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Market Update

November 2014

GLOBAL

U.S.markets continued their meteoric rise with the S&P 500 reaching a new record high of 2075.76 intraday before easing slightly to close at 2067.56 on the last day of the month. The Dow Jones Industrial average also reached a new high to finish up 2.86% for the month with the S&P 500 adding 2.69%. Exceeding even these stellar performances the tech heavy NASDAQ Composite Index ended the month up 3.66%. Foreign stocks of other developed markets as reflected in the MSCI EAFE Index advanced 1.36% over the month but remained in the red for the year on fears that Europe might still lapse into recession.

As an indication of the perceived strength of the U.S. economic recovery the Dow Jones is up 9.92% y/y the S&P 500 up 13.98% y/y and the NASDAQ up a whopping 16.01% y/y. Conversely the MSCI EAFE is down 1.49% y/y.

U.S. stocks strong performance for November received a lift from better than expected third quarter earnings together with continued strength in consumer confidence. Bonds also had a very positive month with the Barclays U.S Aggregate Bond Index rising 0.70%. Declining bond yields drove prices higher with the 10 year U.S. Treasury note ending the month on a yield of 2.18%.

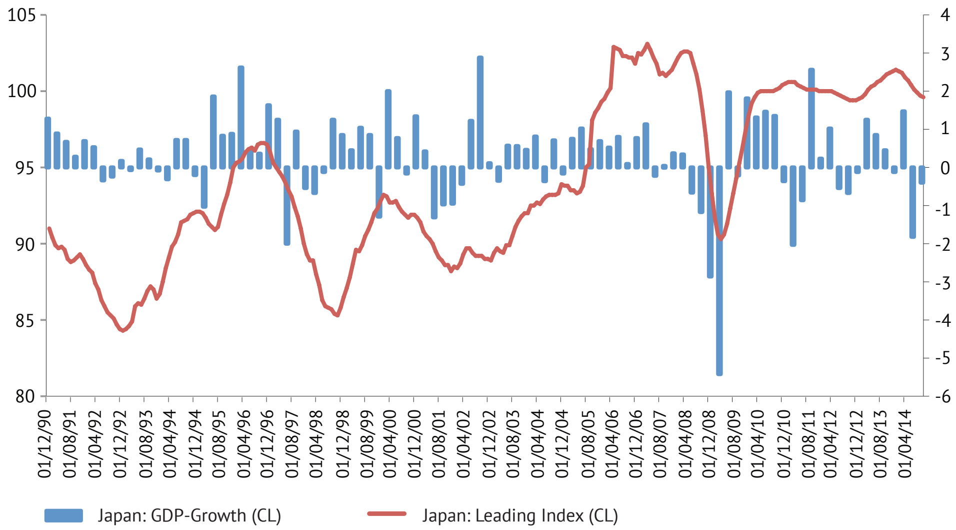
The price of oil continued its downward spiral on the news that OPEC, to which Saudi Arabia is a major contributor, had decided to maintain current production levels in spite of there being a glut of production. Economists predict that should the oil price continue on its present trend it will result in US consumers having an additional $ 100 billion available for private domestic consumption.

The U.S. economy grew 3.95% in Q3 which followed hard on the heels of a 4.6% expansion in Q2 marking the second quarter of sustained economic growth. This is in sharp contrast to Japan which is technically in recession and the Eurozone which is barely keeping its head above negative growth.

The latest minutes from the Federal Reserve's Federal Open Market Committee expressed concern over the economic slowdowns in Europe and Asia but viewed the U.S. situation as fairly balanced with economic growth continuing at a satisfactory pace. Whilst interest rate policy might well start normalising in 2015, the slowness in wage growth could well see the implementation of rate rises delayed.

In the Eurozone gross domestic product growth came in at a paltry 0.2% for Q3 but was above expectations. Germany and France both managed to avoid recession but their economies are literally stuttering along. The European Union annual rate of inflation fell to 0.3% in November which was down from 0.4% in October matching the five year low recorded in September.

Japan GDP vs Leading Index



Source: GTC/I-Net

This exceptionally weak economic data has fuelled speculation that the European Central Bank (ECB) will have, as a matter of some urgency, to introduce significant monetary stimulus to kick-start lacklustre economic growth. President Draghi of the ECB appears to be encountering considerable opposition to introducing these urgently needed reforms particularly from Germany. The ECB has slashed Eurozone growth forecasts indicating growth in 2014 at 0.8% and in 2015 at 1.1%.

The Japanese economy is officially in recession the gross domestic product for Q3 being a negative 1.6% after a negative 7.3% in Q2. In the light of this the Japanese Prime Minister Abe has postponed the planned introduction of a new sales tax from 8% to 10% scheduled for April next year to April 2017 and called for a snap election. Abe raised sales tax from 5% to 8% in April 2014 to help finance ballooning government debt which sparked off the biggest economic contraction in Japan since the global financial crisis. In order to address the problem a major quantative easing programme has been announced.

Numbers emerging from the Chinese economy indicate a continuing slowdown in manufacturing output. There appears to be reluctance on the part of the Chinese authorities to introduce broad based stimulatory measures as they remain confident that the target GDP growth for 2014 of approximately 7.0% will be achieved.

China's industrial production slowed slightly in October with output growing by 7.7% y/y down from 8.0% y/y in September. The two Purchasing Managers Index (PMI) surveys showed minimal change in October- the official PMI easing slightly to 50.8 points from the previous 51.1points. In contrast the HSBC PMI which includes a greater share of SME's was marginally stronger at 50.4 points against 50.2 points in September. China's real estate sector is in the midst of a protracted correction which is likely to be a drag on economic growth for some time.

LOCAL

In spite of a roller coaster ride over the month the JSE FTSE/ALSI managed to end the month on a positive note closing at 49,911.37 points just shy of the psychological 50,000 and gaining 0.38%. In total return terms the index gained 0.54%. The Top40 however lost 0.24% largely due to dollar strength which impacted considerably on commodity and resource stocks. The index was further influenced by OPEC's decision to keep oil production unchanged at 30,000 barrels a day which impacted significantly on the share price of both Sasol and Billiton. Foreign flows to the equity market were negative for the month with an outflow of R11.27 billion.

Development Capital was the best performing sector returning 19.39% followed by Fixed Line services which returned 17.33%.The Oil and Gas sector was the worst performer losing 15.89% on the back of the lower oil price. Construction and Materials was the second worst performer losing 12.91%.

The Resources 120 Index (RESI 20) was again, the worst performing tradable index losing 6.28%. As an example Kumba Iron Ore reached a five year low having lost 50% of its share value so far in 2014.

Bonds continued to outperform equities for the fifth consecutive month gaining 2.4%. Year to date the All Bond Index has returned 11.88% compared to equities which have returned 11.09%. Net inflow from foreigners into the bond market totalled R6.3billion. Inflation linked bonds gained 1.0% whilst cash returned 0.5%.

The S.A. Reserve Bank decided to keep the repo rate unchanged at 5.75% which was a unanimous decision by the board. The inflation forecast was lowered to 5.1% in 2015 from 5.75% at the previous MPC meeting. The inflation forecast for 2016 was reduced to 5.5%. Consumer Price Inflation (CPI) came in at 5.9% in line with market expectations reflecting no change from the previous month. Inflationary pressures were seen as decreasing with a 70 cent drop in the petrol price on the cards for December. As a result of the easing of inflationary pressures, economists are now capping potential rate increases at 55bps for 2015.

Early in November Eskom called for a major power usage reduction after a coal silo collapsed at its Majuba power station. This resulted in load shedding being introduced with the national power grid coming under severe pressure.

The continued lack of electricity generating capacity and its implications for sustained economic growth were certainly a major consideration when the various global rating agencies downgraded South Africa's sovereign debt.

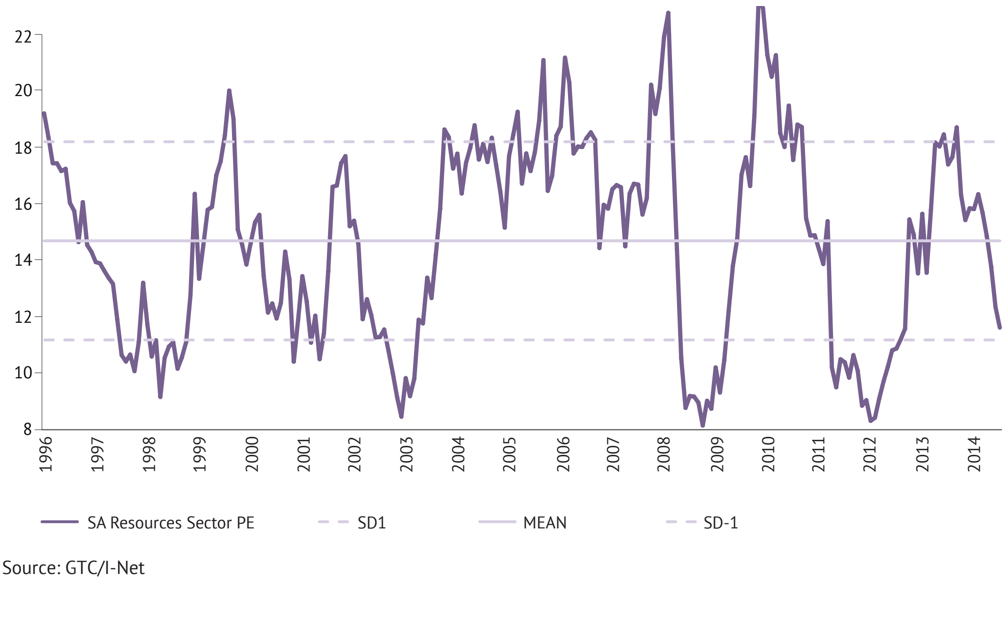
What is of particular concern is that the two new coal fired power stations currently under construction will only be fully operational, Medupi in 2018 and Kasile in 2019. Until these stations reach full generating capacity the national grid will be under constant constraint.

South African trade conditions improved considerably in October with the South African Chamber of Commerce seasonally adjusted trade activity index rising to 54 from 48 in September.

Retail sales declined 0.8% m/m contrary to expectations of a rise of 0.5%. Sales were up 2.3% y/y but below market expectations of 2.8%. Manufacturing production rose more than expected in September expanding by 8.0% y/y from a revised 1.0% contraction in August. On a m/m basis factory production rose 4.0% against a consensus of 1.55%.

South Africa's major platinum producers who produce 70% of the world's platinum have formed the World Platinum Investment Council in order to develop an active investment market for platinum as well as making platinum more freely available to a wider group of investors. In order to help stimulate demand for platinum as well as to promote local beneficiation the government has invested R75 million in fuel cell technology research which is currently being conducted by the universities of the Western Cape and Cape Town.

SA Resources Sector PE Ratio



Source: GTC/I-Net

GTC Fund Performances - November 2014

Client portfolios	1Year	*2Year	*3Year	*4Year	*5Year
GTC EB Market Plus - Pension	7.59%	16.22%	15.05%	13.10%	13.78%
GTC EB Market Plus - Benchmark	14.22%	16.96%	16.57%	15.09%	14.12%
GTC EB Market Plus - Provident	10.89%	17.99%	16.22%	13.96%	14.47%
GTC EB Market Plus - Benchmark	14.22%	16.96%	16.57%	15.09%	14.12%
GTC High Equity Fund - Provident	8.97%	14.15%	12.94%	11.60%	11.35%
GTC High Equity Inflation Target - CPI+5%	10.91%	10.72%	10.69%	10.76%	10.29%
GTC High Equity Fund - Pension	9.01%	13.97%	12.68%	11.60%	11.28%
GTC High Equity Inflation Target - CPI+5%	10.91%	10.72%	10.69%	10.76%	10.29%
GTC Moderate Fund - Provident	8.15%	12.10%	11.20%	10.30%	10.43%
GTC Moderate Inflation Target - CPI+3%	8.91%	8.72%	8.69%	8.76%	8.29%
GTC Moderate Fund - Pension	8.08%	12.06%	11.16%	10.21%	10.33%
GTC Moderate Inflation Target - CPI+3%	8.91%	8.72%	8.69%	8.76%	8.29%
GTC Conservative Fund - Provident	5.92%	7.53%	7.77%	7.14%	7.22%
GTC Conservative Inflation Target - CPI+1%	6.90%	6.72%	6.69%	6.76%	6.29%
GTC Conservative Fund - Pension	6.04%	7.89%	8.03%	7.62%	7.61%
GTC Conservative Inflation Target - CPI+1%	6.90%	6.72%	6.69%	6.76%	6.29%
FTSE/JSE All Share Index (ALSI)^	12.72%	16.23%	16.83%	15.09%	14.79%
FTSE/JSE Shareholder Weighted Index (SWIX)^	17.37%	18.63%	19.16%	17.03%	16.86%
BEASA All Bond Index (ALBI)^	11.45%	5.74%	7.95%	8.04%	8.95%
Cash (SteFi)^	4.24%	3.93%	3.96%	4.02%	4.30%
MSCI World Index (R)^	14.33%	26.95%	22.92%	20.69%	16.11%

* 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. Recent volatility in markets has seen shorter period returns under pressure but over the longer term the fund continues to deliver on its target.

The **GTC High Equity Funds** (previously Aggressive) is underperforming its target over 1 year on the back of the selloff in equity markets over the quarter but maintained its outperformance relative to the inflation adjusted target over 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 underperforming its target over 1 year on the back of the selloff in equity markets over the quarter but maintained its outperformance relative to the inflation adjusted target over longer term periods. Equity markets remain the key driver of performance.

The **GTC Conservative Funds** have produced above target returns over all medium and longer term investment horizons. The main objective of the fund is to reduce capital risk whilst aiming for above inflation returns.

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