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GTC Trendline

3rd Quarter 2016

Global: Odds on for a December rate move

In a quarter that was largely positive for global markets, volatility across both equities and fixed income was considerably lower. The MSCI World Equity Index returned 4.38% in Dollar terms over the quarter whilst the MSCI Emerging Market Equity Index returned 8.32% in Dollar terms. U.S. equities continued to improve despite expectations of an interest rate rise before year end. Information technology and consumer discretionary sectors led Eurozone equities higher. Emerging markets gained impetus largely driven by a search for yield.

Bond Markets remained relatively calm after the extreme volatility that was experienced at the end of the previous quarter. With the surprise Brexit result a thing of the past, July saw markets return to stability and focus on expected moves on the part of the world's major central banks.

U.S. economic data continued to confirm an improving economy and expectations of a possible December interest rate hike remain firmly in place. Federal Reserve chair Janet Yellen stated that the argument for a rate hike at year end had "strengthened". This view was confirmed following the release of the minutes of the Federal Open Market Committee (FOMC) and this despite mixed macroeconomic signals with U.S. non-farm payroll numbers declining in August albeit following strong numbers in June and July. The S&P 500 gained a meaningful 3.9%.The probability of the next Federal Reserve rate hike coming by the end of the year rose to over 60 percent following the FOMC statement which showed that three of the ten voting members dissented from the majority view to hold interest rates unchanged.

Financials reversed some of their losses as earlier in 2016 the mood suggested that interest rates would remain lower for longer .The prospect now of higher rates next year provided the necessary impetus for share prices to improve. The technology sector outperformed largely as a result of Apple launching their new iPhone. Bond proxies such as telecoms and utilities reversed their outperformance earlier in the quarter as the prospect of higher rates became more of a reality.

The European Central Bank kept monetary policy unchanged for the quarter. With a substantial decline in volatility, markets were more settled and equities continued to gain. Macroeconomic data continued to demonstrate low inflation and more concernedly lackluster growth. GDP declined to 0.3% in Q2 from the previous quarter's 0.6%. Inflation remained well below target coming in at 0.4% in September following on August's 0.2%.

Deutsche Bank was very much in the spotlight in September following the U.S. Justice Department imposing a fine of $14 billion in relation to the sale of mortgaged backed securities prior to the global financial crisis. Deutsche has indicated that they will try to negotiate a lower penalty. Second quarter company results were generally favourable with information technology, materials and consumer discretionary advancing strongly. Conversely those sectors perceived as defensive such as utilities and health care, experienced some selling pressure.

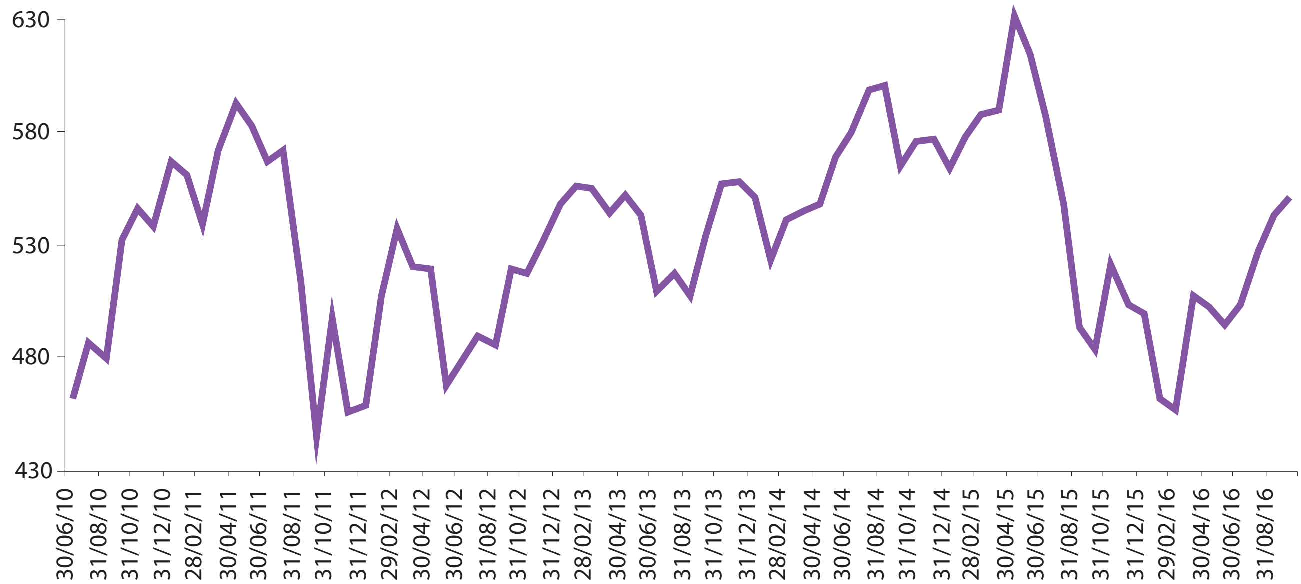
With Theresa May safely in the driving seat, U.K. equities shrugged off any political uncertainties and performed well. Of further encouragement was a statement from Philip Hammond the new Chancellor of the Exchequer who indicated that fiscal policy would be reset later in the year to counteract any economic slowdown. The Bank of England introducing a series of better than anticipated monetary easing measures gave further support to the market.

A general return in risk appetite led to cyclical sectors of the market outperforming. On a positive note the effect of a weaker Sterling was manifest in certain international large cap counters including beverages and healthcare outperforming. The FTSE All-Share Index delivered a meaningful 7.8% over the period. Economic data indicated that the decision to leave the E.U. had not resulted so far in a sharp decline in economic growth, the weaker currency acting in a way as a shock absorber. Internationally focused banks were in favour with HSBC announcing a capital repayment following the recovery in its balance sheet. Basic Materials also gained on better than expected Chinese economic data.

The Yen continued to fluctuate significantly as the off/on potential interest rate hike in the U.S. plagued the currency. Prime Minister Abe was re-elected in a convincing win and he was given a clear mandate to continue with his economic reforms. The strong mandate given to him brought stability to the market and investors' attention was turned to the review of monetary policy which was to be undertaken by the Bank of Japan in September.

Surprisingly the anticipated further quantitative easing in the form of even lower interest rates did not materialise but a decision was taken to adopt yield curve targeting. This is aimed at easing some of the pressures that have built up within the financial system as a result of negative interest rates and a flat yield curve.

MSCI AC Asia ex Japan



Source: GTC / I-Net Bridge

More cyclical sectors of the market took the lead with defensive stocks such as pharmaceuticals and food coming under selling pressure. Financials recovered lost ground as the initial impact of negative interest rates was seen to ease. The market performed well returning 7.1% for the quarter.

The MSCI AC Asia ex Japan Index provided stellar performance returning 10.25% over the quarter. With the world awash in liquidity the search for yield continued to drive equity prices with Chinese equities seeing some of the largest gains. Economic data showed that Chinese GDP had expanded 6.7% year-on-year much in line with expectations. However share prices were largely supported by indications that the Peoples Bank of China would increase liquidity by year end as sluggish manufacturing and trade numbers were of continuing concern.

China's economic growth accelerated in August, relieving pressure on policymakers to boost stimulus and assuaging fears of a sharp slowdown that would drag down global growth. Industrial production grew 6.3% annually in August the fastest pace since March.

Retail sales growth accelerated to 10.2% from 9.8% in September led by auto sales which rose 13.1%. Expectations had been rising that China's central bank would cut interest rates before the end of the year to ensure growth momentum continued, but the latest positive data make further easing less likely.

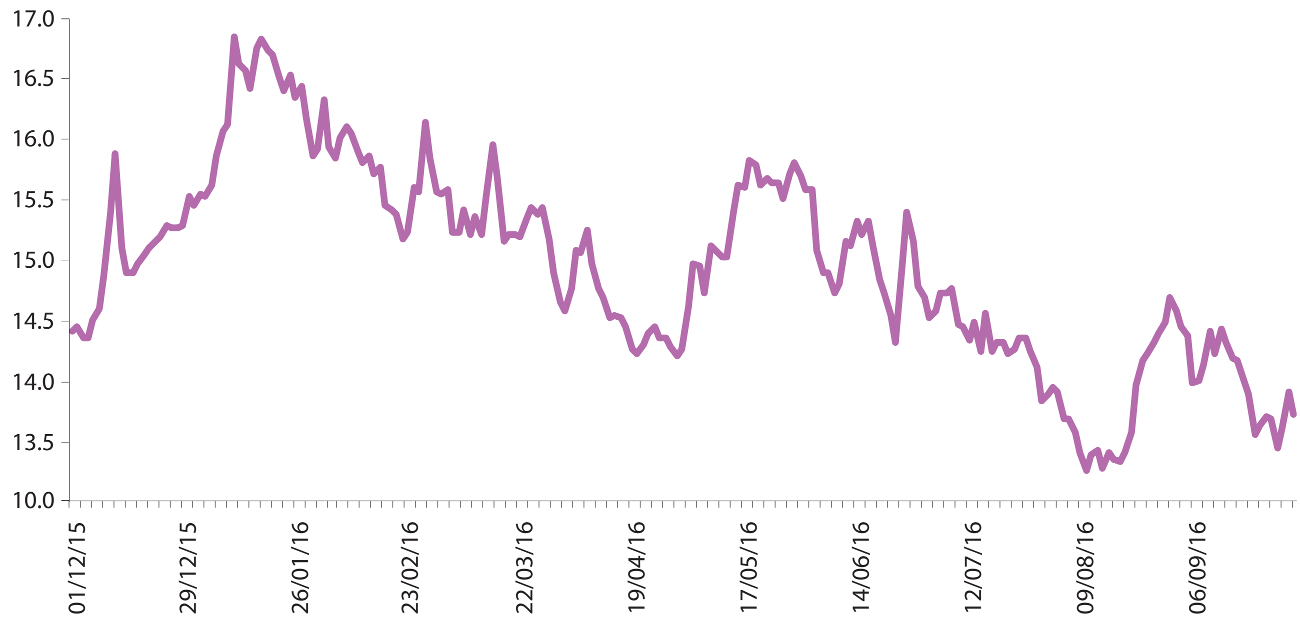
Latest figures add to previous signs that stimulus measures earlier in the year including record credit growth in the first half and increased investment in infrastructure have ensured that China will meet its full-year growth target for gross domestic product of 6.5% to 7%. China's official purchasing managers' index hit a 10-month high of 50.4 in August.

Inflation data also showed producer price deflation narrowing to 0.8% last month the slowest pace of annual price declines in more than four years.

Domestic: Pravin's moment arrives?

Whilst global emerging markets delivered strong returns over the quarter, the MSCI Emerging Market Index returning 8.3% in Dollar terms, the South African equity market was hamstrung in that the decision on the part of the U.S. Federal Reserve to maintain interest rates at current levels resulted in a sharp rally in the Rand in the latter half of September. The result of this was that Rand hedge stocks came under pressure and because of their significant weighting in the overall equity index, the JSE/ALSI returned a paltry 0.5% in total return terms. The Rand appreciation impacted market leaders notably Naspers which declined -1.28% over the month as well as British American Tobacco which was down -3.74% resulting in the Top40 returning a negative 0.2%.

USD ZAR



Source: GTC / I-Net Bridge

Political events continued to influence the local stock market for most of the quarter with fears of the imminent arrest of Finance Minister Pravin Gordhan continually undermining investor confidence and playing havoc with the value of the Rand. Having climbed to R13.30/$ the continual threats being levelled at the Finance Minister resulted in increased Rand volatility.

South Africa's gross domestic product (GDP) grew by 3.3% quarter-on-quarter in the second quarter of 2016 better than expected and after contracting by 1.2% in the previous quarter. The year-on-year growth was 0.6%.

There was a positive growth rate in all three large sectors. The primary sector showed a growth rate of 8.8% with mining up by 11.8% and agriculture down 0.8%.The secondary sector grew by 5.3% with manufacturing up 8.15%, construction up by 0.1% and electricity down by 1.8%. There were notable increases in the petroleum and motor vehicle manufacturing divisions.

Exports grew faster than imports in the first seven months of 2016 driven largely by a weak Rand leading to a R17.4bn surplus compared with a R24.7bn deficit over the same period last year. Year to date exports grew 10% to R652.1bn while imports were 3% higher than the previous year at R634.7bn.

SA's current account deficit narrowed sharply to R134bn or 3.1% of gross domestic product in the second quarter from a slightly upwardly revised R221bn or 5.3% (previously 5%) in the first quarter. This was due to SA exporting more particularly to Asia and Europe and importing less and as South African investors received higher dividends from their offshore investments.

Reflecting stagnant growth in the economy, mining production decreased by 5.4% year-on-year in July 2016. The main negative contributors were: PGM's and Manganese ore. Seasonally adjusted mining production decreased by 2.4% in July 2016 compared with June 2016. Manufacturing production increased by 0.4% in July 2016 compared with July 2015. This was mainly due to higher production in the petroleum, chemical products, rubber and plastic products divisions.

Further demonstrating sluggishness in economic growth, retail sales increased by 0.8% year-on-year in July 2016. Seasonally adjusted retail sales decreased by 0.4% month-on-month in July 2016 and 2.9% in May 2016. In the three months ended July 2016, seasonally adjusted retail sales increased by 0.5% compared with the previous three months.

Moody's has trimmed its forecast of SA's economic growth rate to 0.2% this year and 1.1% next year setting the stage for an intense period of interactions with investors and ratings agencies in coming weeks as government and business step up efforts to avert a downgrade of SA's credit rating. This comes after Moody's this week put the five "most sensitive" state-owned entities on review for a downgrade.

The Reserve Bank's monetary policy committee signalled that it could be reaching the end of the rate-hiking cycle if the current improved outlook for inflation is sustained. But it made it clear that it was still a long way off rate cuts. The Bank kept interest rates on hold with the six-member committee voting unanimously for the decision and describing the risks to the inflation forecast as "more or less balanced at this stage" with the stronger Rand having moderated the risks somewhat. It also revised its forecast for the economic growth rate upwards from zero to 0.4% for this year following the better than expected second quarter growth figures.

Average inflation expectations for 2017 declined to 6% in the third quarter of 2016 from 6.2% in the second quarter, according to the Bureau for Economic Research.

Both analysts and business people lowered their forecasts, while trade unions left their forecast unchanged. While analysts expect inflation to moderate further from 5.7% in 2017 to 5.3% in 2018, business people expect it to remain unchanged at 6.1% and trade unions foresee only a marginal decline to 6.2%, from 6.3% in 2017.

Global political and economic uncertainties continue to haunt equity and bond markets with the outcome of the soon to be held elections in the U.S a major contributor. Being uncertainty shy, markets are likely to continue to demonstrate increased volatility until a more stable global and domestic economic environment is evident.

GTC Fund performances - September 2016

Investment Portfolios	3Mth %	6Mth %	1Year %	*2Year %	*3Year %	*4Year %	*5Year %
GTC Fixed Income B	**2.07**	**3.94**	**7.49**	**6.50**	**6.86**	**6.22**	**5.93**
GTC Wealth Accumulator FoF B	**0.66**	**0.44**	**3.62**	**1.75**	**4.29**	**7.37**	**8.72**
GTC Capital Plus Fund of Fund B	**0.67**	**1.62**	**6.64**	**4.36**	**5.55**	**6.78**	**7.11**
FTSE/JSE All Share Index (ALSI)^	**0.10**	**0.16**	**5.01**	**4.12**	**7.23**	**11.45**	**13.59**
FSTE/JSE Shareholder Weighted Index (SWIX)^	**-0.07**	**0.86**	**7.43**	**5.96**	**9.28**	**12.66**	**15.05**
BEASA All Bond Index (ALBI 1-3 year)^	**1.83**	**4.35**	**6.39**	**5.99**	**5.21**	**4.59**	**5.18**
Cash (SteFi)^	**1.51**	**2.93**	**5.56**	**5.18**	**4.81**	**4.51**	**4.42**
GTC Conservative Absolute Growth (R)	**-3.31**	**-3.67**	**3.66**	**8.68**	**11.48**	**15.58**	**13.44**
GTC CAG's Composite benchmark (R) ^	**-4.75**	**-3.55**	**6.13**	**11.08**	**12.15**	**15.04**	**14.36**
$/R exchange rate	**-6.23**	**-6.53**	**-0.20**	**10.86**	**11.16**	**13.65**	**11.89**
GTC Global Conservative Absolute Growth ($)	**3.00**	**2.82**	**6.83**	**-0.80**	**0.27**	**2.01**	**3.84**
GTC Global CAG's Composite benchmark ($)^	**1.59**	**3.20**	**6.35**	**0.18**	**0.88**	**1.21**	**2.19**
GTC Prosperity Wealth FoF	**0.81**	**0.84**	**6.72**	**4.08**	**5.51**	**7.85**	**9.03**
Composite benchmark	**0.01**	**1.28**	**7.49**	**6.27**	**8.03**	**9.83**	**11.64**
GTC Balanced Wealth FoF	**1.23**	**1.71**	**7.32**	**4.49**	**5.64**	**7.16**	**8.06**
CPI + 5% target	**2.50**	**5.50**	**10.96**	**10.28**	**10.66**	**10.85**	**10.67**
GTC Wealth Protector FoF	**0.59**	**2.11**	**7.18**	**5.03**	**5.79**	**6.24**	**6.55**
CPI + 1% target	**1.56**	**3.59**	**6.95**	**6.27**	**6.65**	**6.85**	**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** delivered outperformance against the Cash (SteFI) benchmark.

The **GTC Wealth Accumulator FoF** maintained a defensive stance given the high valuations in a volatile equity market.

The **GTC Capital Plus FoF** has shown its capital protection focus. The significant absolute return exposure ensured that the Fund captured upside equity return while focusing on avoiding losses over twelve month periods.

The **GTC Conservative Absolute Growth Funds** (USD) outperformed over the quarter as Emerging Markets rallied in the risk on environment. Investment decisions within the fund are based on long term prospects and earning streams of individual companies, as opposed to any shortterm macroeconomic outlook or individual company prospects. The fund remains defensively positioned with the anticipation of continued volatility.

The **GTC Prosperity Wealth FoF** outperformed its benchmark over the quarter. Equity markets remain the main driver of performance.

The **GTC Balanced Wealth FoF** lagged its benchmark as Equity markets have been under pressure over this volatile period.

The **GTC Wealth Protector FoF** marginally lagged its benchmark over the long term as equity markets have been under pressure over this volatile period.

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