Sanlam

February 2021 Update

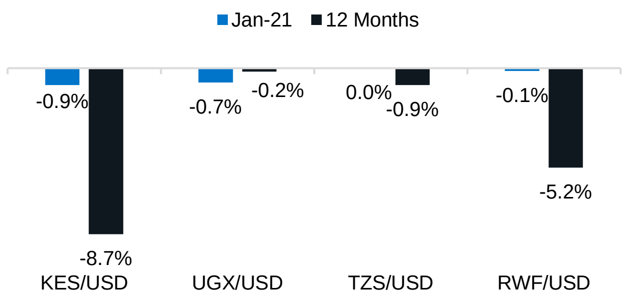
Sanlam Investments East Africa Limited

Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	5.7%	3.7%	3.2%	3.9%
Central Bank Rate	7.0%	7.0%	5.0%	5.0%
91 Day Treasury Bill	6.9%	8.1%	2.5%	6.3%
2 Year Treasury Bond Yield	9.4%	15.3%	7.5%	9.3%

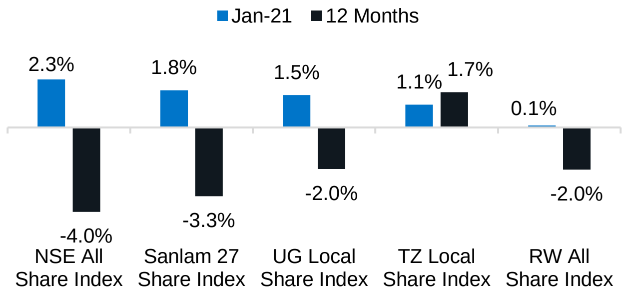
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	Jan-21	QTD	12 Months
MSCI World Index	-1.1%	-1.1%	13.6%
MSCI Emerging Markets Index	3.0%	3.0%	25.2%
Oil-Light Crude	7.9%	7.9%	-3.9%
Gold	-2.7%	-2.7%	16.3%

MSCI – Morgan Stanley Capital International
Source: Bloomberg

Market Commentary

Gross Domestic Product (GDP): According to the IMF, the Sub-Sahara Africa(SSA) region is projected to grow by 3.2% and 3.9% in 2021 and 2022,respectively.This compares positively to the actual growth deceleration witnessed in the region down 2.6% in 2020. Closer home, data released by the Kenya National Bureau of Statistics indicates that the economy contracted by 1.1% year-on-year in Q3 2020 which subsequently translated to a recession over the first 9 months of 2020 as the economy declined by 1.2% year-on-year. In Tanzania, the economy expanded by 4.5% year-on-year in Q3 2020 attributed to solid growth from construction and transport sectors as well as resilience from manufacturing and agricultural sectors. Looking ahead, with the ease of restrictive measures, growth output is expected to pick up gradually as infection levels subside.

Inflation: Kenya's headline inflation surged by 0.7% on a month-on-month basis and was up 5.7% on an annual basis in January. The acceleration in headline inflation was on the back of higher food and non-alcoholic beverages inflation which increased by 1.3% month-on-month and 7.4% year-on-year. Uganda's annual headline inflation marginally increased to 3.7% in January compared to 3.6% in December 2020. The increase was mainly due to a spike in fuel and utilities basket which dropped by 1.9% in January compared to 4.6% in December. Headline inflation in Tanzania increased to 3.2% in December 2020 from 3.0% recorded in November 2020. Food and non-alcoholic beverages inflation rate for the month of December increased by 1.5% month-on-month and 3.0% annually. Rwanda Consumer Price Index increased by 3.9% on annual basis but declined by 1.3% month-on-month during the month of December 2020. Inflation is expected to remain within the regional Central Banks projected bands, as upward inflationary pressures remain muted and core inflation remains relatively low.

Interest Rates: In Kenya, bond yields edged higher as the Central Bank of Kenya offered a 2-year and 16-year infrastructure bonds at 9.5% and 12.3% respectively. The gradual rise in yields is in spite of significant market liquidity while investor appetite for these two Treasury bonds was quite strong. Interest rates in Uganda declined across the entire yield curve by about 50 basis points in January, owing to increased liquidity within the financial markets during this period. The Bank of Uganda auctioned 3-year and 10-year treasury bonds at yields of 15.8% and 16.2% respectively. High liquidity in Tanzania's money market equally extended the decline of short-term interest rates at the close of January.

Currencies: The Kenya and Uganda Shilling depreciated by 0.9% and 0.7% respectively against the US Dollar in the month of January amid increased demand from oil and merchandise importers. On the other hand, the Tanzania Shilling and Rwandese Franc were relatively flat against the US Dollar during the month. We anticipate intermittent currency pressure as economic activities continue to recover following the ease of COVID 19 related restrictive lockdown measures.

Equities: Regional equity indices were off to a good start for 2021 as they recorded positive performance albeit flat movement from the Rwanda All Share Index. The markets however remained in the negative territory over 12 months to January 2021 reflecting the extent of the market repricing at the onset of the pandemic. Nonetheless, we remain positive about the market outlook over the next 12 months as underlying corporate earnings could see gradual recovery. Attractive equity valuations on select counters and a recovery of foreign flows back to frontier markets are supportive. Risks to the outlook could point to a slower recovery of economic output as well as lower distribution of the COVID-19 vaccines in comparison to developed and some emerging markets.

Global Markets: The US equities market performance witnessed some price pullback arising from political noise around the presidential inauguration as well as volatility brought by unexpected force of retail individual investors – tussle between investors who had built short positions in some small-cap stocks and those who had bought into those shares. The decline dragged the MSCI World Index into negative territory. We view that a weaker dollar currency, strong China growth output and an improving geopolitical outlook could continue to support an equity rally in global markets.

Outlook: The development of multiple and effective coronavirus vaccines could offer a potential uplift for economies in 2021 while further adding impetus for a continued rally for risky assets . Ultra-low global interest rate levels and sustained efforts for increased fiscal stimulus could add momentum to the anticipated gradual economic recovery and further spur investor confidence for financial markets.

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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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Last updated April 2018