GTC Market Update

October 2015

Global

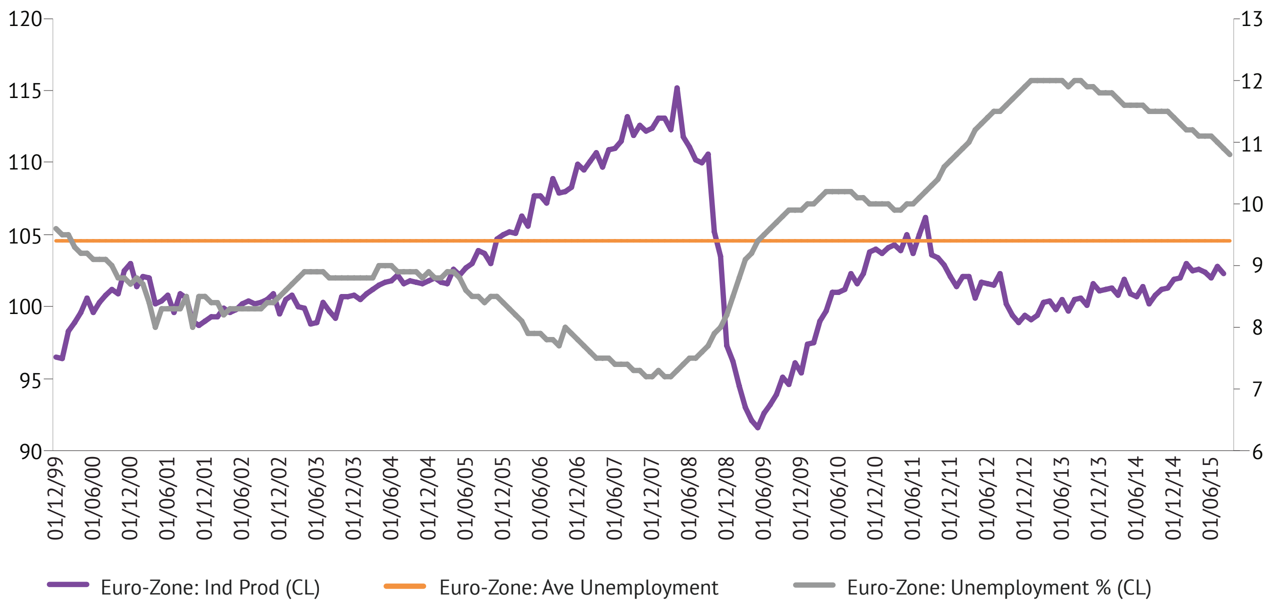
Global equity markets reversed the risk-off trend of the previous month with the MSCI World Equity Index in dollar terms gaining an impressive 7.83%.The MSCI Emerging Market Equity Index followed the trend returning 7.04%. U.S. equities performed particularly strongly over the period with the S&P 500 returning 8.4% following a better than expected earnings scenario and as the Federal Reserve again delayed raising interest rates. However, the Federal Open Market Committee statement following its meeting raised the possibility of a December lift-off.

Some disappointing macroeconomic data was forthcoming relating to industrial production and durable goods but most importantly non-farm payrolls which indicated that job creation was way below expectations. This failed to deter investors who were more relieved at the prospect of a slightly improved global economy.

Speculation surrounding the possibility that Russia and OPEC might work together to regulate the global oil supply glut resulted in the heavyweight energy sector reversing its previous trend. This however was insufficient to counter the continuing retrenchments in the U.S. shale oil industry which was reflected in a further decline in the North American rig count and a consequent fall in U.S. oil production.

Merger and acquisition (M&A) activity remained buoyant as PC maker Dell made a bid for data storage specialist EMC and Botox manufacturer Allergan confirmed that it was in buyout talks with Pfizer. These two major deals helped underpin strong performance in both the technology and healthcare sectors. The consumer discretionary sector also performed well as consumer demand continued to please. Data relating to house prices, home construction and car sales all remained bullish.

Eurozone: Industrial Production vs Unemployment



Source: GTC/I-Net BFA

In line with global markets Eurozone equities rebounded in October with the MSCI EMU Index returning 9.7% spurred on by the dovish approach on the part of the European Central Bank. Share prices accelerated following the suggestion by the ECB's Mario Draghi that the bank could expand its quantative easing programme and cut the deposit rate as soon as December.

Macroeconomic data was encouraging with the region's composite PMI rising to 54.0 from 53.6 in September indicating a faster rate of expansion. The ECB's Bank Lending Survey also indicated a quickening in the pace of credit extension particularly for corporates. Annual inflation improved to zero from the previous months -0.1% while the unemployment rate declined to 10.8%. The Volkswagen emissions scandal seems to have had relatively little impact on business confidence with German equities amongst the top performers. The beverage sector was supported by the news of AB InBev's takeover of SABMiller with Deutsche Bank's results dragging down the banking sector.

Risk appetite returned to the U.K. but poor third-quarter results from the oil and gas sector and renewed concerns over global growth took some of the sheen off the recovery in the heavyweight resource sector resulting in the FTSE All-Share Index rising a more modest 4.7% m/m. Precious metal prices rallied strongly but were overshadowed by industrial metals which performed less convincingly as the International Monetary Fund cut its global growth outlook for both 2015 and 2016.

M&A activity remained a feature of the market with SABMiller indicating its willingness to accept a revised offer of $100 billion from AB InBev. Royal Dutch Shell posted worse than expected Q3 results as it struggled with the lower oil price environment.

Following on sustained weakness in world markets in August and September, the Japanese equity market rebounded strongly in October with the MSCI Japan Index recording an impressive gain of 10.09%. Investor sentiment underwent somewhat of a metamorphosis on the realisation that a slowdown in global growth and especially in China may not be as severe as previously thought. Market sentiment continued to suggest that further stimulatory measures on the part of the Bank of Japan would still be forthcoming.

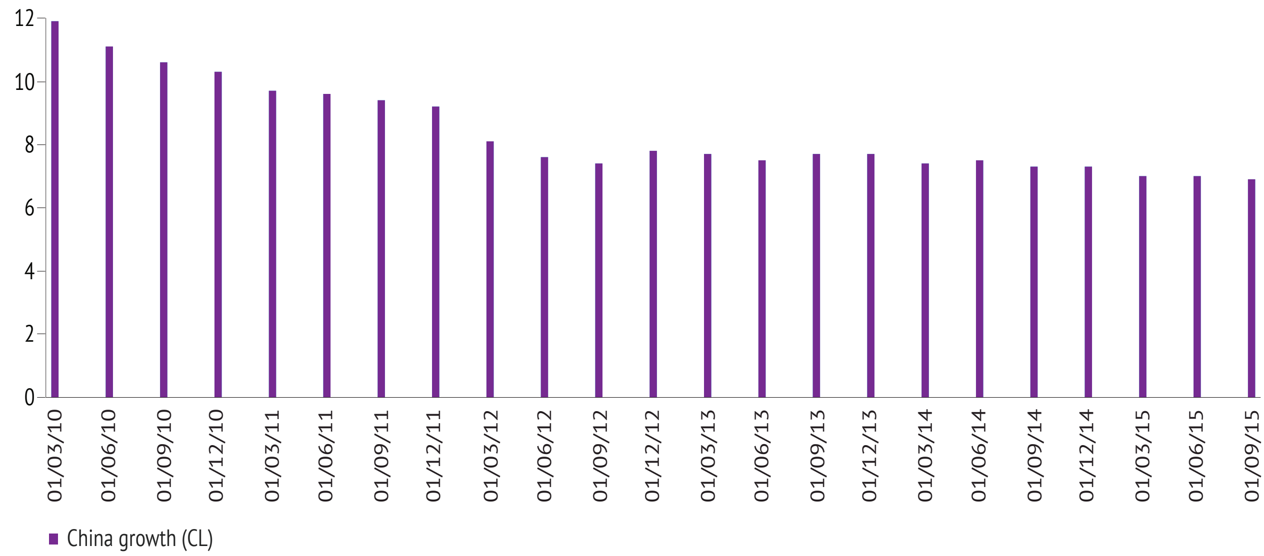
Having severely haemorrhaged in September, Chinese equities reversed the trend based on hopes that further stimulatory measures would be introduced by the authorities. The People's Bank of China announced another interest rate cut late October the sixth such reduction in a year. Economic data continued to send mixed signals with Q3 GDP coming in at 6.9% y/y falling below 7% for the first time since 2009 but marginally beating consensus of 6.8%. The closely followed Caixin China manufacturing PMI came in at 47.2 in September, a six and a half year low. China GDP Growth

Domestic

In line with the rise in the MSCI Emerging Markets Index the JSE/ALSI gained 7.40% over the month and 7.61% in total return terms. The Top40 Index returned 7.89% while the ALSI 30-day volatility declined to 14.59 from 25.50.The INDI25 was the best performing index returning 8.47% followed by the FINI15 and the RESI20 which gained 7.31% and 5.60% respectively. S.A. Listed Property in total return terms delivered 2.08%.

Media was the best performing sector as Naspers reached a new all-time high on the back of a substantial Russian acquisition gaining 17.00% and 47.92% y/y. Not unsurprisingly Industrial Metals declined 13.06% on the back of the slowdown in the Chinese economy while Mobile Telecoms lost 8.52%.

China GDP growth



Source: GTC/I-net BFA

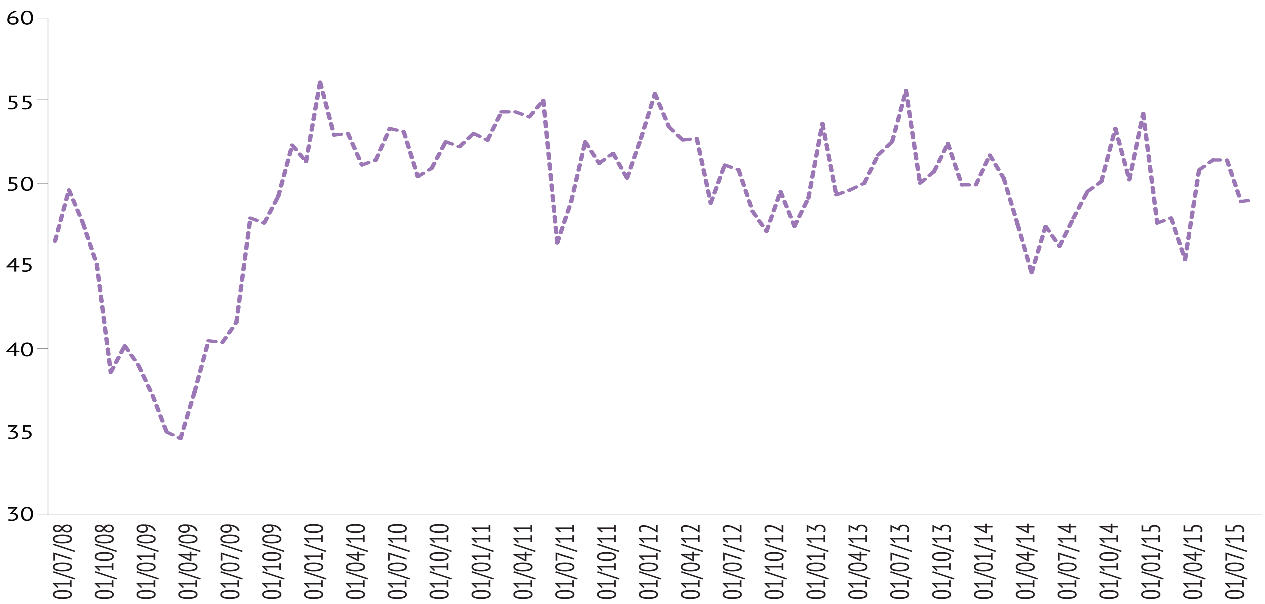
This was largely as a result of the MTN Group being fined $5.2 billion by the Nigerian Communications Commission for failing to disconnect customers with unregistered SIM cards. MTN is in talks with the Nigerian authorities to hopefully resolve the matter.

The All Bond Index gained 1.32% with the 7-12 year maturity sector returning 1.56% while the long end returned 1.19%. The ALBI 30 day volatility increased for the third consecutive month to 6.51 from 5.97. Inflation linked bonds returned 2.11%.Foreigners were net buyers of R12.9bn of bonds with cash returning 0.54%.

The Standard Bank PMI rose in September to 49.3 from August's 48.9. The South African Chamber of Commerce and Industry (SACCI) Business Confidence Index dropped to a low 84.3 in August compared to 87.9 in July. Ratings agency Fitch says the risk of a downgrade to South Africa's sovereign rating is increasing. Since Fitch put South Africa on a negative outlook in December 2014 the news flow has been largely negative. South Africa can ill afford a credit-rating downgrade with interest payments on debt already making up almost 10% of government spending. Fitch Ratings has a negative outlook on South Africa's BBB assessment indicating it may cut the nation's debt from two levels above junk when it publishes its next review in December. Standard & Poor's and Moody's Investors Service have stable outlooks on their ratings. Fitch's assessment is in line with Moody's and one level above S&P.

On a monthly basis the seasonally adjusted manufacturing production index in South Africa climbed 0.4% in August compared to a revised advance of 0.1% in the previous month. Market expectation was for the index to rise 0.5%. On an annual basis in August mining production climbed 3.8% in South Africa compared to market expectations for an advance of 6.3%. In the prior month mining production had risen by a revised 4.0%.

SA Purchasing Managers Index



Source: GTC/I-net BFA

The headline Consumer Price Index annual inflation rate in September 2015 was 4.6%. This rate was the same as the corresponding annual rate of 4.6% in August 2015. On average, prices were unchanged between August 2015 and September 2015. Measured in real terms retail sales increased by 3.9% year-on-year in August 2015. The main contributors to the 3.9% increase were general dealers, retailers in textiles, clothing, footwear and leather goods. Seasonally adjusted retail sales increased by 1.5% month-on-month in August 2015. This followed month-on-month changes of 0.2% in July 2015 and 0.4% in June 2015.

One of the big shocks of Finance Minister Nene's mini budget was the complete draw-down of the contingency reserve of R5bn in this year's budget to help finance the budget shortfall of R12.5bn. This resulted from the agreement with unions to give civil servants an effective average salary increase of just more than 10%. Nene cut this year's growth forecast to 1.5% from 2% and predicted expansion of 1.7% in 2016, down from an earlier estimate of 2.4%. With the slowdown reducing tax revenue projections by 35 billion rand over the next three years the budget deficit will widen from earlier forecasts reaching 3.3% in the fiscal year March 2017 and 3.2% in the following year.

The International Monetary Fund (IMF) has cut its estimate from SA GDP for 2015 to 1.4% from 2%. More concerning was that its projection that SA GDP will expand by only 1.3% in 2016 which would be the slowest pace since the recession.

GTC fund performances - October 2015

Investment portfolios	3Mth %	6Mth %	1Year %	2Year* %	3Year* %	4Year* %	5Year* %
GTC Fixed Income B	1.39	2.68	5.50	6.48	5.82	5.51	5.89
GTC Wealth Accumulator FOF B	1.58	-3.18	5.10	6.50	9.80	10.05	8.98
GTC Capital Plus FOF B	2.18	-0.36	5.81	6.27	7.74	7.77	7.01
GTC Prosperity Wealth FOF	2.60	-0.66	6.45	6.88	9.41	9.68	9.83
GTC Prosperity Wealth Composite Benchmark	2.88	0.01	8.18	9.77	11.88	12.74	11.57
FTSE/JSE All Share Index (ALSI)^	4.39	-0.36	10.00	10.43	14.90	15.39	13.82
FTSE/JSE Shareholder Weighted Index (SWIX)^	2.52	-2.35	9.03	11.87	15.92	16.93	15.07
BEASA All Bond Index (ALBI 1-3 year)^	1.89	2.66	4.88	4.68	4.26	4.79	5.33
Cash (SteFi)^	1.21	2.43	4.81	4.48	4.19	4.16	4.18
GTC Wealth Protector FOF	2.18	1.42	5.68	6.17	6.54	6.57	7.00
CPI +1% target	1.28	3.13	5.59	6.25	6.49	6.48	6.53
GTC Balanced Wealth FOF	1.92	-1.08	5.73	6.27	8.05	8.33	8.59
CPI +5% target	2.23	5.06	9.60	10.26	10.49	10.48	10.54
GTC Conservative Absolute Growth (R)	1.63	8.75	9.91	13.04	16.50	18.20	15.50
GTC CAG's Composite Benchmark (R)^	8.55	13.82	22.08	16.08	17.62	16.89	15.54
R/$ Exchange rate	8.77	16.57	26.32	17.66	18.82	15.77	14.39
GTC Global Conservative Absolute Growth ($)	-2.19	-5.15	-4.57	-2.15	1.62	2.31	1.51
GTC Global CAG's Composite benchmark ($)^	-0.21	-2.38	-3.39	-1.36	0.67	0.95	0.99

* 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** maintains a defensive stance given the high valuations in the equity market 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 Funds** (USD and Rand classes) struggled over the quarter as Emerging Market currencies suffered on the back of the slowdown in China. 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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