



UNIT TRUST MANAGERS' SURVEY REPORT

September 2019



Capital Markets Authority
Protecting Your Investments

UNIT TRUST MANAGERS' SURVEY REPORT



September 2019

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Acronyms

CMA	Capital Markets Authority
USE	Uganda Securities Exchange
BOU	Bank of Uganda
CIS	Collective Investment Schemes
AUM	Assets Under Management
GDP	Gross Domestic Product
MOU	Memorandum of Understanding

Definitions

Collective Investment Scheme – refers to an investment product which gives an investor the opportunity to pool savings with those of other investors, thereby creating a large pool of funds to be invested on their behalf by a professional manager.

Investor – refers to an individual, group of individuals or company with savings or money to invest in a CIS, such as a unit trust scheme.

Unit Trust Manager – refers to a licensed firm that markets and sells units to potential investors in a unit trust scheme. The role of the unit trust manager is to decide, within the rules of the trust (which are documented in a trust deed) and the various regulations, which investments are included within the unit trust. This will include deciding what to buy and when to buy it, as well as what to sell and when to sell it.

Trustee – refers to an entity responsible company responsible for overseeing the assets of the of a unit trust scheme. The trustee is essentially the legal owner of the scheme's assets. The primary duty of the trustee is to protect the interests of the unit trust investors by ensuring that the Unit Trust Manager is performing its duties in accordance with the CIS Act and is investing the funds in accordance with the prescribed investment policy of the unit trust fund. Trustees are normally financial institutions such as banks and insurance companies.

Trust Deed – refers to a legal document that creates a trust, giving the trustee the responsibility to oversee assets for the benefit of the investors / beneficiaries. A unit trust scheme is established by a trust deed between the unit trust manager and a trustee.

Custodian – refers to the company responsible for holding and keeping safe custody of unit trust investors' funds. Custodians are normally financial institutions such as banks.

Money Market Fund – a fund solely containing short term interest bearing investments of 36 months and less.

Balanced Fund – a fund containing a mix of short term and long term interest bearing investments and also equities.

Umbrella Fund – a fund comprising of a mix of short term and long term interest bearing investments, and is usually suited for pensioners.

Equity fund – This fund comprises of investments in only shares.

EXECUTIVE SUMMARY

Following the enactment of the Collective Investment Scheme Act in 2003, Collective Investment Schemes (CIS) were established in Uganda. There are currently 5 licensed unit trust managers in Uganda. The CIS industry has significantly grown over the last 6 years. Assets Under Management (AUM) increased from US\$ 0.42 million (UGX 1,559 million) as at end of December 2013 to US\$ 47.1 million (UGX 173,517 million) as at end of June 2019¹. This represents 0.16 percent of Uganda's Gross Domestic Product. Despite the growth seen over the last 6 years, the size of the Ugandan CIS industry remains small compared to CIS industries in other African markets.

a) CHARACTERISTICS OF THE SIZE OF THE CIS INDUSTRY

The total AUM of Unit Trust managers surveyed as at end of May 2019 stood at Ugx 157 billion. UAP had the biggest market share with a total of Ugx 119.4 Billion in AUM, representing 75.8 percent of the total AUM held by unit trust managers. A breakdown of AUM by fund type indicates that umbrella funds had Ugx 117.4 billion in AUM, representing 74 percent of the total AUM held by Unit Trust managers. Local individuals were the dominant investor type accounting for 85% to the total AUM.

There were a total of 5,037 investor accounts as at end of May 2019 held by the 4 Unit Trust managers surveyed, with 90.4% being held by local individuals. UAP had the biggest market share with a total of 2,232 accounts, representing 44.3 percent of the total accounts held by Unit Trust managers.

All of the Unit Trust managers surveyed had a parent company. Three quarters of the Unit Trust managers surveyed have parent companies that conduct insurance business. One Unit Trust manager (Stanlib) indicated that its parent company conducts both insurance and banking business.

The Unit Trust managers surveyed had a total number of 50 employees. Nearly half of total employees (48%) carry out sales and business development functions.

b) FACTORS AFFECTING THE GROWTH OF THE CIS INDUSTRY

The Unit Trust managers surveyed indicated that the major reasons for the continued low demand for CISs in Uganda are the lack of financial literacy among the population and the low level of public awareness. This is despite the public education programs run by the CMA and Unit Trust managers at organizational level.

Majority of Unit Trust managers surveyed rely on their in-house sales teams to attract new clients, even though some Unit Trust managers also use other distribution channels such as third-party independent

¹ CMA Market Supervision Department

financial advisors and parent company third-party sales agents. The heavy reliance on the in-house sales teams limits the reach of Unit Trust managers, while third party distribution agents such as investment advisory firms, brokerage firms and banks are underutilized.

Three quarters of the respondents had advertised in 2018, focusing on brand awareness and also creating public awareness about the CIS. However, there needs to be more advertising in order to increase the level of public awareness about CISs in Uganda.

c) ASSESEMENT OF CHALLENGES FACED BY THE UNIT TRUST MANAGERS

Three quarters of the respondents indicated that the major challenge when investing CIS assets was the lack of new listings of equities and corporate bonds. Half of the respondents had experienced human resource related challenges, such as: limited industry knowledge on the CIS products; high turnover of staff, because of competition from other market players; and mis-selling of CIS products by the sales agents, especially in regards to inflating expected returns to clients.

Unit Trust Managers surveyed indicated that costs are a major challenge for them, especially because they prevent them from paying higher commissions to their sales agents. The common cost drivers are audit fees, maintaining distribution channels, advertising, and administration expenses, most of which are largely fixed costs.

d) OTHER INDUSTRY ASPECTS SURVEYED

Towards the end of 2018, Unit Trust managers agreed to set up an association, separate from the association of fund managers due to among other things, the difference in products offered and delivery mechanisms of the products. Unit Trust managers expect the following benefits from the formation of a Unit Trust Managers' Association: collective sensitization/ awareness programs; setting minimum standards and ensuring adherence to high ethical standards; agreeing on minimum fees although price-fixing is an anti-competitive behavior and should therefore be prohibited by the CMA; and providing a common voice on issues affecting Unit Trust managers including the lobbying of the regulator and government.

e) RECOMMENDATIONS

From the issues that emerged, a number of recommendations were made including:

- i) Slow uptake of CIS in Uganda
A coordinated approach should be taken on financial literacy and public education programs by regulators and industry bodies, develop of a comprehensive marketing strategy for the CIS industry and publish CIS industry updates and unit trust prices in print media.

ii) Distribution Channels

Unit Trust managers should review their cost and fee structures in order to be able to offer higher commissions to their sales teams and also establish of strategic distribution alliances with third-party distributors such as stockbrokers, banks, investment advisory firms and insurance companies.

iii) Challenges with investing CIS funds

CMA should enhance the current Issuer Education Program with the establishment of a Deal Flow Facility in order to address the lack of new listings for both equities and corporate bonds and also ensure that the companies which signed agreements mandating them to list as part of their privatization do so.

iv) Regulatory Matters

The CMA should review the requirement for each unit trust fund to be licensed separately, promptly respond to queries raised by the Unit Trust managers, build capacity of Unit Trust managers, trustees and custodians through a training on the CIS Act and also publish CIS industry updates such as AUM per Unit Trust manager.

1.0 INTRODUCTION

1.1 Background of the Survey

Following the enactment of the CIS Act in 2003, CISs were established in Uganda. There are currently 5 licensed Unit Trust managers in Uganda; ICEA Asset Management Uganda Limited, UAP Old Mutual Financial Services Uganda Limited, XENO Investment Management Limited, STANLIB Uganda Limited and Britam Asset Managers Company Uganda Limited.

The CIS industry has significantly grown over the last 6 years. Assets Under Management increased from US\$ 0.42 million (UGX 1,559 million) as at end of December 2013 to US\$ 47.1 million (UGX 173,517 million) as at end of June 2019. This represents 0.16 percent of Uganda's Gross Domestic Product.² Despite the growth seen over the last 6 years, the size of the Ugandan CIS industry remains small compared to CIS industries in other African markets. In Africa, South Africa has the largest CIS industry with AUM of US\$ 181,762 million, while in the East African region, Kenya leads with AUM of US\$ 603.96 million.³

The growth of the CIS industry is part of the Capital Markets Development Master Plan⁴ as stated in recommendation 25 which seeks to address the constraints to CIS development. As part of the implementation of this recommendation, CMA, working together with the unit trust managers has been engaged in different initiatives that include among others:

- i) Market forums which provide a platform for sharing best practice with CIS Managers and also presents them an opportunity to air out areas of concern to the regulator;
- ii) Public education campaigns aimed at sensitizing the public on saving and investing in CIS; and
- iii) Training aimed at building the capacity of market intermediaries.

To enable CMA, further contribute to development of the CIS industry, the Authority undertook a survey to assess the factors affecting the growth of the CIS industry and the challenges faced by the Unit Trust managers. It is envisaged that the data collected from the survey will inform further intervention measures aimed at enhancing growth of the CIS industry.

² CMA Market Supervision Department

³ http://www.icifactbook.org/deployedfiles/FactBook/Site%20Properties/pdf/2018/2018_factbook.pdf

⁴ The Capital Markets Development Master Plan, launch on 15th June 2017, is a transformative plan that seeks to chart the strategic positioning and future direction of Uganda's capital markets with the view to grow the markets and attract more international capital to meet the financing needs of the economy.

1.2 Objectives of the Survey

The CMA undertook a survey that specifically sought to:

- i) Assess the characteristics and size of the CIS industry;
- ii) Assess the factors affecting the growth of the CIS industry; and
- iii) Assess the challenges faced by the Unit Trust managers.

1.3 Methodology

A questionnaire with a combination of both structured and unstructured questions was circulated via e-mail to four of the five Unit Trust Managers during the month of June 2019. The fifth manager declined to participate as the manager is not yet fully operational. Follow up interviews were held at the offices of the four Unit Trust managers. Questionnaires were analyzed by the Research and Market Development Department of the Capital Markets Authority Uganda and report prepared.

2.0 FINDINGS

2.1 Response Rate

A total of 4 survey questionnaires were circulated to the Unit Trust managers (ICEA Asset Management Uganda Limited, UAP Old Mutual Financial Services Uganda Limited, XENO Investment Management Limited and STANLIB Uganda Limited). A total of 4 responses were obtained, translating to a response rate of 100%.

a) INDUSTRY CHARACTERISTICS AND SIZE

2.2 Breakdown of the Unit Trust Managers' AUM as at End of May 2019

The total AUM of Unit Trust managers surveyed as at end of May 2019 stood at Ugx 157 billion. UAP had the largest market share with a total of Ugx 119.4 Billion in AUM, representing 75.8 percent of the total AUM.

Table 1: Breakdown of the Unit Trust Managers' AUM as at End of May 2019

	Unit Trust manager	AUM (UGX billions)	Percentage
1	UAP	119.4	75.76
2	ICEA	12	7.61
3	Stanlib	21	13.32
4	XENO	5.2	3.3
	Total	157.6	100

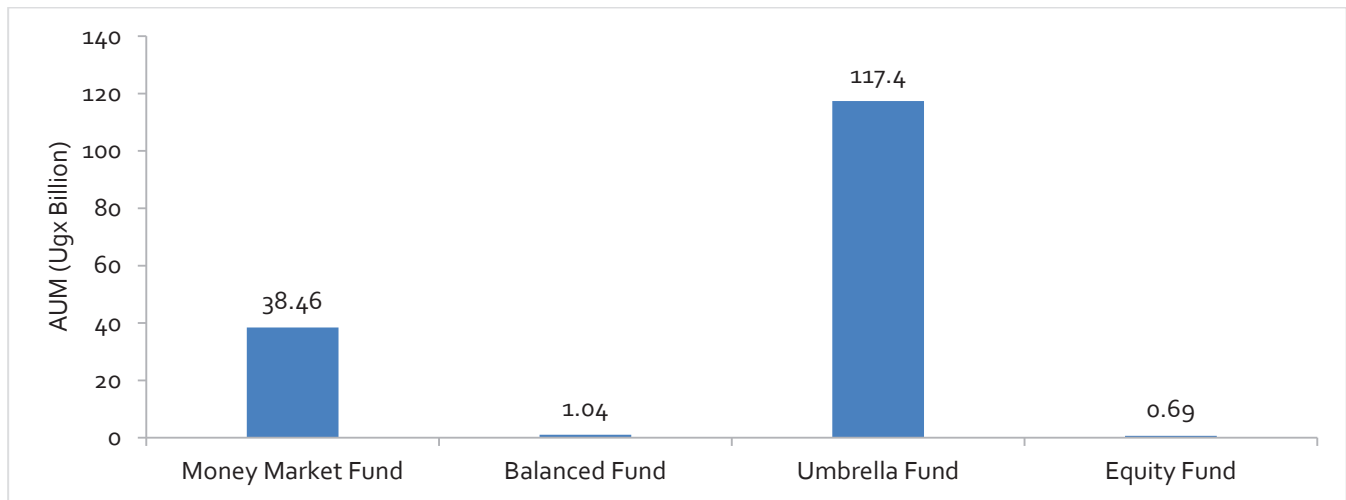
Source: Survey Findings

2.2.1 Breakdown of the AUM per Unit Trust Fund⁵

The Umbrella fund had a total of Ugx 117.4 billion in AUM, representing 74 percent of the total AUM held by Unit Trust managers.

⁵ The Money Market Fund comprises of short term interest bearing investments of 36 months and less; The Balanced Fund comprises of a mix of short term and long term interest bearing investments and also equities; The Umbrella Fund comprises of a mix of short term and long term interest bearing investments, is usually suited for pensioners; and The Equity fund comprises of investments in only shares.

Figure 1: Breakdown of the AUM by Unit Trust Fund

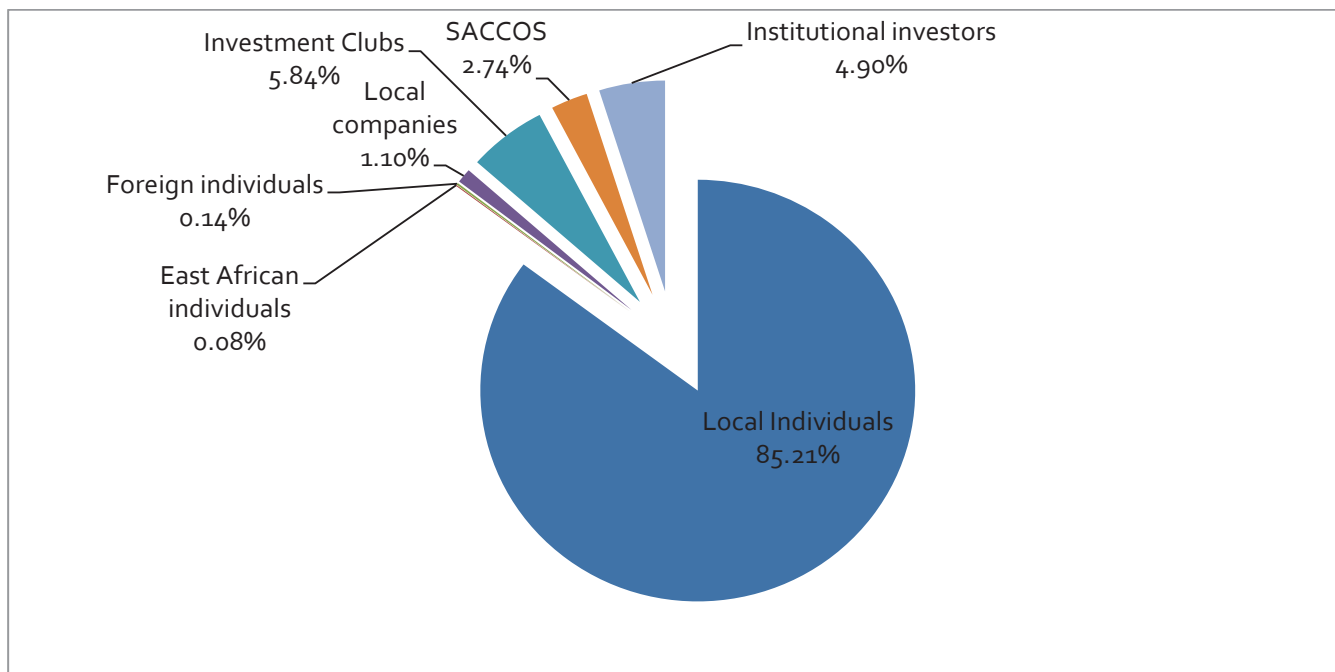


Source: Survey Findings

2.2.2 Breakdown of AUM by Investor Category

The total AUM of Unit Trust managers surveyed as at end of May 2019 stood at Ugx 157 billion, with local individuals being the dominant investor type contributing 85% to the total AUM.

Figure 2: Breakdown of AUM by Investor Category

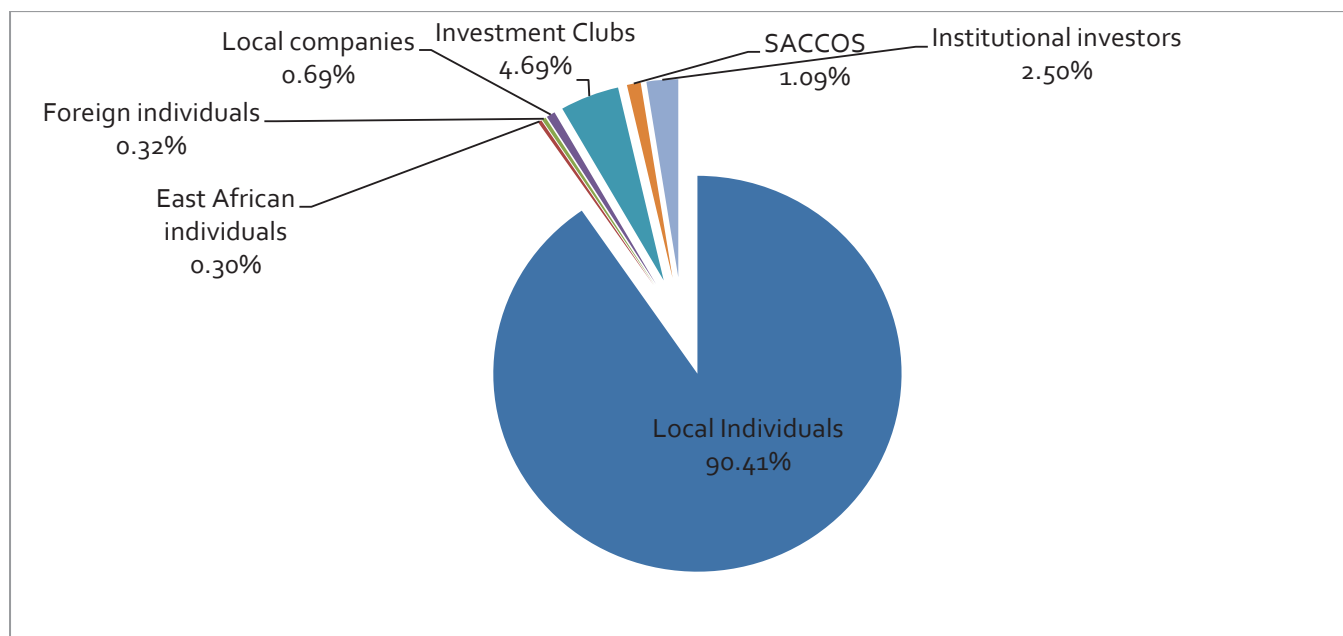


Source: Survey Findings

2.3 Breakdown of the Number of Investor Accounts held by Unit Trust Managers

There was a total of 5,037 investor accounts in the CIS industry, as at the end of May 2019. The lion's share of accounts (90.4%) were held by local individuals.

Figure 3: Breakdown of the CIS Investor Accounts



Source: Survey Findings

2.3.1 Breakdown of the CIS Investor Accounts per Unit Trust Manager

UAP had the biggest market share with a total of 2,232 accounts, representing 44.3 percent of the total accounts held by Unit Trust managers.

Table 2: Breakdown of the CIS Investor Accounts per Unit Trust Manager

	Unit Trust manager	Number of Investor Accounts	Percentage
1	UAP	2,232	44.31
2	ICEA	1,031	20.47
3	Stanlib	1,162	23.07
4	XENO	612	12.15
	Total	5,037	100

Source: Survey Findings

2.4 Parent Companies

All of the Unit Trust managers surveyed had a parent company. Three quarters of the Unit Trust managers surveyed had parent companies that conduct insurance business. One Unit Trust manager (Stanlib) indicated that its parent company conducts both insurance and banking business.

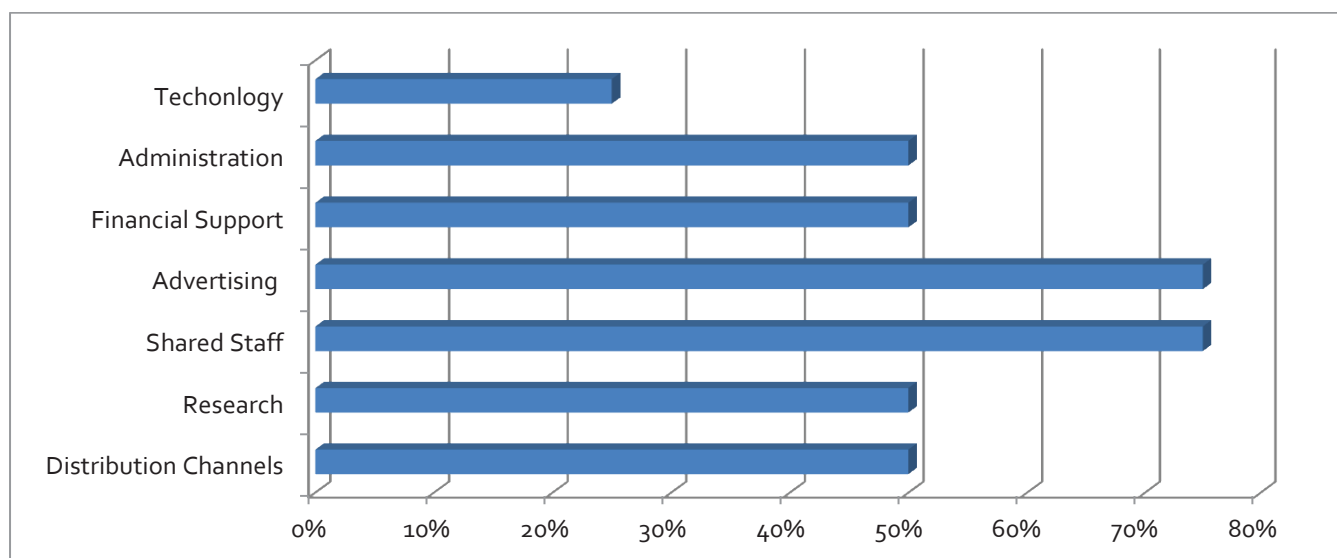
Table 3: Type of Business Conducted by the Parent Company

	Business Type	Respondents (%)
1	Insurance	75
2	Insurance and banking	25

Source: Survey findings

Three quarters of respondents reported that they leverage the relationship with their parent companies through advertising and shared staff.

Figure 4: How Unit Trust Managers Leverage the Relationship with their Parent Companies



Source: Survey findings

2.5 Employee Breakdown

The Unit Trust managers surveyed had a total number of 50 employees. Nearly half of total employees (48%) carry out sales and business development functions.

Table 4: Employee Breakdown

	Function	Number of Employees
1	Sales and Business Development	24
2	Administration	7
3	Investment and Research	7
4	Finance	5
5	Technology and Product Development	4
6	Operations	2
7	Legal and Compliance	1

Source: Survey findings

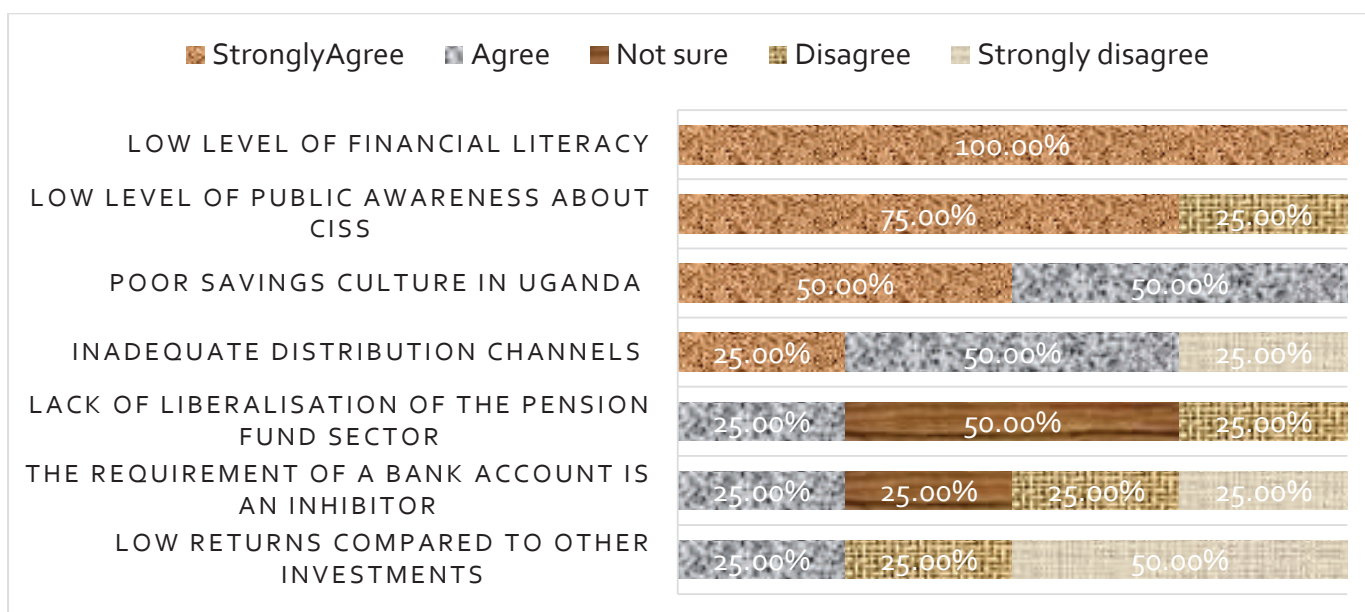
b) FACTORS AFFECTING GROWTH OF THE CIS INDUSTRY

2.6 Demand for /Distribution of CISs

2.6.1 Slow Uptake of CISs in Uganda

Unit Trust managers surveyed stated that the major reasons for the continued low uptake for CISs in Uganda are the low level of financial literacy among the population and the low level of public awareness about CISs. This is despite the public education programs run by the CMA and the Unit Trust managers at organizational level.

Figure 5: Contributors to the Slow Uptake of CISs in Uganda



Source: Survey findings

2.6.2 Distribution Channels Used by Unit Trust managers

All Unit Trust managers surveyed, had in-house sales teams that are remunerated with a retainer and a commission. These individuals have sales targets and are trained to be conversant with selling CIS products. Three quarters (75%) of the Unit Trust managers surveyed use third-party independent financial advisors who usually don't have sales targets and receive commissions.

The heavy reliance on the in-house sales teams limits the reach of Unit Trust managers, while third party distribution agents such as investment advisory firms and banks are sparingly used. None of the respondents indicted using brokerage firms as a distribution channel.

Table 5: Distribution Channels Currently Being Used by Unit Trust Managers

	Distribution Channel	Respondents (%)
1	In-house sales team	100
2	Third-party independent financial advisors	75
3	Parent company third-party sales agents	50
4	Third-party investment advisory firms and banks	25
5	Parent company in-house sales team	25

Source: Survey findings

The Unit Trust managers with parent companies that conduct insurance business indicated that the parent company sales agents prefer selling insurance products since the commission earned is significantly higher (around 40% of the premium) than that for CIS products, which is between 20 and 35 percent of the 2% annual management fees.

One Unit Trust manager indicated having an advisory Memorandums of Understanding (MoU) with a number of banks to attract banking clients to CIS products. The MoU specifically provides for the Unit Trust manager to help build capacity of investment clubs by sensitizing them on the different investment options available within the capital markets. Although the conversion rate for the clubs is between 10 to 20 percent, the Unit Trust manager has been able to attract individual members of the investment clubs to invest in CISs, making banks a viable partner for distribution of CIS products.

The cross-selling of CIS products by one respondent through a bank branch had failed as the bank felt that the Unit Trust manager was tapping into the bank's fixed deposit business. Nevertheless, if the right incentives are given, partnerships between banks and Unit Trust managers to distribute CISs could work and Unit Trust managers should explore this option further.

Half of the Unit Trust managers surveyed were able to provide detailed information on the amount of business attracted through the different distribution channels. In 2018 a total 1,410 clients were signed up through the different distribution channels (see table 4). A total of 58% of new clients were signed up by the in-house sales team.

Table 6: Clients from the Different Distribution Channels in 2018

	Category	Number of Clients	Percentage
1	In-house sales team	826	58.58
2	Parent company in-house sales team	95	6.74
3	Parent company third-party sales team	152	10.78
4	Third-party investment advisory firms	2	0.14
5	Third-party independent financial advisors	315	22.34
	Total	1,410	100

Source: Survey findings

2.6.3 Advertising

Three quarters of Unit Trust managers surveyed indicated that they had advertised in 2018. Unit Trust managers had advertised using television, print media, billboards, radio or social media in 2018. The advertising done by the Unit Trust managers focused not only on brand awareness, but also creating public awareness about CISs which was largely seen as successful. All the Unit Trust managers plan on advertising in 2019.

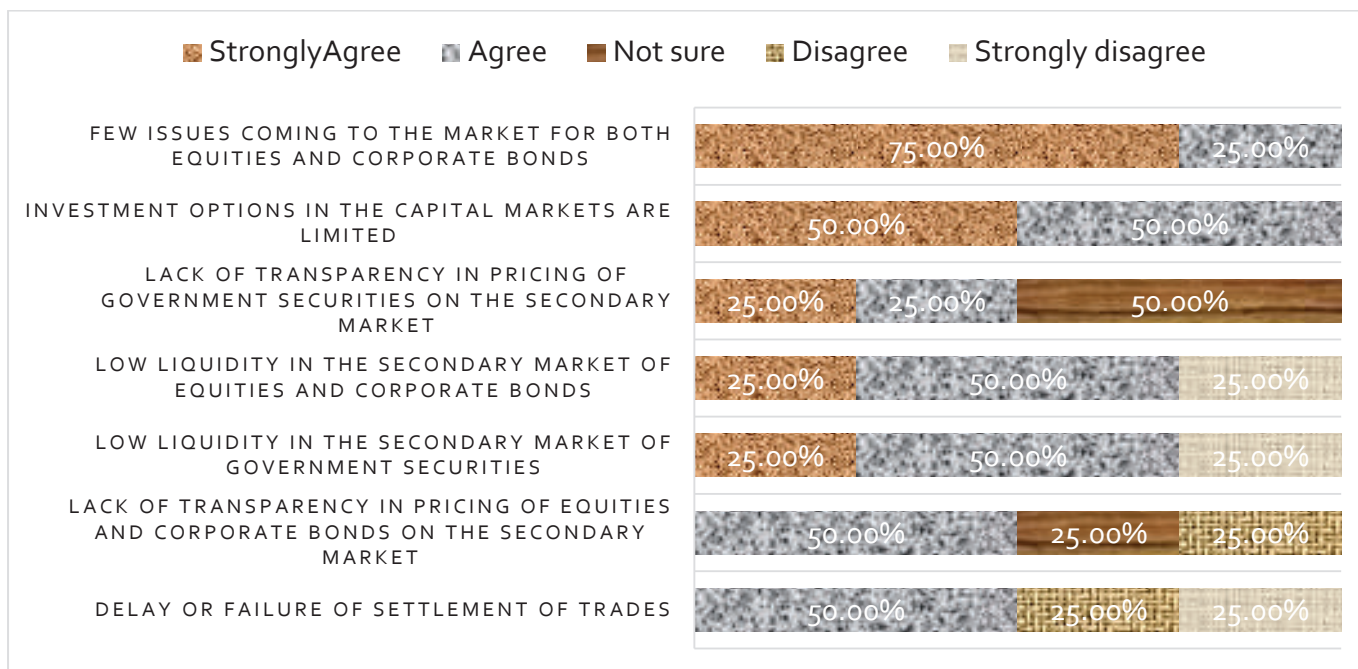
c) ASSESSMENT OF CHALLENGES FACED BY THE UNIT TRUST MANAGERS

2.7 Management and Investment of CIS fund Assets

2.7.1 Challenges Experienced while Investing CIS fund Assets

Three quarters of the respondents indicated that the major challenge when investing CIS funds was the lack of new listings of equities and corporate bonds. The only listing on the Uganda Securities Exchange since UMEME's IPO in 2012 was Cipla in 2018, bringing the total number of listed companies to 17. There are currently two listed corporate bonds. In contrast, government securities auctions occur every two weeks, explaining the large portion of AUM held in the money market funds and the umbrella fund.

Figure 6: Challenges Experienced while Investing CIS Fund Assets



Source: Survey findings

Half of the Unit Trust managers surveyed also agreed that the lack of price transparency in the secondary market for government securities is a challenge as yields traded on the secondary market often differ from the yields quoted by the Bank of Uganda (BoU) at the end of the day. This has also caused challenges in marking their portfolios to market.

2.8 Internal Management of the Unit Trust Managers

2.8.1 Human Resource Challenges

Respondents were asked to highlight human resource related challenges. Key challenges highlighted include:

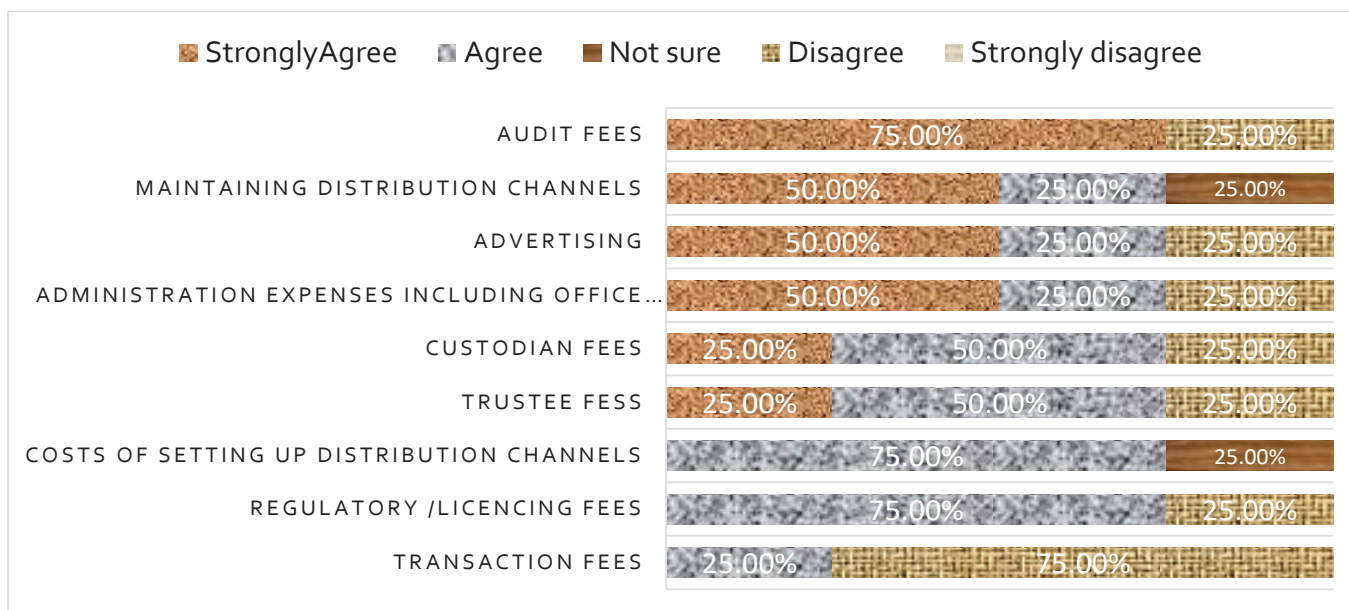
- i) Limited industry knowledge on the CIS products by staff;
- ii) High turnover of staff (especially for the sales staff and agents) because of competition from other market players; and
- iii) Mis-selling of CIS products by the sales agents, especially in regards to inflating expected returns to clients.

2.8.2 Cost Drivers for the CIS Industry

Unit Trust managers surveyed indicated that costs are a major challenge for them, especially because they prevent them from paying higher commissions to their sales agents. The common cost drivers are audit

fees, maintaining distribution channels, advertising, and administration expenses, most of which are largely fixed costs.

Figure 7: Cost Drivers for the Business



Source: Survey findings

2.8.3 Management fees

The survey reviewed the quotation of management fees among CIS managers. The survey established that there is no consistent method across the industry for quoting management fees, as some Unit Trust managers include trustee, custodian and audit fees as part of their 2% annual management fees, while other Unit Trust managers exclude the trustee, custodian and audit fees from the annual management fee, allowing them to offer higher commissions to their sales agents.

One Unit Trust manager that charges clients trustee and custodian fees separately from the 2% annual management fees, is able to pay its agents higher commissions attracting significant amount of business through its third party sales team. Unit Trust managers could review their cost and fee structures to charge their clients trustee and custodian fees separately from the 2% annual management fees in order to be able to offer higher commissions to their sales teams.

d) OTHER INDUSTRY ASPECTS SURVEYED

2.9 Unit Trust Managers' Association

Towards the end of 2018, Unit Trust managers agreed to set up an association, separate from the association of fund managers due to among other things, the difference in products offered and delivery

mechanisms of the products. The Unit Trust managers surveyed expect the following benefits from formation of the Unit Trust Managers' Association:

- i) Collective sensitization/ awareness programs;
- ii) Setting minimum standards and ensuring adherence to high ethical standards;
- iii) Agreeing on minimum fees although price-fixing is an anti-competitive behavior; and
- iv) Providing a common voice on issues affecting Unit Trust managers including the lobbying of the regulator and government.

The respondents indicated that CMA can support the Unit Trust Managers' Association in a number of ways that include:

- i) Organizing specialized trainings to build capacities of intermediaries;
- ii) Listening in and working closely with Unit Trust managers; and
- iii) Benchmarking with other associations in other countries.

3.0 Improving the CIS Industry

The following are suggestions from the Unit Trust managers surveyed on how to improve the CIS industry:

- i) Promoting investor education and public awareness;
- ii) The need for CMA to be more visible and assertive in its regulatory role;
- iii) The Uganda Securities Exchange to distribute market data for free as opposed to selling it to market players; and
- iv) Carrying out countrywide financial education campaigns.

4.0 RECOMMENDATIONS

From the analysis of data, a number of issues emerged and recommendations to address them have been generated as shown in table 8.

Table 7: Issues and Recommendations

Issue	Recommendation
Slow uptake of CIS in Uganda	<p>i. CMA’s public education program should continue to focus on creating awareness of CIS products and a coordinated approach should be taken on public education programs by financial sector regulators and industry bodies.</p> <p>ii. The Unit Trust managers in coordination with the CMA should develop a comprehensive marketing strategy for the CIS industry.</p> <p>iii. Publication of CIS industry updates and unit trust prices in print media by Unit Trust managers with the help of CMA as a way of increasing awareness and encouraging more Ugandans to invest in CISs.</p>
Distribution channels	<p>i. Unit Trust managers should review their cost and fee structures in order to be able to offer higher commissions to their sales agents so as to grow their AUM.</p> <p>ii. Unit Trust managers should establish strategic distribution alliances with third-party distributors such as stockbrokers, banks, investment advisory firms and insurance companies. Unit Trust managers should explore the option of using banks as partners for distribution of CIS products as this would allow Unit Trust managers to significantly widen their reach by tapping into the established banking network and client base.</p>
Challenges with investing CIS funds	<p>i. CMA should enhance the current Issuer Education Program to address the lack of new listings for both equities and corporate bonds. This will provide impetus for creation of more equity funds.</p> <p>ii. To counter the lack of new listings for equities, CMA should ensure that the companies which signed agreements mandating them to list as part of their privatization do so.</p> <p>iii. Continued reforms in the trading of government securities including pre and post trade pricing and the trading of government securities on the Uganda Securities Exchange.</p>
Cost drivers for the business	<p>i. Unit Trust managers should increase their AUM in order to</p>

	allow them to benefit from economies of scale.
Regulatory Matters	<p>i. The CMA should review the requirement for each unit trust fund to be licensed separately.</p> <p>ii. CMA should continue to engage more often and effectively with Unit Trust managers.</p> <p>iii. There is need for improvement of capacity building of Unit Trust managers, trustees and custodians as this is key to the successful growth of the industry and especially a training on the CIS Act should be organized by CMA.</p> <p>iv. CMA should publish CIS industry updates such as AUM per Unit Trust manager.</p>
The proposed Unit Trust Managers' Association	i. Ensure that the Unit Trust Managers' Association is set up by the Unit Trust managers.

Annex 1: Accounts per Unit Trust Manager by Investor Category

Table A 1: Number of Unit Trust Investor Accounts for UAP by Investor Category

	Category	Money Market Fund	Balanced Fund	Umbrella Fund ⁶
1	Local Individuals	51	21	1,833
2	East African individuals	-	-	15
3	Foreign individuals	-	-	16
4	Local companies	-	-	-
5	Investment Clubs	2	1	137
6	SACCOS	-	-	31
7	Institutional investors	8	2	115
	Total	61	24	2,147

Source: Survey Findings

Table A 2: Number of Unit Trust Investor Accounts for ICEA by Investor Category

	Category	Money Market Fund	Balanced Fund
1	Local Individuals	879	87
2	East African individuals	-	-
3	Foreign individuals	-	-
4	Local companies	21	4
5	Investment Clubs	31	-
6	SACCOS	9	-
7	Institutional investors	-	-
	Total	940	92

Source: Survey Findings

Table A 3: Number of Unit Trust Investor Accounts for Stanlib by Investor Category

	Category	Money Market Fund	Fixed Income Fund
1	Local Individuals	1,077	45
2	East African individuals	-	-
3	Foreign individuals	-	-
4	Local companies	10	-
5	Investment Clubs	20	-
6	SACCOS	10	-
7	Institutional investors	-	-
	Total	1,117	45

Source: Survey Findings

⁶ The Umbrella Fund invests in fixed income instruments in East Africa.

Table A 4: Number of Unit Trust Investor Accounts for XENO⁷ by Investor Category

	Category	Number of Investors
1	Local Individuals	561
2	East African individuals	-
3	Foreign individuals	-
4	Local companies	-
5	Investment Clubs	45
6	SACCOS	5
7	Institutional investors	2
	Total	611

Source: Survey Findings

⁷ Xeno does not have the breakdown between the different funds, largely because most clients have investments in several unit trust funds.

Annex 2: AUM by Investor Category for each Unit Trust Manager

Table A 5: AUM for UAP (UGX billions) by Investor Category

	Category	Money Market Fund	Balanced Fund	Umbrella Fund
1	Local Individuals	7.03	0.51	94.87
2	East African individuals	-	-	0.12
3	Foreign individuals	-	-	0.22
4	Local companies	-	-	-
5	Investment Clubs	0.28	0.02	7.05
6	SACCOS	-	-	1.59
7	Institutional investors	1.10	0.05	6.56
	Total	8.41	0.58	110.41

Source: Survey Findings

Table A 6: AUM for ICEA (UGX billions) by Investor Category

	Category	Money Market Fund	Balanced Fund
1	Local Individuals	8.87	0.16
2	East African individuals	-	-
3	Foreign individuals	-	-
4	Local companies	1.11	0.12
5	Investment Clubs	0.39	0.18
6	SACCOS	1.19	-
7	Institutional investors	-	-
	Total	11.56	0.46

Source: Survey Findings

Table A 7: AUM for Stanlib (UGX billions) by Investor Category

	Category	Money Market Fund	Fixed Income Fund
1	Local Individuals	14.9	3.1
2	East African individuals	-	-
3	Foreign individuals	-	-
4	Local companies	0.5	-
5	Investment Clubs	1	-
6	SACCOS	1.5	-
7	Institutional investors	-	-
	Total	17.9	3.1

Source: Survey Findings

Table A 8: AUM for XENO (UGX billions) by Investor Category

	Category	Money Market Fund	Bond Fund	Domestic Equity	Regional Equity
1	Local Individuals	0.54	3.57	0.27	0.35
2	East African individuals	-	-	-	-
3	Foreign individuals	-	-	-	-
4	Local companies	-	-	-	-
5	Investment Clubs	0.05	0.31	0.003	0.04
6	SACCOS	0.003	0.01	0.004	0.005
7	Institutional investors	-	-	-	-
	Total	0.59	3.89	0.30	0.39

Source: Survey Findings

Annex 3 - List of Individuals Interviewed

List of Individuals Interviewed

1. Dorah Babirye
Fund Manager
ICEA Asset Management Uganda Limited
2. Kevin Lugonvu
Portfolio Manager
UAP Old Mutual Financial Services Uganda Limited
3. Owen Kato
Country Business Manager
STANLIB Uganda Limited
4. Mary Anyango
Business Development, Retail
STANLIB Uganda Limited
5. Richard Muganzi
Head, Business Development
STANLIB Uganda Limited
6. Philip Kiwanuka
Fund Accountant
XENO Investment Management Limited

Annex 4 – CIS Frequently Asked Questions

What is a Collective Investment Scheme?

A Collective Investment Scheme (CIS) is an investment product which gives an investor the opportunity to pool their savings with those of other investors, thereby creating a large pool of funds to be invested on their behalf by a professional manager. The professional manager invests these pooled funds in different financial assets such as shares, corporate bonds, Government bonds and treasury bills, and distributes the income earned to the different contributing investors.

Collective Investment Schemes, Unit Trust Schemes: is there a Difference?

There are numerous ways of forming CIS's. In Uganda, CIS's may be structured either as unit trust schemes or investment companies with variable capital. Currently, all existing CIS in Uganda are structured as unit trust schemes. **A Unit Trust Scheme** is a CIS that is professionally managed by a Unit Trust Manager and is usually established by a unit trust deed. Both the scheme and the manager (as a fund manager) must be licensed by the CMA.

Who Can Invest in a Unit Trust Scheme?

Anyone with savings or an income can invest in a unit trust scheme. This may be an individual (employed, pensioner etc.), or a legally incorporated group of people such as an investment club, a SACCO, a retirement benefit fund, an NGO etc.

For How Long Can One Invest in a Unit Trust Scheme?

Investing in or exiting investments in a unit trust scheme is through purchasing or selling units. An investor can sell either part or all the units if they wish to exit the investment, at any time of the year. Unit trust schemes quote two prices; the price at which a unit can be bought and the price at which a unit can be sold. Pricing is done on a daily basis to reflect the most current total value of the assets within the scheme. The longer an investor holds the units, the more they gain as a result of dividend and interest earnings being reinvested.

How Can One Invest in a Unit Trust Scheme?

To undertake an investment in a unit trust scheme, one needs to visit any of the licensed Unit Trust Managers, with whom you open an investment account. Currently, opening this account is free of charge. To successfully open an account, one needs to have valid identification documents and a bank account with any of the commercial banks. For groups, the identification documents of key persons such as Directors are required, in addition to the group having a bank account. You will also be required to fill

account opening forms, which contain the terms and conditions of your relationship with the unit trust manager. Once the account is opened, purchase orders can be placed through the unit trust manager.

What are the Benefits of Investing in Unit Trust Schemes?

- **Risk Diversification:** By their nature, unit trust schemes invest in a variety of assets such as shares, corporate bonds, and government securities. This implies that a drop in return on investment (profit) in one asset could be offset by gains in return from another.
- **Professional Management:** Most individual investors do not have professional skills to manage their own investments. Unit Trust Schemes have licensed managers who provide full time professional management of the investments, thereby ensuring that investment decisions are well informed.
- **Access to a wider variety of investments:** By investing a small sum on a regular basis, or a lump sum in a unit trust scheme, an investor can (in a single investment) achieve investment in numerous securities as unit trust schemes invest in a variety of financial assets.
- **Affordability:** One can invest by depositing small amounts of money over time, e.g. on a monthly or annual basis, which enables more people to invest in financial assets they would normally not afford to invest in.
- **Tax benefit:** According to Section 21 (1) (t) of the Income Tax Act, income distributed by the unit trust fund to investors is not taxed, thereby lowering the cost of investing in the scheme.
- **Liquidity:** Units held by an investor in a unit trust scheme can easily be converted into cash by selling the units back to the unit trust manager as and when you want to. This accords investor flexibility in investing money that may only be required after a specified time period.
- **Compounding benefits:** This occurs if an investor does not withdraw the interest or dividend income earned on their investment in a unit trust scheme, but rather reinvests it. Compounding leads to interest on both the money you save and on the interest that money earns for medium to long periods of time. The benefit is even greater for someone consistently making regular contributions to the investment.

What Disadvantages do Unit Trust Scheme Investments Have?

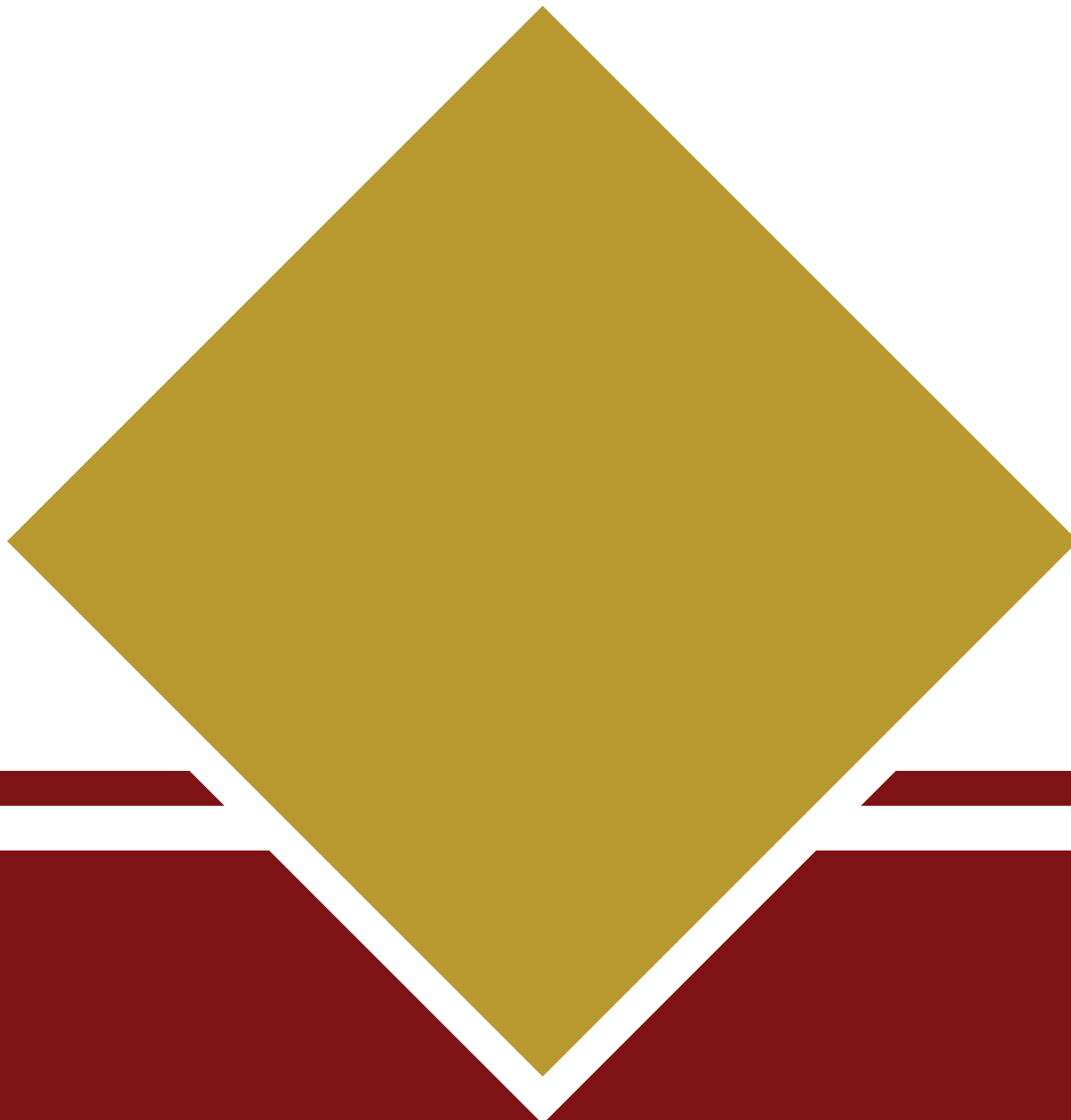
- **Loss of Control:** As a unit trust investor, one is not directly in control of all investment decisions. However, the unit trust managers must invest your funds in accordance with the prospectus and trust deed of the scheme.

- Fees / Charges: Unit trust managers do not offer a free service and therefore unit trust holders/ investors must pay a unit trust management fee, which is normally a small percentage of the total amount that is to be invested.

What should one Look Out for Before Investing?

- Read the prospectus⁸ carefully to understand how your money will be invested and the risks involved.
- Review a fund's investment objective, strategy, investment limits and current investments. Ensure that you also review the past performance of fund over a long period of time (beyond a year).
- Establish if there are any specific features and constraints which may conflict with your needs and preferences.

⁸ A prospectus is a disclosure document that describes the unit trust scheme, for potential buyers. It contains details such as the fund's strategies, the manager's background, the fund's fee structure and a fund's financials statements.



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