December 2019 Update

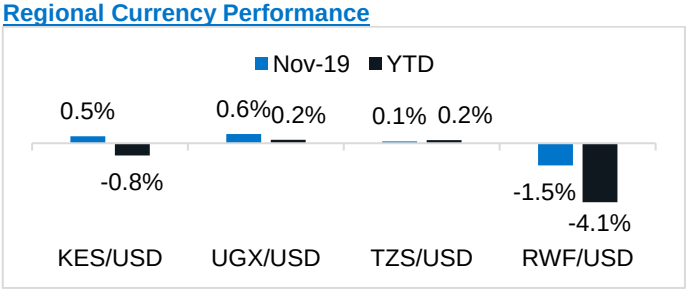
Sanlam Investments East Africa Limited

Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation (latest)	5.6%	3.0%	3.6%	4.4%
Central Bank Rate	8.5%	9.0%	12.0%	5.0%
91 Day T-Bill	7.2%	8.8%	4.3%	5.2%
2 Year Bond Yield	10.1%	12.9%	11.1%	n/a

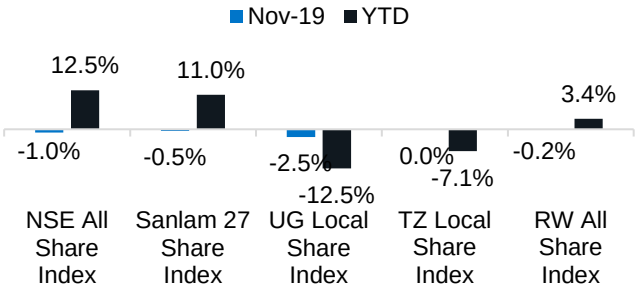
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

Regional Currency Performance



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

Regional Stock Market Performance



Source: Nairobi Securities Exchange & Bloomberg

Global Markets Dashboard

	Nov-19	Q4 2019	YTD
MSCI World	2.6%	5.1%	21.7%
MSCI Emerging Markets	-0.2%	3.9%	7.7%
BRENT Crude Oil	2.7%	4.4%	9.3%
Gold	-3.2%	-0.6%	14.2%

Source: Bloomberg

Monthly Market Commentary

Banking (Amendment) Act 2016 scrapped: The repeal of the interest rate caps was passed after Parliament failed to garner two-thirds majority of votes to overturn the presidential veto. This move was welcomed by the banking sector and reinforced by their commitment to remain disciplined on lending.

Inflation: Headline inflation went up across the region owing to a rise in food and fuel prices. Inflation level in Kenya paced to 5.6% from 5.0% in the previous month. Food prices on products such as potatoes, tomatoes and maize lead food inflation up 9.6% to mark the highest annual change in 2019. Uganda's inflation slightly edged up to 3.0% during the month owing to repricing on account of the festive season. Tanzania and Rwanda's inflation were up 3.6% and 4.4% respectively during the month of October. Core inflation across the countries nonetheless was muted.

Interest Rates: Interest rates in Kenya continued to edge up during the month following the repeal of the lending rate cap. Trading in secondary market was low as investors exercised caution following an increase in yields in the past two primary market auctions. On the other hand, the MPC in Kenya lowered the Central Bank Rate (CBR) to 8.5% from 9.0% in November citing that the move would spur credit growth. In Uganda, interest rates remained elevated as the 3-year and 15-year Treasury bonds auctions averaged 15.0% and 15.5% respectively during the month. Short term rates continued to decline in Tanzania reflected by the 364-day Treasury Bill yield which declined to 5.9% in November from 6.3% during the previous month.

Currencies: Currencies in the region appreciated against the US Dollar except for the Rwandese franc that lost 1.6% to the greenback. Dollar inflows have bolstered the Kenya and Uganda currencies owing to favorable opportunities in the local capital markets. In Tanzania, subdued demand for the dollar among importers has supported a stable shilling in November.

Equities: The regional equities markets performance was muted in November. The Nairobi bourse shed 1.0% attributable to profit taking activity subsequent to the market rally in October. The Uganda Local Share Index was down 2.5% driven by forces of demand and supply. The Tanzanian market was relatively flat while the market capitalization reduced following the delisting of Acacia Mining in November.

Global Markets: Global equities extended their gains as news of a trade agreement between US and China roiled positive sentiments. Gold prices subsequently declined by 3.2% during the month as investors increased their risk appetite for riskiery assets. The Fed Reserve continues to signal a pause on further rate cuts until 2020 citing that the US rate cuts previously done in 2019 should sustain economic growth amidst the persistent US-China trade war.

Outlook: Interest rates in Kenya are expected to edge up further given the increase in Treasury securities yields. Despite the reduction of the Central Bank rate, it is evident that the interest rates will be largely dictated by the country's fiscal policy and domestic borrowing expectation.

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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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