Market Update

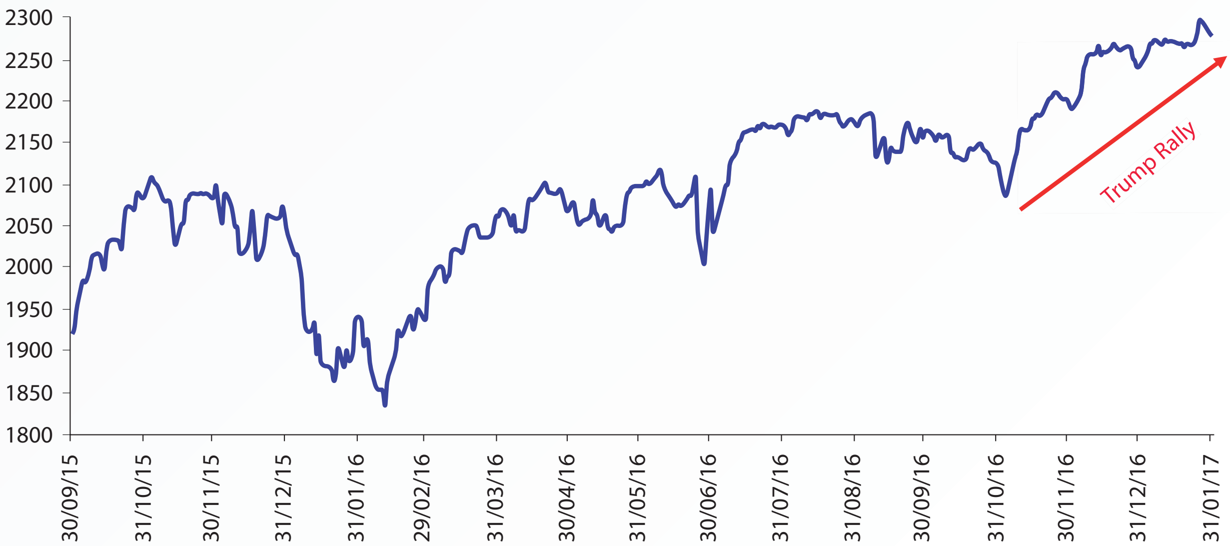
January 2017

Global - "Let's make America great"

Global equity markets performed well in January with the MSCI Emerging Market Index outstripping the MSCI World Index as the risk appetite for emerging market assets returned. In US Dollar terms the MSCI World Market Index returned 2.35% for the month while the MSCI Emerging Market Index gained 5.45%. Hopes of extended fiscal spending in the US continued amid optimism over President Trump's proposed tax cuts and higher infrastructure spending.

In the US equities posted positive returns with the major indices hitting all-time highs. The S&P500 gained 1.9% to set a new record, while the Dow Jones Industrial Average burst through the 20,000 barrier for the first time. The tech-heavy NASDAQ played catch up after at first having lagged the Trump market boom. This was in anticipation of substantial capital expenditure on the potential upgrade of existing IT equipment.

S&P 500 (USD)



Source: GTC/I-net BFA

The euphoria generated by the Trump election was somewhat overshadowed at month end as markets focused on the potential risks inherent in Trump following through on some of his more controversial pre-election promises. US GDP grew 1.9% on an annualised basis in the fourth quarter of 2016 from 3.5% in the third quarter. The US economy grew 1.6% in 2016 from 2.6% in 2015. This growth number disappointed and the market struggled to make progress in the final days of the month.

Having experienced strong market gains in the latter part of 2016, European equities disappointed with the MSCI EMU Index registering negative returns in Euro terms of -1.4%. Value stocks which tend to trade at a lower price relative to their fundamentals were somewhat out of favour while growth stocks enjoyed more support. IT was the only sector to show positive returns with energy and real estate the laggards. German and Spanish equities showed the best returns with Italy being the underdog.

In spite of poor stock market performance European macroeconomic data continued to surprise on the upside. PMI for January dipped slightly from 54.4 in December to 54 .0 in January which still represents robust expansion. GDP rose 0.5% quarter-on-quarter resulting in annual GDP growth of 1.7% which cannot be ignored in terms of current global economic growth.

Unemployment declined to 9.6% while inflation headed towards the targeted 2.0% coming in at 1.8%. The European Central Bank kept interest rates on hold as expected. Political events continued to influence the various markets with elections in Germany, France and the Netherlands scheduled for the coming months. In like manner, the UK market which had experienced significant improvement towards the end of 2016, struggled to maintain the momentum in January declining to a negative -0.3% in Sterling terms over the month.

Company profit warnings coupled with profit taking in the oil and gas sector were largely responsible for the decline. Pharmaceuticals were depressed on the possibility of a price war developing with US producers on the back of a weaker Dollar. Industrial and mining counters improved as forecasts of global economic growth and renewed inflation fed through to the market. The UK economy grew faster than had been expected considering the prospective fall-out from "Brexit" coming in at 0.6% for Q4 of 2016. Consumer spending remained resilient in spite of concerns over the state of the economy and the potential threat of job losses as global players exited from the UK.

The Japanese market remained in the doldrums rising a paltry 0.2% over the month. Investors continued to favour more cyclical counters with steel, paper and interestingly marine transportation being in favour. The Bank of Japan indicated improved prospects for the economy but retained the current policy of managing the bond yield curve holding 10 year yields around zero. This strategy came under some pressure as the Japanese yield curve was pressurised by global economic events in line with other major economies.

In China economic data suggested that the economy was stabilising with fourth quarter GDP coming in at 6.8% y/y translating into GDP growth of 6.7% for the calendar year 2016. Retail sales growth was up 10.9% y/y, while manufacturing PMI was steady at -51.4.

Domestic - A challenging 2017

The "Trump Trade" certainly proved beneficial for the JSE in January with the ALSI gaining 4.21% and 4.31% in total return terms. Not unexpectedly the RESI20 was the best performing major tradeable index gaining a solid 10.47%. The INDI25 returned 4.39% while the Financials FINI15 declined -0.99%. On the back of improved market sentiment the Platinum and Precious Metals sector gained 23.13% with Amplats rallying 32.85% and Implats returning 25%. The Property sector returned 1.63% while the ALSI 30 day volatility indicator reflected calmer market conditions decreasing from 15.51 to 13.27. The All Bond Index began the year on a positive note gaining 1.33% with the 12+ maturity sector gaining 1.40% and the 7-12 year maturity sector returning 1.28%. Foreign investors sold R5.3bn of local bonds during the month.

The headline CPI annual inflation rate in December 2016 was 6.8% (November 2016 6.6%). On average prices increased by 0.4% between November 2016 and December 2016. In South Africa the manufacturing PMI dropped to 46.70 in December, down from the prior month reading of 48.30. In November the manufacturing production index registered a rise of 1.9% on a yearly basis, compared to a drop of 2.7% in the previous month. Market expectation was for the manufacturing production index to advance 0.3%.

Measured in real terms, retail trade sales increased by 3.8% y/y in November 2016. The highest annual growth rates were recorded for retailers in hardware, paint and glass, pharmaceuticals and medical goods, cosmetics and toiletries and general dealers. Seasonally adjusted retail trade sales increased by 3.5% month-on-month in November 2016. This followed month-on-month changes of -0.6% in October 2016 and 0.8% in September 2016.

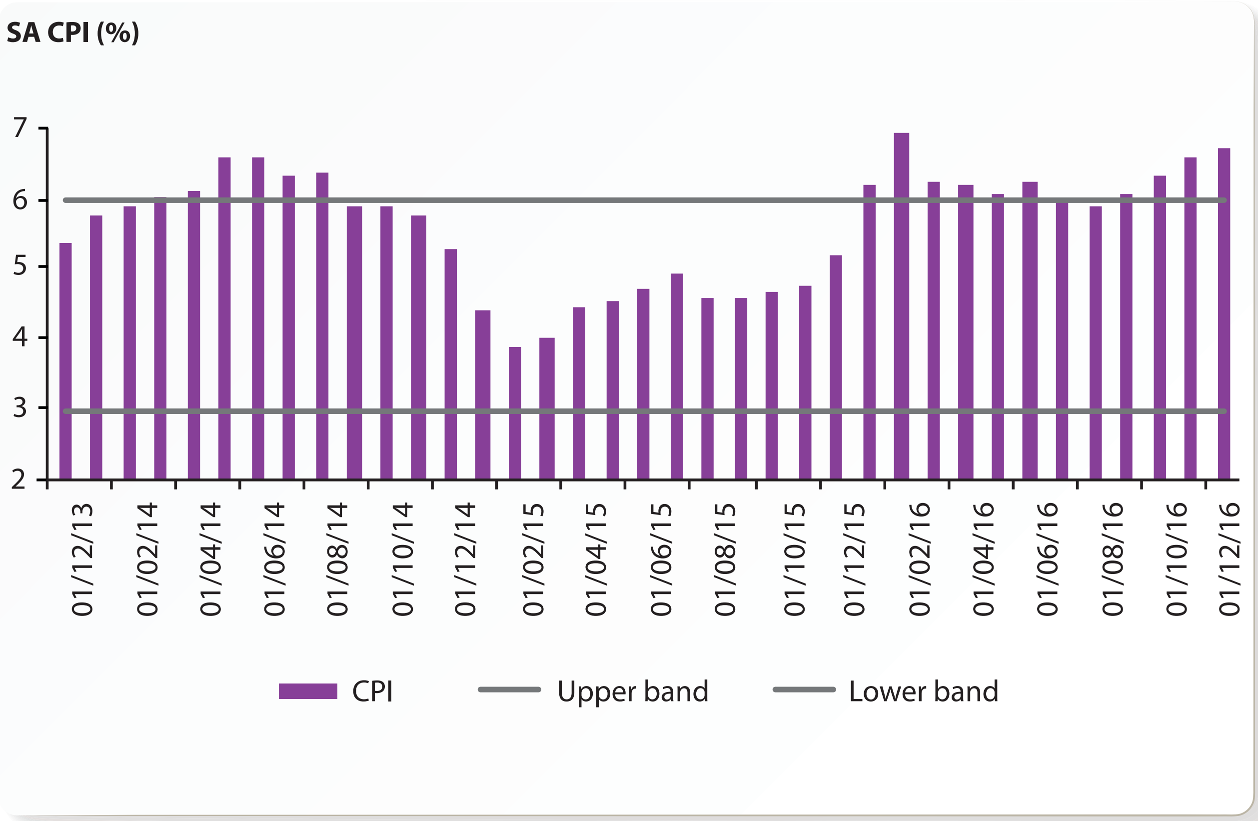
Mining production decreased by 4.2% y/y in November 2016. The main negative contributors were: PGMs, iron ore and gold. Manganese ore was a significant positive contributor. Seasonally adjusted mining production decreased by 3.9% in November 2016 compared with October 2016. This followed month-on-month changes of -0.8% in October 2016 and -0.6% in September 2016.1.7% compared with the previous three months.

The focus on the taxation of trusts has recently been considered by the Davis Tax Committee which has issued a report making certain recommendations to the taxation of trusts. The recommendation applies where a natural person (or a company which is a "connected person" in relation to that natural person) makes a low-interest or an interest-free loan to a trust in relation to which that natural person is a "connected person".

The section provides that as from 1 March 2017 the difference between what is termed the official rate of interest and the amount of interest actually charged on the loan to the trust must be deemed to be a continuing donation made by the trust. This donation is subject to donations tax of 20%.

Also contained with the Taxation Laws Amendment Act are various amendments that will result in the taxation of employees on the dividend proceeds received from the disposal or redemption of the underlying equity shares in a company. The purpose of a share incentive scheme is to reward and incentivise employees for good performance. Amounts received by the employees in respect of services provided are taxed as ordinary income. Share incentive schemes have been designed to return cash to employees in the form of dividends on a tax free basis.

Judged by recent performances, global stock markets are anticipating an overall improvement in the global economy but much uncertainty remains. Trump, Brexit, European elections and our own political situation will all add to the mix. Indeed, 2017 may well be a year to remember.



Source: GTC/StatsSA

GTC fund performances - January 2017

Investment Portfolios	3Mth %	6Mth %	1Year %	*2Year %	*3Year %	*4Year %	*5Year %
GTC Fixed Income B	1.83	4.10	7.98	6.75	7.64	6.52	6.16
GTC Wealth Accumulator FoF B	3.55	0.58	7.45	0.68	4.32	4.88	6.53
GTC Capital Plus Fund of Fund B	3.43	2.59	7.51	4.13	6.01	5.96	6.57
FTSE/JSE All Share Index (ALSI)^	4.35	0.68	8.71	2.94	6.91	8.44	11.01
FSTE/JSE Shareholder Weighted Index (SWIX)^	1.75	-3.00	7.71	1.62	8.11	9.38	12.07
BEASA All Bond Index (ALBI 1-3 year)^	1.36	2.92	7.42	4.90	5.91	4.71	4.99
Cash (SteFi)^	1.50	3.04	5.94	5.41	5.08	4.71	4.56
GTC Conservative Absolute Growth (R)	-5.67	-6.43	-11.93	4.36	3.69	10.27	13.18
GTC CAG's Composite benchmark (R) ^	-1.71	-4.88	-11.41	7.43	5.11	11.05	12.63
$/R exchange rate	-1.13	-2.63	-14.89	7.74	5.56	10.69	11.55
GTC Global Conservative Absolute Growth ($)	1.63	0.24	8.89	0.56	0.45	1.01	2.75
GTC Global CAG's Composite benchmark ($)^	-0.59	-2.32	4.10	-0.29	-0.44	0.32	0.95
GTC Prosperity Wealth FoF	3.69	2.04	7.20	3.26	5.93	6.11	7.37
Composite benchmark	2.31	-0.60	5.27	2.81	7.74	7.85	9.72
GTC Balanced Wealth FoF	3.41	2.27	7.90	3.81	6.04	5.85	6.83
CPI + 5% target	2.40	4.55	11.77	11.00	10.77	10.68	10.69
GTC Wealth Protector FoF	2.57	2.20	6.79	4.91	6.34	5.67	6.04
CPI + 1% target	1.46	2.62	7.76	6.99	6.77	6.67	6.68

*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 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) outperformed over the quarter as Emerging Markets sold off in the 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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