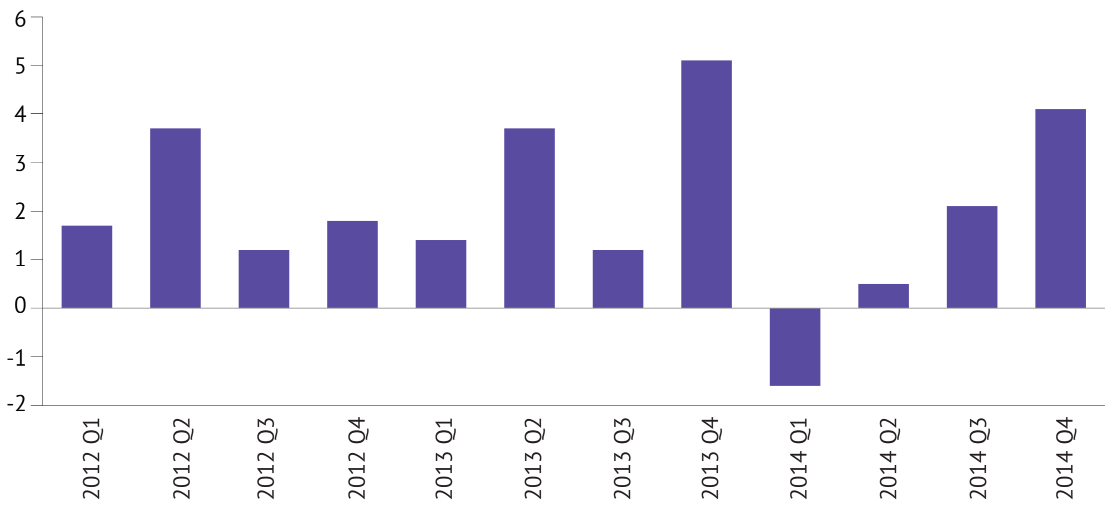
Additionally the government will increase the fuel levies by 80.5 cents a litre from the 1st April-30.5 cents is an increase in the actual fuel levy while 50 cents is to fund the Road Accident Fund. A combination of lower expenditure and higher taxes will narrow the budget deficit to 2.5% of GDP by 2017/18. Overall a R25 billion reduction in budgeted expenditure is planned for the next two years.

The budget also introduced a temporary increase in the electricity levy to 5.5 cents per Kilowatt hour from 3.5 cents previously. This will be phased out once the electricity crisis is over. The usual increases in sin taxes were also introduced. The offshore allowance for individuals has been increased to R10 million per annum and the transfer duty on properties valued at over R2.25 million has been increased from 8% to 11%.

Minister Nene has projected economic growth for 2015 at 2.0% down from the 2.5% he indicated in October. For 2017 the indication is for 3%. These levels of growth project a muddle through economy for some time to come.
South Africa's GDP expanded by an annualised 4.1% quarter/quarter in the last three months of 2014 compared to a revised growth rate of 2.1% for the third quarter. This added 1.3% on an unadjusted basis in the fourth quarter compared to revised growth of 1.6% in the previous three months. This put full year growth at 1.5% for 2014 which was better than expected but was down on the 2.2% for 2013.

South Africa's Consumer Price Inflation came in at 4.4% in January down from 5.3% in December which was welcome news for consumers and was largely attributable to the decline in the oil price. It is very unfortunate that this benefit to consumers has been largely negated by the increase in the fuel levies. Despite the negativity evident in the economy the JSE/ALSI continued to surprise us all by reaching a new record high during the month at 53344.2 points and returning 4.05%.

South African GDP growth



Source: GTC/StatsSA

GTC Fund Performances - February 2015

Investment portfolios	3Mth	6Mth	1Year	2Year*	3Year*	4Year*	5Year*
GTC Fixed Income B	1.65%	2.91%	9.28%	6.34%	5.82%	5.95%	6.14%
GTC Wealth Accumulator FOF B	5.29%	2.70%	11.08%	11.81%	11.09%	10.56%	12.29%
GTC Capital Plus FOF B	3.91%	3.03%	9.33%	9.08%	9.01%	8.02%	8.16%
GTC Prosperity Wealth FOF	4.41%	3.33%	10.79%	10.83%	10.58%	10.72%	12.08%
GTC Prosperity Wealth Composite Benchmark	4.62%	5.97%	15.54%	14.09%	14.32%	13.36%	13.65%
FTSE/JSE All Share Index (ALSI)^	6.68%	5.14%	14.44%	17.67%	17.64%	15.15%	16.44%
FTSE/JSE Shareholder Weighted Index (SWIX)^	6.57%	7.18%	19.62%	19.89%	19.53%	17.57%	17.94%
BEASA All Bond Index (ALBI 1-3 year)^	0.75%	3.20%	6.65%	4.12%	4.77%	5.60%	5.73%
Cash (SteFi)^	1.14%	2.30%	4.49%	4.07%	4.00%	4.04%	4.25%
GTC Wealth Protector FOF	2.32%	3.33%	9.22%	7.05%	6.95%	7.23%	7.87%
CPI +1% target	-0.11%	1.68%	5.43%	6.10%	6.19%	6.45%	6.10%
GTC Balanced Wealth FOF	4.29%	3.08%	9.89%	9.45%	9.33%	9.45%	10.50%
CPI +5% target	0.88%	2.64%	9.43%	10.11%	10.19%	10.46%	10.10%
GTC Conservative Absolute Growth (R)	3.27%	4.53%	8.71%	16.28%	20.44%	16.26%	11.93%
GTC CAG's Composite Benchmark (R)^	4.44%	5.71%	7.08%	16.79%	17.45%	15.72%	11.46%
R/$ Exchange rate	4.89%	8.68%	8.16%	14.44%	15.40%	14.11%	8.58%
GTC Global Conservative Absolute Growth ($)	-0.31%	-3.07%	-0.34%	2.70%	4.13%	3.14%	4.19%
GTC Global CAG's Composite benchmark ($)^	0.43%	-2.74%	-1.00%	2.03%	1.76%	1.40%	2.64%

* 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** captured a large portion of the positive returns in the equity market, whilst also displaying its defensive attributes in what has been a volatile period for equity markets.

The **GTC Capital Plus FoF** has shown its capital protection focus. 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. The fund had a disappointing quarter with exposure to EM markets detracting. 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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