Sanlam

November 2019 Update

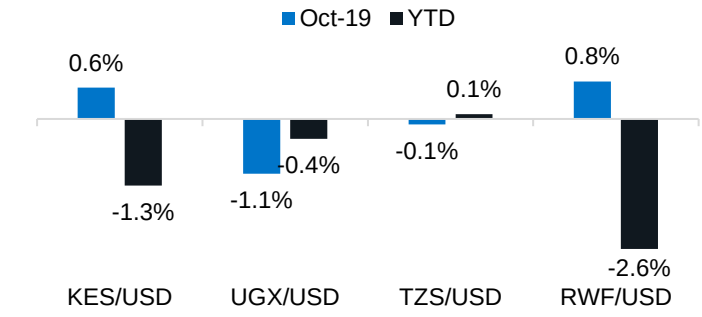
Sanlam Investments East Africa Limited

Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation (latest)	5.0%	2.5%	3.4%	3.1%
Central Bank Rate	9.0%	9.0%	12.0%	5.0%
91 Day T-Bill	6.4%	8.1%	4.3%	5.2%
2 Year Bond Yield	10.1%	12.9%	11.1%	n/a

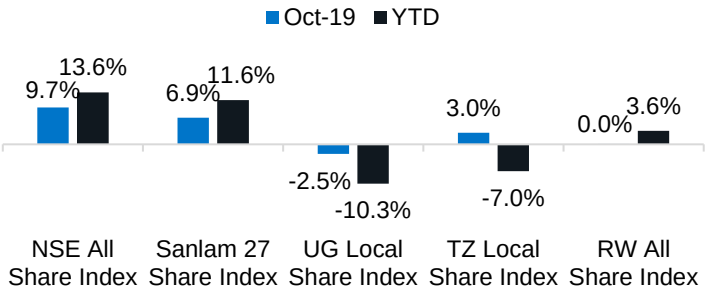
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	Oct-19	Q4 2019	YTD
MSCI World	2.5%	2.5%	18.6%
MSCI Emerging Markets	4.1%	4.1%	7.9%
BRENT Crude Oil	1.9%	1.9%	7.9%
Gold	2.8%	2.8%	18.0%

Source: Bloomberg

Monthly Market Commentary

Economic Update: Tanzania's economy grew by 7.2% in Q2 2019 relative to 6.1% in a similar period in the previous year. The fastest growing sectors were Construction (19.6%), Mining & Quarrying (17.2%) and Information & Communication (10.3%). Other economies in the East Africa Community expanded by Kenya (5.6%), Uganda (5.4%) and Rwanda (12.2%).

Finance Bill: The Kenyan president rejected the finance Bill and insisted that clause 43 which repealed Rate Caps be reinserted into the Bill. The President also removed clause 45 which had placed the Banking Act Amendment into the finance bill. Parliament will require two-thirds majority to overturn the presidential veto on the bill.

Inflation: Kenya, Uganda and Rwanda headline inflation rose by 1.2% (to 5.0%), 0.6% (2.5%) and 0.8% (to 3.1%) respectively. This was attributable to a rise in food prices as impacts of harvest from long rains wane off. Tanzania inflation declined marginally by 0.2% due to food prices. Inflation should remain tame in the region given subdued demand pressure, supply-side shocks are likely but will be momentary.

Interest Rates: Rates in Kenya continued to increase during the month attributable to the president's veto on the Rate Cap through the finance bill. Secondary bond market trading declined as investors were cautious given the news. The secondary market had offers with very few bids. The Bank of Uganda reduced the Central Bank rate to 9% from 10%. This was on the back of benign inflation outlook and to support economic growth. Short-term rates in Tanzania marginally declined as liquidity challenges improved.

Currencies: The Ugandan and Tanzania Shilling weakened during the month as dollar inflows failed to offset hard currency demand from importers. The Kenya shilling and the Rwandan franc strengthen in October supported by hard currency inflows. The offer of an infrastructure bond in Kenya supported Forex flows due to foreign investor participation.

Equities: The Nairobi bourse rallied during the month mainly driven by the banking sector following the President's proposal to amend the Finance Bill to repeal the Banking Act capping lending rates. Investor sentiment is biased that parliament won't be able to garner two-thirds majority vote to reject the president's proposal.

Global Markets: Global equities rose in October as investors shrugged off global uncertainty (U.S. China trade war and Brexit) and focused on positive earnings for Q3 2019. Crude oil prices increased for the month supported by falling us crude oil inventories and optimism over us China trade deal. Gold continue to appreciate on the back of uncertainty of Brexit. The UK prime minister won backing for a December 12 general election as the EU gave a three-month Brexit extension.

Outlook: The repeal of the Rate Cap should be positive for Kenya's economic growth as credit to the private sector picks-up. Activity on the stock exchange will continue to rise as investors focus on banking stocks. However, treasury bonds are likely to come under pressure as investors bid aggressively in primary auctions. This might lead to bond prices declining due to the inverse relationship between interest rates and bond prices.

Business Contacts:

Kenya

Sanlam Investments East Africa
Africa Re Centre, 5th Floor, Hospital Rd,
P.O Box 67262, 00200 Nairobi,
Kenya
Telephone: +254 (0)20 496 7000
Website: www.sanlameastafrica.com

Uganda

Sanlam Investments East Africa.
Workers House, 7th Floor, 1 Pilkington Road
P.O. Box 9831, Kampala, Uganda
Telephone: +256 414 340 708

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

Readership: This document is intended solely for the addressee(s) and may not be redistributed without the prior permission of Sanlam Investments East Africa. Its content may be confidential, proprietary, and/or contain trade secret information. The Sanlam Group and its subsidiaries are not responsible for any unlawful distribution of this document to any third parties, in whole or in part.

Opinions: Any opinions expressed in this document represent the views of the manager, are valid only as of the date indicated, and are subject to change without notice. There can be no guarantee any of the opinions expressed in this document or any underlying position will be maintained beyond the time this presentation is made. We are not soliciting or recommending any action based on this material. Although all reasonable steps have been taken to ensure the information on this presentation is accurate, neither the Sanlam Group, nor Sanlam Investments East Africa accept any responsibility for any claim, damages, loss or expense, however it arises, out of or in connection with the information contained in this presentation. No member of Sanlam gives any representation, warranty or undertaking, nor accepts any responsibility or liability as to the accuracy or validity of any of this information.

Risk Warning: All investments involve risk, including possible loss of principal. Past performance is not indicative of future results. If applicable, the offering document should be read for further details including the risk factors. Our investment management services relate to a variety of investments, each of which can fluctuate in value. The total return to the investor is made up of interest and/or dividends received and any gain or loss made on the fair market value of any particular instrument. There may be times when fair market value cannot be determined due to the illiquidity of a security. Under such conditions, the manager will value the securities using a best practice pricing hierarchy. Investment risks vary between different types of instruments and the value of investments may fall suddenly and substantially when these risks materialize. In making an investment decision, prospective investors must also rely on their own examination of the merits and risks involved as part of their fiduciary duty to beneficial owners of assets.
Performance Notes: Past performance is not indicative of future results. There can be no assurance that any investment objective will be met. Benchmarks are used for illustrative purposes only, and any such references should not be understood to mean there would necessarily be a correlation between investment returns of any investment and any benchmark. Any referenced benchmark does not reflect fees and expenses associated with the active management of a portfolio. There is no assurance that any returns can be achieved, that the strategy will be successful or profitable for any investor, or that any industry views will come to pass. Actual investors may experience different results than other investors and any benchmark or model referenced.

Information is unaudited unless otherwise indicated, and any information from third-party sources is believed to be reliable, but Sanlam Investments East Africa cannot guarantee its accuracy or completeness.
Sanlam Investments East Africa forms part of the larger Sanlam Group and is subsidiary of Sanlam Emerging Markets, the business cluster responsible for the Sanlam Group's financial businesses in emerging markets outside South Africa. Within the Sanlam Group all entities are registered and authorized per local laws and regulations with the appropriate Regulatory Authorities. Further details on Sanlam's entities and their regulatory authorizations are available on request.

Last updated April 2018