



Capital Markets Authority
Protecting Your Investments

COLLECTIVE INVESTMENT SCHEMES GROWTH STRATEGIES

BY

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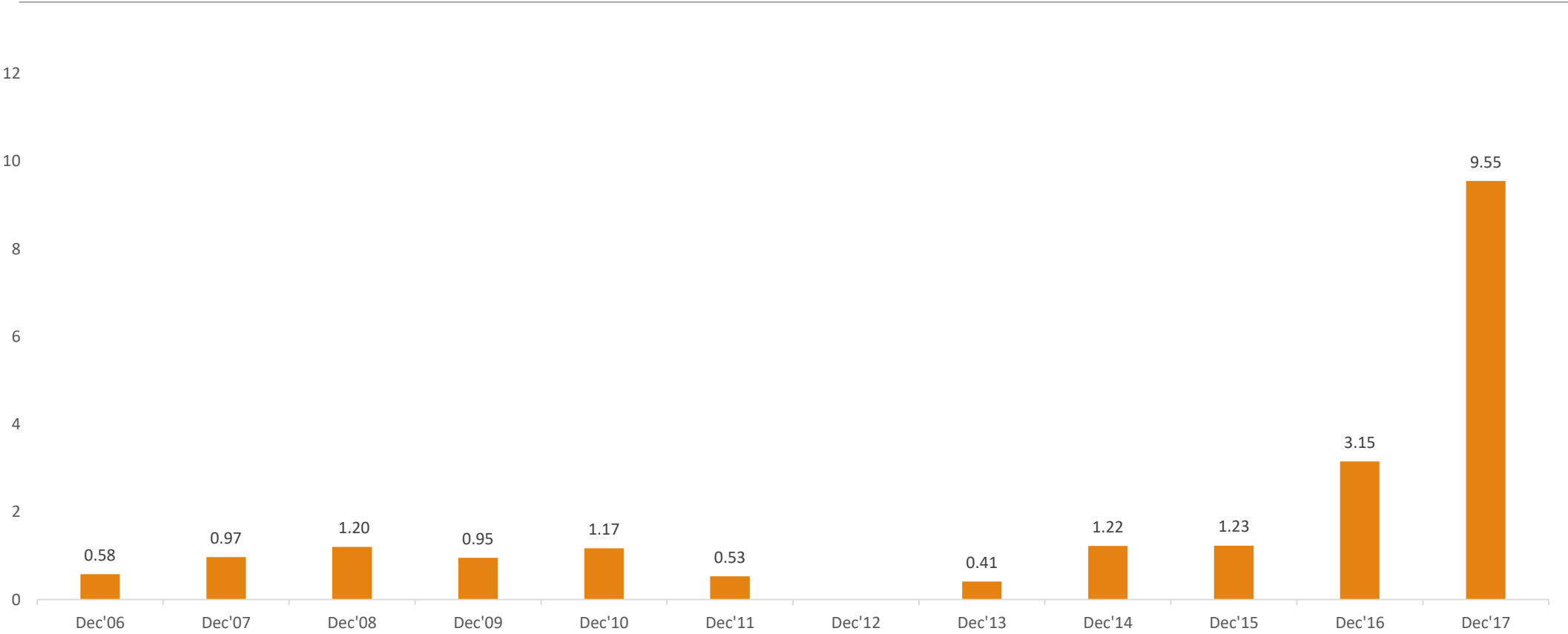
INTRODUCTION

- ❑ CIS were established in Uganda in 2003 following the enactment of the Collective Investment Scheme Act, 2003.
- ❑ Legal framework allows for open ended CIS which can take the form of a unit trust or an investment company with variable capital.
- ❑ Closed ended unit trusts are allowed subject to approval by the Minister of Finance Planning and Economic Development.

TRENDS IN ASSETS UNDER MANAGEMENT

- ❑ As at December 2017, the size of the CIS industry stood at USD 9.55 million (UGX 36,352.11 million)
- ❑ The industry has grown exponentially over the last 5 years
- ❑ Growth is attributed to the increase in the number of CIS managers which has seen them widen the client base

Figure 1: Net Asset Value (USD million) of the CIS Industry in Uganda from December 2006 to December 2017



REGIONAL COMPARISON

As at December 2017, Kenya had the highest assets under management in the East African region.

Country	Assets under management (USD million)
Kenya	555.43
Tanzania	108.77
Uganda	9.55

CHALLENGES FACING THE CIS INDUSTRY

□ Regulatory framework too complex

Regulatory framework is not known to most market intermediaries and investor.

General view that the CIS regulatory framework is not broken down, making it hard for market intermediaries to understand.

□ Supply constraint of securities

The few equity listings on the USE, and the illiquid corporate bond market does not give CISs a wide variety of products to choose from.

CHALLENGES FACING THE CIS INDUSTRY

❑ Low savings

Saving as a percentage of GDP was 16.5% as at December 2017

❑ Competition from alternative investments such as land, businesses

❑ Limited information on CIS

Most investors have limited or no knowledge about CIS, how they operate, and the benefits CIS offer

❑ Cost of setting up a CIS

The cost of setting up CIS is high especially for small operators.

LESSONS FROM OTHER COUNTRIES

INDIA

- ❑ Use third party distribution agents made up of retired bank officers and retired teachers, with a service of at least 10 years.
- ❑ Websites, WhatsApp, Facebook and other social media services are used to reach out to prospective investors and customers.
- ❑ Mobile applications have been developed for tracking the fund's performance and carrying out transactions.
- ❑ CIS are required to annually set apart at least 2 basis points on daily net assets within the maximum limit of Total Expense Ratio (TER) for use on investor education.

LESSONS FROM OTHER COUNTRIES

INDIA

- ❑ Third party administrators are used, lowering the set up and administrative costs.
- ❑ CIS subscriptions and redemptions of units held in a dematerialized account may be made via a dedicated platform, set up by the National Stock Exchange of India to improve the subscription/redemption process.
- ❑ Know Your Client Registration Agencies (KRAs) have been set up to help investors get their due diligence process completed just once. The KRA is a centralized pool of investor details, which is used by brokerages and clients to reduce account-opening documentation requirements, easing the account opening process.

LESSONS FROM OTHER COUNTRIES

NAMIBIA

- ❑ CIS assets under management as at 31 December 2017 was USD 3.9 billion (N\$55.92 billion)
- ❑ Repurchasing or selling units in CIS is convenient. Money Markets fund repurchases are credited to investor accounts 24 hours after disinvestment. Other funds pay proceeds from repurchases within 72 hours of transacting.
- ❑ Most unit trust companies are subsidiaries of big insurance companies and leverage on the sales force of the insurer.
- ❑ Linked Investment Service Providers (LISPs) made up of financial institution are used to package, distribute and administer a broad range of unit trust products from different companies.
- ❑ Unit Trust prices and yields are published on a daily basis in local newspapers making it easy for investors to compare different funds before investing.

STRATEGIES TO ENHANCE THE GROWTH OF CIS IN UGANDA

- ❑ Regulatory reforms
- ❑ Increase supply of products on the capital markets
- ❑ Use of third party distributors
- ❑ Increase transparency and investor confidence in the CIS industry
- ❑ Enhance public awareness about CIS
- ❑ Financial innovations

THANK YOU