

## MONTHLY NEWSLETTER

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### Impact of the Russian-Ukrainian war on the investment sector

By Alberto Pitoro\*

At a time when the COVID-19 pandemic crisis seemed to have been overcome, economies were opening, the prospects pointed to the upturn of the global economic growth as well as the risk appetite among investors, the Russia-Ukrainian war triggered another huge concern, rising oil and other commodity prices. Coupled with the disruption of supply chains management, this has become a threat to the macroeconomic stability of countries, turning into another financial crisis for the investors.

As it was with COVID-19 pandemic, the investors' concern is to understand at which extension their investments could be affected by this conflict. A question which is always difficult to answer; however, for institutional investors the COVID-19 pandemic, despite being from a different nature, may serve as a support basis to understand at what point the conflict between Russia and Ukraine may affect the investment sector.

By mid-2020, McKinsey & Company mentioned that the world's largest institutional investors (pension funds, sovereign wealth funds and others) had a positive impact on COVID-19 pandemic, demonstrating remarkable preparation, resilience, and agility as a result of the experience previously acquired during the 2008-2009 financial crisis. One of the determining factors for this "resilience" was that many investors had adopted an allocation of assets that favored greater liquidity. According to the Insurance Institute of Mozambique (ISSM), Mozambican Complementary Pension Funds had 57% of their assets invested in government bonds, and 16% in cash and deposits, against 53% and 14%, respectively in 2019. In other words, they have a higher concentration in liquid assets, which is consistent with the resilience thesis presented above.

\*Head of Treasury | Absa Bank Mozambique

### Are you planning for retirement?

By Nádia Nunes\*

We always seem to think that retirement is always far away, that we're still young, and that the INSS (government social security scheme) will take care of us when we retire. Will it? Are you still that young?

In this day and age there's nothing more empowering than taking care of your own future. Saving today, to enjoy tomorrow. As the book Rich Dad and Poor Dad says, delay gratification. Pay yourself first!

Our economy has come a long way and, since 2011, we have institutions that offer complementary retirement schemes - pension funds. While the INSS is there (non-negotiable), you can always ensure you have an added benefit by contributing to a complementary pension fund.

According to the Insurance Supervision Institute of Mozambique (ISSM), we have more than 13,000+ members of complementary pension funds in Mozambique.

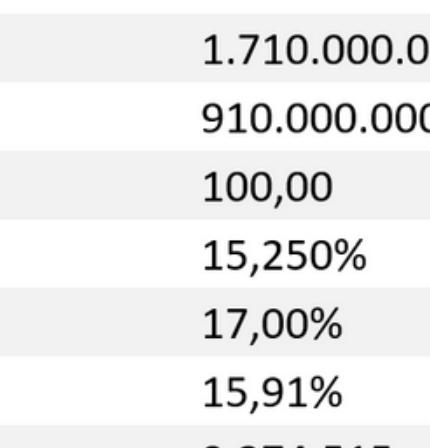
At Carlyle Partners we help companies implement pension fund solutions for their employees.

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### Market Intelligence

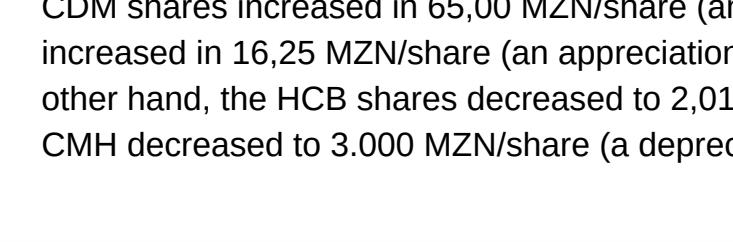
By Absa Bank Mozambique



#### Macroeconomic Indicators

Source: Central Bank, INE, MEF, Absa Bank Mozambique

	2018	2019	2020	2021F	2022F	2023F	2024F
Real GDP (% y/y)	3.3	2.2	-13.9	15.1	3.9	21.0	6.1
GDP (USD bn)	14.8	25.3	-13.9	15.1	3.9	21.0	6.1
Current Account Balance (% GDP)	-10.3	-19.7	-25.8	-23.8	-23.7	-23.1	-23.7
Fiscal Balance (% GDP)	-5.3	-9.2	-10.8	-8.8	-7.7	-5.7	-4.7
Public Debt (% GDP)	110.0	105.7	114.2	116.4	101.9	90.8	90.1
CPI (% Dec/Dec)	3.5	3.5	3.5	6.7	6.7	8.1	7.9
CPI (p.avg.)	14.29	12.78	10.21	15.27	13.75	14.75	15.25
Policy rate (MIMO, % eop)	14.23	12.75	10.25	13.25	13.75	14.75	15.25
USD/MZN (eop)	61.63	61.63	74.60	64.00	63.00	61.00	60.00
USD/MZN (avg)	60.34	62.43	69.87	69.30	63.50	62.00	60.50
USD/MZN (avg)	Q3 21	Q4 21 F	Q1 22 F	Q2 22 F	Q3 22 F	Q4 22 F	Q1 23 F
CPI (% y/y, eop)	6.7	5.8	6.7	7.1	6.7	6.9	7.8
Policy rate (% eop)	13.25	13.75	13.75	13.75	13.75	13.75	14.75
USD/MZN	Spot 63.66	Q4 21 F 63.72	Q1 22 F 63.48	Q2 22 F 63.24	Q3 22 F 63.00	Q4 22 F 62.50	Q1 23 F 62.00
ZAR/MZN	4.14	4.18	4.30	4.22	4.06	3.96	3.82



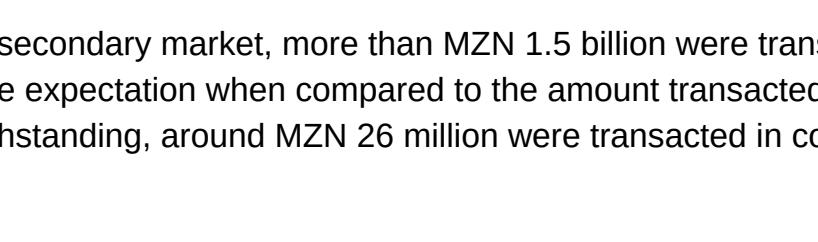
Note: Inflation for Mar 2022 still the one as of Feb 2022



Source: Bank of Mozambique

### Mozambique Financial Markets

By Banco BiG Mozambique\*



#### Primary Market

In the long-term bond market, two treasury bond auctions with QT 2022 S3 maturities were held in March, (the second auction was re-opening), whereby both auctions managed to raise around MZN 1.4 billion. The average yields in both auctions were 15,91% and 15,97% respectively. These are bonds with 8-year maturities, which corresponds to the highest maturity bond when comparing with the bonds recently issued on the market.

Bonds	QT 2022 S3	QT 2022 S3 (R1)
Type	Opening	Reopening
Maturity	8 years	8 years
Coupon Interest Rate	15,25%	15,25%
Amount of the Issue	7.321.000.000,00	6.411.000.000,00
Amount from Demand	1.710.000.000,00	974.000.000,00
Amount issued	910.000.000,00	500.000.000,00
Nominal Value	100,00	100,00
Minimum Rate	15,250%	15,875%
Maximum Rate	17,00%	17,00%
Average Rate	15,91%	15,97%
Nº of Bonds Issued	9.374.515	5.165.894
Demand/ Supply Ratio	23,36%	15,19%

#### Secondary Market

##### BVM - Shares

In March, the Stock Market was marked by the remarkable volume of the transaction of MZN 896 thousand from CMH shares in 65,00 MZN/share (an appreciation of +8,33%), and the EMOSE shares increased in 16,25 MZN/share (an appreciation of +8,33%), both considerably positive. On the other hand, the HCB shares decreased in 16,25 MZN/share (a depreciation of -19,60%), and CMH decreased to 3,00 MZN/share (a depreciation of -7,69%) depreciation of -7,69%.

Shares	Price	Volume	Δ Weekly	Δ Monthly	Δ YTD
CDM	65,00	168.040,00	-18,75%	8,33%	30,00%
HCB	3,00,00	321.949,94	0,00%	-19,60%	-33,00%
EMOSE	16,25	172.303,25	-18,75%	8,33%	-18,75%
AKO SEG	1.250,00	0,00	0,00%	0,00%	0,00%

The above table shows the shares with higher transaction volume over the last 6 months.

##### BVM - Bonds

During March, in the secondary market, more than MZN 1.5 billion were transacted in treasury bonds, 24% below the expectation mark to the amount transacted in February (MZN 2.016 million). Notwithstanding, around MZN 26 million were transacted in corporate bonds.

## Treasury Bonds

Bonds	Current Coupon	Type of Coupon	Next Coupon	Maturity	Yield
OT 2019 S5	14,938%	BT's + 1,50%	10-apr-22	10-apr-22	13,70%
OT 2019 S9	12,000%	Fixed	12-jun-22	12-jun-22	13,76%
OT Providers 2019	4,063%	Inflação + 0,5%	29-jul-22	29-jan-29	15,77%
OT 2020 S10	14,938%	BT's + 1,50%	07-apr-22	07-oct-24	14,46%
OT 2021 S1	14,880%	BT's + 1,50%	10-aug-22	10-feb-25	14,56%
OT 2021 S2	14,650%	BT's + 1,25%	24-aug-22	24-feb-26	14,88%
OT 2021 S4	14,000%	BT's + 1,00%	21-apr-22	21-apr-26	14,93%
OT 2021 S7	14,250%	BT's + 0,75%	08-sep-22	08-sep-25	14,74%
OT 2021 S8	14,000%	BT's + 0,75%	22-sep-22	22-sep-25	14,75%
OT 2021 S10	14,500%	Fixed	10-may-22	10-nov-25	14,79%
OT 2022 S1	14,500%	BT's + 1,00%	09-aug-22	09-feb-27	15,17%
OT 2022 S2	14,000%	BT's + 0,50%	23-aug-22	23-feb-25	14,58%
OT 2022 S3	15,250%	BT's + 1,75%	09-sep-22	09-may-30	15,97%
MOZAM (USD)	5,000%	Fixed	15-sep-22	15-sep-31	10,59%

## Corporate Bonds

Bonds	Current Coupon	Type of Coupon	Next Coupon	Maturity	Yield
Bayport 2019 S1	20,000%	Fixed	12-apr-22	12-apr-24	16,94%
Bayport 2019 S2	19,000%	Fixed	21-apr-22	21-oct-24	17,16%
Bayport 2020 S1	16,000%	Fixed	27-sep-22	27-mar-25	17,35%
Bayport 2020 S2	19,400%	BT's + 6,00%	30-sep-22	30-mar-25	17,35%
Bayport 2021 S1	17,880%	BT's + 4,50%	21-may-22	21-may-26	17,84%
Bayport 2021 S2	18,000%	BT's + 4,50%	26-jul-22	26-jul-26	17,92%
Bayport 2021 S3	18,000%	BT's + 4,50%	27-jul-22	27-jul-25	17,49%
Bayport 2021 S4	18,000%	BT's + 4,50%	16-sep-22	16-sep-26	17,98%
BNI 2019 S1	16,000%	MIMO + 2,75%	30-jul-22	30-jul-22	N/A
Visabeira 2020	21,000%	FPC + 4,75%	23-jun-22	23-mar-26	N/A

\*Investment Banking

## News

### Hollard officially confirms the acquisition of ICE business in the country

Source: **Diário Económico\***

After the approval granted by the regulatory authorities, Hollard Seguros Mozambique officially announced to the market on Monday (March 7), the acquisition of the business of the insurer International Commercial and Engineering (ICE) Insurance in the country.

This transaction makes Hollard the largest Non-Life insurer in terms of premium income, and with an annual turnover now exceeding 98 million dollars equivalent to 6.2 billion meticals.

Henri Mittermayer, CEO of the insurer in Mozambique praises "the historic occasion for Mozambique's insurance sector" and expresses "gratitude to the regulatory authorities and all parties that made this transaction a reality. We are especially grateful to the ICE team, which has been incredibly cooperative throughout this process," said the South African manager.

"Having been operating in Mozambique for 20 years, Hollard Mozambique Insurance begins a new chapter in serving this important market. We are excited at the prospect of working alongside ICE CEO Robert Lewis and industry veteran Kay Wilkinson, among others, as we look to consolidate and extend the international client relationships that ICE has so successfully established," continued Mittermayer.

"With our Life business showing strong growth, and with group turnover in both Life and Non-Life now approaching 6.5 billion Meticals, we are building a strong business and are looking forward to contributing to the vibrant Mozambican insurance market in our new capacity," he added.

<https://www.diarioeconomico.co.mz/2022/03/08/economia/seguros/hollard-confirma-aquisicao-do-negocio-da-ice/>

### Global Alliance launches Viva Tranquilo Life Insurance

Source: **Global Alliance Seguros, S.A.**

Viva Tranquilo was designed thinking of our customer's most precious good, their family. Keeping in mind the difficult and adverse times in which we live, we wanted to improve our provision of services and add or provide some peace of mind to customers and the general public.

This solution is tailored based on our customers who seek individual and family protection, guaranteeing simultaneously the possibility of enjoying a quieter life full of celebrations.

**Seguro Viva Tranquilo** is a simplified individual life cover that offers death and disability benefit.

#### What is the key objective of this product?

The key objective of this policy is to allow the breadwinner (the policyholder) to provide for his/her dependants in the event death or disability.

#### How can you qualify to obtain this cover?

- You must be have a minimum of 18 Years and a maximum of 59 Years old.
- AML/KYC legislated requirements must be provided.
- No medical tests are required during the application process but, four medical questions must be answered as part of the application form.

#### What are the option plans and monthly premiums?

Plan option	Sum Assured	Monthly premium
Option 1	500,000.00 MZN	700.00 MZN
Option 2	1,000,000.00 MZN	1,300.00 MZN
Option 3	1,500,000.00 MZN	1,850.00 MZN
Option 4	2,000,000.00 MZN	2,350.00 MZN

#### What are the benefits?

- Death Benefits: the policy pays a full sum assured amount to the beneficiaries.
- Disability Benefit: the policy pays a full sum assured amount in event of disability.

#### Is there a rider benefit?

Yes, there is a cash back benefit of 50% of the 1st Year premium, with a condition that cover remains active for more than 3 Years with no premium payment interruption.

#### What is the cover cease age?

- For death benefit cease age is not applicable, as cover is lifelong.
- Cease age is applied only for disability benefit at age 65.

## Post of the Month



Carlyle Partners is an insurance advisory brokerage specialized in Health, Life and Pensions,

licensed under the Insurance Supervision Institute of Mozambique (ISSM).

E-mail: [corporate@carlylepartners.llc](mailto:corporate@carlylepartners.llc)

www.carlylepartners.llc

Carlyle Partners | Av. Marginal,

141C Rani Towers 6th floor

+258 85 792 1192

Website: <https://www.carlylepartners.llc/>