March 2019 Update

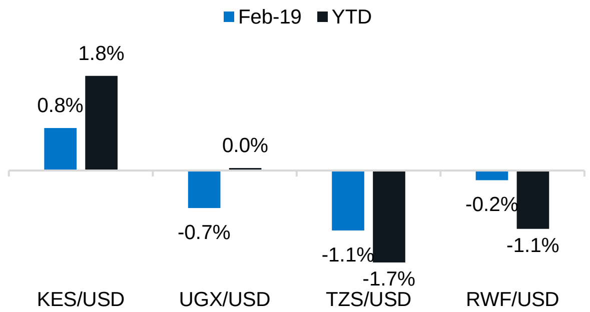
Sanlam Investments East Africa Limited

Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation (latest)	4.1%	3.0%	3.0%	1.0%
CBR Rate	9.0%	10.0%	12.0%	5.5%
91 Day T-Bill	7.0%	9.8%	3.8%	5.8%
2 Year Bond Yield	14.6%	14.8%	15.5%	n/a

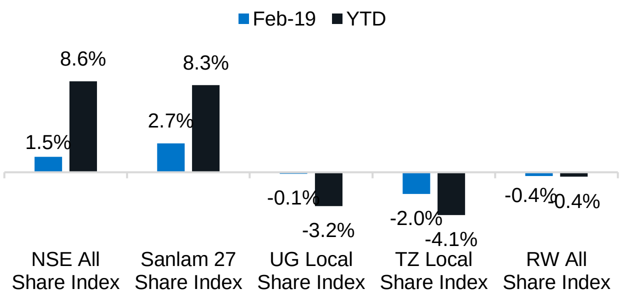
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

INDEX	Feb-19	YTD	12 Months
MSCI World	2.8%	10.7%	-1.5%
MSCI Emerging Markets	0.1%	8.8%	-12.1%
Brent Crude Oil	8.8%	22.1%	8.9%
Gold	-0.6%	2.4%	-0.4%

Source: Bloomberg

Monthly Market Commentary

Economic Update: Inflation in Kenya declined by about 60 basis points to 4.1% from 4.7% in January. Low food and transport prices were the main attributors to the low inflation which remains well anchored within the Central Bank's target of 2.5% to 7.5% indicating stability in the macro economic environment. In Uganda, February's inflation rose to 3.0% from 2.7% the previous month. The increase was majorly due to the price increase of communication services. However, declining food and energy prices repressed the increase in inflation. Tanzania's January inflation declined from 3.3% in December to 3.0% mainly engendered by decreased prices of food and non-alcoholic beverages even as transport costs bolstered the inflation in Rwanda.

Interest Rates: In Kenya, yields on government bonds fell during the month on the back of high liquidity and Central Bank's continuous rejection of expensive bids in the primary bond market. Rates in Uganda remained stable with The Bank of Uganda maintaining the Central Bank Rate at 10.0% (raised by 1.0% in October 2018) on account of inflation upside risks remaining elevated in the medium term (2-3 years) despite an improved outlook in the intermediate period supported by agricultural production. Increased demand for government papers saw yields fall during the month as high liquidity among banks and the seasonal demand bank reserves characterized the environment in Tanzania.

Currencies: The Kenya Shilling appreciated against the U.S. Dollar (USD) in February on the back of increased forex inflows from the February Red effect and increased diaspora remittances. Strong dollar demand saw the Uganda Shilling depreciate 0.7% against the USD during the month. The Tanzania shilling depreciated 1.1% as the country's Balance of Payments Account recorded a deficit of USD 856.3 million in the year ending January 2019 compared to a surplus of USD 1,587.4 million in the corresponding period in 2018. The Rwandan Franc depreciation against the USD plodded on during the month spawned by demand for imports on account of ongoing infrastructure projects.

Equities: The Nairobi Securities Exchange (NSE) posted a growth of 1.5% in February which was lower following the 7.1% rally in January. The news on the merger between NIC and CBA continued to spur the rally on the counter which was up 6.0% in the month. Airtel and Telcom Kenya confirmed their intention to merge their operations and form an independent joint venture. The new entity will have a combined market share of 31% creating a duopoly whereby Safaricom and the combined entity will control 96% of the mobile market. The news did not pose a threat to Safaricom as perceived by investors evidenced by its price appreciation of 9.0% in the month. The USE All share Index and Local Share Index were down 2% and 0.1% respectively in February 2019 mainly engendered by decreasing prices of large-cap stocks on the back of excess supply relative to demand. Headwinds persisted at the Dar Es Salaam Stock exchange despite the two main Banks, NMB and CRDB posting relatively good performance compared to the previous year. The exchange experienced low volumes turnover notwithstanding news that the DSE was set to attain frontier market status by September 2019.

Global Markets: The increased appetite for riskier assets that was experienced globally in January persisted in February following the Federal Reserve (Fed) adopting a dovish stance coupled with stronger than expected U.S economic growth. This boosted stock performance both in the global and Emerging markets. However, the U.S market rally was subdued by a lack of progress at the U.S and China trade talks.

Outlook: The Fed's decision to slow rate hikes will release some pressure off East African currencies in the short run as export proceeds are expected to strengthen later in the year from agricultural exports. Interest rates are likely to remain stable, with a downward bias, supported by liquidity and accommodative policies by central banks in the region. The effects of the selloff in emerging market stocks could possibly be reversed as investor's appetite for riskier assets increases. This could also see fund flow towards global equities persist as geopolitical tension lessens on the possibility of an agreement between China and the US by March 2019.

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