Aon Hewitt (Mauritius)
Investment Consulting Dashboard

Empower Results®

March 2021

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Note: The charts below show the performance of local and foreign equity indices on a time-series basis since February 2020.

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)	638.4	**-1.5%**	2.3%	58.4%	6.5%	12.1%
MSCI The World Index	8,402.6	**3.3%**	4.9%	54.0%	12.8%	13.4%
MSCI All Country World Index	343.2	**2.7%**	4.6%	54.6%	12.1%	13.2%
MSCI EFM Markets Africa	1,218.9	**5.2%**	10.8%	74.2%	-2.5%	4.5%
S&P 500	3,972.9	**4.2%**	5.8%	53.7%	14.6%	14.0%
S&P 500 ESG Index	427.8	**1.7%**	6.1%	56.1%	18.1%	16.9%
EuroStoxx 50*	3,919.2	**7.8%**	10.3%	40.5%	5.2%	5.5%
FTSE 100*	6,713.6	**3.6%**	3.9%	18.4%	-1.6%	1.7%

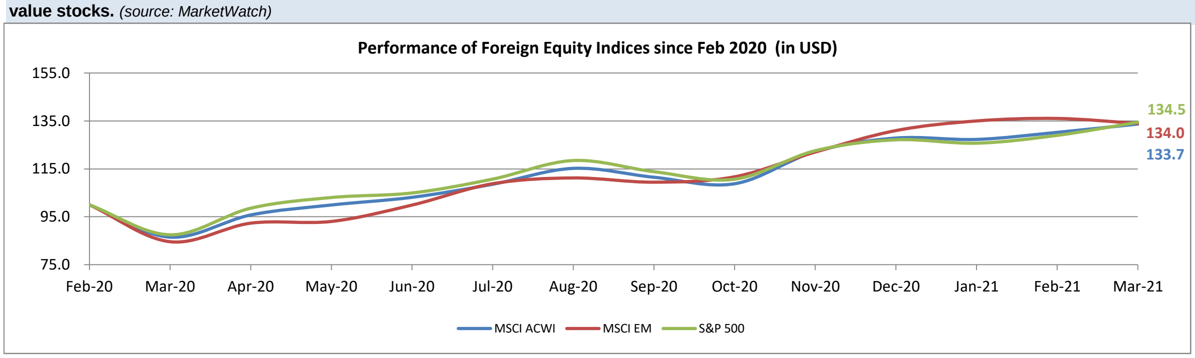
*annualised

**Note that the performance of EuroStoxx 50 and FTSE 100 are in EUR and GBP, respectively.*

This time last year, global markets had collapsed with the sudden outbreak of Covid-19 pandemic. Post March 2020, the foreign equity markets witnessed a historic bull run. As can be seen in the chart below, stocks subsequently rallied to recover from steep losses caused by the pandemic in March 2020. **In March 2021, the major foreign equity indices closed the month on a positive note despite being volatile.** They were driven by investor optimism over the vaccine rollout, and supportive fiscal and monetary policy. The **MSCI All Country World Index** and **MSCI World Index** were up by 2.7% and 3.3%, respectively. However, the MSCI Emerging Markets Index lost 1.5% during the month. Over the quarter, the MSCI All Country World Index rose by 4.6% in USD terms. The **star performers** were however **MSCI Emerging and Frontier Markets Africa Index and the EuroStoxx 50**, which rose by 10.8% and 10.3% respectively.

The reopening of the US economy continued to support equity markets. **On 1st April, the S&P 500 index closed above 4,000 for the first time in history** *(source: CNBC)*.The record came just after the index registered a gain of 5.8% in the first quarter of 2021, a dramatic contrast to the 20% decline in same period last year. US stocks edged higher on the announcement of the USD 2.3 trillion infrastructure plan by President Biden. This marked the second major spending push by the US President after the USD 1.9 trillion relief bill was signed on 11th March. *(source: CNBC)*. Moreover, the US labour reports showed an increase in the employment rate driven by re-openings at restaurants, bars, construction sites and schools.

Technology stocks led the gains showing signs of recovery after lagging behind value stocks in first weeks of March. The **Nasdaq 100** was up by 1.6% for the quarter. As can be seen, the **Nasdaq 100 underperformed the S&P 500 due to a turn-around in investors' appetite and rotation into cyclicals and value stocks.** *(source: MarketWatch)*



The new US government spending plan and strong manufacturing activity data in the Eurozone eclipsed concerns over growing cases and another lockdown in France. Despite slow vaccination programmes and a fresh Covid-19 wave hitting several countries, the **EuroStoxx 50 recorded the biggest gain of 7.8% in March 2021.** Year-to-date, the index was up by 10.3%.

Currencies

In MUR	Current Value (MUR)	Past Month	Last month	Year-to-Date	Last 12 Months	Last 3 Years*
GBP	55.29	55.29	**0.0%**	3.5%	14.6%	5.7%
USD	40.47	39.77	**1.8%**	2.7%	3.0%	6.5%
EUR	47.17	48.12	**-2.0%**	-2.2%	9.5%	4.7%

**annualised*

The Pound remained flat against the MUR during the month. Nevertheless, **year-to-date, the Pound has recorded the biggest gain of 3.5% relative to the local currency** as UK proceeds to its roadmap out of the lockdown.

The **US Dollar** appreciated by 1.8% against the MUR during March. The US Dollar gained strength following positive jobs report and a lower unemployment rate of 6.0% for March (compared to 6.2% in the previous month). The US Dollar gained 2.7% during the quarter.

The **Euro** lost 2.0% against the MUR during March. Year-to-date, it depreciated by 2.2% after rallying in 2020. The Euro has been struggling as Covid-19 cases continued to rise through all of Europe and France enters yet another lockdown.

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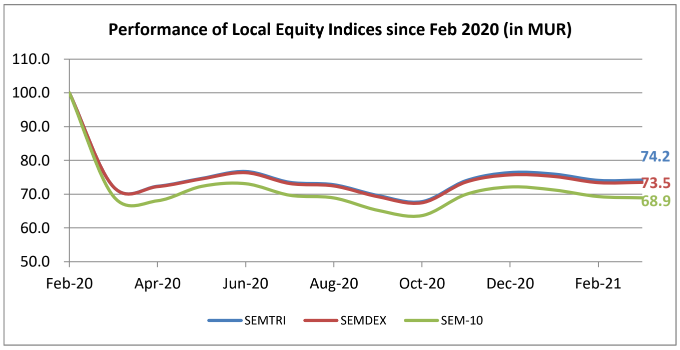
Local Equity Indices

	Current Value (in MUR)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years*
SEMDEX	1,600.2	**0.1%**	-2.9%	1.9%	-11.2%	-2.3%
SEM-10	295.9	**-0.5%**	-4.5%	-0.6%	-12.1%	-3.0%
DEMEX	230.4	**1.0%**	7.7%	5.8%	-1.3%	3.1%
SEMTRI	6,179.3	**0.1%**	-2.9%	2.8%	-9.1%	0.3%
DEMTRI	339.7	**1.0%**	7.9%	7.6%	1.3%	6.2%
ALEX 20	809.3	**0.2%**	-2.7%	0.9%	-11.8%	-2.0%
ALCAPEX 12	1,203.4	**4.1%**	0.0%	3.2%	-9.7%	-1.4%
SEMSI	86.3	**-0.4%**	-4.9%	0.3%	-11.5%	N/A

*annualised



Mauritius is experiencing its second wave of Covid-19. On 9th March, the Prime Minister announced a nation-wide confinement in view of the rising local covid-19 cases.

The **SEMDEX** and **SEMTRI** remained flat during the month. Meanwhile, the **SEM-10** fell by 0.5%. Over the quarter, the SEM indices registered negative returns.

On the other hand, the **DEMEX** and **DEMTRI** were both up by 1.0% in March. **Over the quarter, the DEMTRI recorded the highest gain of nearly 8%. It should be noted that the DEMTRI actually outperformed the SEMTRI in each of the last 3 months.**

During March, foreign investors remained net sellers (around Rs 209m) on the Official Market of the Stock Exchange of Mauritius (SEM).

Rebalancing of the SEM-10:
On 6th April, the SEM Index Management Committee met and selected the constituents of the SEM-10 Index and the Reserve List for the quarter starting 7th April. There were no replacements/additions to the list of consituents.

Local Yields & Inflation Rate

Consumer Price Index (Mauritius)

	Current Value	Last month	Year-to-Date	Last 12 months	Last 3 Years*
CPI	122.9	**0.6%**	2.3%	1.0%	0.8%

*annualised

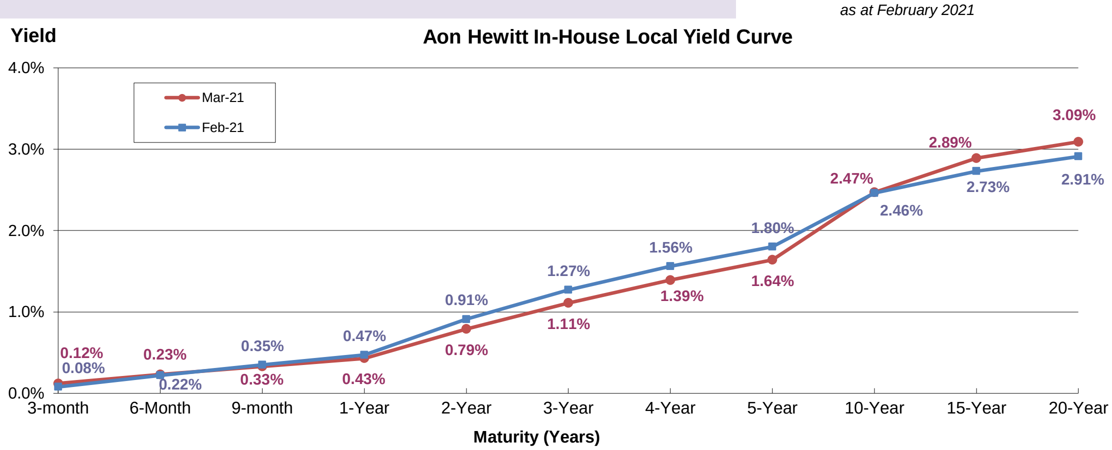
The above figures represent the CPI as at 31st March 2021. The year-on-year inflation worked out to 1.2% in March 2021, down from 2.9% in March 2020. *(source: Statistics Mauritius)*

Recent Issues by the BoM

Weighted Average	**T-Bill Yield**
91-Day	0.13%
182-Day	0.31%
364-Day	0.43%

Repo Rate	1.85%
Deposit Rate *	0.44%*

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



Note: Key information is obtained from primary dealers.

Yields on local short-term treasury instruments (maturity of less than 1 year) remained flat during the month. There was a slight pick up in yields on treasury bonds of maturities between 2 years to 5 years. As at 31st March 2021, the yield on the 5-Year Treasury Bond stood at 1.80%, up by 0.16% during the month.

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Commodities & Other Investments

	Current Value (in USD)	Last month	Year-to-Date	Last 12 months	Last 3 Years*	Last 5 Years*
Gold	1,713.80	**-1.4%**	-9.6%	7.3%	9.0%	6.8%
Oil	63.54	**-3.9%**	22.7%	179.4%	-3.3%	9.6%
S&P GSCI Index	467.41	**-2.0%**	14.2%	82.9%	1.1%	7.6%

*annualised

The gold price suffered from a third consecutive monthly loss of 1.4% in March. **Over the first quarter of 2021, the gold price fell by nearly 10%.** With the rapid administration of vaccines, hopes for a quicker economic recovery and rising yields, the metal has lost its safe-haven appeal.

The oil price fell by 3.9% during March. After massive cuts during the pandemic, the OPEC oil cartel and allied countries has decided to gradually restore the production of oil in the coming months, moving cautiously in pace with global economic recovery. *(source: CNN).* **It is to be noted that oil price still managed to gain 22.7% during the last quarter.**

Despite giving up some of its recent gains in March, the S&P GSCI was up by 14.2% for the first quarter of 2021. Commodities market was supported by a robust recovery in economic activity.

Alternatives: Foreign Indices	Current Value (USD)	Last month	Year-to-Date	Last 12 Months	Last 3 Years*
S&P Global Property	532.09	**2.8%**	5.4%	34.6%	5.0%
S&P Listed Private Equity	437.20	**4.9%**	11.0%	79.0%	15.9%
S&P Global Infrastructure	5,613.08	**4.4%**	3.0%	32.7%	5.7%
Foreign Bond Indices					
S&P Africa Sovereign Bond	900.37	**-0.6%**	-1.0%	14.3%	9.4%
S&P 500 Bond Index	516.46	**-1.7%**	-4.4%	8.2%	6.3%
S&P International CBI	147.39	**-2.2%**	-4.5%	19.7%	2.9%
Bloomberg Barclays Global Aggregate Bond Index	533.80	**-1.9%**	-4.5%	4.7%	2.8%
Other Indices					
Renaissance IPO Index	680.29	**-7.0%**	-3.4%	137.8%	29.9%

US yields have been rising sharply since the start of 2021 on expectations of economic recovery and higher inflation attributed to COVID-19 vaccinations and massive spending by the U.S. government. In March, treasury yields further rallied following strong US Labour report. As at 31st March 2021, yield on the 10-year US Treasury Bond stood at 1.7%, up by 0.3% for the month.

As a result, bond prices have fallen. **The Bloomberg Global Aggregate Bond Index was down by 4.5% during the first quarter of 2021.**

According to a report by Renaissance Capital, the US IPO market produced its busiest quarter in over two decades, with over 100 IPOs raising USD around 39.2bln *(source: The Street)* .The newly public companies lagged behind the broader market. **The Renaissance IPO Index was down 3.4% in the first quarter of 2021.** Meanwhile, the S&P 500 was up by 5.8%.

General News

Inflation in the Eurozone

Inflation in the Eurozone hits its highest level since the start of the pandemic. The consumer price index accelerated to an annual rate of 1.3% in March from 0.9% a month earlier *(source: Financial Times)* . This was the strongest reading since January 2020, but still far from the European Central Bank's near 2% target.

The Pandemic

The number of Covid-19 cases continue to grow around the globe. President Joe Biden warned that the US might be facing its fourth wave and encouraged all Americans to get vaccinated. On the other side of the world, India also recorded several new cases, leading to further restrictions in the country. The Indian stock markets suffered after the release of the Covid-19 data. In Europe, France also entered a four-week lockdown. This move was followed by Italy and Germany as well. Locally, Mauritius also has extended the lockdown until 30th April in view of the growing cases.

Economic Recovery: IMF's Growth Projections

In its latest World Economic Outlook, the International Monetary Fund (IMF) upgraded its forecasts and estimated a global economic growth of 6% in 2021, up by 0.5% from its January forecast. A stronger recovery is now expected for the global economy owing to massive policy support and vaccines. While the US economy is expected to grow by 6.4% in 2021, growth in the Eurozone is estimated at 4.4%, up by 0.2% compared to January forecasts. Emerging markets and developing economies are also expected to grow at a faster pace of 6.7% this year. *(source: P&I Research Center)*

Call for a Global Minimum Corporate Tax Rate

On 5th April, the US Treasury Secretary, Janet Yellen made the case for a global minimum corporate tax rate among G-20 nations. Such a global tax, if approved, will apply to multinational corporations regardless of where they locate their headquarters. This followed Biden administration's effort to help raise revenue in the US and prevent companies from shifting profits overseas to evade taxes *(Source: Bloomberg).*

This month's Article

Special Purpose Acquisition Company: What is SPAC?

A SPAC (Special Purpose Acquisition Company) is a company with no commercial operations or business plans and is designed strictly to acquire an existing private company by raising capital through an initial public offering (IPO). It is a powerful alternative to traditional IPOs, thus enabling company to go public at a much faster pace.

The proliferation of these companies during the recent years is indeed remarkable, despite being around for decades. This sudden popularity is mainly because of the extreme market volatility resulting from the pandemic outburst. Around some USD 83 billion of IPO money was raised by 248 SPACs during 2020 and 2021 already looks poised to outshine in this area *(source: CNBC)* . Within the first three months of 2021, there have been nearly $90 billion worth of SPAC IPOs globally, almost all of them listing in the U.S. **It is worth highlighting that it took the SPAC market only one quarter to surpass its last year's record.**

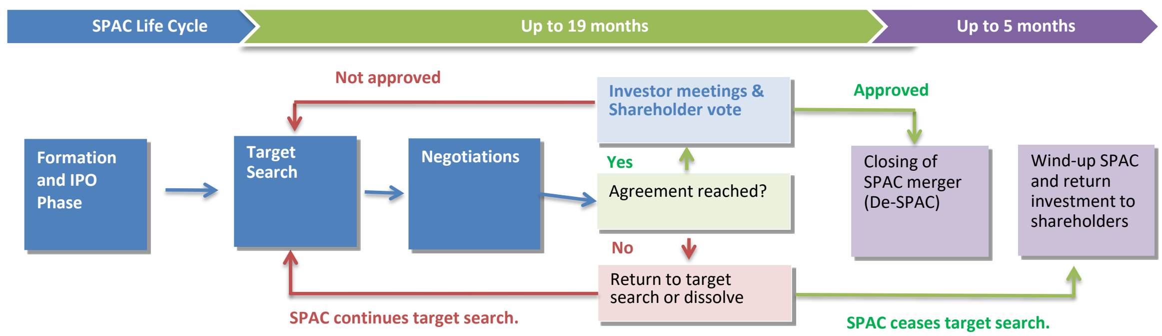
Virgin Galactic, DraftKings, Opendoor and Nikola Motor Co. all went public by merging with SPACs. Pershing Square Tontine Holdings raised $4 billion in capital in July 2020 thereby making it the biggest SPAC on record so far.

How does the SPAC work?

Founders at times already have an idea of their targeted acquisition when setting up a SPAC, yet they prefer not to identify the target simply in order to avoid extensive disclosures during the IPO process. SPACs are also known as blank-check companies as IPO investors do not know in what company they will ultimately be investing in.

SPACs generally invest funds conservatively until a deal is found. So, if the SPAC ends up buying a company which the investor may not interested in, the shares may then be cashed out. However at times, certain clauses could prevent cashing out especially for investors with very large holdings. Prospectus must thus be read carefully.

A SPAC generally has two years to complete a deal (de-SPACing) or face liquidation. **The timeline of a SPAC is as follows:**



Usually a SPAC is created or sponsored by a team of institutional sophisticated investors, intending to pursue deals in their area of expertise, Wall Street professionals from the world of private equity or hedge funds, and even high-profile personalities, like Shaquille O'Neal, Hong Kong tycoon Richard Li., CEO Richard Branson and other fellow billionaires. The Securities and Exchange Commission however warns sponsors not to jump into the SPAC boom just because certain celebrities are involved. SPACs have also attracted big-name underwriters such as Goldman Sachs, Credit Suisse, and Deutsche Bank, as well as retired or semi-retired senior executives looking for a shorter-term opportunity.

Some of the distinct advantages of SPACS over a traditional IPO are as follows:
• **Potential liquidity option for many companies:** For instance, SPACs provide companies access to capital, even when market volatility and other conditions limit liquidity.
• **Lower transaction fees**
• Relatively **easier path to a public listing**, without market or pricing risks
• **Additional profit opportunities**: Institutional investors like hedge funds, pensions, or banks can purchase additional shares at a discount through warrants after the identification of the target company, making the SPAC structure very attractive for big investors.

Examples of high-profile SPAC successes comprise fantasy sports betting firm DraftKings and spaceflight company, Virgin Galactic. In terms of asset class, SPACs are well known for being weighted to technology and growth companies.

The British government also seems to consider loosening its stock listing rules to attract SPACs to support the U.K.'s financial services sector. New listing rules would also aim to diversify London's recently struggling stock market. *(source: Seeking Alpha)*

However, investors have also been warned about signs suggesting that SPACs could be a bubble about to burst. **The associated challenges include:**
• Given the **time constraints of 2 years**, sponsors may feel **pressurised** to find any viable company to acquire.
• The pipeline of SPACs rushing to market is giving rise to a **negative competition** whereby businesses are being turned away when unable to match up the pace.
• **Tighter and poor-quality regulation:** Complex accounting and financial reporting/registration requirements may change along the SPAC's lifecycle.
• **Fall in SPACs' share prices after merger:** Firms which got listed publicly by SPACs have little to show in terms of business plan or revenue, thus triggering shareholder lawsuits by displeased investors in some cases. *For example, Nikola, electric-truck maker startup was accused of fraud by short sellers, three months after going public via SPAC merger. This led in the resignation of its founder and an outburst of claims by the shareholders. Nikola's stock price dropped to a mere fraction of its peak in June 2020.*
• **The negative effects of late capitalism** may be arising through the upsurge of SPACs, resulting mainly into market failure, environmental damage, short-termism, excess materialism and boom and bust economic cycles since economy is being flooded with cash.

Besides, while SPACs may be a very good deal for the hedge funds and other Wall Street insiders, there might not be much upside for retail investors who buy in the aftermarket.

Performance of SPACs

The returns and risks associated with SPACs change over its lifecycle at each phase. For instance, SPACs' returns rise gradually pre-announcement and during announcement to then fall drastically post completion after reaching its all-time high, following which the return picks up eventually. Basically, the closer these blank-check companies are to becoming an operating one, the more positive their returns are. Due to SPACs not having any previous operations or accessible financial data, their track record is very much dependent on the reputation of the management teams.

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