

HIGHLIGHTS

Key Movements in Fixed Income and Currency Markets in May 2016

- In May 2016, bond yields in Kenya were flat after the central bank lowered its benchmark interest rate for the first time in almost a year. Bond yields in Nigeria decreased across tenors, as traders bought debt to cover their positions, after the Central Bank of Nigeria pledged a flexible currency policy to lure back foreign investors.
- In May 2016, most currencies strengthened against the US dollar. The Kenyan shilling slightly strengthened against the US dollar, supported by strong dollar inflows from charities and agricultural exports. The Tanzanian shilling was flat at TZS 2,191.0 against the US dollar due to low demand for and supply of the US dollar. The Nigerian naira was stable at NGN 199.1 against the US dollar, as the government and the central bank continued with the current exchange rate peg. The Ugandan shilling depreciated to UGX 3,385.0 against the US dollar, due to increased corporate dollar demand by firms in energy sector and banks. The Ghanaian cedi depreciated against the US dollar to GHS 3.9, led by rebound in dollar demand by corporates without a matching supply. (refer to pages 7 and 8 for details).
- Among the money markets, interbank rates in Kenya fell to 3.9% towards the end of May 2016 (details on page 6).

May Bond Market Summary

	3-yr	5-yr	10-yr	20-yr
Kenya 25-May yield (%)	12.4%	13.6%	14.6%	15.3%
Chg from 1-May 16 (bps)	0	0	0	0
Nigeria 25-May yield (%)	10.4%	11.5%	12.4%	13.1%
Chg from 1-May 16 (bps)	13	2	-19	-55

Movement of Key Currencies versus US Dollar in May 2016

	Average	End Value	MTD	YTD
Kenyan Shilling	100.7	100.6	0.5%	1.4%
Ugandan Shilling	3,338.9	3,385.0	-1.9%	-0.4%
Nigerian Naira	199.0	199.1	0.0%	0.0%
Tanzania Shilling	2,190.2	2,191.0	0.0%	-2.1%
Ghanaian Cedi	3.8	3.9	-2.1%	-0.9%

Kimondo's Corner

Fusion launches the first D-REIT in Kenya

Fusion has launched the offer for the first Development Real Estate Investment Trust 'DREIT' in Kenya and in the region.

D-REITs are a tax efficient listed vehicle through which investors can pool capital to develop large scale real estate projects and to access development returns. Fusion Real Estate Development Trust will initially raise Kes 2.3 Billion in equity to purchase Greenwood City and complete the development project. Greenwood City is a state of the art mixed use development in a prime Meru location. The development will boast a 160,000 sqft Mall, a 6 floor Grade-A office block, and 53 executive apartments. Greenwood city broke ground in December 2015 and has already, at this early stage, signed leases with some of Kenya's most recognizable brands. (details on page 11).

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Source: Bloomberg and respective central banks

Fusion Portfolio Management Service

Is a Fusion Investments Ltd-managed portfolio management service. Fusion Portfolio Management Service assists professional investors with the selection and management of a portfolio of financial assets to meet predetermined and agreed investment objectives.

This service is available only to professional investors. Any investment through this service is at risk, including loss of capital. For more information, please visit our website www.fusioninvestafrica.com, or contact:



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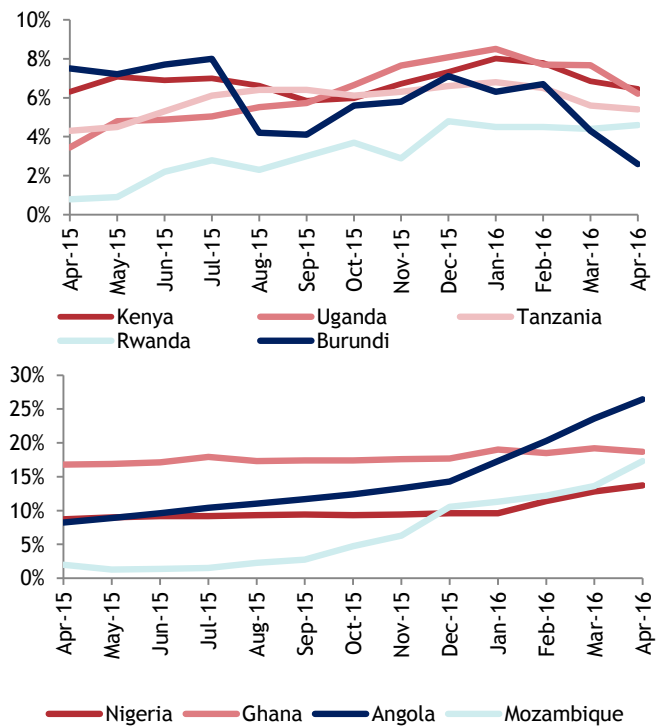
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HIGHLIGHTS

Activity Across Africa: Economy and Politics

- The World Bank expects Kenya's economy to grow 5.7% in 2016 and 6.1% in 2017 on account of low oil prices, good performance of the agriculture sector, supportive monetary policy and ongoing infrastructure investments. Meanwhile, Moody's has downgraded Nigeria's sovereign issuer rating to B1 from Ba3.
- In May 2016, the central banks in **Nigeria, Uganda, Ghana** and **Mozambique** did not change their benchmark interest rates. However, **Kenya** decreased its interest rate by 100 basis points to 10.5% from 11.5% as the inflation continued to ease thus paving way for rate cut. Most of these countries are trying to prevent further depreciation of their currencies by maintaining high benchmark rates (details on pages 3 and 4).
- In April 2016, inflation eased in most of the East African economies whereas the rest of the SSA region witnessed high inflation. In **Kenya**, inflation stood at 5.3% YoY in April 2016 vis-à-vis 6.5% YoY in March 2016. The decline was primarily due to low growth in the prices of food and non-alcoholic beverages. In **Uganda**, inflation fell to 5.1% YoY in April 2016 from 6.2% YoY in March 2016. The drop was primarily due to an decrease in the prices of food and non-alcoholic beverages. In **Ghana**, inflation eased to 18.7% YoY in April 2016 from 19.2% YoY in March 2016, primarily owing to a relative fall in the prices of housing and utilities. In **Nigeria**, inflation rose to 13.7% YoY in April 2016 from 12.8% in March 2016, primarily driven by an increase in the prices of food, alcoholic and non-alcoholic beverages, clothing and footwear. In **Mozambique**, inflation rose to 17.3% YoY in April 2016 from 13.6% YoY in March 2016. The rise was primarily due to a rise in the prices of food and non-alcoholic beverages (details on pages 3 and 4).

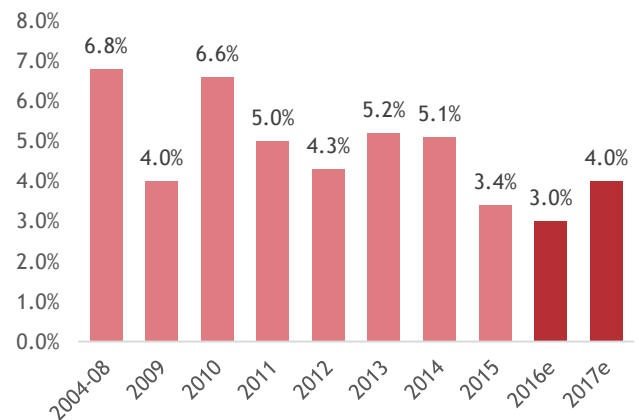
Inflation (YoY)



Policy adjustment key for sustained growth in Sub-Saharan Africa: IMF

- Despite being one of the fastest growing regions globally, the trend in Sub-Saharan Africa (SSA) has reversed in the past 18 months.
- Multiple factors, such as weak commodity prices and challenges in securing external financing, have impacted the region. Due to this, growth slowed to 3.4% in 2015 and is expected to further decelerate to 3% in 2016.
- Adding to the woes is the growing risk of food insecurity due to severe drought in a number of countries in the southern and eastern regions of Africa, such as Ethiopia, Malawi and Zimbabwe.
- IMF's medium-term growth prospects for a number of SSA countries still remain favourable, buoyed by several oil importing countries and non-fragile, low-income countries that continue to register robust expansion.
- The development and recalibration of financial policies is needed in a number of countries in SSA to ensure strong and stable economic growth.
- Diversification of the economy, exchange rate flexibility, and strong monetary and fiscal policies are few initiatives required to achieve sustainable growth (details on page 9).

Sub-Saharan Africa Real GDP growth (%)



Source: IMF Regional Economic Outlook: Sub-Saharan Africa, April 2016, Individual news websites

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

East African Community

Kenya

- Inflation declined for the fourth consecutive month to 5.3% YoY in April 2016 from 6.5% YoY in March 2016. This decline was primarily due to slow growth in the prices of food and non-alcoholic beverages (up 6.8% YoY in April 2016 versus 9.4% YoY in March 2016) and utilities and fuels (up 3.4% YoY in April 2016 against 3.3% YoY in March 2016). A fall in transport prices (down 0.7% YoY in April 2016 against a 0.3% YoY fall in March 2016) also contributed to the inflation drop. Inflation has eased and is well within the central bank's 2.5-7.5% medium-term target.
- Kenya's foreign exchange reserves surged to USD 7.7 Bn in May 2016 from USD 7.4 Bn in March 2016, boosting the economy. The World Bank forecasts Kenya's economy to expand at a rate of 5.9% in 2016.
- On 23 May 2016, the central bank lowered its benchmark lending rate by 100 basis points to 10.5% from 11.5% as lower inflation had created room to ease policy.

Uganda

- The rebased consumer price index (CPI) fell for the fourth consecutive month to 5.1% YoY in April 2016 from 6.2% YoY in March 2016. This drop was primarily due to a decrease in the prices of food and non-alcoholic beverages (up 3.6% YoY in April 2016 vis-à-vis 6.3% YoY in March 2016) and transport (up 4.9% YoY in April 2016 compared with 6.9% YoY in March 2016).

Tanzania

- Annual headline inflation declined to 5.1% YoY in April 2016 from 5.4% YoY in March 2016. The decline was largely due to a deceleration in food and non-alcoholic beverage prices, which were up 7.1% YoY in April 2016 compared with 8.3% YoY in March 2016.

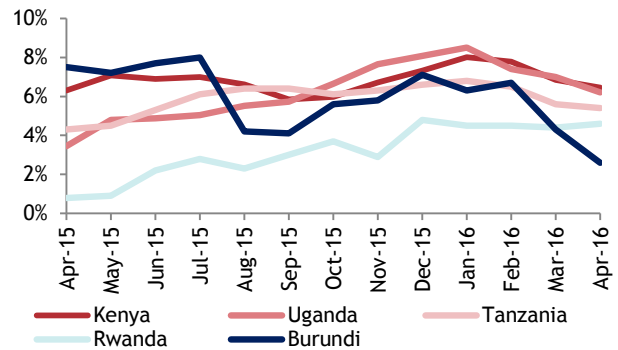
Rwanda

- The CPI increased to 4.7% YoY in April 2016 from 4.6% in March 2016. This was primarily ascribed to a rise in the prices of food and non-alcoholic beverage prices (up 5.6% YoY in April 2016), housing and utility prices (up 3.9% YoY in April 2016 vis-à-vis 3.0% YoY in March 2016) and transport (up 7.6% YoY in April 2016).

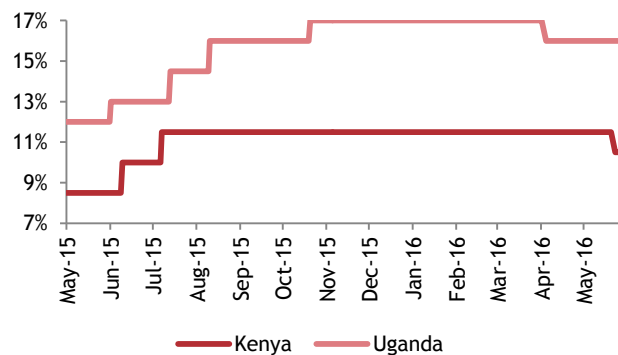
Burundi

- Inflation in Burundi decelerated to 2.6% YoY in April 2016 from 4.3% YoY in March 2016. The sharp fall was primarily due to decrease in food and non-alcoholic beverage prices (up 2.3% YoY in April 2016 compared with 6.4% YoY in March 2016) and alcoholic beverage and tobacco prices (down 1.7% YoY in April 2016 compared with rise of 1.4% YoY in March 2016).

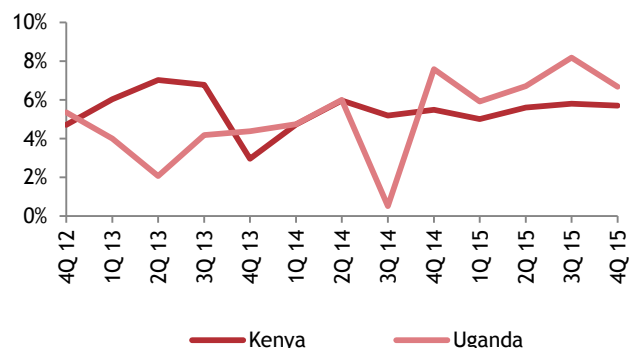
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Kenya and Uganda (YoY)



Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: ECONOMY AND POLITICS

Rest of Sub-Saharan Africa

Nigeria

- The CPI increased to 13.7% YoY in April 2016 from 12.8% YoY in March 2016, mainly driven by an increase in the prices of food and non-alcoholic beverages, alcoholic beverages, clothing and footwear. In April 2016, the food sub-index registered an 13.2% YoY rise, up from 12.8% in March 2016. The core sub-index registered an 13.4% YoY rise in April 2016 vis-à-vis an 12.2% increase in March 2016.
- Foreign exchange reserves stood at USD 26.5 Bn on 23 May 2016. The decrease in the reserves can be attributed to a fall in oil prices, and government's efforts to address gaps in revenue and finances.

Angola

- The CPI was up 26.4% YoY in April 2016 after increasing 23.6% YoY in March 2016. Inflation continued its upward trend, with prices rising 3.1% MoM in April (vis-à-vis a 3.4% MoM rise in March).

Ghana

- Consumer inflation stood at 18.7% YoY in April 2016 compared with 19.2% YoY in March 2016. Prices of food and non-alcoholic beverages rose 8.4% YoY in April 2016 after increasing 8.3% YoY in March 2016. However, non-food inflation fell to 24.8% YoY in April 2016 from 25.7% YoY in March 2016. This decline was primarily driven by a relative fall in the prices of housing, water, electricity, gas, and other fuels (up 35.8% YoY in April 2016 as against 39.6% YoY in March 2016).

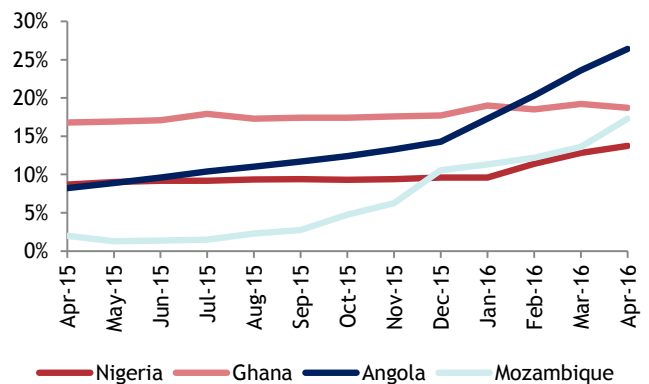
Mozambique

- Consumer inflation rose sharply to 17.3% YoY in April 2016 from 13.6% YoY in March 2016, primarily led by a 30.1% YoY increase in food and non-alcoholic beverage prices.
- In May 2016, Standard & Poor's (S&P) has lowered its credit rating on Mozambique by two levels from 'B-' to 'CCC' on increasing difficulty in honouring its financial commitments.

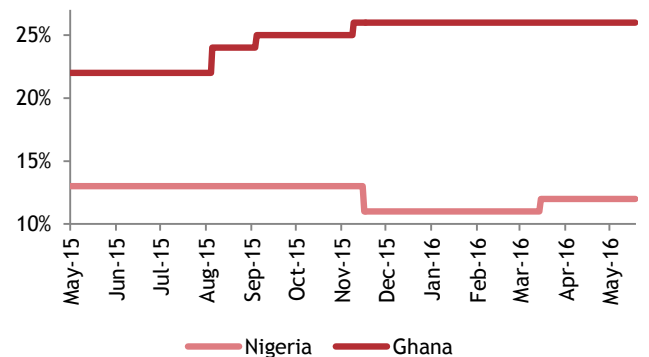
Ivory Coast

- Ivory Coast's CPI rose to 2.0% YoY in April 2016 from 0.9% YoY in March 2016, as reported by the National Statistics Office. In April 2016, food and soft drink prices gained 7.8% YoY, housing and utilities prices increased 1.0% and healthcare prices were up 1.0% YoY.

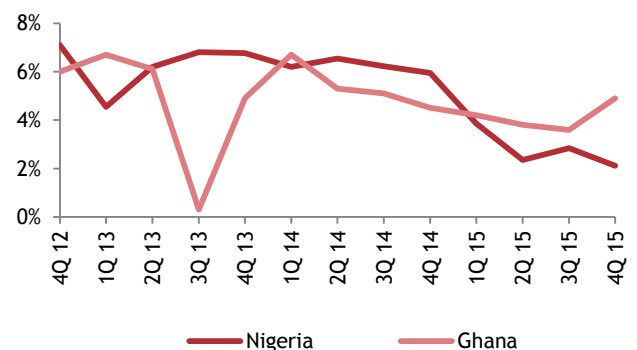
Inflation (YoY)



Movement of Central Banks' Key Rates



GDP Growth in Nigeria and Ghana (YoY)



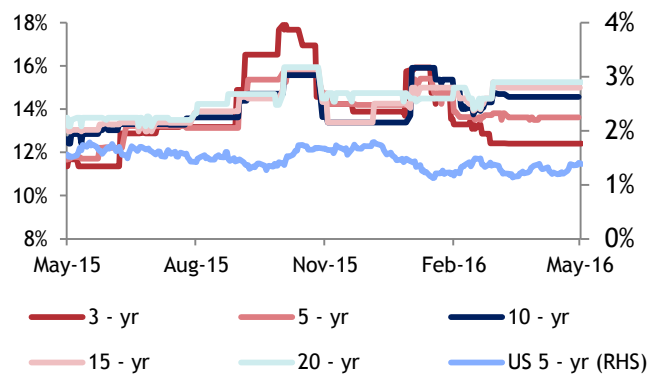
Source: Bloomberg, individual news websites, respective central banks

ACTIVITY ACROSS AFRICA: BOND MARKETS

Kenya

- In May 2016, yields on Kenyan bonds remained flat across all the tenors. The Central Bank of Kenya (CBK) lowered its benchmark interest rate by 100 basis points to 10.5% as inflation eased, allowing the bank to reduce rates. Hence, there was an increase in demand in terms of volume as deals transacted increased to 177 from 71 in the prior period, as per CBK data.
- In May 2016, CBK, on behalf of the government, auctioned two-year, 12.02% bonds due in May 2018 and nine-year, 13.33% bonds due in May 2025. The bank received bids worth KES 41.51 Bn and made allotments worth KES 4.72 Bn for the two-year bonds and received bids worth KES 39.42 Bn and made allotments worth KES 34.9 Bn for the nine-year bonds.
- The FTSE NSE Kenyan Shilling Government Bond Index rose 1.69% MTD and fell 1.46% YTD on 31 May 2016.

Bond Yield Daily Movement



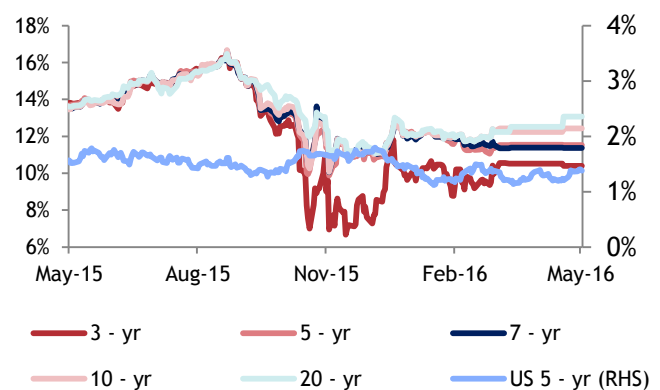
Summary Statistics

	3-yr	5-yr	10-yr	15-yr	20-yr
25-May yield (%)	12.4%	13.6%	14.6%	15.0%	15.3%
Chg from 1-May 16 (bps)	0	0	0	0	0
Chg from 1-Jan 16 (bps)	148	58	-118	-75	-50

Nigeria

- In May 2016, yields on Nigerian bonds decreased across most tenors. The yield on 3-, 5- and 7-year bonds registered an decrease of 13 bps, 2 bps and 2 bps, respectively. On the other hand, the yield on 10- and 20-year bonds rose 19 bps and 55 bps, respectively.
- Yields on Nigerian bonds decreased across most tenors, as traders bought debt to cover their positions, after the Central Bank of Nigeria, in its monetary policy, kept interest rates on hold, but pledged a flexible currency policy to attract foreign investors.
- In May 2016, the government auctioned five-year, 15.54%, February 2020 bonds worth NGN 15.0 Mn, 10-year, 12.50%, January 2026 bonds worth NGN 40.0 Mn, and 20-year, 12.40%, March 2036 bonds worth NGN 50.0 Mn. The government received subscriptions worth NGN 35.40 Mn for the five-year bonds, NGN 51.71 Mn for the 10-year bonds and NGN 72.49 Mn for the 20-year bonds.

Bond yields daily movement



Summary Statistics

	3-yr	5-yr	7-yr	10-yr	20-yr
25-May yield (%)	10.4%	11.5%	11.4%	12.4%	13.1%
Chg from 1-May 16 (bps)	13	2	2	-19	-55
Chg from 1-Jan 16 (bps)	-194	-59	-27	-132	-188

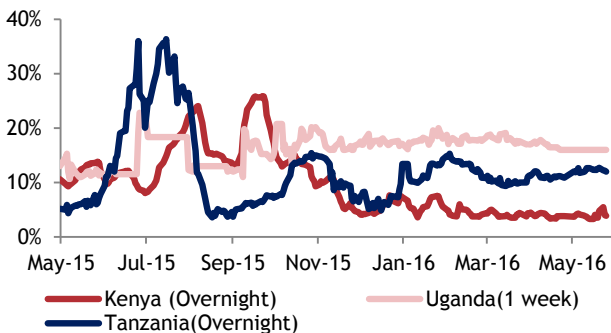
Source: Bloomberg, individual news websites

MONEY MARKETS

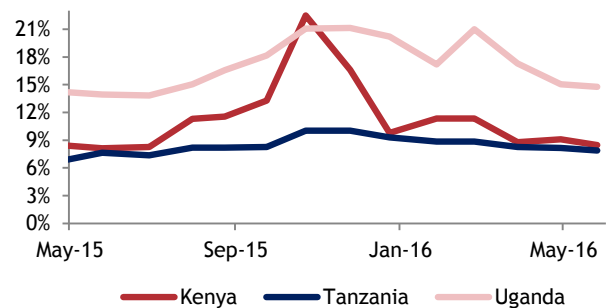
East African Community

- Kenya's interbank rate fell to 3.9% on 24 May, 2016 from 4.2% at the beginning of the month. Liquidity in the market eased after inflation for April was lower than that for March, and after the central bank lowered the benchmark interest rate by 100 basis points to 10.5% from 11.5%. Tanzania's interbank rate rose to 12.2% on 24 May, 2016 from about 11.8% at the beginning of the month indicating reduced liquidity in the interbank market.

Interbank Rates



91-day/3-month Treasury Bills (Monthly Average)



3-month Currency Deposit and T-bill Rates (May 2016)

	Kenya	Tanzania	Uganda
3-m curr dep	8.0%	10.6%	19.3%
91-d/3-m T-bill	8.5%	7.9%	14.8%

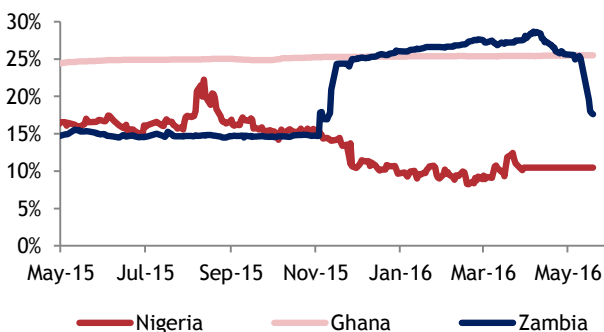
Policy and Average Interbank Rates (May 2016)

	Kenya (o)	Tanzania (1-w)	Uganda (o)
Policy	10.5%	12.0%	16.0%
Interbank	3.9%	12.2%	16.0%

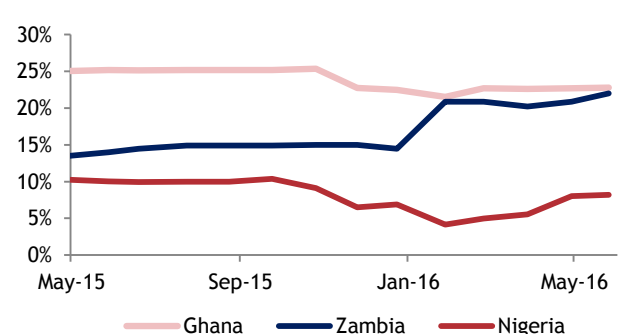
Rest of Sub-Saharan Africa

- The Nigerian Three-Month Interbank Offered Rate (NIBOR) was flat at 10.5% throughout the month of May 2016. Interbank rates rose compared with those at the beginning of April 2016 due to sustained financial system liquidity strain. In Ghana, the interbank rate was flat at 25.5% on 24 May, 2016, compared with that at the beginning of the month, as the central bank maintained the benchmark interest rates flat at 26.0%.

Interbank Rates



91-day/3-month Treasury Bills (Monthly Average)



3-month Currency Deposit and T-bill Rates (May 2016)

	Nigeria	Ghana	Zambia
3-m curr dep	9.5%	17.0%	27.0%
91-d/3-m T-bill	8.2%	22.8%	22.0%

Policy and Average Interbank Rates (May 2016)

	Nigeria (3-m)	Ghana (wt avg)	Zambia (o)
Policy	12.0%	26.0%	15.5%
Interbank	10.5%	25.5%	17.6%

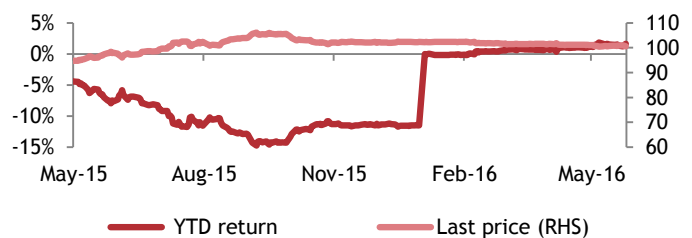
Source: Bloomberg, individual news websites, respective central banks

CURRENCY MARKETS: KENYA, TANZANIA AND UGANDA

Kenyan Shilling (KES)

- The Kenyan shilling marginally appreciated against the US dollar to KES 100.6 on 25 May 2016. The currency rose 0.5% MTD and 1.4% YTD.
- The shilling appreciated in May 2016, and was supported by dollar inflows from charities and agricultural exports.
- The shilling is expected to slightly depreciate in the short term due to selling of bonds and profit booking by some foreign investors who opine that the rates have bottomed out and bond yields would subsequently fall. In the long term, the Kenyan shilling is expected to remain stable.

USD/KES Daily Movement

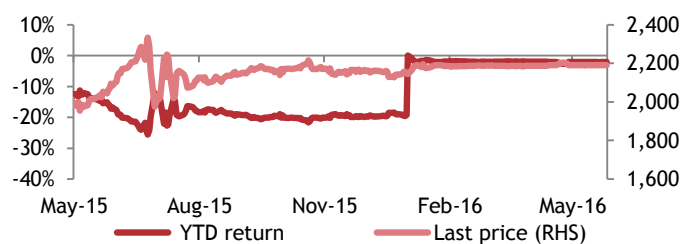


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	100.7	100.6	101.1	100.4	0.5%	1.4%
EUR	114.2	112.2	116.6	112.2	3.9%	4.1%

Tanzanian Shilling (TZS)

- The Tanzanian shilling was relatively flat against the US dollar in May, settling at TZS 2,191.0 on 25 May 2016. The currency was flat on an MTD basis and fell 2.1% on a YTD basis.
- The shilling was stable against the US dollar in May 2016 due to weak demand and supply of the US dollars.
- The shilling is expected to remain stable in the short term, due to a subdued activity in the market ahead of the government's 2016/2017 budget due on 8 June, 2016. In addition, the central bank's efforts to support the shilling are likely to stabilise the currency in 2016.

USD/TZS Daily Movement

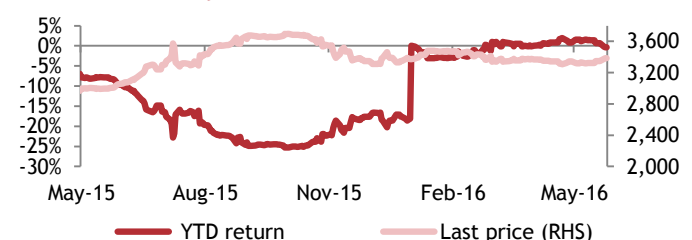


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	2,190.2	2,191.0	2,191.3	2,189.0	0.0%	-2.1%
EUR	2,482.1	2,448.0	2,524.5	2,441.7	3.1%	-4.9%

Ugandan Shilling (UGX)

- The Ugandan shilling depreciated against the US dollar to UGX 3,385.0 on 25 May 2016. The currency fell 1.9% MTD and 0.4% YTD.
- The Ugandan shilling declined against the dollar in May 2016, on increased corporate demand for the dollar from firms in the energy and banking sectors.
- The shilling is expected to remain weak in the short term, due to a gradual rebound in the demand for dollars by importers. In the long term, the shilling is anticipated to depreciate steadily.

USD/UGX Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3,338.9	3,385.0	3,385.0	3,320.0	-1.9%	-0.4%
EUR	3,791.3	3,782.1	3,832.1	3,755.2	1.2%	9.3%

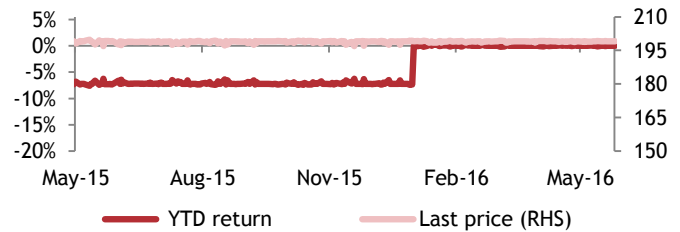
Source: Bloomberg, individual news websites

CURRENCY MARKETS: NIGERIA, RWANDA AND GHANA

Nigerian Naira (NGN)

- The Nigerian naira was flat against the US dollar to settle at NGN 199.1 on 25 May 2016. The naira was flat on MTD and YTD bases.
- In the parallel market, the naira was trading at NGN 350 against the US dollar, although it traded at about NGN 199.1 against the US dollar as per the official exchange rate. The spread between the parallel market and the official rate has widened, primarily due to shortage of dollar in Nigeria.
- The naira is expected to be range-bound in the short term, as uncertainty over the implementation of the Nigerian central bank's planned new flexible exchange rate policy persists.

USD/NGN Daily Movement

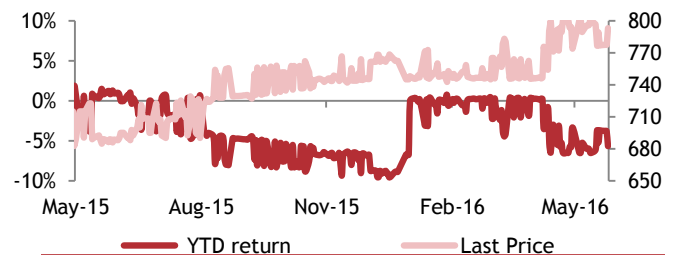


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	199.0	199.1	199.3	198.8	0.0%	0.0%
EUR	225.5	222.4	229.4	221.9	3.1%	-2.8%

Rwandan Franc (RWF)

- The Rwandan franc strengthened against the US dollar to settle at RWF 793.0 on 25 May 2016. The currency rose 0.2% MTD but fell 5.7% on YTD basis.
- The franc continues to remain weak against the US dollar despite marginal appreciation in the last few weeks on widening trade deficit due to increased demand for the dollar to support rising imports and local demand for imported goods.
- According to the central bank's governor, the Rwandan franc is expected to further drop 8% in 2016 and about 5% in each of the following two years, as a construction boom fuels the demand for dollar-priced imports.

USD/RWF Daily Movement

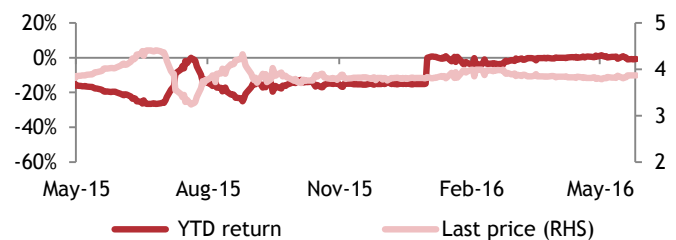


	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	790.3	793.0	800.0	776.5	0.2%	-5.7%
EUR	887.1	867.7	915.5	866.9	2.8%	-6.4%

New Ghanaian Cedi (GHS)

- The Ghanaian cedi depreciated against the US dollar to GHS 3.9 on 25 May 2016. The currency fell 2.1% MTD and 0.9% YTD.
- The cedi depreciated against the US dollar, mainly due to rebound in dollar the demand for the dollar from corporate companies, without matching supply.
- The cedi is expected to remain under pressure in the short term due to high demand for the dollar from oil importers and multinationals repatriating funds abroad. In the medium to long term, the cedi could depreciate, largely due to higher demand for the dollar.

USD/GHS Daily Movement



	Avg	End Val	High	Low	MTD (%)	YTD (%)
USD	3.8	3.9	3.9	3.8	-2.1%	-0.9%
EUR	4.3	4.3	4.4	4.3	1.8%	-3.4%

Source: Bloomberg, individual news websites

SPECIAL FOCUS

Policy adjustment key for sustained growth in Sub-Saharan Africa: IMF

Slowing growth in Sub-Saharan Africa

During the past decade, the Sub-Saharan African (SSA) region has been one of the fastest expanding regions globally. However, the region's economy slowed to 3.4% in 2015, its lowest level in the last 15 years. Hit by multiple severe shocks, such as weak commodity prices, difficult external financing and drought among others, SSA region may face its second difficult year in a row. The growth is expected to further decelerate to 3% in 2016, well below the average of 6% over the last decade and a previous estimate of around 5%, as per the latest Regional Economic Outlook report for Sub-Saharan Africa by the International Monetary Fund (IMF).

SSA faces severe multiple shocks

More than half of the SSA countries are heavily dependent on the export of oil and other natural resources. Consequently, the economic activity in the region plummeted to its lowest level in 2015 when oil and the commodity prices fell drastically. Moreover, oil exporting nations in SSA (such as Nigeria, Republic of Congo, Angola, Gabon, Cameroon and Chad) are witnessing a rapid decline in their fiscal and foreign reserves. Moreover, most countries are facing tight external financing conditions, as the financing costs for SSA borrowers has increased sharply compared with most other emerging markets. Furthermore, there is growing risk of food insecurity due to severe drought in several southern and eastern African countries such as Ethiopia, Malawi and Zimbabwe. In addition, the terrorist attacks in Chad and Cameroon, and the Ebola crisis in Liberia and Sierra Leone have worsened the economic conditions. In light of these factors, the IMF downgraded its immediate growth outlook for the region.

Medium-term outlook remains favorable

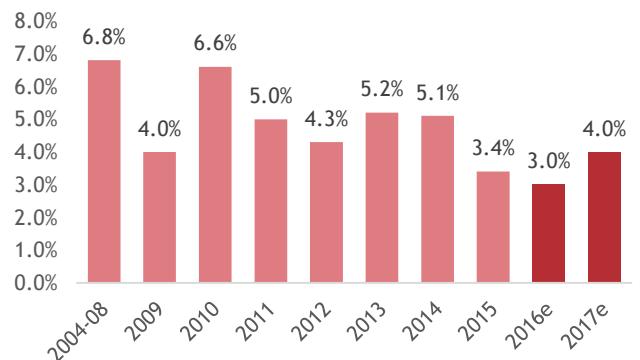
The IMF's medium-term growth prospects for many SSA countries still remains favourable, buoyed by robust growth in several oil importing countries and non-fragile low-income countries. A decline in oil prices, improved business environment, favourable demographics, growing private consumption and increased investment in key infrastructure have helped countries such as Côte d'Ivoire, Kenya and Senegal; these countries are expected to perform better, growing at 5% or higher for a sustained period.

Need to reset policies to secure potential growth

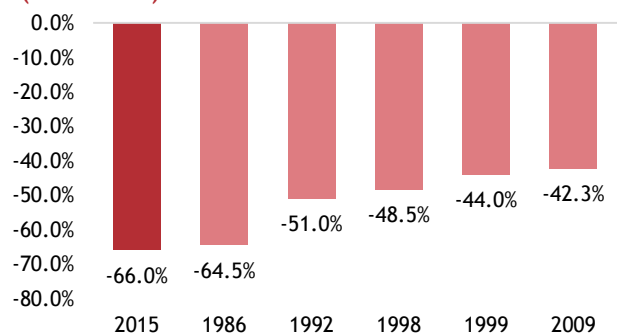
The SSA region has the necessary growth drivers in place, and can capitalise on its huge growth potential with increasing infrastructure investment, improved business environment and favourable demographics to fulfil its huge growth potential. However, the IMF recognises the need of an urgent policy reset to sustain growth. To date, the region's policy response has been generally insufficient.

Strong and stable economic growth in SSA requires development and recalibration of the financial policies in several countries. To mitigate the impact of shocks from commodity markets and achieve sustainable growth, the countries need to diversify their economies by reducing their dependence on export of oil and natural resources. Exchange rate flexibility, and strong monetary and fiscal policies will help SSA economies reduce their fiscal deficits and build a sustainable tax base in order to mitigate the shocks if external conditions worsen further.

SSA Real GDP growth (%)



Largest 18-month declines in real crude oil prices (1970-2015)



Source: IMF Regional Economic Outlook: Sub-Saharan Africa, April 2016

AUCTIONS AND EVENTS

Latest Issuances of Key Government Bonds (Duration Greater Than One Year)

Uganda's Latest Issuance: 2-yr and 5-yr Bonds (May 2016)

Issue Date	Maturity	Amt (UGX)	Bid/Offer	YTM	Coupon
18-May	5-yr	115.1 Bn	1.14	16.5%	16.5%
18-May	2-yr	68.9 Bn	1.21	15.9%	16.1%

Details of issuances in April

20-Apr	15-yr	90.0 Bn	1.61	16.9%	17.0%
20-Apr	2-yr	95.0 Bn	1.85	15.5%	16.1%

1 USD = 3,338.9 UGX (average for May 2016)

Ghana's Latest Issuance: 1-yr and 2-yr Notes (May 2016)

Issue Date	Maturity	Amt (GHS)	Type	Bid/Cover	Int. rate
06-May	2-yr	44.21 Mn	FXR Note	1.0	24.0%
13-May	1-yr	26.61 Mn	FXR Note	1.0	23.0%

Details of issuances in April

01-Apr	1-yr	18.26 Mn	FXR Note	1.0	23.0%
15-Apr	2-yr	7.98 Mn	FXR Note	1.0	24.1%

*Fixed rate; 1 USD = 3.8 GHS (average for May 2016)

Tanzania's Latest Issuance: 15-yr Bonds (May 2016)

Issue Date	Maturity	Amt (TZS)	Bid/Offer	YTM	WACY*
11-May	15-yr	79.0 Bn	1.10	18.7%	18.2%

Details of issuances in April

13-Apr	10-yr	21.7 Bn	4.84	18.8%	17.0%
27-Apr	5-yr	49.6 Bn	1.97	17.1%	12.3%

*Weighted average coupon yield; 1 USD = TZS 2,190.2 (average for May 2016)

Kenya's Latest Issuance: 2-yr and 9-yr Bonds (May 2016)

Issue Date	Maturity	Amt Bid (KES)	Amt Acpt (KES)	MWAR*	Coupon
12-May	9-yr	39.4 Bn	34.9 Bn	13.3%	12.5%
25-May	2-yr	41.5 Bn	4.7 Bn	12.0%	12.0%

Details of issuance in April

25-Apr	5-yr	36.3 Bn	19.5 Bn	14.6%	14.3%
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*Market weighted average rate; 1 USD = 100.7 KES (average for May 2016)

Upcoming Bond Auctions and Monetary Policy Meetings

- **8 June 2016:** Tanzania to sell bonds
- **15 June 2016:** Nigeria to sell bonds
- **Monetary policy meetings** are scheduled to be held on:
 - **15 June 2016** (Central bank of Uganda)

Source: Bloomberg, individual news websites, respective central banks

KIMONDO'S CORNER

Fusion launches the first D-REIT in Kenya

Fusion has launched the offer for the first Development Real Estate Investment Trust 'DREIT' in Kenya and in the region. D-REITs are a tax efficient listed vehicle through which investors can pool capital to develop large scale real estate projects and in return gives investors exposure to development profits.

Fusion Real Estate Development Trust 'FRED-Commercial' will issue Kes 2.3 Billion worth of units to purchase Greenwood City and complete the development project. Greenwood City is a state of the art mixed use development in a prime Meru location. The development will boast a 160,000 square foot Mall, a 6 floor Grade-A office block, and 53 executive apartments. Greenwood city broke ground in December 2015 and has already signed leases with some of Kenya's most recognizable brands during this early construction period. Also as at the end of May 2016, 33% of the apartments had been booked and deposits received. Out of the Kes 2.3B, Fusion and her partners have already invested Kes 868Million worth of units at exactly the same price as the incoming investors. This cash has been used to purchase the land, pay for the design work and meet the construction costs to date (now estimated at 21%). The property has been professionally valued and will be transferred at this value into the REIT. Not even a single investor is cashing out.

It is expected that the project will take in total 36 months to develop and achieve a full exit. Based on these assumptions, the projected return is an IRR of 20.28% and a return on equity (RoE) of 54.34%. Upon exit, FRED-Commercial will use these proceeds to take on further projects of similar dynamics and make great return for unit holders.

In Kenya, DREIT are tax exempt and FRED-Commercial has already received a tax exemption certificate from the Kenya Revenue Authority 'KRA'.

Housing is one of the principal sectors considered to revitalize economic growth and decent housing is part of the social pillar of Kenya's vision 2030. In Kenya, approximately, 206,000 additional housing units are required annually yet only 50,000 are currently in supply

Meru is ranked as the 7th most populated county in Kenya and has an urban population of 75,000 people and growing at average rate of 15% per annum. It has one of the highest urbanisation rates in East Africa (estimated by Axis Real Estate to be around 11%). Meru is close to Isiolo International Airport and the Lamu Southern Sudan-Ethiopia Transport Corridor (LAPSSET). We expect the Meru demographics to further strengthen as the devolved system of government - which is one of the enablers of urbanisation - leads to an increase in investment by corporates outside of Nairobi

The offer opens on 23rd June for three weeks, closes on 15th July and the units will commence trading at the Nairobi Securities Exchange on 28th July. This offer is open to professional investors only, with a minimum investment of Kes 5Million and will be listed in the restricted market segment of the Nairobi Securities Exchange. However, the units will be freely transferable, subject to the trading rules of the securities exchange.

If you would be interested in investing and/or for further information, please do not hesitate to contact us.

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