

# FUNDFACTS

OASIS



GLOBAL MANAGEMENT COMPANY  
(IRELAND) LIMITED  
AUTHORISED BY THE CENTRAL BANK OF IRELAND

## OASIS CRESCENT GLOBAL LOW EQUITY BALANCED FUND

▲ OCTOBER 2018

<b>Fund Manager</b>	Adam Ebrahim	<b>Benchmark</b>	OECD Inflation
<b>Launch Date</b>	6 April 2011	<b>Fund Size</b>	USD 25.0 million
<b>Risk Profile</b>	Low to Medium	<b>Total Expense Ratio</b>	1.78%

The benchmark is made up of the Consumer Price Index (CPI) rate of the OECD countries.

The Oasis Crescent Global Low Equity Balanced Fund (OCGLEBF) is a specialist, worldwide asset allocation portfolio. The objective of the fund is to achieve medium to long-term growth of capital and income by investing on a global basis in securities that are ethically, morally and Shari'ah compliant. This objective is to be achieved by investing the Sub-Fund's net assets in a broadly diversified and balanced mixture of global securities. The range of investments will be allocated in the asset classes of equity, property and income.

### Cumulative Returns

Cumulative Returns	(Apr-Dec) 2011	2012	2013	2014	2015	2016	2017	YTD OCT 2018	Return Since Inception	
									Cumulative	Annualised
Oasis Crescent Global Low Equity Balanced Fund	0.4	8.9	8.7	5.3	(5.0)	2.0	5.7	(4.3)	22.7	2.7
OECD Inflation	2.1	1.8	1.4	1.6	0.7	1.4	2.4	2.5	14.8	1.8

**Performance (% returns) in US Dollars, net of fees, gross of non permissible income of the Oasis Crescent Global Low Equity Balanced Fund since inception to 31 October 2018**

(Source: Oasis Research using www.oecd.org: April 2011 - October 2018)

Note: OECD Inflation benchmark lags by 1 month.

### Annualised Returns

Annualised Returns	% Growth 1 year	% Growth 3 year	% Growth 5 year	% Growth 7 year	Return Since Inception
					Annualised
Oasis Crescent Global Low Equity Balanced Fund	(1.6)	(0.2)	0.9	2.8	2.7
OECD Inflation	2.9	2.1	1.7	1.7	1.8

**Performance (% returns) in US Dollars, net of fees, gross of non permissible income of the Oasis Crescent Global Low Equity Balanced Fund since inception to 31 October 2018**

(Source: Oasis Research using www.oecd.org: April 2011 - October 2018)

Note: OECD Inflation benchmark lags by 1 month.

### Asset Allocation

Asset Allocation	October 2018
	OCGLEBF %
Income	49
Equity	40
Property	11
<b>Total</b>	<b>100</b>

**Asset Allocation of the Oasis Crescent Global Low Equity Balanced Fund (31 October 2018)**

(Source : Oasis Research using Bloomberg)

GIPS compliant & verified

## Fund Manager Comments

Over the last year, policy divergence among the largest economies has been reflected not only in their own economic performance, but also in that of other economies. A worsening trade environment is likely to exacerbate these divergences, and is a material risk to growth going into 2019. The global cyclical upswing reached its two-year mark and the pace of expansion in some economies appears to have peaked. The synchronised global growth is long gone, leaving domestic demand as the key driver. IMF global growth forecast for 2018 was projected at 3.9% in April this year, however, they will be revising this figure in October.

We are at the stage of the policy tightening cycle in advanced economies which has contributed to the build-up of financial vulnerabilities. In this peculiar setting, history suggests a higher likelihood of accidents in financial markets and recent events support this view where markets buffeted by negative headlines from Italy, Turkey, Argentina, and broader emerging markets. Although, there are some idiosyncratic risks, they are being magnified by a persistent and steady Fed tightening cycle and the European Central Bank (ECB) slowly phasing out their Quantitative Easing (QE) program.

Going into autumn, the United States (US) economy expanded at a solid 4.1% over the second quarter of 2018 and 2.9% year-on-year (y/y). Bolstered by pro-cyclical policy, the US labour market is nearing full employment, consumption is robust as wage growth picks up, and investment continues to be boosted by tax cuts, regulatory reforms, and fiscal spending. The confluence of the robust private and public sector has put the US growth on a divergent path from that of the global economy. Across the Euro-zone, growth remained steady in the second quarter of 2018 at 0.4%, while y/y growth declined to 2.1%. The European Commission noted that their aggregate measure of consumer and business confidence declined to its lowest level in more than a year during September. Additionally, all of the economies in Europe will be negatively affected by rising oil prices, persistent geopolitical uncertainty, impacts of Brexit, poor fiscal discipline in countries such as Italy, ongoing trade tensions and the shift to the populist right. However, growth projections remain strong for the area driven by countries such as Germany and the hope that the EU and UK will strike a deal for Brexit.

While the US and other advanced economies are still growing, the short-term concern in the global economy is centered in emerging countries where the growth divergence is becoming more evident. Countries such as Turkey, Argentina, Indonesia and South Africa are suffering from outflows of money, depreciation of their currency and therefore an increase in the burden of foreign currency denominated debt creating a challenging environment for the region.

Global equity markets advanced in the third quarter, driven primarily by the US market where the S&P500 generated returns of 7.7% and which more than compensated for the weakness in Europe and Emerging Markets. The rally in US was underpinned by the strength of the economy, which combined with lower tax rates drove robust growth in corporate earnings. Emerging Market equities came under pressure on the back of currency volatility and the intensification of the trade war between the US and China. While earnings momentum remains strong, we are now seeing a moderation of expected growth rates as corporates are increasingly concerned over the impact of the trade war and the economic pressure on Emerging Markets as interest rates normalise. Forward valuations for the key indices have come off from peak and are in line with long term averages. With heightened levels of volatility and geo-political risk factors impacting on financial markets, we believe investors need to be prudent and stock picking will be even more critical to generate long term value. During uncertain times, the market is likely to draw greater distinction between low and high quality companies which should play out favourably for our portfolio positioning.

REITs with a high exposure to the major global cities, positive secular demand drivers, enhancing refurbishments and superior balance sheets are well positioned to outperform in a normalising interest rate environment. The level of supply in developed property markets has remained disciplined and net absorption remains positive in most of the markets. The Fund displays very attractive valuation characteristics with an average cash flow yield of 6.8% and dividend yield of 4.5% which offers value relative to the average bond yield at 2.6% and inflation at 2.3%.

Treasury yields are rising on the back of economic expansion and Fed monetary normalization. The Fed forecasts domestic GDP growth between 3-4% and this coupled with low unemployment, suggests that a 3% fed funds rate remains highly likely by mid-2019 with further balance sheet rundown inevitable. Conversely, European and Chinese central banks have lagged in their rate hikes due to sluggish economic growth. The European Central Bank (ECB) has indicated that it will keep monetary policy conditions accommodative for at least another year before raising their rate from -0.4%. Similarly, the People's Bank of China (PBoC) has reduced reserve and capital requirements in efforts to support growth and with a background of looming escalation in a trade tension, the possibility of an interest rate cut has risen.

The ECB's negative interest rate policy has made yields unattractive and vulnerable to the improving global growth outlook. The anomaly in the Eurozone is Italy where the divergence in spreads is reflecting political uncertainty concerning the election of the euro-sceptic party. The Italian Government securities have sold-off, with the 10-year yield exceeding 3% as global investors have signaled their disappointment with the target 2019 government deficit-to-GDP ratio of 2.4% which is 0.6% higher than was expected. Outside of the trade tensions and idiosyncratic factors, the global economy remains in very good shape and global yields will likely rise in the future with the gradual increase in US interest rates and a stronger dollar.

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