

September-2019

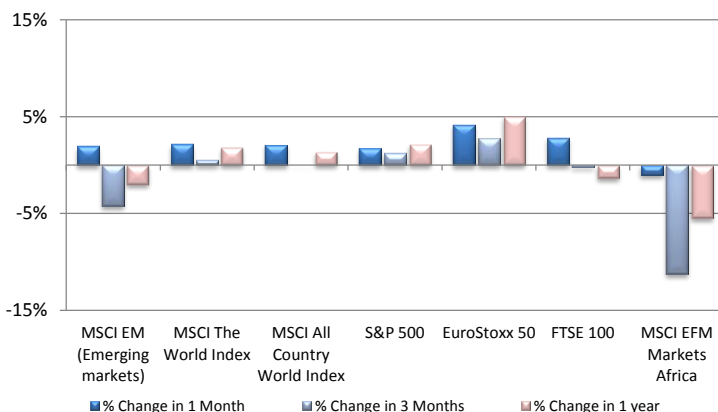
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**Foreign Equity Indices**

30/09/2019	Current Value (USD)	% Change in				
		Last Month	Last 3 Months	Last 12 Months	Last 3 Years *	Last 5 Years *
MSCI EM (Emerging markets)	471.72	1.9%	-4.2%	-2.0%	6.0%	2.3%
MSCI The World Index	6,364.93	2.1%	0.5%	1.8%	10.2%	7.2%
MSCI All Country World Index	259.12	2.1%	0.0%	1.4%	9.7%	6.7%
S&P 500	2,976.73	1.7%	1.2%	2.2%	11.1%	8.6%
EuroStoxx 50	3,569.45	4.2%	2.8%	5.0%	5.9%	2.0%
FTSE 100	7,408.21	2.8%	-0.2%	-1.4%	2.4%	2.3%
MSCI EFM Markets Africa	1,017.98	-1.1%	-11.3%	-5.5%	-1.0%	-2.6%

\* annualised

**Performance**



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

The MSCI World and the MSCI ACWI both gained 2.1%; MSCI Emerging Markets return was slightly lower (1.9%).

Improving sentiment around the US-China trade benefitted the global stock markets this September. The Chinese government announced a list of exemptions to its tariffs on US goods in an apparent show of good-faith ahead of formal trade talks. It also removed quota constraints on foreign investments, as part of efforts to open its financial sector.

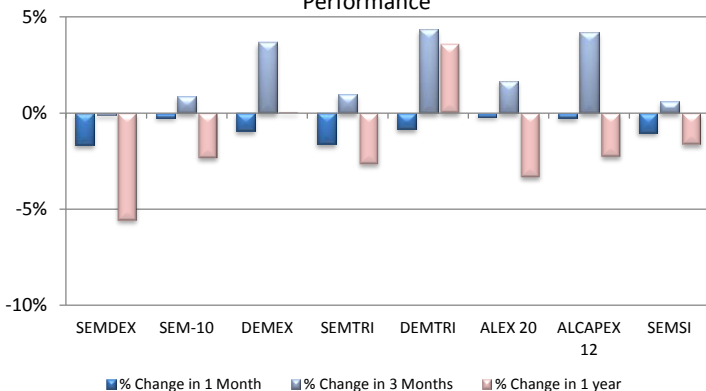
For its part, the US also postponed planned tariff increases on USD 250 billion of Chinese goods until 15th October. The S&P 500 gained 1.7% and was mainly boosted by gains from Apple.

The EuroStoxx 50 rose by 4.2% after the European Central Bank announced a new quantitative easing program. European shares were further boosted as cautious optimism returned to markets over the state of US-China trade relations. The FTSE 100 also gained 2.8% over the month.

**Local Equity Indices**

30/09/2019	Current Value (MUR)	% Change in				
		Last Month	Last 3 Months	Last 12 Months	Last 3 Years *	Last 5 Years *
SEMDEX	2,126.42	-1.6%	-0.1%	-5.6%	5.1%	-0.3%
SEM-10	421.70	-0.2%	0.9%	-2.3%	6.4%	0.6%
DEMEX	236.66	-0.9%	3.7%	0.1%	5.7%	3.2%
SEMTRI	8,010.03	-1.6%	1.0%	-2.6%	8.3%	2.8%
DEMTRI	338.43	-0.8%	4.4%	3.6%	9.3%	6.5%
ALEX 20	1,106.00	-0.2%	1.7%	-3.3%	6.1%	0.5%
ALCAPEX 12	1,559.00	-0.3%	4.2%	-2.3%	5.3%	1.0%
SEMSI	122.13	-1.0%	0.6%	-1.6%	NA	NA

**Performance**



On the domestic side, Local Equity Indices all lost ground and closed the month in red.

The SEMDEX and the SEMTRI both fell by 1.6% this September. The SEM-10 shed 0.2%.

Year-to-date, SEMDEX has lost 4.2% while the SEMTRI has shed 2.3%.

The DEM markets followed a similar trend with the DEMEX and the DEMTRI falling by 0.9% and 0.8%, respectively. On a year-to-date basis, DEMEX and DEMTRI have recorded positive returns of 0.52% and 3.16% respectively.

On 1st October, the Index Management Committee of the Stock Exchange of Mauritius met and selected the constituents of the SEM-10 Index for the fourth quarter starting 2nd October.

The constituents are MCB Group, IBL, SBM Holdings, Grit Real Estate, ENL Limited, Rogers & Company Ltd, CIEL Ltd, Phoenix Beverages, New Mauritius Hotels and Lux Island Resorts. The reserve list includes Sun Ltd, Alteo Ltd, Vivo Energy Ltd, Gamma Civic and CIM Financial Services Ltd. It is to be noted that Phoenix Beverages has replaced Afrexim Bank in the SEM-10.

Commodities 30/09/2019	% Change in					
	Current Value (USD)	Last Month	Last 3 Months	Last 12 Months	Last 3 Years *	Last 5 Years *
Gold	1,479.70	-3.2%	4.8%	24.2%	4.1%	4.1%
Oil	59.41	-1.7%	-10.7%	-28.2%	6.6%	-8.9%
Sugar	11.92	7.0%	-3.2%	14.4%	-19.1%	-6.3%

**Gold price** shed 3.2%, following the strengthening of the US Dollar and positive returns on stocks during this month under review. Over the past 12 months, the gold price has risen by 24.2%. Note that gold price is negatively correlated to the other assets.

**Brent crude oil price** further fell by 1.7% due to worries of oversupply. Saudi Aramco fully restored its production capacity that was lost to the attacks on Saudi oil facilities earlier in September (Source: Market Watch). Over the past 12 months, oil price lost 28.2%.

The **sugar price** rose by 7% this September. We note that the price has appreciated by nearly 15% over the past 12 months.

30/09/2019	Weighted Average:	T-Bill Yield
91-Day		2.40%
182-Day		2.68%
364-Day		2.78%
30/09/2019		
Repo Rate		3.35%
Deposit Rate *		1.63%

\*Weighted Average Deposit Rate of Banks for the previous month

Foreign Indices 30/09/2019	Current Value (USD)	Last Month	Last 3 Months	Last 12 Months
S&P Global Property	526.30	2.3%	3.5%	18.0%
S&P Listed Private Equity	339.32	3.0%	4.3%	10.5%
S&P Global Infrastructure	5,501.77	2.2%	0.6%	9.8%
S&P Africa Sovereign Bond	782.00	1.0%	2.5%	13.8%
S&P 500 Bond Index	484.74	-0.7%	3.0%	12.4%
S&P International CBI	131.38	-0.6%	-1.2%	3.2%
Barclays Global Aggregate Bond	509.20	-1.0%	0.7%	7.6%

Currencies 30/09/2019	In MUR		% Change in			
	Current Value	Past Month	Last Month	Last 3 Months	Last 12 Months	Last 3 Years *
GBP	44.58	43.81	1.8%	-1.2%	-0.4%	-1.1%
USD	36.45	36.16	0.8%	2.1%	6.0%	0.7%
EUR	39.65	39.72	-0.2%	-1.6%	-0.4%	-0.2%

The **Pound** appreciated by 1.8% against the MUR during the month.

The **Euro** lost 0.2% against the local currency after further downward revisions in growth forecasts in major European economies (Source: Reuters).

The **US Dollar** further appreciated by 0.8% against the local currency. The **US dollar Index** gained 0.47% in September. Note that the US dollar Index measures the value of the USD relative to a basket of top 6 currencies.

Based on our historical data, the USD closed at a record month-end high of 36.45 as at end-September 2019. Note that Aon Hewitt uses an average of the buy and sell rates.

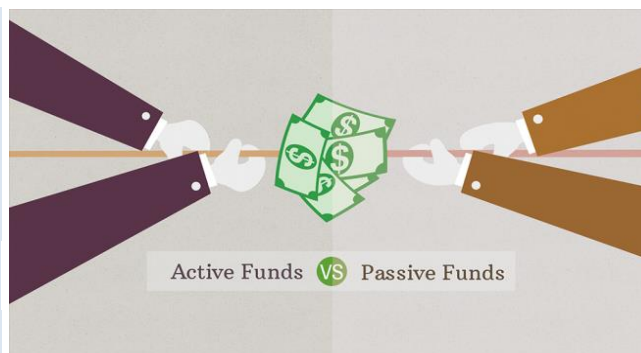
## September Article: What is Active Share?

Introduced by academic researchers in 2006, 'Active Share' is a relatively new concept in the investment community. **Active Share is the percentage of portfolio holdings that differ from benchmark allocations.** The active share of a fund ranges from 0% (identical to benchmark index) to 100% (no overlap with the benchmark).

Financial literature suggests that active share predicts fund performance. Funds with the **higher active share outperform their benchmarks** while funds with lower active share underperform their benchmarks. Thus, studies establish a positive relationship between performance and the willingness of investment managers to be different. Active share represents a new way of determining the extent of active management employed by fund managers and a tool for identifying those who underperform.

Active Share is also useful in identifying closet indexers. The latter refer to managers who claim to actively manage investments but in reality; end up with portfolios not much different to the benchmark index (in terms of weights, geographic or sector allocation). Closet index fund managers thus take a passive approach and mirror the benchmark's allocations while still charging high fees for active management. The main motivation behind this strategy may be years of poor performance by the fund managers. Active management fees can often be a significant performance hurdle for funds. Therefore, identifying closet indexers is very important. Closet indexing is adversely viewed by investors who could more easily opt for an index fund and pay lower fees.

As a result, investors are often seeking for managers with high active share. However, investors need to be cautious. A fund could benefit from active share, but it may not be as easy as choosing managers with the highest active share. The accuracy of active share as a metric to measure performance has been often questioned. Performance is driven by numerous factors, including managerial conviction and skills. Active share may better reflect the management style rather than being the performance driver of a fund. A research study by Willis Towers Watson revealed that "only 26% of actively managed global equity funds outperformed the benchmark after fees over a 5-year period and the majority (72%) of these outperformers pursued a so-called "High Active Share" investing approach".



It is further argued that it may not be necessarily fair to use active share as a measure of assessing managers. It is worth highlighting that active share is a relative, rather than an absolute measure. Its calculation depends on the benchmark index used. Thus, the properties of the benchmark should be taken into account while comparing managers. MSCI conducted an independent study and deduced that active share indeed depends on the choice of benchmark and style tilts. For managers benchmarked to cap-weighted indices, active share favours tilts towards small capitalisation stocks. On the other hand, a more concentrated benchmark usually leads to lower active share.

In the end, active share may not necessarily be an outright predictor of outperformance. It, however certainly provides valuable descriptive detail about a fund and investment managers.

Consumer Price Index (Mauritius)	Current Value	% Change in			
		Last Month	Last 3 Months	Last 12 Months	Last 3 Years (Annualised)
30/09/2019	117.04	-0.4%	-0.1%	1.3%	2.2%
CPI					

The above figures represent the CPI as at September 2019. The year-on-year inflation rate for September 2019, as measured by the change in the CPI for September 2019 relative to September 2018 works out to 1.3%. (Source: Statistics Mauritius Website)

**General News**

**On 18 September 2019, the Federal Reserve cut its benchmark interest rate by 0.25% for the second time this year.**

The benchmark interest rates are further reduced to a range between 1.75% and 2%. This decision came after data showed the negative impact on the US economy, particularly on the manufacturing sector due to the ongoing trade dispute with China.

**The OECD cut economic forecasts, projecting global growth of 2.9% this year, the slowest pace in a decade.**

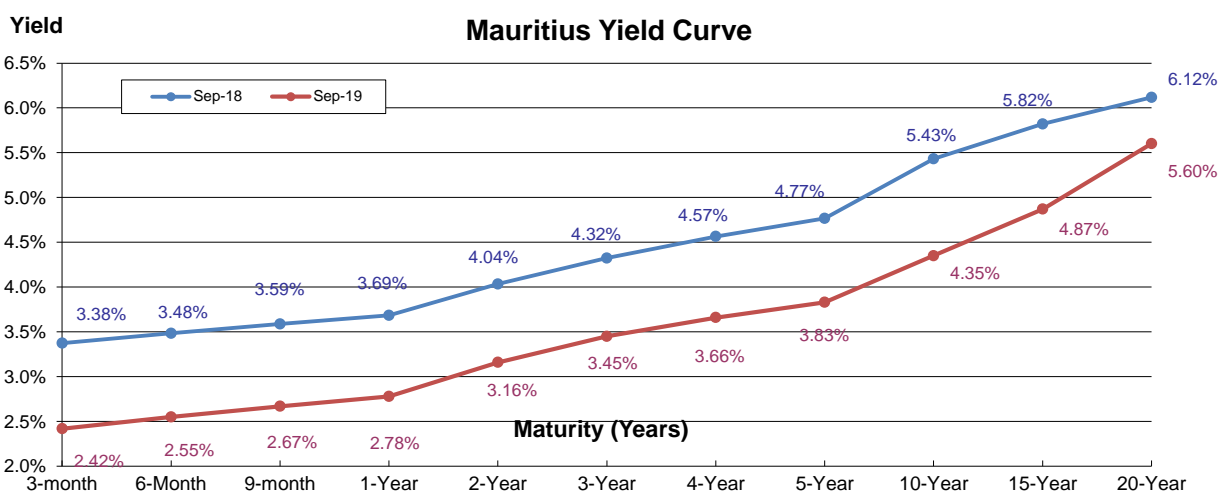
This represents a drop from the 3.2% outlook, 4 months ago. The OECD further added that a no-deal Brexit would push the UK economy into recession.

**The European Central Bank (ECB) cut its deposit rate by 0.10%.**

The ECB further announced bond purchases of EUR 20 billion per month. The bank promised to hold rates at current or lower levels, with no end date, until inflation converge at its target level near 2%.

**The Indian government announced a meaningful reduction in its corporate tax rates.**

The aim is to improve the competitiveness of Indian companies and further attract foreign investments and restart the private sector capital expenditure cycle.



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 last 12 months, local yields on treasury bonds of all maturities have fallen.** Yields on one-year treasury bills stood at 2.78% at end-September 2019 against 3.69% at end-September 2018.

**On 25th September, 28-Day Bank of Mauritius Bills were issued at a yield of 2.22%.**

**Disclaimer:** Nothing in this document should be considered as being financial advice. Our 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.