

Investing In The Capital Markets



AN OPPORTUNITY TO GROW YOUR WEALTH

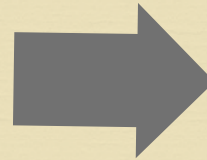
SHARES



Understanding Shares



Shares



Shareholder

**A unit of
ownership in a
company**

**Owner of the
shares**



Growth In Share Prices From IPO Share Prices



	IPO Share Price (Ushs)	Value per share as at 11th January 2016 (Ushs) ¹	Return on Investment over the period (%)	Compound Annual Growth Rate (CAGR) of the Share Price(%)
Uganda Clays (IPO-2000)	4,000	15,000	275.00	8.16
BAT (U) Ltd (IPO-2000)	1,000	25,900	2,490.00	22.56
Bank of Baroda (U) Ltd (IPO-2002)	600	3,487	481.17	13.39
DFCU Group (IPO-2004)	230	2,375	932.61	21.48
New Vision Group (IPO-2004)	200	606	203.00	9.68
Stanbic Bank (U) Ltd (IPO-2006)	70	256	265.71	13.58
National Insurance Corporation (IPO-2009)	45	11	(75.56)	-18.23
UMEME (IPO-2012)	245	630	157.14	26.63

1 This is an adjusted share price taking into consideration various corporate actions to ensure that the IPO price and the current price are in the same units

CORPORATE ACTIONS

Uganda Clays: Share Split



Number Of Shares at IPO	Value of Shares at IPO (Ush)	No. Of shares after share split in 2006 of 10 for every one held	No. of shares after second share split of 100 shares for every share held	Value of shares as at 11 th January 2016
1,000	4,000,000	10,000	1,000,000	15,000,000

Stanbic Bank Uganda: Bonus Shares

Number Of Shares at IPO	Value of Shares at IPO (Ush)	No. of shares after bonus issue of 1 share for every share held in 2011	No. of shares after second bonus issue of 4 shares for every share held in 2012	Value of shares as at 11 th January 2016
1,000	70,000	2,000	10,000	320,000

CORPORATE ACTIONS

Bank of Baroda: Share Splits & Bonus Issues

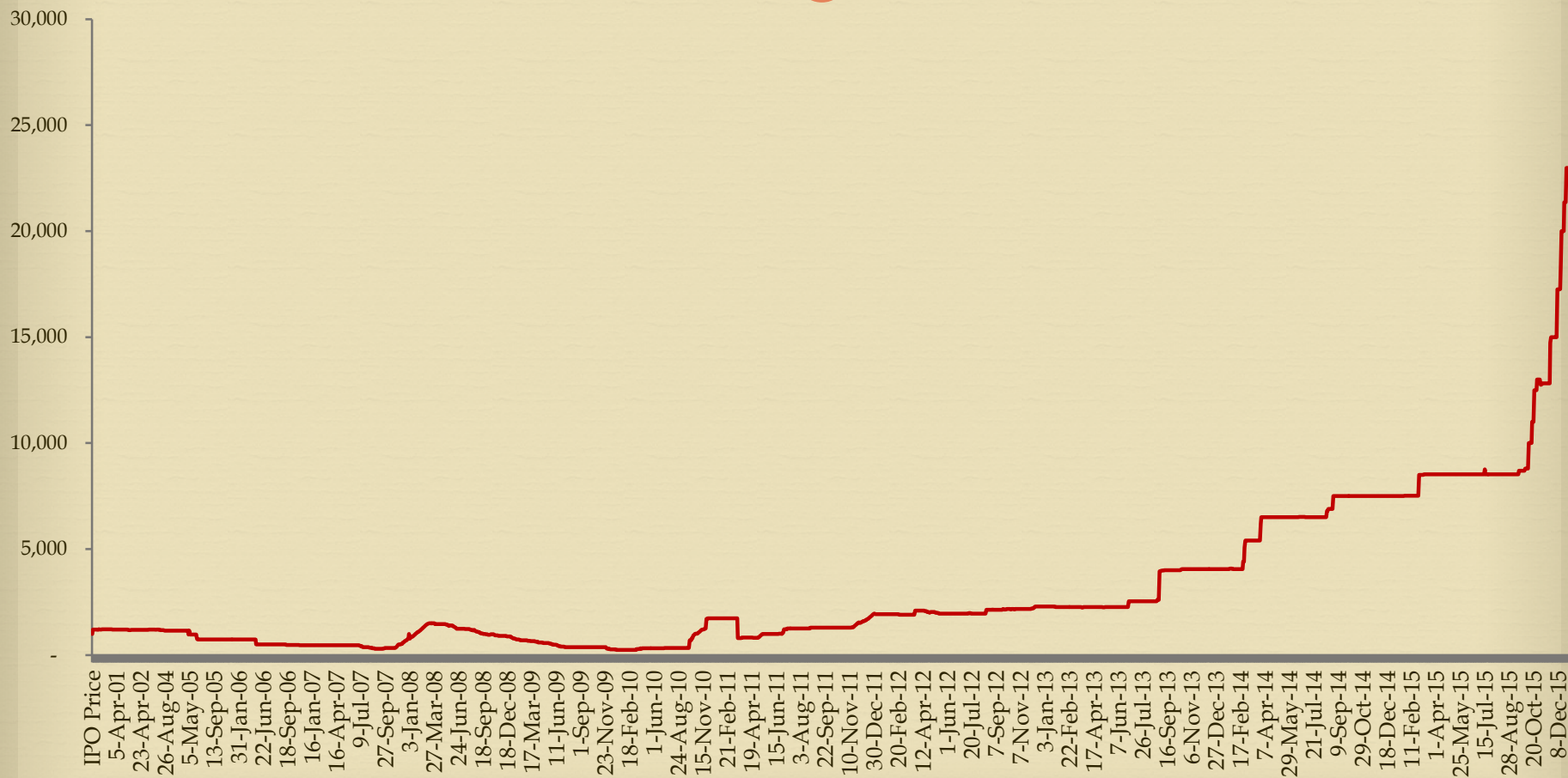


Number Of Shares at IPO	Value of Shares at IPO (Ush)	No. of shares after share split of 10 shares for every 1 share held in 2008	No. of shares after bonus issue of 1.5 shares for every 1 share held in 2011	No. of shares after bonus issue of 1.5 shares for every 1 share held in 2012	Value of shares as at 11 th January 2016
1,000	600,000	10,000	25,000	62,500	9,687,500

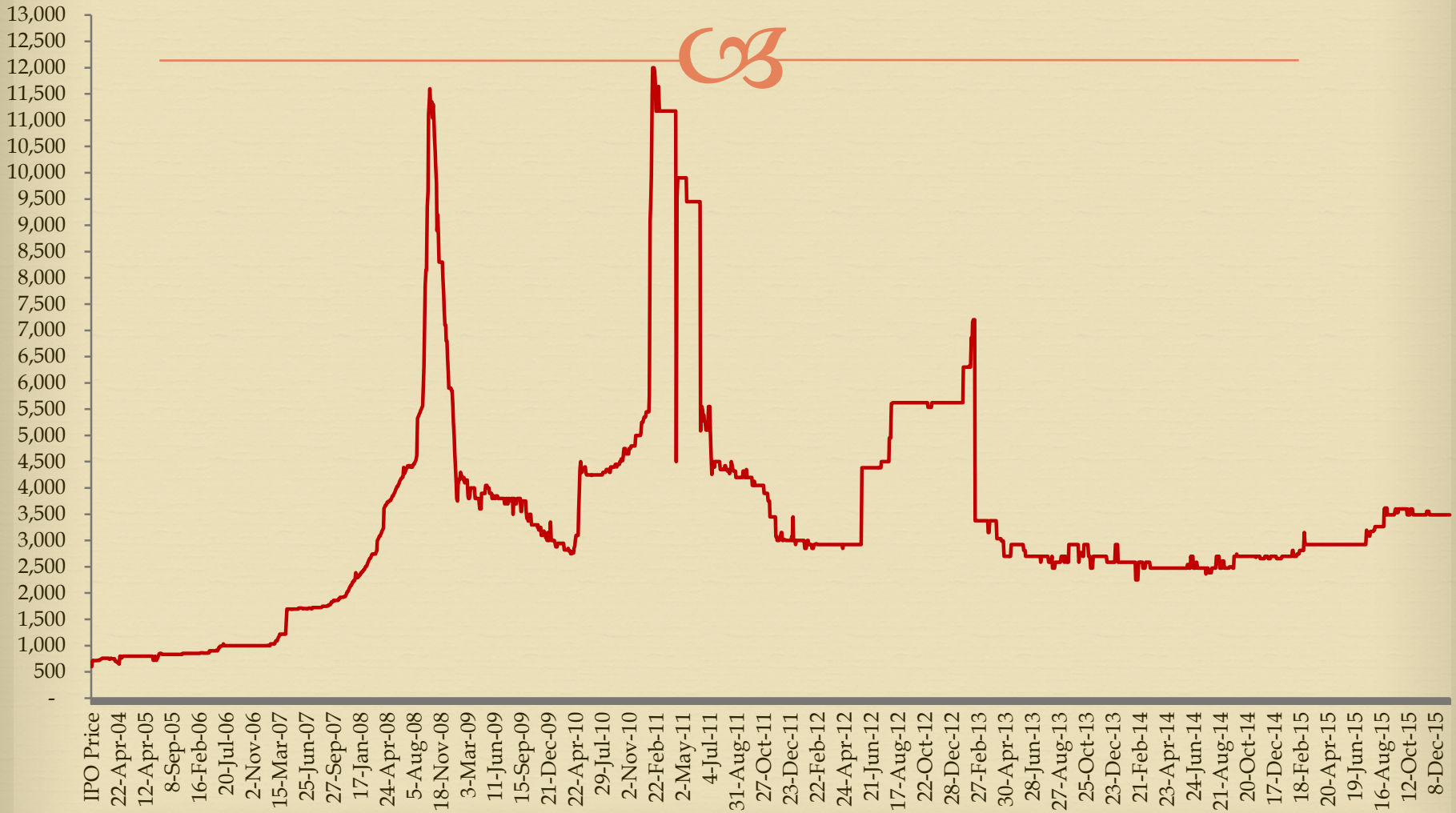
DFCU Bank Bonus Issue

Number Of Shares at IPO	Value of Shares at IPO (Ush)	No. of shares after bonus issue of 1 share for every 4 shares held in 2005	No. of shares after bonus issue of 1 share for every share held in 2014	Value of shares as at 11 th January 2016
1,000	230,000	1,250	2,500	2,375,000

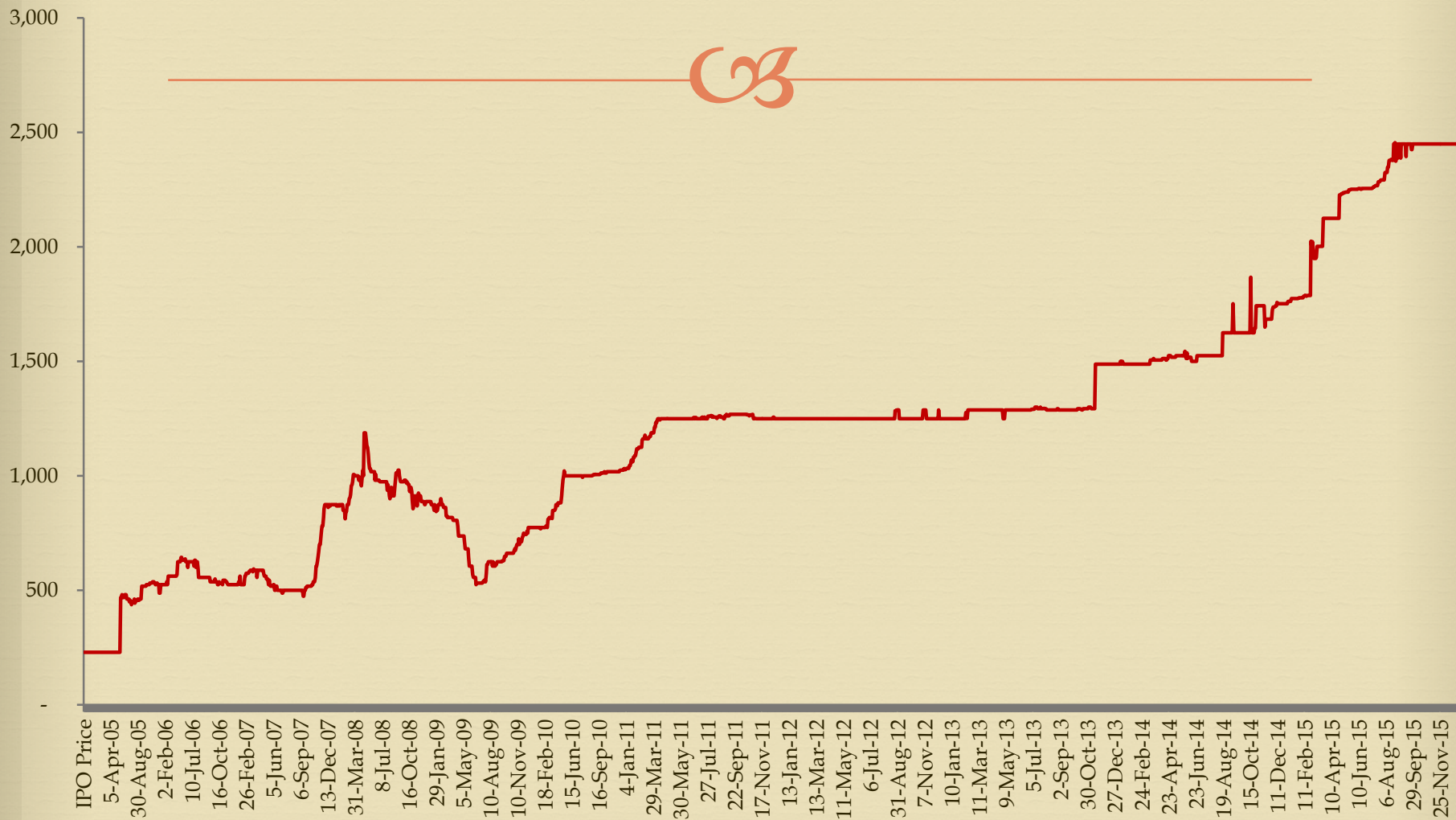
BAT Share Price Movement (Ushs)



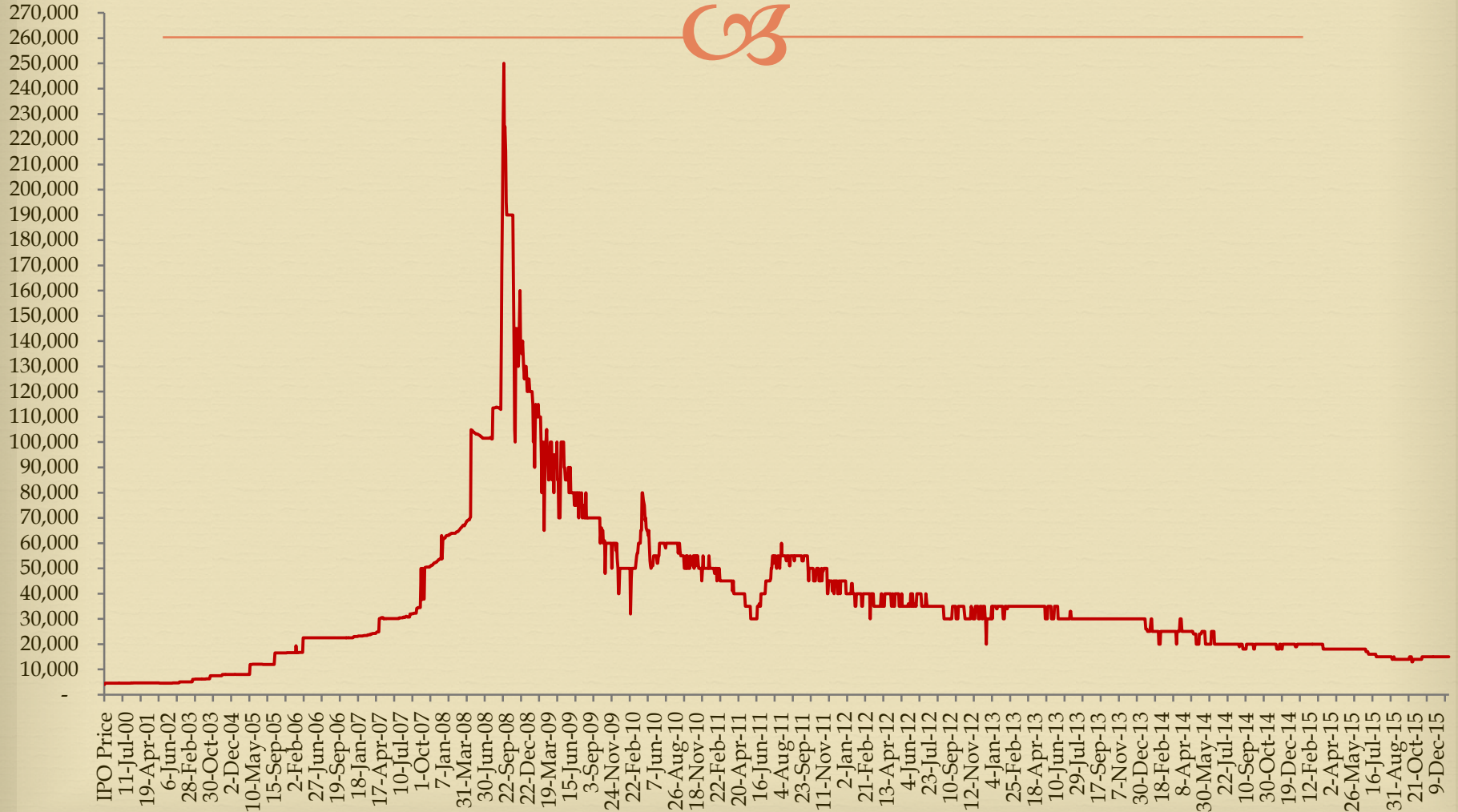
Bank of Baroda Share Price Movement (Ushs)



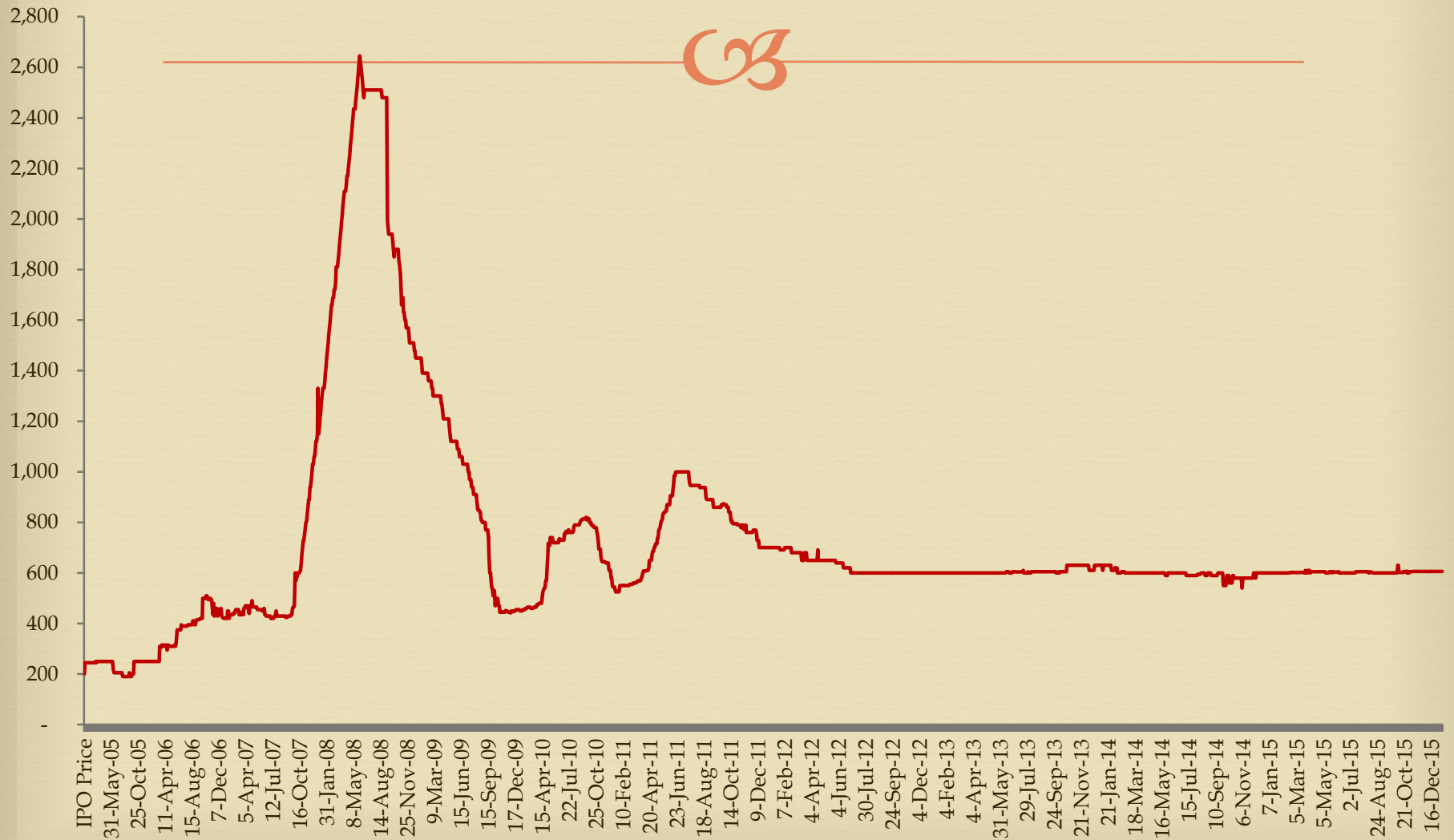
DFCU Share Price Movement (Ushs)



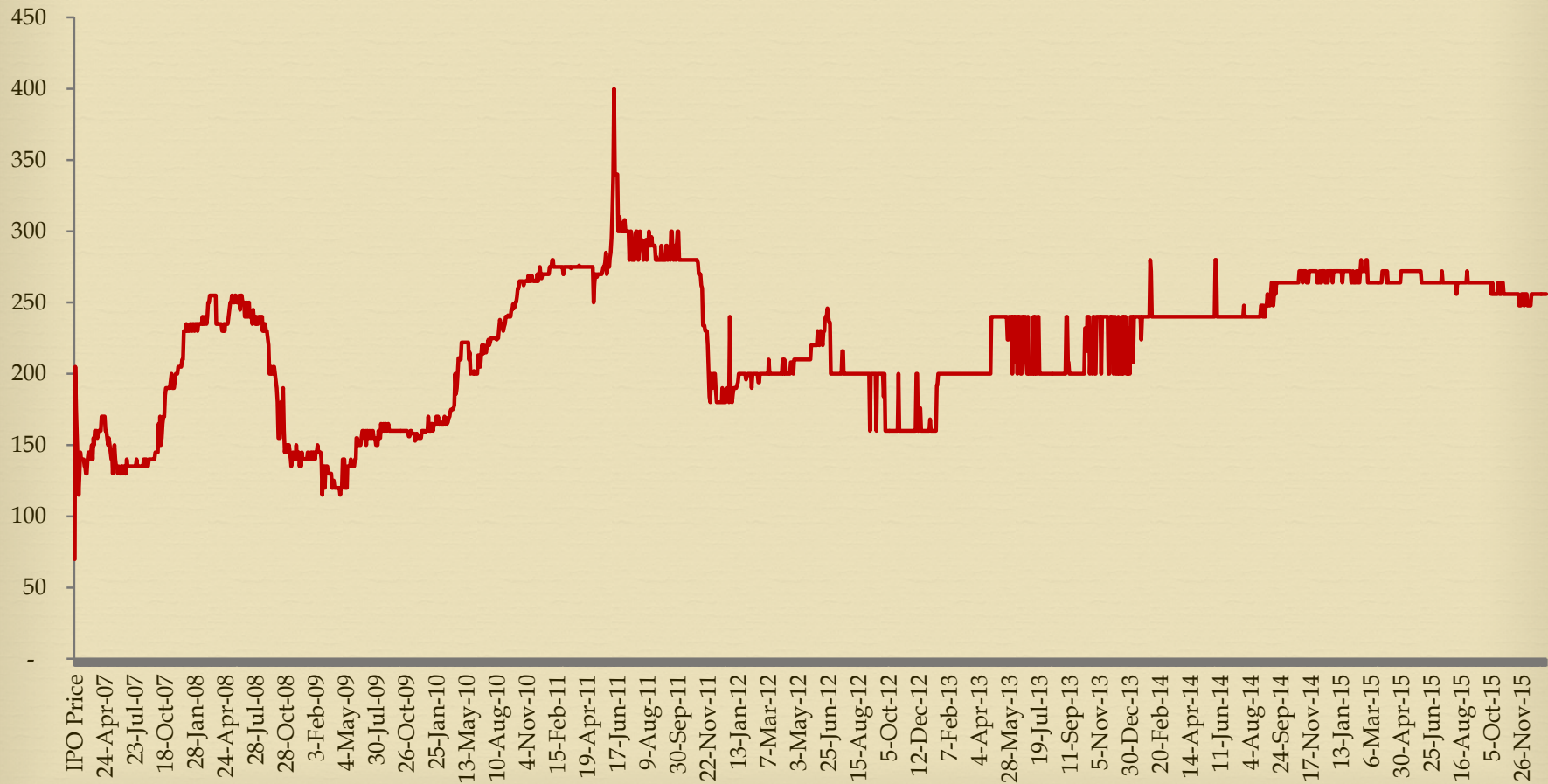
Uganda Clays Share Price Movement (Ushs)



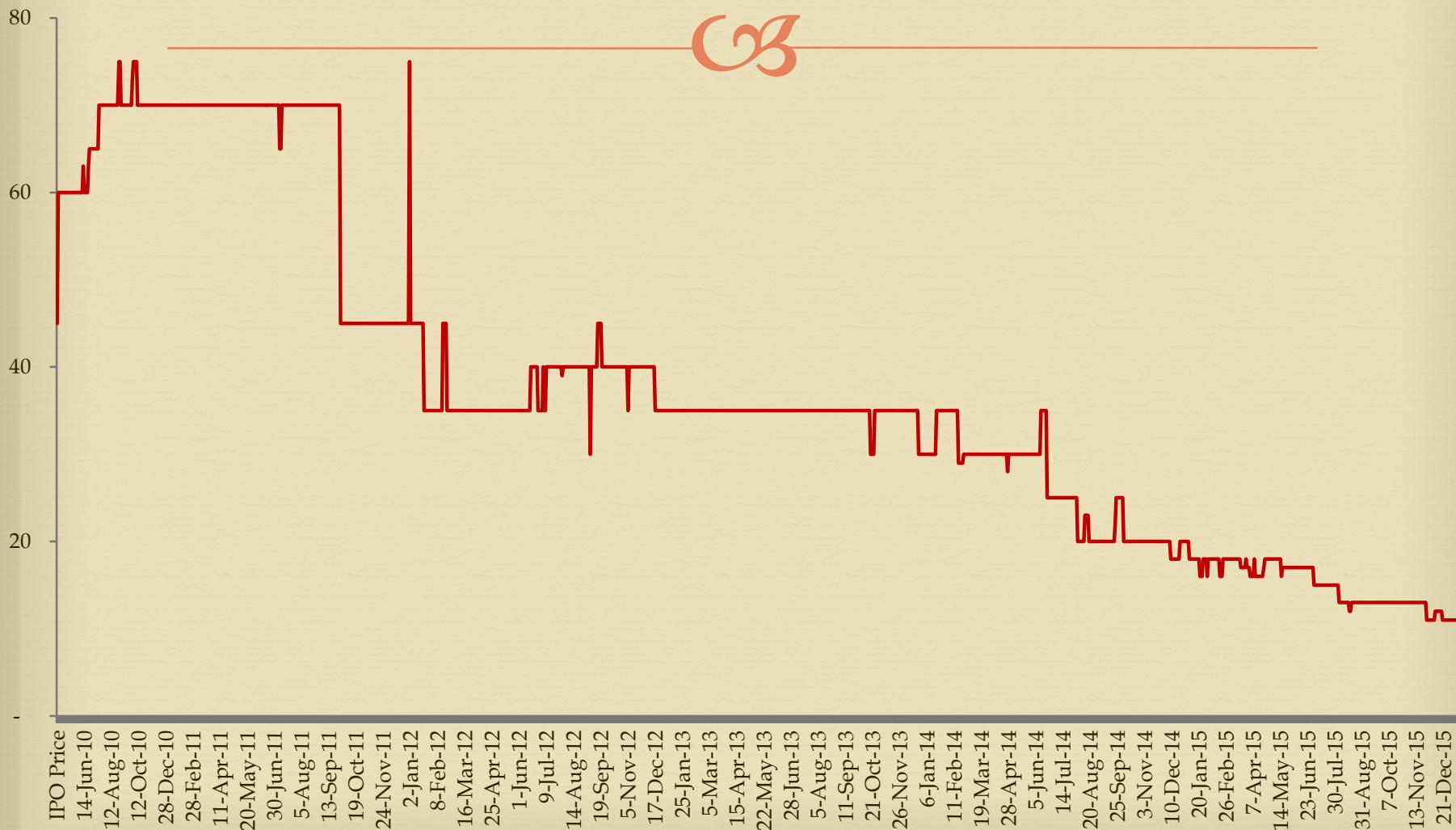
New Vision Share Price Movement (Ushs)



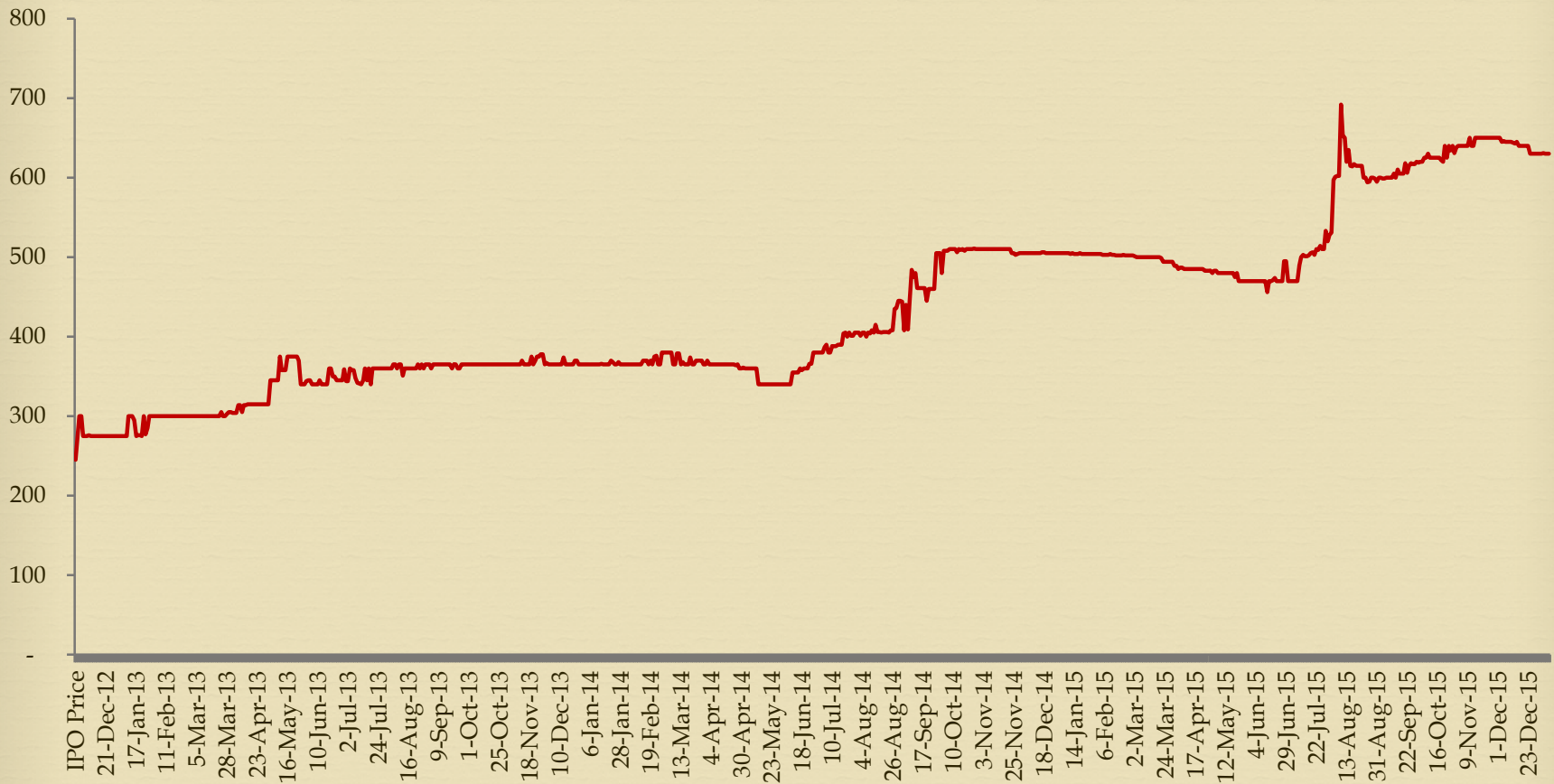
Stanbic Bank Share Price Movement (Ushs)



National Insurance Corporation Share Price Movement (Ushs)



Trends in the UMEME Share Price Movement (Ushs)



**INVESTING IN SHARES:
SELECT COUNTERS
FROM THE NAIROBI
SECURITIES EXCHANGE
(NSE)**

GROWTH IN SHARE PRICES FROM IPO FOR SELECTED COUNTERS AT THE NSE

	IPO Share Price (US\$ \$)	Share Price as at 11th January 2016 (US\$) ³	Return on Investment over the period (%)	Compound Annual Growth Rate (CAGR) of the Share Price(%)
Kenya Commercial Bank (IPO-1988)	1.13	31.70	2705.18	12.65
HFCK Bank (IPO 1992)	0.22	1.67	661.18	8.81
Uchumi Holdings (IPO-1993)	0.25	0.83	233.67	5.36
NIC Bank (IPO-1994)	0.94	6.07	545.50	8.85
Kenya Airways (IPO-1996)	0.2	0.15	-25.64	-1.43
ARM Mining (IPO 1997)	0.21	2.53	1107.13	14.00
TPS Serena (IPO-1997)	0.22	1.20	446.47	9.34
Equity Bank Limited (Introduction-2006)	0.97	14.94	1440.48	31.45
Kengen (IPO 2006)	0.17	0.07	-58.95	-8.49
Scangroup (IPO 2006)	0.15	0.64	326.06	15.61
Kenya Re-insurance (IPO-2007)	0.14	0.24	72.61	6.17
Co-operative Bank (IPO 2008)	0.14	0.25	76.07	7.52
Safaricom (IPO 2008)	0.07	0.19	174.10	13.29
British American Investment Company (IPO 2011)	0.10	0.26	162.55	21.06

³ This is an adjusted share price taking into consideration various corporate actions to ensure that the IPO price and the current price are in the same units

How Do I Make Money In Shares?



- **One can make money in shares in two ways:**
 - ▣ Dividend income,
 - ▣ Appreciation in price (Capital Gains)

- **The amount of income one earns from an investment in shares depends on:**
 - ▣ How much profit the company makes
 - ▣ The dividends declared
 - ▣ How many shares one owns

Why Invest In Shares? An Asset Comparison

REAL ESTATE

Products: Land, Real Estate Development for sale or Rental

Advantages: Higher returns on principal capital/investment over the long-term, in most cases beats/outperforms inflation

Disadvantages: Higher risks over the short-term, Illiquid, supervision required, very limited or no transparency, high probability of investment fraud

Why Invest In Shares? An Asset Comparison

FIXED INCOME

Products: Fixed Deposits, Treasury Bills, Treasury Bonds, Corporate Bonds and Money Lending

Advantages: Low to moderate returns on principal capital/investment, very low probability of losing the Principal Capital/investment, regular fixed income payments, liquid with the exception of money lending, no supervision is required, transparent, low probability of investment fraud

Disadvantages: Probability of default for private borrowers but unlikely for Treasury instruments & fixed deposits, rarely beats/outperforms inflation

Why Invest In Shares? An Asset Comparison

SHARES

Products: Companies listed on the Uganda Securities Exchange & Nairobi Securities Exchange


Advantages: Higher returns on principal capital/investment over the long-term, in most cases beats/outperforms inflation, no supervision required, transparent, liquid, low probability of investment fraud


Disadvantages: Higher risks over the short-term, rank last in priority in case of liquidation

When can I Invest in Shares?



You can invest in shares through the:

 **Primary Market (Initial Public Offer):** This when a company sells its shares to the Public for the first time. The IPO is for a limited time usually 30 days (one month).

 **Secondary Market:** This is when you buy or sell shares already listed on the Uganda Securities Exchange

HOW Can I Invest In Shares?



- To invest in shares one is first required to have a **Securities Central Depository (SCD)** account which is an electronic entry of one's shares. SCD accounts are opened with broker/dealers licensed by CMA

- Before you buy or sell shares make sure you complete a Purchase/Sale Order Form with your Broker/Dealer

How Much It Will Cost Me To Buy Or Sell Shares?



- Share prices are published by the Uganda Securities Exchange (USE) on its website and some times in the Daily New Vision and Daily Monitor newspapers.
- You can also follow the share prices at the end of the 9pm News Bulletin on NTV Uganda and WBS Television
- You can only buy or sell not less than 100 shares

Counter	Share Price (Ush) as at 11th January 2016	Minimum Investment for a purchase of 100 shares (Ushs)	Brokerage Commission of 2.0% and 0.1% SCD Levy	Total Cost (Ush)
BAT	25,900	2,590,000	54,390	2,644,390
BOBU	155	15,500	326	15,826
DFCU	950	95,000	1,995	96,995
NIC	11	1,100	23	1,123
NVL	606	60,600	1,273	61,873
SBU	32	3,200	67	3,267
UCL	15	1,500	32	1,532
UMEME	630	63,000	1,323	64,323

COLLECTIVE INVESTMENT SCHEMES



Collective Investment Schemes



- If you do not have sufficient funds to invest in shares through your broker/dealer, you can invest with other investors through a collective investment scheme managed by a Unit Trust Manager licensed by CMA.

- There are currently three (3) licensed Unit Trust Managers. The minimum investment threshold varies from manager to manager.

- The lowest minimum investment threshold among the three managers is **Ushs 100,000**

Collective Investment Schemes



Returns on Investment in UAP CISs as at 12th January 2016

Fund	Effective Annual Rate of Return (%)
UAP Money Market Fund	13.84
UAP Balanced Fund*	6
UAP Umbrella Fund	16.49

*Annualized Rate of Return from January 2016

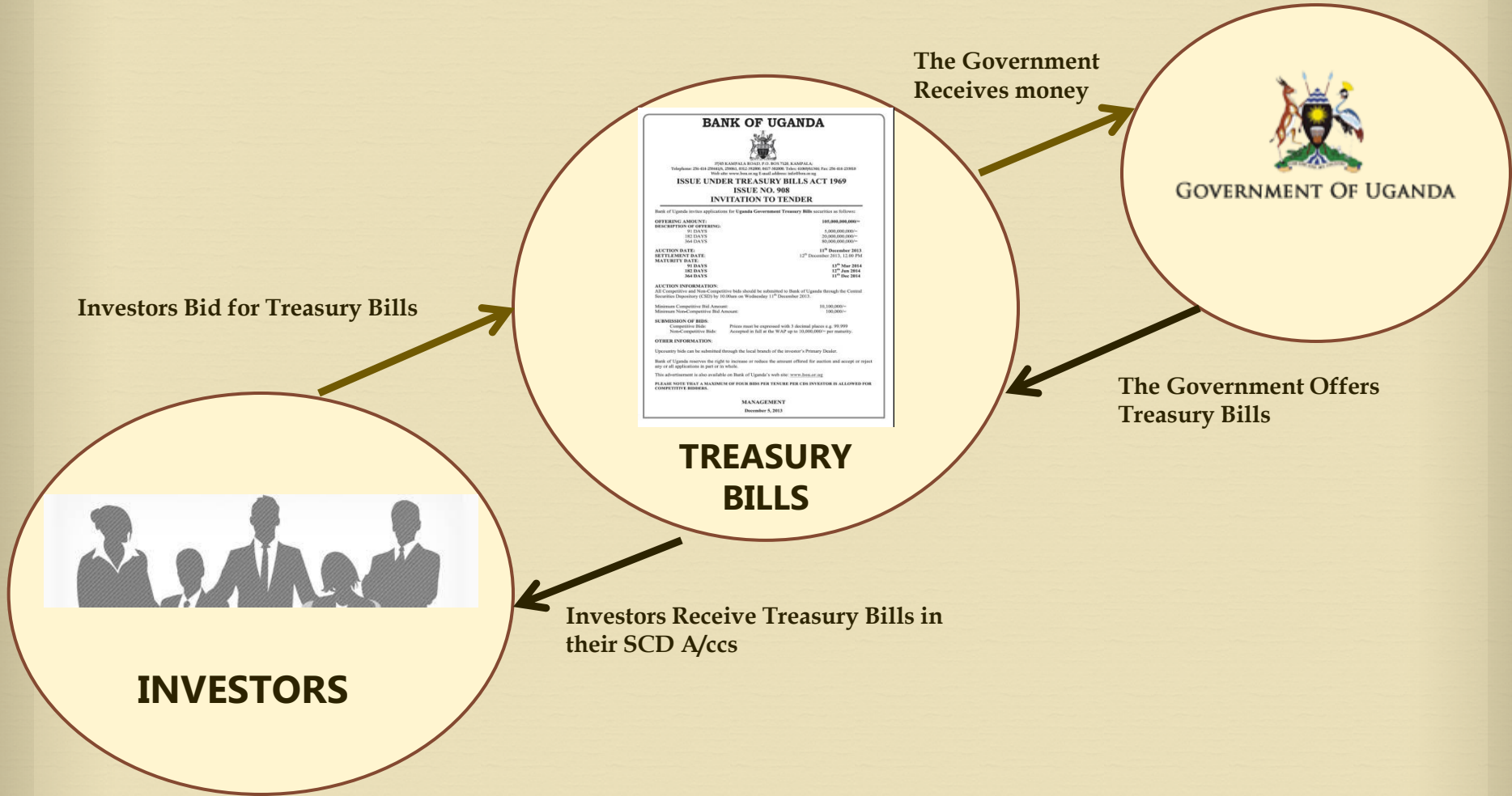
GOVERNMENT SECURITIES: TREASURY BILLS



Treasury Bill Defined

- ❑ A Treasury Bill is a short term loan extended to the Government. The Government borrows money from the public for short periods of time to meet its short term obligations or regulate the supply of money in circulation.
- ❑ Treasury Bills are structured in three **maturities- 91 day, 182-day and 364 day.**
- ❑ **Treasury Bills are usually issued and backed by the full faith and credit of the Government of Uganda.**

Treasury Bill Defined



Advantages of Investing in Treasury Bills



- ❑ They offer a competitive rate of return (currently giving an annualized return of 23.90% on the 364 day treasury bill as at 22nd December 2015);
- ❑ They are risk free instruments as they are backed by the full faith and credit of the Government of Uganda;
- ❑ They provide an avenue for saving;
- ❑ They are highly liquid and can be sold with ease in the secondary market;
- ❑ They can be pledged as collateral for borrowing;

How Treasury Bills Work: Issue at a Discount



- ❑ Treasury Bills are issued by the Government through the Bank of Uganda (fiscal agent). This is usually through competitive bidding.
- ❑ Treasury Bills pay no interest rate but are sold at a discount with the yield being the difference between the purchase price and the par value (redemption price). The yield on Treasury Bills usually provides a benchmark for other securities such as corporate bonds and bank loans.

How Treasury Bills Work: Issue at a Discount



For example

The Government issues a 364 day treasury bill priced at Ush 80,709 on issuance to pay Ush 100,000 after 364 days. No interest payments are made. The investment return comes from the difference between the discounted value originally paid and the amount received back at maturity, or Ush 19,291 (Ush 100,000 - Ush 80,709). In this case, the T-bill pays a 23.90% interest rate in 364 days.

Redemption Price=
Ush 100,000

—

Purchase Price=
Ush 80,709

=

Yield= Ush 19,291

How To Invest in Treasury Bills



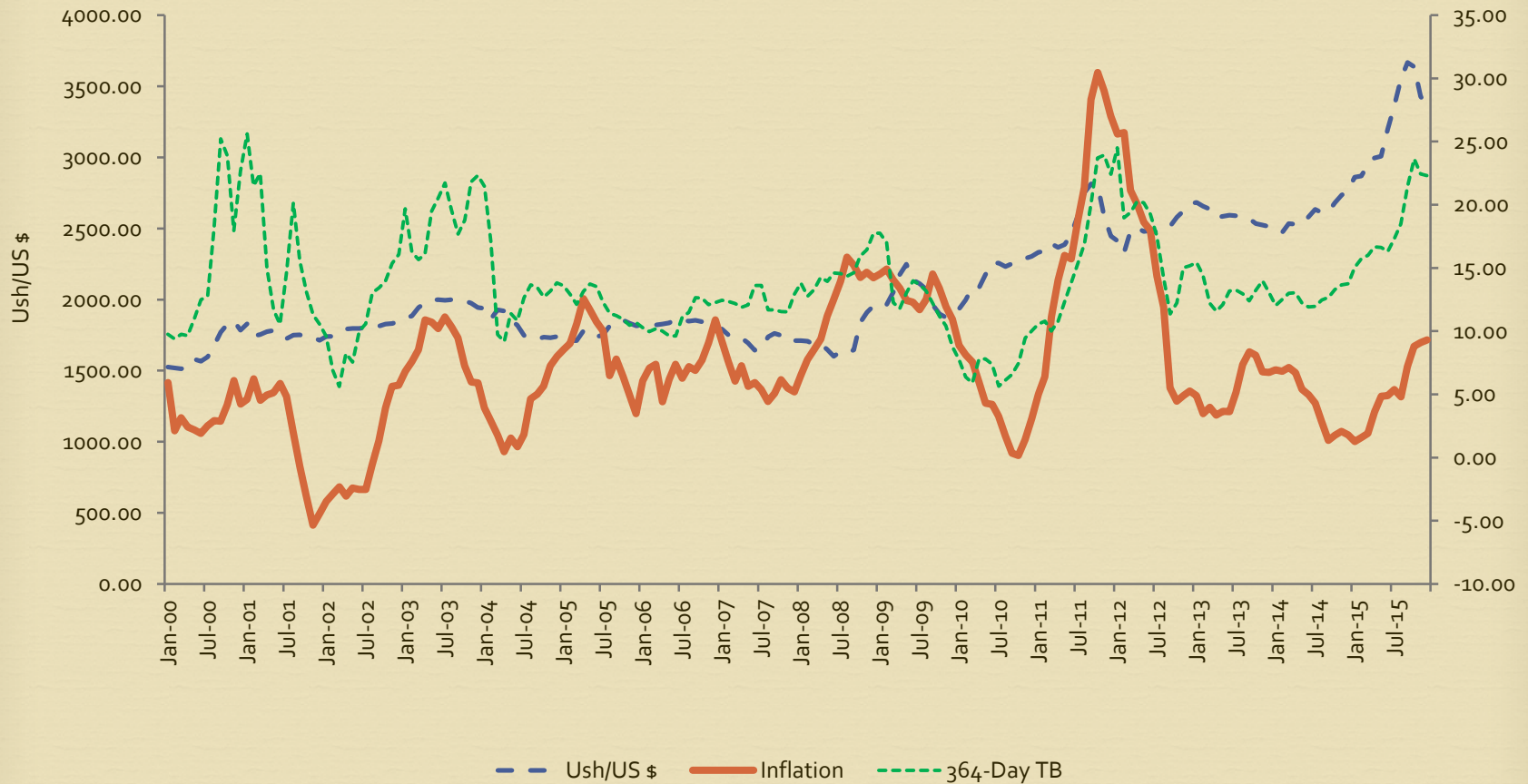
- Treasury bills can be bought from designated primary dealers (commercial banks) in both the primary and secondary markets.
- There are currently six designated primary dealers; Stanbic Bank, Standard Chartered Bank, Barclays Bank, DFCU Bank, Centenary Rural Development Bank and Bank of Baroda.
- All investors need to have a Central Securities Depository System Account. Registration is done by filling CSD Form 1, CSD Form 7, CSD Form 9A/B (all available on the Bank of Uganda Website).

How To Invest in Treasury Bills



- ❑ The auction of Treasury Bills is done twice a month with the public being given a 7-day notice of the intention by the Government to auction Treasury Bills through a leading newspaper or the Bank of Uganda Website. Investors can then submit bids through a Primary Dealer. Only investors with a CDS account are eligible to submit bids in auctions.
- ❑ The minimum bid volume is Shs100, 000. All bids must be in multiples of Shs100, 000.
- ❑ Settlement - Bank of Uganda applies a T+1 settlement arrangement. All successful bids are settled by directly debiting the Primary Dealer/commercial bank accounts at the Central Bank for the value of the cost of the securities of the investments.
- ❑ Withholding tax of 20% is charged on all interest earned on Treasury Bills.

Trends in the 364-Day Treasury Bill , Inflation & Ush/US \$ (January 2000-December 2015, %)



OFF-SHORE PRODUCTS



Off-Shore Products



- ❑ There are some licensed investment advisors who market off-shore investment products
- ❑ These products are usually Foreign Mutual Funds
- ❑ One major advantage of off-shore products is the opportunity for diversification they provide
- ❑ However one needs to be mindful of the following when investing in Off-shore products
 - † The products should be regulated products
 - † Preferably the regulator of the home market should be a member of the International Organisation of Securities Commissions (IOSCO)
 - † Foreign Exchange Risk

NUGGETS OF INVESTMENT WISDOM



Nuggets of Investment Wisdom



- **ALWAYS** endeavor to **SEEK** out for information about the company you are invested in
- Monitor the **SHARE PRICE** of the company you are invested in on the **USE WEBSITE** or in the **NEWSPAPER DAILIES**
- Seek out for **RESEARCH REPORTS** on the companies listed on the USE or NSE from your Broker
- Share prices **CAN GO UP OR GO DOWN** but therein lies the opportunity to make money



Nuggets of Investment Wisdom



- ❑ Monitor newspapers and the Bank of Uganda website for information on Treasury Bill Auctions, results and yields.
- ❑ Treasury Bills can be sold before the maturity/ redemption date in the secondary market which provides the desired liquidity.
- ❑ Treasury Bills are risk free and backed by the full faith and credit of the Government. This makes them appropriate for individuals pre-disposed to select investments with a low degree of risk (**risk averse individuals**).
- ❑ Aim to invest **at least 5%** of your total net-worth in the capital markets over the next three years
- ❑ The investment can be gradual with an increment every year until you attain the 5% threshold
- ❑ This is going to be a journey that will require **COURAGE and PATIENCE** but it's worth taking for your own sake and for the sake of your children
- ❑ Do not put all your savings in one investment, but build a **DIVERSIFIED** portfolio of investments.

IMPORTANT CONTACTS



CMA & USE/SCD

Capital Markets Authority

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CMA Uganda



Capital Markets Authority- Uganda



#cmauganda

Uganda Securities Exchange/Securities Central Depository

Contact Person: Mr. Paul Bwiso
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Website: www.use.or.ug

LICENSED BROKER/DEALERS

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<p>Crested Capital Ltd</p>	<p>Contact Person: Mr. Robert Baldwin Plot 13/15 Kimathi Avenue, 6th Floor Impala House Tel. 0414-230900 Email: info@crestedcapital.com</p>
<p>Crane Financial Services Ltd</p>	<p>Contact Person: Mr. Vivek Sharma Plot 38, Kampala Rd, Crane Chambers Tel. 0414-341414/345345 Email: cfs@cranefinancialservices.com</p>
<p>Equity Stock Brokers Limited</p>	<p>Contact Person: Ms. Gloria Kangabe Plot 6/6A Orient Plaza Tel. 0414-236012/3/4/5 Email: equity@orient-bank.com</p>
<p>Standard Bank Group Securities</p>	<p>Contact Person: Mr. Evelyn Kinara Plot 17, Hannington Rd, 4th Floor Crested Towers (Short Tower) Tel. 0414-715460/0312-224600/0312-224985 Email: chiefexec-sbgs@stanbic.com</p>
<p>Dyer & Blair</p>	<p>Contact Person: Mr. Edward Serunjogi Ground Floor, Rwenzori House Tel. 0414-233050/0312-265469 Email: sharesuganda@dyerandblair.com</p>
<p>Baroda Capital Markets Ltd</p>	<p>Contact Person: Mr. Avinash Kumar Sahani Plot 18 Kampala Rd Tel. 0414-233680/3 Email: barodacapitalmarket@gmail.com</p>

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ICEA Investment Services Ltd	Contact Person: Mr. Robert Katabaire Rwenzori Courts Tel. 0414-347535/0414-232337 Email: icea@africaonline.co.ug
UAP Financial Services	Contact Person: Mr. Francis Kajura 6th Floor, UAP Nakawa Business Park, (1st Tower), Plot 3-5, New Port Bell Road Tel. 0414-332743/0312-370290/0312-332743 Email: financialservices@uap.co.ug , info@uap.co.ug

LICENSED INVESTMENT ADVISORS WHO MARKET OFF-SHORE PRODUCTS

Profin Group (Uganda) Limited	Contact: Ms. Suzanna Namuli Plot 10, School Lane, Naguru, Kampala P O Box 36697, Kampala, Uganda Tel: 0414-533261/2 Fax: 0414-533261 Email: Uganda@theprofiningroup.com
DeVere and Partners Uganda Limited	Contact: Mr. Gavin Cooper B4, Adam House Plot 11, Portal Avenue P. O. Box 21409 Kampala, Uganda Tel: 0414- 342411/ 340846 Fax: 0414- 342411 Email: helpdesk@devere-group.com