August 2020 Update

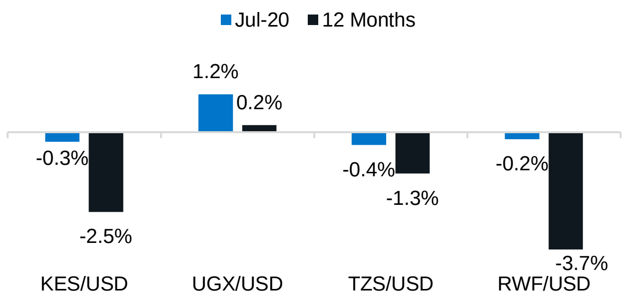
Sanlam Investments East Africa Limited

Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	4.4%	4.7%	3.2%	9.0%
Central Bank Rate	7.0%	7.0%	12.0%	4.5%
91 Day Treasury Bill	6.1%	8.7%	2.5%	11.0%
2 Year Treasury Bond Yield	8.6%	13.5%	8.3%	10.0%

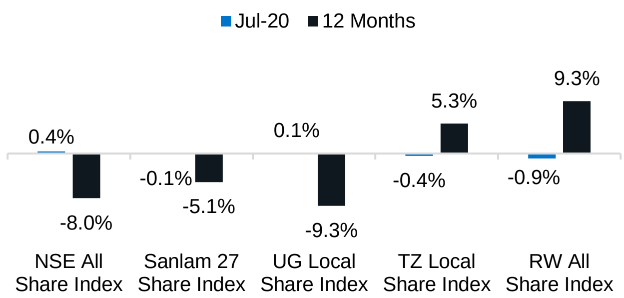
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	Jun-20	QTD	YTD	12 Months
MSCI World	4.7%	4.7%	-2.3%	5.4%
MSCI Emerging Markets	8.4%	8.4%	-3.2%	4.0%
Oil-Light Crude	5.2%	5.2%	-34.4%	-33.6%
Gold	10.9%	10.9%	30.2%	39.8%

Source: Bloomberg

Market Commentary

COVID-19 Update: According to the World Health Organization, there are 18.1 million confirmed coronavirus infection cases and 690,257 deaths globally as at 4th August 2020. In Africa, the number of infected cases were over 968,020 and 20,612 deaths spread across 50 countries.

Inflation: Overall inflation in Kenya declined to 4.4% in July from 4.6% in June, mainly driven by a general ease in food prices. Food inflation declined to 6.6% in July from 8.1% in June. Uganda's headline inflation increased to 4.7% in July from 4.1% in June. This was attributable to an increase in transport prices. On the other hand, food inflation decreased to -5.8% in July from -4.8% in June 2020. Headline inflation in Tanzania was at 3.2% year-on-year in June and held at a similar level from the previous month. Inflation on food and non-alcoholic beverages for the month of June 2020 declined to 3.8% from 4.4% recorded in May 2020. Core inflation, which excludes food and energy prices, increased to 2.2% from 2.1% reflecting a general rise in consumer demand. Rwanda's Consumer Price Index increased by 9.0% on annual basis and 0.2% on a monthly basis for the month of June 2020.

Interest Rates: In Kenya, bond yields declined as the Central Bank of Kenya offered 5-year, 10-year and 15-year bonds at average yields of 10.26%, 11.45% and 12.34% respectively. Liquidity in the money markets was significant as banks preferred to lend to the government amidst the current economic uncertainties. Additional liquidity was on the back of payment of outstanding government arrears that saw an increase of cash in circulation leading to an overall decline in interest yields. Interest rates in Uganda remained stable across the entire yield curve, compared to the last month.

Currencies: The overall marginal depreciation of the Kenyan, Tanzanian and Rwandese (Franc) currencies against the US Dollar during the month was as a result of renewed dollar demand as restrictive measures eased off. The Uganda Shilling remained relatively stable, appreciating by 1.2% against the Dollar. This was due to increased demand for the local currency on the back of increased offshore flows into government securities.

Equities: The Tanzania and Rwanda local indices reported negative returns for the month of July. This was attributable to the continued sell off by foreign investor funds. The Nairobi All Share and Uganda Local Share indices returned marginal positive performance during the month as local asset prices remained at discounted levels.

Global Markets: Oil prices surged during the month on positive news of continued fiscal stimulus support in developed and emerging economies as well as a potential Covid-19 vaccine development breakthrough. Gold price has surged by about 30% on a year to date basis, supported by lower interest rates and widespread stimulus measures.
Global markets edged higher driven by renewed risk appetite as fiscal stimulus packages and low interest rate environment spur decent investor interest in the equity markets in the hunt for return.

Outlook: While earnings will be negatively impacted in the short term, corporates able to demonstrate strong balance sheet capacity and effective cost management in the current environment could recover in the medium term. The cautious reopening of economies remains a positive driver and continues to support a recovery in equity markets especially at the current depressed levels.

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

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