

January-2020

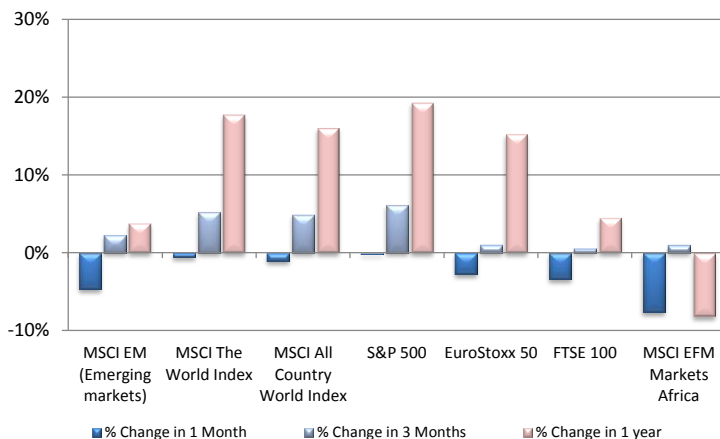
For further enquiries, please contact the Investment Consulting Team on investment@aonhewitt.mu

Foreign Equity Indices

31/01/2020	Current Value (USD)	% Change in				
		Last Month	Last 3 Months	Last 12 Months	Last 3 Years *	Last 5 Years *
MSCI EM (Emerging markets)	502.96	-4.7%	2.3%	3.8%	7.9%	4.5%
MSCI The World Index	6,867.60	-0.6%	5.2%	17.7%	11.5%	9.0%
MSCI All Country World Index	279.20	-1.1%	4.9%	16.0%	11.0%	8.5%
S&P 500	3,225.52	-0.2%	6.2%	19.3%	12.3%	10.1%
EuroStoxx 50	3,640.91	-2.8%	1.0%	15.2%	4.1%	1.7%
FTSE 100	7,286.01	-3.4%	0.5%	4.6%	0.9%	1.5%
MSCI EFM Markets Africa	1,058.44	-7.7%	0.9%	-8.2%	0.9%	-2.6%

* annualised

Performance



All the major foreign equity indices dipped and closed the month in red.

The **MSCI World** and the **MSCI All Country World Index** shed 0.6% and 1.1%, respectively during the month under review. Meanwhile, the **MSCI Emerging Markets** lost 4.7% in January.

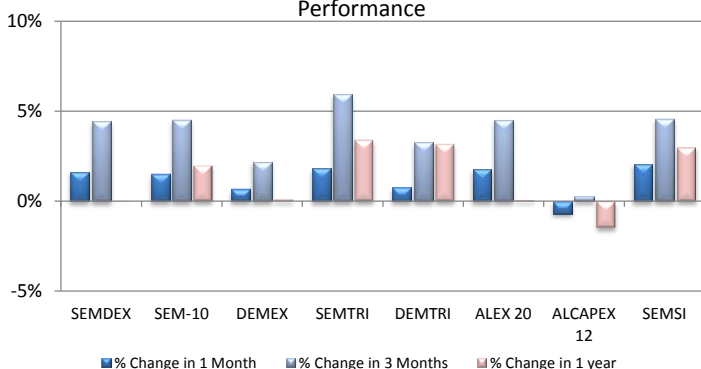
Stock markets across the globe sold off on concerns about the potential economic impact of the outbreak of the Coronavirus. The World Health Organization declared the outbreak as a global emergency. Investors fear that the virus outbreak will dent global growth. The spreading coronavirus has brought China to a standstill. With curbing international travel and businesses shutting down across China, the production lines of major international brands have been severely impacted (Source: Market Watch)

The **S&P 500** fell by 0.2% in January. Technology companies, which do a lot of business with China, led the losses. Airlines also fell after Delta and American suspended flights to and from the country. The **EuroStoxx 50** and the **FTSE 100** dropped sharply by 5.8% and 3.4%, respectively after people were tested positive for coronavirus in Europe.

Local Equity Indices

31/01/2020	Current Value (MUR)	% Change in				
		Last Month	Last 3 Months	Last 12 Months	Last 3 Years *	Last 5 Years *
SEMDEX	2,212.59	1.6%	4.4%	0.0%	5.6%	1.8%
SEM-10	436.44	1.5%	4.5%	2.0%	6.7%	3.0%
DEMEX	236.37	0.7%	2.2%	0.1%	5.0%	3.4%
SEMTRI	8,461.31	1.8%	6.0%	3.4%	8.8%	5.0%
DEMTRI	342.22	0.8%	3.3%	3.2%	8.6%	6.7%
ALEX 20	1,138.00	1.8%	4.5%	0.1%	5.9%	2.7%
ALCAPEX 12	1,551.00	-0.7%	0.3%	-1.5%	3.8%	3.0%
SEMSI	126.87	2.1%	4.6%	3.0%	7.0%	N/A

Performance



On the domestic side, the local equity markets indices, except the ALCAPEX 12 registered positive returns during the first month of 2020.

SEMTRI, SEMDEX and **SEM-10** gained 1.8%, 1.6% and 1.5%, respectively. **SEMSI** was however, the best performer with a monthly return of 2.1%.

DEMEX and **DEMTRI** went up by 0.7% and 0.8%, respectively.

The constituents of the SEM-10 for the first quarter starting 08 January 2020 are as follows: MCB Group, SBM Holdings, Grit Real Estate, ENL Ltd, Rogers & Company Ltd, CIEL Ltd, Phoenix Beverages, NMH and Lux Island Resorts.

The next Monetary Policy Committee is scheduled on 26th February.

Commodities 31/01/2020	% Change in					
	Current Value (USD)	Last Month	Last 3 Months	Last 12 Months	Last 3 Years *	Last 5 Years *
Gold	1,582.90	3.9%	4.0%	19.4%	9.4%	4.4%
Oil	58.16	-11.9%	-3.4%	-6.0%	1.5%	1.9%
Sugar	14.61	8.9%	17.1%	14.8%	-10.6%	-0.3%

Gold price rose by 3.9% over the month. Investors have been moving seeking out gold for safe-haven protection on concerns of the spread of the coronavirus and global economic slowdown. (Source: Economic Times)

Brent crude oil price fell sharply by around 12% over the month. Oil price was dragged down amid fears of lower demand in China, the world's largest oil importer, following the coronavirus outbreak. (Source: Economic Times)

The **sugar price** rose by 8.9% during January.

31/01/2020	Weighted Average:	T-Bill Yield
91-Day		2.33%
182-Day		2.50%
364-Day		2.65%
31/01/2020		
Repo Rate		3.35%
Deposit Rate *		1.57%

*Weighted Average Deposit Rate of Banks for the previous month

Foreign Indices 31/01/2020	Current Value (USD)	Last Month	Last 3 Months	Last 12 Months
S&P Global Property	541.89	-0.4%	0.3%	10.8%
S&P Listed Private Equity	380.72	2.5%	9.9%	34.7%
S&P Global Infrastructure	5,876.96	1.6%	5.2%	13.9%
S&P Africa Sovereign Bond	818.00	1.3%	3.7%	13.3%
S&P 500 Bond Index	502.06	2.5%	3.0%	14.1%
S&P International CBI	137.76	1.0%	2.0%	7.1%
Barclays Global Aggregate Bond	518.20	1.3%	1.1%	6.6%

Currencies 31/01/2020	In MUR		% Change in			
	Current Value	Past Month	Last Month	Last 3 Months	Last 12 Months	Last 3 Years *
GBP	47.91	47.48	0.9%	2.7%	7.3%	2.4%
USD	36.79	36.38	1.1%	1.5%	7.6%	0.9%
EUR	40.32	40.53	-0.5%	0.1%	3.1%	1.8%

We note that the **Pound** appreciated by 0.9% against our local currency. The **US Dollar** gained 1.1% whereas the **Euro** weakened by 0.5% against the Mauritian Rupee.

Article: Sustainability Indices



During the recent years, markets across the globe, including Mauritius have been raising awareness around sustainability of businesses. Institutional investors are increasingly applying non-financial factors such as environmental, social and governance (ESG) considerations while analysing their investment-related choices.

Sustainability reporting or ESG metrics are not compulsory in financial reporting. Numerous institutions, such as the Sustainable Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) have developed standards to facilitate incorporation of these factors into the investment process.

The S&P 500 ESG Index

Launched in January 2019, the S&P 500 ESG Index measures the performance of S&P 500 stocks meeting the sustainability criteria. As at 31 January 2020, the index comprised of 311 stocks. The index constituents are weighted by float-adjusted market capitalisation. The top 3 constituents by index weight are as follows: Microsoft Corp, Apple Inc. and Amazon.com Inc.

As at 31 January 2020, the S&P 500 ESG Index returned +24% annualised (net) over 1-year. On the longer-term, the index returned 15% and 12% (net annualised returns) over the past 3-year and 5-year period, respectively. Note that the S&P 500 returned +12% and +10% annualised over the 3-year and 5-year period, respectively. As can be seen, **the S&P 500 ESG outperformed the S&P 500 during these periods.**

Going forward, we will add the S&P 500 ESG Index to our monthly Dashboard.

The SEM Sustainability Index (SEMSI)

The SEMSI was launched in September 2015 by the Stock Exchange of Mauritius (SEM). The index tracks the price movements of SEM and DEM companies with strong sustainability practices, good governance and transparent business practices.

SEMSI takes into account four pillars of sustainability (economic, environmental, social and corporate governance); and combines all listed companies that are actively engaged in sustainability initiatives. The companies are screened through a set of established international and local environmental, social and governance (ESG) guidelines such as the GRI.

It is a tool for local and foreign investors to evaluate responsible investment in the Mauritian market. Investors are thus, better informed about their investment choices, creating value for both investors and the companies. The sustainability index provides incentive for higher quality reporting and disclosure.

The SEMSI currently consists of 15 stocks listed on the SEM and DEM markets. As at end-January 2020, the index was concentrated in three stocks namely; MCB Group Ltd (42%), IBL Ltd (19%) and SBM Holdings Ltd (10%). Since its inception, SEMSI returned +28%. The index returned +3% and +7% over the past 1-year and 3-year period, respectively. The SEMDEX remained flat over the past 1-year and returned +6% over the past 3-year period. We note that the SEMSI outperformed the SEMDEX during the periods.

Consumer Price Index (Mauritius)	% Change in				
	Current Value	Last Month	Last 3 Months	Last 12 Months	Last 3 Years (Annualised)
31/01/2020	119.98	2.5%	3.0%	2.0%	2.9%
CPI					

The above figures represent the CPI as at January 2020. The year-on-year inflation rate for January 2020, as measured by the change in the CPI for January 2020 relative to January 2019 works out to 2.0% (Source: Statistics Mauritius Website)

General News

Brexit

Britain officially left the European Union after 47 years of membership and more than three years after the referendum result. The UK is aiming to sign a permanent free trade agreement with Europe.

Forecast for Economic Growth in 2020

The International Monetary Fund trimmed its forecast for global growth in 2020 to 3.3%, welcoming both the easing of the trade war between China and the United States as well as Brexit. China's economy grew by 6.1% in 2019, the slowest pace since 1990. The IMF believes growth will be slower in the upcoming years. Concerns about the outbreak of a serious virus in China also weighed on investor sentiment in the region.

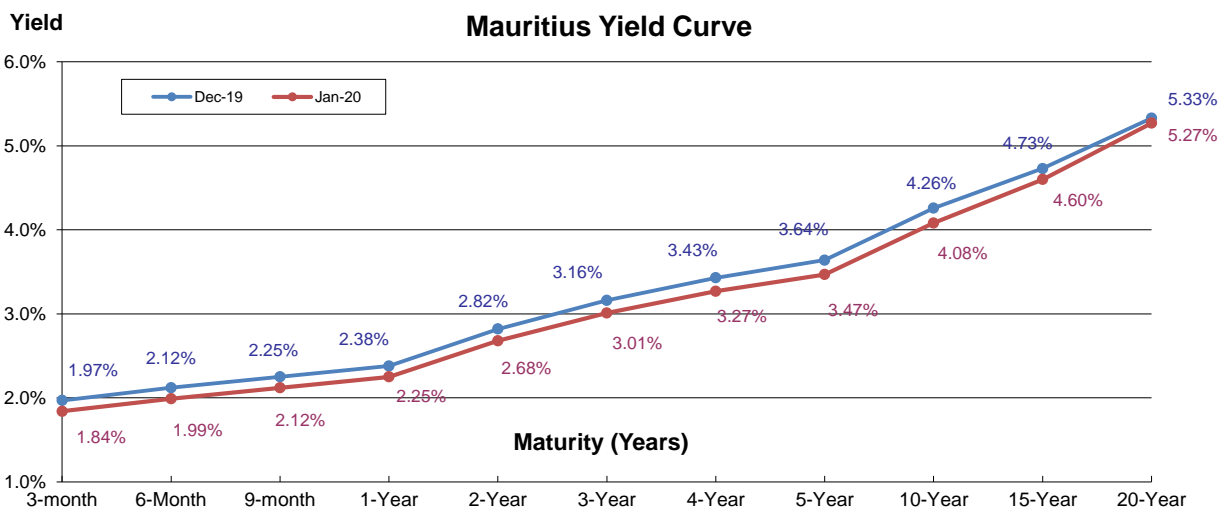
Outbreak of Coronavirus declared as a global emergency by The World Health Organization

The death toll from the disease spikes to over 1,350, with over 45,000 confirmed cases around the world (as at 13 February). The virus has since spread to more than 24 countries, despite many governments imposing unprecedented travel bans on people coming from China. Cities in China have been placed under lockdown as people have been ordered to stay indoors in a worrying signal about the virus already spreading in significant numbers.

Capital Economics estimates that the coronavirus will cost the world economy USD 280bln in the first quarter of 2020 and send global GDP in reverse (quarter over quarter) for the first time since 2009. However, some analysts believe that the damage could be short-lived and the lost output will be recovered once the virus is contained. The People's Bank of China is taking actions to help the economy is busy. It has injected 1.7 trillion Chinese Yuan of liquidity into the market. Furthermore, banks have been instructed not to call in loans for companies based in the virus-stricken Hubei province.

US Elections

Amid an impeachment trial and escalating tensions between the United States and other countries, including China and the Middle East, the US presidential election campaign has officially begun on 3rd February. In the coming months, each state government or party will hold either an election or a caucus to determine who will represent the major parties in the upcoming presidential election.



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 month, yields on treasury instruments of all maturities have fallen slightly. Yield on a 1-year government bond stood at 2.25% as at end-December 2019, falling by 0.13% over the month.

At end-January, yield on the 28-day treasury bills stood at 1.67%, compared to 2.20% at end-December 2019.

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.