Super Fund - Investment Report 31st December 2018

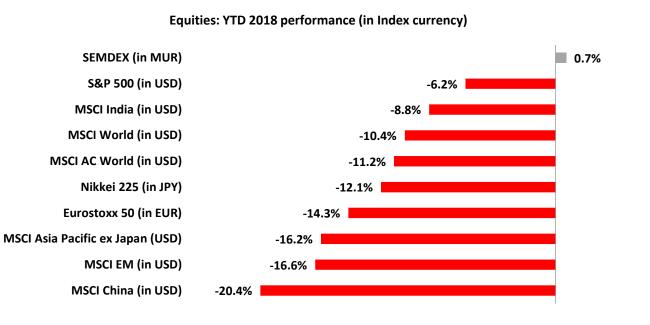


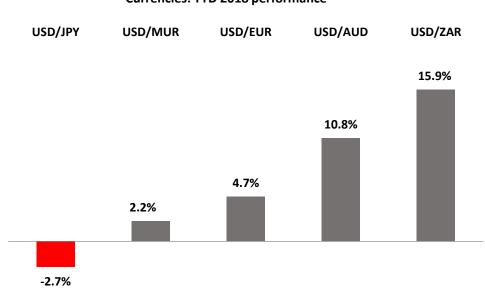


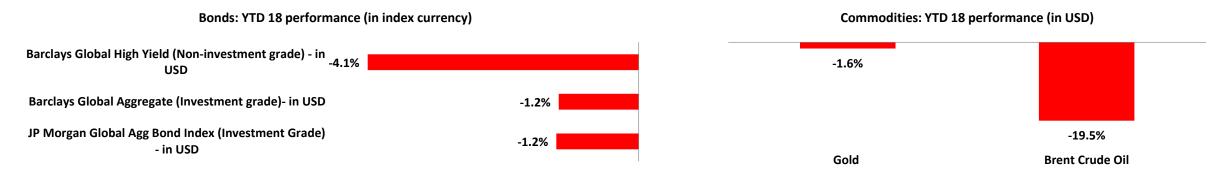
- **Market Overview**
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### Year 2018 Global Market Performance – as at 31<sup>st</sup> December 18

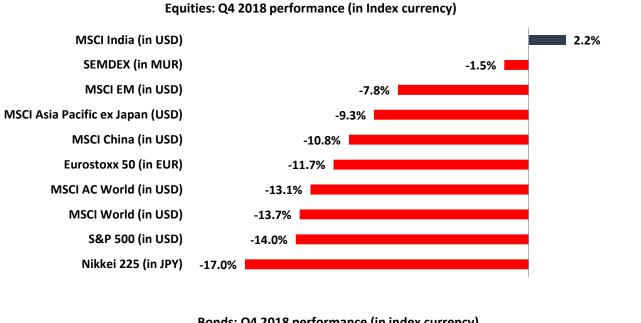




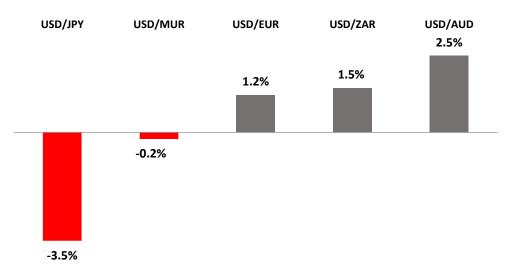


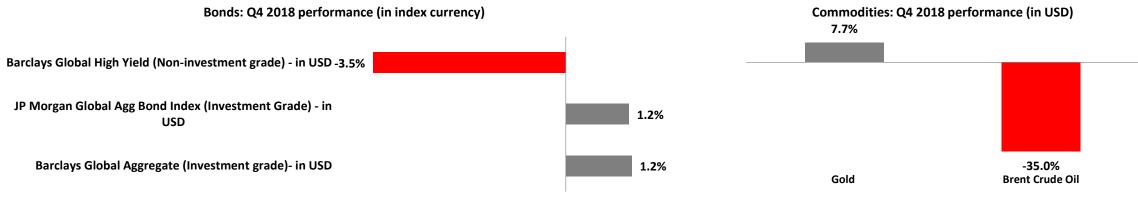


### Q4 2018 Global Market Performance – as at 31<sup>st</sup> December 18



#### Currencies: Q4 2018 performance







## Q4 2018 Global Market Development (as at 31st Dec 18)

#### Foreign equity markets

- <sup>1</sup> The last quarter of 2018 was quite tumultuous for global equity markets. European politics, Brexit and ongoing US-China trade conflict affected investors' sentiment.
- <sup>9</sup> Volatility rose in US in October following hawkish comments from Fed's Chairman Jerome Powell. He implied that the Fed was not planning to stop increasing interest rates anytime soon. However, the tone changed slightly and was interpreted as being dovish by markets. S&P 500 fell by 13.97% over the quarter and mid-term November elections proved to be important since the Democrats won and gained control of the House of Representatives. This could mean that more meaningful fiscal stimulus before the next US election will be less likely to happen.
- V Overall business sentiment slumped in Europe on the back of political turmoil and a decline in demand from China. The Italian government submitted a lower budget deficit following the initial rejection of the EU Commission easing some tensions. France experienced "yellow vest" protests due to the cost of petrol causing disruption in the cities. Despite the slowdown in growth, the ECB confirmed the ending of its quantitative easing programme in December and re-iterated its stance to keep interest rates on hold till summer 2019.
- <sup>1</sup> Uncertainty continued to persist surrounding Brexit developments. British Prime Minister Theresa May survived a vote of no-confidence but might face issues to gain sufficient support from parliament to back the EU Withdrawal agreement. Against this backdrop, the Bank of England decided to keep its interest rates at 0.75%.
- <sup>9</sup> Emerging markets performed poorly as the US-China trade dispute persisted and concerns about global growth increased. Resulting from these factors, the overall Asian region underperformed and China's economic data was disappointing due to a decrease in its exports. MSCI Emerging Markets retreated by 5.61%, outperforming MSCI World. Some countries benefitted from the decline in crude oil prices, namely India while oil producing Russia and Colombia were negatively affected.

### Fixed Income

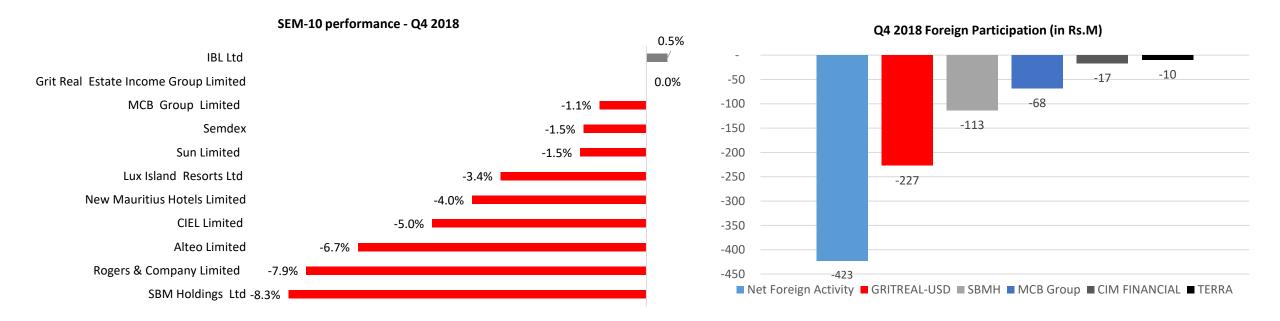
- <sup>1</sup> Amid volatility and increased risk aversion, bond yields were lower over the quarter.
- <sup>1</sup> Corporate bonds underperformed government bonds due to the underperformance across the sectors. High yield (HY) was also weaker on the back of a lower energy sector performance.

### **Commodities**

- Pollowing widespread concerns of oversupply, crude oil prices plummeted by 34.96% over the quarter. This was due to a strong oil production in Russia, the OPEC and the US along with the US decision to grant waivers to Iranian oil buyers.
- <sup>1</sup> Copper lost support as the Chinese economy suffered a slowdown. Gold prices gained some ground over the quarter by 7.69% on the back of the ongoing US-China trade feud and market volatility. This robust rise in prices was mostly due to an increase in demand for safe-haven asset amidst global uncertainty.



## Local Stock Market Development – Q4 2018



<sup>1</sup> SEMDEX and SEM-10 ended the quarter lower by 1.50% and 1.41% respectively.

- The local scene welcomed some news in the hospitality sector with the announcement of the restructuration of LUX, involving the separation of its management company, the Lux Collective, formely known as Lux Hospitality Ltd from its real estate and hotel operations company.
- In October 2018, SBM Group announced that it had fallen victim to a cyber attack that had cost it USD 14M after hackers had slipped malware into the bank's payments clearing system. However, later, SBM stated it recovered 90% of the money and only USD 4M has remained unaccounted for.
- Pollowing special meetings of all ENL entities held December 2018, shareholders have unanimously approved the amalgamation of ENL, ENL Finance, ENL Land and ENL Commercial with and into La Sablonniere. La Sablonniere will therefore remain as the amalgamated company with effect from 01 January 2019 and will be renamed 'ENL Limited'.



# Portfolio Overview As at 31<sup>st</sup> December 2018



### Consolidated Fund Facts

### **Fund Key Indicators**

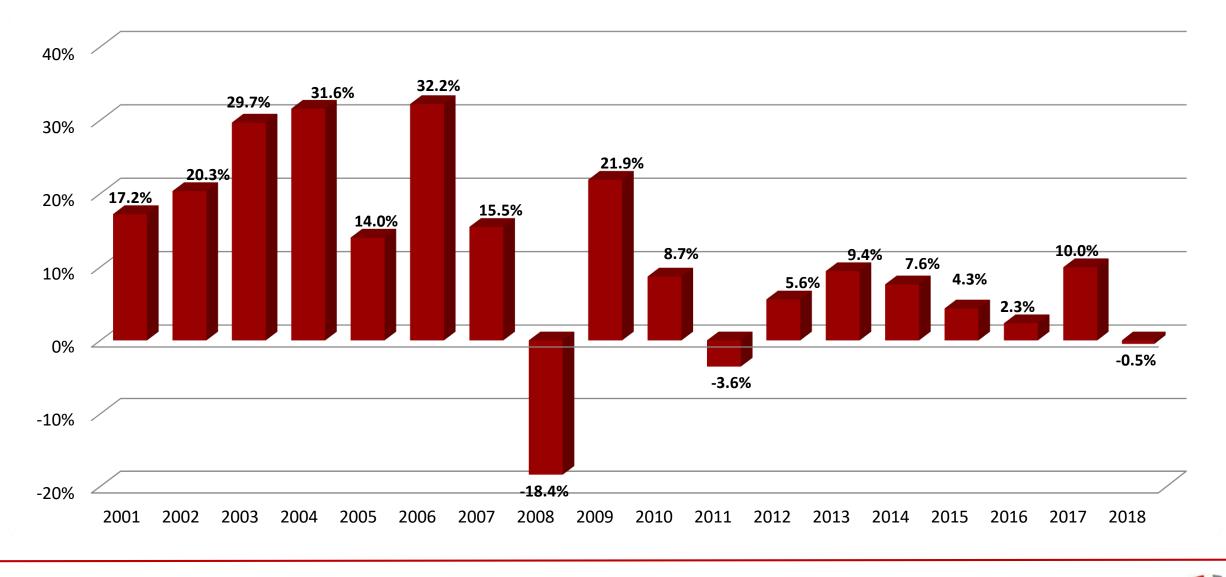
Net Asset Value	Rs Million	794.21
Funds Received for Investment	Rs Million	558.50
		558.50
Return†	Rs Million	235.71
Total Return since inception	%	563.77
Annualized Return	%	10.77
Real Rate of Return <sup>‡</sup>	%	5.65
	/0	5.05
t Since Jul 2000		

+ Since Jul-2000

<sup>‡</sup> Using average inflation rate of 4.85%



### **Consolidated Fund - Calendar Performance**



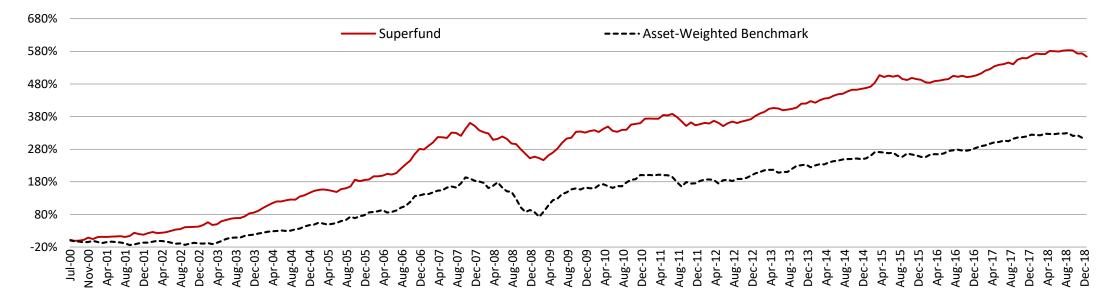
\* As at 31<sup>st</sup> December 2018



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### Consolidated Fund Performance



Performance as at 31 <sup>st</sup> Dec 18	3М	6M	9M	1Y	2Y	5Y	Since inception	Annualized
Super Fund (%)	-2.81	-2.36	-1.23	-0.48	9.44	25.79	563.77	10.77
Benchmark* (%)	-3.32	-2.63	-1.74	-1.04	9.70	24.70	315.19	8.00

Asset-Weighted Benchmark: 20% Semtri / 22% MSCI World / 8% MSCI EM / 32% Savings Rate+2% / 13% Barclays Agg Bond Index / 5% Cash



## Top Transactions

Details	Purchased (Rs)	Sold (Rs)	Realized Profits/Loss (Rs)
AFRASIA BANK LTD SUBORDINATED BONDS REPO+3.5% (31/12/2018)		20,000,000	4,579,027
182 Days Govt of Mauritius Tbills 20190419 MU0GBLA07381	16,316,025		
3 Month BOM Bill 3.50% (16 Nov 18)		13,500,000	101,520
iShares Edge MSCI Min Vol Global ETF	10,326,639		
3 Month GOM Bond 3.30% (30 Nov 18)		9,000,000	50,940
UNITED BASALT PRODUCTS LTD - BOND		7,334,200	Repo + 1.2% p.a
15-Year GOM Bond 20331109 5.95PCT MU0GBDA07479	6,425,216		
ishares Edge Min Vol Emerging Markets	5,690,296		
3Year GOM Treasury Notes 20211005 4.42PCT MU0GNTA07306	5,523,705		
SELECT SECTOR SPDR CONSUMER STAPLES	859,732		



## Top 10 Local Equity Holdings

Details	% of Total Portfolio
MCB Ltd	6.29%
IBL Ltd	2.28%
SBM Holdings	2.15%
Lux Island Resorts Ltd	1.62%
Ciel Limited	1.36%
New Mauritius Hotels Ltd	1.18%
Ascencia	1.12%
Attitude Property Ltd	0.75%
Alteo Ltd	0.74%
ENL Land Ltd	0.73%



# Top 10 Foreign Equity Holdings

Details	% of Total Portfolio
ACM INDIA FOCUS FUND	3.03%
iShares Edge MSCI Min Vol Global ETF	2.27%
JUPITER EUROPEAN GROWTH EUR	1.80%
SELECT SECTOR SPDR CONSUMER STAPLES	1.44%
iShares US Aerospace & Defence	1.29%
iShares PHLX Semiconductor ETF	1.12%
MARA DELTA AFRICA PROPERTY HOLDINGS LTD	1.07%
iShares US Healthcare ETF	0.99%
ROBECO US SELECT OPPORTUNITIES EQUITIES D USD	0.96%
ROBECO EMERGING CONSERVATIVE EQUITIES - USD	0.91%

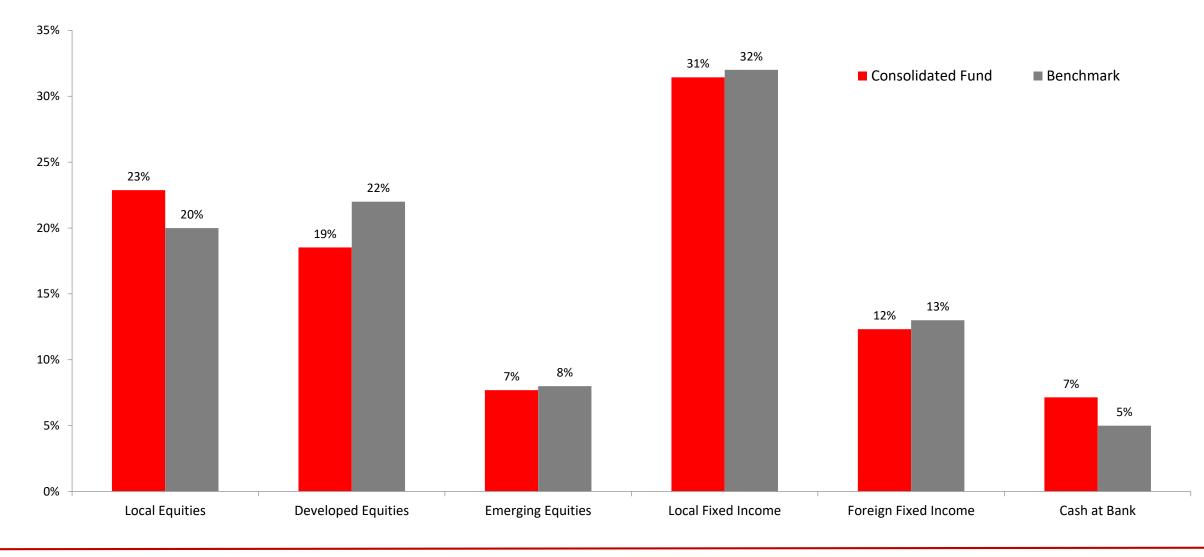


# Top 10 Local Fixed Income Holdings

Details	% of Total Portfolio
MCS MUTUAL AID FD 6.75% - 2021	2.52%
MCS MUTUAL AID FD 6.75% - 2019	2.38%
AFRASIA BANK LTD SUBORDINATED BONDS REPO+2.35% (31/12/2019)	2.27%
IBL Ltd Series 5 Notes 4.75% (08/09/24)	2.23%
1Y Government of Mauritius Bond, Yield 3.80% (01/03/19)	2.13%
CIEL Fixed Rate Secured Notes 10Y, Yield 5.40%	2.06%
182 Days Govt of Mauritius Tbills 20190419 MU0GBLA07381	2.05%
CIEL FIXED RATE MULTI CCY NOTE (22/06/2020)	1.90%
15Y GOVERNMENT INFLATION-LINKED BOND	1.78%
NEW MAURITIUS HOTELS LTD -(MUR ) FLOATING RATE TRANCHE B NOTES	1.55%



### Asset Allocation

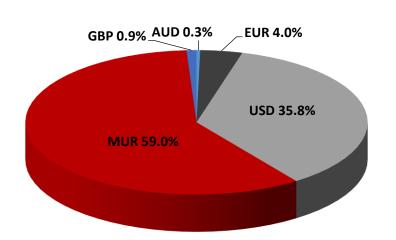


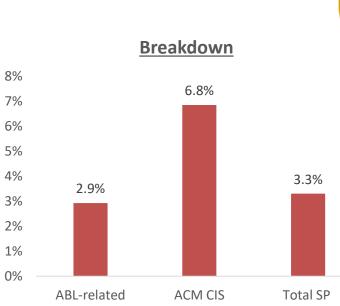


\* As at 31<sup>st</sup> December 2018

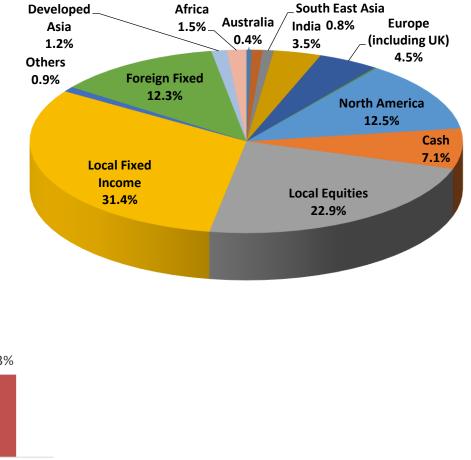
### Allocation

### **Currency Allocation**





### **Country Allocation**



\* As at 31<sup>st</sup> December 2018



### Breakdown of Consolidated Fund

Net Asset Value	<b>Rs Million</b>	
Aggressive	263.2	Defensive
Moderate	249.7	10%Aggressive33%Conservative25%
Conservative	201.9	Moderate 31%
Defensive	79.5	
Total	794.2	



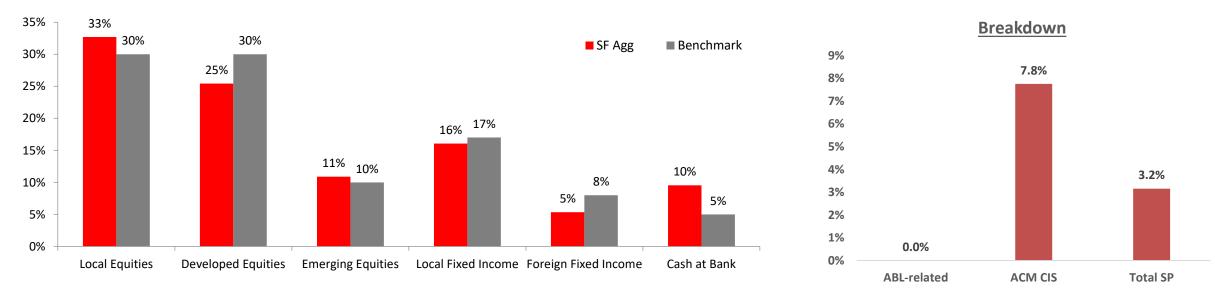
# Sub-Funds

# 31<sup>st</sup> December 2018



### Super Fund Aggressive

Performance as at 31 <sup>st</sup> Dec 18	3M	6M	9M	1Y	2Y	Since inception	Annualized
Super Fund Agg. (%)	-4.16	-3.83	-2.56	-2.06	10.66	26.54	5.08
Benchmark* (%)	-4.83	-3.87	-3.02	-2.30	11.62	24.07	4.65

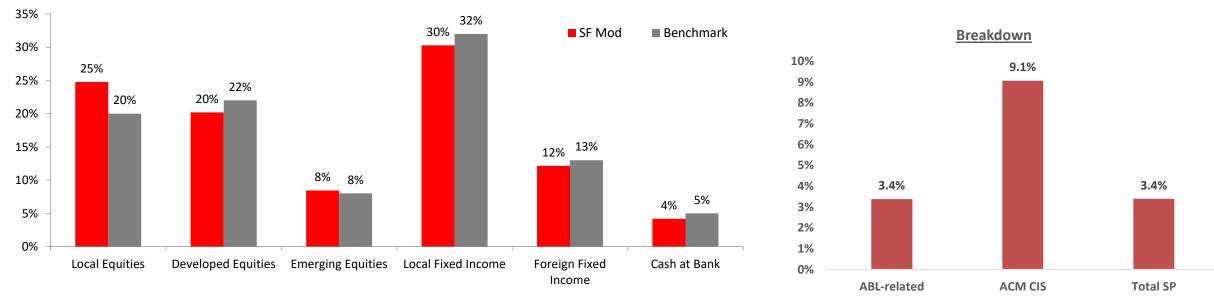


\* Asset-Weighted Benchmark: 30% Semtri / 30% MSCI World / 10% MSCI EM / 17% Savings Rate+2% / 8% Barclays Global Agg Index/ 5% Cash



### Super Fund Moderate

Performance as at 31 <sup>st</sup> Dec 18	3M	6M	9M	1Y	2Y	Since inception	Annualized
Super Fund Mod. (%)	-3.01	-2.63	-1.57	-0.81	9.13	22.34	4.34
Benchmark* (%)	-3.32	-2.63	-1.74	-1.04	9.70	23.76	4.59

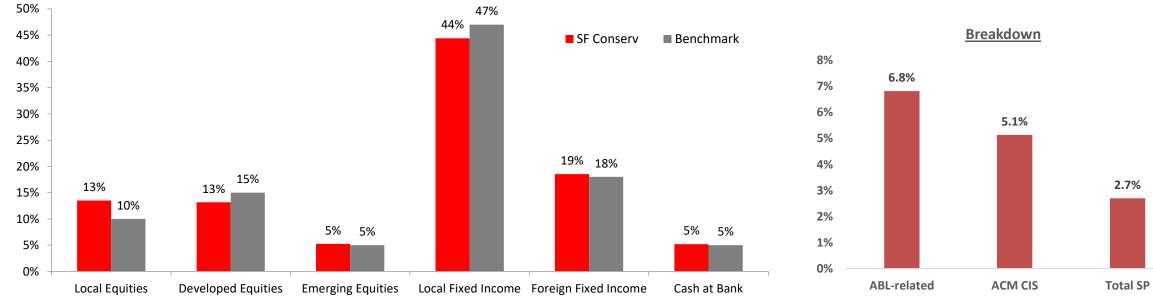


\* Asset-Weighted Benchmark: 20% Semtri / 22% MSCI World / 8% MSCI EM / 32% Savings Rate+2% / 13% Barclays Global Agg Index / 5% Cash



### Super Fund Conservative

Performance as at 31 <sup>st</sup> Dec 18	3M	6M	9M	1Y	2Y	Since inception	Annualized
Super Fund Cons. (%)	-1.55	-1.05	0.09	1.10	8.52	23.82	4.60
Benchmark* (%)	-1.87	-1.38	-0.37	0.27	7.74	23.51	4.55



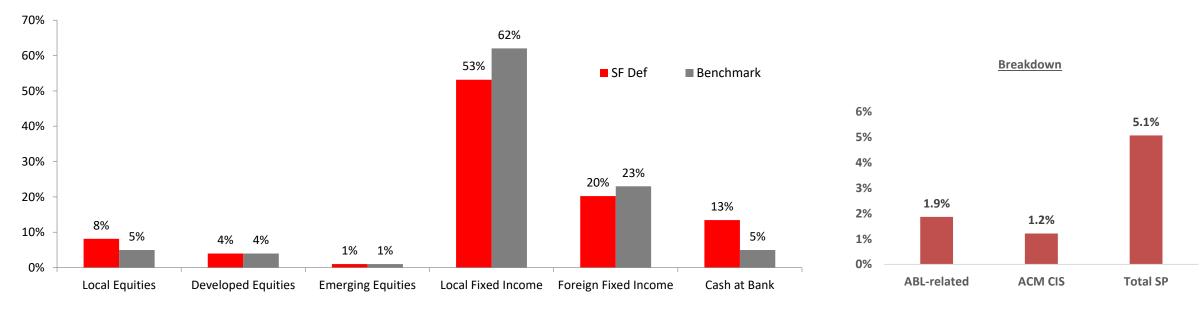
\* Asset-Weighted Benchmark: 10% Semtri / 15% MSCI World / 5% MSCI EM / 47% Savings Rate+2% / 18% Barclays Global Agg Index/ 5% Cash



\* As at 31<sup>st</sup> December 18

### Super Fund Defensive

Performance as at 31 <sup>st</sup> Dec 18	3M	6M	9M	1Y	2Y	Since inception	Annualized
Super Fund Def. (%)	-0.75	0.20	1.07	2.01	7.85	25.79	4.95
Benchmark* (%)	0.22	0.47	1.39	2.27	6.99	22.96	4.45



\* Asset-Weighted Benchmark: 5% Semtri / 4% MSCI World / 1% MSCI EM / 62% Savings Rate+2% / 23% Barclays Global Agg Index / 5% Cash



# **Our House View**



### Investment Dashboard – An extract

Equities	ACM View	Comments
US	Neutral	US equity market experienced volatility with stocks dropping to the brink of a bear market in December 2018. The S&P 500 fell by 9.2% on a month to month basis while the Dow Jones fell by 8.7% over the month of December. Market sentiment was driven by concerns that the US Federal Reserve(Fed) was raising interest rates too quickly – it raised its base rate before Christmas by 25 bps and forecasted two more rate hikes for next year. Political turmoil in Washington also impacted negatively market sentiment. President Donald Trump expressed his discontent about the Fed rate hikes and blamed the Fed for the equity markets rout which began in October.
		Worries about US being late in its economic cycle have started to affect markets. Retail sales advanced at 0.20% for the month of November, matching markets' expectations. GDP for the third quarter rose at an annualised pace of 3.4%, slightly below estimates of 3.5%. CPI for the month of December was at 0.10%. Utilities, real estate, healthcare and consumer staples didn't fall as sharply as energy or financials; the worst performers over the month. Consumer staples were boosted by signed of robust consumer spending after US retailers enjoyed their biggest rise in festive shopping sales in six years. The energy sector was significantly affected by the decline in oil prices.
Europe	Underweight	Over the month, main determinants of markets were: the "yellow vests" protests in France, the end of quantitative easing in December, end of the dispute over Italy's budget (budget deficit of 2.04% vs the 2.4% initially proposed), and of course, the on-going trade disputes of the US-China. Eurostoxx 50 posted returns of -5.41% whilst the Stoxx Europe 600 was –5.55% over the month of December 18. The business climate indicator for the Euro Area decreased by 0.22 points to 0.82 in December 2018, well below market expectations of 0.99. The ZEW Indicator of Economic Sentiment for the Euro Area increased to -21 in December 2018 from -22 in previous month and beating expectations of -23.2. In December, 52% of the analysts surveyed expect no changes in economic activity in the coming six months and 13.5% expected improvement while 34.5% expected it to get worse. Meanwhile, the indicator for the current situation slipped by 6.1 points to 12.1 but inflation expectations decreased by 19.5 points to 6.
UK	Underweight	UK equity market ended lower over the month, with FTSE 100 and FTSE All Share down by 3.61% and 3.88% respectively, continuing the downward trend that has been sustained for the second half of 2018. The Bank of England(BoE) voted unanimously to keep interest rates to 0.75% commenting that uncertainty surrounding Brexit had "intensified considerably" over the last month. Brexit uncertainty still dominated headlines and weighted down on business and consumer confidence. Following the withdrawal agreement agreed between the EU and the UK, several members of the Government resigned as a sign of protest against the terms agreed. Theresa May had to face a motion of "no-confidence" and postponed the vote in parliament to January on the back of fears of it being rejected.

\* As at December 2018



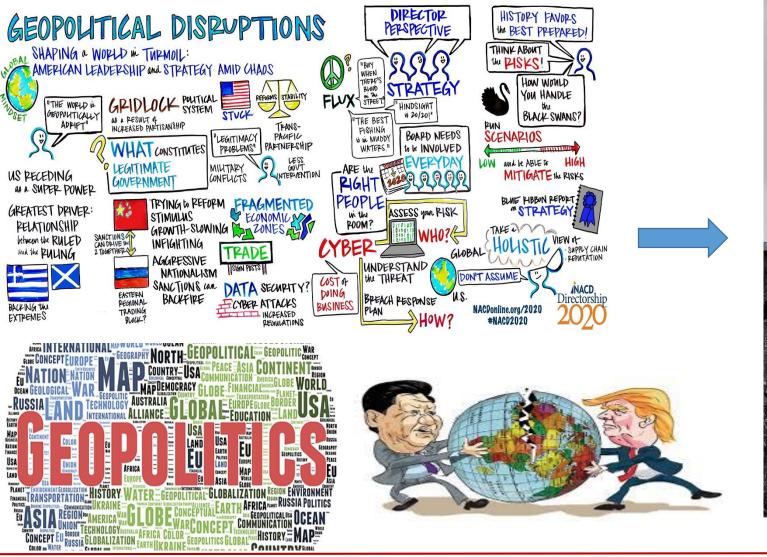
### Investment Dashboard – An extract

Equities	ACM View	Comments
Emerging Markets	Neutral	Slowing global growth and continuing trade frictions between US and China rattled global markets in December. Emerging equities were not immune to the broad sell-off but losses were much smaller than those registered in developed markets. Asia was the weakest performing region, dragged lower by index heavyweights China and India. Growth in China's exports decelerated meaningfully to 5.4% y.o.y in November, the lowest since April 2018, from 15.6% y.o.y in October. Growth in imports also slowed markedly to 3.0% y.o.y in November from 20.8% y.o.y in October. Equity losses in Latin America were less pronounced as both Mexico and Peru posted positive monthly returns. A stronger currency helped push Mexico to the top of the leader board in both Latin America and emerging markets last month. Market sentiment towards the country was bolstered by an ambitious yet fiscally responsible 2019 budget as well as the acceptance of investors of the buyback proposal for airport bonds. Equity markets in emerging Europe closed lower to cap a disappointing year for the region. Greece and Turkey led the losses in December, ensuring they finished bottom of the performance table for 2018.
Japan	Slightly Overweight	The Nikkei 225 fell by 10.5% and the TOPIX followed by falling by 10.4% as trade tensions and broader risk-off sentiment weighed on investors' sentiment. The Japanese yen strengthened by 3.5% as it benefitted from safe-haven flows stemming from weakness in equity markets and rising concern over U.SChina relations. Unemployment rate edged up at 2.5% in November, slightly above from 2.4% in October and above market expectations of 2.4%. The Nikkei Japan Manufacturing PMI rose at 52.6 in December 2018 and above the preliminary figure of 52.9. Output expanded at its sharpest pace since April and new orders also increased at a faster rate on new product launches and larger input needs at clients. Still, export sales declined amid unfavourable workload growth in key export markets such as North America, China and Taiwan.
Commodities	ACM View	Comments
Gold	Slightly Overweight Slightly	<ul> <li>Gold prices made steady gains throughout December, buttressed by a weaker dollar, financial market volatility, and concerns about a global slowdown and the ongoing U.SChina trade feud. The robust increase in prices in recent weeks came largely on the back of safe-haven demand for the metal amid an increasingly uncertain global backdrop.</li> <li>Oil prices finished December by hitting a one-and-a-half year low since the freefall which began in October. Widespread concerns of a new global oil glut affected market sentiment especially since US has decided to grand waivers to Iranian oil buyers and strong oil production in Russia, OPEC</li> </ul>
Oil	Overweight	and US.
Bonds	ACM View	Comments
Sovereign Investment Grade High Yield	Neutral Neutral Neutral	The Fed raised interest rates for the fourth time in 2018 but there was a shift from hawkish to slightly dovish from Fed Chair Jerome Powell. Despite this slight shift, markets expected the Fed to be even more dovish. US Treasury yields rallied, especially for longer-term ones. US investment grade (IG) outperformed high yield(HY) bonds since they benefitted from higher sensitivity to interest rates.

\* As at December 2018

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## Outlook







# THANK YOU





Bowen Square, Dr Ferriere Street, Port Louis

Tel: (230) 211 3311 Fax: (230) 210 3311

### www.afrasiacm.com

### BRN:C07045898

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