

The Universe of MUR Investments

How to Grow Money

High Net Worth Individuals (HNWI) among others look for means and ways to invest their money and make it grow. Although usually unaware, the primary objectives are to beat the inflation rate [the rate at which consumables increase] and match a specific spending goal or lifestyle.

What are the Options?

Bank savings and deposits

These appeal to the most conservative and elderly. The advantage is liquidity/safety but returns are low, sometimes not outpacing inflation. Hence the best strategy is only a small portion is allocated to this asset type.

Interesting facts – Interest is not taxable; Usually overallocation reflecting risk aversion of individuals; 1.50-5.00% return

Securities – Equity

Equity are shares traded on the stock market. With higher return, they entail higher risks – capital risks. The local bourse is relatively illiquid, with few investment options, but with arbitrage opportunities. Most equity investors would do it through advisors, hence paying fees.

Interesting facts – Two types of potential return, capital gain and dividend; Both are not taxable; Trading fees are high [2.50%]; Only a few liquid stocks; average 5-10% total return

Securities – Debt

Debt are listed but still less traded on the local bourse. Individuals need to invest a minimum size to access this asset class. The market is relatively illiquid. Some institutions create funds with those debt instruments as underlying.

Interesting facts – interest is tax free; possible capital gain; illiquid market; average 4-7% interest return

Real Estate

Real estate is a local hit. Given the relative limited supply of this asset, it attracts much investment and hence derives attractive return. The low interest rate environment [on funding] offers some arbitrage in this segment. Options are numerous.

Interesting facts – Rental and capital gain potential; very popular; Taxable; Illiquid; 5-15% net return; Usually overallocation in a portfolio

Other Alternative Investments

Structured products, with equity and/or debt as underlying risks. Not well understood and less used as an investment option. They entail medium to high risks, with relative returns. Not widely offered, mostly to sophisticated investors. Provides interesting diversification benefits

Interesting facts – can be tailor made, hence has portfolio diversification benefits; Requires a minimum amount to invest; not popular; only a few funds offered for the retail market; high fees; negative to potential high returns

Insurance are popular due to their tax benefits. They usually englobe an investment package coupled with an insurance cover. Widely sold and mis-sold. Overly simplistic and possible actuarial abuse

Interesting facts – tax free; often inappropriate for investors' portfolio; high fees and commissions, often hidden costs

Common pitfalls

- Too low risk appetite and over-allocation to safe investments [bank deposits] and lesser to structured and equity/debt. Risk of net negative returns
- Emotional bias towards real estate holding, hence over-allocation in portfolio
- Understatement of inflation figures – HNWI's inflation rate is much higher than the published rate, hence investment objectives are wrongly set
- Deposits are overly concentrated in savings accounts, kept for safety. Medical and other insurance often caters for liquidity and medical needs
- Low appetite for non-bank deposit offerings, which yield higher interest
- Fees and commissions are too high for some investment solutions [equity/debt trading, insurance etc.]

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