



Capital Markets Quarterly Bulletin

Quarter ended June 2021

Preface

The Capital Markets Quarterly Bulletin is developed and published on a quarterly basis by Capital Markets Authority (CMA) to inform the industry stakeholders and the wider public on the performance of Uganda's capital markets during the relevant period. The Bulletin also provides information regarding CMA's regulatory and supervisory activities during the quarter under review.

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List of Abbreviations and Acronyms

ALSI	All Share Index
AUM	Assets Under Management
BATU	British American Tobacco Uganda
BOBU	Bank of Baroda Uganda
BOU	Bank of Uganda
CBR	Central Bank Rate
CEO	Chief Executive Officer
CENT	Centum Investment Company Limited
CFO	Chief Finance Officer
CIS	Collective Investment Scheme
CMA	Capital Markets Authority
CQCIL	Cipla Quality Chemicals Limited
DFCU	Development Finance Corporation of Uganda
DPP	Director for Public Prosecutions
DPS	Dividend Per Share
DSE	Dar es Salaam Stock Exchange
EASRA	East African Securities Regulatory Authorities
FDI	Foreign Direct Investments
FSDA	Financial Sector Deepening Africa
FY	Financial Year
IPO	Initial Public Offering
LCI	Local Counter Index
NIC	National Insurance Corporation
NSE	Nairobi Securities Exchange
NVL	New Vision Limited

RSE	Rwanda Stock Exchange
SBU	Stanbic Bank Uganda
SCD	Securities Central Depository
SME	Small and Medium Enterprises
UBOS	Uganda Bureau of Statistics
UCL	Uganda Clays Limited
UGX	Uganda Shillings
USE	Uganda Securities Exchange
US\$	United States of America Dollar
182D T-bill	182 Day Treasury Bill
1Q	First Quarter
2Q	Second Quarter
3Q	Third Quarter
4Q	Fourth Quarter

Glossary of Terms Used

Assets Under Management	The total market value of the investments or assets that an entity manages on behalf of clients.
Balanced Fund	A CIS fund comprised of short, medium and long term interest-bearing investments plus equities.
Stock broker	A licensed firm that buys and sells securities on behalf of clients. The firm acts as an intermediary between an investor and a securities exchange.
CIS Manager	A licensed firm that markets and sells CIS units to potential investors. The role of the CIS manager is to decide, within the rules of the trust and the various regulations, which investments are included within the unit trust.
Collective Investment Scheme	An investment product that allows an investor to pool savings with other investors, creating a large pool of funds to be invested on their behalf by a professional CIS manager.
Corporate Bond	A security issued by a non-government entity borrowing from the public for a certain period of time. Bondholders are entitled to interest and repayment at maturity.
Equity Fund	A CIS fund comprised of investments in only shares.
Initial Public Offering	A new issue of securities for the first time to the public.
Investment Adviser	A licenced person that makes investment recommendations or conducts securities analysis in exchange for a fee.
Money Market Fund	A CIS fund containing short and medium-term interest-bearing investments of 36 months or less.
Market Capitalization	The total market value of a company's outstanding shares or other securities in issue.

Treasury Bill	A security issued by a government to borrow money from the public for one year or less. These are issued in tenors of 91-days, 182-days, and 364-days.
Treasury Bond	A security issued by a government to borrow money from the public for more than one year. These are issued in tenors of 2 years, 3 years, 5 years, 10 years, and 15 years.
Umbrella Fund	A CIS fund comprised of a mix of short, medium and long term interest-bearing instruments, and is usually suited for pension schemes.

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Executive Summary

In terms of the performance of the capital markets, at the end of June 2021, CIS Managers had a total of UGX 695.1 billion in Assets Under Management (AUM). This growth represented an increase of 22.6% from UGX 567.2 billion registered at the close of the first quarter of 2021. This growth in AUM can be attributed to increased awareness of Collective Investment Schemes among local investors, which has seen more Ugandans open CIS accounts and save through them. On the other hand, the total AUM for fund managers licensed by CMA closed the second quarter of 2021 at UGX 4 trillion, representing a gain of 3.2% from UGX 3.9 trillion at the end of March 2021. The increase in AUM can be credited to the increase in the value of the underlying assets.

Domestic market capitalization that represents the value of locally listed counters closed higher at UGX 4.33 trillion at the end of the review period, representing a growth of 1%, from UGX 4.29 trillion at the end of March 2021. This growth was mainly due to share price gains registered on locally listed counters BOBU (20%), CQCIL (5.3%) and UCL (2.5%). The increase in share prices can be attributed to, among other things, demand outstripping supply during the period under review before the national lockdown in June.

Equity turnover at the USE grew by 76.5% in the second quarter of 2021 to UGX 5.9 billion, from UGX 3.4 billion registered in the previous quarter (1Q2021). Average turnover per session increased to UGX 103.6 million per session in the period under review, from UGX 57.3 million recorded in 1Q2021. The increase in value traded was driven by improved activity on Umeme, Stanbic Bank and Bank of Baroda counters in the period under review. The increased activity on the three counters can be attributed to, among other things, increased domestic and foreign institutional investor activity before the national lockdown in June.

The USE All Share Index (ALSI) gained 10.6% to close the second quarter of 2021 at 1,498.22 points from 1,355.12 points reported at the close of the previous quarter. The ALSI increased on account of gains registered on the share prices of seven cross-listed stocks and three locally listed counters (BOBU, CQCIL and UCL). The USE Local Counter Index grew by 0.7%, closing the review period at 344.76 points from 342.46 points at the end of the first quarter of 2021. This growth was mainly due to share price gains registered on the three locally listed counters BOBU (20%), CQCIL (5.3%) and UCL (2.5%).

On the economic outlook, the Central Bank's Monetary Policy Statement for June 2021 noted that the economy is expected to continue on the recovery path. In the near term, however, the recovery is likely to be hampered by another round of lockdown measures that were announced in early June 2021 amidst rising case numbers and a slow vaccination rate. In the medium-term, stronger recovery is

expected premised on, among other things, successful deployment of vaccines and the containment of the spread of Covid-19, continued recovery in global demand, the commencement of construction works on the oil pipeline and a rebound in FDI inflows. Economic growth is projected to rise to 4-4.5% in the FY 2021/22, 5-6% in the FY 2022/23 and above 7% in the outer years. The economic growth outlook is, however, highly conditional on, among other things, the timeline of the worldwide vaccines rollout and the course of the virus, its new variants and waves.

On the other hand, in the short term, capital market activity is likely to come under pressure from muted participation by domestic and off-shore investors due to another round of lockdown measures that were announced in early June 2021. However, in the medium term, market activity is expected to recover driven by, among other things, the gradual strengthening of the economy as measures that were put in place to contain the Covid-19 pandemic are eased, albeit at a subdued pace. In addition, the anticipated listing of MTN Uganda on the USE in the financial year 2021/2022 is expected to spur market activity.

1.0 Introduction

1.1 The Capital Markets Quarterly Bulletin

The Capital Markets Quarterly Bulletin covers developments in Uganda's capital markets industry. The quarterly bulletin provides insights into the Authority's regulatory affairs, the local capital markets industry performance and the performance of regional markets. This quarterly bulletin focuses on the period 1st April 2021 to 30th June 2021.

2.0 Regulatory Affairs

2.1 An Overview of Regulated Capital Markets Players

In carrying out its responsibilities, the CMA has approved and licensed different categories of market players as shown below.

Table I: Number of Regulated Capital Markets Players at the End of Each Quarter

Category	March 2021	June 2021
Fund Managers	7	7
Stock Brokers	8	7
Investment Advisors	7	9
CIS Managers	5	5
Unit Trust Schemes	16	16
Trustees	2	2
Stock Exchanges	2	2
Securities Central Depositories	2	2
Representative Licenses	34	35
Total	83	85

Source: CMA Market Supervision Department

Please see the Appendix for a comprehensive list of these market players including the firm names, licences held, addresses and the contact person.

2.2 Market Development Initiatives

2.2.1 Capital Markets Awareness

2.2.1.1 Sensitization of potential investors and issuers

During the period under review, CMA continued with its investor education program which aim at creating awareness about capital markets among the public to drive market activity through Collective Investment Schemes (CIS). The program is conducted through external resource persons contracted by CMA to reach out to potential investors in the capital markets, with emphasis on investment through CIS. In the period under review, this effort was undertaken through television, radio and internet-based platforms. A total of 60 radio talk shows and 12 television talk shows were executed during the period commencing 20th May 2021 and ending 23rd June 2021. Through the radio talk shows, the Authority was able to reach a total audience of 4,511,000 listeners over the 15 selected tier 1 radio stations (with an average of 300,733 listeners per radio station). On the other hand, through the television talk shows, a total audience of 1,905,000 viewers was reached over the six selected tier 1 television stations (with an average of 158,750 viewers per television talk show). With an enlightened general populace, demand for capital markets products - especially CIS, is expected to rise, leading to more market activity in Uganda's capital markets.

CMA also continued with its Issuer Resource Person Program which seeks to increase the supply of securities in the capital markets. The program involves the use of external resource persons to reach out to key persons of prospective issuers to sensitize them on opportunities presented by market-based financing. A key milestone for Issuer Resource Persons is the making of a presentation to boards of prospective issuers on market-based financing. During the presentations, boards are sensitized on the different types of non-bank market-based financing, its merits, and the preparatory steps for accessing it. The Resource Persons are expected to tap into their networks to reach business owners and founders, CEOs, board members and CFOs in companies that show prospects of tapping into market-based financing. Since the launch of the program in May 2018, a total of 40 companies have been reached. A total of UGX 42 billion has been raised through the program by companies in the education; medical equipment; and microfinance sectors. During the financial year 2020/21, a total of 5 companies were reached and capital raising mandates to the tune of UGX 40 billion were signed off by companies in the agro-processing, education and manufacturing sectors.

2.2.1.2 Research and Knowledge sharing

The Authority has placed focus on the growth of CIS sub-sector, which it believes has immense potential to mobilize savings from Ugandans for investing. During the period under review, one knowledge-sharing forum was held between CMA and CIS managers on 24th June 2021. The objective of this forum was to influence the thinking of CIS managers, discuss emerging issues and developments in the CIS sector and also share knowledge and best practices on what can be done to increase uptake of CIS products. The discussions focused on the effects of the Covid-19 pandemic, including the second national lockdown and the countermeasures that can be implemented to limit the negative impact on the CIS sector. The forum also discussed the operationalization and viability of closed-ended funds in Uganda.

2.2.1.3 Launch of a Deal Flow Facility

To increase access to market-based financing for business enterprises in Uganda, the CMA, in partnership with the Financial Sector Deepening (FSD) Uganda and the European Union, launched a Deal Flow Facility (DFF) on 8th June 2021. The DFF will prepare and enhance business access to long term market-based financing (both private and public equity and or debt). This will be done by actively matchmaking them to long-term investment capital to allow businesses to focus on growth rather than short-term funding needs. In addition to matchmaking, the facility will provide business development services to at least 220 companies over a five-year period, with the first cohort expected to start in September 2021. The facility is actively targeting relatively mature companies that are seeking investments of not less than US\$ 500,000 (about UGX 1.8 billion). The facility, incubated at FSD Uganda, also aims to be a one-stop centre where companies can access all their transaction advisory needs - from tax, legal, banking and more. The pool of select enterprises will have access to business development support to increase their competitiveness and place them on an accelerated growth path.

Capital mobilised through investments and skills transferred along the investment cycle will contribute to two key objectives in Uganda's National Development Plan III: strengthening the private sector to drive growth and create jobs; and also enhancing value addition in key growth opportunities.

2.2.2 Launch of a New Strategic Development Plan

During the period under review, CMA launched a new Strategic Development Plan for the period 2021/22 - 2024/25 under the theme: “Fostering growth, Protecting investors.” Under the new Strategic Development Plan, which builds on successes of the previous Strategic Plan, the Authority intends to realize an increase in listings and also intensify its investor education program that aimed at sensitizing the public/ potential investors about saving and investing in the capital markets. The view is that with more enlightened people; demand for capital markets products is expected to grow, hence increasing the market activity in Uganda’s capital markets in line with Uganda’s national aspirations as stated in National Development Plan III.

2.3 Market Supervision Developments

2.3.1 Regulatory Compliance

2.3.1.1 On-site Inspections

During the period, the market supervision department inspected ALTX East Africa Limited and ALTX Clearing Limited. The objectives of the inspections were to assess the companies’ compliance with regulatory requirements and ALTX rules, management and board oversight, internal audit oversight, record keeping, financial accounting controls, Anti Money Laundering controls, IT systems and controls. The inspection of the two companies was guided by the risk profiling that took place in the second quarter of 2021.

2.3.1.2 Annual Compliance Seminar

The CMA held its annual compliance seminar on 17th June 2021. During the online seminar, discussions focused on the challenges faced by market intermediaries as well as the need for compliance right from the application through the life of the business and at closure, where it arises. In addition, the seminar also discussed areas of concern/issues noted with market intermediaries such as quality of applications; lax compliance especially for financial reporting; investment by CIS managers not in line with the requirements of the CIS regulations and handling of client complaints.

The annual seminar, among other things, provides a platform for market intermediaries to share concerns with the regulator and an opportunity for the Authority to highlight findings of the market supervision department as well as receive feedback on its supervisory and compliance framework. The seminar was attended by stockbrokers, custodians, fund managers, unit trust managers and stock exchange representatives.

2.3.2 Participation in the Technical Sub-committee meeting of the Financial Sector Stability Forum

The CMA attended the 6th Technical Sub-Committee meeting of the Financial Sector Stability Forum (FSSF) held on 19th June 2021. The forum consists of the Bank of Uganda, Uganda Retirement Benefits Regulatory Authority, Insurance Regulatory Authority, Uganda Microfinance Regulatory Authority, Deposit Protection Fund and the Capital Markets Authority. The meeting sought to establish the key financial risks that could affect the financial sector in Uganda. As a member of the Technical Sub-Committee of FSSF, CMA contributed to the consolidated financial sector risk assessment report, indicating the impact of Covid-19 on financial stability and measures implemented by FSSF members. In addition, the Authority expects to achieve a lot from the forum, for example, access to training from the Toronto Centre for technical support Crisis Preparedness Capacity Building Program in the first quarter of the FY 2021/22.

2.3.3 Applications and Licenses

In the quarter ended June 2021, CMA reviewed and approved two new applications for the Investment Adviser license from Asigma Capital Advisory Services Limited and Sail Global Corp Limited. The licensing of market intermediaries fulfils CMA's objective of diversifying the market intermediaries' base. This effort is expected to result in enhanced competition, helping bring costs for issuers and investors down as well as spur more innovation in Uganda's capital markets industry. In addition, during the period, the Authority received two applications for a CIS Manager license and a Unit Trust Scheme license that are still under review.

2.4 Legal and Regulatory Issues

2.4.1 Capital Markets Legal and Regulatory Framework

In compliance with the procedural requirements of the law-making process, CMA held a stakeholder consultative workshop on 29th April 2021 to obtain views on the proposed changes to the draft regulations. The regulations discussed during the engagement were; the Draft Capital Markets (Offer of Securities) Regulations, 2021, the Draft Capital Markets (Accounting and Financial) Regulations, 2021 and the Draft Capital Markets (Licensing and Approval) Regulations, 2021. Views were obtained from different stakeholders, including the stock exchanges, brokers/dealers, fund managers, custodians, private equity funds, venture capital funds, government entities, the legal fraternity among others. Where possible, the comments received were incorporated into the draft laws and a stakeholders' feedback session was held on 1st July 2021, where the updated draft regulations were shared and discussed with the stakeholders.

In addition, during the period under review, the Board approved the Draft Capital Markets (Conduct of Business) Regulations, 2021 for stakeholder consultation. The stakeholder consultative workshop is scheduled for 28th July 2021.

2.4.2 Investigations and Enforcement

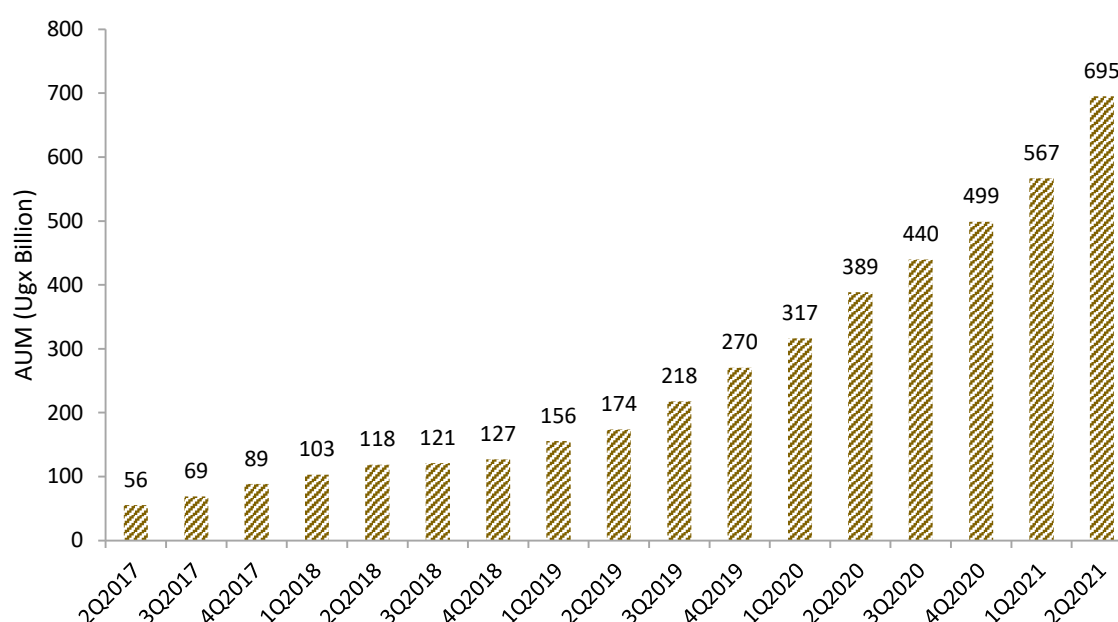
In the review period, the Authority issued notices and addressed a press conference warning the public against illegal activities in the capital markets space by a company passing off as Alliance Motion Global. Investigations on this matter are underway, and appropriate action will be taken in due course. Furthermore, in collaboration with the Criminal Investigations Department of Police (CID), the Authority is conducting investigations on several companies and individuals suspected of conducting business in the capital markets industry without a license as required by the law. Once investigations are complete, the suspects will be prosecuted in courts of law.

3.0 Industry Performance Overview

3.1 Performance of Collective Investment Schemes

At the end of June 2021, CIS Managers had a total of UGX 695.1 billion in Assets Under Management (AUM). This growth represented an increase of 22.6% from UGX 567.2 billion registered at the close of the first quarter of 2021. On an annualized basis, it is estimated that AUM also grew by 78.9% from UGX 388.5 billion recorded in a similar period in 2020 (2Q2020). The total number of CIS accounts at the end of June 2021 stood at **20,668** compared to a total of **11,959** investor accounts at the end of the previous quarter, an increase of 132.1%. This growth in AUM and clients can be attributed to increased awareness of CIS among local investors, which has seen more Ugandans open CIS accounts and save through them.

Figure I: Quarterly Trends in CIS Assets under Management (UGX, Billion)



Source: CMA Market Supervision Department

Table II shows the breakdown of CIS Assets under Management per CIS manager. The top two CIS managers controlled 82.4% of the total AUM at the end of June 2021.

Table II: CIS Assets under Management per CIS Manager

CIS Manager	AUM (UGX Billion)		Change (%)
	March 2021	June 2021	
UAP	396	463.8	17.1
ICEA	89.3	95.1	6.5
BRITAM	58.2	109.3	87.8
XENO	23.4	25.7	9.9
Sanlam	0.25	1.2	367.2
Total	567.2	695.1	22.6

Source: CMA Market Supervision Department

A breakdown of AUM by asset allocation at the end of June 2021 indicates that investments in Government of Uganda bonds took up 72% of the total AUM followed by Fixed Deposits at 12.9% and Government of Uganda Treasury Bills at 8%. An annualized trend analysis of CIS assets allocation indicates that investments in Government of Uganda bonds as a percentage of total AUM have grown from 59.7% at the end of June 2020 to 72% at the end of June 2021.

Table III: Quarterly CIS Industry Asset Allocation (Percentage)

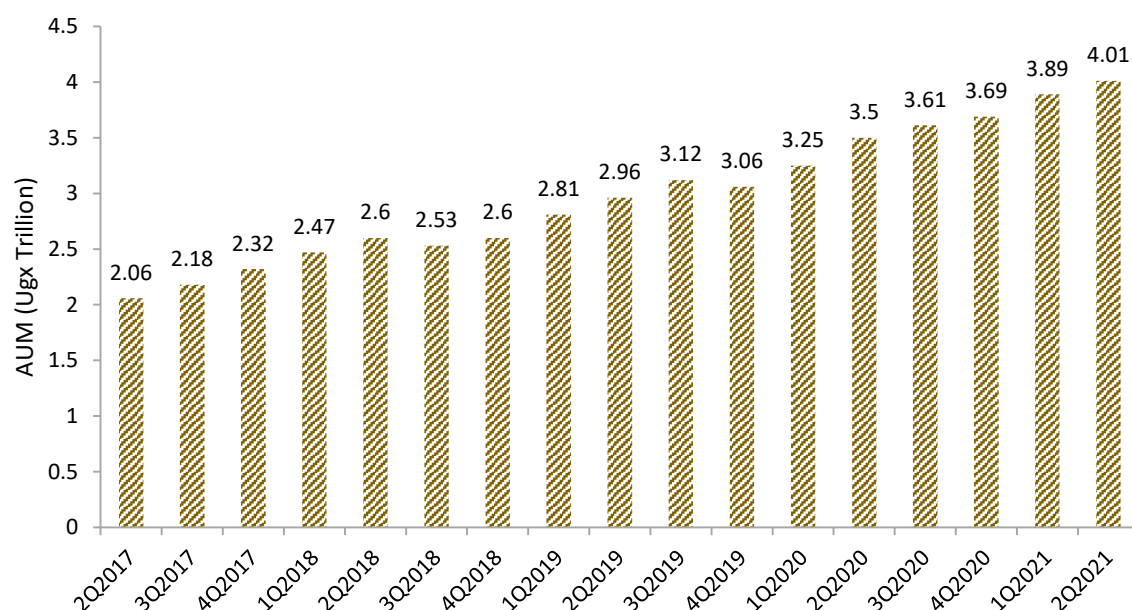
Asset	Jun 2020	Sept 2020	Dec 2020	Mar 2021	June 2021
Government of Uganda Bonds	59.7	61.7	68.8	66.8	72
Fixed Deposits	19.1	20.2	18.4	14.3	12.9
Call Deposits	9.7	6.9	3.7	6.4	4.5
Government of Uganda Treasury Bills	7.2	7.8	6.4	9	8
Cash	2.7	1.9	0.8	1.3	0.5
Commercial Paper		0.03			
Corporate Bonds	1.2	1	1.5	1.4	1.3
Listed Equities in Uganda	0.3	0.2	0.2	0.2	0.2
Listed Equities in Rest of East Africa	0.1	0.1	0.1	0.1	0.1
Other Investments (Off-shore and foreign exchange)				0.5	0.5
Total	100	100	100	100	100

Source: CMA Market Supervision Department

3.2 Fund Management Performance

The total AUM for fund managers licensed by CMA closed the second quarter of 2021 at UGX 4 trillion, representing a gain of 3.2% from UGX 3.9 trillion at the end of March 2021. On an annualized basis, the AUM grew by 14.5% from UGX 3.5 trillion recorded in a similar period in 2020 (2Q2020). The increase in AUM can be credited to the increase in the value of the underlying assets.

Figure II: Quarterly Trends in Assets under Management for Fund Managers (UGX, Trillion)



Source: CMA Market Supervision Department

Table IV below shows a breakdown of AUM per fund manager. The top three fund managers controlled 84.8% of the total AUM at the end of June 2021.

Table IV: Assets under Management per Fund Manager

Fund Manager	AUM (UGX Billion)		Change (%)
	March 2021	June 2021	
Sanlam Investments EA	1,690.5	1,821.7	7.8
GenAfrica	750	765.7	2.1
Britam	864.3	813.9	-5.8
UAP Financial Services Ltd	399.8	409.8	2.5
ICEA Investments Ltd	184	201.1	9.3
Total	3,888.6	4,012.1	3.2

Source: CMA Market Supervision Department

A breakdown of the AUM by asset allocation at the end of June 2021 indicates that investments in Government of Uganda bonds constituted 71.5% of the total AUM followed by Government of Uganda Treasury Bills at 9.7% and Listed Equities in the Rest of East Africa at 7.6%. An annualized trend analysis of asset allocation indicates that investments in Government of Uganda bonds as a percentage of total AUM have grown from 65% at the end of June 2020 to 71.5% at the end of June 2021. This growth is driven by the safety of government bonds, decent returns and the need to match assets with liabilities.

Table V: Quarterly Fund Managers' Asset Allocation (Percentage)

Asset	Jun 2020	Sept 2020	Dec 2020	Mar 2021	Jun 2021
Government of Uganda Bonds	65	64	68.4	70	71.5
Government of Uganda Treasury Bills	14.6	14.7	12.2	10	9.7
Government Bonds in Rest of East Africa	0.1	0.1	0.1	0.1	0.1
Listed Equities in Uganda	2.6	2.5	2.4	2.3	2.2
Listed Equities in Rest of East Africa	8	8	8	7.9	7.6
Fixed Deposits	6.6	7.3	5.7	6.3	5.9
Real Estate	0.7	0.7	0.7	0.6	0.6
Cash	0.5	0.7	0.6	0.9	0.5
Collective Investment Schemes	1	1	1	1	1.2
Other (Dividend Income Receivable and Wealth management)	0.5	0.5	0.5	0.5	0.5
Corporate Bonds	0.4	0.4	0.4	0.3	0.3
Unlisted Equities in Uganda	0.01	0.01	0.01	0.01	0.01
Unlisted Equities in Rest of East Africa	0.04	0.04	0.04	0.03	0.03
Off-shore Investments (Equities)	0.01	0.01	0.004	0.004	0.002
Total	100	100	100	100	100

Source: CMA Market Supervision Department

3.3 Equity Market Performance

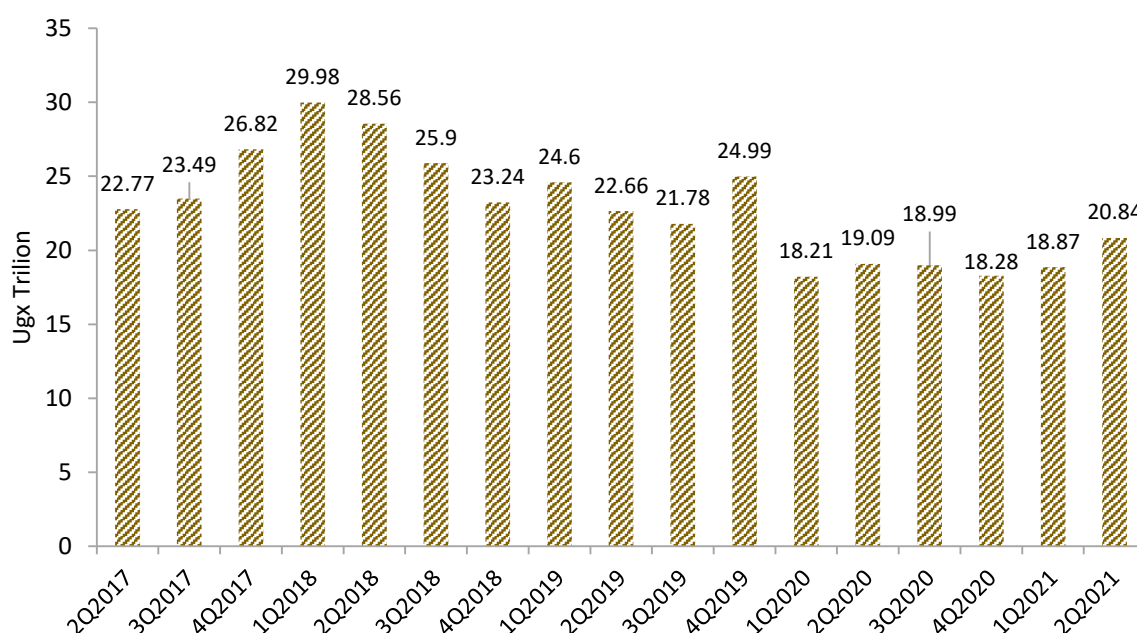
3.3.1 Secondary Market Activity

3.3.1.1 Market Size

3.3.1.1.1 Total Market Capitalization

The USE total market capitalization grew by 10.5% to UGX 20.84 trillion at the end of the review period from UGX 18.87 trillion at the close of March 2021. This growth was due to the increase in the share prices of seven cross-listed counters - Nation Media Group, Equity Bank, Jubilee Holdings Limited, East African Breweries Limited, Kenya Commercial Bank, Uchumi supermarkets and Centum Investment Company Limited; and three locally listed counters (BOBU, CQCIL and UCL). On an annual basis, total market capitalization increased by 9.2% from UGX 19.09 trillion at the end of a similar period in 2020.

Figure III: Quarterly Trends in Total Market Capitalization (UGX, Trillion)

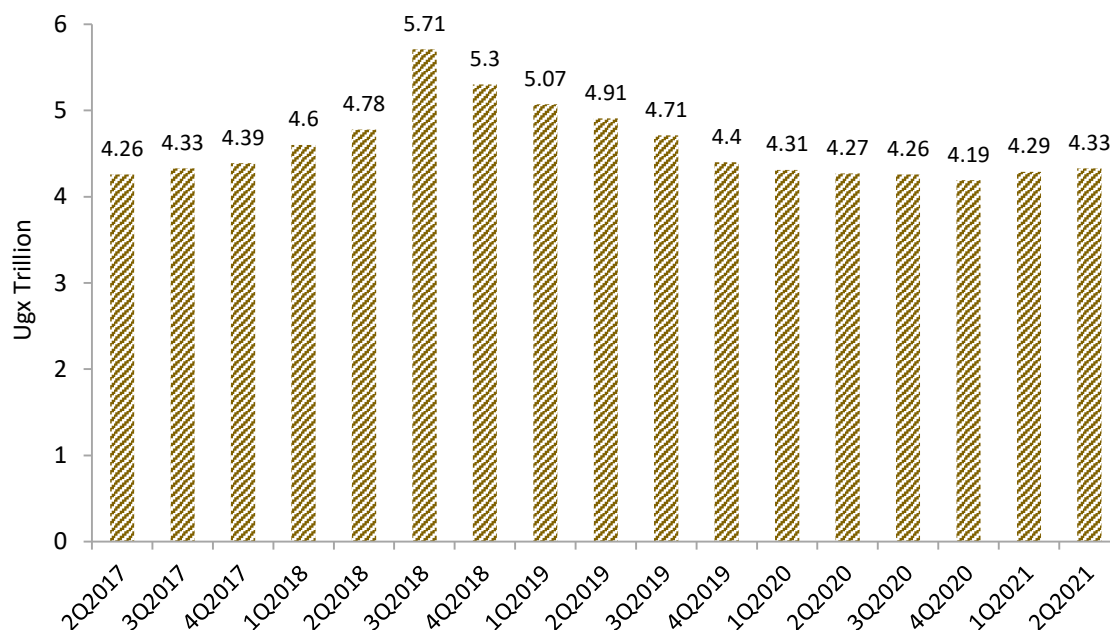


Source: USE market reports

3.3.1.1.2 Domestic Market Capitalization

Domestic market capitalization that represents the value of locally listed counters closed higher at UGX 4.33 trillion at the end of the review period, representing a growth of 1%, from UGX 4.29 trillion at the end of March 2021. This growth was mainly due to share price gains registered on locally listed counters BOBU (20%), CQCIL (5.3%) and UCL (2.5%). The increase in share prices can be attributed to, among other things, demand outstripping supply during the period under review. On an annual basis, domestic market capitalization grew by 1.5% from UGX 4.27 trillion at the end of a similar period in 2020.

Figure IV: Quarterly Trends in Domestic Market capitalization (UGX, Trillion)



Source: USE market reports

3.3.1.2 Market Activity

3.3.1.2.1 Market Turnover

Equity turnover at the USE grew by 76.5% in the second quarter of 2021 to UGX 5.9 billion, from UGX 3.4 billion registered in the previous quarter (1Q2021). Average turnover per session increased to UGX 103.6 million per session in the period under review, from UGX 57.3 million recorded in 1Q2021. The increase in value traded was driven by improved activity on Umeme, Stanbic Bank and Bank of Baroda counters in the period under review. The increased activity on the three counters can be attributed to, among other things, increased domestic and foreign institutional investor activity in the period before the national lockdown in June.

On an annualized basis, the total equity turnover at the USE has increased by 163.9% from UGX 2.3 billion in the second quarter of 2020 to UGX 5.9 billion in the review period.

Table VI: Quarterly Equity Turnover per Counter at the USE (UGX, Billion)

Counter	2Q2020	3Q2020	4Q2020	1Q2021	2Q2021
BOBU	0.09	0.04	0.05	0.64	0.9
CENT			0.0001		
CQCIL	0.03	0.08	0.07	0.05	0.06
DFCU	0.003	0.01	0.02	0.001	0.001
NIC	0.002	0.004	0.001	0.03	0.0006
NVL		0.005	0.03	0.001	0.0005
SBU	0.15	0.6	3.9	2.3	1
UCL	0.007	0.02	0.007	0.02	0.5
UMEME	1.98	0.8	2.2	0.36	3.5
Total	2.3	1.6	6.3	3.4	5.9

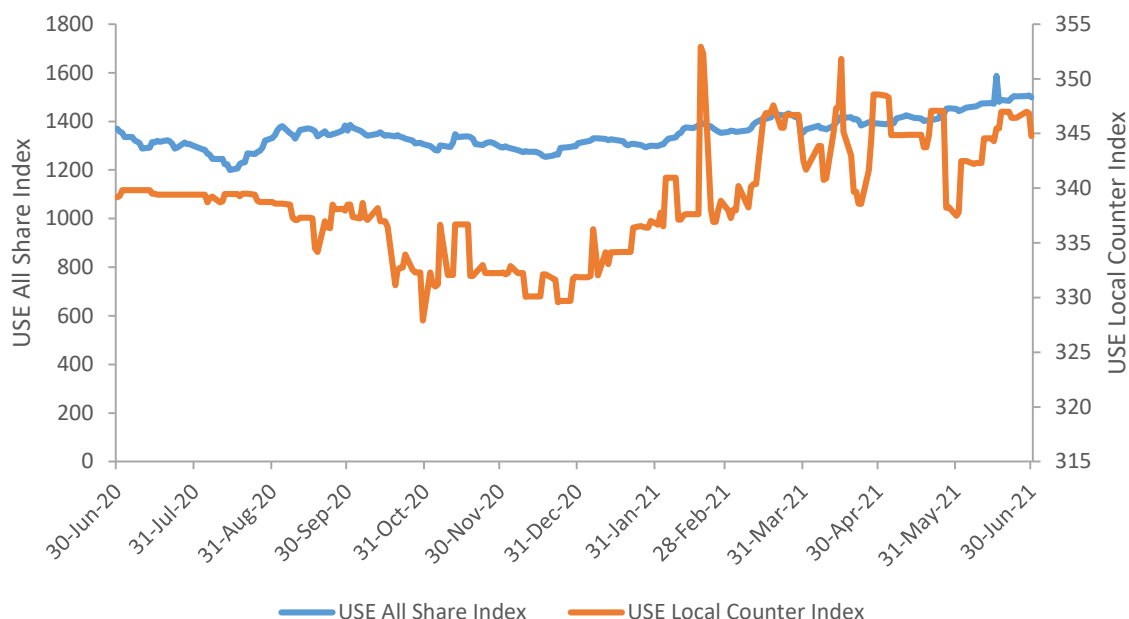
Source: USE market reports

3.3.1.3 Index Levels

The USE All Share Index (ALSI) gained 10.6% to close the second quarter of 2021 at 1,498.22 points from 1,355.12 points reported at the close of the previous quarter. The ALSI increased on account of gains registered on the share prices of seven cross-listed stocks and three locally listed counters (BOBU, CQCIL and UCL). The USE Local Counter Index grew by 0.7%, closing the review period at 344.76 points from 342.46 points at the end of the first quarter of 2021. This growth was mainly due to share price gains registered on the three locally listed counters BOBU (20%), CQCIL (5.3%) and UCL (2.5%).

On an annualized basis, the USE All-share index was up 9.4% from 1,369.84 points at the end of the second quarter of 2020, while the USE LCI gained 1.6% from 339.17 points recorded at the end of a similar quarter in 2020.

Figure V: USE All Share and USE Local Counter Index Levels (June 2020 to June 2021)



Source: USE market reports

3.3.1.4 Share Price Performance of Locally Listed Companies

Three locally listed counters, BOBU (20%), CQCIL (5.3%) and UCL (2.5%), registered share price gains to close the period under review at UGX 120, UGX 100 and UGX 8.2 from UGX 100, UGX 95 and UGX 8 respectively at the close of the first quarter of 2021. Share prices of four other counters remained unchanged at the close of the review period. On the other hand, two counters registered share price losses at the end of the second quarter of 2021. DFCU posted the highest drop in price to close the review period at UGX 590 from UGX 620 at the end of the previous period (1Q2021), representing a drop of 4.8%.

Table VII: Quarterly Price movements on the USE (UGX)¹

Counter	2Q2020	3Q2020	4Q2020	1Q2021	2Q2021	Year on Year Change (%)
BATU	30,000	30,000	30,000	30,000	30,000	0
BOBU	110	125	120	100	120	9.1
CQCIL	100	101	103	95	100	0
DFCU	645	635	624.7	620	590	-8.5
NIC	9	9	9	6	6	-33.3
NVL	315	314	314	310	310	-1.6
SBU	24	24	23	26.5	26.5	10.4
UCL	9	8	8	8	8.2	-8.9
UMEME	245	222.4	219	220	219	-10.6

Source: USE market reports

3.5 Government Bonds Performance

3.5.1 Primary Market Activity

Bank of Uganda issued a total of UGX 2.9 trillion in treasury bills and bonds in the second quarter of 2021, 26.7% lower than UGX 3.9 trillion raised in the first quarter of 2021.

Table VIII: Quarterly Issuance at Cost (UGX, Billion)

Maturity	2Q2020	3Q2020	4Q2020	1Q2021	2Q2021
Total Issuance	1,857.85	3,154.05	4,322.85	3,887.12	2,850.75

Source: Bank of Uganda, Ministry of Finance Planning and Economic Development

3.5.2 Secondary Market Activity

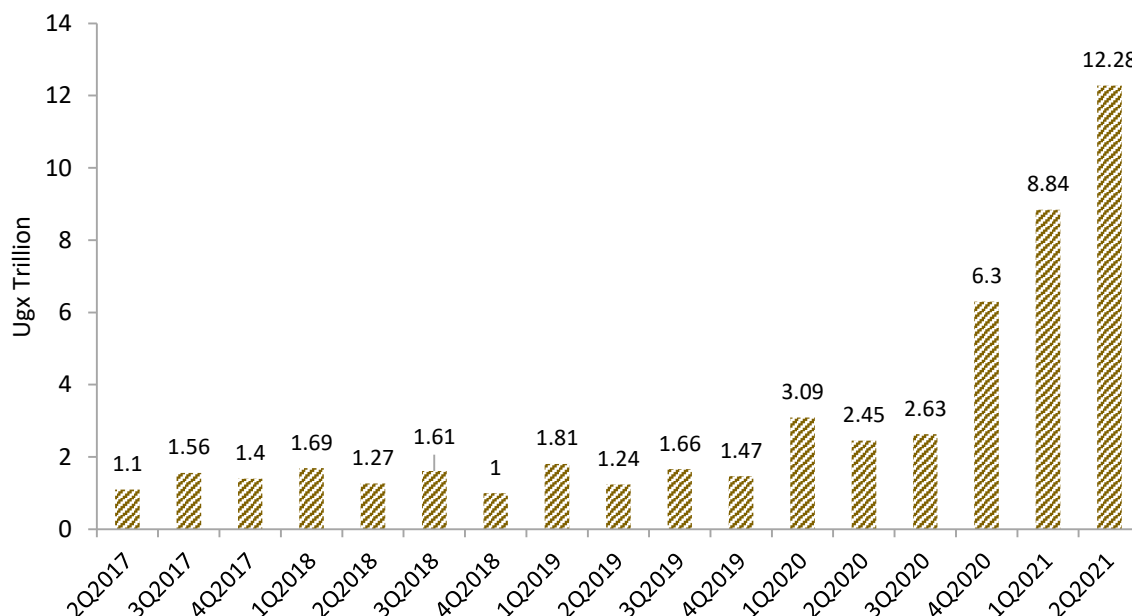
The value of government bonds traded on the secondary market rose by 38.9% to UGX 12.3 trillion in the second quarter of 2021 from UGX 8.8 trillion in the first quarter of 2021. Average monthly turnover also grew by 41.4% to UGX 4.1 trillion in the review period from UGX 2.9 trillion previously. Additionally, the government bond turnover ratio for the second quarter of 2021 stood at 63.6%, compared to 48.8% in the first quarter of 2021.

On an annualized basis, the government bond turnover on the secondary market has increased by 1,437.5% from UGX 0.8 trillion in the second quarter of 2020 to UGX 12.3 trillion in the period under review. The increase in turnover can be attributed

¹ Share price of locally listed counters at the end of each quarter

to reforms in the primary dealership system that saw the number of primary dealers reduced to 7 with market making obligations and incentives to have a vibrant secondary market.

Figure VI: Quarterly Secondary Market Trading for Government Bonds (UGX, Trillion)



Source: Bank of Uganda Money Market Reports

3.5.3 Treasury Bonds Yields

Yields edged downwards for the 3-year, 5-year 10-year and 15-year tenors whereas, the 2-year bond yields registered an increase. Yields on the 2-year treasury bonds grew from an average of 9.9% in the first quarter of 2021 to 12.3% in the second quarter of 2021. On the other hand, yields on the 3-year, 5-year 10-year and 15-year treasury bonds fell to averages of 12.8%, 15.1%, 13.7%, 14.4% in the period under review from average yields of 14.2%, 16.6%, 16.1%, and 16.3%, respectively in the quarter ended March 2021. The decline in yields can be attributed to, among other things, a low Central Bank Rate, which reduced to 6.5% in the period under review from 7%, where it had stood since June 2020.

On an annual basis, yields on the 2-year, 3-year, 5-year, 10-year and 15-year treasury bonds dropped from averages of 13.7%, 15.4%, 16.5%, 14.8% and 15.8% in the first quarter of 2021 to average yields of 12.3%, 12.8%, 15.1%, 13.7% and 14.4%, respectively in the second quarter of 2021.

Table IX: Quarterly Evolution of Yields on Treasury bonds (Percentage)

Maturity	2Q2020	3Q2020	4Q2020	1Q2021	2Q2021
2-Year	13.7	13.8	14.9	9.9	12.3
3-Year	15.4	15.1	15.5	14.2	12.8
5-Year	16.5	15.1	16.5	16.6	15.1
10-Year	14.8	15.0	16.1	16.1	13.7
15-Year	15.8	14.6	16.3	16.3	14.4
20-Year			17.5	17.4	

Source: Bank of Uganda

The decline in yields across tenors could lower the cost of credit, given that government securities rates are factored into the pricing of lending rates by commercial banks.

4.0 Performance of Regional Markets

4.1 Market Capitalization

Domestic market capitalization at the Nairobi Stock Exchange (NSE) grew by 13.4% to US\$ 25.06 billion at the end of the review period, from US\$ 22.15 billion at the end of the first quarter of 2021. The increase in market capitalization can be attributed to the rally of Safaricom and Equity Bank stocks. Domestic market capitalization at the Rwanda Stock Exchange (RSE) grew by 87.8% to US\$ 0.64 billion at the end of the review period, from US\$ 0.34 billion recorded at the close of the first quarter of 2021. The increase in market capitalization was due to the listing by introduction of MTN Rwanda on the RSE during the quarter under review. On the other hand, domestic market capitalization at the Dar es Salaam Stock Exchange (DSE) closed higher at US\$ 4.2 billion, from US\$ 4 billion posted at the close of 1Q2021, representing a gain of 4.1%. The increase in market capitalization was due to share price gains registered on: Tanzania Portland Cement Company Limited, CRDB Bank Plc, Dar es Salaam Stock Exchange and National Investments Company Limited.

Table X: Quarterly Domestic Market Capitalization for Regional Markets (US \$ billion)

Securities Exchange	2Q2020	3Q2020	4Q2020	1Q2021	2Q2021	Year on Year Change (%)
USE	1.14	1.15	1.14	1.17	1.22	7.2
NSE	19.67	19.79	21.44	22.15	25.06	27.4
DSE	3.99	3.92	4.00	4.04	4.20	5.3
RSE	0.33	0.36	0.35	0.34	0.64	96.1

Source: DSE Market Reports, RSE Market Reports, USE Market Reports and NSE market reports

4.2 Equity Turnover

Equity turnover at the NSE for the second quarter of 2021 increased by 22.1% to US\$ 352.2 million from US\$ 288.5 million recorded in the first quarter of 2021. The increase in turnover on the NSE was due to, among other things, increased participation from both local and foreign institutional investors. Equity turnover at the DSE in the second quarter of 2021 increased by 26.5% to US\$ 12.9 million from US\$ 10.2 million registered in the first quarter of 2021. Similarly, turnover at the RSE grew by 879.8% to US\$ 9.7 million from US\$ 1 million recorded in the first quarter of 2021. The increased market activity can be attributed to, among other things, increased domestic and foreign institutional investor activity supported by the gradual easing of the measures that were put in place to contain the Covid-19 pandemic.

Table XI: Quarterly Market Turnover for Regional Markets (US\$ million)

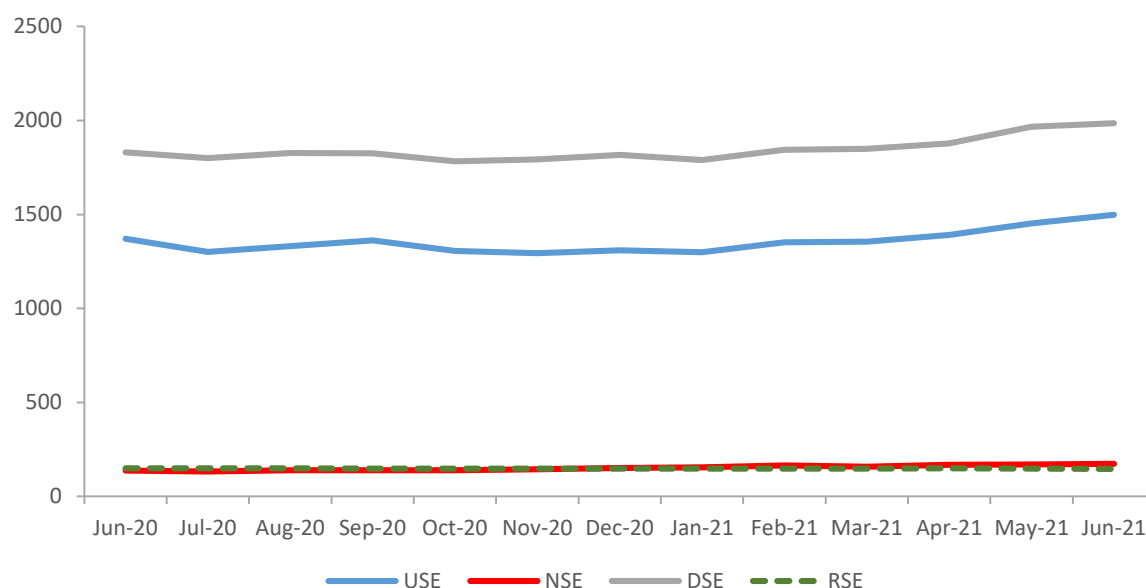
Securities Exchange	2Q2020	3Q2020	4Q2020	1Q2021	2Q2021	Year on Year Change (%)
USE	0.6	0.4	1.7	0.9	1.7	178.2
NSE	369.4	349.7	252.4	288.5	352.2	-4.7
DSE	5.9	15.4	193.7	10.2	12.9	117.2
RSE	0.12	31.4	1.3	0.99	9.7	7,983.3

Source: DSE Market Reports, RSE Market Reports, USE Market Reports and NSE market reports

4.3 Index Levels

The NSE All-Share Index was up 9.4%, closing the second quarter of 2021 at 173.53 points from 158.62 points at the end of the first quarter of 2021. The DSE All-Share Index grew by 7.4%, closing the review period at 1,985.83 points from 1,848.64 points at the end of the first quarter of 2021. On the other hand, the RSE All-Share Index shed 0.1% to close the review period at 147.15 points from 147.31 points at the end of the first quarter of 2021.

Figure VII: Trends in the USE All-share, RSE All-share, DSE All-share and NSE All-share Indices (June 2020 - June 2021)



Source: USE, RSE, DSE and NSE market reports

5.0 Outlook

5.1 Economic Outlook

According to the World Bank's Global Economic Prospects report published in June 2021, growth in Sub-Saharan Africa is forecast to resume at a modest pace, reflecting improved external demand and resilient commodity prices, but will remain below pre-pandemic average. The output is expected to expand a modest 2.8% in 2021, and 3.3% next year. Positive spillovers from strengthening global activity, better international control of the Covid-19 pandemic, and strong domestic activity in agricultural commodity exporters are expected to gradually help lift growth. Nonetheless, the recovery is envisioned to remain fragile, given the legacies of the pandemic and the slow pace of vaccinations in the region.

The Central Bank's Monetary Policy Statement for June 2021 noted that the economy is expected to continue on the recovery path. In the near term, however, the recovery is likely to be hampered by another round of lockdown measures that were announced in early June 2021 amidst rising case numbers and a slow vaccination rate. In the medium-term, stronger recovery is expected premised on, among other things, successful deployment of vaccines and the containment of the spread of Covid-19, continued recovery in global demand, the commencement of construction works on the oil pipeline and a rebound in FDI inflows. Economic growth is projected to rise to 4-4.5% in the FY 2021/22, 5-6% in the FY 2022/23 and above 7% in the outer years. The economic growth outlook is, however, highly conditional on, among other things, the timeline of the worldwide vaccines rollout and the course of the virus, its new variants and waves.

5.2 Implications for Capital Markets

In the short term, capital market activity is likely to come under pressure from muted participation by domestic and off-shore investors due to another round of lockdown measures that were announced in early June 2021 amidst rising case numbers and a slow vaccination rate. However, in the medium term, market activity is expected to recover driven by, among other things, the gradual strengthening of the economy as measures that were put in place to contain the Covid-19 pandemic are eased, albeit at a subdued pace. In addition, the anticipated listing of MTN Uganda on the USE in the financial year 2021/22 is expected to spur market activity.

Appendix: List of Licensed Persons

This is a list of persons approved and licensed by the Capital Markets Authority to provide various services related to the capital markets industry in Uganda as of 30th June 2021.

Firm	License Held	Address	Contact Person
ALTX East Africa Ltd	Stock Exchange	Plot 1 Mackenzie Close, Kololo P. O. Box 40138 Kampala, Uganda Tel: 0790-536781/ 0312-209600 Email: info@altxafrica.com	Mr. Joseph Kitamirike
ALTX Clearing Ltd	Securities Central Depository	Plot 1 Mackenzie Close, Kololo P. O. Box 40138 Kampala, Uganda Tel: 0790-536781/ 0312-209600 Email: info@altxafrica.com	Mr. Joseph Kitamirike
Asigma Capital Advisory Services Ltd	Investment Adviser	First Floor, Legacy House Plot 38B, Windsor Crescent, Kololo P. O. Box 2841 Kampala, Uganda Tel: 0392159560 E-mail: info@asigmacapital.com	Mr. David Nanambi
Baroda Capital Markets Limited	Stock Broker	Plot 18 Kampala Road P. O. Box 7197, Kampala, Uganda Tel: 0414-233680/3 Fax: 0414-258263 Email: bcm.ug@bankofbaroda.com	Mr. Mohan Prashantam
BIK Capital Limited	Stock Broker	First Floor, Media Plaza Plot 78, Kira Road Tel: 0774997424 Email: jofbakka@gmail.com	Mr. Joseph Bakkabulindi
Blue Solitaire Investments Limited	Investment Adviser	203 - Kirabo Complex Bukoto - Kisasi Road P.O Box 1534 Kampala, Uganda Tel: 0752711660 Email: jatin@blue-solitaire.com	Mr. Jatin B.K. Ghughu
Britam Asset Managers Company (Uganda) Limited	Fund Manager, Unit Trust Manager / Collective Investment Scheme Manager	Course View Towers, 1st Floor Yusuf Lule Road P.O Box 36583 Kampala, Uganda Tel: 0417-702600/ 0312-305600 Email: info@britam.com	Mr. Ronald Kasolo
Crested Capital	Stock Broker, Dealer, Investment Adviser	1st Floor Impala House Plot 13/15 Kimathi Avenue P. O. Box 31736, Kampala, Uganda Tel: 0414-230900 Email: info@crestedcapital.com	Mr. Robert Baldwin

Firm	License Held	Address	Contact Person
Dyer and Blair Uganda Limited	Stock Broker	Ground Floor, Rwenzori House Plot 1 Lumumba Avenue P. O. Box 36620, Kampala, Uganda Tel: 0414-233050, 0312-265469 Email: sharesuganda@dyerandblair.com	Ms. Esther Kakiiza
Equity Stock Brokers Limited	Stock Broker	Plot 6/6A Orient Plaza P. O. Box 3972, Kampala, Uganda Tel: 0414-236012/3/4/5 Fax: 0414-348039 Email: equity@orient-bank.com	Ms. Christine Nkundizana Muramuzi
GenAfrica Asset Managers Uganda Ltd	Fund Manager	6th Floor, Aha Towers Plot 7, Lourdel Road, Nakasero P. O. Box 75200, Kampala Tel: 0414-252343/ 350 Fax: 0414-253344 Email: uganda@genafrika.com	Mr. George Mulindwa
ICEA Lion Asset Management (U) Ltd	Fund Manager, Unit Trust Manager/ Collective Investment Scheme Manager	2nd Floor Rwenzori Courts P. O. Box 33953, Kampala, Uganda Tel: 0414-347535, 0414-232337 Email: icea@africaonline.co.ug	Mr. Emmanuel Mwaka
KCB Bank Uganda Limited	Trustee - Collective Investment Schemes	7th Floor, Commercial Plaza Plot 7, Kampala Road P.O Box 7399, Kampala, Uganda Tel: 0417-118336, 0417-118280	Ms. Sheila Nyerwanire
PCP Uganda Limited	Fund Manager	Plot M697, Equata Building 2nd Floor UMA Show Grounds, Lugogo P. O. Box 15373, Kampala, Uganda Tel: 0312-264983/4 Fax: 0312-264985 Email: info@pearlcapital.net	Mr. Edward Isingoma Matsiko
PKF Consulting Limited	Investment Adviser	Plot 1B Kira Road Kalamu House P. O. Box 24544, Kampala, Uganda Tel: 0414-341523/5 Fax: 0414-251370, 0414-341371 Email: pkfkam@ug.pkfea.com	Mr. Charles Ogutu
PricewaterhouseCoopers Limited	Investment Adviser	10th Floor Communications House 1 Colville Street Kampala Tel: 0414-236018/ 233743 Fax: 0414-239153 Email: general@ug.pwc.com	Mr. Francis Kamulegeya
Regency Wealth Management Uganda Limited	Investment Adviser	5th Floor, Shumuk House, Office SH9 Kampala, Uganda Tel: 0312-314316/ 0791-224611 Email: matthew@regency-wealth.com	Mr. Matthew Turner

Firm	License Held	Address	Contact Person
Sail Global Corp Limited	Investment Adviser	Plot 26, Golf Course Road P.O Box 6111 Kampala, Uganda Tel: 0414-696297 Email: info@sailglobalcorp.com	Mr. Ronald Kwesiga
Sanlam Investments East Africa Limited	Fund Manager, Unit Trust Manager/ Collective Investment Scheme Manager	1 Pilkington Road, 7th Floor, Workers House P. O Box 9831, Kampala Tel: 0414-340707/8/ 0312-265618 Fax: 0414-340750 Email: Mubbale.Mugalya@sanlameastafrica.com	Mr. Mubbale Kabandamawa Mugalya
SBG Securities Uganda Limited	Stock Broker	4th Floor, Crested Towers (Short) 17 Hannington Road P. O. BOX 7131, Kampala, Uganda Tel: 0312-224600/ 985 0312-224985 Email: cos_uganda@mail.standardbank.com	Mr. Joram Ongura
Standard Chartered Bank Uganda Limited	Trustee - Collective Investment Schemes, Investment Adviser	Plot 5, Speke Road P. O. Box 7111, Kampala, Uganda Tel: 0312-294459, 0414-340077 Fax: 0414-231473 Email: ug.service@sc.com	Ms. Cecilia Namuddu
UAP Financial Services Limited	Stock Broker, Fund Manager, Investment Adviser, Unit Trust Manager/ Collective Investment Scheme Manager	2nd Floor, Block A, UAP Nakawa Business Park, Plot 3-5 New Port Bell Road P. O. Box 1610 Kampala, Uganda Tel: 0414-332824 Fax: 0414-346449 Email: financialservices@uap.co.ug info@uap.co.ug	Mr. Simon Mwebaze
Uganda Securities Exchange	Stock Exchange, Securities Central Depository	4th Floor, Block A, North Wing Plot 3-5, UAP Nakawa Business Park P. O. Box 23552, Kampala, Uganda Tel: 0312-370815/ 7/ 8 Email: info@use.or.ug	Mr. Paul Bwiso
Xeno Technologies Uganda Limited	Fund Manager, Unit Trust Manager/ Collective Investment Scheme Manager	6th Floor Workers House Plot 1, Pilkington Road P.O. Box 2237, Kampala, Uganda Tel: 0392-177488, 0772-842100 Email: uganda@myxeno.com	Mr. Aeko Ongodia