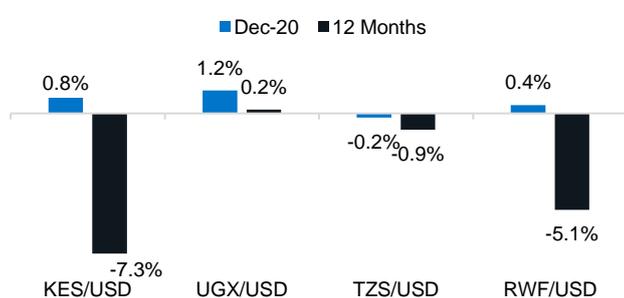


Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	5.6%	3.6%	3.0%	8.0%
Central Bank Rate	7.0%	7.0%	12.0%	5.0%
91 Day Treasury Bill	6.9%	8.5%	2.5%	16.0%
2 Year Treasury Bond Yield	9.3%	15.3%	7.1%	9.3%

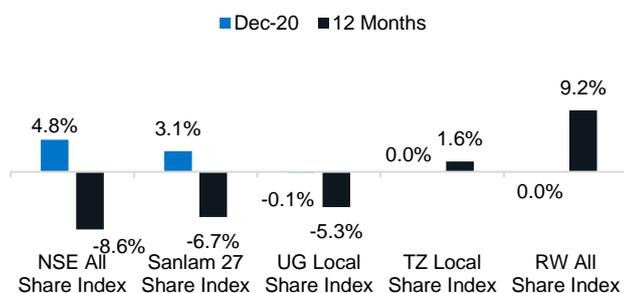
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	Dec-20	QTD	12 Months
MSCI World Index	4.1%	13.6%	14.1%
MSCI Emerging Markets Index	7.2%	19.3%	15.8%
Oil-Light Crude	8.8%	26.5%	-21.5%
Gold	6.8%	0.7%	25.1%

MSCI – Morgan Stanley Capital International
Source: Bloomberg

Market Commentary

Inflation: Kenya's headline inflation surged by 0.8% on a month-on-month basis and 5.6% on an annual basis in December. The acceleration in headline inflation was largely attributable to higher food and non-alcoholic beverages inflation which increased by 2.5% month-on-month and 7.2% year-on-year. Uganda's annual headline inflation marginally declined to 3.6% in December compared to 3.7% in November. The decline was mainly due to a further dip in fuel and utilities basket which dropped by 4.6% in December. Headline inflation in Tanzania declined to 3.0% in December from 3.1% recorded in November. Food and non-alcoholic beverages inflation rate for the month of November increased by 0.3% and 2.8% month-on-month and annually respectively. Rwanda Consumer Price Index increased by 9.3% on annual basis but was flat for the month. It was evident that inflation remained well contained across the region and this could maintain in the near term.

Interest Rates: Interest rates across the region market remained low over the year 2020. This was largely attributable to elevated money market liquidity and record low private sector credit growth. Much of this liquidity was deployed into government securities which led to a gradual decline in bond yields especially in the Kenyan market. Nonetheless, we anticipate slight upward pressure on the short-term rates as Central Banks in the region aim to curb currency risks and bridge the fiscal deficits in the near-term horizon.

Currencies: The Ugandan and Kenyan Shilling appreciated by 1.2% and 0.8% in December respectively as import obligations were muted during the festive season. On the other hand, the Tanzanian Shilling and Rwandan Franc were relatively flat against the US Dollar during the month. It is highly likely that regional currencies could remain under pressure as economic activities continue to recover following the ease of COVID 19 related restrictive lockdown measures.

Equities: Regional equity indices remained relatively flat during the month of December with exception to the Nairobi Securities Exchange which recorded an upbeat performance for the month of December. The Nairobi All Share Index closed the month with a return of 4.8% reflecting renewed investor appetite for blue chip stocks. All regional indices capped the year in negative territory save for Rwanda All Share Index which posted an impressive return of 9.2% amidst the volatility during the pandemic season. We remain positive about the market outlook over the next 12 months owing to attractive equity valuations on select counters albeit bouts of volatility in the near term.

Global Markets: Sustained global monetary and fiscal policy responses to the economic disruptions of COVID-19 resulted in an upbeat performance of international equities with most regions recording double digit returns for the year 2020. Investor sentiments were largely driven by optimism around the coronavirus vaccine breakthrough that could potentially see a rebound in the global economy. In the near term, we anticipate stock prices could be driven by COVID-19 vaccine distribution outcomes and leading economic indicators brought about by extended fiscal stimulus.

Outlook: As the vaccine inoculation progresses there is renewed hope for the global economy to gradually reopen, and thus increasing consumer and business confidence. The near-term risk remains around the resurgence of the Covid-19 cases potentially resulting in reintroduction of lockdowns which weigh on the economic recovery.

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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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