

September 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 30 September)

Foreign Equity Indices

	Current Value (in USD)	Last month	Last 3 months	Last 12 months	Last 3 Years*	Last 5 Years*
MSCI EM (Emerging markets)	616.4	-4.0%	-8.1%	18.2%	8.6%	9.2%
MSCI The World Index	9,052.7	-4.2%	0.0%	28.8%	13.1%	13.7%
MSCI All Country World Index	364.7	-4.1%	-1.1%	27.4%	12.6%	13.2%
MSCI EFM Markets Africa	1,151.0	-4.3%	-4.8%	26.7%	2.2%	1.9%
MSCI ACWI ESG Leaders Index	2,495.5	-4.3%	-0.7%	27.0%	13.6%	13.3%
S&P 500	4,307.5	-4.8%	0.2%	28.1%	13.9%	14.7%
S&P 500 ESG Index	470.5	-4.7%	0.7%	29.7%	17.4%	17.6%
EuroStoxx 50 (in EUR)	4,048.1	-3.5%	-0.4%	26.8%	6.0%	6.2%
FTSE 100 (in GBP)	7,086.4	-0.5%	0.7%	20.8%	-1.9%	0.5%

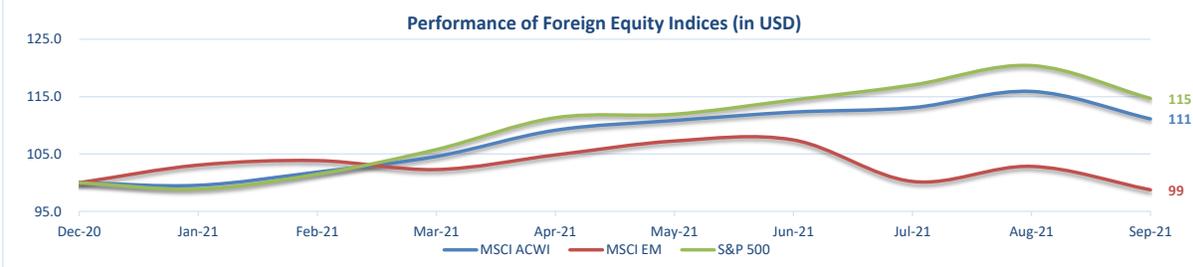
*annualised

In September, investors confronted the reality that the main drivers of the market rally (i.e. hundreds of billions of stimulus) may gradually disappear. The Federal Reserve signalled during its policy meeting that the US economy was almost strong enough for it to begin scaling back its bond-buying programme and eventually raise interest rates. Moreover, in early September, the potential failure of the Chinese property giant, Evergrande threatened to cause a credit crunch, or even a financial crisis, in the world's second largest economy (refer to the General News section on page 3). The spillover effects were felt across the global stock markets. All the major foreign equity indices ended the month in the red. The MSCI All Country World Index and the MSCI World Index lost 4.1% and 4.2% respectively during the month. **It is to be noted that over the last 3 months, the MSCI Emerging Markets Index lost 8.1% compared to -1.1% for the MSCI All Country World Index.**

The S&P 500 fell sharply by 4.8%, posting its worst monthly performance since March 2020. Losses in September almost dragged the blue-chip S&P 500 index of large companies into the red for the quarter. Nevertheless, S&P 500 recorded its smallest advance of only 0.2% for the third quarter since the pandemic. More than 260 companies in the index fell in value during the period, including heavyweights such as Amazon and Facebook. (source: Financial Times) The Dow and the Nasdaq Composite index lost 1.9% and 0.4% for the quarter.

The world economy is also facing rising inflation from surging energy prices and a slowing recovery. The risk of a US government shutdown made investors nervous. Moreover, they remained cautious due to a resurgence of covid-19 cases, possible US tax increases and continued supply chain disruptions. There was more evidence of a slowdown of the Chinese economy as year-on-year retail sales and industrial production figures were reported to be well below expectations.

US key measure of inflation, the PCE Price Index hit a new 30-year high in August. Inflation continued to run at the fastest pace since January 1991 and well above the Federal Reserve's target of 2%. (source: CNN)



Inflation in the Eurozone hit its highest level in 13 years as energy prices soar. Headline inflation for August came in at 3.4%, according to preliminary data from Europe's statistics office Eurostat. This was the highest level since September 2008. The EuroStoxx 50 Index fell by 3.5% during September.

The FTSE 100 lost 0.5% in September. However, it closed the quarter with gains of 0.7%.

Currencies

In MUR	Current Value (MUR)	Past Month	Last month	Last 3 months	Last 12 Months	Last 3 months
GBP	57.08	58.35	-2.2%	-2.8%	11.9%	8.5%
USD	42.64	42.57	0.2%	0.1%	6.9%	7.4%
EUR	49.25	50.07	-1.6%	-2.4%	5.7%	7.3%

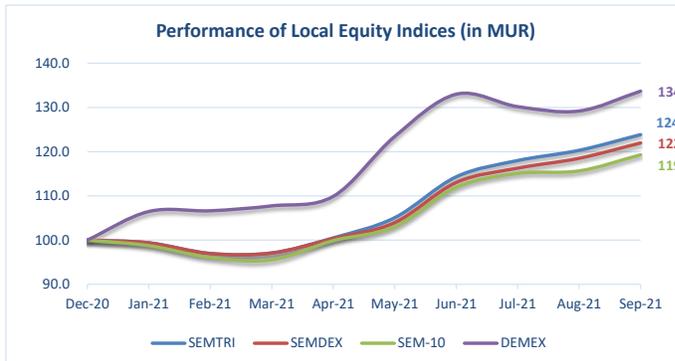
*annualised

The US Dollar gained slightly by 0.2% relative to the local currency. On the other hand, the Pound and the Euro fell by 2.2% and 1.6% respectively against the MUR during the month.

The same is observed over the quarter, with the Pound losing around 2.8% against the MUR.

Local Equity Indices

	Current Value (in MUR)	Last month	Last 3 months	Last 12 months	Last 3 Years*	Last 5 Years* <i>*annualised</i>
SEMDEX	2,010.6	2.9%	7.9%	33.3%	-3.7%	1.9%
SEM-10	369.4	3.1%	6.6%	31.9%	-5.1%	1.1%
DEMEX	285.9	3.5%	0.5%	44.5%	6.5%	7.4%
SEMTRI	7,881.8	3.0%	8.3%	35.9%	-1.4%	4.6%
DEMTRI	428.1	3.5%	1.3%	48.2%	9.4%	10.6%
ALEX 20	1,038.3	3.4%	6.9%	39.6%	-3.2%	2.3%
ALCAPEX 12	1,573.8	2.8%	6.4%	50.2%	-0.4%	3.3%
SEMSI	108.9	3.6%	8.1%	31.6%	-4.3%	N/A



In the anticipation of the re-opening of the Mauritian borders, all the local equity indices were up for the month of September.

On 29 September, the SEMDEX crossed the 2000 level and gained 3.0% for the month. The SEM-10 Index also rose by 3.0%. This up-move was mainly attributed to MCB Group Ltd (the largest constituent of the index) which returned +7.2% for the month.

The DEM market followed a similar trend. The DEMEX was up by 3.5% in September.

P/E ratio and Dividend Yield of the Official Market amounted to 14.75 times and 2.94% respectively at end-September.

Net sales by foreign investors on the Official Market amounted to MUR 176mln during September.

Rebalancing of the SEM-10 Index

Phoenix Beverages Ltd replaced Vivo Energy Ltd in the list of constituents of the SEM 10 for the quarter starting 06 October 2021. The Reserve List included CIM Financial Services Ltd, Gamma Civic Ltd, Terra Mauricia Ltd, Lux Island Resorts Ltd and Medine Ltd.

Listing of Velogic

On 06 October, the Listing Executive Committee of the SEM Ltd approved the admission to listing of 93,515,565 ordinary shares of Velogic Holding Company Limited (a subsidiary of Rogers and Co. Ltd) on the DEM market.

Local Yields & Inflation Rate

Consumer Price Index (Mauritius)

	Current Value	Last month	Last 3 months	Last 12 months	Last 3 Years* <i>*annualised</i>
CPI	168.3	0.1%	0.3%	5.4%	3.1%

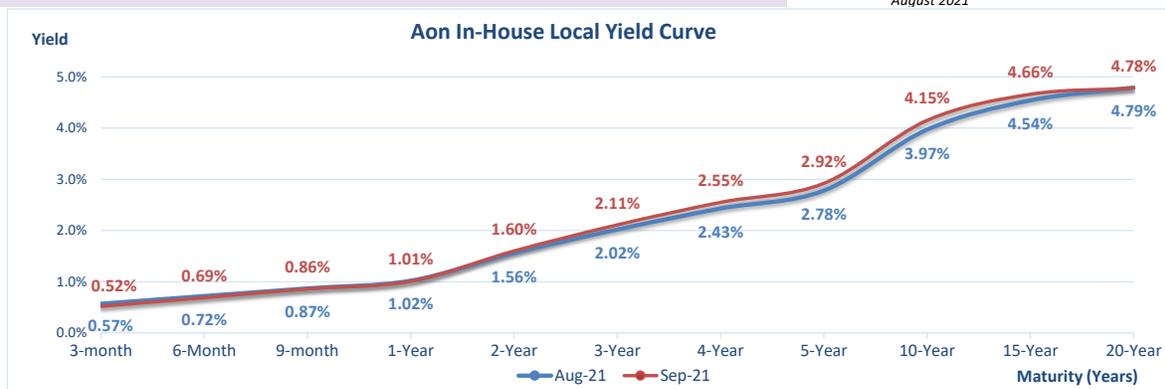
The above figures represent the CPI as at 30 September 2021. Year-on-year inflation worked out to 5.4% in September 2021, compared to 2.6% in September 2020. (source: Statistics Mauritius)

Recent Issues by the BoM

Weighted Average	T-Bill Yield
91-Day	0.62%
182-Day	0.89%
364-Day	0.96%

Repo Rate	1.85%
Deposit Rate *	0.42%*

*Weighted Average Deposit Rate of Banks as at August 2021



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

Local yields across all maturities remained fairly flat during the month. As at end-September 2021, the yield on the 5-year Government of Mauritius Bond stood at 2.92%. Yields remained negative in real terms.

Commodities & Other Investments

	Current Value (in USD)	Last month	Last 3 months	Last 12 months	Last 3 Years*	Last 5 Years* <i>*annualised</i>
Gold	1,757.00	-3.4%	-0.8%	-7.3%	13.8%	6.0%
Oil	78.52	7.6%	4.5%	91.7%	-1.7%	9.9%
S&P GSCI Index	557.71	5.8%	4.1%	59.3%	4.7%	8.9%

Gold price fell by 3.4% during September. Gold price came under pressure by the prospect of a pullback in stimulus measures. Over the quarter, gold price was down by 0.8%.

Supply disruptions and recovering demand from the pandemic continued to push up the oil price. During September, oil prices rallied to its three-year high and rose by 7.6%. Over the last 12 months, it gained more than 90%! In the first week of October, oil prices further rose by 5.2%.

Energy prices soared during the month. The sharp rise in wholesale gas prices split over into the oil market, with looming demand for electricity generation and heating likely to further boost the sector this winter. The S&P GSCI Index gained 5.8% in September.

Alternatives: Foreign Indices	Current Value (USD)	Last month	Last 3 months	Last 12 Months	Last 3 Years*
S&P Global Property	570.63	-4.8%	-0.8%	27.1%	8.6%
S&P Listed Private Equity	517.21	-3.5%	4.3%	61.3%	19.0%
S&P Global Infrastructure	5,829.60	-1.3%	1.5%	19.2%	6.7%

Global yields moved higher as inflation continues to pick up pace during September.

As at end-September, the yield on the 10-Year US Treasury Bond stood at 1.5%, up by 0.2% since the previous month.

As a result, bond prices fell. The Bloomberg Barclays Global Aggregate Bond Index fell by 1.8% in September.

Foreign Bond Indices	Current Value (USD)	Last month	Last 3 months	Last 12 Months	Last 3 Years*
S&P Africa Sovereign Bond	951.45	-0.1%	2.0%	9.4%	11.4%
S&P 500 Bond Index	535.37	-0.9%	0.1%	2.0%	7.5%
S&P International CBI	145.78	-3.0%	-2.7%	1.8%	4.6%
Bloomberg Barclays Global Aggregate Bond Index	536.03	-1.8%	-0.9%	-0.9%	4.2%

Other Indices	Current Value (USD)	Last month	Last 3 months	Last 12 Months	Last 3 Years*
Renaissance IPO Index	705.95	-3.8%	-2.8%	24.6%	29.1%

The Renaissance IPO Index (measuring the performance of a portfolio of newly listed US public companies) was down by 2.8% for the third quarter of 2021. In comparison, the S&P 500 made modest gains of 0.2% over the same period.

General News

China's 'Lehman moment': Evergrande

State regulatory clampdowns across most China's corporate sectors have caused Chinese equities to fall and shaken investor confidence lately. Big tech, education and property sectors have suffered the most. Greater data control and national security are the other two key aims behind the regulations. This policy shift has led to several casualties, beginning with the suspended IPO of Ant Group in November 2020, followed by various digital companies hit by anti-monopoly investigations and then the not-for-profit education sector which has been overhauled. The most recent fallout to make headlines has been Evergrande Group, a leading property developer with high debt levels.

Evergrande's problems started in the summer of 2020 with the Chinese government announcement of the 'Three Red Lines' restriction on property developers' leverage to lower high debt levels in the sector and to reduce house prices. Evergrande Group was unable to access financing to meet its loan payments as it failed to meet those requirements. This led to a credit rating downgrade, reflecting that the probability of insolvency. This further, unleashed panic across Evergrande's debt, equity, and wealth management products.

China's real estate sector has been a leading sector in China's economic growth story, contributing above 25% of China's GDP. Evergrande's collapse may lead to a downward spiral in real estate prices, pressurizing property developers who are already suffering from tighter credit restrictions, and causing losses for homeowners, thereby sapping strength out of the Chinese economy. The fact that China is the world's second largest economy has led to concern globally. This has led to sharp sell-offs in the global equity market during September.

This month's Article

What is Structured Investment-Linked Insurance Business?

Structured Investment-Linked Insurance Business (SILIB) is a form of insurance wrapper, whereby ownership of some underlying assets is transferred from the original owner to a life insurance company. The life company legally holds the assets and the investor of the life policy, who generally maintains control over investment allocation and decisions, will pass the assets on death to the named beneficiary or beneficiaries of the policy. Policyholders could also benefit from tax reduction on investment income through SILIB.

SILIB is not to be confused with structured products which offer an element of capital protection!

SILIBs can be useful for asset protection purposes and can also be used as a tax planning structure, especially in instances where individuals or families may move from place to place during their lifetime.

Some of the other benefits of SILIB include the following:

- **Potential to benefit from life insurance and also earn investment returns** (generated from part of the premiums that will be invested in specific investment funds of their choice)
- **Better suited for those with a longer investment horizon** to ride out market instabilities and defray initial costs which can significantly limit short-term potential returns.
- **Means for potential passive income for one's future investment goals** through SILIB's ability to generate substantial returns

• **Succession planning:** The method via which the assets will be distributed in case of death of the wrapper owner, can be defined in advance. Specific instructions and the names of the desired heirs may be given and those will be carried out. Additionally, more assured lives could be named on the wrapper, wherein the wrapper will continue to exist following the owner's demise.

On the other hand, some of the limitations of SILIBs are as listed below:

- **No guaranteed returns due to the investment risks** resulting from SILIBs. Fluctuations in investment values mainly arise from variations in market conditions. Loss may also be incurred if policies are surrendered prior to maturity.
- **Traditional life insurance policies often offer known cash values unlike SILIBs**, hence policyholders with a conservative risk appetite might prefer to opt for traditional policies over SILIBs.
- **Higher charges**, unlike other insurance policies, as these instruments are managed by professional fund managers.
- **Need for a Custodian:** This has not been a requirement for traditional local insurance products.

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.