OASIS

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VIEWS FROM OUR CEO

These days, having a discussion about investments in a social setting quickly leads to a debate about Cryptocurrency markets. The COVID pandemic has led to many anxieties, not only health but also financial concerns. With central banks pumping unprecedented amounts of liquidity into markets, financial speculation has abounded. Nowhere has this been more evident than in Bitcoin, which has surged 480% since the beginning of 2020 compared to a corresponding 45% increase in the S&P 500 equity US index. Taking a sober look at the Cryptocurrency market highlights that most activity is simply speculative while also being exposed to excessive volatility and little regulatory oversight. In this environment, a small group of people (the 'first-ins') can be richly rewarded but the many more others which follow (the 'last-ins') stand to lose much or all of the capital they 'invested', similar to a pyramid scheme.

There are five main drawbacks to Cryptocurrencies:

- Firstly, Cryptocurrencies like Bitcoin have no intrinsic value except for the level of demand for it at a given point in time relative to a fixed supply. Crypto platforms have started to offer interest-earning accounts implying, in principle, that Cryptocurrencies can generate a return. However, this highlights the second major drawback, below.
- Cryptocurrencies are not regulated in most jurisdictions around the world, so consumers are not afforded the usual protections that they would have in traditional savings and investment accounts.
- A third drawback is that there is no oversight on who is transacting in Cryptocurrencies. So while the transactions themselves are transparent through the Blockchain 'ledger' system, there is no central clearing agency that is responsible for collecting and verifying 'know-your-client' (KYC) compliance data or for monitoring potentially criminal money laundering activities. In short, users remain anonymous which can facilitate criminal activity.
- The fourth concern is cyber-security. One of many examples in this regard was when one of the world's largest Cryptocurrency exchanges, Binance, was hacked in 2019 with criminals making off with Bitcoins worth $41 million. Without regulatory protection and deposit insurance schemes, there is little an investor can do to recoup any losses from a breach of cyber-security of these Cryptocurrency exchanges.
- Finally, Bitcoin 'mining' (the process through which Blockchain ledger transactions are verified) is a significant contributor of carbon emissions. It is estimated that Bitcoin mining consumes 91 terrawatt hours of electricity per year which is equivalent to the annual electricity consumption of Finland[1]. As the Chinese authorities moved to ban Cryptocurrency markets during the course of last year, Kazakhstan positioned itself to become the 2nd largest country behind the U.S. for Bitcoin 'mining' activities. The recent political unrest in Kazakhstan led to a shutdown of internet access across the country, immobilising Bitcoin mining operations and leading to a sharp drop in the price of the world's leading cryptocurrency.

In conclusion, when you decide to invest your hard earned capital, you should always do so through a regulated and compliant asset manager with regulated and compliant financial products which have a strong performance track record over time.

SA ECONOMY

In its January 2022 World Economic Outlook (WEO) update, the IMF continued to highlight that global growth would remain historically strong as economies around the world recover from the shock of the COVID pandemic[2]. However, the IMF did temper its very optimistic view from late last year by lowering its forecast for global GDP growth this year by -0.5ppt to 4.4%. This would still be substantially higher than the average annual growth rate of the global economy over the period 2010 to 2019, of 3.1%. One of the main reasons for the change to its global outlook was reflected in its GDP forecast for the U.S. which was cut by -1.2ppt to 4.0%. The IMF noted that the shelving of U.S. President Biden's 'Build Back Better' fiscal programme as well as the earlier and faster than expected monetary tightening from the Federal Reserve as it grapples with surging inflation rates were the main reasons for the downgrade. In China, the growing financial stress in the property market combined with a strict zero-COVID strategy was seen to require a -0.8ppt downgrade in its GDP forecast, to 4.8%. Turning to South Africa, the IMF lowered the GDP forecast for 2022 by -0.3ppt to 1.9% reflecting a weaker outlook for investment as business sentiment remains subdued. With economic growth set to average below 2.0% over the next few years, there remains a critical urgency for structural reform to boost growth and employment as well as tackling widening income inequality.

FINANCIAL ADVICE

Retirement Savings

The opportunity to maximize one's tax saving is available annually up until the end of the tax year (namely, end of February), and it is imperative that investors utilize this opportunity. With respect to retirement savings, individuals qualify for a tax deduction of 27.5% of taxable income (to a maximum of R350 000 per annum). You can top up by investing a lump sum into a Retirement Annuity (RA) or into your pension or provident fund if its rules allow. Saving for your retirement is important, and the best way to boost your savings is to optimize your retirement annuity or pension fund contributions.

The example below reflects how a contribution made to a Retirement Annuity impacts on your tax liability.

	No RA contribution	RA contribution
GROSS ANNUAL INCOME	R300,000	R300,000
RETIREMENT ANNUITY CONTRIBUTION	R0	R82,500
NET TAXABLE INCOME (AFTER TAX DEDUCTIBLE RA CONTRIBUTION)	R300,000	R217,500
TAX LIABILITY*	R43,495	R22,725
ANNUAL TAX SAVINGS	R20,770	

* Calculations based on the FY2022/23 tax tables, using the Primary rebate of R16,425

An individual earning a gross income of R300 000 and contributing R82 500 to an RA, (the maximum 27,5% of gross remuneration) can reduce their tax liability by R20,770.

Tax Free Savings:

The Tax Free Savings Account is an ideal way to build a tax free savings nest for yourself and your family, as all income generated from this investment remain non-taxable. For a family of five, if the annual limit of R36 000 per individual is invested, a total of R180 000 would be saved annually. With an individual lifetime limit of R500 000, the family would have contributed R2 500 000 towards Tax Free Savings Accounts which would have significant value addition over a 13 year period (time taken to invest R36 000 annually).

The Oasis range of Tax Free Savings Accounts that include a Shari'ah compliant income and balanced fund option, provides ethical investors with an opportunity to invest in high quality, cost effective, flexible savings products. As the government attempts to rebalance the budget, the possibility of further tax increases remain possible.

Therefore take full advantage of the annual tax breaks afforded to you in order to reduce your overall tax liability.

OASIS UPDATE

At Oasis, our primary focus when we set out 24 years ago was to build a business which added significant value to our clients by growing their wealth and raising standards of living while also being a good corporate citizen. Through our investment products, clients have had a significant opportunity to grow their wealth. R1,000,000 invested in the flagship Oasis Crescent Equity Fund (OCEF) 24 years ago would have grown to R37,800,000 by 31 January 2022. On the global side, investing $1,000,000 in our Oasis Crescent Global Equity Fund (OCGEF) 23 years ago would have returned $4,350,000 by 31 January 2022. We pride ourselves as a progressive employer, creating job opportunities and facilitating the development of critical skills in one of the highest value add industries in the world. Through our operations we have supported the development of a democratic South Africa by contributing significantly to tax revenue which has helped the government to increase expenditure on communities, social services and the economy. Social support has been especially important over the past two years during the exceptionally challenging COVID-19 pandemic. Oasis makes significant direct charitable contributions to feeding schemes, education, healthcare and social development to ensure nobody is left behind, thereby fulfilling our broader positive contribution to society. As we take stock of our last 24 year's performance, we pride ourselves in building a sustainable, regulated investment business that has added significant value for all stakeholders: clients, community and broader society. More importantly, we recognise that our work is ongoing and we eagerly look forward to the next chapter of building upon our track record of sustainable excellence.

This is the Oasis Way
The Compliant Way
Our Commitment is Unwavering!

Source: [1] New York Times, 3 September 2021, Bitcoin uses more electricity than many countries. How is that possible?. [2] IMF, World Economic Outlook, January 2022, Rising Caseloads, a Disrupted Recovery, and Higher Inflation.

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