

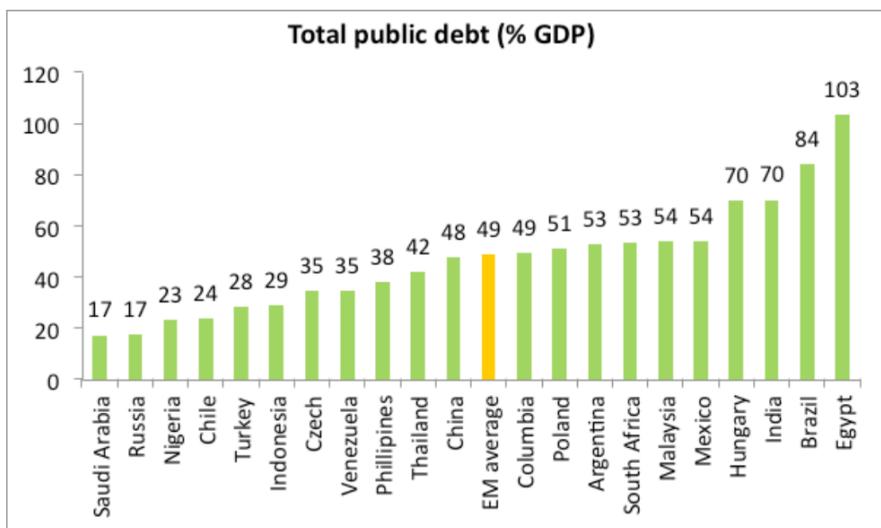
VIEWS FROM OUR CEO

Large-scale monetary accommodation by developed countries in recent years, which led to a near-zero interest rate environment, underpinned a significant portion of portfolio flows to Emerging Market economies since the Global Financial Crisis in 2008-09 as investors sought higher returns. With monetary policy now starting to normalise as the Federal Reserve looks to reduce the size of its bloated balance sheet whilst also raising its benchmark policy rate (now at 2.00% from 0.25% in late 2015), there is pressure on capital flows into Emerging Markets as developed market yields start to look attractive again. To put this in perspective, the US 10-year Treasury yield (widely considered as the global benchmark risk-free borrowing rate) has increased this year to just below 3%. Given expectations that the Fed will continue to gradually increase its benchmark policy rate over the coming 2 years above 3.0%, market participants expect that there will be further increases in the US 10-year Treasury yield.



ADAM EBRAHIM

As investors start to shift their investments away from higher-risk Emerging Markets towards relatively safer assets in the developed markets, reduced availability of foreign capital could make it much more challenging for those Emerging Market economies which have to finance large budget and current account deficits. Taking South Africa as an example, its public debt levels are relatively high, at 53%, as a share of GDP compared to a number of other Emerging Market economies. While there are other Emerging Markets such as Brazil and India with even larger financing needs, South Africa's rapidly rising debt levels in recent years does make the economy vulnerable to sudden shifts in investor sentiment. That said, deep and liquid capital markets as well as transparent monetary and fiscal policy are seen as positive attributes by global investors. South Africa is also blessed with a large domestic investor base which is able to partly take up the slack when foreigners withdraw their investments from our capital markets. For South Africa, the principal risk is a rapid depreciation in the Rand which forces the Reserve Bank to raise the benchmark policy rate in response to growing inflation pressures, which in turn puts the brake on an already fragile economy.



Source: IMF and Oasis 2018 Research.

A Word On Financial Matters

Given the normalising global interest rate environment, domestic fiscal pressures and increasing equity market volatility, we believe that investors need to seriously consider portfolio diversification as a measure of shielding their investments in an environment where uncertainty has increased.

Oasis' investment philosophy emphasises the importance of diversification across multiple dimensions, which would ensure our investors achieve portfolio downside protection as a low debt level underpins the downside risk of the portfolio, while a significant component is invested in high quality Rand hedges which benefit from a weaker currency. We believe that the disciplined execution of the Oasis investment philosophy will continue to provide relative downside protection for our clients, even in a rising yield environment globally.

Our quality and value approach has allowed us to deliver attractive risk adjusted returns. Our well diversified portfolio, with exposure to high quality companies with strong balance sheets and trading below their intrinsic values, is appropriately positioned to generate outperformance over the long term.

Financial Advisory Update

As promised in our last publication, we now shed light on some of the important amendments that will be affected through the Default Regulations. All retirement funds are required to provide appropriate, reasonably priced options that offer value for money to their members; and going forward, the provision of retirement benefits counselling will be obligatory. For retirement funds with a defined contribution category, loyalty bonuses are prohibited. Funds will have to amend their rules to provide for default preservation. However, employees will have the right to withdraw the accumulated savings or transfer them to another fund, thereby achieving portability.

Pension fund, pension preservation fund and retirement annuity funds are required to establish an annuity strategy. Provident and provident preservation funds are only required to establish an annuity strategy if the relevant fund enables its members to elect annuities. The annuity strategy does not mean that provident fund members will be compelled by the Default Regulations to purchase an annuity upon retirement - the annuitisation of provident funds remains under discussion at the National Economic Development and Labour Council. Active participation with fund members is required, whereby they will be obliged to indicate which type of annuity (life or living) should be paid. This obligatory advance selection makes the purchase of an annuity a 'soft default' because a member 'opts in' instead of 'opting out'.

In the News

Our Oasis Financial Advisors do travel throughout the country on a monthly basis. During the last 2 weeks of June and July 2018, Oasis Financial Advisors will be traveling to the following areas:

In Central Gauteng and Northern Suburbs: Sandton and Rosebank amongst others. In Southern Gauteng: Lenasia, Robertsham, Ridgeway and Vereeniging. In the West Rand, we will be visiting Roodepoort and Krugersdorp and in the East Rand, we will be in Benoni, Boksburg and Springs amongst others.

In the North West, we will be visiting Potchefstroom, Rustenburg, Klerksdorp and Orkney. In Mpumalanga, we will be in Nelspruit, Witbank and Middleburg.

In KwaZulu-Natal, our advisors will be travelling to Durban covering areas like Umhlanga, Chatsworth, Westville, Musgrave and Overport. Advisors will also be travelling to the KwaZulu-Natal North Coast, South Coast and Pietermaritzburg.

Financial planning is an ongoing process and it is crucial to liaise with your Financial Advisor should your circumstances change. This would ensure that your long term financial goals will be achieved. Should you wish to schedule an appointment with your Financial Advisor, do not hesitate to contact us.

