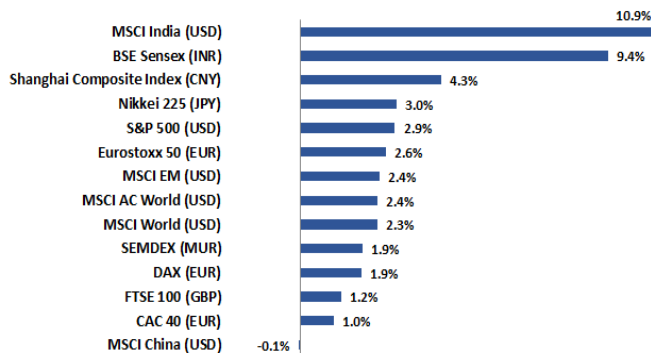


## MARKET SUMMARY

Equities: Aug 2021 performance (in Index currency)



- All major equity markets were in the green over the month of August as concerns about the global spread of the delta variant, turmoil in Afghanistan, Chinese regulatory measures and elevated inflation levels in developed markets were offset by encouraging macro-economic data, strong corporate results, and continued support of the US Federal Reserve Bank.
- August registered the S&P 500's 53<sup>rd</sup> and the Nasdaq's 32<sup>nd</sup> all-time highs since the start of year 2021, mainly due to a rally in technology stocks. The Indian equity market was one the best performing markets of the month on the back of domestic retail and institutional flows.
- The main news over the month relates to the \$1 trn infrastructure package approved by the US Senate which should provide further support to the US economy, the Chinese government's regulatory crackdown measures mainly on the technology sector, which pressured equities, and the US military retreat from Afghanistan after a 20-year occupation.
- The local Mauritian equity markets were also positive as the country approached its second phase of opening of borders to tourists. This buoyed investors' morale in anticipation that the tourism industry, on which the local economy is much dependent on, will get a much-needed boost. Ascencia made its move to the main board for trading.

## CHINA REGULATORY CRACKDOWN

- Recent regulations by Chinese authorities sent a strong signal to investors showing that the government is prioritizing social fairness over capital markets in areas that are deemed public goods or important to strategic policy goals such as China's new three-child policy, a decision adopted by the Politburo on May 31, 2021.
  - A policy document released by the government showed that China will enter a moderately aging stage during the 14th Five-Years Plan period (2021-2025) and a severely aging stage around 2035.

- Statistics from the National Health Commission revealed that the proportion of China's population aged 60 years and older is expected to triple from over 10% in the late 1990s to over 30% around 2035.

- The above governmental regulations can be broadly categorized as follows:

### 1. **Antitrust regulations**

The State Administration for Market Regulation (SAMR) released in November 2020 its guidelines for anti-monopoly in the field of Platform Economy. Violations highlighted include "Picking one from two" and "Price discrimination based on big data" – [In April 2021, Alibaba was fined RMB18.2 bn \(\\$2.8 bn\) for monopolistic behaviours over "Pick one from two"](#).

### 2. **Data Security**

China's cyber watchdog, the Cyberspace Administration of China (CAC) finalized new policies on personal data collection by mobile apps in March 2021 aiming to clarify the nature of the customer data that apps are allowed to gather – [In July 2021, the CAC ordered app stores to remove ride-hailing app Didi after finding that the company had illegally collected users' personal data.](#)

### 3. **Fintech/Capital Markets**

In July 2021, the People's Bank of China (PBoC) and China Banking and Insurance Regulatory Commission (CBIRC) issued draft rules to further tighten regulations for online microlending – [Ant's Group IPO valued at \\$35 bn was suspended in that same month.](#)

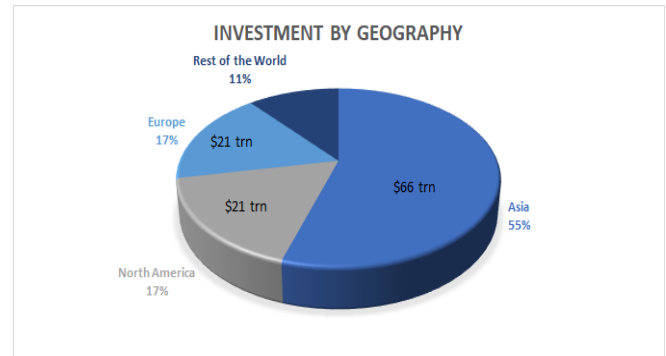
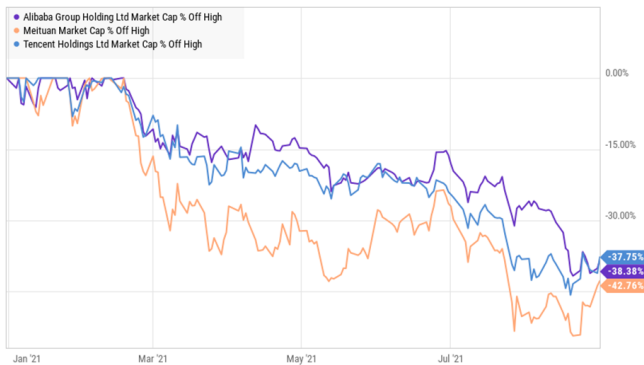
### 4. **Equality**

Chinese authorities introduced new rules in June 2021 requiring mandatory conversion of firms that provide K-12 after-school tutoring of core school subjects to non-profit institutions to reduce social inequality. China's K-12 after-school training industry includes mainly tutoring, enrichment education and English language training businesses and its market size was expected to reach RMB1.4 trn in 2025 – [Foreign investors can no longer control or hold shares in after-school tutoring institutions, including via variable interest entities.](#)

- While these regulations may have important social returns for China, those rules have cast doubts regarding investment by foreigners in the Chinese equity market and more volatility is expected ahead.

- China's tech sector has seen a combined value of approximately \$1.5 trn wiped from its market value since a peak in February 2021.

- Some of the most valuable companies from China such as Tencent, Alibaba and Meituan have lost more than 35% of their market cap since their peak in February 2021 until end of August 2021.



## INVESTMENT THEME: TRANSITIONING TO A LOW CARBON ECONOMY

- Climate change is posing a global threat to the world economy.
- The world is approximately 1°C warmer than pre-industrial levels and based on current trajectory of global economic growth, temperature around the globe could increase by approximately 3°C above pre-industrial levels by 2100.
- The above scenario resulting from anthropogenic emissions will be devastating for our ecosystem with potential risks of heavy precipitation associated with tropical cyclones, increase in intensity or frequency of droughts in some regions and global mean sea level rise.
- To address climate change and limit greenhouse-gas emissions, governments around the globe are taking several initiatives such as the 2015 Paris Agreement.
- It has been estimated by different organizations that to achieve the Paris Agreement ambitions (target of 1.5°C above pre-industrial levels), an approximate cumulative **investment of \$100 to \$ 150 trn+ will be needed by 2050 i.e., \$3-\$5 trn+ annually**

## DECARBONIZATION PORTFOLIO

- Geographically, **Asia is the largest region for climate finance** estimated at \$66 trn owing to a spectacular growth of many economies in Asia, followed by **US and Europe** each with \$21 trn of investment.

## INVESTMENT OPPORTUNITIES



- Major sectoral investment needs:
  1. **Electrification of technologies and processes** - Switch from fossil fuel to **renewable energy**.
  2. **Alternative Technologies** such as green hydrogen and CCUS (Carbon Capture, Utilization and Storage).
  3. Efficiency and Circularity which include the use of **digitization/artificial intelligence/machine learning** to optimize technologies, industrial processes and operations.

3<sup>rd</sup> September 2021

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Source: Bloomberg, SEMDEX, MSCI, State Council (The People's Republic of China), Boston Consulting Group, IPCC, European Commission, Oliver Wyman

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