GTC Market Update

April 2016

Global - Slowing economic growth?

Global markets experienced less volatility during the month of April against the backdrop of a weaker U.S. Dollar, higher oil prices and a significant rally in commodity prices. The MSCI World Index outperformed emerging markets returning 1.38% in Dollar terms with the MSCI Emerging Markets Index returning 0.40%.

In the U.S. the S&P 500 advanced a disappointing 0.4% following on strong gains earlier in the month which were eroded by a poor performance in the last week of April. This downturn was as a consequence of GDP figures for the first quarter of 2016 coming in at a paltry 0.5% which questioned the sustainability of U.S. economic growth, together with mixed corporate reports as the reporting season opened.

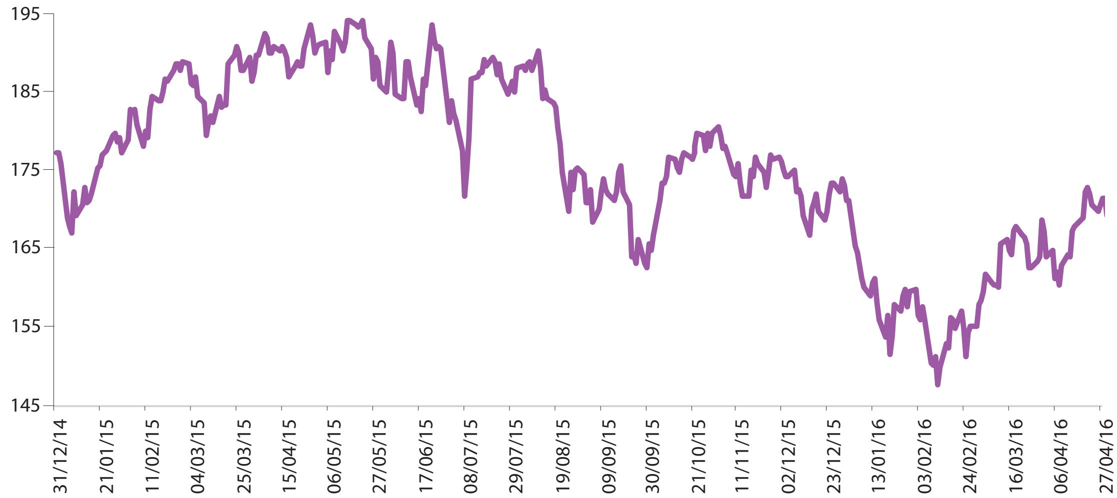
Banks led a sharp recovery in financials in spite of reporting a significant decline in income and revenues. The numbers were obviously better than market expectations.

Resource counters performed well driven by an improvement in commodity prices coupled with the weaker Dollar.

On the technology front Apple shocked the investment community by posting its first quarterly decline in earnings in thirteen years as consumers shied away from its pricey iPhones in favour of cheaper imports. This resulted in poor performance for the technology sector which was further influenced by disappointing results from Alphabet, the owner of Google, and a decline in subscriber growth from Netflix.

March retail sales came in well below forecasts recording a worse than expected decline of 0.3% largely on the back of declining motor vehicle sales while consumer spending data was up a lukewarm 0.1%. The economic data to hand suggests that the timing by the Federal Reserve of any future interest rate hikes may be delayed and this accounted for some Dollar weakness.

MSCI.EMU (USD)



Source: GTC / I-Net BFA

The Eurozone equity markets improved slightly with the MSCI EMU Index showing a return of 1.4%. Rising oil prices were the catalyst behind the energy sector being the best performer over the month. Telecoms' was the worst performing sector following the break-down in merger talks between Orange and the Bouygues group. Financials were buoyant with Italian banks to the fore as they created a fund to act as a buyer of last resort should any of the smaller Italian banks find themselves in financial difficulty.

Economic data flow from the Eurozone continued to encourage with Q1 GDP surpassing expectations coming in at 0.6% quarter on quarter compared to the 0.3% growth in Q4 2015. The flash composite PMI for April indicated ongoing expansion with a reading of 53.0. The unemployment rate also improved declining to 10.2% in March from 10.4% in February.

As expected the European Central Bank kept monetary policy unchanged but provided additional details regarding its corporate bond repurchasing programme. The Bank is now permitted to buy corporate bonds in both the primary and secondary market with maturities ranging from 6 months to 30 years. Bonds issued by insurers are also eligible thus widening the potential scope of the repurchase programme significantly.

With commodity prices rising sharply it is no surprise that the large-cap resource's sector of the U.K.'s equity market was the best performing sector continuing to firm against a background of a weakening U.S. Dollar with improving economic data coming out of China. In spite of domestic concerns surrounding a possible "Brexit", the FTSE All-Share managed to record a gain of 1.1%.

U.K. mining stocks performed well in line with a rise in industrial metal prices based on renewed positive news from China while the increase in crude oil prices helped spur on both Royal Dutch Shell and BP with the latter reporting strong first quarter results.

Many domestically facing sectors performed poorly in particular mid-cap retailers, house-builders and travel and leisure companies. Internationally diversified banks performed well despite some mixed first-quarter results.

In Japan the decision by the Central Bank to withhold any additional stimulatory measures had a drastic effect on equity prices as the Yen appreciated sharply. The outlook for the Japanese economy going forward remains uncertain.

Chinese equities closed marginally down for the month in spite of the economy having grown 6.7% y/y. Further cause for optimism was the export numbers for March which rose 11.5% y/y which was way ahead of expectations. However, investors remain cautious with the debate being around whether or not Chinese economic growth has bottomed out.

Domestic - Stay the course

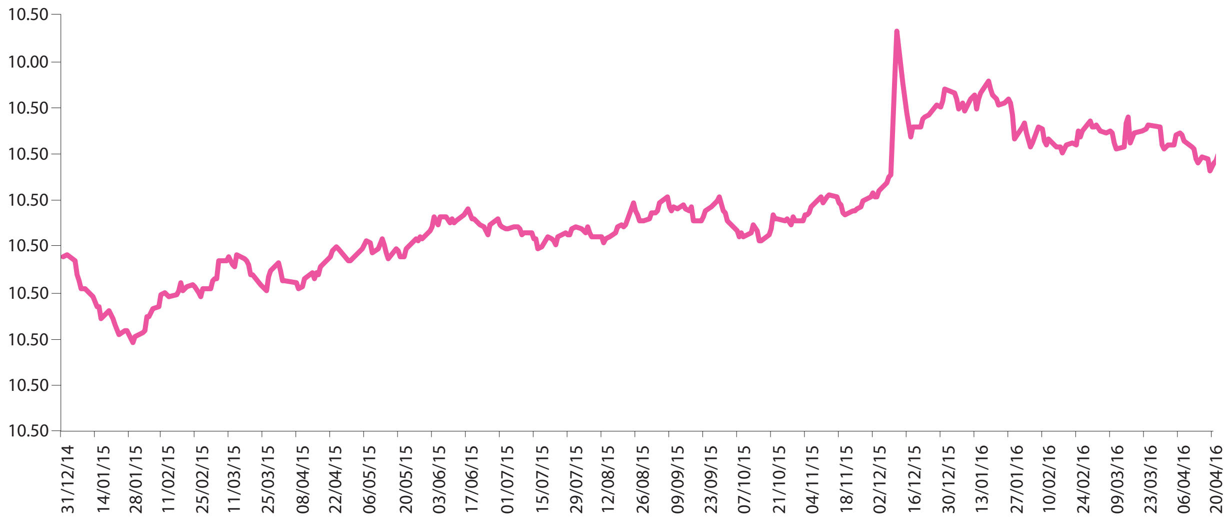
Emerging markets generated positive returns in April against the global background of a weaker U.S. Dollar, a rally in commodity prices and a higher oil price. The turnaround in the JSE/ALSI was propelled largely by the stellar performance of the resources sector and returned 1.70%. Volatility eased over the month with the ALSI's 30 day volatility indicator down to 13.07 from the previous 17.58. Not unexpectedly the RESI20 was the best performing Index returning 13.19%. The INDI25 lost 1.32% while the FINI15 was down 1.26%.

The All Bond Index traded positively gaining 1.88%. The long dated 12+ maturity sector gained 2.29% while the 7-12 year maturity sector returned 1.64%. Inflation linked bonds returned 3.29% with cash returning 0.57%.

The headline CPI annual inflation rate in March 2016 was 6.3%. This rate was 0.7% higher than the corresponding annual rate of 7.0% in February 2016. On average prices increased by 0.8% between February 2016 and March 2016. Food prices rose 10% y/y in March. Fruit and vegetable inflation came in at 18.7% for March.

Mining production decreased by 8.7% year-on-year in February 2016. The main negative contributors to the 8.7% decrease were iron ore, PGMs and manganese ore. Gold was a significant positive contributor. Seasonally adjusted mining production increased by 1.3% in February 2016 compared with January 2016. This followed month-on-month changes of -5.1% in January 2016 and -0.8% in December 2015.

BEASSA 10 year Bond Yield



Source: GTC / I-Net BFA

South African bond sales increased three-fold this year adding to signs that investors' faith in its institutions has been somewhat restored following a court ruling against President Jacob Zuma and the appointment of Pravin Gordhan as finance minister. Securities exchange figures showed foreign investors bought a net R30 billion worth of South African debt in 2016 compared with R10 billion in the same period last year. The Treasury is flush with cash after a $1.25 billion 10-year bond sale this month was two times oversubscribed and bond yields have recouped heavy losses experienced in December. Benchmark yields which spiked to a record 10.38 percent after Zuma briefly replaced Nhlanhla Nene with David van Rooyen have since recouped nearly 140 basis points.

Business confidence continued its recovery in March after falling to its lowest in more than two decades in December, rising to 81.2 in March from 80.1 the previous month.

National Treasury was praised for managing to get global interest in its new $1.25bn 10-year bond international bond. South Africa issued its first international bond in two years to fund its budget deficit that has increased to about 4% of gross domestic product in the last four years.

The US Dollar denominated bond was priced at a coupon (interest rate) of 4.875% which represents a spread of 335 basis points above the 10-year US Treasury's benchmark bond. That is down from about 350 bps when it started marketing the deal. The global investor base was primarily located in Europe and the United States.

Whilst global economic growth continues to sputter along and the future outlook remains uncertain it is a tenet of investment management that one stays true to one's chosen investment philosophy and does not deviate therefrom as a result of short- term noise in the market. This is certainly a key element in the investment decisions taken by the investment management team at GTC. By staying the course the returns will ultimately come through.

GTC fund performances - April 2016

Investment Portfolios	3Mth %	6Mth %	1Year %	*2Year %	*3Year %	*4Year %	*5Year %
GTC Fixed Income B	1.85	3.53	6.31	7.21	6.32	5.89	5.92
GTC Wealth Accumulator FoF B	7.12	-1.69	-4.81	2.85	8.03	7.65	7.29
GTC Capital Plus Fund of Fund B	3.87	1.25	0.88	4.73	6.90	7.19	6.73
FTSE/JSE All Share Index (ALSI)^	8.49	-0.93	-1.28	5.66	12.69	13.12	11.77
FSTE/JSE Shareholder Weighted Index (SWIX)^	9.34	0.52	-1.84	8.16	14.01	14.27	13.43
BEASA All Bond Index (ALBI 1-3 year)^	2.08	1.97	4.68	5.11	4.12	4.53	5.21
Cash (SteFi)^	1.35	2.61	5.10	4.85	4.48	4.31	4.27
GTC Global Conservative Absolute Growth ($)	6.33	1.14	-4.07	-2.49	-0.13	2.26	0.90
GTC Global CAG's Composite benchmark ($)^	4.49	0.90	-1.51	-1.75	0.36	0.95	0.37
GTC Prosperity Wealth FoF	4.67	0.34	-0.32	4.85	8.60	7.87	8.49
Composite benchmark	4.08	0.82	0.83	7.52	10.26	10.94	10.60
GTC Balanced Wealth FoF	4.48	1.09	-0.01	4.67	7.45	7.06	7.62
CPI + 5% target	4.04	5.93	11.29	10.16	10.46	10.57	10.66
GTC Wealth Protector FoF	3.33	2.61	4.06	6.33	6.55	6.20	6.65
CPI + 1% target	3.14	4.02	7.28	6.16	6.45	6.56	6.66

*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 out-performance against the Cash (SteFI) and Bond (ALBI 1-3 year) benchmarks.

The **GTC Wealth Accumulator FoF** maintained 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 twelve month periods.

The **GTC Conservative Absolute Growth Funds** (USD) had an improved quarter as Emerging Markets benefited from the risk on 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

Contact us

National Manager - Client Consulting
Jeff Morgan-Hill
T +27 (0) 10 597-6838
E jmhill@gtc.co.za

National Manager - Strategic Partners
Roger Schärges
T +27 (0) 10 597-6858
E rscharges@gtc.co.za

Head - Investment Analytics
Clive Eggers
T +27 (0) 21 412-1062
E ceggers@gtc.co.za

Head - Healthcare
Jillian Larkan
T +27 (0) 21 412-1062
E jlarkan@gtc.co.za

Head - Employee Benefits Administration
Nadira Sarang
T +27 (0) 21 713-8500
E nsarang@gtc.co.za

Head - Wealth Management
Jenny Williams
T +27 (0) 10 597-6840
E jwilliams@gtc.co.za

Head - Employee Benefits Consulting
Toy Otto
T +27 (0) 10 597-6861
E totto@gtc.co.za

Senior Marketing Executive
Vanessa Partington
T +27 (0) 10 597-6825
E vpartington@gtc.co.za

Managing Director - Securities & Derivatives
Mike Bolus
T +27 (0) 21 412 1071
E mbolus@gtc.co.za

Managing Director - Risk Solutions
Roy Wright
T +27 (0) 21 286-0037
E rwright@gtc.co.za

Group Chief Operating Officer
Farhadh Dildar
T +27 (0) 10 597-6830
E fdildar@gtc.co.za

Group Chief Executive Officer
Gary Mockler
T +27 (0) 10 597-6831
E gmockler@gtc.co.za

Head - Finance
Andrea Diamond
T +27 (0) 10 597-6877
E andread@gtc.co.za

Compliance Officer
Dale Nussey
T +27 (0) 10 597-6828
E dnussey@gtc.co.za

formerly Grant Thornton Capital

a GTC @Grant Thornton, The Wanderers Office Park, 52 Corlett Drive Illovo, 2196
p P O Box 55118, Illovo, 2116

t +27 (0) 10 597 6800
f +27 (0) 10 597 6801
w www.gtc.co.za

GTC (Pty) Ltd.
reg. no. 1996/001488/07
directors: G.K. Mockler, F. Dildar

An Authorised Financial Services Provider
FSP. no. 731

GTC is nationally represented in Johannesburg, Cape Town and Durban