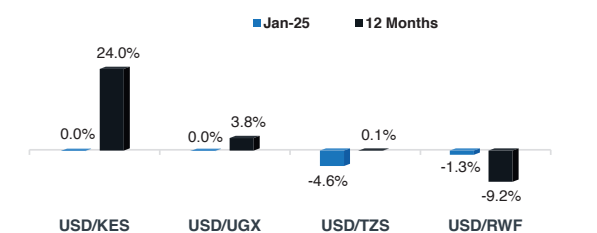


Global Markets Dashboard

	Jan-25	2024	12 Months
MSCI World	3.5%	17.0%	19.7%
MSCI Emerging Markets	1.7%	5.1%	12.0%
Oil-Light Crude	2.8%	-3.1%	-6.1%
Gold	6.6%	27.2%	37.2%

Source: Bloomberg. Returns are in US Dollar.

Regional Currency Performance



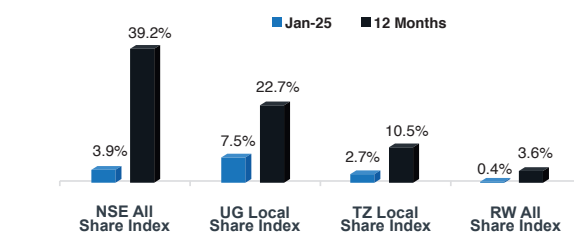
Source: Central Bank of Kenya, Bank of Uganda, National Bank of Rwanda & Bank of Tanzania

Regional Inflation & Key Interest Rates for January 2025

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (Dec 2024)	3.0%	3.3%	3.1%	6.4%
Central Bank Rate	11.3%	9.8%	6.0%	6.5%
91 Day Treasury Bill	9.5%	10.3%	7.8%	7.1%
1 Year Treasury Bond Yield	11.3%	15.4%	12.5%	8.1%

*Source: Kenya, Uganda, Rwanda, and Tanzania National Bureau of Statistics & Bloomberg Rates are in respective local currencies.

Regional Stock Market Performance



Source: Nairobi Securities Exchange & Bloomberg. Returns are in respective local currencies.

Market Commentary

Global Markets: In January 2025, developed markets posted a strong performance, with the MSCI World Index rallying by 3.5%. This was largely fueled by market optimism around President Trump's re-election. Since November 2024, the US 10-year Treasury yield rose by 0.2% to 4.6%, and the US Dollar (USD) appreciated by 4.9% compared to a basket of global currencies.

Key concerns are emerging around President Trump's expansionary fiscal policies which could contribute to higher inflation. Consequently, we expect a slower pace of interest rate cuts in 2025, driven by:

- **Sticky inflation.** The core Personal Consumption Expenditures (PCE) at 2.8% above Federal Reserve's target of 2%. Further tax cuts may drive it higher.
- **Persistent employment numbers.** Low unemployment rate (4.1%) in December 2024. This could be curtailed by the new immigration policies which may limit labor force supply.

The potential impact of trade tariffs and fiscal stimulus in the US could lead to volatility in global markets. The US Dollar (USD) is expected to continue strengthening against major currencies.

Inflation: In January 2025, Kenya's inflation rose by 0.3% to 3.3% due to increased food prices. However, core inflation (excludes food and fuel prices) decreased to 2.0%, down from 2.2% in December 2024. The low core inflation suggests subdued aggregate demand and could lead to further policy measures by the Monetary Policy Committee (MPC) to stimulate economic activity.

Uganda's inflation rose to 3.6% in January 2025, up from 3.3% in December 2024. Tanzania also saw a modest uptick in inflation to 3.1% in December 2024, an increase of 10bps. Rwanda experienced a sharp rise in inflation, surging to 6.4% in December 2024 from 3.4% in November. This was largely driven by higher food prices.

Currencies: The Kenyan Shilling remained stable in January, and we expect it to remain well-supported throughout the year. Similarly, the Ugandan Shilling was stable, bolstered by commodity flows and subdued USD demand across key sectors. In contrast, both the Tanzanian Shilling and the Rwandan Franc depreciated against the USD, by 4.6% and 1.3%, respectively, due to higher USD demand.

Interest Rates: In Kenya, interest rates across the yield curve fell by an average of 0.2% in January, driven by lower government borrowing needs. The government has already met around 90% of the FY25 domestic borrowing target. Moody's improved Kenya's credit outlook to positive while retaining the rating at Caa1. This development, combined with a stable currency and moderate inflationary pressures should be catalysts for further interest rate reductions in 2025. We expect the MPC to continue easing policy to support economic growth.

Uganda's interest rates increased by an average rate of 0.3% across the curve. Investors continue to bid aggressively in auctions as the government continues to seek funding to finance its FY2024/25 national budget. Interest rates are likely to remain elevated as Uganda nears its 2026 presidential elections.

The Bank of Tanzania reopened 10-year and 25-year bonds with average yields of 14.1% and 15.8%, respectively. The National Bank of Rwanda reopened a 7-year bond, attracting a yield of 11.9%. Short-term rates in Rwanda have edged upwards, with the 1-year bond increasing by 60 bps.

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Market Commentary Cont'd

Equities: The Nairobi Securities Exchange (NSE) All-Share Index increased by 3.9% in January 2025, buoyed by strong demand for equities. Attractive valuations, resilient earnings, and improving economic conditions are boosting investor confidence. Uganda's and Tanzania's stock markets also posted gains, up 7.5% and 2.7%, respectively.

East African Breweries Limited (EABL) reported a 19.5% increase in Profit After Tax (PAT) for half year (HY) 2025, reaching KES 8.1 billion, compared to KES 6.8 billion in HY24. The company declared an interim dividend of KES 2.5 per share. Although EABL's share price has rallied by 62.9%, over the past year, it remains below historical valuations, indicating potential upside.

Outlook: As global monetary conditions ease, Kenya's higher real yields are likely to attract increased foreign investment. We expect local interest rates to continue declining, supported by monetary easing, stable exchange rates, and moderating inflation. The Kenyan shilling is expected to remain stable, backed by strong foreign exchange reserves (USD 8.9 billion, 4.5 months of import cover) and a positive macroeconomic environment.

In Uganda and Tanzania, upcoming presidential elections (Uganda in January 2026 and Tanzania in October 2025) are expected to influence the macroeconomic landscape and may introduce volatility, affecting investor sentiment.

Important Information

- **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.
- **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.
- **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 Rwandan Franc exchange rate with the US Dollar.
- **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 twenty-three developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.
- **The 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.
- **NSE All Share Index**, is a market cap-weighted index consisting of all the securities on the Nairobi Securities Exchange. Prices are based on the latest trade information from NSE's Automated Trading System.
- **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%).
- **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.
- **Rwanda Stock Exchange All Share Index** is a market cap-weighted index that includes all non-domestic Rwanda listings.
- **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.
- **Tanzania Local Share Index** is a market cap-weighted index. It includes only domestic listed companies.
- **Tap Sale:** A tap issue is a procedure that allows borrowers to sell bonds or other short-term debt instruments from past issues. The bonds are issued at their original face value, maturity, and coupon rate but are sold at the current market price. A tap issue is also referred to as a bond tap or tap sale.
- **Uganda Local Share Index** is a market cap-weighted index. It includes only domestic listed companies.
- **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.

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Disclosure Statement

Sanlam Investments East Africa Limited ("the manager") is regulated by the Capital Markets Authority (CMA) in Kenya and Uganda, and by the Capital Markets and Securities Authority (CMSA) in Tanzania. The firm provides investment advisory and management services and has been operational in Kenya since 1998, in Uganda since 2004, and in Tanzania since 2024. It is a leading fund manager in the region with a strong record of accomplishment in service delivery and performance. Sanlam Investments East Africa is a subsidiary of Sanlam Allianz Africa PTY Limited.

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