

Regional Inflation & Key Interest Rates, December 2022

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	9.1%	10.2%	4.9%	21.7%
Central Bank Rate	8.8%	10.0%	5.0%	6.5%
91 Day Treasury Bill	9.4%	10.7%	3.0%	7.3%
2 Year Treasury Bond Yield	12.2%	13.8%	8.5%	9.7%

*Rwanda and Tanzania inflation as of November 2022
Source: Kenya, Uganda, Rwanda, and Tanzania National Bureau of Statistics & Bloomberg

Regional Currency Performance



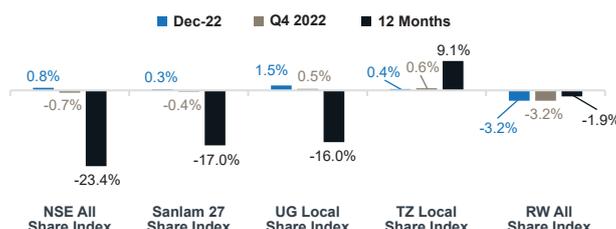
Source: Central Bank of Kenya, Bank of Uganda, National Bank of Rwanda & Bank of Tanzania

Global Markets Dashboard

	Dec-22	Q4 2022	12 Months
MSCI World	-4.3%	9.4%	-19.5%
MSCI Emerging Markets	-1.6%	9.2%	-22.4%
Brent Crude	0.6%	-2.3%	10.5%
Gold	3.1%	9.8%	-0.3%

Source: Bloomberg

Regional Stock Market Performance



Source: Nairobi Securities Exchange & Bloomberg

Market Commentary

Inflation: Kenya's headline inflation eased to 9.1% year-on-year (y/y) in December 2022 from 9.5% y/y in November 2022. The ease in inflation was driven by moderate increase in food and non-alcoholic beverages which printed 0.3% month-on-month.

Uganda's consumer inflation softened to 10.2% y/y in December from 10.6% in November. The decline was attributable to a marginal reduction in transport inflation while Tanzania's inflation was unchanged at 4.9% y/y in November 2022 albeit a decline in housing, water, electricity, gas, and other related fuel prices which posted -0.4% month-on-month.

Rwanda's urban inflation increased to 21.7% y/y in November 2022 from 20.1% y/y in October 2022 due to rising food, transport, and energy related costs. Looking ahead, we expect inflationary pressures to remain persistent on account of elevated food and energy prices. Nonetheless, the sharp decline in crude oil prices seen in H2 2022 could provide reprieve on inflation over the medium term.

Interest Rates: The Central Bank of Kenya issued a 6-year infrastructure bond switch for treasury securities maturing in January 2023 and re-opened 20-year and 25-year bonds in December at weighted average yields of 13.2%, 13.8% and 14.4% respectively. During the month of December, bond yields edged up by an average of 4 basis points (bps) across the yield the yield curve.

In Uganda, bond yields declined by an average of 160 bps across the maturity spectrum in December. The Bank of Uganda re-opened 3-year and 15-year bonds at weighted average rates of 13.5% and 16.0% respectively. The Bank of Tanzania issued a 10-year and 25-year bonds at weighted average rates of 10.8% and 12.8% respectively.

Currencies: The Kenyan Shilling and Rwandan Franc depreciated by 2.2% and 1.8% against the US Dollar respectively in Q4 2022 owing to a mismatch in dollar demand and supply. On the other hand, the Tanzanian Shilling was relatively flat while the Ugandan Shilling appreciated by 3.7% attributable to tight monetary policy, declining global commodity prices and foreign inflows directed to the oil sector. We expect further currency depreciation across the region on account of a potentially stronger US Dollar as recession fears heighten globally.

Equities: Markets in Kenya and Rwanda posted negative returns in Q4 2022 on the back of sustained exits by foreign investors with limited demand. On the other hand, the Tanzania and Ugandan bourses edged up by 0.6% and 0.5% respectively. On a positive note, corporates earnings for most blue-chip stocks have remained resilient despite the prevailing inflationary pressures and cost input constraints witnessed in 2022.

Global Markets: Global equity indices posted modest returns in Q4 2022 after US consumer price index (CPI) rose less than expected in the last quarter of the year.

Crude oil prices dropped over a similar period on account of global recession fears and tighter Covid-19 restrictions in the region of China. Gold's status as a safe haven and an inflationary hedge remained intact in Q4 2022 printing a return of 9.8%. We remain cautious on the prospects of a stronger US Dollar and the US Federal Reserve rate hikes and view them as potential headwinds to global earnings growth over the medium term.

Outlook: Inflationary pressures and recession concerns are expected to weigh down on investor appetite for risky assets in the year 2023. Additional risks in the year 2023 include geopolitical escalation with keen focus on the Russian-Ukraine conflict as well as the re-emergence of Covid-19 cases with rising risks of new variants from the China region.

The International Monetary Fund (IMF) projects the global economy to slow down to 2.7% from the previously forecasted 3.2% in 2023.

Kenya Contact Information:

Sanlam Investments East Africa Limited
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 Contact Information:

Sanlam Investments East Africa Limited
7th Floor, Workers House, Pilkington Road, Kampala,
P.O Box 9831, Kampala, Uganda,
Telephone: +256 414 340 708
Website: www.sanlameastafrica.com

Important Information

- **MSCI**, the acronym stands for Morgan Stanley Capital International.
- **MSCI World Index**, is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.
- **MSCI Emerging Markets Index** is used to measure the financial performance of companies in fast-growing economies around the world. The index tracks mid-cap and large-cap stocks in 27 countries, dominated by Chinese, Taiwanese, and South Korean companies.
- **Quarter to date (QTD)** refers to the period beginning the first day of the current quarter up to the current date. QTD information is useful for analyzing business trends over time or comparing performance data to competitors or peers in the same industry.
- **Year to date (YTD)** refers to the period beginning the first day of the current calendar year or fiscal year up to the current date. YTD information is useful for analyzing business trends over time or comparing performance data to competitors or peers in the same industry.
- **Year-over-year (Y/Y)** is a method of evaluating two or more measured events to compare the results at one period with those of a comparable period on an annualized basis.
- **Basis points (bps)** - A basis point is a standard measure for interest rates and other percentages in finance, representing one-one hundredth of one percent.
- **Currencies: KES/USD** refers to the Kenya Shilling exchange rate with the US Dollar. **UGX/USD** refers to the Uganda Shilling exchange rate with the US Dollar. **TZS/USD** refers to the Tanzania Shilling exchange rate with the US Dollar. **RWF/USD** refers to the Rwandese Franc exchange rate with the US Dollar.
- **NSE All Share Index**, is a market cap weighted index consisting of all the securities on the Nairobi Securities Exchange. Prices are based on last trade information from NSE's Automated Trading System.
- **Sanlam 27 Share Index** is a market cap weighted index. The index universe is the Nairobi Securities Exchange. The index is managed by Sanlam Investments East Africa Limited.
- **Uganda Local Share Index** is a market cap weighted index. It includes only domestic listed companies.
- **Tanzania Local Share Index** is a market cap weighted index. It includes only domestic listed companies.
- **Rwanda Stock Exchange All Share Index** is a market cap weighted index that includes all non-domestic Rwanda listings.
- **Central Bank Rate** refers to the interest rate at which a nation's central bank lends money to domestic banks, often in the form of very short-term loans. The Central Bank may increase or decrease the discount rate to slow down or stimulate the economy.
- **The Purchasing Managers Index (PMI)** is a measure of the prevailing direction of economic trends in manufacturing. The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%).

Kenya Contact Information:

Sanlam Investments East Africa Limited
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 Contact Information:

Sanlam Investments East Africa Limited
7th Floor, Workers House, Pilkington Road, Kampala,
P.O Box 9831, Kampala, Uganda,
Telephone: +256 414 340 708
Website: www.sanlameastafrica.com

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 written 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 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.

Kenya Contact Information:

Sanlam Investments East Africa Limited
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 Contact Information:

Sanlam Investments East Africa Limited
7th Floor, Workers House, Pilkington Road, Kampala,
P.O Box 9831, Kampala, Uganda,
Telephone: +256 414 340 708
Website: www.sanlameastafrica.com