CAPITAL MARKETS
Industry Report
2019/20

Capital Markets Authority
Protecting Your Investments

Capital Markets Authority

Protecting Your Investments

Vision:

To establish Uganda’s capital market as the most efficient and trusted center for attracting and providing capital in Africa

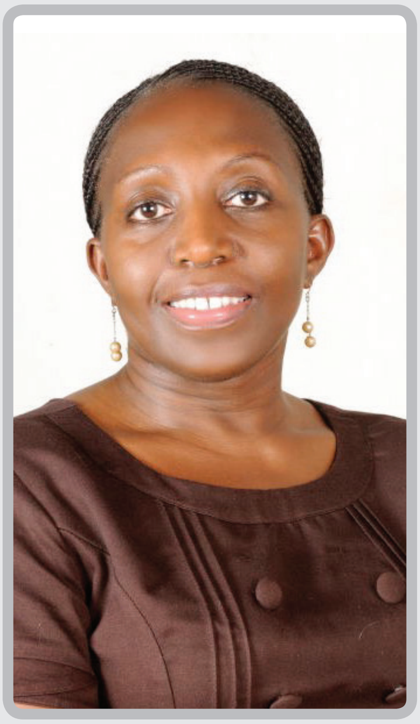
Mission:

To foster a transparent, accessible and effective capital market in Uganda

Core Values:

- **Integrity:** We act ethically and work in the public interest, treating people fairly and honestly
- **Teamwork:** We support and promote collaboration among the CMA team and with external stakeholders
- **Accountability:** We strive to live up to the aspirations of our mission so as to deliver quality services and promote the best interest of our stakeholders
- **Excellence:** We strive to pursue and deliver the highest quality of service to our stakeholders

BOARD OF DIRECTORS



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Foreword

As the Capital Markets Authority (CMA) strives towards being an efficient and effective regulator, information regarding the developments in the local capital markets needs to be accessible to stakeholders. It is against this background that CMA commenced the publication of an annual industry report for Uganda's capital markets. The Annual Capital Markets Industry Report aims to disseminate information on the performance of the different intermediaries licensed or supervised by the CMA, based on available information. This industry report focuses on the period 1st July 2019 to 30th June 2020.

The 2019/20 Capital Markets Annual Industry Report is the inaugural publication. The report covers developments in the capital markets industry in Uganda. It provides insights into the Authority's role of regulating the capital markets and market players, thereof, in the context of the evolving global and regional trends. With regards to statistical data, comparisons are made for the preceding years in order to provide the reader with an overview of evolving trends within the capital markets. The report also presents a summary of audited financial information submitted by regulated capital market intermediaries for the period ended December 31, 2019. The 2019/20 Annual Industry Report is published on the Authority's website (www.cmauganda.co.ug). It is envisaged that an industry report will be published every year in order to provide detailed and insightful information on the performance of the capital markets industry.

The Authority welcomes comments on the content of the publication from all stakeholders in order to better serve their information needs. The Board, Management and Staff of CMA convey their gratitude and appreciation to all stakeholders for their support and co-operation during the data collection, compilation and publication processes. This includes capital markets intermediaries, The Ministry of Finance, Planning and Economic Development, as well as other Government agencies and institutions.

Finally, appreciation goes to the Board of Directors for the guidance they continuously gave in the development of this publication and without a doubt CMA staff for their contribution to the successful production of this document.

Keith Kalyegira

Chief Executive Officer

Disclaimer

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The contents of this Industry Report are meant for information purposes only. The statistics collected through statutory returns and other submissions have been prepared as a general overview. CMA is in no way providing financial or other professional advice through this report and none of its contents should be interpreted or relied on as such. Readers should consult their investment advisors for guidance.

Any discrepancy may be brought to the notice of the Authority through email: research@cmauganda.co.ug.

The Capital Markets Authority reserves the right to revise / amend any information published in this Industry Report.

Research Team

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The Year 2019/20 in Brief

Collective Investment Scheme AUM UGX 388.5 Billion

Total AUM for CIS managers at the end of the FY 2019/20 was UGX 388.5 Billion (2018/19: UGX 174 Billion)

123.9%

Fund Managers' AUM UGX 3.5 Trillion

Total AUM for Fund Managers at the end of the FY 2019/20 was UGX 3.5 Trillion (2018/19: UGX 2.9 Trillion)

18.3%

Domestic Market Capitalization UGX 4.3 Trillion

Domestic Market Capitalization closed the FY 2019/20 at UGX 4.3 Trillion (2018/19: UGX 4.9 Trillion)

13.1%

Total Market Capitalization UGX 19.1 Trillion

Total Market Capitalization closed the FY 2019/20 at UGX 19.1 Trillion (2018/19: UGX 22.7 Trillion)

15.7%

USE Local Counter Index 339.2 Points

USE LCI closed the FY 2019/20 at 339.2 points (2018/19: 375.9 points)

9.8%

USE All Share Index 1369.8 Points

USE ALSI closed the FY 2019/20 at 1,369.8 points (2018/19: 1,614.8 points)

15.2%

Equity Turnover UGX 115.4 Billion

Total equity turnover in the FY 2019/20 was UGX 115.4 Billion (2018/19: UGX 46.9 Billion)

146.1%

List of Abbreviations

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
FSDA	Financial Sector Deepening Africa
FY	Financial Year
GDP	Gross Domestic Product
IOSCO	International Organisation of Securities Commissions
IPO	Initial Public Offering
LCI	Local Counter Index
NIC	National Insurance Corporation
NSE	Nairobi Securities Exchange
NVL	New Vision Limited
ROA	Return on Assets
ROE	Return on Equity
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
USD	United States of America Dollar
USE	Uganda Securities Exchange
182D Tbill	182Day Treasury Bill

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 comprised of short, medium and long term interest bearing investments plus equities.
Balance of Payments	Is the difference between all money flowing into the country in a particular period of time and the outflow of money to the rest of the world.
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.
Capital Account	A component of balance of payments that records the net flow of investment transactions into an economy.
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.
Current Account	A component of balance of payments that records the value of exports and imports of both goods and services.
Collective Investment Scheme	An investment product which gives an investor the opportunity 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 or government agency borrowing from the public for a certain period of time. Bond holders are entitled to an 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.

Rights Issue	The issue of new ordinary shares to a company's shareholders in proportion to each shareholder's existing shareholding, usually at a price discounted to that prevailing in the market
Treasury Bill	A security issued by 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 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 that exists as a legal entity but has several distinct sub-funds which, in effect, are traded as individual investment funds.

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Executive Summary

Uganda's GDP growth in the financial year 2019/20 fell to 2.9% from 6.8% recorded in the financial year 2018/19 on account of the adverse effects of the Covid-19 pandemic. It is important to note the Covid-19 pandemic has had adverse effects on economic activity due to a combination of supply chain disruptions, travel restrictions, measures instituted to limit contact between persons, and the sudden decline in aggregate demand. This has to some extent resulted into an increase in savings in financial assets, as individuals and SME seek to preserve their savings and capital during these uncertain economic times.

A closer look at Uganda's macro economy during 2019/20 indicates that Annual Headline Inflation was under control and within single digits. Annual Average Headline Inflation for the financial year 2019/20 was recorded at 2.9% compared to 3.1% that was recorded for the financial year 2018/19. The decline in Annual Average Headline Inflation was due to Annual Average Core Inflation that recorded 3.1% for FY 2019/20 compared to the 3.8% recorded for FY 2018/19.

Turning to the performance of capital markets, at the end of the financial year 2019/20, Collective Investment Schemes (CIS) Managers had UGX 388.5 billion in Assets Under Management (AUM). This represented an increase of 123.9% from UGX 173.5 billion at the close of the previous financial year. This growth in AUM can be attributed to increased awareness of CIS among local investors, which has seen more Ugandans open CIS accounts and save through them. On the other hand, the total AUM by fund managers licensed by CMA stood at UGX 3.5 trillion as at the end of the financial year 2019/20. This was a growth of 18.3 % from UGX 2.9 trillion at the end of the financial year 2018/19. The increase in AUM can be credited to the increase in the number of retirement benefit schemes and also recruitment of new members by schemes whose funds are being managed.

The Uganda Securities Exchange (USE) ended the period under review with a total of seventeen (17) listed companies. Nine of the companies are locally listed while eight of them are cross listed from the Nairobi Securities Exchange. There were no new listings or de-listings during the period under review.

Domestic market capitalization reflecting the value of locally listed counters closed lower at UGX 4.27 trillion, representing a drop of 13.1%, from UGX 4.91 trillion at the end of 2018/19. This was mainly due to share prices losses registered on all locally listed counters with the exception of British American Tobacco Uganda Limited whose share price remained unchanged. Domestic market capitalization, when measured as a percentage of GDP, also fell from 4% at the end of the financial year 2018/19 to 3.4% at the close of the financial year 2019/20.

Equity turnover at the USE grew by 146.1% in the financial year 2019/20 to UGX 115.4 billion, from UGX 46.9 billion registered in the previous financial year. Share trading volume also trended upwards to 1,554 million shares in the financial year 2019/20, compared to 796 million shares traded in the previous financial year. The increase in volume and value traded was driven by increased activity on DFCU Bank, Umeme and Stanbic Bank counters in the period before the Covid-19 pandemic.

Analysis of the financial performance of capital markets players indicates that the total assets of the licensed intermediaries grew by 26.6% to UGX 31.7 billion in 2019 from UGX 25.1 billion in 2018, on the back of a 15.4% increase in total revenue to UGX 16.4 billion in 2019 from UGX 14.2 billion posted in 2018. Industry players' total costs increased by 5.4%

to UGX 14.5 billion in 2019 from UGX 13.7 billion in 2018. Capital markets players had a total cost to income ratio of 0.9, indicating that the profitability of the sector remains under pressure, and the associated need to see an increase in activity in the capital markets. The consolidated profit after tax for the industry fell by 22.6% to UGX 1.2 billion in 2019 from UGX 1.6 billion posted in 2018. The market players recorded a return on assets of 3.8% in 2019 compared to 6.2% in 2018, indicating that they are using resources less efficiently than previously.

The financial year 2019/20 was unique for many sectors as a result of the global pandemic. The International Monetary Funds' Regional Economic Outlook report for Sub-Saharan Africa published in October 2020 notes that the region is contending with an unprecedented health and economic crisis - one that, in just a few months, has jeopardized years of hard-won development gains and upended the lives and livelihoods of millions. The Covid-19 pandemic has fundamentally challenged the financial and operational agility of the capital markets industry in Uganda. Equity markets are likely to come under pressure from muted participation by domestic and off-shore investors due to the economic uncertainty generated by the Covid-19 pandemic and geopolitical risks. On the other hand, it is too early to tell whether there will be significant reduction in investor funds being professionally managed by CMA licensed investment firms. It is instructive to note that during uncertain economic times like these, investors usually seek to preserve their savings and capital hence turn to assets like Collective Investment Schemes and Fixed Income instruments such as Government securities. The current situation could also provide an opportunity for the digitalization of almost all aspects of life as we know it. In the capital markets space, digitalization of the fund-raising process is likely to become the new normal.

1.0 Introduction

1.1 Overview of the Capital Markets, Role in the Economy and the Need for Regulation

The capital markets are venues where those with individual or group savings can provide capital to government and corporations that are in need of capital. These markets make it possible for governments, individuals and companies with productive ideas but with insufficient capital to access capital from those individuals and institutions with excess capital. In the capital markets, savers buy financial instruments known as securities in exchange for capital. These financial instruments usually have a term which exceeds one year. To ensure consumers of financial products are protected, and public confidence is maintained at all times, it is important that fit and proper persons, capable of professionally and ethically undertaking the role of financial intermediaries, are licensed and regulated. Effective regulation seeks to address the issues that may erode public confidence and participation in securities markets.

1.2 The Capital Markets Authority

The Capital Markets Authority (CMA) is a semi-autonomous body that was established in 1996, by the CMA Act, Cap 84. The Authority is responsible for promoting, developing and regulating the capital markets industry in Uganda, with the overall objectives of investor protection and market efficiency. CMA is governed by a Board of Directors appointed by the Minister of Finance, Planning, and Economic Development. The CMA Act prescribes the following as the functions of the Authority:

- Approval of prospectuses and other offering documents under which securities are offered to the public and to approve information memoranda;
- Development of all aspects of the capital markets with particular emphasis on the removal of impediments to, and the creation of incentives for long term investments in productive enterprise;
- Creation, maintenance and regulation, through implementation of a system in which the market participants are self-regulatory to the maximum practicable extent, of a market in which securities can be issued and traded in an orderly, fair and efficient manner;
- Cooperation with, provision of information to, conducting any investigation or inquiry for, or otherwise assisting any foreign regulatory authority in the performance of its duties;
- Implementation of regional and international standards and best practice in securities markets, securities regulation and supervision;
- Protection of investor interests; and
- Operation of an Investor Compensation Fund established by section 81.

CMA executes its legal mandate with the following objectives:

- Promoting confidence in the capital markets;
- Ensuring honesty and transparency in capital markets transactions;
- Carrying out investor education;
- Protecting investors; and
- Reducing systemic risk.

1.3 The CMA Annual Industry Report

As CMA strives towards being an efficient and effective regulator, it is important for information regarding the developments in the local capital markets to be accessible to stakeholders. It is against this background that CMA commenced the publication of an annual industry report for Uganda's Capital markets. The annual capital markets industry report aims to disseminate information on domestic capital markets performance, soundness and related activities taking note of global and regional developments. This inaugural industry report focuses on the period 1st July 2019 to 30th June 2020.

1.4 Macroeconomic Context for the Industry Report

1.4.1 Gross Domestic Product

GDP increased by 2.9% on an annualized basis to UGX 127 trillion in financial year 2019/20 from UGX 123 trillion in financial year 2018/19. However, GDP growth in the financial year 2019/20 fell from 6.8% recorded in the financial year 2018/19 to 2.9% for financial year 2019/20, on account of the adverse effects of the COVID-19 pandemic. According to IMF's October 2020 Regional Economic Outlook report, Sub-Saharan Africa GDP is projected to contract by -3% in 2020. It is important to note the COVID-19 pandemic has had adverse effects on economic activity due to a combination of supply chain disruptions, travel restrictions, and measures instituted to limit contact between persons, which resulted into a decline in consumer demand.

Over the last five financial years GDP measured at constant 2016/17 prices has grown by 6.7% on an annualized basis from UGX 104 trillion in the financial year 2015/16 to UGX 127 trillion in the financial year 2019/20. This increase can be attributed to among other things, the rebasing of the economy from the 2009/10 base year to the 2016/17 base year, reflecting an up-to-date structure of the Ugandan economy. This is depicted in table I hereafter.

Table I: GDP Statistics (2015/16 - 2019/20)

	2015/16	2016/17	2017/18	2018/19	2019/20
Gross Domestic Product					
GDP at constant 2016/17 prices (UGX Billion)	104,539	108,518	115,206	123,043	126,559
Annual Growth at Constant Prices (%)	4.8	3.8	6.2	6.8	2.9
GDP Per Capita					
GDP Per Capita at Constant Prices (UGX '000)	2,891	2,908	2,990	3,094	3,083
GDP per capita at Constant Prices (US $)	840	824	817	828	830
Memorandum items					
Population ('000)	36,155	37,319	38,525	39,772	41,054
Exchange Rate (UGX per US $)	3,443	3,530	3,659	3,736	3,715

Source: Uganda Bureau of Statistics

A breakdown of the sector performance shows that the dip in the GDP growth in the financial year 2019/20 can be attributed to slowdown in the industrial sector which grew by 2.2% in 2019/20, compared to an increase of 10.1% in 2018/19 and the services sector which grew by 2.9% in 2019/20 in comparison with a growth of 5.7% in 2018/19. The decline in the industrial sector was due to poor performance in mining and quarrying activities, while the dip in performance of the services sector was due to a slowdown in arts, entertainment and recreation, accommodation and food service activities.

The education and tourism sectors are expected to continue being affected by the Covid-19 pandemic while the health services, pharmaceutical and information communication technology sectors are expected to withstand the adverse effects of the pandemic. The aforementioned sectors will be the focus of CMA's sensitization efforts aimed at increasing uptake of market based financing among business owners and founders.

1.4.2 Gross Domestic Savings

Over the last five years, Gross Domestic Savings (GDS) which consist of savings of households, private corporate sector and public sector have grown by 16.5% on an annualized basis from UGX 12.7 trillion in 2015 to UGX 27.3 trillion in 2019. This is depicted in table II hereafter. Notably, Uganda's GDS to GDP ratio of 21.3% for 2019 is slightly above the Sub-Saharan Africa average of 19.1%.

Table II: Gross Domestic Savings Statistics (2015 - 2019)

	2015	2016	2017	2018	2019
Gross Domestic Savings (UGX Billion)	12,715	20,539	22,896	23,444	27,319
Gross Domestic Savings (% of GDP)	13.9	20.6	21.1	19.6	21.3

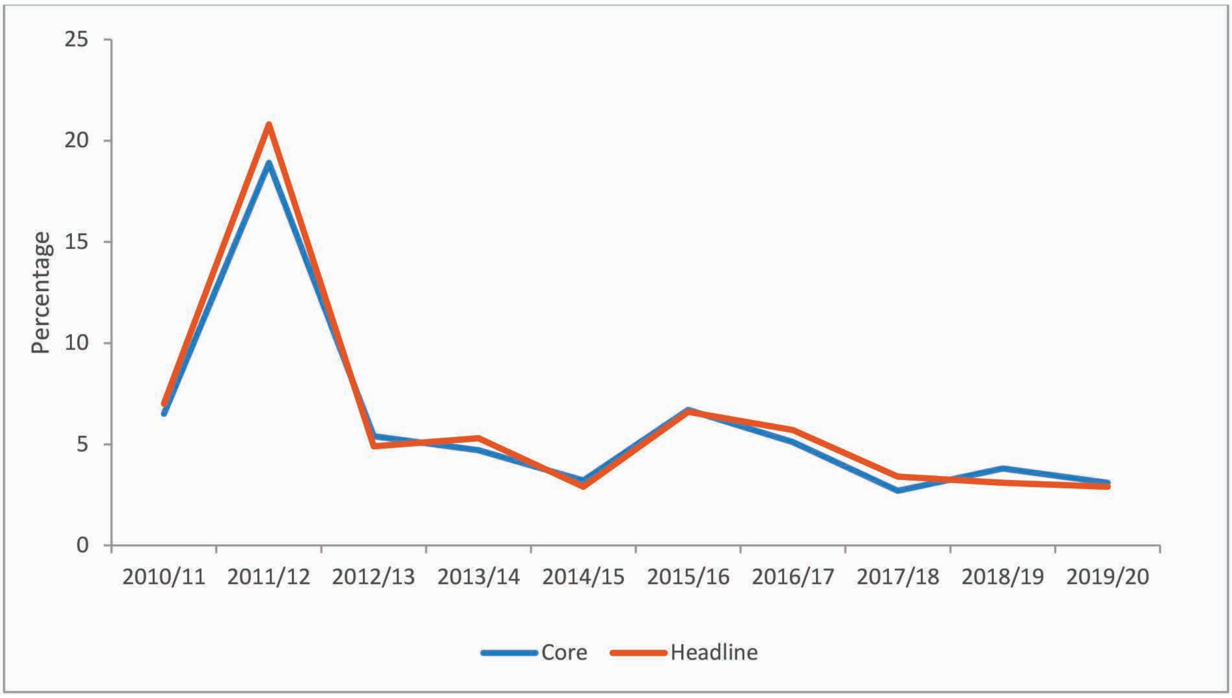
Source: World Bank

An increase in Gross Domestic Savings implies that there is more capital to be deployed as long term capital. This long term capital can facilitate refinancing efforts, expansion as well as exit strategies by business owners through the capital markets.

1.4.3 Inflation

Annual average Headline Inflation for the FY 2019/20 was recorded at 2.9% compared to 3.1% that was recorded for the FY 2018/19. This is lower than the Sub-Saharan average of 8.5% in similar period. The decline in annual average Headline Inflation was driven by a fall in annual average Core Inflation that was recorded at 3.1% for FY 2019/20, compared to 3.8% recorded in the FY 2018/19. However, Food crops and related items annual average Inflation increased to minus 0.7 % for FY 2019/20 compared to minus 4.4 % recorded for FY 2018/19.Over the last ten years, annual average Headline Inflation has declined by 16.2% on an annualized basis from 7% in the financial year 2010/11 to 2.9% in the financial year 2019/20. Annual average Core Inflation has also reduced by 13.8% on an annualized basis from 6.5% in the financial year 2010/11 to 3.1% in the financial year 2019/20. This is now in line with the Central Bank's target of having inflation within the 5% ceiling in the medium term.

Figure I: Annual Average Headline and Core Inflation Rates (2010/11 - 2019/20)



Source: Uganda Bureau of Statistics

A stable inflation environment is an indication that the Uganda shilling remains a good store of value which is essential to foster the growth in savings. Notably, a low inflation environment tends to favor fixed income securities, while a high inflation environment favors equity holdings.

1.4.4 Balance of Payments

The overall balance of payments recorded a surplus of US $ 625 million in the FY 2019/20, up from the surplus of US $ 69 million recorded in the previous FY2018/19. The strengthening of the balance of payments in FY 2019/20 was mainly due to improvements in the current account, which recorded a lower deficit of US $ 2,239 million from a deficit of US $ 2,659.3 million in FY 2018/19. This was driven by lower trade and primary income deficit as well as a higher secondary income surplus due to higher Non-Government Organisations inflows. On the other hand, surplus on the capital account declined by US $ 130 million to US $ 2,298 million during the FY 2019/20 from US $ 2,428 million in the FY 2018/19. This can be attributed to lower foreign direct investment inflows coupled with sustained portfolio investment outflows as well as a decline in foreign exchange diaspora remittances as result of the Covid-19 pandemic.

A current account deficit is usually offset by a capital account surplus, indicative of likely portfolio flows into financial instruments such as equities and bonds.

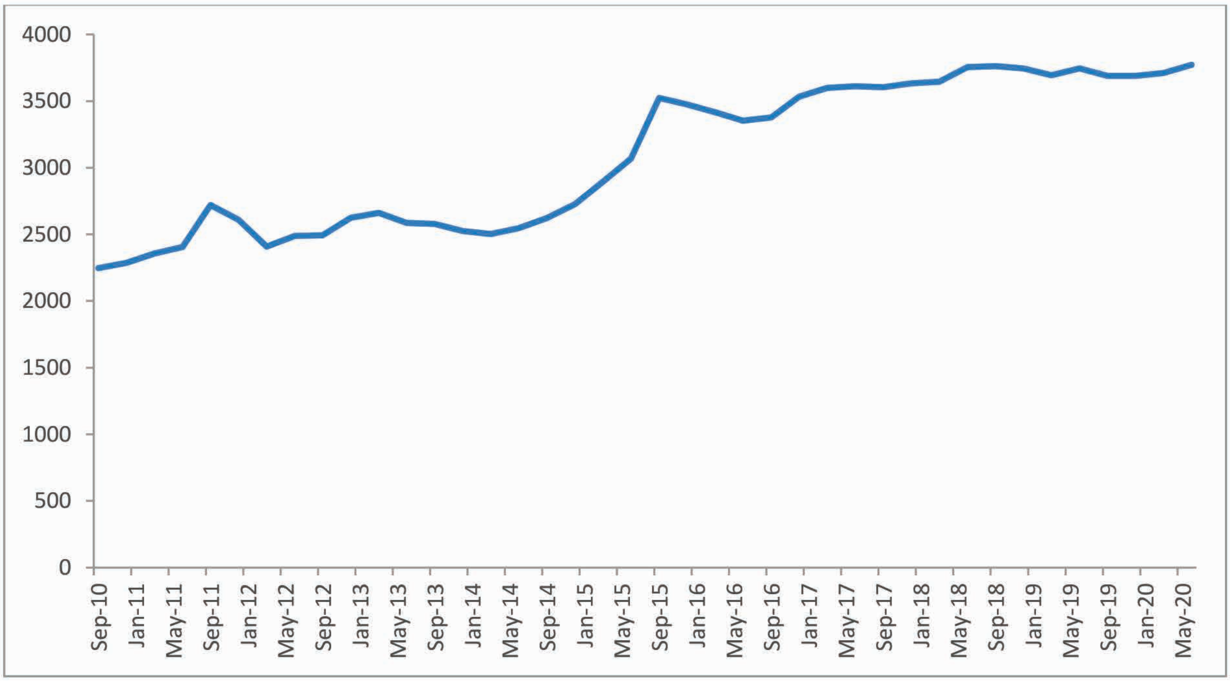
1.4.5 Exchange Rate

The Uganda shilling appreciated by 0.59% against the US Dollar, posting a monthly average of UGX 3,715 in 2019/20 compared to a monthly average of UGX 3,737 in 2018/19. This compares to an average depreciation of 2.6% against the US Dollar across the other

East African regional currencies. The local currency was relatively stable in the first and second quarter of period under review supported by net forex supply in the interbank foreign exchange market due to export receipts, strong inflows from offshore investors and Non-Government Organisations amidst relatively slow demand. However, the shilling depreciated in March 2020 largely driven by market sentiments and panic on account of the uncertainty created by the Covid-19 pandemic which led to exit of offshore investors and speculative tendencies. It posted marginal gains at the close of the period under review due to among other things, the slow demand for foreign exchange partly driven by low imports, steady inflows from commodity exports and a slowdown in economic activity.

Over the last ten years, the local currency has depreciated against the US Dollar by 9.8% on an annualized basis from UGX 2,323 in 2010/11 to UGX 3,715 in the review period.

Figure II: Trends in USD/UGX Exchange Rate (2010/11 – 2019/20)



Source: Bank of Uganda

A declining exchange rate decreases the purchasing power of income and capital gains derived from any returns on investment. On the flip side, domestic assets become affordable for investors holding hard currencies such as the US dollar, providing an opportune moment for purchase of the discounted assets.

1.4.6 Interest rates

1.4.6.1 Central Bank Rate

The Bank of Uganda reduced the CBR from a high of 10% in July 2019 to 7% in June 2020, a reduction of 300 basis points. The Central Bank lowered the rate in order to increase access to credit and stimulate economic growth. However, growth in private sector credit remained relatively subdued despite the protracted monetary policy easing undertaken by the Central Bank, on account of the decline in economic activity. The slow growth can be attributed to among other things, business closures due to the lockdown aimed at containing the spread of the Covid-19 pandemic.

An expansionary monetary policy which includes among other things, low interest rates aims at stimulating economic growth through increased borrowing by individuals and businesses to finance asset purchases.

1.4.6.2 Treasury Bill Rates

Monthly Average Annualized yields on the 91-day and 182-day Treasury bills declined to 8.7% and 10.3%, respectively in June 2020, compared to 9.7% and 10.8% in July 2019. On the other hand, the Monthly Average Annualized yield for 364-Day treasury bill increased to 12.1% in July 2020 from 11.5% in June 2019. Yields on treasury bills declined on account of easing of monetary policy by the Central Bank.

Table III: Monthly Average Annualized Yields on Treasury Bills in FY 2019/20

Tenor	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Arp	May	Jun
91-Day	9.7	9.0	8.7	8.4	8.6	9.4	9.7	9.6	9.6	9.6	9.0	8.7
182-Day	10.8	10.9	10.8	10.4	10.6	11.3	11.4	11.0	11.0	11.8	11.2	10.3
364-Day	11.5	11.6	11.5	11.2	11.6	12.5	13.6	12.6	13.4	12.9	12.4	12.1

Source: Bank of Uganda

Pricing of corporate bonds is based on liquid treasury securities such as bills and bonds. A low interest rate environment for treasury securities makes it conducive for issuers of corporate bonds to borrow at low interest rates.

2.0 Industry Overview

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 IV: Number of Regulated Capital Markets Players as at 30 June 2020

Category	Number
Securities Exchanges	2
Securities Central Depositories	2
Fund Managers	6
Stock Brokers	8
Investment Advisers	7
Collective Investment Scheme Managers	4
Trustees	2
Representative Licenses	33
Total	**64**

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 public education efforts through the investor education and issuer education programs.

The investor education program aims at creating awareness about capital markets among the public in order 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 being paid to investment through CIS. The resource persons deliver face to face presentations to groups of people with disposable income, and normally move along with CIS managers to facilitate instant CIS account opening. During the FY 2019/20, a total of 7,435 individuals were reached, bringing the total number of people reached since inception of the program in 2014/15 to 66,599 individuals. A survey commissioned by CMA undertaken by IPSOS Uganda indicates that one out of every ten individuals reached opens a Securities Central Depository account, Central Securities Depository account or a Collective Investment Scheme account. This effort is expected to boost the number of CIS accounts and increase investor participation through CIS. Going forward, this effort is expected to be undertaken through radio and internet based platforms.

The Issuer education program seeks to grow the number listings for both equities and corporate bonds in order 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 37 companies have been reached. Additionally, 6 transactions worth UGX 45 billion (US $ 12 million) have been initiated by Issuer Resource Persons in the following sectors: education; medical equipment; microfinance; construction; manufacturing; real estate; and re-insurance.

2.2.1.2 Research and Knowledge sharing

The Authority has placed special focus on the growth of CIS, which it believes have immense potential to mobilize savings from Ugandans for investing. During the period under review, four knowledge sharing fora were held between CMA and CIS managers. The objective of the fora 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. Additionally, a survey among CIS managers was undertaken with the aim of assessing the characteristics of the CIS industry; factors affecting its growth; and the challenges faced by the CIS managers. Key among the challenges identified was low the level of public awareness and limited distribution channels. The survey highlighted several recommendations that will help spur growth of the sector. These included the need to improve public education efforts, review of the cost and fees structures as well as legal and regulatory reviews. The Authority is following up with the players to ensure the recommendations are implemented.

2.2.2 Implementation of the 10 Year Capital Markets Development Master Plan

The Capital Markets Development Master Plan, launched on 15th June 2017 marked three years of existence during the financial year 2019/20. The master plan is a comprehensive plan that seeks to chart the strategic positioning and future direction of Uganda's capital markets with a view to grow the markets and attract more international capital to meet the financing needs of the economy. The three objectives of the master plan are: facilitation of issuer access to alternative, non-bank financing to reduce dependence on the banking sector; improving the efficiency of the capital markets eco-system; and deepening the pool of formal savings within the economy. A review process for the master plan commenced in the period under review to identify wins as well as areas for improvement in the implementation process. A revised version of the master plan is expected to be rolled out in the financial year 2020/21.

2.2.2.1 Corporate Governance Trainings

Access to finance is recognized as one of the major constraints for businesses to grow in Uganda. Furthermore, an organization that adheres to good corporate governance practices enhances its chances of attracting long-term patient capital to finance its business growth. To this end, CMA with support from FSD Africa held two corporate governance trainings in the period under review. The inaugural training was held on the

25th and 26th July 2019 while the second was held on 19th and 20th February 2020. The trainings, which were both conducted by KPMG, drew 63 participants from medium to large business enterprises and the capital markets industry in Uganda.

The trainings on corporate governance are a series of trainings seeking to prepare medium to large businesses to attract investment partners in order to tap into market based financing. Furthermore, the trainings also aim at building the capacity of market intermediaries to enable them shepherd the process of business access to market based financing.

2.2.2.2 Collective Investment Scheme Training

CMA held an inaugural CIS training from 26th to 28th August 2019. The training was facilitated by the South African-based ASISA Academy, which is aligned with the Association for Savings and Investment South Africa (ASISA). The training drew over 28 participants from the capital markets industry in Uganda. The three-day training focused on the financial services landscape, regulatory framework, unit trust products, unit trust mechanics, client engagement, cost and distribution structures of a CIS system including incentives.

The training course, which aimed at building the capacity of market intermediaries through providing an in-depth information on the management of CIS is expected to spur growth of the CIS industry in Uganda.

2.3 Market Supervision Developments

2.3.1 Regulatory Compliance

In ensuring good market conduct and in furtherance of the risk-based approach to supervision, CMA undertook risk assessments to assess the risk levels of licensed firms. During the period, the Authority carried out risk assessments for three fund managers, two brokers, one trustee, four custodians and the Uganda Securities Exchange. As a result, a total of eight inspections were conducted, including five routine inspections, two adhoc and one thematic inspection. Inspection reports were issued and follow up inspections to ensure implementation of the recommendations have been scheduled for the FY 2020/21.

2.3.2 Capital Adequacy Requirements for Market Intermediaries

During the period under review, CMA with support from the International Monetary Fund undertook a consultancy which sought to adduce the appropriate level of financial requirements for the various market intermediaries. The need to review the financial requirements arose because they were inconsistent with the current level of activity and size of the firms operating in Uganda, posing a risk to the market operations. The final report made recommendations on the minimum capital requirements and haircuts for market intermediaries and also on the approach to monitoring financial resources of licensed persons. The proposals will inform the finance and accounting regulations that are under development.

2.3.3 Investigations and Enforcement

Key among the roles of the Authority is to protect investors by ensuring an orderly, fair, and efficient capital markets ecosystem. During the FY 2019/20, CMA oversaw a total of six investigations, two of which were concluded and, one enforcement action undertaken. Most of the investigations undertaken stem from complaints received through the Authority's complaints handling mechanisms. During the period, the majority of complaints revolved around unlicensed persons conducting business for which they must have a license. The Authority has increasingly taken a keen interest in such cases, especially as the effects of the COVID-19 pandemic which has brought disruption to economic activity continue to unfold. During the lockdown period, CMA issued two cautionary notices to remind the general public about the need to be vigilant and avoid falling prey to unlicensed schemes and persons, commonly referred to as ponzi schemes. These continue to pose a challenge not just for the capital markets but the entire financial sector. However, CMA together with other regulators are collaborating to address this issue in compliance with the various laws; in close liaison with the office of the Director for Public Prosecutions (DPP) and the Uganda Police Force.

2.4 Legal and Regulatory Issues

2.4.1 Capital Markets legal and regulatory framework

CMA is in the process of reviewing the regulatory framework for Uganda's capital markets. As part of the process of having a facilitative regulatory framework that will drive issuance and innovation, the review of the following laws and regulations as per section 101 of the CMA Act is underway:

- i) Prospectus regulations;
- ii) Conduct of business regulations;
- iii) Licensing regulations;
- iv) Stock exchange regulations;
- v) Finance and Accounting Regulations;
- vi) Commodity Exchange Regulations;
- vii) Self-Regulatory Organization Regulations;
- viii) Capital Markets Tribunal Regulations; and
- ix) Corporate Governance Regulations

With the review of the aforementioned regulations, CMA expects to create a regulatory environment that is certain, friendly to innovation and cost effective for investors, issuers and market intermediaries.

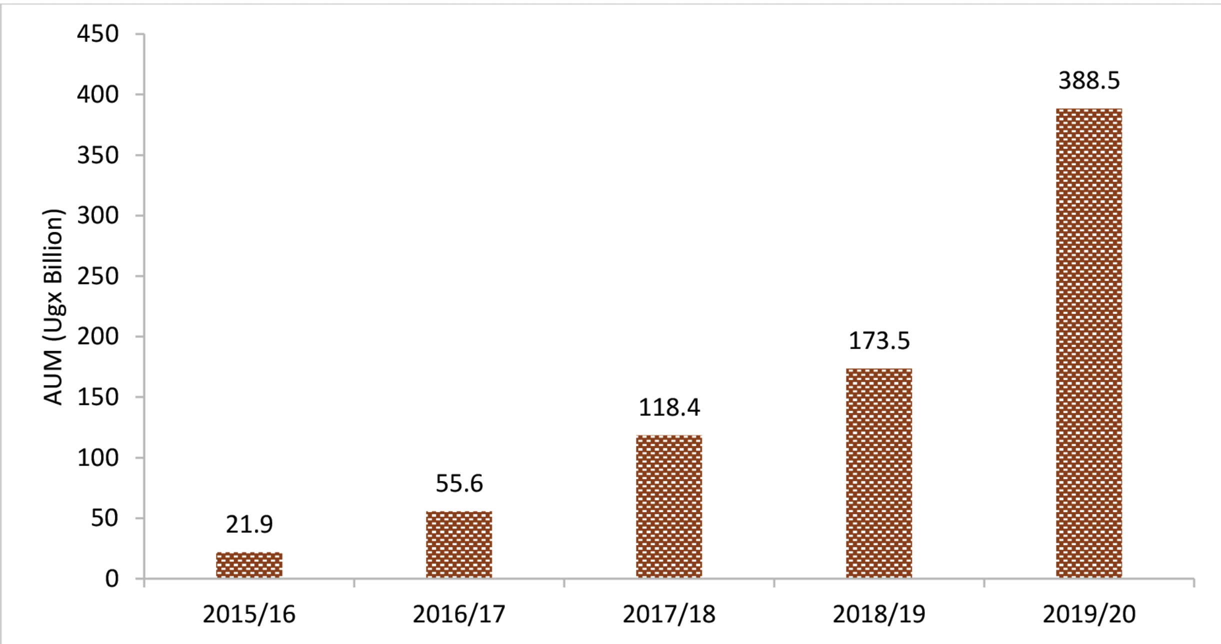
3.0 Industry Performance Overview

3.1 Performance of Collective Investment Schemes

At the end of the financial year 2019/20, CIS Managers had UGX 388.5 billion in Assets Under Management (AUM). This represented an increase of 123.9% from UGX 173.5 billion at the close of the previous financial year. The total number of investor accounts held by CIS managers at the end of the FY 2019/20 stood at **8,904** compared to a total of **5,222** investor accounts at the end of the previous financial year, a 70.5% increase in opening of CIS investor accounts. This growth in AUM and clients, 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. Additionally, assets experienced growth in the period preceding the Covid-19 pandemic.

Over the last five years, the AUM has risen by 77.7% on an annualized basis from UGX 21.9 billion at the end of the financial year 2015/16 to UGX 388.5 billion at the end of the FY 2019/20.

Figure III: Trends in CIS Assets under Management (2015/16 - 2019/20)



Source: CMA Market Supervision Department

At the end of the FY 2019/20 CIS AUM, when measured as a percentage of GDP stood at 0.03%. In comparison, at the end of the FY 2019/20, CIS AUM to GDP for Kenya and Morocco stood at 0.7% and 44.8% respectively.

Table V shows the breakdown of CIS Assets under Management per CIS manager. The top two CIS managers controlled 85.8% of the total AUM at the end of the FY 2019/20.

Table V: CIS Assets under Management per CIS Manager

CIS Manager	AUM (UGX Billion)		Change (%)
	2019/20	2018/19	
UAP	271.2	132	105.4
ICEA	62.2	13.6	356.4
BRITAM	40.4	-	-
XENO	14.8	5.2	183.2
STANLIB	-	22.7	-
Total	**388.5**	**173.5**	**123.9**

Source: CMA Market Supervision Department

A breakdown of the CIS assets by fund type at the end of the FY 2019/20 showed that a large portion of the assets were held in Umbrella Funds (72.3%) followed by Money Market funds at 22% and Bond Fund at 3%.

Table VI: Assets under Management by Fund Type (2019/20)

Unit Trust Fund	AUM (UGX Billion)	Percentage (%)
Umbrella Funds	281	72.3
Money Market Funds	84.1	21.6
Bond Fund	11.7	3
Savings Fund	7.3	1.9
Balanced Funds	2.9	0.7
Equity Funds	1	0.3
Fixed Income Fund	0.5	0.1
Total	**388.5**	**100**

Source: CMA Market Supervision Department

A breakdown of AUM by asset class at the end of the FY 2019/20 indicates that, investment in Government of Uganda bonds took up 59.7% of the total AUM followed by Fixed Deposits at 19% and Call Deposits at 10%. A three-year trend analysis of CIS assets allocation indicates that investments in Government of Uganda bonds as a percentage of total AUM have grown from 21.3% at the end of the FY 2017/18 to 59.7% at the end of the FY 2019/20.

Table VII: CIS Industry Asset allocation (Percentage) at year end

Asset	2017/18	2018/19	2019/20
Government of Uganda Bonds	21.3	28.8	59.7
Fixed Deposits	37.6	36.8	19.1
Call Deposits			9.7
Government of Uganda Treasury Bills	22.9	16	7.2
Cash	2.5	1.6	2.7
Corporate Bonds	2.4	2.5	1.2
Listed Equities in Uganda	0.2	0.2	0.3
Government Bonds in Rest of East Africa	12.8	5.5	
Listed Equities in Rest of East Africa	0.4	0.2	0.1
Other Investments (Off-shore and foreign exchange)		8.5	
Total	**100**	**100**	**100**

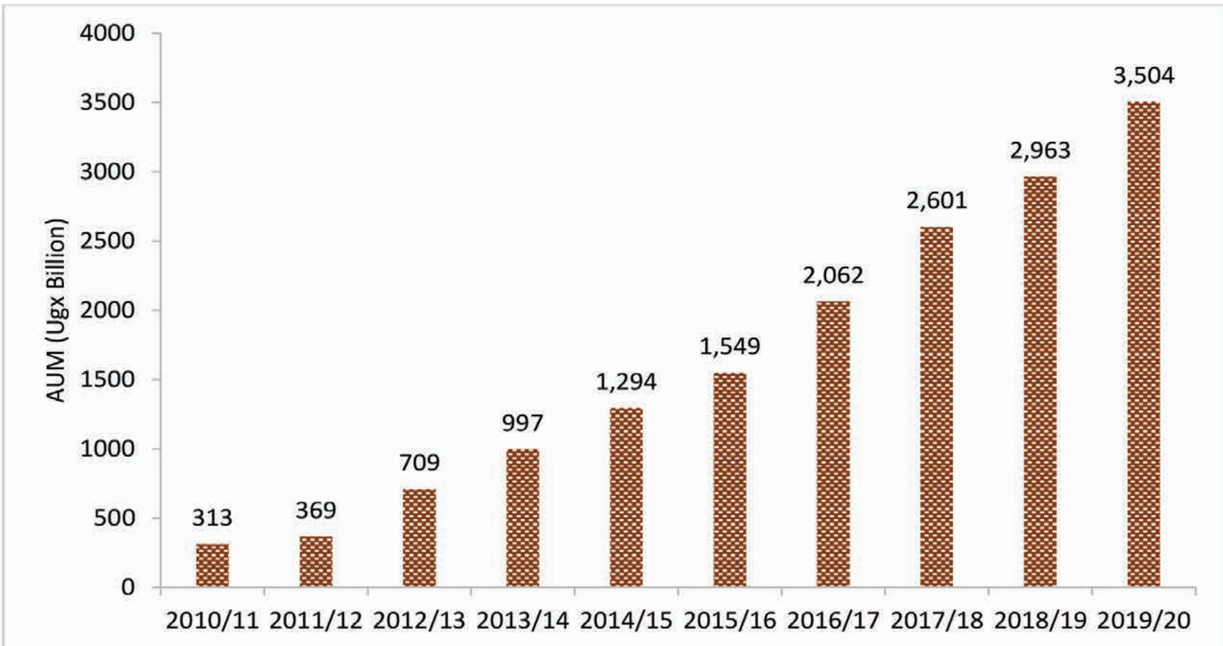
Source: CMA Market Supervision Department

3.2 Fund Management Performance

The total AUM by fund managers licensed by CMA stood at UGX 3.5 trillion as at the end of the financial year 2019/20. This was a growth of 18.3% from UGX 2.9 trillion at the end of the financial year 2018/19. The increase in AUM can be credited to the increase in the number of retirement benefit schemes and also recruitment of new members by schemes whose funds are being managed.

AUM has risen by 62.1% on an annualized basis from UGX 0.3 trillion at the end of the financial year 2010/11 to UGX 3.5 trillion at the end of 2019/20.

Figure IV: Trends in Assets under Management for Fund Managers (2010/11 - 2019/20)



Source: CMA Market Supervision Department

At the end of the FY 2019/20 Fund managers' AUM, when measured as a percentage of GDP stood at 2.8%.

Table VIII below shows a breakdown of AUM per fund manager. The top two fund managers controlled 73.3% of the total AUM as at the end of the FY 2019/20.

Table VIII: Assets under Management per Fund Manager

Fund Manager	AUM (UGX Billion)		Change (%)
	2018/19	2019/20	
Sanlam Investments EA	1,324.8	1,551.5	17.1
GenAfrica	729.9	1,017.3	39.4
Britam	153.7	410.4	167
UAP Financial Services Ltd	246.8	362.7	47
ICEA Investments Ltd	114.3	162.8	42.5
Stanlib Uganda Ltd	394.3	-	-
Total	**2,963.8**	**3,504.7**	**18.3**

Source: CMA Market Supervision Department

A breakdown of AUM by asset class at the end of the FY 2019/20 indicates that, investments in Government of Uganda bonds constituted 65.1% of the total AUM followed by Government of Uganda Treasury Bills at 15% and Listed Equities in Rest of East Africa at 8%. A trend analysis of asset allocation over the last five years indicates that, investments in Government of Uganda bonds as a percentage of total AUM have grown from 40.9% at the end of the financial year 2015/16 to 65% at the end of the FY 2019/20. This is driven by the safety of government bonds, descent returns and the need to match assets with liabilities.

Table IX: Fund Managers' Asset Allocation (Percentage) at year end

Asset	2015/16	2016/17	2017/18	2018/19	2019/20
Government of Uganda Bonds	40.9	58.6	56.4	64.2	65
Government of Uganda Treasury Bills	27.4	13.2	10.7	10.5	14.6
Government Bonds in Rest of East Africa			0.8	0.1	0.1
Treasury Bills in Rest of East Africa			0.05		
Listed Equities in Uganda	21.8	15.2	13.3	3.5	2.6
Listed Equities in Rest of East Africa		1.5	6.4	11.5	8
Fixed Deposits	4.5	8.2	7.8	7.3	6.6
Real Estate	0.5	0.4	0.6	0.5	0.7
Cash	1.4	0.8	1.1	1	0.5
Collective Investment Schemes	0.3	1	1.6	0.7	1
Other (Dividend Income Receivable and Wealth management)	1.9	0.3	0.3	0.1	0.5
Corporate Bonds	0.9	0.6	0.0	0.5	0.4
Unlisted Equities in Uganda				0.01	0.01
Unlisted Equities in Rest of East Africa				0.05	0.04
Off-shore Investments (Equities)	0.3	0.3	0.4	0.01	0.01
Total	**100**	**100**	**100**	**100**	**100**

Source: CMA Market Supervision Department

3.3 Equity Market Performance

3.3.1 Number of Listed Companies

The Uganda Securities Exchange (USE) ended the period under review with a total of 17 listed companies. Nine of the companies are locally listed while eight of them are cross listed from the Nairobi Securities Exchange (NSE). There were no new listings or de-listings during the period under review.

Table X: Number of Companies Listed at the USE

Listing Status	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
New Local Listings	0	0	1	0	0	0	0	0	1	0
New Cross Listings	3	0	0	1	0	0	0	0	0	0
De-listings	0	0	0	0	0	0	0	0	0	0
Total Foreign Listings	7	7	7	8	8	8	8	8	8	8
Total Domestic Listings	7	7	8	8	8	8	8	8	9	9
Total Listings	**14**	**14**	**15**	**16**	**16**	**16**	**16**	**16**	**17**	**17**

Source: Uganda Securities Exchange

3.3.2 Capital Raised through the Equity Market

There were no initial public or secondary offerings in the period under review. However, over the last ten years a total of UGX 897 billion has been raised on the Uganda Securities Exchange through a combination of IPOs, rights issues and secondary offerings. These include: UMEME Limited IPO in the FY 2012/13, NIC Holdings Limited rights issue and UMEME Limited secondary offer of shares in the FY 2013/14, UMEME Limited secondary offer of shares in the FY 2016/17, DFCU Bank rights issue in the FY 2017/18 and the Cipla-Quality Chemicals Limited IPO in the FY 2018/19.

Table XI: Capital Raised at the USE (UGX, Billion)

Listing Status	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Rights issues	0	0	0	7	0	0	0	191	0	0
Secondary offers of shares	0	0	0	248	0	0	113	0	0	0
IPOs	0	0	171	0	0	0	0	0	167	0
Total capital raised	**0**	**0**	**171**	**255**	**0**	**0**	**113**	**191**	**167**	**0**

Source: Uganda Securities Exchange, CMA Database

3.3.3 Secondary Market Activity

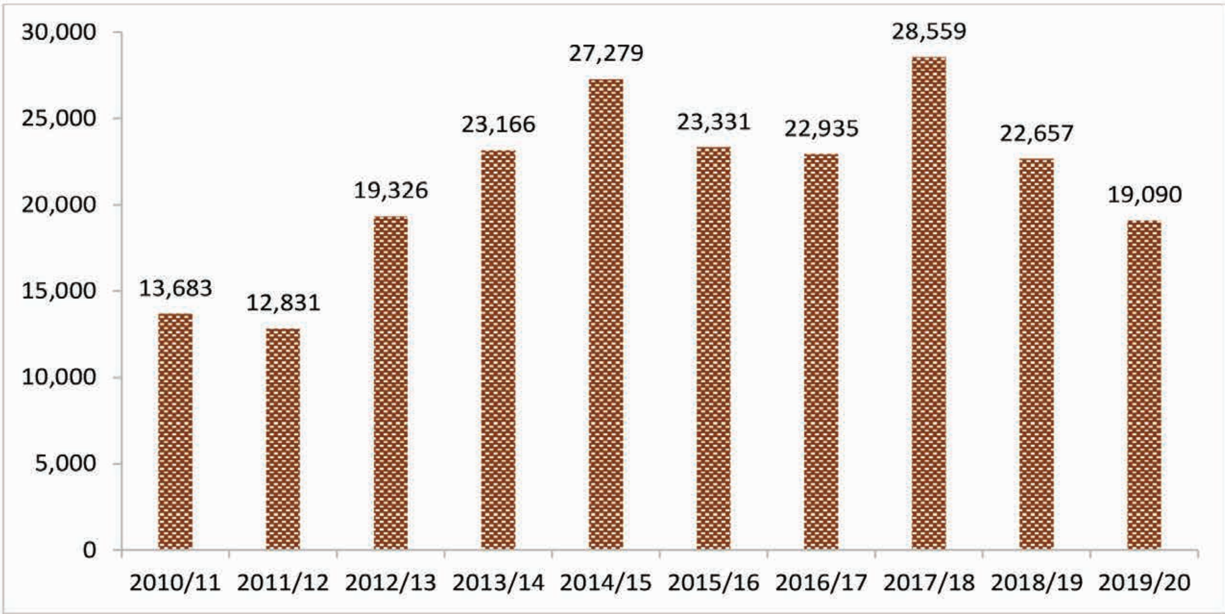
3.3.3.1 Market Size

3.3.3.1.1 Total Market Capitalization

The USE total market capitalization fell by 15.7% to UGX 19.09 trillion at the end of the review period from UGX 22.66 trillion at the close of 2018/19. This drop is mainly attributed to the decrease in the share prices of all the cross-listed counters – Nation Media Group, Equity

Bank, KCB, Centum, Jubilee Holdings, Kenya Airways, East African Breweries Limited and Uchumi Supermarkets Limited; and all other locally listed counters with the exception of British American Tobacco Uganda Limited whose share price remained unchanged.

Figure V: Trends in Total Market Capitalization (2010/11 - 2019/20)

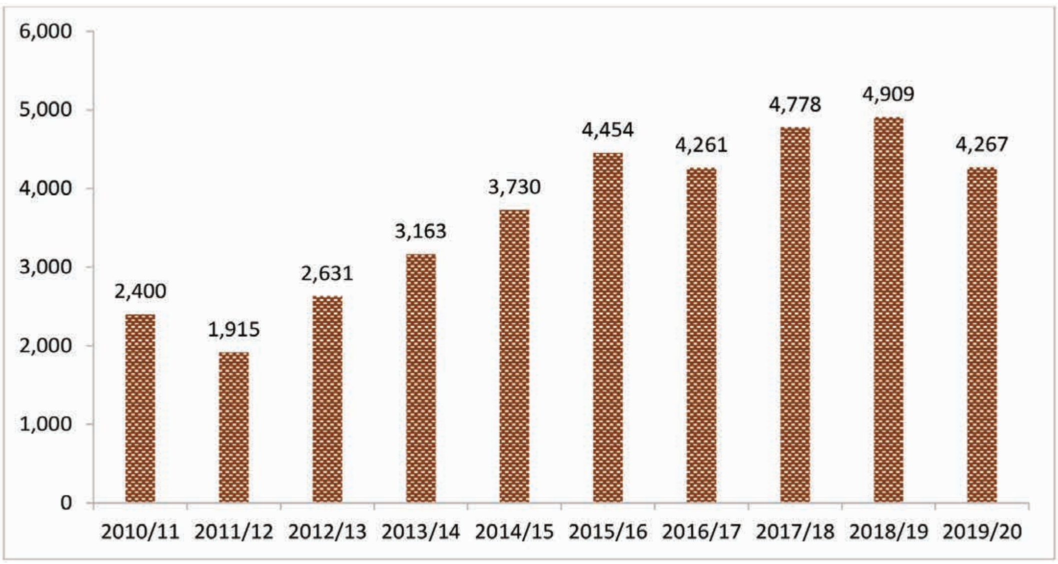


Source: USE market reports

3.3.3.1.2 Domestic Market Capitalization

Domestic market capitalization that represents the value of locally listed counters closed lower at UGX 4.27 trillion, representing a drop of 13.1%, from UGX 4.91 trillion at the end of 2018/19. This was mainly due to share prices losses registered on local listed counters UCL (-40.6%), CQCIL (-37.5%), NIC (-30.8%), UMEME (-18.3%), SBU (-17.2%), BOBU (-14.6%), NVL (-4.6%), and DFCU (-3.7%). The fall in share prices can be attributed to among other things, sell-offs by offshore investors due to the strengthening of the USD before the Covid-19 pandemic.

Figure VI: Trends in Domestic Market capitalization (2010/11 - 2019/20)



Source: USE market reports

3.3.3.1.3 Domestic Market Capitalization as a percentage of GDP

Domestic market capitalization, when measured as a percentage of GDP, fell from 4% at the end of the financial year 2018/19 to 3.4% at the close of the financial year 2019/20. This is in part because the Ugandan economy grew faster than the domestic market capitalization.

Table XII: Market Capitalization as a Percentage of GDP (2010/11 -2019/20)

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Domestic market capitalization (UGX Trillion)	2.4	1.9	2.6	3.2	3.7	4.5	4.3	4.8	4.9	4.3
GDP at Constant Prices (UGX Trillion)	83.9	87.1	90.2	94.8	99.8	104.5	108.5	115.2	123	126.6
Domestic market capitalization to GDP (%)	2.9	2.2	2.9	3.3	3.7	4.3	3.9	4.1	4	3.4

Source: USE market reports, Uganda Bureau of Statistics

3.3.3.2 Market Activity

3.3.3.2.1 Market Turnover

Equity turnover at the USE grew by 146.1% in the financial year 2019/20 to UGX 115.4 billion, from UGX 46.9 billion registered in the previous financial year. Average turnover per session increased to UGX 456.3 million per session in 2019/20, from UGX 189.7 million recorded in 2018/19. The increase in value traded was driven by improved activity on DFCU Bank, Umeme and Stanbic Bank counters in the period before the Covid-19 pandemic. The high turnover on DFCU Bank was due to a shareholder exit which boosted the counter's traded value. CDC Group Plc (the UK government-owned investment agency) sold its 9.97% stake in DFCU Bank to the Danish based Investment Fund for Developing Countries. The increased activity on the Umeme counter was due to among other things, the favorable modification of its tariff performance parameters for 2019-2025 by the Electricity Regulatory Authority. On the other hand, the high turnover on Stanbic Bank can be attributed to among other things, increased domestic and foreign institutional investor activity in the period preceding the Covid-19 pandemic. Among the cross listed counters, there was activity registered on Centum Investment Company Ltd.

At the end of the FY 2019/20, Uganda's equity turnover ratio stood at 0.6%. In comparison with other jurisdictions, there is still room for growth. At end of the FY 2019/20, Kenya's equity turnover ratio stood at 8% while Nigeria's stood at 7%.

Over the last five years, the total equity turnover at the USE has decreased by 9.3% on an annualized basis from UGX 188.2 billion in the FY 2015/16 to UGX 115.8 billion in the review period.

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

Counter	2015/16	2016/17	2017/18	2018/19	2019/20
BATU	8.8				
BOBU	1.8	0.43	3.4	2.4	0.2
CENT	0.005	0.005	0.04	0.001	0.01
CQCIL				0.4	0.1
DFCU	6.7	11.9	12.1	1.4	50.9
EABL		0.003	0.02		
KCB			0.005		
NIC	1.96	0.07	0.2	0.05	0.008
NMG	0.001				
NVL	0.48	0.06	0.03	0.03	0.01
SBU	19.3	21.2	11.4	20.4	33.1
UCHM			0.4	0.001	
UCL	0.15	0.39	0.4	0.9	0.2
UMEME	148.9	83.8	47.8	21.3	30.7
TOTAL	**188.2**	**117.9**	**75.8**	**46.9**	**115.4**

Source: USE market reports

Table XIV shows a breakdown of the buy side equity turnover at the USE during the financial year 2019/20 by broker. The top three trading members of the USE accounted for 96.6% of the total equity turnover during the financial year.

Table XIV: Equity Turnover by Broker (July 2019 - June 2020)

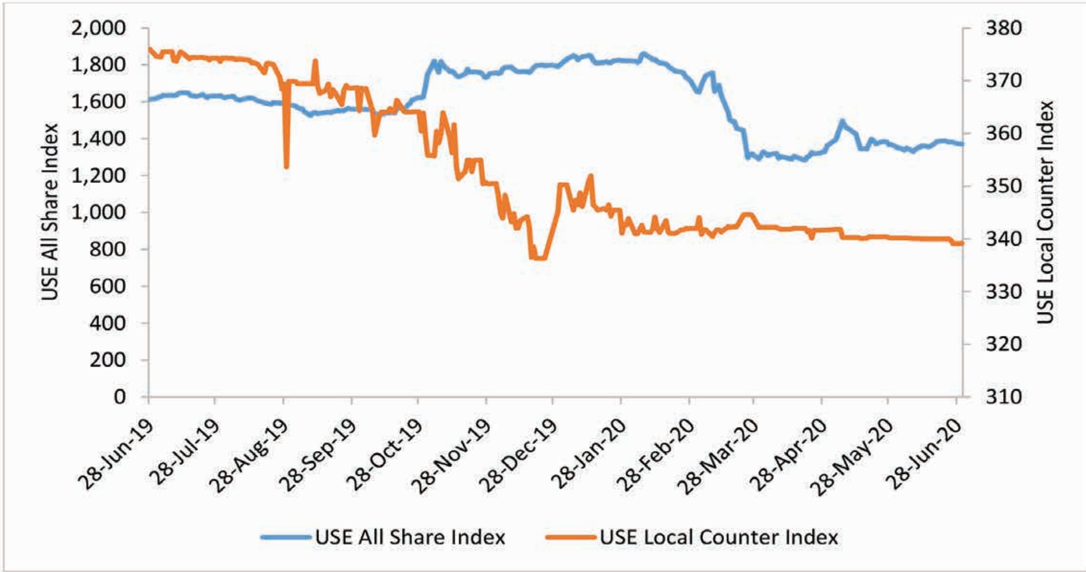
Broker	Turnover (UGX Billion)	Percentage (%)
Standard Bank Group Securities Limited	79.3	68.7
Crested Capital	19.3	16.7
Equity Stock Brokers Limited	12.9	11.1
UAP Financial Services Limited	2.9	2.6
Baroda Capital Markets Limited	0.6	0.6
Dyer and Blair Uganda Limited	0.3	0.3
Total	**115.4**	**100**

Source: Uganda Securities Exchange

3.3.3.3. Index Levels

The USE All Share Index (ALSI) shed 15.2% to close the financial year 2019/20 at 1,369.84 points from 1,614.82 points reported at the close of the financial year 2018/19. The ALSI declined on account of a fall in the share prices of all cross listed stocks and eight locally listed counters (UCL, CQCIL, NIC, UMEME, SBU, BOBU, NVL and DFCU). The USE Local Counter Index fell by 9.8% closing the financial year 2019/20 at 339.17 points from 375.97 points at the end of the FY 2018/19. This was mainly due to share prices losses registered on the following local listed counters: UCL (-40.55%), CQCIL (-37.5%), NIC (-30.77%), UMEME (-18.33%), SBU (-17.24%), BOBU (-14.55%), NVL (-4.55%), and DFCU (-3.73%).

Figure VII: USE All Share and USE Local Counter Index Levels (2019/20)



Source: USE market reports

3.3.3.4 Share Price Performance of Locally Listed Companies

All other locally listed counters registered share price losses except for British American Tobacco Uganda Limited whose share price remained unchanged to close the FY 2019/20 at UGX 30,000. Uganda Clays Limited posted the highest drop in price to close the FY 2019/20 at UGX 9 from UGX 15.1 at the start of the period under review, representing a drop of 40.6%.

Table XV: Price movements on the USE (2015/16 - 2019/20)[1]

Counter	2015/16	2016/17	2017/18	2018/19	2019/20	CAGR (%)
BATU	30,000	30,000	30,000	30,000	30,000	0
BOBU	142	108	150	128.73	110	-5
CQCIL				160	100	
DFCU	800	759	970	670	645	-4.2
NIC	12	12	18	13	9	-5.6
NVL	555	539	450	330	315	-10.7
SBU	26	27	32	29	24	-1.6
UCL	15	12	21.5	15.1	9	-9.7
UMEME	500	425	300	300	245	-13.3

Source: USE market reports

[1] Share price of locally listed counters at the end of each financial year

3.4 Performance of Locally Listed Companies

SBU registered the highest profit after tax of UGX 259 billion in 2019, followed by UMEME with UGX 139 billion. On the other hand, CQCIL registered the highest loss after tax of UGX 23.1 billion.

Table XVI: Summary of Full Year 2019 performance for Local Listed Companies (UGX Billion

	2019				2018			
Counter	Total Assets	Total Equity	Revenue	Net Profit	Total Assets	Total Equity	Reve-nue	Net Profit
BATU	67.9	43.9	164.3	15.7	58.7	40.6	154.1	13.7
BOBU	1,875.6	394.9	199.9	45.4	1,714.2	374.7	195.9	73.5
CQCIL	248.5	145.2	192.7	-23.1	287.9	168.3	195.1	6.8
DFCU	2,958.1	569.8	416.8	73.4	2,915.6	521.5	410.3	60.9
NIC	94.9	33.2	19.3	-2.7	100.9	35.6	15.3	-1.9
NVL	90	72.1	90.2	2.1	86.7	69.3	90.6	2.4
SBU	6,650.8	1,116.9	852.4	259.1	5,393.1	956.4	702.4	215.1
UCL	62.2	31.1	30.7	-0.1	65.2	32.1	30.1	1.9
UMEME	2,541.8	833.5	1,776.6	139.2	2,344.2	773.8	1,493.2	132.8

Source: Company Fillings, CMA Database

BATU recorded the highest Return on Equity[2] (ROE) of 35.7% in 2019 implying that the company's management is effectively using the company's equity to create returns for shareholders. On the other hand, CQCIL had the lowest Return on Equity of -15.9%.

Table XVII: ROE for Local Listed Companies (2015 - 2019)

Counter	2015	2016	2017	2018	2019
BATU	43.1	22.5	31	33.9	35.7
BOBU	18.6	17.8	14.9	19.6	11.5
CQCIL				4	-15.9
DFCU	16.4	18.2	20.1	11.7	12.9
NIC	5.7	2.7	9.1	-5.4	-8.3
NVL	9.5	8.5	0.02	3.5	2.9
SBU	27.7	26.7	22.9	22.5	23.2
UCL	-4.7	8.5	7.7	6.2	-0.3
UMEME	21	18.4	22.2	17.2	16.7

Source: Company Fillings, CMA Database

[2] Return on Equity is net income expressed as a percentage of total equity used to measure returns to shareholders

BATU had the highest Return on Assets[3] (ROA) of 23.1% in 2019 implying that the management is efficiently using its assets to generate earnings for providers of resources such as shareholders. CQCIL registered the lowest ROA of -9.3%.

Table XVIII: ROA for Local Listed Companies (2015 - 2019)

Counter	2015	2016	2017	2018	2019
BATU	27.9	14.2	21.9	23.4	23.1
BOBU	3.4	3.3	3.2	4.3	2.4
CQCIL				2.4	-9.3
DFCU	2.1	2.6	3.5	2.1	2.5
NIC	2	0.9	3.1	-1.9	-2.9
NVL	7.6	6.9	0.02	2.8	2.4
SBU	4	4.2	3.7	4	3.9
UCL	-1.9	3.6	3.6	3.1	-0.1
UMEME	5.9	5.4	6.2	5.7	5.5

Source: Company Fillings, CMA Database

BATU posted the highest Dividend per Share (DPS)[4] of UGX 320 in 2019. The table below shows DPS of Listed Companies over the last five years

Table XIX: DPS for Local Listed Companies (UGX, 2015 - 2019)

Counter	2015	2016	2017	2018	2019
BATU	413	159	246	280	320
BOBU	2.5	2.5	7.5	10	10
CQCIL				0	0
DFCU	21.73	25.19	68.24	33.01	40
NIC	1	1	1	0	0
NVL	50	50	0	25	25
SBU	0.78	1.17	1.76	1.9	2.15
UCL	0	1	1	1	0
UMEME	35.2	18.8	7.6	40.9	41.34

Source: Company Fillings, CMA Database

3.5 Government Bonds Performance

3.5.1 Primary Market Activity

Bank of Uganda issued a total of UGX 3.5 trillion in treasury bonds in the financial year 2019/20, 7.9% higher than UGX 3.3 trillion raised in the FY 2018/19.

The government paper that raised the most funds in the FY 2019/20 was the 10-year bond, taking up 27.5% of the total treasury bond issuances.

[3] Return on Assets is net income expressed as a percentage of total assets indicating how efficiently a company is using its assets to generate income.

[4] Dividend per Share is a sum of declared dividends issued by a company for every ordinary share outstanding

Table XX: Issuance by Security at Cost (UGX, Billion)

Maturity	2018/19	2019/20	Change (%)
2-Year	884.7	512.4	-42.1
3-Year	576.5	460.6	-20.1
5-Year	655.8	690.3	5.3
10-Year	569.9	968.4	69.9
15-Year	572.9	885.4	54.6
Total Bonds Issuance	**3,259.9**	**3,517**	**7.9**

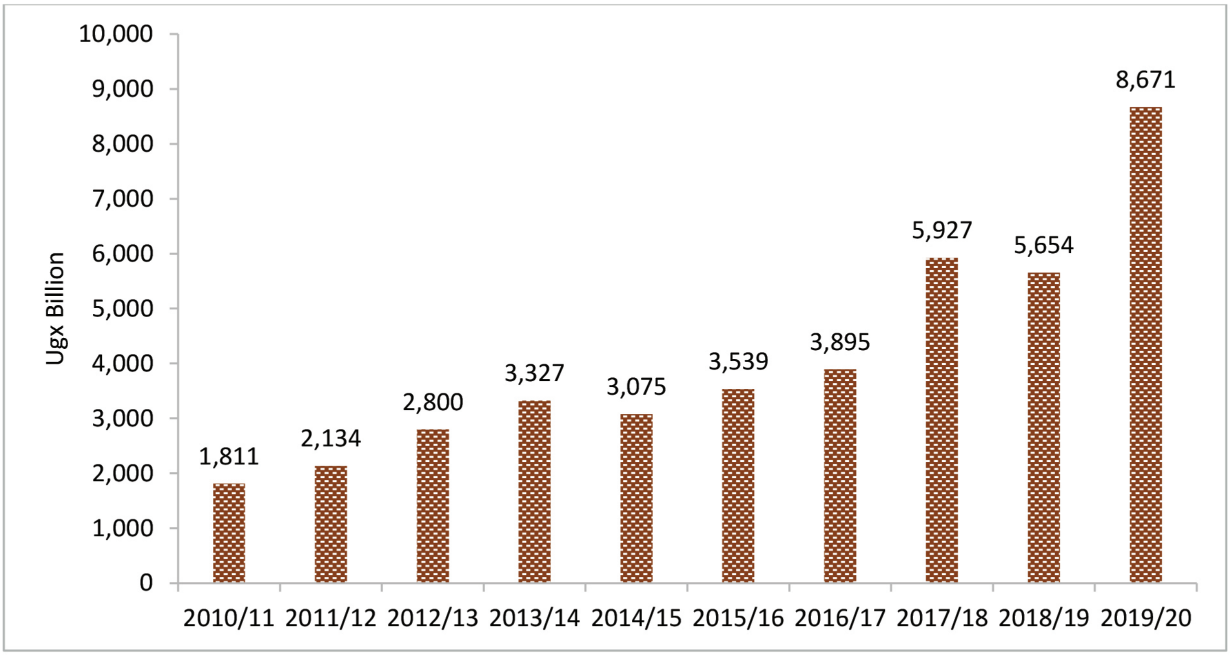
Source: Bank of Uganda, Ministry of Finance Planning and Economic Development

3.5.2 Secondary Market Activity

The value of government bonds traded in the secondary market, rose by 53.4% to UGX 8.7 trillion in the FY 2019/20 from to UGX 5.7 trillion in the FY 2018/19. Average monthly turnover also grew by 53.4% to UGX 722.6 billion in the financial year 2019/20 from UGX 471.1 billion previously. The increase in turnover can be attributed to among other things, the reduction in withholding tax on the 10-year and 15-year bonds from 20% to 10% during the FY 2019/20.

Over the last ten years, the government bond turnover on the secondary market has increased by 36.8% on an annualized basis, from UGX 1.8 trillion in the FY 2010/11 to UGX 8.7 trillion in the FY 2019/20.

Figure VIII: Secondary Market Trading for Government Bonds (2010/11 - 2019/20)



Source: Bank of Uganda Money Market Reports

At the end the FY 2019/20, government bond turnover ratio for Uganda stood at 62%. In comparison, Kenya had a bond turnover ratio of 26.2% in the same period.

Discussions are underway with Bank of Uganda and the treasury association to implement reforms in the bond market to increase secondary trading of Government and Corporate bonds. These include establishment of a bond market forum which will drive the reforms.

3.5.3 Treasury Bonds Yields

Yields on government bonds rose across all tenors during the FY 2019/20. Yields on the 2-year, 3-year, 5-year, 10-year and 15-year treasury bonds increased from an average of 13%, 13.2%, 15.1%, 14.3% and 14.4% in the first quarter of FY 2019/20 to average yields of 13.7%, 15.4%, 16.5%, 14.8% and 15.8% respectively in the last quarter of the period under review.

Table XXI: Quarterly Evolution of Yields on Treasury bonds (FY 2019/20)

Maturity	Jul - Sept	Oct - Dec	Jan - Mar	Apr - Jun
2-Year	13	13.6	14	13.7
3-Year	13.2	9.9	15.6	15.4
5-Year	15.1	16.5	-	16.5
10-Year	14.3	-	15.8	14.8
15-Year	14.4	15.3	15.2	15.8

Source: Bank of Uganda

An increase in yields is indicative of higher costs of borrowing for the government as investors demand for higher compensation for the various risks associated with holding long term fixed income securities.

3.6 Corporate Bond Performance

3.6.1 Corporate bond trading statistics

There was no trading activity in both the primary and secondary markets for corporate bonds at the USE in 2019/20.

There are currently two corporate bonds listed on the USE; African Development Bank and Kakira Sugar Limited Bond.

Table XXII: Corporate bonds listed at the USE since Inception

Issuer	Amount Raised (UGX Billion)	Tenor (Years)	Rate	Listing Date	Bond Status
East African Development Bank	10	4	182D Tbill+2%	Jan-98	Matured
Eastern & Southern Africa Trade & Development Bank	10.36	5	182D Tbill+1.75%	Mar-99	Matured
MTN (Tranche 1)	5	4	182D Tbill+1.75%	Aug-01	Matured
MTN (Tranche 2)	2.5	4	182D Tbill+1.75%	Nov-01	Matured
MTN (Tranche 3)	2	4	182D Tbill+1.75%	Dec-01	Matured
Uganda Telecom Limited	24	5	182D Tbill+1.65%	Sep-03	Matured
East African Development Bank	20	7	182D Tbill+0.75%	Dec-05	Redeemed
Standard Chartered Bank	6.4	10	182D Tbill+1.25%	Dec-06	Redeemed
Housing Finance Bank Limited	30	10	182D Tbill+2%	Jan-08	Matured
Stanbic Bank Uganda Limited	30	7	182D Tbill+1.5%	Dec-09	Redeemed
Eastern and Southern Africa Trade and Development Bank	8.5	7	182D Tbill+1.25%	Sep-09	Matured
Standard Chartered Bank	40	10	182D Tbill+1.25%	Dec-10	Matured
African Development Bank (Tranche 1)	12.5	10	12.61%	Aug-12	Active
African Development Bank (Tranche 2)	12.5	10	12.61%	Jun-13	Active
Kakira Sugar Limited	75.4	10	14.70%	Dec-13	Active

Source: Uganda Securities Exchange, CMA Database

4.0 Financial Performance and Position Overview

4.1 Consolidated Financial Position of Capital Markets Players During the Year ended December 31, 2019

4.1.1 Total Asset Base of Capital Markets Players

The total assets of the industry grew by 26.6% to UGX 31.7 billion in 2019 from UGX 25.1 billion in 2018.

The assets of Brokers/Dealers accounted for 41% of the total value of the consolidated industry balance sheet assets in 2019 followed by Fund Managers at 33%, Securities Exchange at 25% and Investment advisors at 0.5%.

4.2 Consolidated Financial Performance of Capital Markets Players During the Year ended December 31, 2019

4.2.1 Total Revenue of Capital Markets Players

The market players reported a 15.4% increase in total revenue to UGX 16.4 billion in 2019 from UGX 14.2 billion posted in 2018. Fund managers accounted for 43% of the industry revenue followed by Broker / Dealers at 38%, Securities Exchange at 18% and Investment Advisors at 0.8%.

Table XXIII: Revenue by Licence Category for Market Players (UGX Billion)

	2019	2018
Broker/Dealers	6.23	4.47
Fund Managers	7.06	6.82
Investment Advisors	0.13	0.005
Securities Exchanges	2.97	2.91
Total	**16.39**	**14.2**

Source: Company Fillings

A breakdown of the revenue by income category shows that the largest source of income for market players in 2019 was management fees which contributed 57.6% to the total industry revenue followed by Brokerage commission at 13% and Investment income at 11%.

Table XXIV: Distribution of Revenue by Income Category (UGX Billion)

	2019	2018	Change (%)
Advisory fees	0.93	0.93	0.2
Brokerage Commissions	2.17	1.48	46.1
Investment Income	1.85	1.89	-1.9
Listing fees	0.75	0.98	-23.6
Management fees	9.44	6.55	44.1
Other income	1.26	2.38	-47.2
Total	**16.39**	**14.2**	**15.4**

Source: Company Fillings

4.2.2 Total Costs of Capital Markets Players

Industry total costs rose by 5.4% to UGX 14.5 billion in 2019 from UGX 13.7 billion in 2018. The capital markets players had a total cost to income ratio of 0.9. Fund managers accounted for 48% of the total consolidated industry costs in 2019 followed by Broker / Dealers at 33%, Securities Exchange at 18% and Investment advisors at 1%.

Table XXV: Total Costs by Licence Category (UGX Billion)

	2019	2018
Broker/Dealers	4.82	3.54
Fund Managers	6.91	7.31
Investment Advisors	0.15	0.14
Securities Exchanges	2.57	2.71
Total	**14.45**	**13.7**

Source: Company Fillings

4.2.3 Total Profit/Loss after Tax of Capital Markets Players

The consolidated profit after tax for the industry fell by 22.6% to UGX 1.2 billion in 2019 from UGX 1.6 billion posted in 2018. The market players recorded a return on assets 3.8% in 2019 compared to 6.2% in 2018, indicating that market players are using resources less efficiently than previously.

Table XXVI: Profit after Tax and Return on Assets for Market Players

	2019	2018	Change (%)
Profit (UGX, Billion)	1.2	1.6	-22.6
Return on Assets (Percent)	3.8	6.2	-38.9

Source: Company Fillings

A further breakdown of the consolidated profit after tax by Licence Category revealed that Brokers/Dealers, the securities exchange and Fund managers registered profits in 2019.

Table XXVII: Total Profit after Tax by Licence Category in UGX Billion

	2019	2018	Change (%)
Broker/Dealer	0.82	1.73	-52.7
Fund Managers	0.01	-0.17	105.3
Investment Advisors	-0.02	-0.14	-85.5
Securities Exchanges	0.39	0.13	210
Total	**1.2**	**1.55**	**-22.6**

Source: Company Fillings

5.0 Performance of Regional Markets

5.1 Market Capitalization

Domestic market capitalization at the Nairobi Stock Exchange (NSE) declined by 7.7% to US$ 19.7 billion at the end of the review period, from US$ 21.3 billion at the end of 2018/19. This decrease in market capitalization was due to a fall in share prices as offshore investors exited owing to the Covid-19 pandemic. Domestic market capitalization at the Rwanda Stock Exchange (RSE) fell by 3.1% to US$ 0.33 billion at the end of the review period, from US$ 0.34 billion recorded at the close of 2018/19. The drop in market capitalization was driven by a fall in the share prices of Bank of Kigali and Bralirwa. On the other hand, domestic market capitalization at the Dar es Salaam Stock Exchange (DSE) closed higher at US$ 3.99 billion, from US$ 3.95 billion posted at the close of 2018/19, representing a gain of 0.8%. The increase in market capitalization is attributed to a gain in the share prices registered on three domestically listed counters CRDB Bank Plc, Vodacom Tanzania and Tanzania Portland Cement Company Limited.

Table XXVIII: Domestic Market Capitalization for Regional Markets (US $ billion)

Securities Exchange	2018/19	2019/20	Change (%)
USE	1.3	1.1	-13.1
NSE	21.3	19.7	-7.7
DSE	3.95	3.99	0.8
RSE	0.34	0.33	-3.1

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

5.2 Equity Turnover

Equity turnover at the Nairobi Stock Exchange (NSE) for the FY 2019/20 increased by 9.2% to US$ 1,485 million from US$ 1,359.8 million recorded in a similar period in 2018/19. The increase in turnover on the NSE was due to among other things, increased participation from local investors. Turnover at the Dar es Salaam Stock Exchange (DSE) during the financial year 2019/20 grew over 4 times to US$ 293.4 million from US$ 58.5 million recorded in 2018/19. The increase in turnover was driven by improved activity on Vodacom Tanzania Limited, NMB Bank and Tanzania Breweries counters in the period before the Covid-19 pandemic. On the other hand, turnover at the Rwanda Stock Exchange (RSE) fell by 48.2% to US$ 2.9 million from US$ 5.6 million recorded in 2018/19. The dip in market activity on the RSE can be attributed to among other things, low participation from both domestic investors and off-shore investors as a result of the Covid-19 pandemic.

Table XXIX: Market Turnover (in US $ million) for Regional Markets

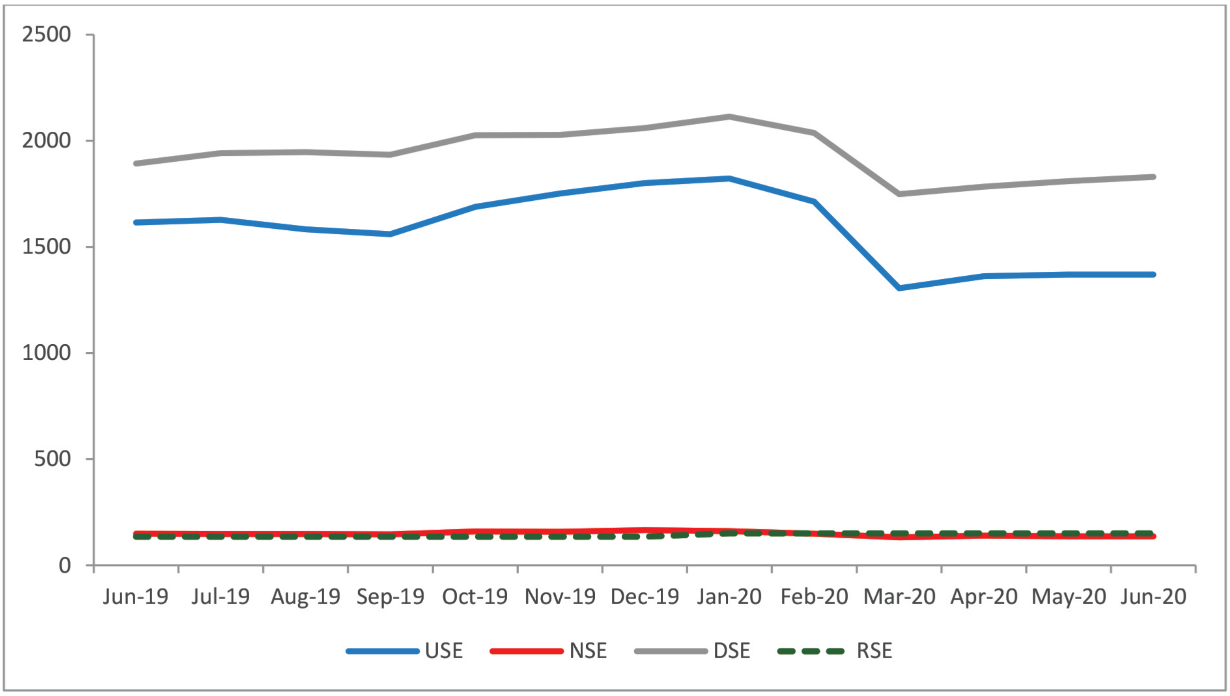
Securities Exchange	2015/16	2016/17	2017/18	2018/19	2019/20
USE	54.7	33.4	20.7	12.2	31.2
NSE	1,744.9	1,505.3	1,971.1	1,359.8	1,485
DSE	337.5	165.4	215.4	58.5	293.4
RSE	20.6	21.6	9.1	5.6	2.9

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

5.3 Index Levels

The NSE All Share Index was down 8%, closing the financial year 2019/20 at 137.68 points from 149.61 points at the end of a similar period in 2018/19. The DSE All Share Index shed 3.3%, closing the review period at 1,830.13 points from 1,892.27 points at the end of a similar period in 2018/19. On the other hand, the RSE All Share Index gained 10.3% to close the review period at 150.19 points from 136.19 points at the end of a similar period in 2018/19.

Figure IX: Trends in the USE All-share, RSE All-share, DSE All-share and NSE All-share Indices (June 2019 – June 2020)



Source: USE, RSE, DSE and NSE marker reports

6.0 Outlook

6.1 Economic Outlook

The International Monetary Funds' Regional Economic Outlook report for Sub-Saharan Africa published in October 2020 notes that the region is contending with an unprecedented health and economic crisis - one that, in just a few months, has jeopardized years of hard-won development gains and upended the lives and livelihoods of millions. The report projects that economic activity for the region will contract by -3% in 2020 and that for 2021, growth should recover modestly to 3.1%, but many countries including Uganda will not return to 2019 levels of output until 2022–24.

Bank of Uganda's Monetary Policy Statement for August 2020 notes that economic growth in Financial Year 2020/21 is projected in the range of 3-4%, further increasing to 5-6% in FY 2021/22. It further notes that economic growth is consequently expected to remain below the potential growth rate until FY 2022/23. The downside risks to the economic growth projection include the possibility of a widespread and possibly more severe second wave of the virus, requiring a complete lockdown, financial market volatility owing to either continued global economic weakness or the uncontrolled spread of the Covid-19 pandemic, and delay in recovery of private sector credit growth due to increasing Non-Performing Loans and relatively high lending rates.

6.2 Implications for Capital Markets

Equity markets are likely to come under pressure from muted participation by domestic and off-shore investors due to the economic uncertainty generated by the Covid-19 pandemic. It is too early to tell whether there will be a significant reduction in investor funds being professionally managed by CMA licenced investment firms. However, during uncertain economic times like these, investors usually seek to preserve their savings and capital hence turn assets like Collective Investment Schemes and Fixed Income instruments such as Government securities.

The tightening of lending requirements for business enterprises in spite of a fall in interest rates could create an opportunity for business enterprises to tap into market-based financing to raise capital from the pools of patient capital that exist regionally and globally. It is important to note that capital raised through the sale of shares can be used to refinance expensive debt, which has the immediate effect of boosting a business' profitability and its ability to pay dividends.

On a bright note, the Covid-19 pandemic could provide an opportunity for the digitalization of almost all aspects of life as we know it. The current crisis is expected to accelerate the pace at which economies such as Uganda embrace technology in providing day-to-day solutions. We are likely to witness the unprecedented uptake of online solutions in areas such as business, healthcare and education. In the capital markets space, digitalization of the fund-raising process is likely to become the new normal. We do anticipate that digital means such as equity and debt crowd funding will be utilised by those seeking to tap the public for sources of funding. The Authority is also expecting to digitalize service provision to ensure continuity of services and the safety of all stakeholders.

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 at the end of FY 2019/20.

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
Baraka Capital (U) Limited	Investment Adviser	Najeera 1, Busibanti Road, Muwamu Close P. O. Box 36307 Kampala, Uganda Tel: 0392-176927 Email: info@barakacapital.com	Mr. Davis Gathaara
Baroda Capital Markets Limited	Stock Broker, Investment Adviser	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, Investment Adviser	First Floor, Media Plaza Plot 78, Kira Road Tel: 0774997424 Email: jofbakka@gmail.com	Mr. Joseph Bakkabulindi
Blue Solitare 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

FIRM	LICENSE HELD	ADDRESS	CONTACT PERSON
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 Fax: 0414-230612 Email: info@crestedcapital.com	Mr. Robert Baldwin
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 Kakiza
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
GenAfrica Asset Managers Limited	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@genafrica.com	Mr. George Mulindwa
ICEA Asset Management (U) Limited	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
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
Pricewaterhouse Coopers 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

FIRM	LICENSE HELD	ADDRESS	CONTACT PERSON
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
Sanlam Investments East Africa Limited	Fund 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 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. Bethuel Karanja
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

cma

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