

December-2019

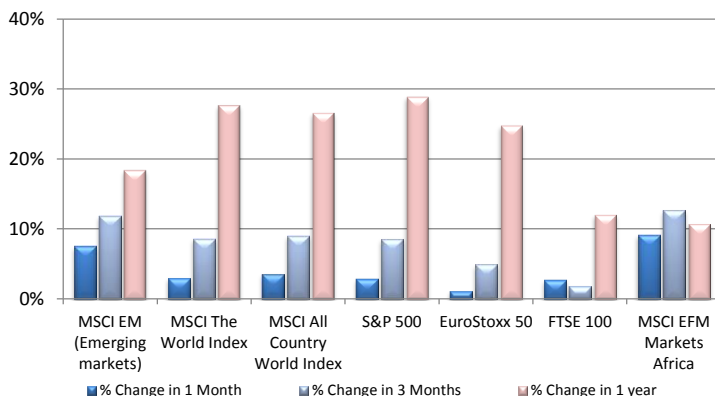
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Foreign Equity Indices

31/12/2019	Current Value (USD)	% Change in				
		Last Month	Last 3 Months	Last 12 Months	Last 3 Years *	Last 5 Years *
MSCI EM (Emerging markets)	527.56	7.5%	11.8%	18.4%	11.6%	5.6%
MSCI The World Index	6,909.66	3.0%	8.6%	27.7%	12.6%	8.7%
MSCI All Country World Index	282.31	3.5%	9.0%	26.6%	12.4%	8.4%
S&P 500	3,230.78	2.9%	8.5%	28.9%	13.0%	9.4%
EuroStoxx 50	3,745.15	1.1%	4.9%	24.8%	4.4%	3.5%
FTSE 100	7,542.44	2.7%	1.8%	12.1%	1.8%	2.8%
MSCI EFM Markets Africa	1,146.21	9.1%	12.6%	10.8%	4.5%	-0.3%

* annualised

Performance



All the major foreign equity indices registered positive returns during the month under review.

The **MSCI World** gained 3.0% during December; followed by the **MSCI ACWI** which returned +3.5%. The **MSCI Emerging Markets** picked up significantly and returned +7.5% over the month under review.

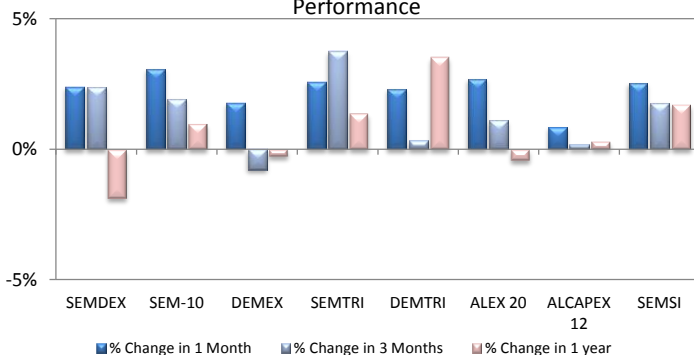
It was another exciting year for investors in 2019 amidst a stock market rally that saw the **S&P 500 surge 29%**, for the biggest annual gain since 2013. Over the year, global stock markets overcame US-China trade tensions and Brexit uncertainty to post healthy gains in 2019. Easing trade tensions with China, a shift in monetary policy in the US, and improving economic outlook all renewed investors' faith. Meanwhile bond and commodity prices also rose.

European stock markets were boosted by improving growth outlook for its major economies. The **EuroStoxx 50** returned nearly +25% in 2019. **FTSE 100** also gained 12.1% during the year, marking its best performance in the last three years (Source: The Guardian).

Local Equity Indices

31/12/2019	Current Value (MUR)	% Change in				
		Last Month	Last 3 Months	Last 12 Months	Last 3 Years *	Last 5 Years *
SEMDEX	2,177.09	2.4%	2.4%	-1.9%	6.4%	1.0%
SEM-10	429.86	3.1%	1.9%	1.0%	7.6%	2.2%
DEMEX	234.80	1.8%	-0.8%	-0.3%	4.9%	2.8%
SEMTRI	8,309.75	2.6%	3.7%	1.4%	9.6%	4.1%
DEMTRI	339.60	2.3%	0.3%	3.5%	8.5%	6.2%
ALEX 20	1,118.18	2.7%	1.1%	-0.4%	6.7%	1.7%
ALCAPEX 12	1,561.71	0.8%	0.2%	0.3%	5.3%	2.3%
SEMSI	124.30	2.5%	1.8%	1.7%	NA	NA

Performance



On the domestic side, the **local equity markets all registered positive returns** during December.

The **SEMTRI** rose by 2.6%, closely followed by the **SEMDEX** which gained 2.4% over the month.

It should be noted that the **SEMDEX** lost nearly 2% over the past 12 months while the **SEMTRI** returned +1.4%. **SEMTRI** reached an **all-time high** of 8309 at market close on 27th December 2019. This was driven by a higher dividend payout of Rs 8.4 billion in 2019 against Rs 7.7 billion in 2018 (Source: Stock Exchange of Mauritius).

Over the last 12 months, the **DEMEX** fell by 0.3% whereas the **DEMTRI** achieved the highest return (3.5%) among the local indices in 2019.

At end-December 2019, the Price Earnings Ratio for the Official Market stood at 13.5 whereas the dividend yield amounted to 4.35% (Source: Stock Exchange of Mauritius).

Commodities 31/12/2019	% Change in					
	Current Value (USD)	Last Month	Last 3 Months	Last 12 Months	Last 3 Years *	Last 5 Years *
Gold	1,523.10	3.4%	2.9%	18.9%	9.8%	5.2%
Oil	66.00	5.7%	11.1%	22.7%	5.1%	2.9%
Sugar	13.42	3.7%	12.6%	11.6%	-11.7%	-1.6%

Gold price gained 3.4% over the last month, supported by lower US bond yields, persistent geopolitical risks, and ongoing economic uncertainty (Source: Market Watch). Over the year, gold price rose by around 19%. This was mainly driven by a tariff war between the world's two largest economies and quantitative easing by major central banks around the world.

Brent crude oil price surged by 5.7% over December. Over the past year, major oil producer made massive cuts in supply. As a result, oil prices went up by 22.7%, marking the biggest annual gain since 2016 (Source: Reuters).

The **sugar price** rose by 3.7% during December. Over the past 12 months, sugar price went up by around 12%.

31/12/2019	Weighted Average:	T-Bill Yield
91-Day		2.97%
182-Day		3.03%
364-Day		3.21%
31/12/2019		
Repo Rate		3.35%
Deposit Rate *		1.61%

*Weighted Average Deposit Rate of Banks for the previous month

Foreign Indices 31/12/2019	Current Value (USD)	Last Month	Last 3 Months	Last 12 Months
S&P Global Property	543.99	1.7%	3.4%	23.0%
S&P Listed Private Equity	371.33	3.3%	9.4%	46.6%
S&P Global Infrastructure	5,783.22	4.3%	5.1%	22.0%
S&P Africa Sovereign Bond	807.65	1.6%	3.3%	14.4%
S&P 500 Bond Index	489.87	0.2%	1.1%	13.6%
S&P International CBI	136.43	2.1%	3.8%	9.9%
Barclays Global Aggregate Bond	511.67	0.6%	0.5%	6.8%

Currencies 31/12/2019	In MUR		% Change in			
	Current Value	Past Month	Last Month	Last 3 Months	Last 12 Months	Last 3 Years *
GBP	47.48	47.06	0.9%	6.5%	9.6%	2.4%
USD	36.38	36.63	-0.7%	-0.2%	6.0%	0.2%
EUR	40.53	40.12	1.0%	2.2%	3.8%	2.2%

During the month under review, the **pound** appreciated by 0.9% relative to the MUR, post the victory of Boris Johnson in the UK elections.

The **US Dollar** weakened by 0.7% relative to the local currency. Investors' confidence was hampered following considerable confusion remains about the details of the US-China trade agreement and poor outlook for global growth.

The **Euro** gained 1.0% relative to the MUR, supported by positive economic outlook for European economies in the upcoming year.

Over the last year, all three currencies appreciated against the local currency. The star performer is the GBP which went up by nearly 10% against the Mauritian Rupee.

Shareholder Activism



Shareholder Activism is a form of **protest** where a shareholder or group of shareholders of a corporation **attempt to use their equity stake in a company to achieve certain goals**. The main agenda of activist shareholders is to bring certain changes in the company by engaging in conversations with management and meeting the board directly.

However, if a consensus is not reached, the activists often make their demands public through open letters, shareholder proposals or by exercising their voting rights in proxy contests.

The most common changes required by shareholder activists span a vast range such as governance, auditing, Environment, Social and Governance (ESG) concerns, profit distribution, internal culture and business model of a company.

Shareholder Activism can also result in a form of 'Coup d'État' within a company where the current board of directors are replaced or even a litigation against the company's board/management.

While a large equity stake provides the opportunity to exert a stronger influence on the company's operations, **shareholder activism can also be achieved with a small stake**. Shareholder activists can group together and influence other shareholders to join their ranks. Shareholder activism campaign can be launched by any shareholder such as pension funds, hedge funds, founders, high net worth clients and individuals.

As a result, whether small or large, underperforming or a blue chip market leader, **no firm can fully immunize itself from shareholder activism**.

Latest Trends

Although the activist agenda may sound appealing to ordinary shareholders, according to a report published on Forbes in 2018, **actual research on companies targeted by shareholder activism has not managed to confirm that there is a positive effect on long-term firm value**. Generally, while markets react positively to activist involvement around the globe, critics of the movement raise concerns about the one sided interest of activist initiatives or their hidden agenda.

According to an article published by Activist Insight (2018), latest trends show that **shareholder activism is on the rise and investors should exercise caution during those campaigns**. Worldwide, the number of companies receiving proposals from activists has steadily increased, growing at around 11% for the last four years. In 2017 only, 805 companies were targeted by shareholder activism campaigns across the world. The pool of funds deployed in campaigns of shareholder activism is expanding reaching over USD 200 billion in 2016, up from just USD 47 billion in 2010.

Minority shareholders must carefully examine the value enhancement potential of a firm targeted by activists. As with any mechanism of corporate governance, shareholder activism is not flawless. Nevertheless, when used appropriately in the right situation, it can have a significant positive impact.

Consumer Price Index (Mauritius)	% Change in				
	Current Value	Last Month	Last 3 Months	Last 12 Months	Last 3 Years (Annualised)
31/12/2019	117.04	0.2%	0.0%	0.9%	2.3%

The above figures represent the CPI as at December 2019. The year-on-year inflation rate for December 2019, as measured by the change in the CPI for December 2019 relative to December 2018 works out to 0.9%. (Source: Statistics Mauritius Website)

General News

UK election

British Prime Minister Boris Johnson won a crushing election victory in the election of 12th December. The pound sterling rose sharply following the Conservative Party's election triumph. The FTSE 250 index, which contains medium-sized UK-focused companies, surged and attained an all-time high.

Saudi Aramco becomes world's largest listed company

On 11th December, Saudi Aramco became the world's largest listed company, as shares in the Saudi Arabia state-backed oil producer rose by 10% on its stock market debut in Riyadh. This gave it a valuation of \$1.88 trillion. It is to be noted that the free float, or the proportion of shares owned by public investors which can change hands, is only 1.5%. However, Aramco has fallen by -6.7% since its listing with rising tensions in the Middle East.

US Fed Rates

The Federal Reserve left its benchmark interest rate on hold and suggested that it would stay on hold throughout next year, believing that the risks to the economy have moderated.

Hong Kong protests

Anti-government protests have been going on for months in Hong Kong. Hong Kong's protests started in June against plans to allow extradition to mainland China. Critics feared this could undermine judicial independence of the country.

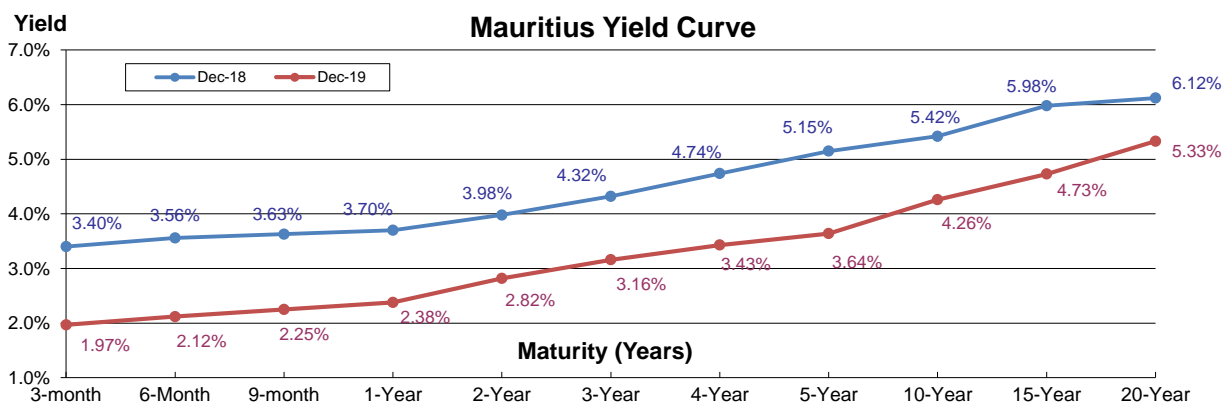
Until 1997, Hong Kong was ruled by Britain as a colony but then returned to China. Under the "one country, two systems" arrangement, Hong Kong still has some autonomy. This arrangement was withdrawn in September but demonstrations continue and now demand full democracy and an inquiry into police actions. Clashes between police and activists have become increasingly violent, with police firing live bullets and protesters attacking officers and throwing petrol bombs. (Source: BBC)

Emerging market equities underperformed developed market equities in the past decade.

Despite a strong start to this decade in 2010, emerging market stocks were weighed down by events such as sell-off of the Chinese market, debt crises in Turkey and Argentina and the US-China trade war. (Source: Reuters)

Hedge fund returns

Hedge funds on average gained 8.6% in 2019, according to the HFRX Global Hedge Fund Index, compared to a 29% rise for the S&P 500. (Source: Bloomberg)



Aon Hewitt has developed an in-house Yield Curve based on average buy-and-sell yields for Government of Mauritius instruments. Key information is obtained from primary dealers. **We note that over the year, yields on treasury instruments of all maturities have fallen significantly.** Yield on a 5-year government bond stood at 3.64% as at end-December 2019 (compared to 5.15% as at end-December 2018).

Yield on the 28-day government bills stood at 2.20% as at end-December 2019, falling by 0.14% over the month.

Disclaimer: Nothing in this document should be considered as being financial advice. Our investment consultants will be pleased to answer questions on its contents but cannot give individual financial advice.

* All performance figures in this document have been annualised for 3 and 5 years.

Source: Stock Exchange of Mauritius, Bank of Mauritius, Statistics Mauritius, Axys Stockbrokers, MSCI, Bloomberg, etc.