

# FUNDFACTS

OASIS



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

## OASIS CRESCENT GLOBAL MEDIUM EQUITY BALANCED FUND ▲ QUARTER 4 2018

<b>Fund Manager</b>	Adam Ebrahim	<b>Min. Initial Investment</b>	USD 5000
<b>Launch Date</b>	29 February 2012	<b>Min. Additional Investment</b>	USD 1000
<b>Risk Profile</b>	Low to Medium	<b>Fund Size</b>	USD 17.6 million
<b>Benchmark</b>	OECD Inflation	<b>Total Expense Ratio</b>	2.30%

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

The Oasis Crescent Global Medium Equity Balanced Fund (OCGMEBF) 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	(Mar-Dec) 2012	2013	2014	2015	2016	2017	2018	Return Since Inception	
								Cumulative	Annualised
Oasis Crescent Global Medium Equity Balanced Fund	4.3	14.6	5.9	(4.0)	3.0	9.3	(7.5)	26.5	3.5
OECD Inflation	1.5	1.4	1.6	0.7	1.4	2.4	2.8	12.4	1.7

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

(Source: Oasis Research using www.oecd.org)  
Note: OECD Inflation benchmark lags by 1 month.

### Annualised Returns

Annualised Returns	% Growth 1 year	% Growth 3 year	% Growth 5 year	Return Since Inception
				Annualised
Oasis Crescent Global Medium Equity Balanced Fund	(7.5)	1.4	1.1	3.5
OECD Inflation	2.8	2.2	1.8	1.7

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

(Source: Oasis Research using www.oecd.org)  
Note: OECD Inflation benchmark lags by 1 month.

### Asset Allocation

Asset Allocation	DEC 2018
	OCGMEBF %
Equity	47
Income	44
Property	9
<b>Total</b>	<b>100</b>

**Asset Allocation of the Oasis Crescent Global Medium Equity Balanced Fund (31 December 2018)**

(Source : Oasis Research, Bloomberg)

**GIPS compliant & verified**

## Fund Manager Comments

As the global economy enters its tenth year of expansion, 2019 is likely to be the ebb tide of the economic cycle rather than its demise with slowing global growth, tighter financial conditions, benign inflation and low bond yields. The year will host a number of unpredictable but critical political and geopolitical events, creating choppy waters for investors and policymakers to navigate. With volatility returning to global financial markets in 2018, the narrative around synchronized global growth became more pessimistic. It is therefore important to recognise that the state of the world that investors have become accustomed to for the last decade is not going to continue indefinitely.

While the global economy holds the potential to maintain solid momentum in 2019, underpinned by the strength in US fundamentals and demand, economic divergences and policy differences among countries is prevalent. Growth is divergent, with many developed markets (DMs) still experiencing above trend growth while emerging markets (EMs) have slowed sharply amid currency weakness and tighter financial conditions. Global growth is expected to slow further but conditions should remain relatively benign through the first half 2019. The US economy is robust and the US consumer, which accounts for a hefty 70%\* of GDP, is still on a strong footing. The near-term outlook is also favourable for Europe and Japan as financial conditions are still very accommodative and temporary factors that have weighed on activity should wane. China is injecting stimulus with hopes to stir growth as they enter 2019, stabilising conditions in EMs more broadly.

The year ahead looks to be one of restrained global equity market performance. US companies have had a strong run in earnings and revenue growth in 2018 and a similar run in 2019 is unlikely. The hurdles come both from a slowing economy and steeper input costs. The US economy's growth rate is set to slow as the benefits of substantial fiscal stimulus from US tax cuts and greater public spending wane. Companies with low debt and high strong cash generation are expected to outperform as economic and earnings growth moderates. Additionally, with interest rates rising, the quality of earnings along with valuations will be an increasingly important investment consideration.

With key central banks still missing inflation targets, monetary policies are yet to normalise, and growth slowing, the economic environment is more vulnerable to the issues that lie ahead. From the unfathomable Brexit playbook and the continued prominence of populist ideology in Europe, to unconventional US foreign policy, uncertainty prevails. There are, however, key issues that will likely define the year ahead, starting with the US-China relationship that goes beyond tariffs. The US monetary policy is another defining issue where despite the booming economy, the Fed is still shrinking their balance sheet by \$50bn\*\*\* per month and the two expected hikes in 2019 are starting to bite. Despite the challenges, growth is expected to hover around its long-term average and while capacity constraints are becoming more noticeable in DMs, inflation is not expected to rise meaningfully. All in all, the International Monetary Fund (IMF) sees US growth slowing to 2.5% in 2019, from a projected 2.9% in 2018, while it forecasts European growth to come in at about 2% over 2018 and 2019\*\*. Overall, global economic growth is expected to hold steady at 3.7%\*\* in both 2018 and 2019 according to IMF forecasts.

Global equity markets experienced increased volatility in the last quarter of 2018 as investors were rattled by escalating macro-economic risks, exacerbated by signs of economic slowdown in China. Most markets registered sharp contraction with the MSCI World Index and S&P 500 dropping by 13.3%\* and 13.8%\* respectively in the quarter. European markets were further impacted by political tensions in UK, Italy and France while Emerging Markets remain vulnerable to a contraction in global trade and currency volatility. While earnings expectations have softened in recent months on the back of increased macro risks and base effects of the US tax reforms, valuation remains attractive with the major indices trading below their long term average on most metrics. 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 7.4% and dividend yield of 5.7% which offers value relative to the average bond yield of 2.4% and inflation at 2.2%.

Various developments including the US Fed rate hikes and balance sheet runoff, US-China trade war, EM economic and currency volatility, Brexit progress and rising softness in the housing and autos markets have cascaded down into the fixed income market resulting in negative total returns and volatility in credit spreads. In addition, playing in the background has been the inversion of the US yield curve which has led to the narrative of a possible economic slow-down in the near term.

After having been range bound for most of the year, the US 10 Year Treasury yield reached a seven-year high of 3.26%\* in October, but has since fallen back to levels below 3%. Relatively higher yields in 2018 have reflected the strong economic environment with higher inflation, accelerating wage growth and a relatively hawkish Fed providing further support. With fears of a rapid rise in inflation not materialising fully, coupled with limited upside to growth in 2019, the latest signals from the Fed have become more dovish. Consequently, the possibility that the Fed will soon be willing to pause the hiking cycle until the impact of past hikes become more visible has become more plausible. While the Fed hiked in December, taking the target range to 2.25% - 2.50%\*\*\*, it lowered its projections for future hikes to only 2 in 2019. Its outlook for the long-run funds rate was also reduced from 3% in the September forecast to 2.8% last December\*\*\*. The 2019 estimate declined to 2.9% from 3.1% and both 2020 and 2021 dropped to 3.1% from 3.4%\*\*\*.

In the Euro Area, Bund yields remain detached from economic fundamentals, with the ECB's rate guidance, concerns around Italy, and slower Eurozone growth weighing on yields. Italian government bond spreads are likely to remain in a wide trading range as long as the disputes with the EU continues. In other periphery markets, spreads should be less volatile and remain around current levels as fundamentals are more supportive and government policy less confrontational.

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