Analyzing Mutual Funds Performance: 
The Case of Emerging Mauritian Economy

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Introduction

Mauritius’s mutual fund market has been growing rapidly and is now at par with other developing nations. Among the most important factors that explain its growth are, development of the financial market and the need for advanced investment tools. These give the financial institutions the opportunities to develop and offer a number of different financial products. In many developing countries, including Mauritius, the financial system is often dominated by banks, which are typically oligopolistic in structure, and concentrate on short-term lending rather than lending for long-term projects that are critical for rapid economic growth and development. Therefore, the development of Non-Bank Financial Institutions (NBIs) that deal mainly in the capital market, becomes imperative. The more widened the base of financial institutions, the more the possibilities of risk. Moreover, the government of Mauritius is continuously encouraging the development of the mutual fund market and desires to provide a good capital market environment. Existing and new investors are also showing greater interest in such type of investments.

This paper analyzes the performance of Mauritian mutual funds by initially investigating the performance of the mutual funds on a risk-adjusted basis and then on an individual basis with respect to their respective benchmark performances. The results show that the rankings obtained by applying both the Sharpe and Treynor rules are almost the same, implying that the funds appear to be well-diversified. Moreover, the majority of funds selected are reported to have a relatively high Sharpe ratio, thus indicating a pretty good performance. However, the positive Jensen’s alpha indicates that fund managers through their stock picking skills, privileged information or intuition have ‘beaten the market’. Individual analysis revealed that funds are heavily dependent on the performance of the local stock market, that is, they move in line with the market index. Interestingly, those mutual funds investing heavily in the local stock market are reported to ‘beat the market’.
Studies on mutual funds’ performance appraisal have been burgeoning in the literature (McDonald, 1974; Miller and Gressis, 1980; Grinblatt and Titman, 1992; Brown and Goetzmann, 1997; Wermers, 1997; and Kaminsky et al., 2001). However, most of the existing works have overwhelmingly concentrated on developing countries case. Empirical assessment of the African case, especially of Small Island Developing States, has been very scarce not to say inexistent. This study is believed to supplement the literature by providing new evidence from an emerging economy, Mauritius, which is one of the best performers of the continent. The objective of this paper is two fold. It first attempts to measure the performance of Mauritian mutual funds. In this part of the study, three performance measures have been used, namely, the Sharpe ratio, the Treynor ratio and the Jensen’s alpha. Second, the paper evaluates the individual performances of the selected funds by conducting an empirical investigation of the performance of mutual funds. Funds have been ranked based on their performance vis-à-vis the SEMDEX index. Data for the period 2003-2007 have been used.

The paper discusses the background of mutual funds in the country, and then it reviews the related literature. Subsequently, it explains the methodology and analyzes the results. Finally, it concludes the discussion.

**Background of Mutual Funds in Mauritius**

Mutual funds first started their operation in Mauritius in the early 1990s. Mauritius has adopted a set of regulatory and supervisory standards to accommodate investment fund managers also known as investment advisors, who can either be a natural person or a corporate body, who manage a portfolio of securities under a discretionary or non-discretionary mandate. Mutual funds are normally divided into closed-ended funds and open-ended funds.

Financial Services Development Act 2001 (FSD Act 2001) has brought all non-banking financial services such as fund management pension schemes, management collective investment schemes and many others, under the purview of the Financial Services Commission (FSC). The Global Funds that are registered with FSC have the structure of companies that are incorporated under the Companies Act 2001. These funds are licensed as Global Business Category 1 (GBC1). Under this structure, the company invests its funds mainly in securities with the aim of spreading risks associated with investment, and distributes the earnings among the members of the company. Investment companies may as well take the form of open-ended companies. In addition, the Securities Act 2005 has adopted the term ‘collective investment scheme’ to all arrangements or schemes such as mutual funds and unit investment trusts, that pool funds from investors with the aim of investing in portfolio of securities. The Appendix gives an overview of the existing mutual funds in Mauritius.

**Literature Review**

Recent findings as well as earlier results conclude that fund managers are normally unable to beat the market. Correspondingly, the results on market timing reveal that fund managers, generally, are unable to indicate market movements.
Miller and Gressis (1980) argued that non-stationarity in data, if ignored may give rise to misleading conclusions. They studied 28 no-load funds and discovered that only one of these funds had stationary betas, and the number of betas for any given fund varied considerably over the periods. Their findings showed mix results between betas and the market return, both weak, positive relationships and weak, negative relationships were obtained. Carlson (1970) analyzed fund returns on the S&P index. He showed that there exists a high unexplained variance of the returns. He further argued that when a mutual fund index is used as the market proxy, the unexplained variance is seriously undermined. McDonald (1974) confirmed that less aggressive portfolio is outperformed by more aggressive ones.

In an attempt to study mutual fund investment in emerging markets, Kaminsky et al. (2001) analyzed the activities of international mutual funds both at the fund-manager and fund investor levels. He argued that these international mutual funds were the catalysts of the globalized financial markets. They were also the main sources of capital flows to emerging economies. Brown and Goetzmann (1997) and Carhart (1997) revealed that size and value held account for differences in fund performance, but no direct comparisons with more general style factors were undertaken.

Miner (1984) studied whether fund managers working in group do a better job that those working individually. He found that groups do a better job, but not better than the best individuals. Some studies also supported the notion that some fund managers have superior investing ability and sometimes outperform the market. He argued that the best individuals, however, can only be identified *ex post* based on their performance. Therefore, Chalmers et al. (1999) found that funds with lower spread costs and better tax efficiency have higher returns, implying that trading efficiency is an aspect of managerial ability.

**Methodology**

Kolb and Rodriguez (1993) argued that there are three well-accepted methods or indexes in the literature for evaluating the performance of mutual funds. These indexes are the Sharpe index, Treynor index and Jensen’s alpha. Most of the early studies on mutual funds’ performance, have used one of these three indexes.

Treynor (1965) criticized mutual funds’ performance in comparison to other funds’ returns or by averaging returns over a number of periods. He recommended a new predictor of mutual funds’ performance, which incorporates the volatility of a fund’s return. It measures the excess returns over a riskless investment per each additional unit of market risk. This ratio takes into account the systematic risk\(^1\) instead of total risk. Therefore, the higher the Treynor ratio, the better the performance under analysis.

Treynor ratio is calculated as follows:

\[
\text{Treynor Ratio} = \frac{\bar{R}_p - R_f}{\beta}
\]

\(^1\) Systematic risk also known as market risk, is the risk that affects the entire market and cannot be avoided through diversification.
where \( \bar{R}_p \) = Average annualized return of the fund
\( R_f \) = Risk-free rate
\( \beta \) = Beta of the fund

Sharpe (1966) suggested a measure for the evaluation of portfolio performance. Sharpe index attempts to measure the fund’s performance relative to a specified risk-adjusted return. When a portfolio earns return greater than the benchmark market equilibrium return, it is said to exhibit a good performance. Sharpe explains, in context of modern portfolio theory, that the expected return on an efficient portfolio, \( E(R_p) \) and its associated risk (\( \sigma_p \)) are linearly related:

\[
E(R_p) = R_f + \beta \sigma_p
\]  

...(1)

wherein \( R_f \) is the risk-free rate and \( \beta \) is the risk premium.

The Sharpe ratio is very useful for comparing different portfolios, in terms of risk-adjusted return. The ratio shows the extent to which an investor earns additional returns for additional risks undertaken. It is calculated by defining the ‘excess return’ as the return on a risky investment in excess of the return on a risk-free investment, that is obtained by subtracting the risk-free rate from the return of the portfolio. Then, the annualized Sharpe ratio is calculated by dividing the annualized excess return by the standard deviation of the return as shown below:

\[
\text{Sharpe Ratio} = \frac{\bar{R}_p - R_f}{\sigma_p}
\]  

...(2)

where \( \sigma_p \) = Standard deviation of portfolio return

The advantage of using the Sharpe ratio for evaluating portfolios is that, it does not depend on the choice of a benchmark. Sharpe scrutinized 34 open-end mutual funds (over the period 1954-1963) and came across considerable variability in the Sharpe ratio, ranging from 0.78 to 0.43. He gives two reasons for the results. Firstly, the cross-sectional variation is either random or due to high fund expenses, and/or secondly, the difference is due to the management skills.

Jensen (1968) examined the performance of mutual funds with a model that statistically measures a fund’s performance relative to a benchmark. The estimating equation is:

\[
R_{jt} - R_f = \alpha_j + \beta_j (R_{mt} - R_f) + U_{jt}
\]  

...(3)

where the \( \alpha \) is termed as Jensen’s alpha that gives us an idea of the forecasting ability of a manager who contributes to fund’s returns, and the error term \( U_{jt} \) is expected to be serially independent. The value of \( \alpha \) can be either positive or negative. A positive value indicates superior security price forecasting. A negative value may indicate any of the two following explanations: poor security selection or the existence of high expenses.
In this study on the performance of mutual funds in Mauritius, the analysis has been done in two parts. First, we apply various tests to evaluate the performance capacity of mutual funds in Mauritius. We use the Sharpe ratio, Treynor ratio and the Jensen’s alpha to evaluate funds, which are calculated as an average over a 5-year period. Then we rank them according to the Sharpe rules. The rankings reveal whether or not all analyzed funds outperform the market on a risk-adjusted basis. Second, we analyze the individual performance of the selected mutual funds in our sample vis-à-vis the SEMDEX index. Therefore, we investigate whether or not the selected mutual funds outperform the market.

For the purpose of this study we tried to include all the 12 mutual funds available in Mauritius. However, due to lack of information and data consistency among funds, we considered a sample of seven mutual funds in Mauritius. We also conducted some interviews with financial analysts to obtain better insights into the mutual fund industry in Mauritius. Moreover, the financial statements of the seven selected funds for the 5-year period were collected from the company. For some companies the NAVs were available on their respective websites while others were collected from the companies’ administrative center. Likewise, the Treasury bill rates and the data for the SEMDEX were available on their respective websites. However, the data collected were of a weekly basis, except for the Treasury bill, which was of a monthly basis.

In order to calculate the three ratios, we use simple returns to calculate the rate of return on the net asset value, and the formula used is as follows:

\[ R_t = \frac{NAV_t - NAV_{t-1}}{NAV_{t-1}} \times 100\% \]

where \( NAV_t \) denotes the net asset value at time \( t \), 
\( NAV_{t-1} \) denotes the net asset value at time \( t-1 \), and 
\( R_t \) denotes the return at time \( t \).

The annualized return of each mutual fund was compared with respect to the annualized return of the benchmark that is the market return for the five years (2003-2007) under study. In other words, an attempt was made to find out whether the mutual funds have been able to outperform the market or not. Annualized results are calculated from weekly data by multiplying the average weekly return by 52 and the standard deviation of weekly returns by the square root of 52. The benchmark with which the performance of individual asset was compared is the SEMDEX index. If the mutual fund has outperformed the market, it implies that it has earned an excess return. Similarly, if the market return has performed over and above the mutual fund returns, then this signifies that the company has underperformed.

Excess return for year \( A = \) Fund return for year \( A \) – Market return for year \( A \)

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Footnote:

Analysis

Performance of Mutual Fund on a Risk-Adjusted Basis (Sharpe Ratio and Treynor Ratio)

Funds are ranked according to the Sharpe rule, which states that in assessing the comparative merits of two funds we have to choose the fund with the higher Sharpe ratio. The Sharpe ratio for mutual funds is typically between 0.5 and 3. An annualized Sharpe ratio over 1 indicates that the fund had a ‘pretty good’ year. Using the rule of thumb, an annualized Sharpe ratio over 2 would then indicate outstanding fund.

As shown in Table 1, most mutual funds in Mauritius have values of Sharpe ratios between 0.89 and 3. From this point of view, most Mauritius mutual funds might be characterized as pretty good. Table 1 also contains the Treynor ratio. The coefficient for beta (β) (the risk of the fund has been measured on basis of weekly return for the 5-year period compared to that of the local equity market) and Jensen’s alpha (α) are shown in Table 2.

Table 1: Mutual Funds in Mauritius Ranked by the Value of Sharpe Ratio and Treynor Ratio

<table>
<thead>
<tr>
<th>Funds</th>
<th>Sharpe Ratio</th>
<th>Treynor Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund 1</td>
<td>2.06</td>
<td>0.31</td>
</tr>
<tr>
<td>Fund 2</td>
<td>1.98</td>
<td>0.27</td>
</tr>
<tr>
<td>Fund 3</td>
<td>1.79</td>
<td>0.25</td>
</tr>
<tr>
<td>Fund 4</td>
<td>1.67</td>
<td>0.24</td>
</tr>
<tr>
<td>Fund 5</td>
<td>1.21</td>
<td>0.23</td>
</tr>
<tr>
<td>Fund 6</td>
<td>0.96</td>
<td>0.20</td>
</tr>
<tr>
<td>Fund 7</td>
<td>0.89</td>
<td>0.29</td>
</tr>
</tbody>
</table>

Note: Study period January 1, 2003 to December 31, 2007.

Portfolios with higher returns would be deemed to be a good investment only if the additional returns are due to smart investment, i.e., with no additional risks undertaken. Though, the Sharpe ratio itself does not tell anything, it needs to be compared with the Sharpe ratio of other funds. In general, the mutual funds in Mauritius have earned excess return over the risk-free investment, which is obtained by subtracting the risk-free rate from the return of the portfolio. Furthermore, most of the above-mentioned mutual funds have Sharpe ratios between 1.5 and 2.06, except Firms 6 and 7 whose ratios are below 1.

Furthermore, Treynor ratio is another comparison ratio, which measures the excess returns generated by a fund for each unit of market risk that it undertakes. The calculation of the excess return is similar to the one under the Sharpe ratio. However, for market risks, the beta of the fund is used. Given that this ratio takes into consideration the market volatility, the ratio is considered to be a better measure of performance. The higher the value of the ratio, the better the performance of the portfolio. Moreover, this measure only uses systematic risk, it assumes that the investor already has an adequately diversified portfolio and, therefore, unsystematic risk is not considered. Therefore, this performance measure should only be used in cases of diversified portfolios.

3 For confidentiality, the names of the funds have been replaced by numbers.
4 Also known as diversifiable risk.
Nevertheless, Sharpe and Treynor ratios are similar in a way since they are a measure of the excess returns that a fund generates for the risk undertaken. Given that for a well-diversified portfolio, the total risk should be equal to the systematic risk, the rankings based on Sharpe measure and the Treynor measure should be identical, as the total risk is reduced to systematic risk. The results in Table 1 show that the rankings obtained by applying both the Sharpe and Treynor rules are almost the same. We may, therefore, deduce that funds under consideration are well-diversified. Only for Fund 7, the rankings are not the same for both the Sharpe ratio and Treynor ratio. However, whenever the ranking is higher under the Treynor measure than under the Sharpe measure, as in the case of Fund 7, it is customary to conclude that the portfolio is poorly diversified.

From Table 2 it is clear that most funds have beta between 0.5 and 1. A beta of 0 implies that its price is not at all correlated with the market; the asset is independent. A positive beta implies that the asset generally follows the market. However, if the beta of a fund is at 0.5, it indicates that the fund is less risky than the market. That is when the market is falling or rising rapidly, the fund has certain resilience which prevents wide volatility. Moreover, if the beta of a fund is greater than 1, it indicates that the fund is more volatile than the benchmark index. Besides, if the market goes up by 10%, a fund with a beta of 1.0 should also go up by 10%; similarly, if the market drops by 10%, the fund should also drop by an equal amount. It is obvious from Table 2 that most mutual funds in Mauritius have a beta of less than 1. Thus, indicating that the fund is less risky than the market. Additionally, values of \( \beta \) are lower than 1 due to the fact that most of the funds are ‘balanced’, i.e., capital is allocated between stocks, bonds and cash. In contrast, it can be observed from Table 2 that two funds have beta of more than 1, consequently, these funds are more volatile than the benchmark index. Nevertheless, it is important to note that one of these funds invests solely in the companies included in the SEM-7 index, and both the funds do not invest in assets outside Mauritius.

Moreover, except one, all funds also have a positive Jensen’s alpha. This indicates that managers have a superior ability in market stock selection. The fund with negative \( \alpha \) has experienced this negative coefficient for the first four years under study. It is only in 2003 that it experienced a positive \( \alpha \). As such we can conclude that the fund has earned on average less than that expected for the market at the fund’s risk level and it also indicates that the

<table>
<thead>
<tr>
<th>Funds</th>
<th>Coefficient Beta (( \beta ))</th>
<th>Jensen’s Alpha (( \alpha ))</th>
</tr>
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<tbody>
<tr>
<td>Fund 1</td>
<td>0.5291</td>
<td>0.03520</td>
</tr>
<tr>
<td>Fund 2</td>
<td>1.0102</td>
<td>0.02320</td>
</tr>
<tr>
<td>Fund 3</td>
<td>1.0918</td>
<td>0.00330</td>
</tr>
<tr>
<td>Fund 4</td>
<td>0.4748</td>
<td>0.00270</td>
</tr>
<tr>
<td>Fund 5</td>
<td>0.4927</td>
<td>0.02040</td>
</tr>
<tr>
<td>Fund 6</td>
<td>0.3918</td>
<td>–0.01710</td>
</tr>
<tr>
<td>Fund 7</td>
<td>0.4063</td>
<td>0.02445</td>
</tr>
</tbody>
</table>

Note: Study period January 1, 2003 to December 31, 2007.
portfolio manager is inferior in stock selection compared to the market. However, since most funds have the positive $\alpha$, it specifies that the fund has earned on average a premium above that expected for the market at the same level of risk (variability) as the fund. Additionally, it also indicates that the portfolio manager is superior in stock selection compared to the market.

**Review of the Individual Performance of Selected Mutual Funds in Mauritius**

In this section, the individual performance of each fund is analyzed. In particular, we report whether the funds have experienced excess returns in any particular year under study. The individual performances are summarized below:

**Fund 1**: The fund could only outperform the local equity benchmark in 2005, by 2.5%. This good performance was mainly due to the foreign investment made in US, Asia and other emerging markets such as China, Brazil, Eastern Europe and Latin America. But it should be noted that this was the firm’s lowest return during the five years under study. The fund has achieved its highest return in 2006. This was mainly due to a combination of factors such as, the positive expectations in the banking and tourism sectors and also more investment made in overseas markets.

**Fund 2**: The fund earned excess return in 2003, 2005, 2006 and 2007. It was only in 2004 that the fund was unable to outperform the SEMDEX index. In 2003, it outperformed the SEMDEX index by 0.60%. Such performance was mainly due to good performance in the banking and the tourism sector. Although the fund outperformed the benchmark, the returns of the fund have been moving up and down, in line with the movement of the benchmark, though it has always remained above the benchmark.

**Fund 3**: This fund invested primarily in the seven largest companies listed on the domestic stock exchange (SEM-7 index). The fund outperformed the benchmark three times, in 2003, 2005 and 2007. In 2003, the fund experienced a return of 34.42%, which is very good, compared to 2004 and 2005. Although not the highest return in 2005, the fund outperformed the benchmark by a comfortable gap of 6.46%. In this year, 82% of the fund’s portfolio holdings were attributed to the five best-performed companies listed on the Stock Exchange of Mauritius (SEMDEX index).

**Fund 4**: The fund could do better than its benchmark only in 2005, otherwise the company moved in line with SEMDEX except in 2007. In 2003 and 2004, the fund experienced a sound performance where it moved in line with the local market, but did not outperform the market. The good performance in 2004 was mainly due to good performance of the domestic banking sector. The foreign investment did not perform extremely well. In 2003, the fund holdings in foreign investment were at its lowest that is 20%. Moreover, in 2003 there were a number of uncertainties dominating the investment scene worldwide. These were mainly the ramifications

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5 Detailed analysis on each of the funds can be obtained on request from the authors.
of the war in Iraq, and the unquantifiable effect of the SARS virus on the Asian economies. In 2006, the fund achieved its highest return during the five years under study, while its lowest return was in 2007. In fact in our sample of companies, it was this fund that generated less return in 2007. This could be explained due to reallocation of the portfolio. The fund had increased its holdings in foreign investment by 5% and reduced its local holdings. Furthermore, it had also reduced its holdings in the banking, leisure and tourism and commerce sectors. However, these sectors performed extremely well in 2007 and this could possibly explain a drop in its return.

**Fund 5:** In 2003, the fund attained a return of 22.63% due to favorable local market conditions, but the SEMDEX performed better than the fund. In the years 2004 and 2005, the fund outperformed the benchmark, with an excess return of 3.77% and 6.44% respectively. However, it is interesting to note that the company achieved its highest return in 2004, while its lowest return was in 2005. In 2004, the good performance can be attributed to the growth of financial intermediation (7.5%).

In 2005, better performance than the SEMDEX is attributed to the foreign share of the portfolio. During this period the fund held 34.2% of its portfolio in foreign investment (foreign portfolio) compared to other mutual funds in Mauritius. In 2007, the company experienced a fall in the return by 0.10% compared to 2006. During that period, foreign components represented 36.6% of the total portfolio, which is the highest percentage of foreign investment ever made by the firm. Such poor performances can be attributed to the fact that the return of the foreign investment was discouraging.

**Fund 6:** The fund did not earn any excess return during these five years. In 2003, the firm earned its highest return that is 22.29%. Such good performance was mainly due to the hotel sector and the transport sector. In 2004, there was slight decline in its return. However, it should be noted that the SEMDEX also experienced a fall in its return. This fall was, especially due to fall in return from the banking, sugar and transport sectors.

**Fund 7:** The fund did not earn any excess return during the period under study. In early 2004, the fund performed well vis-à-vis SEMDEX. Later during the year, in an attempt to diversify the portfolio and protect itself more from the domestic market risks, the fund management changed the structure of the fund, from an asset allocation of only 8% in foreign investment to 33%. In 2005, the fund experienced a very low return, but when compared to the benchmark (SEMDEX), the return was not bad as even the SEMDEX had its lowest return in 2005. This was so because in this year the agricultural and manufacturing sector (due to MFA phase out) contracted. The fund performed well due to a larger allocation in foreign investment in 2004. It was in 2006 that the company experienced its highest return. This was mainly due to the banking stocks, which appreciated significantly, and in that year the firm held 42% of its portfolio in banks and insurance sector. Moreover, such performance was mainly due to international investment where all major industrial countries and emerging countries experienced growth.
Conclusion

In this paper, we analyzed the performance of Mauritian mutual funds in two ways. Firstly, we explored the performance of the mutual funds on a risk-adjusted basis and then on an individual basis with respect to their respective benchmark performances. The main findings of the research are that, the rankings obtained by applying both the Sharpe and Treynor rules are almost the same, implying that the funds are well-diversified. Moreover, most funds that have been selected have a relatively high Sharpe ratio, thus indicating a pretty good performance.

Furthermore, most of the funds are less risky than the market since the beta coefficient is less than 1. The values of beta are lower than 1 due to the fact that most of the funds are ‘balanced’, i.e., capital is allocated between stocks, bonds and cash. However, concerning the Jensen’s alpha, most of the funds have a positive $\alpha$; this implies that the firm has earned excess return on a risk-adjusted basis. Therefore, it indicates that the fund manager through his or her stock picking skills, privileged information or intuition has ‘beaten the market’.

Additionally, we also found that the process of investing money is not one-sided, since even now the Mauritian mutual funds are increasingly investing part of their portfolios abroad. Including them in one’s portfolio provides exposure to an emerging market that can provide a hedge to negative global trends and also in periods when the SEMDEX is experiencing a downfall. However, it should be noted that it is not necessary that foreign investment will always bring in positive returns; it could be negative as well, as some of the mutual funds have experienced poor performance by investing abroad.

In the second part of the paper, the mutual funds were individually evaluated in conjunction with the SEMDEX index as a benchmark. The major findings of this study are that the performance of the funds is heavily dependent on the performance of the local stock market, that is, it moves in line with SEMDEX. Also those mutual funds, which invest heavily in the local stock market, have been able to beat the market almost three times. Otherwise, the other funds, on the whole, have hardly attempted to beat the Stock Exchange of Mauritius. It is important to note that in 2005, almost all funds could outguess the market.

Bibliography


Websites

### Appendix

#### An Overview of Existing Mutual Funds in Mauritius

<table>
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<tr>
<th>Fund</th>
<th>Establishment/ Incorporation</th>
<th>Composition</th>
<th>Objectives</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Mutual Fund (NMF)</td>
<td>Established in 1990 as a joint venture between local private insurance companies and some government controlled companies, in an attempt to encourage savings among the local population.</td>
<td>NMF General Fund as at June 30, 2007 was as follows: 65% in listed equities, 29% in overseas investments, 5% in Treasury bills and 1% in cash.</td>
<td>To provide a well-diversified portfolio hence limiting risks and the possibility to benefit from capital growth and income growth on a medium and long-term basis.</td>
</tr>
<tr>
<td>Port Louis Fund (PLF)</td>
<td>Incorporated on June 9, 1997 as a public company. Having more than 35% of the market share the Port Louis Fund (PLF) is the largest mutual fund company in Mauritius with an asset value of nearly Rs. 1.1 bn under management as at June 30, 2007.</td>
<td>The portfolio consists of listed shares, unquoted shares and fixed income securities.</td>
<td>To achieve capital growth and income over the long-term by investing primarily in a combination of listed companies, unquoted companies and in highly liquid instruments.</td>
</tr>
<tr>
<td>IPRO Growth Fund Ltd. (IGF)</td>
<td>Incorporated in 1992 and listed on the Stock Exchange of Mauritius since December 2000. It offers its client the following facilities such as, investment advice, fund and portfolio management and fund and portfolio administration.</td>
<td>The portfolio composition as at June 30, 2001 consisted of 63.4% of local assets and 36.6% of foreign assets.</td>
<td>To generate long-term capital growth together with low return volatility by investing in one carefully selected fund of hedge funds. To provide investors with an exposure to global bond markets that are managed by experienced and highly rated fund managers.</td>
</tr>
<tr>
<td>Mauritius Fund Limited (MFL)</td>
<td>An open-ended fund established in Mauritius on July 31, 2001. The fund is established between Multipliant Management Company Ltd. (The Manager) and The Anglo Mauritius Assurance Society Ltd. (The Trustee).</td>
<td>In the normal course of its investment activity, the MFL fund should not invest more than 10% of the gross assets in deposits or money market instruments. Besides, the MFL fund does not invest in assets outside Mauritius.</td>
<td>To attain long-term capital appreciation through investment in a diversified portfolio of shares and debt securities.</td>
</tr>
</tbody>
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6 Banking, tourism and transport.

7 Leasing, insurance, leisure and technology.
# Appendix

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</thead>
<tbody>
<tr>
<td>Indian Ocean Privatisation and Equity Fund (IOPEF)</td>
<td>An open-ended fund, which was created in June, 2000. It invests primarily across a diversified basket of local equities and foreign funds.</td>
<td>The portfolio composition consists of 34% of banks and insurance, 6% of property, 9% of commerce, 11% of leisure and insurance, 13% of cash and cash equivalents, 3% of investment, and 24% of overseas investments.</td>
<td>To maximize long-term return through capital growth and to moderate risk through diversification by maintaining a balanced investment portfolio.</td>
</tr>
<tr>
<td>The Penny Indexed Fund (PIF)</td>
<td>An open-ended fund which invests solely in the companies included in the SEM-7 index and in the SEM-7 reserve list.</td>
<td></td>
<td>To reflect the performance of the SEM-7 index as closely as possible.</td>
</tr>
<tr>
<td>Multipliant General Fund (MGF)</td>
<td>The Multipliant General Fund was constituted under ‘The Penny’ Unit Trust (formerly known as the Multipliant Unit Trust up to the June 12, 1998) and was authorized by the Minister of Finance under Section 3 (1) (a) of the Unit Trust Act 1989.</td>
<td>The fund is diversified. The assets of the fund are invested in various sectors of the economy both locally and outside Mauritius.</td>
<td>To ensure regular income as well as capital growth over the long-term. Thus, the manager endeavors to achieve the above-stated investment objective.</td>
</tr>
</tbody>
</table>

Reference # 42J-2009-06-03-01