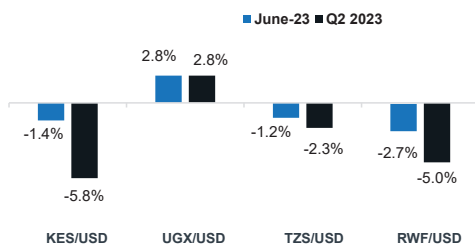


Global Markets Dashboard

	June-23	Q2 2023
MSCI World Index	5.9%	6.3%
MSCI Emerging Markets Index	3.2%	-0.1%
Brent Crude Oil	3.1%	-6.1%
Gold	-2.2%	-2.5%

Source: Bloomberg

Regional Currency Performance



Source: Central Bank of Kenya, Bank of Uganda, National Bank of Rwanda & Bank of Tanzania

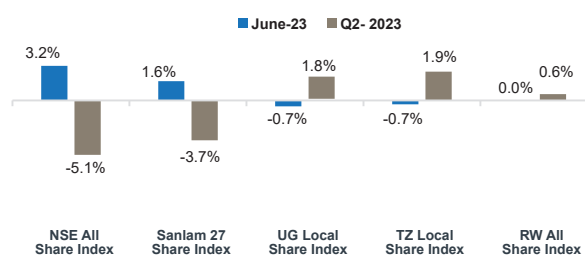
Regional Inflation & Key Interest Rates for June 2023

	Kenya	Uganda	Tanzania	Rwanda
Overall Inflation Rate (latest)	7.9%	4.9%	4.0%*	14.1%*
Central Bank Rate	10.5%	10.0%	5.0%	6.5%
Average 91 Day Treasury Bill	11.9%	9.0%	4.0%	8.6%
Average 2 Year Treasury Bond Yield	13.8%	14.0%	9.1%	10.8%

*Rwanda and Tanzania inflation as of May 2023

Source: Kenya, Uganda, Rwanda, and Tanzania National Bureau of Statistics & Bloomberg

Regional Stock Market Performance



Source: Nairobi Securities Exchange & Bloomberg

Market Commentary

Global Markets: As per the June 2023 Organisation of Economic Cooperation and Development (OECD) economic outlook, global economic growth is expected to remain below its 2022 rate of 3.2% at 2.7% and 2.9% in 2023 and 2024 respectively. Although headline inflation is declining thanks to low energy prices, persistent core inflation and high debt levels shall continue to have a moderating effect on economic growth. Global equities made a recovery in Q2 2023 with the MSCI World Index up +6.3%. Optimism about China's 5% projected GDP growth rate and additional policy cuts continues to safeguard economic recovery.

Inflation: Kenya's headline y/y inflation softened from 8.0% in May to 7.9% in June 2023 due to favorable weather conditions. However, food and non-alcoholic beverages prices edged up. Uganda's consumer inflation eased from 6.2% y/y to 4.9% y/y. This is attributable to the slowdown in core inflation from 5.6% to 4.8%. Tanzania's inflation declined to 4.0% y/y in May 2023 from 4.3% in April 2023, driven by lower food and non-alcoholic beverages prices. Rwanda's urban inflation declined to 14.1% y/y in May 2023 from 17.8% y/y in April supported by lower food and alcoholic beverages prices.

Currencies: The Kenyan Shilling, Tanzanian Shilling and Rwandan Franc depreciated by 5.8%, 2.3%, and 5.0% respectively against the US Dollar (USD) in Q2 2023. We expect gradual depreciation due to a strong USD and mismatch in dollar supply and demand. The Ugandan Shilling appreciated by 2.8% in the second quarter of 2023 due to foreign portfolio flows in the bond market and muted demand.

Interest Rates: In Kenya, the average yields on the government papers maintained an upward trajectory, with the average yields on the 364-day, 2-Year and 5-year papers increasing by 136 bps, 120 bps and 83 bps to 12.2% and 13.8% and 14.4% in Q2. The Central Bank of Kenya (CBK) issued a 7-year infrastructure bond and reopened a 3-year bond in June. The weighted average yields of accepted bids were 14.3% and 15.8% respectively. The CBK hiked its policy rates by 100bps, taking the policy rate to 10.5% from 9.5%. Higher inflation and the depreciation of the Kenyan shilling against the US Dollar were the key drivers for the hike. We foresee further policy rate hikes as the Shilling continues to experience continued weakness. The Bank of Uganda (BOU) re-opened 3-year and 15-year bonds in June at average yields of 14.0% and 16.0% respectively. Yields edged up marginally by an average of 4 basis points (bps) across the maturity spectrum. The BOU Monetary Policy Committee left the Central Bank Rate (CBR) unchanged at 10.0% in June. The MPC asserted that the current monetary policy remains appropriate to contain inflation and support economic growth. The Bank of Tanzania issued 15-year, 20-year and 25-year bonds at average yields of 12.0%, 13.0% and 13.6% respectively. The National Bank of Rwanda issued a 5-year and 10-year bond at a weighted average rate of 11.8% and 12.8% respectively.

Equities: The Uganda, Tanzania and Rwanda bourses gained 1.8%, 1.9% and 0.6% respectively in Q2 2023 on demand for banking stocks. The Nairobi All Share Index lost 5.1% during the quarter as stock selloff by international investors persisted. Investor risk appetite remains low due to the challenging macroeconomic conditions and high interest rates.

Outlook: We are optimistic about the prospects for the equities market, despite the difficult macroeconomic climate. Portfolio companies have been resilient, generating strong cashflows and paying out consistent dividends to shareholders. We expect foreign investor appetite to pick up as FX liquidity improves in the country. Cheaper valuations, a depreciating currency and portfolio diversification continue to support the case for US Dollar and offshore investments.

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Important Information

- **Basis points (bps)** - A basis point is a standard measure for interest rates and other percentages in finance, representing one-one hundredth of one percent.
- **Central Bank Rate** refers to the interest rate at which a nation's central bank lends money to domestic banks, often in the form of very short-term loans. The Central Bank may increase or decrease the discount rate to slow down or stimulate the economy.
- **Currencies: KES/USD** refers to the Kenya Shilling exchange rate with the US Dollar. **UGX/USD** refers to the Uganda Shilling exchange rate with the US Dollar. **TZS/USD** refers to the Tanzania Shilling exchange rate with the US Dollar. **RWF/USD** refers to the Rwandese Franc exchange rate with the US Dollar.
- **MSCI**, the acronym stands for Morgan Stanley Capital International.
- **MSCI World Index**, is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.
- **MSCI Emerging Markets Index** is used to measure the financial performance of companies in fast-growing economies around the world. The index tracks mid-cap and large-cap stocks in 27 countries, dominated by Chinese, Taiwanese, and South Korean companies.
- **NSE All Share Index**, is a market cap weighted index consisting of all the securities on the Nairobi Securities Exchange. Prices are based on last trade information from NSE's Automated Trading System.
- **The Purchasing Managers Index (PMI)** is a measure of the prevailing direction of economic trends in manufacturing. The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%).
- **Quarter to date (QTD)** refers to the period beginning the first day of the current quarter up to the current date. QTD information is useful for analyzing business trends over time or comparing performance data to competitors or peers in the same industry.
- **Rwanda Stock Exchange All Share Index** is a market cap weighted index that includes all non-domestic Rwanda listings.
- **Sanlam 27 Share Index** is a market cap weighted index. The index universe is the Nairobi Securities Exchange. The index is managed by Sanlam Investments East Africa Limited.
- **Tanzania Local Share Index** is a market cap weighted index. It includes only domestic listed companies.
- **Uganda Local Share Index** is a market cap weighted index. It includes only domestic listed companies.
- **Year to date (YTD)** refers to the period beginning the first day of the current calendar year or fiscal year up to the current date. YTD information is useful for analyzing business trends over time or comparing performance data to competitors or peers in the same industry.
- **Year-over-year (Y/Y)** is a method of evaluating two or more measured events to compare the results at one period with those of a comparable period on an annualized basis.

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Disclosure Statement

Sanlam Investments East Africa Limited (“the manager”) is regulated by Capital Markets Authority in Kenya and Uganda to provide investment advisory and management services. The firm has been operational in Kenya since 1998 and in Uganda since 2004 and is a leading fund manager in the region with a strong record of accomplishment in service delivery and performance.

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