Sanlam

May 2020 Update

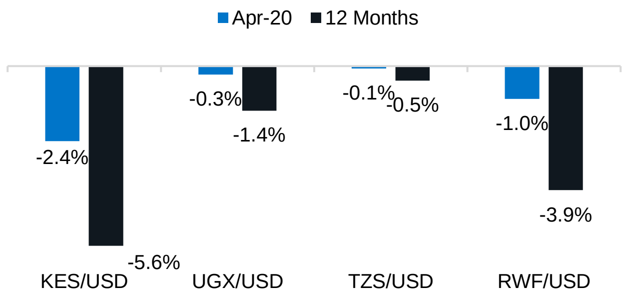
Sanlam Investments East Africa Limited

Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation (latest)	5.6%	3.2%	3.4%	4.2%
CBR Rate	7.0%	8.0%	12.0%	4.5%
91-day Treasury Bill Yield	7.2%	9.2%	3.4%	8.0%
2 Year Treasury Bond Yield	12.3%	13.9%	8.3%	n/a

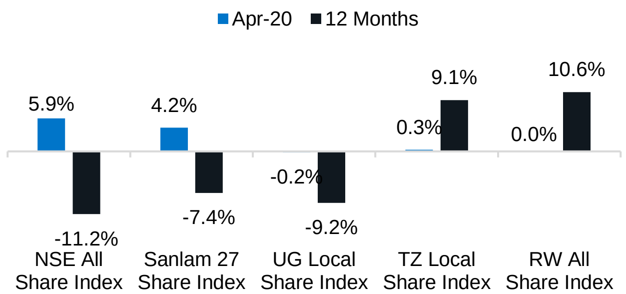
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	Apr-20	QTD	YTD	1 Year
MSCI World	10.8%	10.8%	-13.0%	-5.8%
MSCI Emerging Markets	9.0%	9.0%	-17.0%	-14.3%
Oil-Light Crude	-10.7%	-10.7%	-58.3%	-60.7%
Gold	6.9%	6.9%	11.2%	31.4%

Source: Bloomberg

Market Commentary

The regional Central Banks lowered the key lending rates in a bid to support their economies following the adverse effects from Covid-19. Uganda cut its key interest rate by 1% to 8.0%, to support the economy following the impact of the coronavirus outbreak. The CBK lowered the rate to 7% from 7.25%. Rwanda's central bank cut the lending rate to 4.5% from 5% to mitigate economic shocks of COVID19.

Bank of Uganda expects that GDP growth will slow to 3%-4% in the financial year ended June 2020. The International Monetary Fund (IMF) revised Kenya's economic growth projection downwards to 1% for 2020 due to the adverse effects of the coronavirus pandemic. The Rwandan Central bank predicts that economic growth will slow to 3.5% in 2020 from earlier forecasts of above 10%.

Inflation: Inflation in Kenya edged up to 5.6% in April from 5.5% recorded in the previous month based on the new CPI whose base period is Feb 2019. Uganda's headline inflation increased by 0.2% to 3.2% due to a increase in food prices. Headline inflation in Tanzania slowed down to 3.4% year-on-year in March from 3.7% in Feb 2020. Food and non-alcoholic beverages inflation rate for the month of March 2020 has decreased to 5.3% from 5.9% recorded in February 2020.
Rwanda's Urban CPI for March increased to 8.5% y/y and increased by 1.0% on a monthly basis.

Interest Rates: In Kenya bond yields edged higher as the Central Bank of Kenya offered the 9- year Infrastructure bonds at 12.051%. In Uganda interest rates slightly reduced across the entire yield curve, but more on the short end. This was due to reduction of the monetary policy rate and increased liquidity within the financial markets. High liquidity in Tanzania sustained the decline of short-term interest rates.

Currencies: The depreciation of regional currencies against the US Dollar is attributable to, general strengthening of the dollar against all major currencies. The Kenyan shilling was impacted by foreign investor sell-off at the stock market during the month of April.

Equities: The Kenya, Tanzania and Rwanda local indices reported positive returns for the month of April 2020 attributable to rebalancing by local investor funds. The Ugandan Local Share Index was down 0.2% in April due to uncertainty on corporate performance.

Global Markets: The strong recovery in global financial confidence caused the markets to rebound in April. This may seem puzzling, given the slim prospect that a vaccine against the virus, or effective treatments will become available soon. The pandemic has wiped out almost a third of global oil demand through lockdowns and travel bans.

In the past month oilfields have been shut down, storage tanks have filled up in record time. US oil prices turned temporarily negative for the first time in history in April, due to depressed demand.

Outlook: The uncertainty will continue to follow the market and economy for the foreseeable future. It will take time for the economy to find its new equilibrium and thus we shall continue to fine tune our portfolios and reposition for the spring.

It is a time to be prudent and take opportunities to reposition, lean into dislocated opportunities, and position for the most upside possible.

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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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