GTC Market Update

November 2015

Global - Janet's D-Day 16 December

Having experienced positive returns the previous month November heralded the return of a risk- off environment with both global and domestic markets delivering disappointing lacklustre returns.

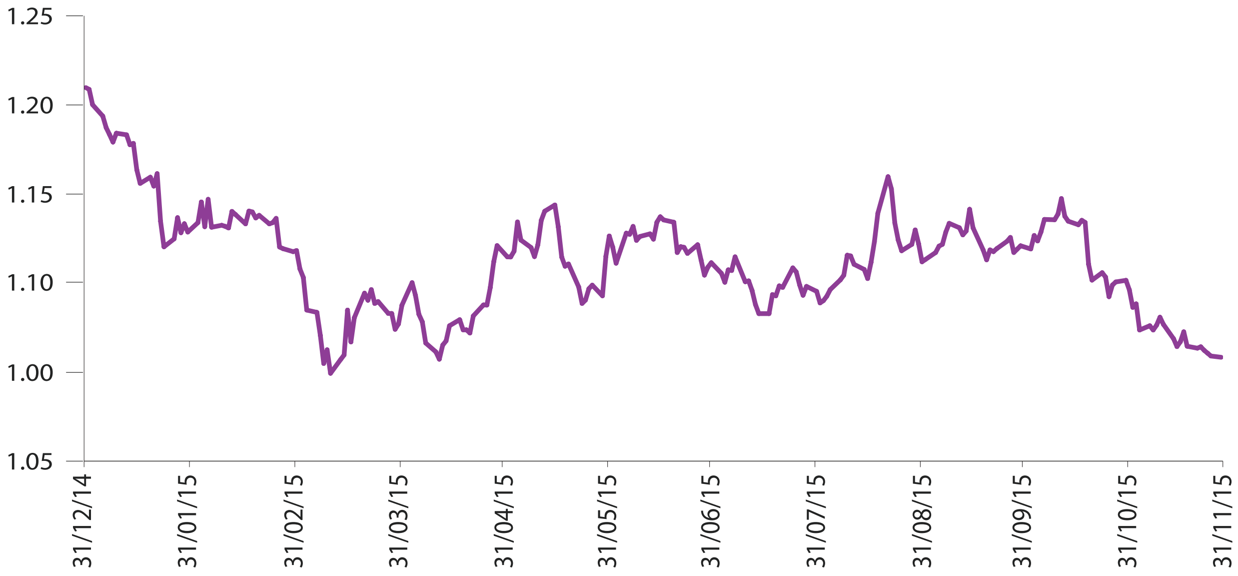
The MSCI World Equity Index declined delivering a negative 0.7% return for the month in Dollar terms. The MSCI Emerging Markets Index delivered a negative 3.96% return largely reflective of the sharp decline in the price of commodities as well as the impact of a strong Dollar. Globally the focus remained on the increasing prospect of a December U.S. interest rate rise with the concomitant strengthening of the Dollar.

U.S. equities ended the month on a positive note with the S&P 500 rising a meagre 0.3% with financials improving on the prospect of the Federal Reserve raising rates in December resulting in higher net interest margins for the banking sector.

However, the higher dividend yielders recorded losses particularly in the telecommunication and utility sectors as their yield attraction dimmed against the prospect of higher base bank rates. The prospect of a bank rate rise was markedly increased following a particularly strong November non-farm payrolls report. The figure of 271,000 new jobs created was the highest monthly figure for the year and was well ahead of economists' predictions. Adding further impetus to the prospect, third-quarter GDP was revised upward to 2.1% from a previously announced 1.5%. The unemployment rate declined to 5.0%.

The prospect of weaker retail sales continued to haunt the market following the release of October figures which indicated a downturn in consumer spending largely attributable to disappointing motor vehicle sales. Of further concern was the notable profit warning from retail giant Macy's which is a benchmark in terms of consumer spending. All eyes are now turned to the outcome of the Christmas season.

EUR USD YTD



Source: GTC/I-Net BFA

Concerns over the impact of the stronger Dollar in terms of a slowdown in exports were alleviated to an extent in that durable goods orders continued to rise indicative of an improving business sentiment.

The Eurozone continued to reflect positive returns largely as a result of expectations of a further easing in monetary policy which also saw the Euro weaken further against the Dollar. Geopolitical concerns certainly influenced the markets negatively following the terrorist attacks in Paris which left some 130 people dead. Naturally security concerns came to the fore but the impact on financial markets was minimal. Economic data remained largely positive with the flash Eurozone Composite Purchasing Managers Index reaching 54.4 following October's 53.9 and was at a 54 month high.

The U.K. market recorded a small gain of 0.6% but the improvement was undermined by the continued weakness in commodity prices with another significant downward move in oil and metal prices weighing heavily on the market's resource sectors.

The market improvement was largely driven by strong performances from the telecoms sector as well as aerospace and defence. CPI continued to reflect a deflationary environment while real wages continued to grow and unemployment inched down again to 5.3%.

After an initial decline the Japanese market recorded an overall improvement returning a positive 1.4% for the month. The Japanese Yen fell sharply against a rampant Dollar whilst sector performance was diverse with substantial falls in paper stocks and utilities while retailers and metal products led the market recovery.

The market improvement shrugged off the release of economic data showing that GDP remained negative and that technically Japan was in recession.

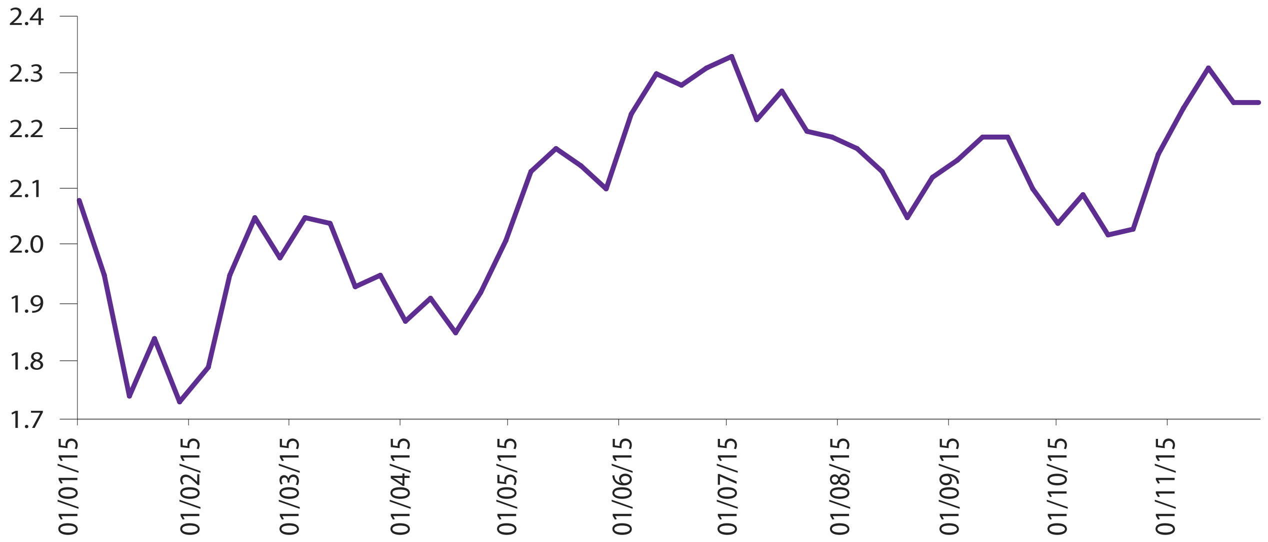
Global bonds continued to reflect the likelihood of a Federal Reserve interest rate hike in December with the US 10 year treasury yield rising from 2.14% to 2.21%. Euro and Sterling corporate bonds continued to yield positive returns over the month. The ECB again reiterated its commitment to policy accommodation with President Draghi stating that ECB policymakers will do what they must to return to the inflation target.

Domestic - Sovereign debt downgrade?

Following on October's impressive gains November saw the return of a risk-off appetite with emerging markets coming under severe pressure on the back of Dollar strength and substantial declines in the price of commodities. The JSE/ALSI declined 3.86% with the Top40 index falling 3.92%. The JSE/ALSI's 30-day volatility was reduced to 10.75 from the previous months 11.24. On the back of declining commodity prices it was no surprise that the RESI20 was the worst performing sector falling substantially by 22.52%. General mining fell heavily by 23.87% with the only glimmer of hope being the Media sector led by Naspers which enjoyed a 6.24% return.

Somewhat contrary to many expectations, particularly taking into account the current dismal state of the South African economy, the S.A. Reserve bank raised the interest rate by 25 basis points to 6.25% citing concerns over a weak Rand and rising inflation. A further contributing factor was undoubtedly the strong sell-off by foreign equity investors which was in the region of R10.2 billion in November and had compounded to R32.6 billion over the quarter.

USA 10 Year Yield



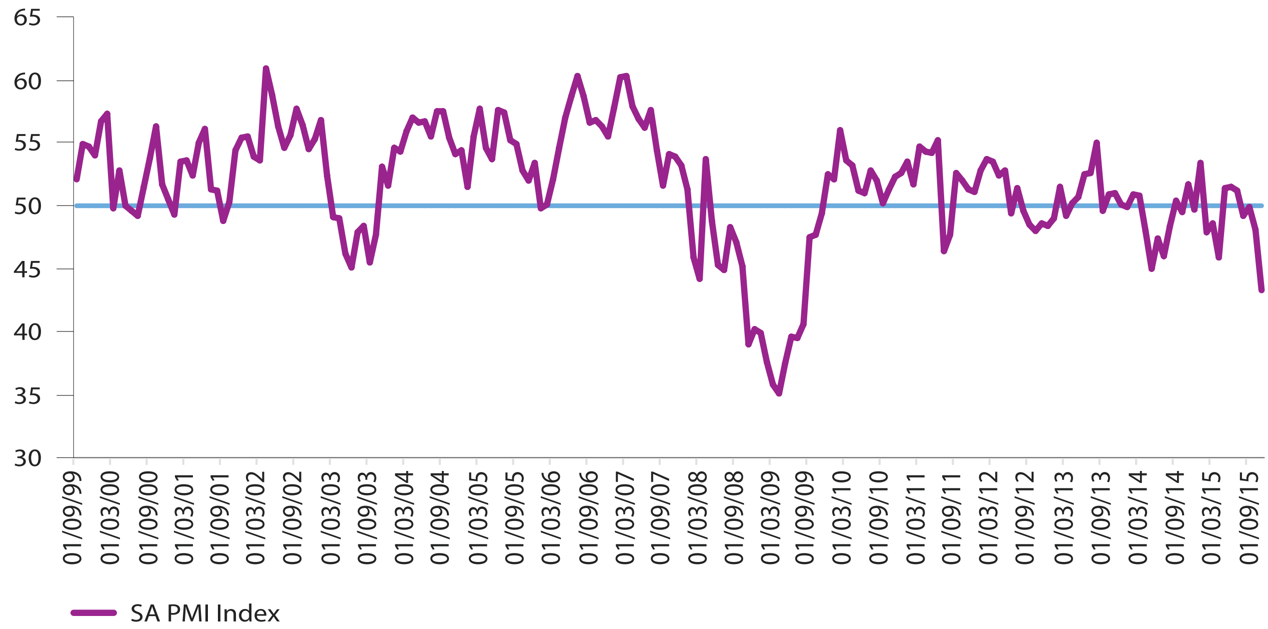
Source: GTC/I-net BFA

The All Bond Index (ALBI) lost 1.04% driven predominantly by trades at the longer end of the curve. This was despite the interest rate hike as well as the Q3 GDP number coming in at 0.7% q/q which was below the consensus of 1.00%.

Albi 30-day volatility declined from 7.65 to 6.99. Having remained static for the previous two months, October Consumer Price Inflation (CPI) nudged up to 4.7% y/y which was within expectations. Core inflation meanwhile declined to 5.2% from the previous 5.3 %. Foreigners were net sellers of R6.2 billion of bonds with cash returning 0.52%.

The Barclays Africa manufacturing PMI declined dramatically from 48.1 in October to a low 43.3 in November in sharp contrast to the consensus of an increase to 48.5. This was the fourth consecutive reading below 50 clearly demonstrating contraction in manufacturing activity and the lowest recorded level since August of 2009 with all the sub-components of the index now below the critical 50.

SA Purchasing Managers Index - Seasonally adjusted



Source: GTC/I-net BFA

South African consumers should brace themselves for a double blow on food prices from the countrywide drought and continued Rand weakness. While South Africa was still recovering from a R12bn loss in maize production from last year, it is in the grip of a drought which could see it become a net importer of the crop for the first time in seven years. This could translate into a significant increase in maize and ultimately food prices.

While Eskom must be congratulated on alleviating load shedding of major concern is that electricity usage has dropped dramatically since the start of 2015. This suggests that Eskom has avoided implementing load shedding because of this drop in demand indicative of a slowing economy. Electricity output has plummeted because demand has fallen dramatically to 2008 recessionary levels. Not a good sign for the SA economy.

Of paramount importance for the South African economy is that it maintains its investment grade rating in terms of its sovereign debt in order to prevent substantial capital outflows. As a general rule pension funds and asset managers are in terms of their own rules precluded from holding investments which have acquired junk status.

Treasury and our Finance Minister Nene are well aware of this and it is to be hoped that common sense will prevail and that the necessary steps to avoid such a possibility will be implemented expeditiously.

GTC fund performances - November 2015

Client portfolios	1Year %	*2Year %	*3Year %	*4Year %	*5Year %
GTC EB Market Plus - Pension	9.84	9.35	14.22	14.28	13.03
GTC EB Market Plus Benchmark	9.28	11.72	14.34	14.70	13.91
GTC EB Market Plus - Provident	7.55	9.52	14.33	14.37	13.10
GTC EB Market Plus Benchmark	9.28	11.72	14.34	14.70	13.91
GTC High Equity Fund - Provident	8.58	8.78	12.26	11.84	10.99
GTC High Equity Inflation Target - CPI+5%	9.68	10.29	10.37	10.44	10.54
GTC High Equity Fund - Pension	8.65	8.83	12.17	11.66	11.00
GTC High Equity Inflation Target - CPI+5%	9.68	10.29	10.37	10.44	10.54
GTC Moderate Fund - Provident	6.39	7.27	10.16	9.98	9.51
GTC Moderate Inflation Target - CPI+3%	7.68	8.29	8.37	8.43	8.54
GTC Moderate Fund - Pension	6.41	7.24	10.14	9.95	9.44
GTC Moderate Inflation Target - CPI+3%	7.68	8.29	8.37	8.43	8.54
GTC Conservative Fund - Provident	5.89	5.91	6.98	7.30	6.89
GTC Conservative Inflation Target - CPI+1%	5.67	6.29	6.37	6.43	6.54
GTC Conservative Fund - Pension	6.03	6.04	7.26	7.53	7.30
GTC Conservative Inflation Target - CPI+1%	5.67	6.29	6.37	6.43	6.54
FTSE/JSE All Share Index (ALSI)^	5.17	8.88	12.42	13.80	13.03
FTSE/JSE Shareholder Weighted Index (SWIX)^	5.43	11.24	14.06	15.57	14.61
BEASA All Bond Index (ALBI)^	-0.16	5.48	3.73	5.86	4.34
Cash (SteFi)^	4.85	4.55	4.24	4.18	4.18
MSCI World Index (R)^	25.22	19.65	26.37	24.49	21.58

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

The **GTC High Equity Funds** (previously Aggressive) are ahead of their inflation target over the longer term. 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** have maintained their outperformance relative to the inflation adjusted target over longer term periods. Equity markets remain the key driver of performance.

The **GTC Conservative Funds** are ahead of their inflation target over the longer term. Equity markets remain the key driver of performance.

The **GTC Market Plus Funds** have benefited from their 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.

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