

Monthly Market Wrap

| May 2022

Equity index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
S&P 500	+0.0%	-5.5%	-9.5%	-13.3%	-1.7%	+50.1%	+71.3%	16.4%
MSCI World	-0.2%	-6.3%	-10.0%	-13.6%	-6.2%	+36.4%	+46.0%	16.0%
MSCI World Small Cap	-0.4%	-7.7%	-11.5%	-14.6%	-14.3%	+27.5%	+32.5%	19.3%
MSCI Europe	-1.5%	-2.1%	-3.3%	-8.3%	+0.3%	+19.1%	+12.7%	14.4%
MSCI EM	+0.1%	-8.0%	-11.1%	-12.5%	-21.7%	+8.0%	+7.2%	16.8%
MSCI AC Asia	+0.4%	-7.0%	-10.7%	-12.2%	-18.9%	+11.3%	+11.0%	14.2%
SEMDEX	-4.6%	+1.3%	+8.8%	+4.3%	+27.7%	+2.5%	+5.4%	15.9%
DEMEX	+0.1%	-1.2%	+0.3%	-0.1%	+15.7%	+33.3%	+44.3%	10.7%

Fixed income index returns (% local currency)

Index	1M	3M	6M	YTD	1Y	3Y	5Y	5Y Std Dev
Barclays Global Aggregate Bond	+0.3%	-8.1%	-11.2%	-11.1%	-13.2%	-4.3%	+0.4%	5.0%
Barclays US Aggregate Bond	+0.6%	-5.9%	-9.2%	-8.9%	-8.2%	+0.0%	+6.0%	4.0%
Barclays High Yield bond	-0.1%	-5.5%	-8.4%	-10.1%	-10.9%	+3.1%	+9.0%	9.0%
JP Morgan EMU IG Bond	-1.8%	-7.7%	-11.8%	-10.4%	-10.4%	-6.2%	-1.3%	4.4%
JP Morgan EM Bond	+0.3%	-6.6%	-13.8%	-15.2%	-15.3%	-5.6%	+0.2%	10.2%
FTSE Asian Broad Bond	-0.1%	-5.1%	-9.2%	-9.3%	-10.7%	-0.3%	+7.8%	5.0%

Commodity prices

Commodity	Current \$	1M
WTI Crude Oil / Bbl	114.67	+9.5%
Brent Crude Oil / Bbl	122.84	+12.3%
Natural Gas / mmBtu	8.15	+12.4%
Copper / oz	429.60	-2.3%
Silver / oz	21.55	-15.4%
Gold / oz	1,837.35	-3.1%

SEMDEX sector performance (%)

Index	Weight	1M
Financials	39.0%	-4.0%
Commerce	16.0%	-6.0%
Industry	7.6%	-1.1%
Investments	24.0%	-5.0%
Leisure & Hotels	7.3%	-7.8%
Property	5.5%	+0.1%
Sugar	0.5%	-5.7%
Transport	0.0%	0.0%
Foreign	0.2%	0.0%

Secondary market yields - GoM

Tenor	91D	182D	364D	3Y	5Y	10Y	15Y	20Y
Current	0.66%	0.86%	1.02%	2.54%	3.06%	4.47%	4.83%	5.11%
-1M	0.71%	0.83%	0.95%	2.44%	2.98%	4.24%	4.40%	4.52%

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Selected economic data*

Index	Manufacturing PMI		Service PMI		Consumer confidence		CPI YoY	Policy rate	Unemployment
	Current	-1M	Current	-1M	Current	-1M	Current	Current	Current
US	57.00	59.20	53.40	55.60	106.40	108.60	8.6%	0.75%-1.00%	3.6%
Germany	54.80	54.60	55.00	57.60	84.00	83.00	7.9%	0.00%	5.1%
France	54.60	55.70	58.30	58.90	86.00	87.00	5.2%	0.00%	7.3%
UK	54.60	55.80	53.40	58.90	-40.00	-38.00	9.1%	1.00%	3.8%
Japan	53.30	53.50	52.60	50.70	32.90	32.00	2.5%	-0.10%	2.5%
China	48.10	46.00	41.40	36.20	NA	86.70	2.1%	4.35%	4.0%
India	54.60	54.70	58.90	57.90	NA	NA	7.0%	4.90%	7.1%

*based on latest available data

SBM Fund performance (% local currency)

Fund	Currency	Strategy	NAV	1M	3M	6M	5Y Std Dev
SBM Perpetual Fund	MUR	Local fixed income	219.93	+0.3%	+1.1%	+2.0%	0.3%
SBM Yield Fund	MUR	Global fixed income	11.71	-0.1%	-0.6%	+0.7%	7.5%
SBM Universal Fund	MUR	Multi-asset	31.56	-0.9%	-1.7%	-1.0%	7.9%
SBM Growth Fund	MUR	Global equities	13.45	-1.1%	-4.2%	-4.1%	12.8%
SBM India Fund (Class B)	USD	Indian equities	128.67	-3.5%	-3.4%	-6.4%	28.4%

Commentary

Local equity indices posted mixed performances in May with the SEMDEX and DEMEX closing the month at 2,187.78 and 305.42 points, equivalent to respective returns of -4.5% and 0.1%. The main leaders, that is, companies which contributed to the positive performance of the SEMDEX were LUX, BMH and PAD while the main laggards were IBLL, MCBG and TERRA. The top three gainers in terms of price returns were PIM (+13.1%), HMALLAC (+13.0%) and MCFI (+7.0%) while the top three losers were TERRA (-24.2%), SUN (-21.3%) and NMH (-9.2%). The price-earnings ratio and dividend yield of the SEMDEX stood at 12.90x and 3.23%, respectively, as at 31 May against corresponding figures of 13.29x and 3.08% as at 29 April. The stock market registered net foreign outflows of MUR 64.5M during the month, mainly driven by MCBG, CIM and ALTG.

Global equities stabilised in May following a selloff in the preceding month; the MSCI World index posted a return of -0.2% MoM against a backdrop of elevated volatility, high inflation, monetary policy tightening and downside risks to economic growth.

The S&P500 recorded a flat return for the month. The index briefly fell into bear market territory during the session of May 20th after hitting a decline of more than 20% from its peak of Jan 3rd; however, it rallied by more than 8% by the end of the month. In terms of sector performances, Real Estate, Consumer Discretionary and Consumer Staples were among the major decliners while the energy, utilities and financial sectors were the major gainers. Despite the improvement in operating conditions, the expansion in output and new orders slowed given the ongoing supply chain delays, material and labour shortages, and slower demand growth; the S&P Global US Purchasing Managers' Index (PMI) declined to 57.0 in May (April 2022: 59.2). Input cost pressures intensified further in May with the cost inflation accelerating to the fastest in six months, mainly attributable to rising energy, wage and transportation costs; lockdowns in China and the war in Ukraine continued to put pressure on prices. The unemployment rate remained unchanged at 3.6% in May.

The Eurostoxx 50 registered a return of -0.4% MoM as macro risks continued to weigh on sentiment. Cheaper valuations and strong earnings outlook, however, fueled a risk-on appetite for certain regions. The DAX and FTSE MIB indices posted respective MoM returns of 2.1% and 1.0% while the CAC 40 recorded -1.0%. The Eurozone manufacturing sector continued to struggle amid the worryingly elevated inflationary pressures, supply shortages and sluggish demand; manufacturing orders fell for the first time in nearly two years as a result of rising selling charges and heightened uncertainty linked to the war in Ukraine. PMI edged down to an 18-month low of 54.6 in May (April 2022: 55.5). In the UK, the FTSE 100 index added 0.8% in May. Manufacturing growth slowed after the PMI fell to 54.6 in May against 55.8 in April, mainly attributable to stretched supply chains, elevated cost pressures, falling exports and weaker domestic demand.

Japanese equities ended the month in positive territory with the Nikkei 225 posting a return of 1.6%. Operating conditions improved, albeit at a softer rate, with both output and new orders rising at slower rates - PMI slightly declined from 53.5 in April to 53.3 in May. The sustained logistical issues and material shortages contributed to further surges in costs with input prices rising at the quickest rate in nearly fourteen years.

Emerging equities outperformed developed markets after the MSCI Emerging Markets index posted a return of 0.1%. The CSI 300 index registered a return of 1.9% MoM in local currency and 0.9% in USD amid the easing of curbs. Manufacturing activity improved in May but remained in contractionary territory as the latest wave of Covid-19 outbreaks continued to weigh on the economy; PMI rose from a 26-month low of 46.0 in April to 48.1 in May. In India, the BSE Sensex registered a return of -2.6% in May. The Indian manufacturing sector continued to sustain a strong growth momentum, buoyed by the robust upturn in international orders in over 11 years and firms scaling up production following looser covid-19 restrictions; PMI was little changed at 54.6 in May against 54.7 in April.

At fixed income level, the Barclays Global Aggregate Bond index posted a return of 0.3% MoM as fears of a potential economic slowdown intensified. The US 10-year Treasury yields fell by 9bps during the month, closing at 2.84% in May (April 2022: 2.93%). The US Federal Reserve announced a 50bps rate hike at its May meeting, raising the target Fed Funds rate to 0.75%-1.00%, in line with market expectations. The Fed also announced that it will begin its balance sheet runoff, reducing its holdings of U.S. Treasury securities, agency debt and agency MBS on 1 June 2022. The ECB kept the interest rate unchanged on the main refinancing operations and the marginal lending facility and the deposit facility at 0.00%, 0.25% and -0.50%, respectively and is expected to conclude net asset purchases under the asset purchase programme in early Q3 2022, conditional on economic data and the ECB's evolving assessment of the outlook.

On the commodity side, the S&P GSCI index gained 5.1% MoM mainly driven by the rise in oil prices. Brent and WTI recorded corresponding monthly gains of 12.3% and 9.5% amid the supply risks from Europe's partial ban on Russian oil imports. The price of natural gas increased by 12.4%. The downtrend in the prices of industrial metals continued in May with silver and copper posting -5.4% and -2.3% MoM as the lower manufacturing activity in China weighed on prices. Regarding precious metals, gold registered a return of -3.1%.

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