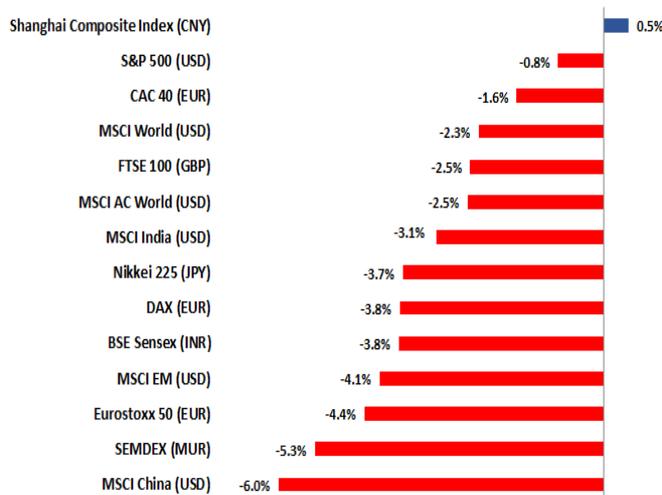


MARKET SUMMARY

Equities: Nov 2021 performance (in Index currency)



- The first two weeks of November started off well with momentum on the buy side. However, the Omicron variant and inflation, no longer considered to be transitory, dampened sentiment, leading to most equity markets finishing the month in the red.
- In the US, the Fed moved away from its dovish stance and its Chairman suggested that it could accelerate the pace of its tapering of monthly bond purchases by \$15bn/month. There is a possibility of interest rate hikes earlier-than-expected.
- Inflation surged across the world. U.S. inflation rate reached a 13-year high in October and was the fastest 12-month pace since 1990 and the 5th straight month of inflation above 5%. In Europe, consumer price growth in the 19 countries accelerated to 4.9% in November, the highest level in the last 25 years. China's central bank advisor said the economy could enter a period of "quasi-stagflation" with relatively slow growth and excessively high producer-price inflation.
- In Germany, three political parties (SPD, FDP and Greens) agreed to form a new coalition government, with left-leaning Social Democrat Olaf Scholz set to succeed Angela Merkel as chancellor. As part of the agreement, the minimum wage should be raised to €12 an hour, from the current rate of €9.60 an hour.
- The Bank of England maintained its rate at 0.1%, a historic low since March 2020. As per OECD, Britain is headed for the fastest growth in the G-7 this year and next but could suffer a setback if supply shortages are allowed to worsen.
- After having been among the top performers (in local currency terms) over the previous months, the SEMDEX was among the worst performers in November. Travel from and to South Africa was suspended, following the discovery of the Omicron, impacting air travel and the tourism sector.

THE MAURITIAN MARKET & ECONOMY

- The re-opening of borders, on October 1st, and the removal of Mauritius from the FATF list of jurisdictions under increased monitoring at the end of October and from the UK's list of high-risk countries in November were very positive for the markets.
- The hotel industry, accounting for approximately 25% of GDP, recorded encouraging tourist arrivals figures (54,434 in October as per Statistics Mauritius) and positive average occupancy rates of 50% and 65% for November and December respectively.
- Listed companies released improved financial figures with a more positive outlook. A few companies resumed dividend payments, after a suspension last year.
- New companies will be listed on the DEM in December-January, namely Velogic Co Ltd (a subsidiary of Rogers & Co Ltd) at Rs 25 per share and Oceanarium (Mauritius) Ltd (whose promoters are Eclasia Group and Clear Reef) at Rs 10 per share.
- Statistics Mauritius posted year-on-year inflation of 5.8% in October 2021 and headline inflation for the 12 months ending October 2021 of 3.4%. Hence, with Government of Mauritius bond yields ranging from 0.5% to 4.8% across the 3M to the 20Y maturities, nominal yields are below inflation rate.
- Since the start of the year, the MUR has depreciated by 12.6%, 10.0% and 2.6% against the USD, GBP and EUR respectively, thus impacting the purchasing power of consumers. Trade deficit for September widened to Rs 11.6bn from Rs 7.6bn a year earlier, due to a higher growth rate in imports (37.8%) compared to exports (20.0%).
- The new variant Omicron rendered markets jittery with approximately \$2trn wiped out from the value of global equities on November 26. Mauritius suspended all flights from South Africa, Botswana, Zimbabwe, and Lesotho from November 29 until December 31. Saudi Arabia and India included Mauritius on their list of 'at-risk' countries, and other countries might follow suit. This will impact the end of the year holiday travel season.
- In November, the Leisure & Hotels industry was the worst performing sector on the SEMDEX with a loss of 13.9% (the SEMDEX was down by 5.3%).

INVESTMENT THEME:

Cybersecurity

Cybersecurity industry

- The advent of the 4th Industrial Revolution (also called 4IR or Industry 4.0) has created opportunities for new products and services. 4IR is a fusion of advances in artificial intelligence (AI), robotics, internet of things (IoT), quantum computing and other technologies.
- The importance of cybersecurity continues to grow, with the increasing use of smart and connected technologies, due to increased cybercrime or cyberattack.
- Global cybersecurity spending by companies and governments is on the rise and is projected to grow from

\$101.5bn in 2017 to \$207bn in 2024. A report from Cybersecurity ventures predicts global cybercrime costs will grow by 15% per year from 2020 to 2025, reaching \$10.5trn in 2025.

- According to IBM Security analysis, based on 17 industries across 17 countries, average total cost of a data breach has increased from \$3.86m in 2020 to \$4.24m in 2021 (a 9.8% increase). This cost represents an 11.9% increase since 2015.
- Research by Microsoft shows that the most targeted countries for cyberattacks from July 2020 to June 2021 included US (46%), Ukraine (19%), UK (9%), Belgium (3%), Japan (3%) and Germany (3%).

Common Cyberattacks

Malware	<ul style="list-style-type: none"> • Term used for malicious software such as ransomware, spyware, worms, viruses. • It happens when user clicks link or email attachment.
Man-in-the-middle attack (MITM) aka Eavesdropping attack	<ul style="list-style-type: none"> • Attacker position himself in between 2 parties in communication and can interrupt traffic to steal data such as username, password. • Entry point includes unsecured public Wi-Fi and malware.
Phishing	<ul style="list-style-type: none"> • It involves sending fraudulent communications (emails) that appear to be from trusted and legitimate sources. • Purpose is to grab sensitive information like credit card, login information or to install malware.
Structured Query Language (SQL) Injection Attack	<ul style="list-style-type: none"> • Attacker injects a malicious code into a server using SQL (a programming language for interacting with a database). • He takes control and can execute administrator operations.
Denial-of-service (DOS) attack	<ul style="list-style-type: none"> • Attack involves flooding the server or network with traffic to exhaust its bandwidth such that the system cannot fulfill legitimate requests.
Domain Name System (DNS) Spoofing	<ul style="list-style-type: none"> • Hacker alters DNS records to send traffic to a fake website. Once victim enters sensitive information, hacker can steal the information.

Cybersecurity market drivers

1. National Security issues

- EU introduced the General Data Protection Regulation (GDPR) in May 2018 for the security, integrity and accountability of data. This data and security privacy law applies to any organization collecting data on EU residents.
- US President Biden met with industry leaders in August 2021 to reinforce the nation's cybersecurity. Google will

invest \$ 10bn over the next 5 years to bolster security of the software supply chain and to improve open-source. Microsoft has committed \$20bn, over 5 years, to provide advanced security solutions.

- In July 2021, China's Ministry of Industry and Information Technology announced that it has issued a three-year (2021-2023) draft plan to develop the domestic cybersecurity industry and estimated that the sector will grow at a compound annual growth rate (CAGR) of over 15% to reach more than 250bn yuan (\$38.6 bn) by 2023.

2. Internet of things (IoT)

- The number of IoT devices worldwide is forecasted to grow from 8.74bn devices in 2020 to 25.44bn by 2030.
- As more sensitive data are shared through IoT, this creates new security challenges as more information can be compromised.
- Global IOT security market size is expected to grow at a CAGR of 22.1% from \$14.9 bn in 2021 to \$40.3bn by 2026.

3. Increasing cloud adoption

- The global cloud computing market is expected to grow from \$445.3 bn in 2021 to \$947.3 bn by 2026, at a CAGR of 16.3% during this period.
- The cloud industry offers several major benefits such as reduction of infrastructure and storage cost, speed and reliability (data back up and disaster recovery). However, data stored on the cloud can be exploited by cybercriminals.
- In recent years, there have been major data breaches such as Yahoo in 2013 with 3bn accounts hacked, Facebook in 2019 with 530m users' data exposed to the public and LinkedIn in June 2021 with 700m of its users' data posted on a dark web forum.
- As companies move towards digital transformation driven by IoT and cloud adoption, cybercriminals are increasingly seeking the opportunity to exploit existing security vulnerabilities. In 2021, damages due to cybercrime is predicted to be a \$6trn drag on the global economy. Hence the need for companies to embrace and adopt cybersecurity.
- PeaQ has positioned its model portfolios to benefit from the increase in spending on cybersecurity.

5th December 2021

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Source: Salesforce, Microsoft, Gartner, Cybersecurity ventures, IBM, CISCO, Fortinet, The White House, Palo Alto Networks, Reuters, GDPR EU, SEMDEX, Bloomberg, Statistics Mauritius.

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