GTC Market Update

January 2016

Global - Year of the Monkey?

2016 saw a turbulent start to the year on the back of extreme volatility in Chinese markets together with renewed downward pressure on the oil price as a result of oversupply. These two factors saw global stockmarkets posting significant negative returns with the MSCI World Index down -6.05% and the MSCI Emerging Markets Index down -6.22% in dollar terms.

In the U.S, equities performed poorly being negatively impacted by renewed fears of a continuing decline in global economic growth coupled with a faltering domestic economy. This latter concern was highlighted by the announcement that Q4 GDP had come in at a disappointing 0.7% following Q3's encouraging 2.0%. The decline in the S&P 500 by 5.0% highlighted these investor concerns.

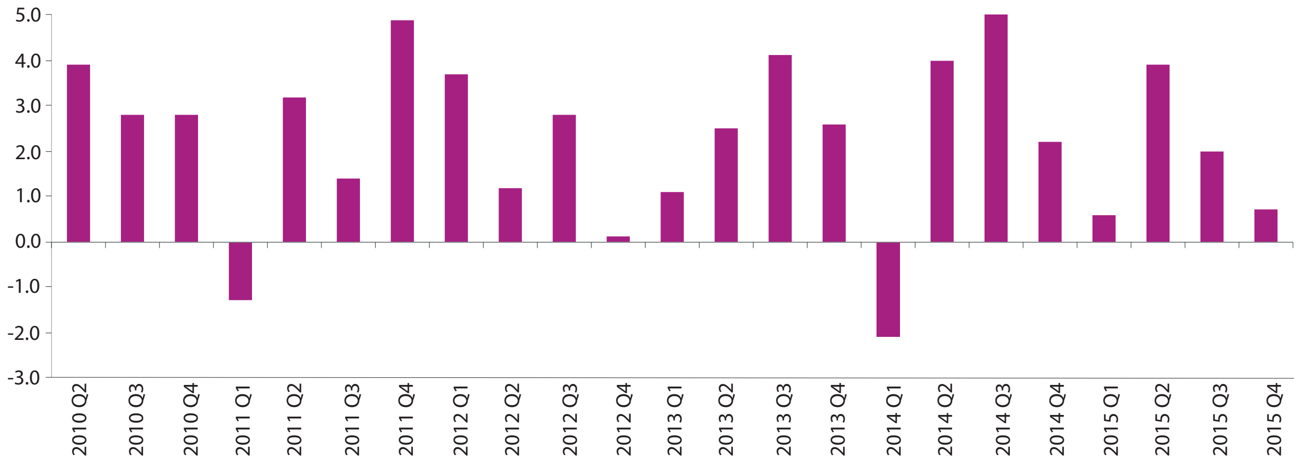
Financials were neglected as expectations of the Fed continuing with its interest rate normalisation programme waned following December's anticipated 25 basis point rise.

Market favourites such as Facebook, Amazon and Google experienced sharp corrections as a risk-off sentiment prevailed.

Not unexpectedly the energy sector was subject to considerable selling pressure as domestic stockpiles continued to swell but the sector enjoyed a slight reprieve at month end on the back of a mild and temporary improvement in the oil price. Apple's announcement of an expected decline in sales in Q 1 2016 did little to cheer the market as concern was expressed over the impact of a steadily rising dollar and falling global demand.

The small to medium-sized sector didn't escape the storm underperforming in line with the general market malaise. Indicative of a slowing economy, defensive stocks such as consumer staples and utilities continued to perform relatively well.

US GDP



Source: GTC / I-Net BFA

Europe didn't escape the global meltdown with Eurozone markets experiencing the same headwinds of a slowing Chinese economy coupled with a slump in oil prices resulting in the MSCI EMU Index returning a negative-6.3%. At month-end the announcement by the head of the European Central Bank, Mario Draghi, brought some cheer to depressed markets when he suggested that the March meeting of the bank could see further stimulatory measures being introduced.

Concerns over non-performing loans in the Italian banking sector also undermined investor confidence while Deutsche Bank's announcement of a Euro 6.8 billion loss for 2015 did little to improve the situation.

The Volkswagen saga continued to weigh on the automobile and components sector with fears that other motor manufacturers might be implicated in circumventing strict emission control regulations cause for concern.

The flash Purchasing Manager's Index came in at 53.5 down from December's 54.3 and whilst still reflecting expansion was indicative of a slowing economy. Draghi's push to get inflation up to just under 2.0% saw CPI climb from 0.2% in December to 0.4% in January his efforts being constantly thwarted by an ever declining oil price.

The U.K. market saw the FTSE All-Share Index record a loss of -3.1% largely attributable to significant declines in the mining sector as metal prices continued to decline largely as a result of declining Chinese demand for base metals. In spite of oil weakness the energy sector manged to buck the trend as shareholders approved the giant merger between Royal Dutch Shell and the BG Group. The banking sector was down r eflecting the news of further bad debt provisions at Royal Bank of Scotland as well as Standard Chartered.

In line with other global markets defensive stocks continued to perform well with supermarkets recovering strongly as Tesco's results were most encouraging. However domestic inward looking counters did poorly including general retailers and travel and leisure companies.

The possibility of interest rate normalisation shifted to the back burner following a speech by Bank of England Governor Mark Carney in which he outlined the potential impact of developing world economic events and their likely impact on the domestic economy.

In line with other global markets January saw Japanese markets weighed down by global events with the NIKKEI in Yen terms closing down 7.5%. However a literally last minute and totally unexpected move on the last day of the month by the Bank of Japan saw negative interest rates on excess reserves with the central bank being introduced. This move is hoped to incentivise banks to make credit more freely available and hence drive domestic consumption alongside renewed inflation.

This new policy appears to be bad for banks which saw the banking sector down 15.3% but also saw real estate leap 9.5%. The longer term effects of this move will obviously play out over time. Economic data released during the month was generally weaker than expected with retail sales and housing disappointing.

Chinese markets were at the centre of the storm with volatility reaching unprecedented levels. In order to try and shore up the markets and restrict losses the authorities introduced limit-down procedures which effectively closed the market early as these "circuit-breakers" cut in.

Furthermore the impending expiration of a ban on selling by major shareholders coupled to a weakening Yuan were suggested as the root cause for the market collapse.

Domestic - Commodities crunch

Global emerging markets did not escape the holocaust with a risk-off sentiment prevailing throughout the month. The safe haven status of the gold mining sector being the one exception returning 34.90% for the month. The JSE/ALSI closed down- 3.06% whilst the Top40 declined -3.75%. Not unexpectedly the RES120 lost -4.51% as commodity prices continued their decline. Platinum and Precious Metals recovered some of last month's losses gaining 17.67%. As the yield curve flattened, the All Bond Index gained 4.62%. The long dated 12+ maturity sector returned 5.83% while the 7-12 year maturity gained 4.42%. Inflation Linked Bonds returned 0.81% while cash returned 0.52%.

The South African Reserve Bank raised the repurchase rate by half a percentage point (50bps) to 6.75 percent, its second consecutive hike aimed at halting the depreciation of the Rand and helping cushion inflation.

Three members of the rate-setting committee supported the decision while two preferred a quarter-point rise and one member preferred no change. The SARB expects inflation to average 6.8% in 2016 and 7.0% in 2017. CPI inflation increased to 5.2% y/y in December from 4.8% in November.

The prolonged drought continues to take its toll with farmers' experiencing their highest-ever debt levels with South African banks of more than R125bn. The somewhat lacklustre performance by the banking sector is to an extent reflecting the possibility of the banks having to write off substantial loans.

Since November maize prices have soared 71%, bringing in their wake renewed food price inflation.

All cities in South Africa will face an electricity tariff increase of at least 16% in July if Eskom is granted a R22.8bn "claw-back" adjustment for the 2013/14 financial year that it has requested through NERSA.

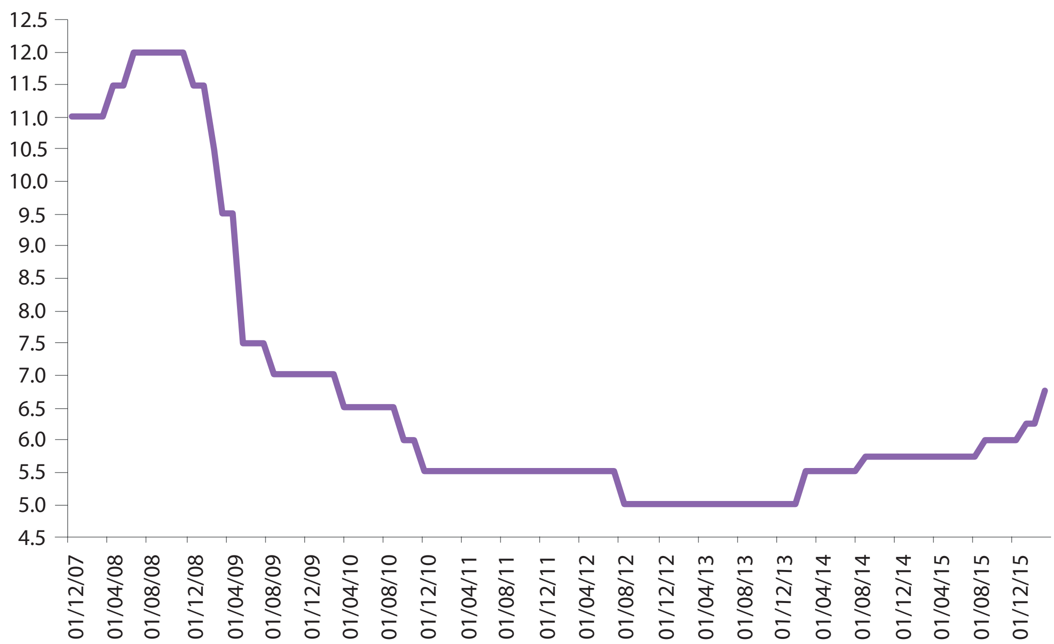
Business is no longer capable to absorb further electricity tariff hikes given the potential impact on an already weak South African economy. Business has warned NERSA that should the requested tariff increase be awarded there will be a resultant sharp increase in unemployment.

Having weathered the perfect storm of a severe market correction, a downgrade from rating agencies and rresponsible political shenanigans', next month's budget to be delivered by Finance Minister Pravin Gordhan is going to be critical if South Africa is to avoid a downgrade to junk status of its sovereign debt.

To this end Minister Gordhan has met with 60 CEO's of major companies in order to secure their backing and to present a budget which will have strong support from the establishment.

Whilst economic growth prospects for the immediate future appear somewhat dim, we as a nation need to support any effort that will assist in turning around the current situation. Markets are cyclical and a calm approach to current market volatility will be rewarded over time.

SA prime lending rate



Source: GTC / I-Net BFA

GTC fund performances - January 2016

Investment Portfolios	3Mth %	6Mth %	1Year %	*2Year %	*3Year %	*4Year %	*5Year %
GTC Fixed Income B	1.65	3.07	5.54	7.47	6.03	5.71	5.87
GTC Wealth Accumulator FoF B	-8.22	-6.78	-5.66	2.79	4.03	6.31	6.86
GTC Capital Plus Fund of Fund B	-2.52	-0.40	0.86	5.27	5.44	6.33	6.31
FTSE/JSE All Share Index (ALSI)^	-8.68	-4.67	-2.54	6.02	8.35	11.59	11.10
FSTE/JSE Shareholder Weighted Index (SWIX)^	-8.06	-5.74	-4.12	8.31	9.94	13.19	12.75
BEASA All Bond Index (ALBI 1-3 year)^	-0.11	1.78	2.43	5.16	3.82	4.39	5.30
Cash (SteFi)^	1.24	2.46	4.88	4.65	4.31	4.21	4.20
GTC Conservative Absolute Growth (R)	17.82	19.74	30.68	15.67	21.05	22.18	18.13
GTC CAG's Composite benchmark (R) ^	10.94	20.43	30.29	14.49	19.74	19.60	17.14
$/R exchange rate	14.87	24.95	36.37	17.56	20.82	19.35	17.01
GTC Global Conservative Absolute Growth ($)	-4.88	-6.96	-7.13	-3.51	-1.49	1.27	0.70
GTC Global CAG's Composite benchmark ($)^	-3.44	-3.64	-4.50	-2.64	-0.91	0.18	0.09
GTC Prosperity Wealth FoF	-4.13	-1.64	-0.54	5.31	5.75	7.41	8.20
Composite benchmark	-3.13	-0.34	0.40	8.99	8.73	10.86	10.68
GTC Balanced Wealth FoF	-3.25	-1.39	-0.13	5.13	5.17	6.56	7.26
CPI + 5% target	1.82	4.09	10.23	10.28	10.32	10.42	10.54
GTC Wealth Protector FoF	-0.70	1.46	3.05	6.12	5.29	5.86	6.36
CPI + 1% target	0.85	2.15	6.23	6.27	6.31	6.41	6.54

*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) continues to struggle over the quarter as Emerging Market currencies suffer on the back of the slowdown in China and the "risk on/risk off" environment. 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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