

August 2021

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Note: The charts below show the performance of local and foreign equity indices on a time-series basis, year-to-date (from 1 January to 31 August)

Foreign Equity Indices

	Current Value (in USD)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years*
MSCI EM (Emerging markets)	641.9	2.6%	2.8%	21.1%	9.9%	10.4%
MSCI The World Index	9,444.8	2.5%	17.9%	29.8%	15.0%	14.8%
MSCI All Country World Index	380.4	2.5%	15.9%	28.6%	14.3%	14.3%
MSCI EFM Markets Africa	1,202.8	0.8%	9.3%	31.2%	2.9%	3.9%
MSCI ACWI ESG Leaders Index	2,609.0	2.8%	17.2%	29.0%	15.4%	14.5%
S&P 500	4,522.7	2.9%	20.4%	29.2%	15.9%	15.8%
S&P 500 ESG Index	493.6	3.1%	22.5%	30.3%	19.4%	18.8%

*annualised

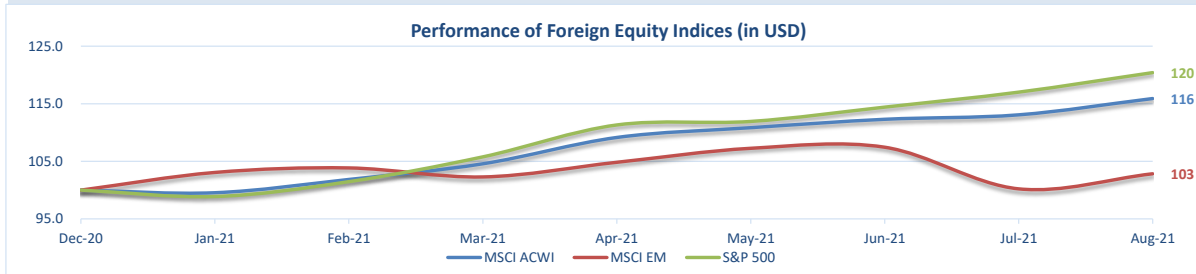
EuroStoxx 50 (in EUR)	4,196.4	2.6%	18.1%	28.2%	7.3%	6.8%
FTSE 100 (in GBP)	7,119.7	1.2%	10.2%	19.4%	-1.4%	1.0%

Foreign equities moved higher in August as strong corporate profits offset doubts about economic recovery, despite the delta variant limiting consumer and business activity across the globe. The MSCI All Country World Index and the MSCI World Index both gained 2.5% in August. The emerging markets also registered positive returns, with the MSCI Emerging Markets Index rising by 2.6% during the month.

On 25 August, the S&P 500 more than doubled from its pandemic bottom and rose to its 51st all-time high of 2021, marking the fastest bull market rally since World War II (source: CNBC). The blue-chip index rose by 2.9% in August. Year-to-date, the S&P 500 recorded a gain of 20.4%. Many credited unprecedented monetary and fiscal stimulus for the stock market's leap out of its pandemic slump. This powerful rally however also have a fundamental support, witnessed by significant earnings comeback. 88% of the S&P 500 companies reported positive earnings surprise in the second quarter. Moreover, in the labour's market, US jobless claims reached their lowest level since the start of the pandemic.

The technology sector continued to lead the stock market returns. The tech-heavy Nasdaq Composite Index gained 17%, year-to-date.

The Federal Reserve announced that it is likely to begin withdrawing some of its easy-money policies. Nevertheless, interest rate rises are not on the horizon for now. (source: Financial Times)



European stocks marked a 7th straight month of gains, the best monthly winning streak since 2013. Economic activity also remained robust in the Eurozone. EuroStoxx 50 rose by 2.6% (in EUR terms) on strong quarterly earnings and optimism over an economic rebound.

In Britain, the FTSE 100 also posted its best month since April 2021, gaining 1.2% (in GBP terms) for the month under review.

ESG Indices

The MSCI ACWI ESG Leaders Index is a capitalization weighted index that tracks companies with high Environmental, Social and Governance (ESG) performance relative to their sector peers. The index consists of large and mid-cap companies across 23 developed markets and 27 emerging markets. The index returned +17.2% year-to-date, outperforming the MSCI ACWI Index. Similarly, the S&P ESG Index also outperformed the S&P 500, year-to-date and over the longer-term.

Global investors are increasingly applying these non-financial factors such as ESG to identify risks and growth opportunities. We will continue to monitor the performance of these ESG indices in our monthly Dashboard!

Currencies

In MUR	Current Value (MUR)	Past Month	Last month	Year-to-Date	Last 12 Months	Last 3 months
GBP	58.35	59.14	-1.3%	9.2%	10.5%	9.5%
USD	42.57	42.58	0.0%	8.0%	7.1%	7.4%
EUR	50.07	50.38	-0.6%	3.9%	6.3%	7.9%

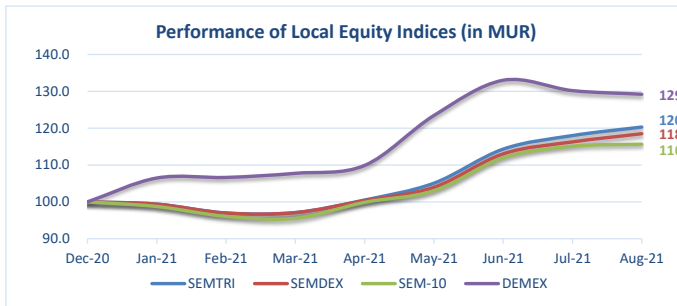
*annualised

The US remained flat relative to the local currency in August. On the other hand, the Pound and the Euro depreciated by 1.3% and 0.6% against the MUR.

Year-to-date, all the three currencies appreciated against the MUR.

Local Equity Indices

	Current Value (in MUR)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years* <i>*annualised</i>
SEMDEX	1,953.3	1.9%	18.5%	23.9%	-4.2%	1.5%
SEM-10	358.2	0.5%	15.6%	21.1%	-5.4%	0.7%
DEMEX	276.3	-0.8%	29.2%	36.9%	5.1%	7.1%
SEMTRI	7,655.8	2.0%	20.3%	26.3%	-1.9%	4.2%
DEMTRI	413.7	-0.6%	31.4%	40.4%	8.0%	10.3%
ALEX 20	1,003.9	1.5%	20.7%	28.9%	-3.7%	2.0%
ALCAPEX 12	1,530.2	2.7%	27.1%	37.4%	-0.9%	2.9%
SEMSI	105.2	1.1%	15.8%	21.4%	-4.6%	N/A



The Official Market registered positive returns during August. The SEMDEX and SEMTRI were up by 1.9% and 2.0%, respectively. The SEM-10 recorded modest gains of 0.5%.

Price/Earnings ratio and Dividend Yield of the Official Market stood at 14x and 2% as at end-August 2021.

The DEM markets faced a different fate with the DEMEX falling by 0.8% during the month.

Nevertheless, year-to-date, the DEMTRI recorded the largest returns of above 30%!

In an interview with Bloomberg, The Bank of Mauritius Governor, Harvesh Seegolam said that the Central Bank will maintain an accommodative stance for "as long as the economy requires it". Any normalization will take place when economic activities have picked up in a significant and sustainable manner, and have gained momentum for the medium-term. The Central Bank projects the Mauritian economy to grow by 5.5% in 2021 after shrinking by 14.9% the previous year. *(source: Bloomberg)*

<https://www.bloomberg.com/news/articles/2021-08-24/mauritius-central-bank-sees-rates-on-hold-until-economy-revives>

Local Yields & Inflation Rate

Consumer Price Index (Mauritius)

	Current Value	Last month	Year-to-Date	Last 12 months	Last 3 Years* <i>*annualised</i>
CPI	168.2	-0.1%	5.2%	6.0%	3.1%

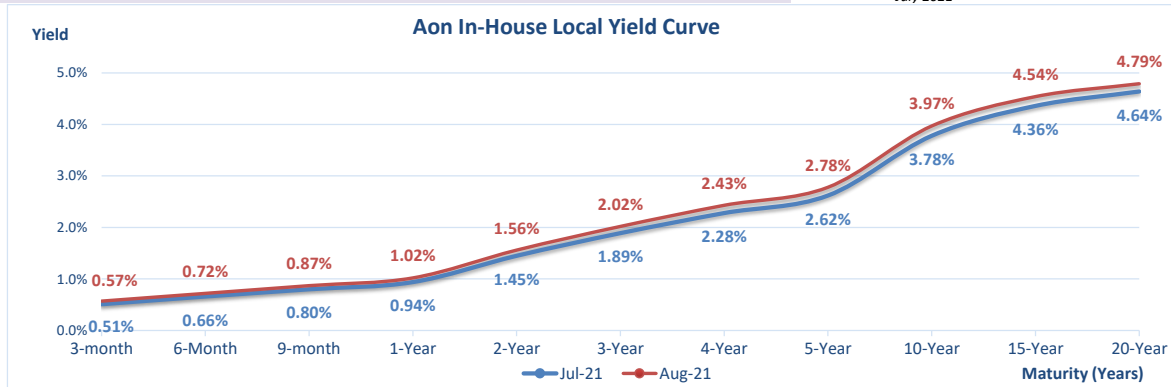
The above figures represent the CPI as at 31 August 2021. Year-on-year inflation worked out to 6.0% in August 2021, compared to 1.5% in August 2020. *(source: Statistics Mauritius)*

Recent Issues by the BoM

Weighted Average	T-Bill Yield
91-Day	0.65%
182-Day	0.92%
364-Day	0.90%

Repo Rate	1.85%
Deposit Rate *	0.42%*

**Weighted Average Deposit Rate of Banks as at July 2021*



Note: Key information for the yield curve is obtained from primary dealers.

Local yields across all maturities moved slightly higher during August 2021. As at end-August, the yield on the 10-Year Government of Mauritius Bond stood at 4.54%, up by 0.18% compared to the previous month. **Real yields remained negative.**

Commodities & Other Investments

	Current Value (in USD)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years* <i>*annualised</i>
Gold	1,818.10	0.0%	-4.1%	-8.1%	14.8%	6.8%
Oil	72.99	-4.4%	40.9%	61.2%	-1.9%	9.2%
S&P GSCI Index	527.37	-2.5%	28.8%	47.2%	4.0%	8.7%

The **Gold price** remained flat during the month.

The **oil price** struggled as the spike in the Delta-variant cases threatened to slow a demand recovery. Investors also weighed the prospect of additional OPEC production. The oil price dropped by +4.9% in August, recording its **biggest monthly loss since October 2020** (source: Bloomberg). Year-to-date, the oil price nevertheless rose by nearly 41%!

The **S&P GSCI Index** also fell by 2.5% in August, driven by underperformance in silver, oil and natural gas. Year-to-date, the index was up by 28.8%.

Alternatives: Foreign Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years*
S&P Global Property	599.60	1.9%	18.7%	29.6%	7.9%
S&P Listed Private Equity	536.03	1.9%	36.1%	60.9%	20.9%
S&P Global Infrastructure	5,905.43	1.8%	8.4%	18.4%	6.8%

Foreign Bond Indices

S&P Africa Sovereign Bond	952.50	1.5%	4.7%	10.6%	11.6%
S&P 500 Bond Index	540.49	-0.2%	0.1%	2.8%	7.7%
S&P International CBI	150.33	-1.1%	-2.6%	2.6%	5.5%
Bloomberg Barclays Global Aggregate Bond Index	545.73	-0.4%	-2.3%	0.5%	4.6%

Other Indices

Renaissance IPO Index	733.55	6.7%	4.1%	40.0%	30.1%
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In August, US yields built some upside momentum on the back of positive labour data, but remained fairly low. As at end-August, the 10-Year US yield stood at 1.3%, compared to 1.2% as at end-July. Amid such low yields, investments in long-term treasury bonds have even been termed as "investment garbage" by the Pimco Co-Founder, Bill Gross (source: Bloomberg).

The Bloomberg Barclays Global Aggregate Bond Index fell by 0.4% during the month.

General News

Higher pension investment charges do not lead to higher returns!

Through an analysis by the Competition and Consumer Authority, the study concludes that higher pension asset management charges do not result in higher returns in the Danish pension system. Therefore, pension funds should not expect higher returns from providers who charge more for investment management services. In 2017, investment management fees amounted to around 0.6% of a pension fund's assets. These accounted for 60% of the average total cost for administering and managing pension funds in Denmark. The report also noted that historical returns were not a good indicator for future performance. (source: European Pensions)

FAO Food Price Index

The FAO Food Price Index (FFPI) is a measure of the monthly change in international prices of a basket of food commodities. It consists of the average of five commodity group price indices weighted by the average export shares of each of the groups over 2014-2016. The FAO Food Price Index rebounded rapidly in August after two consecutive months of decline, up by 3.1% from July and 32.9% from the previous year. This move was led by strong gains in the sugar, vegetable oils and cereal sub-indices. (source: Food and Agriculture Organisation of the United Nations)

South African Unemployment Rate

South Africa's official unemployment rate rose to 34.4% in July, the highest level since 2008. Including those in the labour force who are discouraged from looking for work, the rate further rose to 44.4%.

Inflation in the Eurozone

The eurozone's annual rate of inflation jumped to 3% in August, the highest in the eurozone since the end of 2011. This rate exceeded the European Central Bank's goal of 2% although the bank considers the inflation to be temporary. In Germany, inflation hit 4%, the highest rate since December 1993. (source: Euronews)

This month's Article

How Climate Change is Affecting the Investment Landscape?

The growing frequency and intensity of natural catastrophes have largely raised the alarm and awareness regarding the negative effects of climate change. This human-caused phenomenon needs to be urgently addressed to help reduce its influence on climate conditions.

A growing number of stakeholders, including governments and regulatory bodies, shareholders, employees and consumers, are starting to hold organisations accountable for their roles in causing or combatting climate change. As a result, climate risk has emerged as a prominent investment issue.

Climate risks include both **physical risks**, such as storms, drought and flooding, and the **transition risks** such as litigation, reputation, and business viability. While, physical risks can reasonably be handled, it is harder to grasp transition risk, that is, how climate change affects a business' ability to continue to operate.

Globally, regulatory bodies are taking steps to enhance transparency and encourage mitigation activity towards net zero carbon emissions within the next few decades. This increases the pressure on businesses at a time when products, technologies and investor preferences are also changing in the face of climate directives.

Business leaders are expected to be very deliberate and purposeful in their participation in the transition towards a more sustainable environment. This encompasses not only with their own business activities, but also as investors of the company's assets, or investment assets such as retirement plans. As such, investors must consider both risks and the emerging investment opportunities related to climate change and environmental, social and governance (ESG) issues. This may also mean making strategy changes that come at a short-term/one-off cost. However, this cost is likely outweighed by beneficial spillover effects of sustainability.

Climate risk is influencing investment decisions in many ways.

1. Considering the risks

The scope of environmental risks in investment portfolios is broad. Investors must be concerned with everything from an organization's carbon footprint, to how that organization interacts with the natural world, including water use and biodiversity, to the impact that climate change mitigation and regulations may have on their ability to do business in the future.

Mitigation and adaptation activities vary by industry. ESG and climate change are forward-looking risks. Investors depend on the viability of predictive models to understand the full suite of risks and the ways those risks might evolve.

2. Disclosure is a start

With growing pressure from investors, emerging focus from regulators, and continued social pressure, it is increasingly expected that companies will provide meaningful and useful disclosure about climate-related risks that could impact the entity and how management are responding to these risks. Financial markets need clear, comprehensive, high-quality information on the impacts of climate change. Without reliable information, financial markets cannot price these risks and opportunities correctly and may potentially face a rocky transition to a low-carbon economy, with sudden value shifts and destabilizing costs. Currently there is no mandatory framework for reporting climate-related risks. However, there is growing support for the Task Force on Climate-related Financial Disclosures (TCFD) reporting, generally within or associated with the annual report. There remain nevertheless several areas of unknowns within the framework.

3. More Than a Box-Checking Exercise

It would have been very easy to make this a "check the box" game, whereby investors might just decide not to invest in a certain type of companies. However, it is not that straightforward. Investment decisions can have broader social and community repercussions. We are still in a transition phase. While it obviously needs to happen with speed and urgency, minimizing any negative short-term effects should also be a consideration. Nearly all capital and financial decisions have broader ripple effects, and it is essential that investors playing an active role in the transition to net zero understand those potential impacts.

4. Seizing the Opportunities

The transition also brings opportunities. There is rising investor interest in renewable energy and infrastructure, and businesses involved in decarbonization and eco-friendly technologies. There can be opportunities to invest in greener, more efficient, and sustainable financial products. There have also been innovations in the green sustainability bond area. The capacity of such investment vehicles is however not yet adequate to meet demand, but it is definitely growing. Major investment firms are now creating funds with sustainable investment options.

Ultimately, investors need to be selective and conscious of asset valuations as they seek pockets of value in opportunities related to addressing climate change. When looking for climate opportunities, investors need to be focused on those companies delivering proven solutions that are needed to support the transition to a low-carbon economy.

The understanding of climate risks continues to evolve. Considering climate risk in investment decisions calls for a thoughtful approach. Investors should be prepared to adapt and adopt a new mindset about these complex and evolving issues. Having a "culture of sustainability" as part of the investment philosophy may help investors identify opportunities and mitigate such risks.

Source: The One Brief, How is Climate Change Affecting the Investment Landscape?, August 2021

Disclaimer: *Nothing in this document should be considered as being financial advice. Past performance is not a guide to the future. Our investment consultants will be pleased to answer questions on its contents but cannot give individual financial advice.*

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