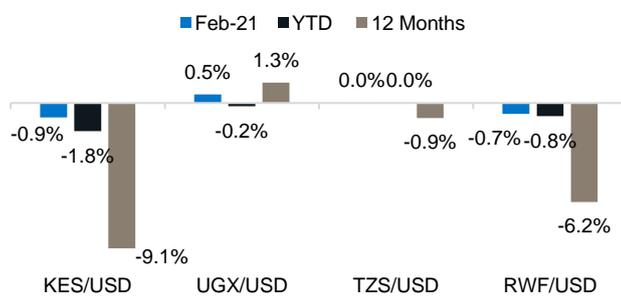


Regional Inflation & Key Interest Rates

	Kenya	Uganda	Tanzania	Rwanda
Inflation Rate (latest)	5.8%	3.8%	3.5%	3.5%
Central Bank Rate	7.0%	7.0%	5.0%	4.5%
91 Day Treasury Bill	6.9%	7.3%	2.5%	6.3%
2 Year Treasury Bond Yield	9.4%	13.6%	7.5%	9.3%

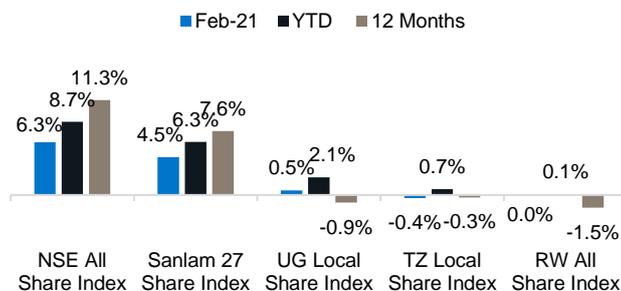
Source: Kenya and Tanzania National Bureau of Statistics & Bloomberg

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

	Feb-21	QTD	12 Months
MSCI World Index	2.5%	1.4%	27.4%
MSCI Emerging Markets Index	0.7%	3.7%	33.2%
Oil-Light Crude	18.3%	27.7%	30.9%
Gold	-6.1%	-8.7%	9.4%

MSCI – Morgan Stanley Capital International
Source: Bloomberg

Market Commentary

Inflation: Kenya's inflation surged by 0.7% on a month-on-month basis and was up 5.8% on an annual basis in February. The acceleration in headline inflation was on the back of higher food and non-alcoholic beverages inflation which increased by 1.0% month-on-month and 6.9% year-on-year. Transport inflation was also on the rise as fuel prices adjusted higher during the month. Uganda's annual headline inflation surged to 3.8% in February compared to 3.7% in January. The food & non-alcoholic beverages category remained in deflation, coming in at -0.9% y/y versus -1.2% in January. Headline inflation in Tanzania increased to 3.5% in January 2021 from 3.2% recorded in December 2020. Rwanda Consumer Price Index increased by 3.5% on annual basis but declined by 0.8% month-on-month during the month of January 2021. We expect overall inflation to remain within the regional Central Banks projected bands, as upward inflationary pressures remain muted. 3twr

Interest Rates: In Kenya, bond yields edged higher as the Central Bank of Kenya reopened a 15-year and 20-year bond at a weighted average rate of 11.8% and 12.6% respectively. The gradual rise in yields has been in spite of the significant market liquidity prevailing notwithstanding that the appetite for these two bonds was relatively weak. Interest rates in Uganda remained relatively unchanged due to a reduction of local government borrowing as the government seeks for alternative sources of funding to support the fiscal budget. The Bank of Uganda auctioned 2-year, 10-year, 15-year, and 20-year treasury bonds at attractive yields of 13.6%, 16.0%, 16.1% and 17.0% respectively. High liquidity in Tanzania's money market extended the decline on short-term interest rates at the close of February.

Currencies: The Kenya Shilling and Rwandese Franc depreciated by 0.9% and 0.7% respectively against the US Dollar during the month amid increased demand from oil and merchandise importers. On the other hand, the Uganda Shilling appreciated by 0.5%, attributable to increased flows from foreign investors keen on government bond auctions. The Tanzania Shilling remained 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: The Kenya and Uganda bourse both recorded positive return at 6.3% and 0.5% respectively in February 2021 supported by increased fund flows into these markets. The Tanzania Local Share index and Rwanda All Share Index performance was relatively flat. The sustained trend of net foreign inflows into emerging and frontier markets should be supportive of equity markets performance over the medium term. We remain keen on opportunities to accumulate high quality companies which have exhibited resilience during the COVID-19 prevailing environment. These companies are potentially well positioned to benefit from improving business conditions.

Global Markets: Global equity indices recorded positive returns on a year-to-date basis. We view a weaker dollar currency; strong China growth output and an improving geopolitical outlook could continue to support an equity rally in global markets. Nonetheless, a rise in global yields and inflation risks remain near-term concerns to sustained positive performance. The notable decline in the gold commodity while crude oil recovers further supports investor appetite for risky assets during this period.

Outlook: As the global economy continues to recover in 2021, we expect monetary and fiscal policies to remain supportive. Central banks are expected to delay any tightening in their monetary policy until spare capacity has been eliminated. The near-term risks remain around the resurgence of the COVID-19 cases and a spike in inflationary pressures as consumer spending levels recover.

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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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