YOUR**OASIS**

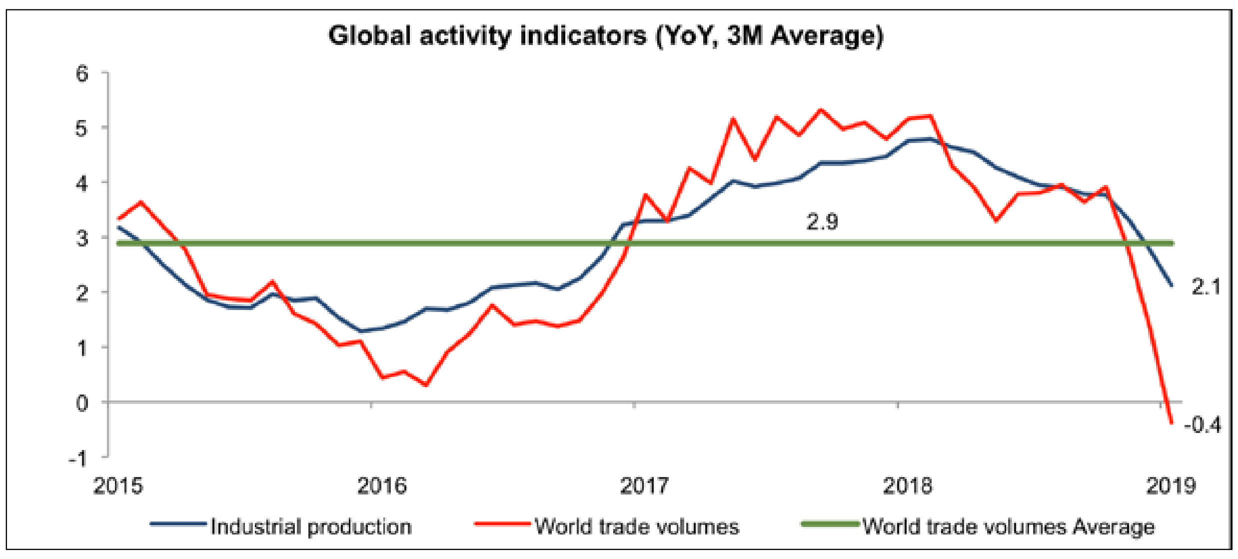
SA EDITION 04 - 2019

VIEWS FROM OUR CEO

The recent escalation of the US-China trade war is a major threat to a global economy that has already seen weakened trade flows. The US had a bilateral trade deficit of $419.2bn with China in 2018, with imports of $539.5bn and exports of $120.3bn.[1] The US initiated a process of tit-for-tat tariffs in early-2018. To-date, the US has levelled tariffs of 25% on $250bn of Chinese imports and has threated to extend the tariffs on the rest of its imports. China has responded with targeted tariffs on $110bn of US imports, with rates ranging from 5% to 25%.[2]

The US wants its deficit with China reduced, the exact extent is unclear, but it is also motivated by concerns that China engages in unfair trade practices that jeopardises US companies' intellectual property, technology and trade secrets. Recently, the US also placed sanctions on the Chinese technology giant Huawei, banning US companies from exporting components from the company and threatening non-US companies with exclusion to US markets if they fail to comply. Huawei is a leading producer of 5G infrastructure, with many countries dependent on the technology.

China is not the only country in the US's crosshairs. Europe is in negotiations with the US threatened it with tariffs targeting its motor vehicle sector. Mexico has been threatened with tariffs if it does not stop immigration via its border. India has been taken off the US's list of countries with preferential trading status. With mounting trade pressures, global trade growth slowed considerably throughout 2018 and entered in negative growth territory in 2019.



IMF World Economic Outlook, April 2019

Tariff wars have far-reaching effects, especially in a world of globalised supply chains. China is a key hub that brings together large numbers of products for final assembly. What the US views as a bilateral deficit with China is actually one against a range of countries, and tariffs impact the whole supply chain. The cost of the tariffs are either borne by consumers through higher prices and/or by producers through lower profits.[3] Longer-term, US companies may find themselves excluded from global supply chains as countries insulate themselves against US unilateral action. In the end, the reduction in global trade, higher prices and a more polarised world makes all of us poorer. Recent studies have begun to quantify the impact of the escalating trade war, with some showing that as much as 0.5 % can be shaved off global growth over the next couple of years.[4]

SA ECONOMY

Load shedding and mining disruptions were major headwinds for the South African economy, with output contracting over the first quarter of 2019. South Africa held its sixth National Elections on the 8th of May, with the ruling ANC maintaining its Parliamentary majority. President Cyril Ramaphosa is seen as having secured the necessary mandate to effect his reform agenda, but a brighter domestic outlook is being challenged by global headwinds.

The US China trade war is a significant concern for an open economy like South Africa, where the ratio of foreign trade is 60% of GDP.[5] This makes South Africa more open than countries like the US and China, where the ratio of trade to GDP is below 30% and 40% respectively.[6] South Africa is thus more sensitive to global trade than either of these countries. China is also South Africa's biggest exports destination, accounting for 9.1% of exports in 2018, whilst the US is its third-biggest destination at 6.7%.[7] Any slowdown in these markets would translate directly into weaker exports to these countries, which translates into weaker growth and less jobs domestically. South Africa would then have to contend with the twin headwinds of a much weaker global economy and financial markets that are risk averse.

FINANCIAL ADVISORY

While we have seen steady growth in ESG investing[8], we have also seen a rise in Islamic financing and Shari'ah compliant investing, which at its heart cannot be delinked from ESG and socially responsible investment principles. Islamic finance principles inherently promote the notion of shared prosperity, profit and risk sharing, honesty and integrity in dealings, transparency, morality and fairness. This is arguably the best solution to achieving equality, sustainability in business and long term investment outperformance.[9] More recently, we have seen an increase in the issuance of Islamic income instruments. Many secular, non-Muslim states have also started issuing Islamic instruments, such as Sukuk (Islamic bonds), including the likes of; Singapore, United Kingdom, Luxembourg and Hong Kong.[10]

The establishment of Islamic income markets coupled with the development of supporting regulatory frameworks can help to ensure the availability, stability and sustainability of funding through not only good times, but tough times as well. The rise of Sukuk and other short term income instruments has given Islamic investors the opportunity to benefit from a more fully diversified portfolio of assets, including not only equity and property, but Shari'ah compliant income instruments too. This gives wealth managers like Oasis the platform to provide a complete wealth management solution to its clients, allowing for more suitably diversified products that cater to all life stages and risk appetites.

A number of Oasis funds provide investors with exposure to Shari'ah complaint income instruments, including the local Oasis Crescent Income Fund, the Oasis Crescent Global Income Fund, the Oasis Crescent Global Short Term Income Fund, as well as a range of Oasis Crescent Balanced funds. Notably the Oasis range of Income funds offer investors competitive rates of return with the added benefit of daily liquidity and no lock in period.

IN THE **NEWS**

On the 1st of June, Oasis reached its 22nd Anniversary milestone. The brand, which has become a milieu of excellence, was celebrated at an Iftaar (breaking of fast) event that the Group hosted for children from various homes/orphanages which it sponsors. The occasion of sharing a meal with the children, which was attended by Oasis directors and their families, staff and some of our clients, not only highlighted the significance of the month of Ramadaan, but also the values of the Group which aims to empower and uplift the children so that they are groomed into responsible leaders for the future.

You can access a highlights video of some key projects Oasis has undertaken over the last few years that focuses on education and how deeply the Group has committed to the well-being of the present and future communities it services.

You Tube WATCH VIDEO

1 US Census Bureau, 2019 2 https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/ 3 https://blogs.imf.org/2019/05/23/the-impact-of-us-china-trade-tensions/ 4 www.bloomberg.com/graphics/2019-us-china-trade-war-economic-fallout/
5 South African Reserve Bank Quarterly Bulletin 6 World Bank 7 South African Revenue Service 8 Your Oasis, Edition 3 2019 9 GRIF 2018 10 CNBC

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

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