Post Quarter update (updated to 7 April)

The recent intensification of the trade war in the first week of April had a profound impact on global financial markets affecting various countries and leading to significant economic concerns. Even Mauritius was not spared with the imposition of 40% tariffs on Mauritian goods entering the US markets. The immediate impact would be felt by the export-oriented sector, in particular textiles, sugar and jewellery products. The upcoming negotiation for the renewal of the African Growth and Opportunity Act (AGOA) in September 2025 will be critical.

On the local equities markets, the impact was felt most sharply on Monday 7th April with the SEMDEX mirroring Friday's global sell-off (MSCI all countries index : -5.4%). The index dropped 4.5%, its largest single day decline since Covid. Notable losers were MCBG (-7.4%), SBMH (-6.1%), CIEL (-6.0%) and NMH (-5.1%). POLICY, which had recently redirected its investment focus towards international markets, was the worst performer, tumbling 11.3%. As at 7th April, the SEMDEX was down 1.8% for the year.

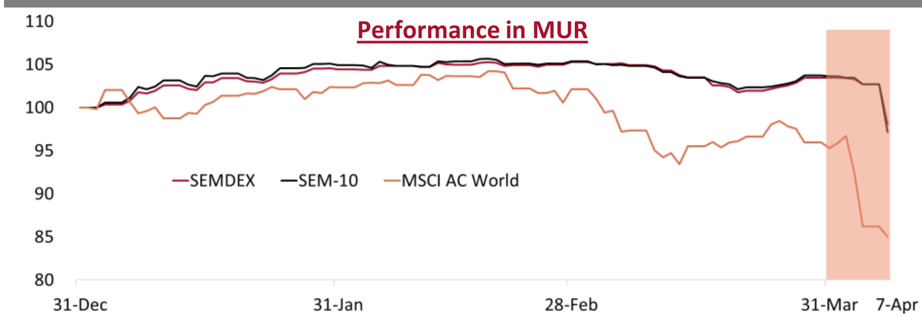
Local Economy

As per the latest National Accounts estimates released by Statistics Mauritius, the Mauritian economy is estimated to have expanded by 4.7% in 2024, compared with 5.0% in 2023. For this year, whilst maintaining its expansion, the domestic economy is projected to grow at a slower pace in 2025, at around 3.3%. Tourism and construction, which have witnessed high growth rates during the past years are expected to normalise. Growth would continue to be supported by resilient performances of the financial services sector. That said, downside risks prevail. In particular, tourist arrivals, which dipped by 5.8% year-on-year from January to March, could be negatively impacted by the worsening global economic outlook.

The annual average headline inflation has pursued a sustained downtrend to reach 2.5% for the 12-months ending March 2025, reflecting favorable statistical base effect. Looking ahead, the CPI would be subject to upside pressures including the impact of the prolonged drought on agricultural products and potential budgetary announcements. Additionally, global dynamics such as the intensifying trade war, increased market volatility and escalating geopolitical tensions could further impact inflation, particularly through oil and commodity price fluctuations. All in all, while rupee movements could weigh in the balance, headline inflation should hover close to the mid-point of the Bank of Mauritius target range by December 2025.

On the fiscal front, latest figure indicates that the revised public debt level stood at some 90% of GDP in December 2024. That being said, the authorities appear committed to implement a comprehensive fiscal consolidation plan aimed at bringing public debt to a more sustainable level. On the external front, the sizeable visible trade deficit warrants attention, with the latter increasing to MUR 203.7bn for the year 2024, representing some 29.4% of GDP. Nonetheless, robust tourism earnings as well as sustained capital and financial flows contributed to the overall Balance of Payments surplus, estimated at MUR 50.6bn last year. This year, despite the current account still projected to remain elevated, the Balance of Payments should be supported by sustained capital and financial flows, including a project-based loan facility from the Agence Francaise de Developpement and long-term lease payments from the UK government.

Market Overview



Source: MCB PWM, Bloomberg

Following the government's revision of the economic data, Moody's revised Mauritius' credit outlook from stable to negative, but maintained the investment grade rating of Baa3. Whilst that development provided some relief, it also highlighted the risks ahead. This may have contributed to the significant foreign investor net outflows of MUR 400m from SEMDEX stocks during the quarter, with MCBG alone representing MUR 397m of the total.

After rallying 17.9% in 2024, the SEMDEX maintained its momentum in Q1 2025, gaining 3.5%. The index hit an all-time high of 2,529.84 points on 18th February before ending the quarter at 2,486.61 points, down 1.7% from its peak. By comparison the global equities fell 1.7% and in MUR terms, this loss was further compounded to 4.7% by the 3.1% USD depreciation vs the MUR.

Within the local fixed income space, the newly appointed MPC members voted for a 50bps rate hike at their first meeting on the 4th February, a sharp rate policy reversal from last September's 50bps cut. As a result, yields already under upward pressure since the start of the year, surged even higher to end the quarter 75-100 bps more across all tenors.

Market Outlook and Portfolio Positioning

The recent overhangs of a potential global trade war and the Moody's revision of Mauritius' outlook to negative have piled on the ongoing challenges of elevated wage pressures, the 2% CCR levy, and increased financing costs faced by corporates.

Going forward, the local equities market may be subject to further volatility depending on the outcome of the tariff negotiations of the various US trade partners. As such, we prefer to keep our stance on local equities to neutral given that market fundamentals like PE ratio and dividend yield remain relatively attractive as compared to 2023 (post-COVID period).

	2023	2024	2025
Dividend Yield	3.5%	4.6%	4.6%
PE ratio	8.1	6.2	6.8

Source: Bloomberg

At portfolio level, we have positioned our equities holdings to emphasize sectoral diversification, as well as maintained a disciplined approach in identifying entry points, and realizing profits when appropriate.

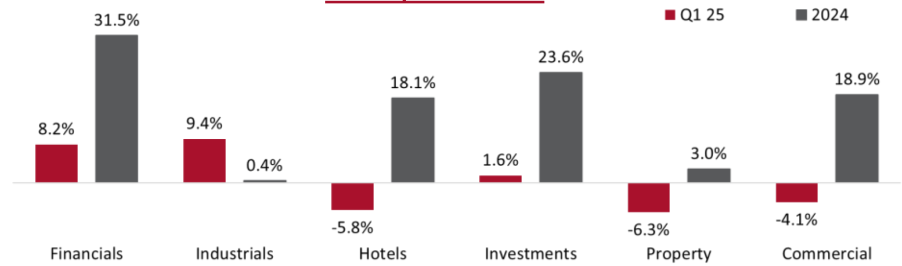
On the fixed income segment, we have begun to exercise caution given the uncertainty over the future monetary path of the BoM. Whilst a gradual rise in yields was expected following the shift away from the relatively accommodative monetary policy of the previous administration, the increase in Q1 turned out to be more pronounced than anticipated. Not only did the BoM take the market by surprise with a 50 bps rate hike, the newly appointed Central Bank Governor also pursued strong measures to reduce excess liquidity and put strong emphasis on the interest rate differential.

As such, until we get more clarity from the next MPC meeting scheduled for 7th May 2025, we have reduced our exposure to long-term bonds to limit further potential downside from duration. However, the medium-term segment (3–7 years), with yields currently at multi-year highs, has attractive entry points for new portfolios and rollover of maturing bonds.

Equity Market Overview

Despite the SEMDEX ending the quarter 3.5% higher, performance varied across sectors. The top performing sectors were Industrials (+9.4%) and Financials (+8.2%) while at the other end of the spectrum, Hotels, Property, and Commercial were down for the quarter.

Sector performance



Source: MCB PWM

The strong showing of the Financial sector was driven by the solid performances from SBMH (+22.4%), CIM (+12.7%), and MCBG (+6.4%) as strong earnings results and the high-rate environment continue to drive investor confidence. To note that SBMH emerged as the top performer, after declaring a dividend of MUR 0.50, a 25% increase from last year.

The Hotel sector started the year with a quarterly decline of 5.8%. Already reeling from the pressures of rising labor expenses on their margins, the hotels were further impacted by the subdued tourist arrivals figures for Q1 2025. Riveo was the lone gainer (+3.5%), despite the closure for renovations of its Shangri-La Le Touessrok hotel. The other hotel groups, LUX (-12.5%), SUN (-8.3%) and NMH (-1.4%), all finished the quarter lower. Going forward, the sector outlook remains challenging with a host of potential headwinds ranging from uncertain future bookings, a volatile exchange rate, an increasingly competitive environment, to continued pressures on margins.

The Investments cluster posted modest gains of 1.6% in Q1 2025, while the Commercial sector declined by 4.1%. Performance among the local conglomerates was mixed, reflecting the impact of their diversified business models. IBL lost 11.5%, Medine fell by 2.0% while ENL and CIEL gained 2.4% and 3.6% respectively. Clusters such as textile, commerce, and properties delivered solid results, whereas sugar operations, seafood, and hotels faced headwinds, weighing on overall sector performance.

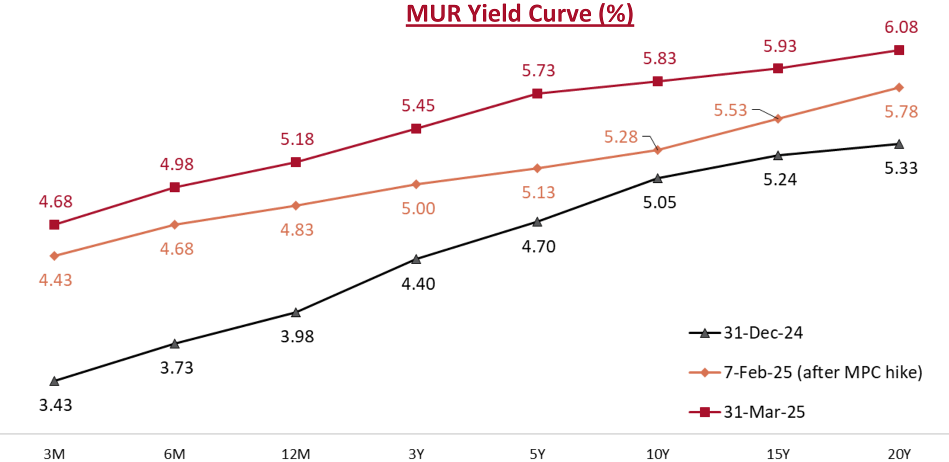
Corporate Announcement

1. NMH disclosed the signing of an Investment Agreement with Yamed Investment Management to facilitate the planned expansion of its hotel portfolio in Marrakech.
2. PBL announced a share purchase agreement with Diageo Netherlands B.V. and Guinness Overseas Limited to acquire a 54.4% equity interest in Seychelles Breweries Limited.
3. Planned IPO of Stevenhills Ltd, a sportsbook operator specializing in fixed-odds betting on football matches outside Mauritius. The offer price will be set at MUR 18.00 per share.

Fixed Income Market Overview

Over the quarter, yields rallied strongly across all tenors. The authorities played a large role in mopping up the excess liquidity on the market by increasing the issuance of short-term Bills and releasing a revised auctions calendar that raised the total tendered amount by MUR 13.2bn (+56%). With excess liquidity dropping from MUR 25.7bn to MUR 17.9bn in January to reach a trough of MUR 8.0bn by 21 February, the Primary Dealers were bidding at higher yields at successive auctions. This upward pressure was further exacerbated by a 50bps hike in the Key rate, which took a lot of market participants off-guard due to its magnitude and timing.

MUR Yield Curve (%)

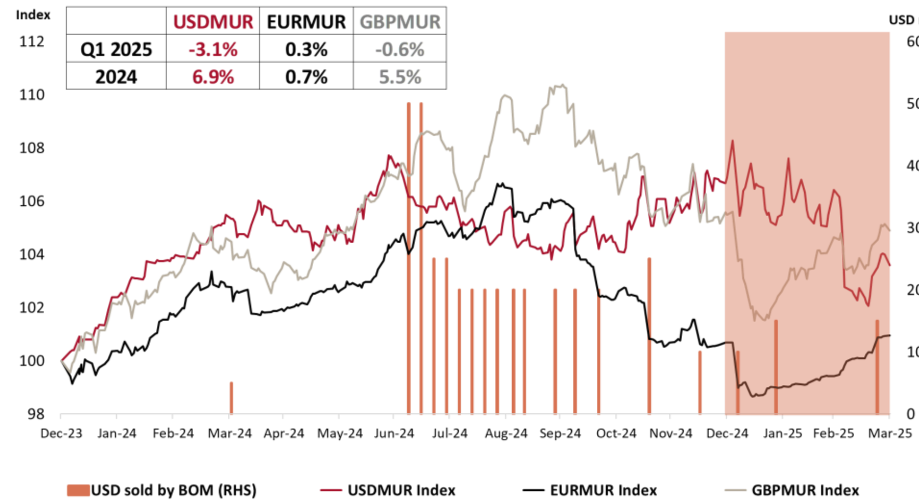


Source: MCB PWM, MCB Treasury

On the corporate front, while there was no major issuance this quarter, two announcements were SBM Holdings announcing an upcoming issue of subordinated notes via public offer for an amount of MUR 3-5bn to be applied towards its Tier II capital while CIM Financial Services will be issuing notes of 3- and 5-Year tenors through public placement.

Currency Market Overview

USD, EUR & GBP vs MUR (31 Dec 2023 = 100)



	USDMUR	EURMUR	GBPMUR
Q1 2025	-3.1%	0.3%	-0.6%
2024	6.9%	0.7%	5.5%

Source: MCB PWM, MCB Treasury, BOM

The MUR depreciation reversed course this quarter with a notable 3.1% appreciation against the USD and 0.6% against the GBP. However, versus the EUR, the MUR was flattish with a 0.3% change. Whilst this quarter's interventions by BoM were less frequent (3 times) and the amount less significant (USD 40m) compared to previous quarters, this helped steer the MUR. Towards the quarter end, the MUR also benefitted from the global weakness of the USD.

To note also, the recent signing of an MoU between the BoM and the Reserve Bank of India to establish a framework for the usage of INR and MUR in bilateral trade settlements and eventually the setting up of a Local Currency Settlement System for Mauritius to potentially become a regional INR clearing hub.