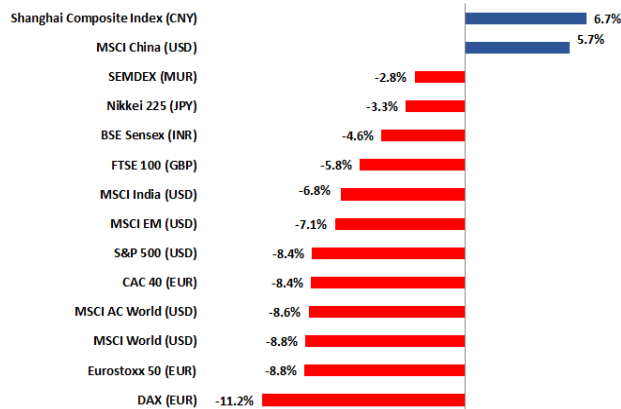


MARKET SUMMARY

Equities: Jun 22 performance (in Index currency)



- Volatility prevailed throughout the month of June as macroeconomic figures, central bank actions and the ongoing war in Ukraine impacted on most markets, which ended the month in the red.
- The US Fed re-affirmed its commitment to combating inflation through tightening measures, while the UK witnessed its 5th consecutive rate hike to 1.25% in June (the highest rate in 13 years).
- The ECB held an unscheduled meeting further to a widening of yield spread for some member countries with heavy debts. This has led to the ECB stating that it would design an instrument to limit these differences.
- China was one of the few markets which finished the month in the green as some Covid-19 restrictions were lightened.
- Oil prices registered their first month of negative returns since the start of the year.
- The Mauritian SEMDEX recorded a second consecutive month of negative returns as foreign selling pressure weighed in.

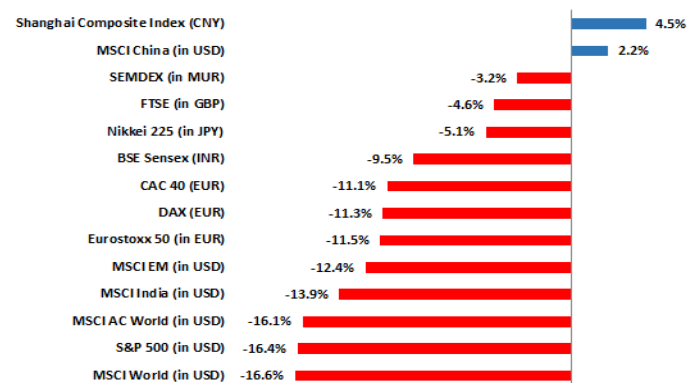
QUARTER 2 2022 UNDER REVIEW

- The second quarter of 2022 continued to be challenging. The war in Ukraine has resulted in major countries sanctioning Russia, in shortages of energy and agricultural products and in an increase in prices.
- Rising inflation is one of the main issues of central banks' policymakers and increasing interest rates are of major concern for investors.
- Inflation rates reached record highs across the world: In May, in the US, it reached its highest level since 1981 at 8.6% and in the UK at 9.1%, whilst in Europe it attained a new record high of 8.6% in June. In Mauritius, y-o-y inflation stood at 9.6% in June 22 (LY: 5.9%).
- The ECB turned more hawkish in the face of continued rising inflation and a first hike in 11 years is expected in July.
- The pace and magnitude of tightening by major central banks have increased the risk of recession with markets reacting negatively.
- China started the quarter with investors worrying about regulatory crackdowns on technology stocks, the possibility of delisting of some companies from the US and

lockdowns in major cities due to Covid-19. However, there was a positive reversal by quarter end as some Covid-19 restrictions were lifted and the government announced some easing measures.

- In the commodities market, oil posted positive returns (WTI +5.5% and Brent +6.4%) despite a significant pullback over the last month of the quarter. Gold suffered from the strength of the USD and posted negative returns of -7.4%
- The bond markets sold off as interest rates rose and the Barclays Global Aggregate Bond Index fell by 8.3% over the quarter. In Mauritius, the latest 10Y GoM bond auction in April resulted in a weighted average yield of 4.39%.
- The Bank of Mauritius continued to follow the global trend and increased rates by 25bps to 2.25% in June to combat rising inflation.
- In Mauritius, the national budget was presented in June with focus on social measures, many local listed companies declared (and some paid) solid dividends over the quarter and the stock market suffered from foreign selling pressures.
- The MUR appreciated against the EUR and GBP by 6.2% and 7.1% respectively and depreciated by 0.5% against the USD.

Equities: Q2 22 performance (in Index currency)



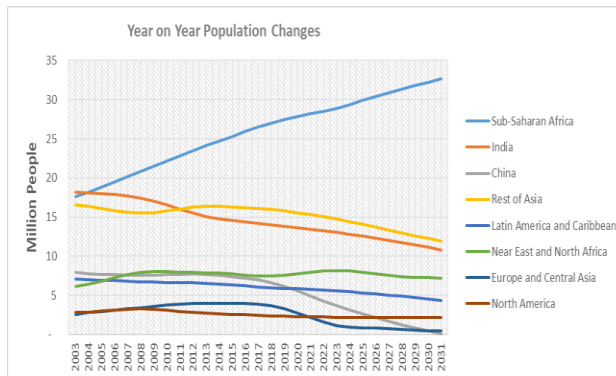
INVESTMENT THEME:

Agriculture

- Market volatility in agricultural commodity prices has been exacerbated due to the ongoing effects of the Covid-19 pandemic and the war between Russia and Ukraine. It has raised concerns about global food security and the ability of global agricultural production to meet future demand.
- In 2020, an estimated 768M persons (9.9% of the world population) were undernourished, mainly in Asia and Africa and some 2Bn persons were estimated to be malnourished.
- Projections have shown that it will be challenging to achieve the 2015 UN SDG 2 on Zero Hunger by 2030 based on current trends as undernourished persons will only decline to about 660M by 2030.
- Several factors are likely to affect future agricultural demand and production such as population growth rate, changes in per capita income and the war in Ukraine.

1. Population Growth

- Over the next decade, global food consumption of agricultural commodities is projected to grow by 1.4% p.a. driven by population growth. Most additional demand will originate from low and middle-income countries but will be constrained by a slower population growth in high-income economies.
- According to the Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organization of the United Nations (FAO), world population is estimated to grow from 7.8Bn in 2021 to 8.6Bn in 2031, corresponding to an average annual growth rate of 0.9%.
- Most of the demand for additional food such as cereals and other staples is expected to occur in Sub-Saharan Africa, India and Near East & North Africa as these regions will account for approximately 67.0% of the world's population growth.
- Sub-Saharan Africa currently accounts for approximately 14.0% of the world's population and by 2031, the region will have an additional 334M inhabitants compared to 2019-2021 - an approximate annual growth rate of 2.5% over the next 10 years.

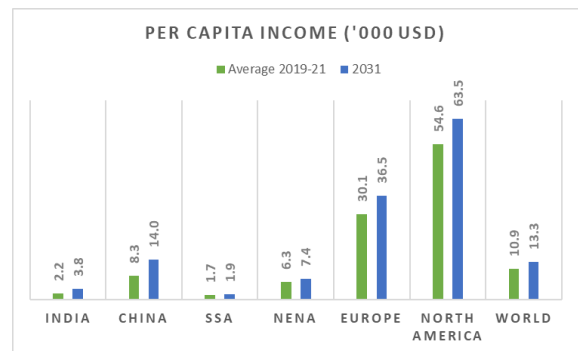


2. Changes in per capita income

- National average per capita income, which represents a household's disposable income, is one of the main drivers of the demand for agricultural commodities.
- After falling by 4.6% in 2020, global per capita income recovered by 4.4% in 2021, with an expected growth rate of 2.4% and 2.0% respectively in 2022 and 2023. It is estimated that a medium-term growth rate of about 1.8% p.a. will be achieved over the period 2024 -2031.

Source: World Bank, OECD, FAO, United Nations, BBC, WSI, SEMDEX, Bloomberg, Statistics Mauritius, MCB, BoM.

- Over the next decade, major growth is forecasted to be in Asia with a per capita income growth rate of 5.3% p.a. in India and 4.8% p.a. in China. Average per capita incomes are projected to grow at 1.3% p.a. in Sub-Saharan Africa (SSA) and 1.6% p.a. in the Near East & North Africa region (NENA).



3. War in Ukraine

- Agricultural prices have been very volatile since the beginning of the war between Russia and Ukraine. Prices are expected to increase by nearly 18.0% in 2022 before falling by 8.0% in 2023 but remain high by historical standards.
- Russia and Ukraine are key exporters of agricultural commodities such as wheat, barley and sunflower seed. The two countries together account for approximately 13.0%, 20.0% and more than 50.0% of the global wheat, barley and sunflower seed productions.
- As more than 50.0% of the crop production in Ukraine is exported, and due to sanctions on Russia, global food security is being threatened.
- Moreover, speculative behaviour such as hoarding has also been on the upswing by some countries either by restricting exports of agricultural commodities or engaging in panic buying on international markets to build up reserves. This behaviour has led to a surge in soft commodity prices.
- India, the second-biggest wheat producer (but accounts less for 1.0% of the global wheat trade), has banned wheat exports since May 2022. Within 24 hours of its announcement, wheat prices increased by 6.0%.
- We believe that agriculture is a powerful investment theme and PeaQ has included this investable asset class in its portfolios.

11th July 2022

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