YOUR OASIS

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21ST ANNIVERSARY

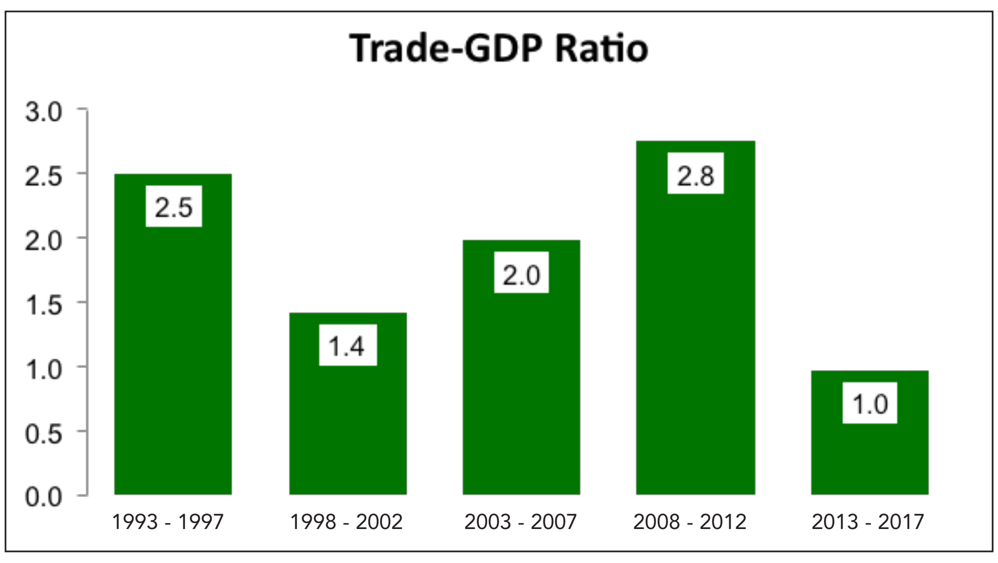
VIEWS FROM OUR CEO

ADAM EBRAHIM

While the pace of the global economy is currently showing steady growth, rising geopolitical risks and the escalation of trade disputes between the United States (U.S.), China and other nations, have also created levels of economic uncertainty. The recently announced U.S. sanctions that have been imposed against Iran and Russia will place upward pressure on the price of oil and other commodities; while the rise of populism in many parts of Europe, has resulted in a fragmented party system, as the political willpower shifts toward the right.

Together these factors pose a threat to the relative stability that existed post 1945, where we have seen a significant increase in the degree of globalisation and a reduction in tariffs. Recent changes to trade agreements will have an enormous impact on most economies, and according to the Organisation for Economic Co-operation and Development (OECD), the global economy would need to surrender 14% of its growth over the next 40 years if we were to return to the rates of tariffs that were prevalent in 1990. They suggest that the biggest losers from a return to protectionism would include India, Australia and China.

The escalation of trade restrictive policies poses a threat to global economic activity and is a key marker signalling the change to the world economic order as we know it. Historically, trade volumes have grown around 1.5 times faster than world GDP, where the measure or indicator of global growth is the ratio of trade growth to GDP. To put this into context, the period preceding the 2008 Global Financial Crisis was one of great moderation, with a ration level of 2.8 which continued into the period following the crisis. The last 5 years, until 2017, however, reveals a ratio of approximately 1.0 which suggests that it is unlikely to be a major driver of growth in the current economic climate. Furthermore, according to an IMF forecast, which accounts for escalating trade disputes, global trade volume is expected to grow at a decreasing rate. The result is a Trade-GDP ratio that is expected to hover around 1.0 for at least the next three years until 2021.



SOURCE: BLOOMBERG, IMF, OASIS RESEARCH

Emerging markets have come under pressure over these recent months due to the reduction of global liquidity, a rising interest rate cycle and trade uncertainty. The rise in global economic uncertainty has also provided an impetus to a "flight-to-quality", with the Swiss franc and U.S. dollar appreciating significantly relative to most other currencies. The resulting outflow has also adversely affected the performance of most asset classes in emerging economies. By contrast, most developed world markets are performing reasonably well, although the U.S. economy is currently close to a level of full-employment, largely due to the recent tax cuts, which would imply that it may be subject to a number of downside risks.

SA ECONOMY

The South African economy is currently susceptible to the negative effects of economic shocks. This is as a result of the large current account deficit, which increased to 4.8% of GDP in the first quarter of 2018. However, the current account deficit for the second quarter of 2018 is expected to improve to approximately 3.5%. The forecasted current account deficit for 2018 stands at 3.4% but the recent release of the trade balance data would appear to suggest that the deficit may further widen as the July figures indicate that there has been an unexpected contraction in exports by 2.7%, while imports grew by 13.8% compared to June.

In addition, fiscal debt has also increased resulting in a 4.6% government budget deficit at the end of 2017. Since the release of these statistics, a number of state owned enterprises (SOE's) have declared the need for substantive financial resources. For example, Eskom recently announced a loss of R2.3 billion driven mainly by a 32.5% increase in debt finance cost and a negative annual cash flow of R47bn. Further compounding the situation, is the net debt situation Eskom finds itself in. They require a substantial cash injection to fund daily operations, whilst facing ongoing wage negotiation. Even though Eskom's current debt level is expected to increase from R387bn to R600bn, they are still in need of further funding and the easiest way to access it is through government guaranteed bonds. Unfortunately, the latter has a debt ceiling of R250bn, which Eskom has almost depleted jeopardising their future access to capital. Although Eskom has managed to secure financing for 2019, it is important to note that they are taking on debt to finance the existing maturing debts. This is a precarious situation as they run the risk of having to borrow to pay for interest on the debt. It is estimated that this position will need to continue for at least another 4 years before they can start easing their debt position. To remediate this situation, Eskom could also make use of much needed capital investment in the form of equity. However, to obtain such capital at a reasonable rate, Eskom needs to present a credible turnaround strategy.

To successfully transition through this economic phase of geopolitical uncertainty, slow growth and rising levels of debt, we require bold leadership that is focused on macroeconomic reforms and the removal of supply side constraints. In this light, there is an urgent need to focus on improving fiscal management, revenue collection and more flexibility in the labour market, which would provide us with access to the scarce skills that would contribute towards an improved overall level of employment and productivity.

FINANCIAL ADVISORY

Diversification is the key to long-term wealth creation:

The benefits of diversification cannot be more emphasised during this period of increasing global risk and unprecedented uncertainty. In the accumulation phase of life, choosing a diversified portfolio would ensure that you minimise the risk of loss by spreading your investments across a range of shares and/or assets that diversify across geographic regions, currency, asset classes, sectors and instruments. This is the most basic method of managing risk. Time and again, we have seen, investors trying to time the market, with short-term thinking creating a headwind to long-term wealth creation. Conversely, the longer you invest, the more likely you are to weather the effects of market volatility. While markets are volatile, this creates opportunities for active asset managers like ourselves, to identify great opportunities in the market to purchase quality companies at low asset prices.

Oasis products offers three broad ways to access offshore exposure, which is key to a balanced portfolio. Firstly, by virtue of investing into any one of our savings products, you benefit from the 30% foreign investment allowance exposure built into most of our Fund's asset allocation. Secondly, we offer three Rand denominated International Feeder Funds that invests directly into our Shari'ah compliant global mutual funds. Thirdly, investors can transfer their funds directly into our Global Mutual Funds, thereby accessing international markets as well as many of the major world stock exchanges. Where direct offshore investments are made, SA Investors may invest an amount of up to R11 million (R10 million foreign capital allowance and a R1 million discretionary allowance) per calendar year offshore. Our excellent service and administration makes it convenient, affordable and accessible for local investors seeking offshore exposure, diversification and long term growth.

Speak to your Financial Advisor before investing to ensure that your portfolio is appropriately diversified to suit your risk profile.

OASIS FINANCIAL ADVISORS SCHEDULE FOR OCTOBER

During the month of October, our Financial Advisors will be travelling to the following areas:

DATE	AREA
1 - 5 OCT	Azaadville, Vereeniging, Laudium, Florida, Greenside, Sandton, Rosebank, Mondeor, Crown Mines, Benoni, Lenasia, Erasmia, Centurion and Kempton Park Port Shepstone, Harding, Kokstad and surrounding areas.
15 - 19 OCT	Johannesburg CBD, Sandton, Bryanston, Woodmead, Woodlands, Fordsburg, Mayfair, Randburg, Roodepoort, Krugersdorp, Azaadville, Florida, Muldersdrift, Pretoria, Centurion, Laudium, Erasmia, Swartkops, Eldo Lakes, Benoni, Kempton Park, Edenvale and Bosmont.
22 - 26 OCT	Strand, Paarl, Malmesbury, Worcester, Stellenbosch and Somerset West. Witbank, Middelburg, Nelspruit, Ermelo, Kinross, Trichardt & Johannesburg and Surrounding areas
29 OCT - 2 NOV	Richards Bay, Empangeni, Eshowe, Pietermaritzburg, Durban, and surrounding areas

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.

IN THE NEWS

We are proud to be associated with the South African Kimora Shukokai Karate Team, who recently returned with the World Championship Title which they won during the Global Tournament which took place in Stockholm,Sweden. Oasis has supported this sporting discipline for over 14 years and is immensely proud of the difference made to so many young individuals whose lives have been transformed positively through the years.

Mr. Nazeem Ebrahim represents Oasis as he stands with the SA National Squad and Shihan Chris Thompson, Global Chief Instructor of Kimora Shukokai Karate.

info@oasiscrescent.com | www.oasiscrescent.com | 021 413 7860 | 0860 100 786