Sanlam

May 2019 Update

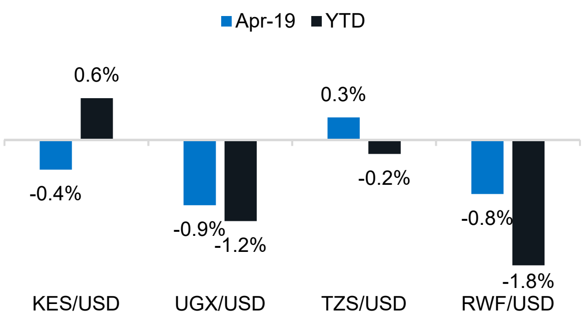
Sanlam Investments East Africa Limited

Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation (latest)	6.6%	3.5%	3.1%	1.1%
Central Bank Rate	9.0%	10.0%	12.0%	5.5%
91 Day T-Bill	7.3%	9.3%	4.1%	4.7%
2 Year Bond Yield	10.3%	14.0%	12.0%	n/a

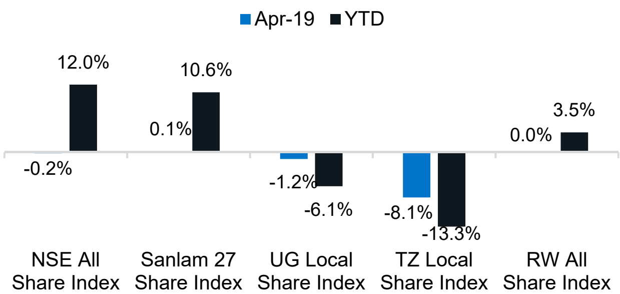
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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	Apr-19	YTD	12 Months
MSCI World	3.4%	11.9%	4.4%
MSCI Emerging Markets	2.0%	9.6%	-7.3%
Brent Crude Oil	7.2%	22.7%	5.0%
Gold	-0.7%	0.8%	-2.4%

Source: Bloomberg

Monthly Market Commentary

Economic Update: The Kenya National Bureau of Statistics (KNBS) confirmed that Kenya's economy grew by 6.3% in 2018 anchored on agriculture, manufacturing and transport sectors. The growth come from a low base in 2017 that was plagued by political instability and adverse weather conditions. The late onset of the long rains in Kenya's food producing regions and drought in some parts of the country saw inflation accelerate to 6.6% in April from 4.4% in March. Food inflation at 6.9% was the highest registered monthly increase in food prices in over a decade.

Uganda's headline inflation increased by 50 basis points to 3.5% in March 2019. The increase in inflation was mainly due to increase in prices of food crops and related items. An increase in the prices of both food and nonfood items saw inflation in Tanzania increase to 3.7% in March from 3.1% in February. Similarly, Rwanda's inflation rose to 1.1% in March compared to 0.8% in February mainly emanating from a rise in food and alcoholic beverages.

Interest Rates: Corporate tax remittance obligations spawned the tightening of liquidity in the money markets causing a marginal increase in interbank rates in Kenya. In contrast, high liquidity caused rates to decline marginally in Uganda, Tanzania and Rwanda as witnessed by the increased demand for government papers. The Bank of Uganda left its Bank Rate unchanged at 10.0% supported by a well anchored level of inflation which is expected to remain within target for the next for the rest of the year.

Currencies: Dividend repatriation saw East African currencies come under pressure during the month. Additionally, the local import demand increased in March in April causing the Kenya shilling to depreciate by 0.4%. The increased diaspora remittances towards the end of the month coupled with foreign demand for local infrastructure papers however, subdued further depreciation. The Uganda shilling depreciated by 0.9% against the US Dollar. Increased value of export of goods and services and reduced import bill supported the stability of the Tanzania shilling. Structural trade deficit between goods and services has continued to precipitate the depreciation of the Rwandan Franc.

Equities: Equity markets across East Africa were weaker in April. Stable macro-economic environment and an increased level of merger and acquisition activity has invigorated the Kenyan market. The NIC-CBA merger announced last year, KCB's bid for the National Bank of Kenya and Equity Group's intention to acquire Atlas Mara's banking assets in Zambia, Mozambique, Rwanda and Tanzania indicate a consolidation of the banking sector within the region. Safaricom released record earnings of KShs 63 billion (US$ 620m) up 14.7% from the previous financial year. The key performance drivers were MPESA and mobile internet. The Uganda Local Index was down by 1.2%, mainly driven by reduced demand for local counters. Tanzania Breweries traded down 12% following weak full year 2018 financial results that were negatively impacted by higher production costs and reduced volumes.

Global Markets: Global stocks rallied during the month on positive earnings sentiments supported by strong corporate earnings that topped analyst expectations. The dovish stance adopted by the Federal Reserve Bank also helped sentiment. This is amid renewed concerns over the US-China trade war after President Trump recently renewed his threats of further tariffs against Chinese imports.

Outlook: Increased food imports and reduced cash crop exports if the drought persists could see the Kenya Shilling come under pressure. This could be toned down by the sufficient forex reserves held by the Central Bank, strong diaspora remittances and proceeds from the new Eurobond issue. Rwanda currency is expected to depreciate further from development expenditure. Interest rates are likely to remain stable, with a downward bias supported by liquidity and accommodative policies by central banks in the region. The US-China trade war poses a risk to the markets should the parties fail to reach a trade deal.

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