GTC Market Update

July 2016

Global - Post Brexit euphoria?

Following June's Brexit related global market sell-off investors were lured back into the markets by the accommodative rhetoric being voiced by central banks regarding their proposals for further economic stimulus. In Dollar terms the MSCI Emerging Market Index returned 4.72% outperforming the MSCI World Index which returned 4.15%.

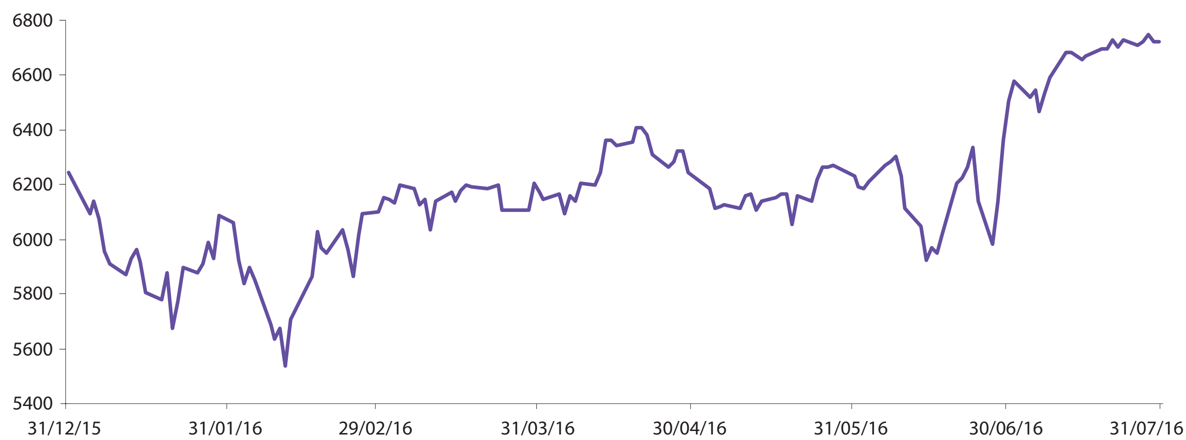
Equity markets in the U.S. were particularly strong with both the S&P 500 and the Dow Jones Industrial Index reaching all-time highs. Volatility was at a high level as economic news continued to surprise. On a positive note, non-farm payrolls came in at a higher than expected level but the revised GDP of 1.2% for Q2 was most disappointing.

These conflicting signals resulted in market expectations of a Federal Reserve interest rate hike blowing hot and cold. The U.K.'s decision to leave the European Union created considerable uncertainty with the Federal Reserve's Open Market Committee deciding at its July meeting that the near term risks to the economic outlook had diminished. At the same time the FOMC kept alive the possibility of a further increase in rates in 2016 citing the recovery in the U.S. labour market and the better than expected improvement in the June non-farm payrolls. Downward revision of the GDP raised questions as to the resilience of the U.S. economic recovery.

With the decline in crude oil prices the energy sector performed poorly with the technology sector being the best performer.

Contrary to expectations, European equities delivered positive returns in July in spite of the U.K. Brexit vote. Best performing sectors were Information Technology and Consumer Discretionary. The Automobile Sector surprised with both Peugeot and surprisingly Volkswagen coming out with impressive results. The energy sector continued to lag on the back of the weaker oil price while banks and more particularly, Italian Banks, were in focus particularly with regard to capital adequacy requirements.

UK: FTSE 100 Index



Source: GTC/I-net Bridge

Eurozone GDP rose 0.3% in Q2 at a slower pace than Q1. Annual inflation came in at 0.2% for July whilst the European Central Bank kept its monetary policy unchanged. The flash Eurozone PMI came in at 52.9 for July which was down from June's 53.1 but still comfortably above the 50 break-even mark.

In spite of considerable concern over the U.K.'s decision to leave the European Union, U.K. equities continued to extend their gains as investors anticipated the benefits of improved earnings as a result of considerably weakened Sterling. The market also took cheer from the perceived political stability which ensued in spite of Conservative Party rivalry following the speedy appointment of Theresa May as the new prime minister.

The Bank of England failed to deliver on reducing interest rates but the new government indicated that austerity measures were likely to be eased and that the targeted current account surplus by 2020 would not now be achieved. The new Chancellor of the Exchequer indicated that fiscal policy would be tailored to fit as economic data presented a clearer picture post the European exit.

The FTSE All Share Index posted a total return of 4.0% over the month while the FTSE 250 rose 6.2% recovering almost all the losses that followed the unexpected referendum result. Not unexpectedly the Oil and Gas sector performed poorly.

Following the significant sell-off of the Japanese stock market in June, a sharp reversal followed in July with the market rising 6.2%. Whilst the June sell-off was largely due to Yen strength it was encouraging that the market improvement in July continued in spite of the currency continuing its upward trend. Economic data continued to show some improvement with the unemployment level declining to a lowly 3.1% while industrial production surprised on the upside. Corporate results coming in at month end contained more positive than negative surprises.

Chinese GDP for Q2 came in at 6.7% y/y which was slightly better than expected. The Caixin manufacturing PMI for June came in at 48.6 which was a decline from the 49.2 recorded in May signaling further economic contraction. However a brighter spot was Caixin's services PMI which rose to 52.7 in June from May's 51.2. Both exports and imports declined in June on the back of weaker global and domestic demand.

DOMESTIC - Steady as she goes

Following on the sharp decline in equity prices post the Brexit vote, risk-on resumed as markets stabilised. In line with global emerging markets the FTSE/JSE ALSI gained 1.16%. The Top40 lost 0.08% as large cap Rand hedge stocks came under selling pressure from offshore.

The RESI20 was the best performing major index gaining 3.34%. The FINI15 returned 2.83% while the INDI25 shed 0.89% the major contributor to this being British American Tobacco which was down 5.57%. The Platinum and Precious Metals sector gained 22.58%, the major contributor being Implats which returned 29.24%. Due to economic uncertainties the Gold Mining sector remained buoyant gaining 17.80%.

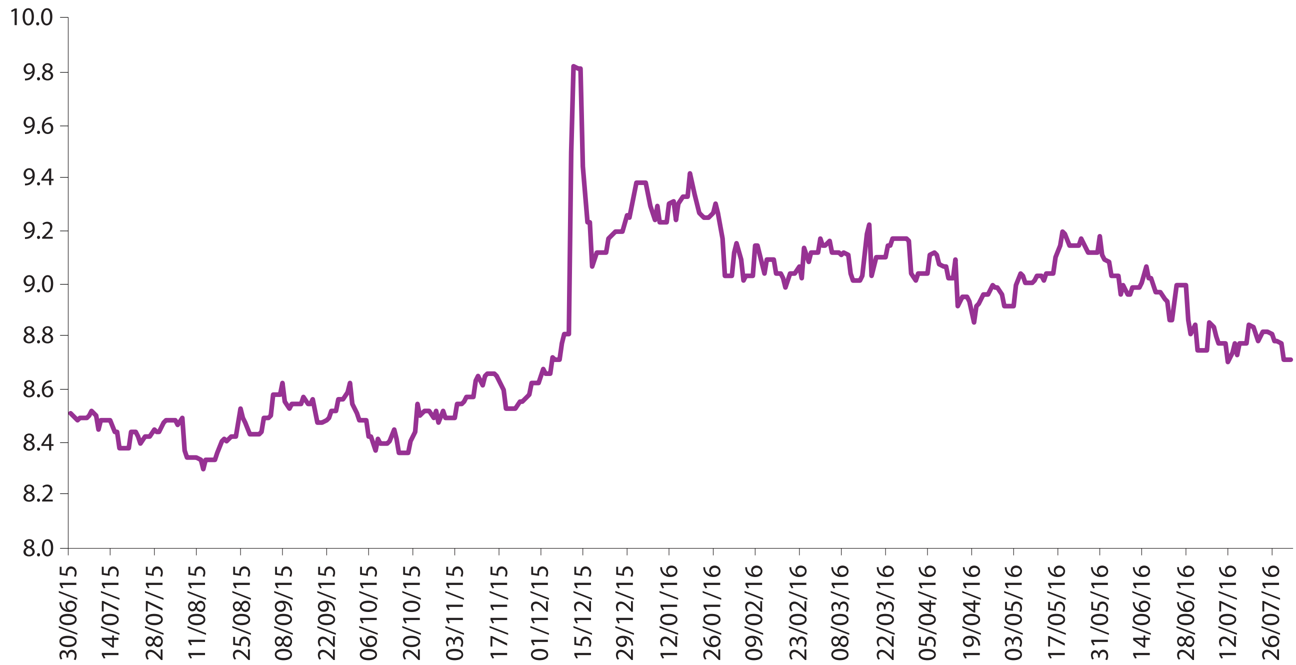
The All Bond Index (ALBI) remained firm returning 2.23%. This performance was mostly gained at the long end of the yield curve. The 12+ maturity sector returned 2.85% while the 7-12 year sector gained 1.91%. Inflation Linked bonds returns were flat while cash returned 0.62%.

The headline CPI annual inflation rate in June 2016 was 6.3%. This rate was 0.2 of a percentage point higher than the corresponding annual rate of 6.1% in May 2016. On average, prices increased by 0.6% between May 2016 and June 2016. Mining production decreased by 4.4% year-on-year in May 2016. The main negative contributors were iron ore and manganese ore. PGM's was a significant positive contributor.

Motor trade sales increased by 7.7% year-on-year in May 2016. Seasonally adjusted motor trade sales increased by 1.2% in May 2016 compared with April 2016. This followed month-on-month changes of 31% in April 2016 and -3.0% in March 2016.

Events in the global economy, such as Brexit and the recent terror attacks in Europe have triggered uncertainty in markets and as a result the South African Reserve Bank has taken a cautious stance and revised down the growth forecast for GDP for 2016 to 0%.

ALBI Yield - BEASSA



Source: GTC/I-net Bridge

A computer glitch at the JSE caused the bourse to hugely misrepresent foreign sellers of SA equities as net buyers of R98.10bn worth of local stocks from May to July 2016. Instead of foreigners investing a net R98.1bn in their South African portfolios, the JSE said foreigners were net sellers of an accumulative R36.4bn of SA equities in May and June and buyers of just R0.05bn in July to date. The error came against a backdrop of large capital flows into emerging markets which strengthened after developed-nation policy makers pledged more stimulus to avoid a global economic slowdown after the UK's vote to leave the European Union, prompting investors to seek higher yields elsewhere.

South Africa's international tourism boom represents a rare note of optimism in an economy struggling with an unemployment rate of 27 percent and the worst drought in more than a century. The Rand is the third-worst performer against the Dollar among sixteen major currencies tracked by Bloomberg over the past twelve months having declined 12 percent and reached record lows against both the U.S. currency and Euro earlier in 2016.

Of significant importance to the domestic stock market will be the ability of the government together with private enterprise to avoid a downgrade by the ratings agencies by year end. This will require a concerted effort by all but the rewards will be tangible. Improving Rand strength, together with the lower oil price and stable workforce, will all assist in this regard.

GTC fund performances - July 2016

Client Portfolios	1Year %	*2Year %	*3Year %	*4Year %	*5Year %
GTC High Equity - Provident	3.34	4.89	8.58	11.18	10.61
GTC High Equity Inflation Target CPI+5%	11.27	10.51	10.87	10.79	10.74
GTC High Equity - Pension	3.17	4.89	8.54	11.05	10.45
GTC High Equity Inflation Target CPI+5%	11.27	10.51	10.87	10.79	10.74
GTC Moderate - Provident	3.53	4.09	7.47	9.61	9.22
GTC Moderate Inflation Target CPI+3%	9.27	8.50	8.87	8.79	8.74
GTC Moderate - Pension	3.50	4.08	7.42	9.58	9.19
GTC Moderate Inflation Target CPI+3%	9.27	8.50	8.87	8.79	8.74
GTC Conservative - Provident	5.10	5.06	5.92	7.26	7.27
GTC Conservative Inflation Target CPI+1%	7.27	6.50	6.87	6.79	6.73
GTC Conservative - Pension	5.22	5.11	6.25	7.51	7.49
GTC Conservative Inflation Target CPI+1%	7.27	6.50	6.87	6.79	6.73
GTC EB Market Plus - Pension	2.76	5.05	9.41	12.46	11.67
GTC EB Market Plus - Benchmark	5.37	7.64	11.55	13.54	13.83
GTC EB Market Plus - Provident	1.48	4.05	9.37	12.43	11.65
GTC EB Market Plus - Benchmark	5.37	7.64	11.55	13.54	13.83
FTSE/JSE All Share Index (ALSI) ^	2.93	2.88	10.20	12.85	12.84
FSTE/JSE Shareholder Weighted Index (SWIX) ^	4.66	5.80	12.61	14.20	14.74
BEASA All Bond Index (ALBI) ^	4.90	5.76	5.72	4.27	6.46
Cash (SteFi)^	5.36	5.04	4.67	4.42	4.36
MSCI World Index (R)^	4.92	12.42	15.38	21.74	20.65

*Annualised

GTC Performances are shown net of all fees

Benchmark returns include 1.5% fees

The **GTC Market Plus Funds** lag their inflation targets as short term detraction from equity markets and a stronger Rand impacts performance. Within our manager blend, exposure to attractive and depressed materials exposure has detracted in the short term.

The **GTC High Equity Funds** (previously Aggressive) lag their inflation targets as short-term detraction from equity markets and a stronger Rand impacts performance. Our manager blend has a component of protection which we feel is prudent in the current environment.

The **GTC Moderate Funds** performed in line with their inflation adjusted targets over longer term periods. Equity markets remain the key driver of performance.

The **GTC Conservative Funds** lag their inflation targets over the short term as detraction from equity markets impacts performance but are ahead of their inflation target over the longer term. Bond market exposure has assisted over the short term.

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