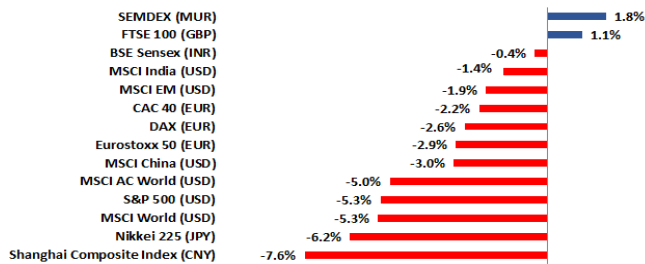


MARKET SUMMARY

Equities: Jan 22 performance (in Index currency)



- Since the beginning of the year, there has been a lot of volatility as inflation, speculations about interest rates and geopolitical tensions in Eastern Europe all weighed on investors' moods.
- High inflation is now deemed not to be transitory by many central banks.
- In the US, investors are currently expecting 5 rate hikes in 2022 versus earlier expectations of 3 as the US Fed grew more hawkish. The technology sector was the most impacted with the Nasdaq 100 entering correction territory on January 20th from its November 19th close at a record level.
- Following a surprise increase in rates in December, the BoE is expected to raise rates 5 more times in 2022.
- China, on the other hand, cut some of its rates to bolster growth after regulatory measures rattled markets.
- The ECB maintained current level of interest rates but remained flexible in its future policy.
- Russia-Ukraine tensions added to global uncertainty and contributed to price increases in the oil market.
- The Omicron wave is proving to be less virulent, leading to renewed optimism in markets. In Europe, many restrictions introduced before Christmas were lifted.
- The Mauritian SEMDEX was positive following the re-opening of borders with South Africa and others, the Leisure & Hotels sector was the best-performing sector.

CHINA VIES FOR TECH SUPREMACY

- Currently, the race for tech supremacy between US and China is gaining prominence with the emergence of new technologies such as artificial intelligence (AI), 5G, semiconductors, biotechnology and green energy.
- At a meeting in May 2021, bringing together the general assemblies of the members of the Chinese Academy of Sciences, the Chinese Academy of Engineering and the National Congress of the China Association for Science and Technology, President Xi Jinping mentioned that "technological innovation has become the main

battleground of the global playing field and competition for tech dominance will grow unprecedentedly fierce".

- To meet its ambitious technology targets, the government has embarked upon some key programs:
- **Digital economy during the 14th five-year plan (2021–2025)** - China will promote the implementation of a digital economy which will be in full expansion mode by 2025 and will account for 10% of the country's GDP. Emphasis will be placed on innovation in strategic and innovative fields such as quantum information, network communications, big data, AI, blockchain, new materials and integrated circuits.
- **Support to 'Little giants'** – Up until recently, China's tech industry has been dominated by giants like Alibaba, Tencent and Bytedance. However, the latter have fallen out of favour amid Beijing's regulatory crackdown on tech giants (financial services and gaming among others) in 2021. The government has shifted its resources to strategically important technologies developed by 'little giants'.
- 'Little giants' enterprises refer to small companies which are at an early development stage with a focus in niche sectors such as high-end equipment manufacturing, new energy, biomedicine and new generations of IT. The government has already identified and incubated 4,762 'little giants' and has a target to develop 10,000 'little giants' enterprises by 2025.
- A recent report published by Harvard's Belfer Center concludes that China could soon be a global leader in this century's foundational technologies and it has already claimed the number one spot in some emerging technologies:
- **AI** – China has overtaken the US in the field of deep learning (a subfield of AI) with 6 times more patent publications. In 2020, China ranked ahead of the US for overall AI citations with an increase of 35% from 2019.
- **5G** – China accounts for the largest 5G market in the world and had 87% of the global 5G connections at the end of 2020. The country had 150m 5G users (US: 6m) and 700k 5G base stations (US:50k) at that date.
- Although the US retains its dominant position in several technological fields, China remains a serious competitor as Chinese authorities have set their goals to be at the forefront of innovative countries by 2035.
- 2021 has been a challenging year for China following the introduction of regulatory measures in several industries. PeaQ has adopted a more cautious stance but we believe that investment in the Chinese market is a long-term play.

7th February 2022

For more information about our services, please contact:

André Chung Shui
Managing Director
+230 52 51 22 16
ac@peaqadvisors.com

Michael Yap San Min
Investment Advisor
+230 55 00 90 88
my@peaqadvisors.com

Ishrat Cheeroo
Investment Advisor
+230 55 01 29 00
ic@peaqadvisors.com



Source: Bloomberg, Xinhuanet, Harvard Belfercenter, SEMDEX, Bloomberg, Statistics Mauritius.

Disclaimer: The information and any opinion expressed therein do not constitute or form part of, and should not be construed as, an offer or an invitation to buy or sell or a solicitation of an offer or invitation to buy or sell or enter into any agreement with respect to any investment or service by PeaQ Advisors Ltd ("PeaQ"). The information is based on sources deemed to be reliable, but not verified independently, and is given in good faith by PeaQ. The recipient of the information should seek professional advice before considering any further action. PeaQ is not liable for any consequences resulting from the recipient's action or failure to act on the information. Investors are advised that future expectations may not be realised, and any past performance shown in the information should not be taken as a guide to future performance. The price and value of the investments as well as the associated income may be subject to fluctuations and are not guaranteed. Investors may not recover the full amount invested. This document may not be copied, distributed, reproduced, or transmitted for any purpose without PeaQ's prior consent in writing.