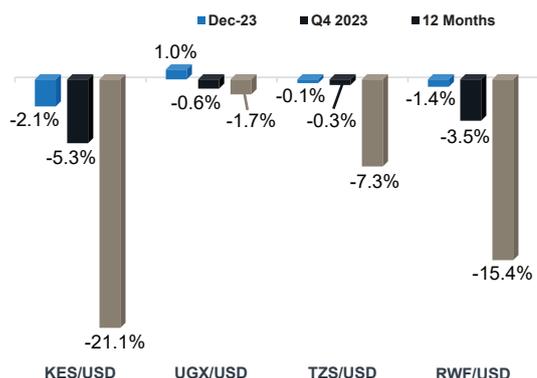


Global Markets Dashboard

	Dec-23	Q4 2023	12 Months
MSCI World	4.8%	11.1%	21.8%
MSCI Emerging Markets	3.7%	7.4%	7.0%
Oil-Light Crude	-7.0%	-19.2%	-10.3%
Gold	1.3%	11.6%	13.1%

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

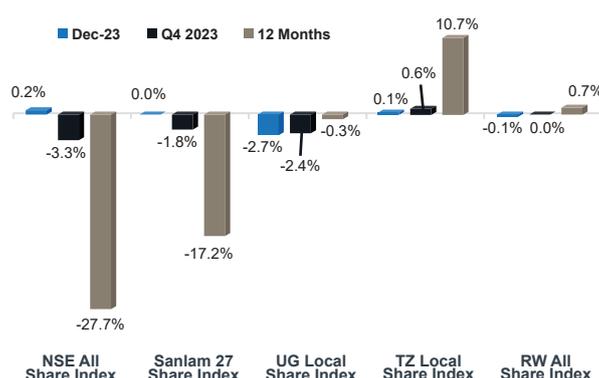
Regional Inflation & Key Interest Rates for November 2023

	Kenya	Uganda	Tanzania	Rwanda
Overall Inflation Rate (latest)	6.6%	2.6%	3.2%*	9.2%*
Central Bank Rate	12.5%	9.5%	5.0%	7.5%
Average 91 Day Treasury Bill	16.0%	10.0%	9.1%	9.2%
Average 2 Year Treasury Bond Yield	17.9%	13.5%	11.6%	10.9%

*Rwanda and Tanzania inflation as of November 2023

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

Market Commentary

Global Markets: Investors expectation that the US Central Bank will cut interest rates sooner than later in 2024 compared to previously expectations resulted in a market rally for global equities. Developed Market equities posted a return of 11.1% while Emerging Markets printed 7.4% in the last quarter of the year. With a backdrop of moderate inflation in Developed Markets and reduced probability of rate hikes going forward we expect investor sentiments for risk assets to improve over the medium term.

Key risks to Global Markets in 2024 include 1) electoral surprises, with the upcoming national election in United States likely to have ripple effects on global affairs from a wider scale, 2) geopolitical conflicts could extend beyond 2023 potentially reversing the progress made towards curbing high inflation.

Inflation: Kenya's headline inflation rate eased to 6.6% year-on year (y/y) in December from 6.8% in November 2023. The transport index (+11.7% y/y), utilities index (x8.3%) and food & non-alcoholic beverages index (x7.7% y/y) were the major contributors for the annual change. Uganda's consumer inflation stagnated at 2.6% y/y, however core inflation rose to 2.3% y/y in December from 2.0% y/y in November.

Tanzania's inflation was unchanged at 3.2% y/y in November 2023. Rwanda's urban inflation declined to 9.2% y/y in November 2023 from 11.2% y/y in October 2023 due to a decrease in food and non-alcoholic beverages prices.

Currencies: The Kenyan Shilling, Ugandan Shilling, Tanzania Shilling, and Rwandan Franc depreciated by 5.3%, 0.6%, 0.3% and 3.5% against the US Dollar respectively in Q4 2023. This was due to mismatch in dollar demand and supply. We expect gradual currency depreciation across the region on account of high demand for hard currencies as the new year kicks off.

Interest Rates: In Kenya, the average yields on the government papers in Q4 2023 maintained an upward trend on the shorter end of the yield curve, with the 364-day T-bill increasing by 105 bps to 16.1%. Yields on the 15-year and 20-year however declined by 14 bps and 9 bps to 15.7% and 15.9%, respectively owing to secondary market trades.

The Central Bank of Kenya (CBK) issued a tap sale of IFB1/2023/6.5 in December. Investor appetite for the paper was significant with the tap raising Ksh 47.9 billion against an offer of Ksh 25 billion. The average yield on accepted bids was 17.9%.

Kenya's Monetary Policy Committee raised the Central Bank Rate (CBR) to 12.5% from 10.5% at the December meeting. The MPC emphasized the need to adjust the monetary policy stance to address the upward pressures on local currency stemming from both internal and external conditions.

The Bank of Uganda (BOU) re-opened two issues of a 3-year and 20-year paper at average yields of 14.0% and 16.0% respectively. The Bank of Tanzania successfully issued 10-year and 25-year bonds attracting yields of 11.9% and 14.4% respectively. The National Bank of Rwanda re-opened a 15-year bond at a yield of 13.0%.

Equities: Kenya and Uganda stock markets posted negative returns in Q4 2023 on the back of sustained exits by foreign investors with limited demand. On the other hand, the Tanzania bourse edged up by 0.6% while Rwanda bourse was flat over the same period.

Outlook: We expect investors will remain cautious of risk assets against the backdrop of prevailing high interest rates. Currency and inflationary pressures remain as key challenges for capital assets for the year 2024.

Fiscal concerns on debt sustainability as well as repayment of upcoming maturities will be key themes in the wake of higher global rates. A lot of this risk has been priced in, with Kenyan equities trading at historically low valuations. As global interest rates subside, we expect quality names to draw investor interest at these discounted valuations. With continued regional currency weakness, dollar assets remain attractive to seek diversification value.

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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 Rwandese 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 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.
- **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.
- **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%).
- **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.
- **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 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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