

ISLAMIC REAL ESTATE FINANCE FORUM 2007

ISLAMIC REITS

Michael Swingler - Director - Oasis Group Holdings

OASIS



GROUP HOLDINGS (PTY) LTD

Presentation Overview

S U P E R I O R R E T U R N S A T L O W E R T H A N M A R K E T R I S K .

1. Introduction
2. Evolution of REITS
3. Listed property universe
4. Case Study I – REITS investing in listed Investments
5. Case Study II – REITS investing in direct property
6. Case Study III – Liberty International Plc
7. Conclusion

INTRODUCTION

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Overview of the Oasis Group today



SUPERIOR RETURNS AT LOWER THAN MARKET RISK

Oasis is the realisation of a vision to create a GLOBAL FUND MANAGEMENT OPERATION that has carved out a niche for itself in the highly competitive investment world, by delivering...

Superior investment performance that is characterised by low volatility

- **Approximately USD5bn of assets under management**
- **Servicing over 38,000 clients across 3 continents**
- **Highly regulated entities providing highly regulated products**
- **South African-based, global research capacity**
- **Analysed by the world's leading rating agencies**

Oasis Time Line – Tracing the history...

S U P E R I O R R E T U R N S A T L O W E R T H A N M A R K E T R I S K

- Oct 97 First institutional clients
- Aug 98 Launch of the flagship Oasis Crescent Equity Fund – 1st unit trust fund
- Nov 00 Launch of offshore funds (leverage off global research)
- Jun 02 Launch of retail retirement funds
- Mar 03 Dublin Offices established: in-source and ownership of its global administration
- Nov 05 Listing of Oasis Crescent Property Fund on JSE – 1st of its kind
- Sep 06 Launch of Oasis Crescent Global Property Equity Fund – 1st of its kind
- Feb 07 Opening of Oasis Offices in Dubai: strengthened global presence
- Apr 07 Launch of Oasis Crescent International Property Equity Feeder Fund
- Jun 07 Oasis celebrated its 10th birthday
- Jul 07 Best Investment Manager in SA – 5 consecutive quarters
- Jul 07 # 1 segregated manager on risk-adjusted basis: Consulting Actuaries Survey
- Aug 07 Oasis Global Funds rated AA by Standard & Poor's
- Oct 07 Oasis launches its Global Income Fund



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Oasis Global Reach

SUPERIOR RETURNS AT LOWER THAN MARKET RISK



Cape Town - South Africa
Headquarters

Presence

- **Africa** - SA, Namibia
- **Asia** - Malaysia, Singapore
- **Middle East** - KSA, UAE, Bahrain, Kuwait
- **Europe** - UK, France, Switzerland, Ireland
- **America** - US, Bermuda

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Independent Fund Ratings: Oasis Global Funds highly rated

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

CRESCENT GLOBAL EQUITY FUND

Oasis Group Holdings

Sub-fund of Irish domiciled open-ended investment company

Report Issued: August 2007

STANDARD
& POOR'S

AA

FUND INVESTMENT RATING

OASIS GLOBAL EQUITY FUND

Oasis Group Holdings

Sub-fund of Irish domiciled open-ended investment company

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STANDARD
& POOR'S

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FUND INVESTMENT RATING

MORNINGSTAR® ****

SUPERIOR RETURNS AT LOWER THAN MARKET RISK™

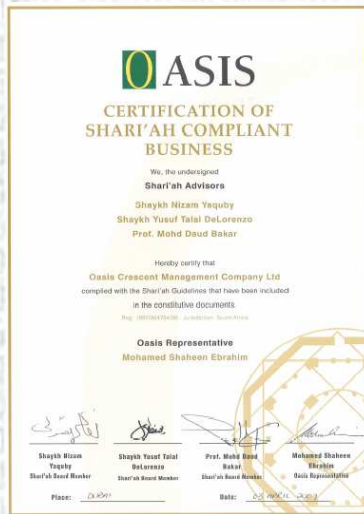
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Oasis Group Shari'ah Advisory Board

SUPERIOR RETURNS AT LOWER THAN MARKET RISK



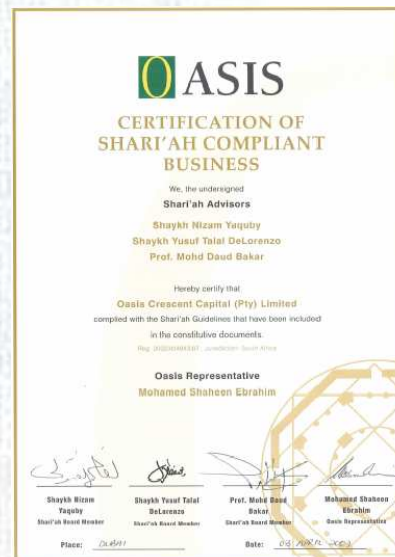
Prof Mohamed Daud Bakar (Malaysia)



Shaykh Yusuf DeLorenzo (USA)



Shaykh Nizam Yaquby (Bahrain)



Mohamed Shaheen Ebrahim (Oasis Group representative)

Oasis Islamic Institutional Membership

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

Oasis Group is a member of, and adhere to, the prescribed guidelines of the following reputable Islamic Institutions

- **IFSB:** Islamic Financial Services Board
- **AAOFI:** Accounting & Auditing Organization for Islamic Institutions
- **IAIE:** International Association for Islamic Economics
- **GCIBFI:** General Council for Islamic Banks & Financial Institutions



EVOLUTION OF REITS

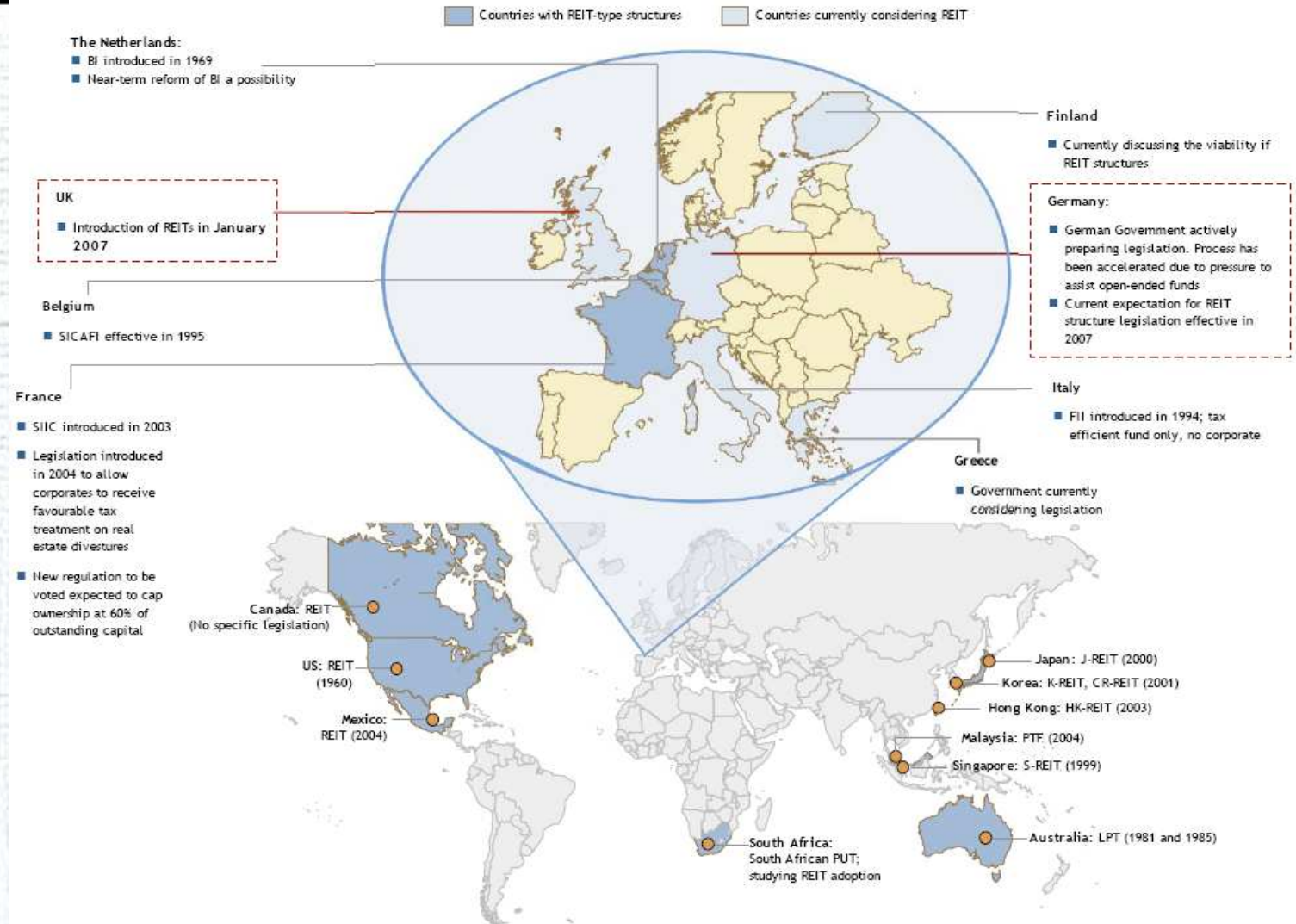
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Evolution of Global REIT markets

SUPERIOR RETURNS AT LOWER THAN MARKET RISK



Evolution of REITS – Requirements

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

- * **Requirement for REITS status:**
 - * Distribute >90% of distributable income as dividends
 - * At least 75% of gross income must come from real estate property
 - * At least 75% of assets must be invested in:
 - * Real property
 - * Government securities and cash

LISTED PROPERTY UNIVERSE

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Listed property – Geographic

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

	<u>Number of REITS</u>	<u>Market Cap \$ billion</u>	<u>% of Market Cap</u>
USA	171	379	46
Australia	35	126	15
France	41	98	12
Great Britain	16	58	7
Japan	41	45	6
UAE	6	37	4
Netherlands	8	26	3
Singapore	17	19	2
Kuwait	36	16	2
South Africa	27	11	1
Hong Kong	6	8	1
Belgium	14	7	1
Malaysia	11	1	0
South Korea	9	1	0
Total	438	832	100

Note: Excluding Property development companies

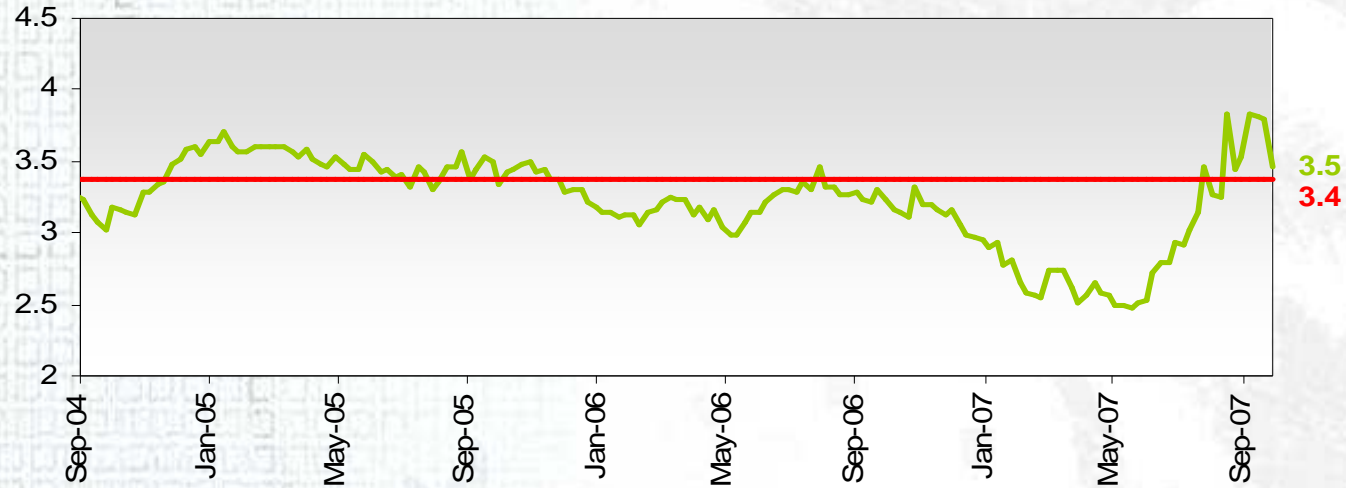
Source: Bloomberg



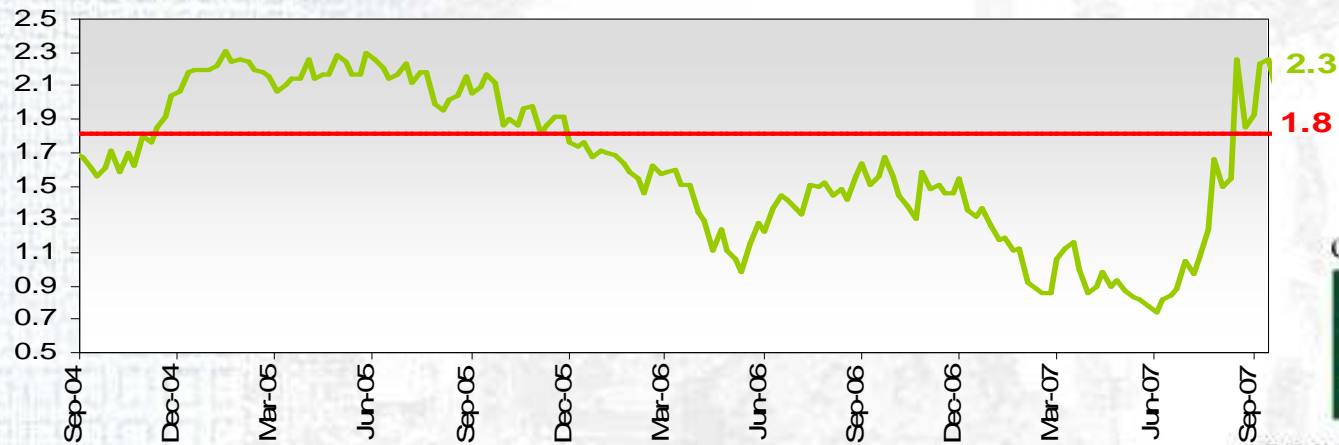
TSE Reit Index - Japan

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

DY Graph



DY - JP 10 Yr Bond



Source: Bloomberg



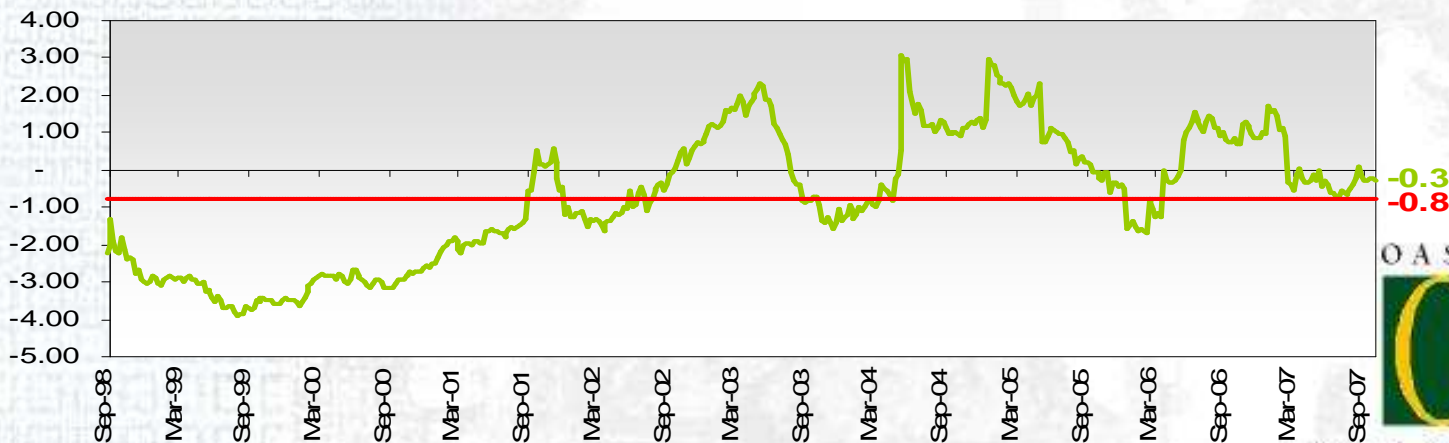
Singapore Property Equity Index

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

DY Graph



DY - Singapore 10 Yr Bond



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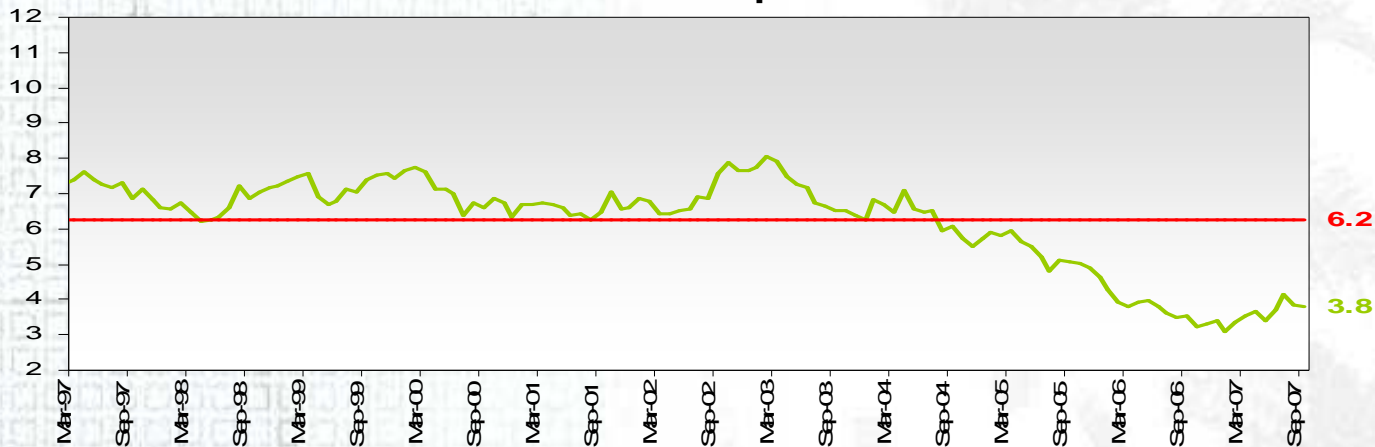
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Source: Bloomberg

S&P Reit Index – USA

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

DY Graph



6.2

3.8

DY - US 10 Yr Bond



1.2

(0.8)



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Source: Bloomberg

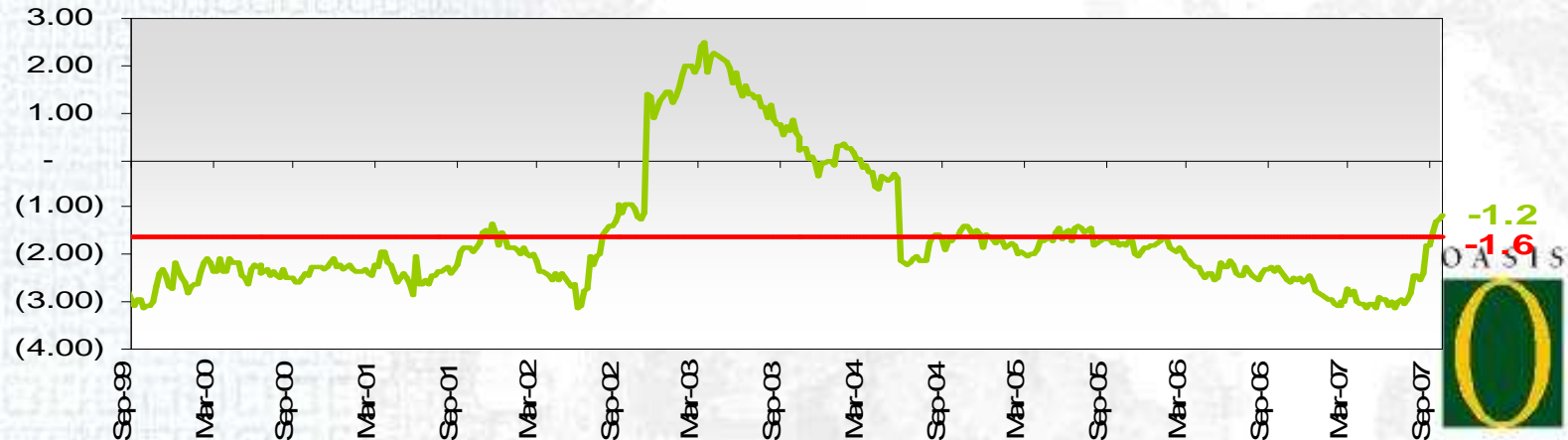
FTSE / ASX Real Estate Index - UK

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

DY Graph

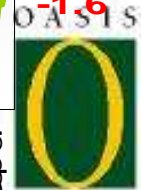


DY - UK 10 Yr Bond



Source: Bloomberg

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REITS – Sectoral Split

S U P E R I O R R E T U R N S A T L O W E R T H A N M A R K E T R I S K

<u>Type of Listed REITS</u>	<u>Market Cap \$ billion</u>	<u>% of Market Cap</u>
Diversified	275	39
Retail	117	17
Office	98	14
Apartments	71	10
Warehouse / Industrial	67	10
Hotels	31	4
Healthcare	30	4
Mortgages	15	2
Total	704	100

Source: Bloomberg

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CASE STUDY 1

Oasis Crescent

Global Property Equity Fund

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Oasis Crescent Global Property Equity Fund

S U P E R I O R R E T U R N S A T L O W E R T H A N M A R K E T R I S K

- * **Structure** – Open ended investment company **regulated** by the Undertaking of Collective Investments in Transferable Securities (UCITS) and **listed** on the Irish Stock Exchange
- * **Objective** - The investment objective of the Oasis Crescent Global Property Equity Fund is to provide **income** and to achieve medium to long term **growth of capital** from high-quality property and property related listed companies globally
- * **Long term investment** – The fund is a **long term** investment product, providing a competitive income yield in US Dollars
- * **Significantly diversified** – In terms of geographical diversification and through the holding of different property types
- * **Accolades** **Best New Fund** – Failaka 2007



Oasis Crescent Global Property Equity Fund – Sectoral Split

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

<u>Type of Listed REITS</u>	<u>% CGPEF</u>	<u>% World REITS</u>
Warehouse / Industrial	31	10
Office	18	14
Healthcare	18	4
Diversified	14	39
Retail	13	17
Apartments	6	10
Hotels	0	4
Mortgages	0	2
Total	100	100

31 Oct 2007

Please refer to the Legal Disclaimer

Source: Oasis, Bloomberg



Oasis Crescent Global Property Equity Fund– Regional Split– Look Through (excl. cash)

S U P E R I O R R E T U R N S A T L O W E R T H A N M A R K E T R I S K

<u>Type of Listed REITS</u>	<u>% CGPEF</u>	<u>% World REITS</u>
Asia	34	10
Europe	26	23
US	19	46
Australia	9	15
Other	12	6
Total	100	100

31 Oct 2007

Please refer to the Legal Disclaimer

Source: Oasis, Bloomberg



Crescent Global Property Equity Fund – Higher yield at lower volatility

S U P E R I O R R E T U R N S A T L O W E R T H A N M A R K E T R I S K

Oasis Crescent Global Property Equity Fund

- **Weighted income yield of 7.1%**
- **Weighted average global bond yield 4.3%**
- **Weighted average global inflation 2.0%**
- **Earnings growth 7.3%**
- **P/NAV of 0.95**
- ✓ **Income portion driving greater proportion of total return**
- ✓ **Income portion more sustainable**
- ✓ **Lower volatility**

Other Global REITS

- ✗ **Capital appreciation biggest driver of total rate of return**
- ✗ **Capital portion more volatile**
- ✗ **High debt levels = high sensitivity to interest rate cycle**



Oasis Crescent Global Property Equity Fund

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

	2006 Q4	2007 Q1	2007 Q2	2007 Q3	YTD 2007 (Sept)	Since Inception Cumulative
Crescent Global Property Equity Fund	4.4	5.9	0.3	4.2	10.6	15.6
OECD Inflation	0.5	0.5	0.6	0.5	1.6	2.1
DJ REIT Index	10.6	5.4	(8.1)	0.5	(2.7)	7.9

****Fund Target: OECD Inflation + 4%**

Source: S&P Micropal & Bloomberg, Sept 2006 to Sept 2007



Please refer to the Legal Disclaimer

CASE STUDY II

Oasis Crescent Property Fund

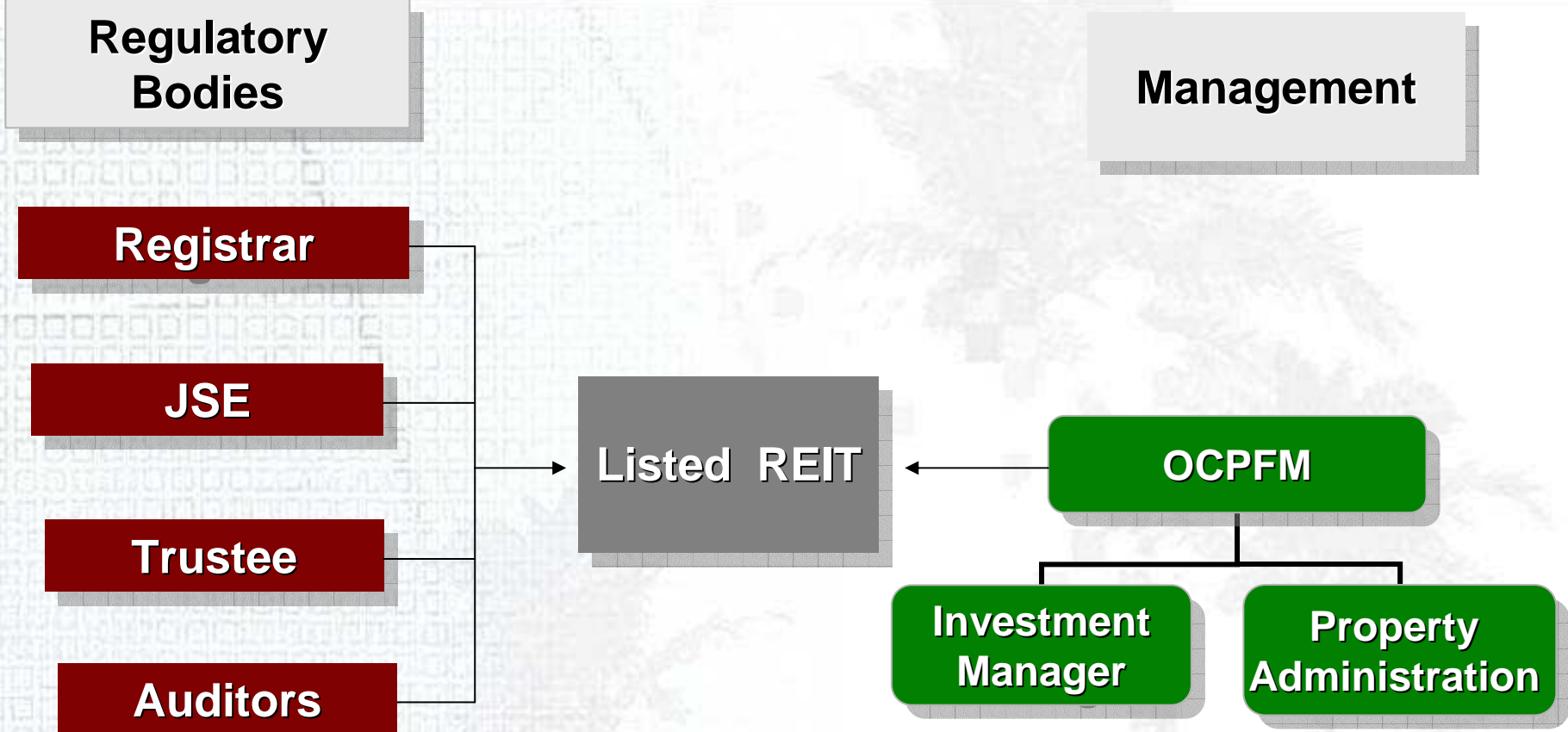
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Structure

SUPERIOR RETURNS AT LOWER THAN MARKET RISK



Tenant Profile

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

Tenant profile	%
Large nationals, large listed Cos, large franchisees, multi-nationals and government	73
Nationals, listed Cos, franchisees and medium to large professional firms	15
Other	12
Total	100



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Oasis Crescent Property Fund

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

Oasis Crescent Property Fund

- 1 yr forward income yield of 9.0%
- Bond yield 8.0%
- Inflation 6.4%
- Earnings growth 8%
- P/NAV of 1.03
- ✓ Income portion driving greater proportion of total return
- ✓ High quality long term leases = certainty of cash flows
- ✓ Lower volatility

Other South African REITS

- ✗ 1 yr forward income yield of 7.2%
- ✗ Earnings growth driven by acquisitions
- ✗ High debt levels = high sensitivity to interest rate cycle



Performance

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

Returns in ZAR	Sep 2007 (%)	Mar 2007 (%)	Mar 2006 (%)
Income return	* 4.5	7.5	15.1
Capital return	2.9	4.3	2.0
Fund performance for the Oasis Crescent Property Fund	7.4	11.8	17.1
Inflation	3.2	4.8	1.4
Real Return	4.2	7.0	15.7

** Estimate*



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CASE STUDY III

Liberty International Plc

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Liberty International Plc

S U P E R I O R R E T U R N S A T L O W E R T H A N M A R K E T R I S K

- In the top 20 global REITS
- £8.2 billion investment properties (30 June 2007)
- Market leadership – owns 8 out of the Top 20 UK regional shopping centres
- Income stability – 81% of rental maturing > 5 years time



Why converted to a REIT

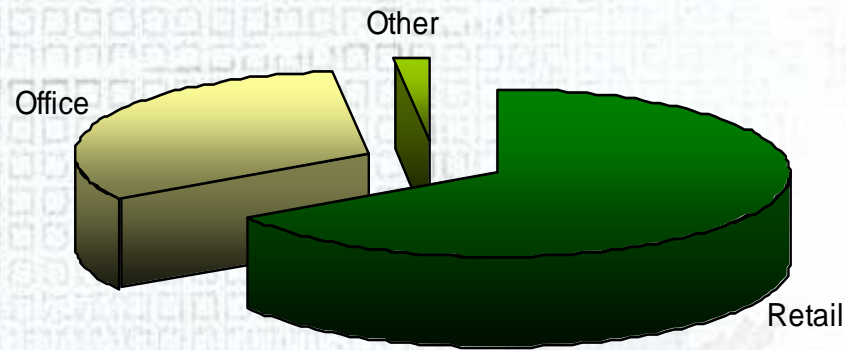
SUPERIOR RETURNS AT LOWER THAN MARKET RISK

- A globally recognized structure – attracts additional investors
- Greater flexibility in asset management – capital gains tax
- Tax transparency for shareholders

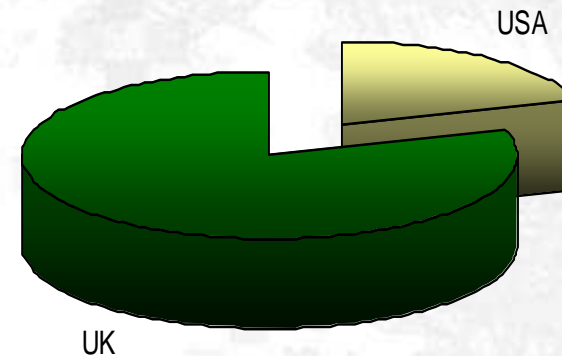
Portfolio

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

Sectoral Split



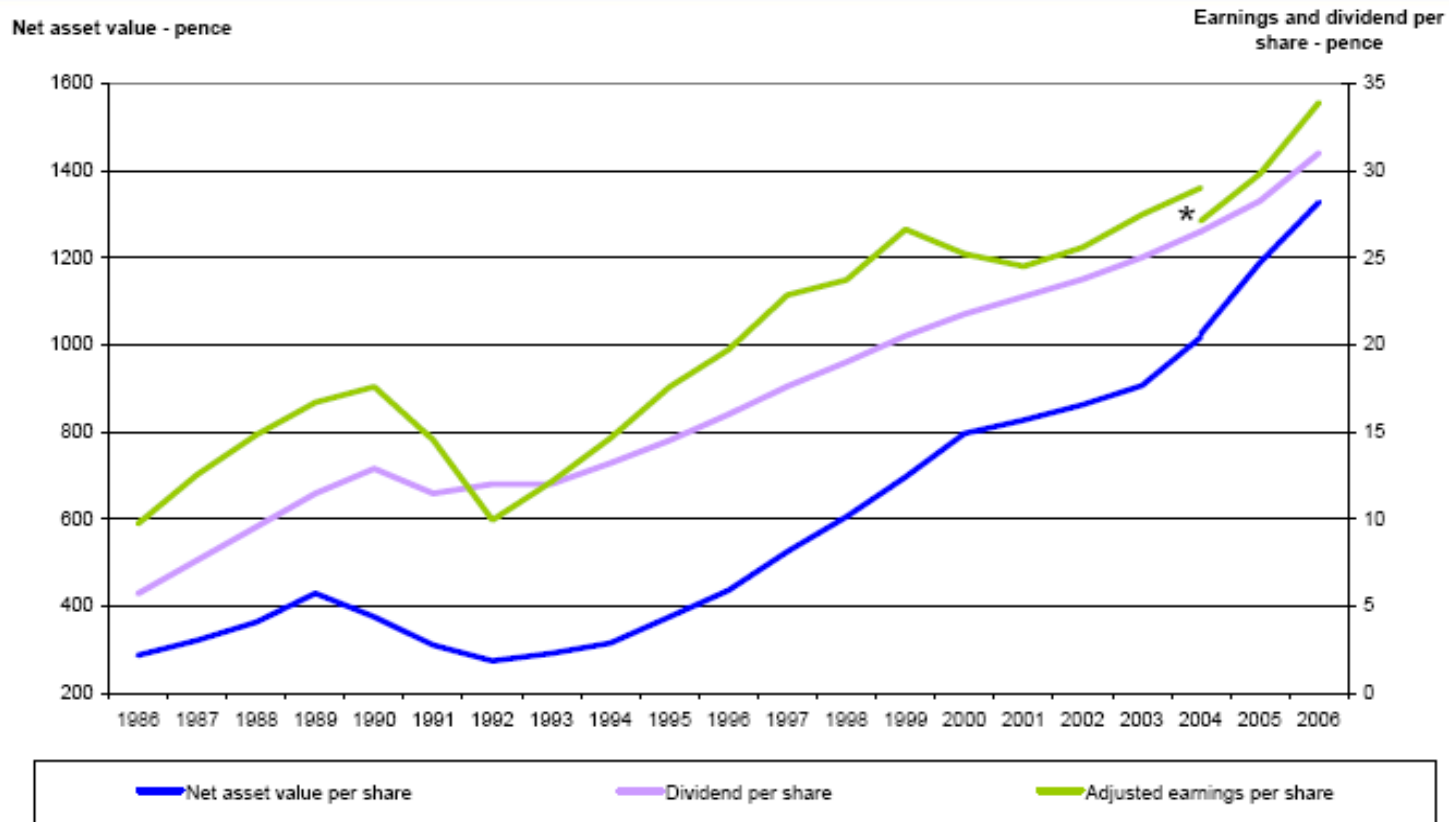
Geographical Split



- Central London focus
- Creative deployment of capital
- Sustainable core operating skills

Valuations

SUPERIOR RETURNS AT LOWER THAN MARKET RISK



* Introduction of IFRS

Delivering outstanding long-term returns through capital and income growth

Source: Liberty International - June 2007



Conclusion

S U P E R I O R R E T U R N S A T L O W E R T H A N M A R K E T R I S K

REIT structure

- A globally recognized structure
- Meets all the fundamental requirements for Shari'ah compliant investment structure
- Highly regulated, transparent and liquid
- Flexibility in asset management
- Tax transparency and low cost of entry for investors
- Delivers sustainable long-term returns through capital and income growth

BUT currently Regulators do not recognise requirements for:

- Cleansing of non-permissible income
- Investment of distributable income in Shari'ah compliant income products
- Funding of properties – Issue of Sukuk by the REIT or mutual fund

We need collective effort of all institutions to work with our Islamic Regulators to ensure that the REIT and mutual fund regulatory framework recognise the requirements of Shari'ah compliant savings vehicles.

Constantly Striving for Excellence...

SUPERIOR RETURNS AT LOWER THAN MARKET RISK

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*Oasis/Crescent -
premium brands
delivering excellence
to a discerning
investor*

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