Capital Markets Authority
Protecting Your Investments

CAPITAL MARKETS INDUSTRY REPORT

2021/22

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Foreword

Keith Kalyegira
Chief Executive Officer

The Authority welcomes comments on the content of the publication from all stakeholders to better serve their information needs.

I am pleased to present the 2021/22 Capital Markets Industry Report which highlights the performance and the key developments in Uganda's capital markets. The principal aim of the Annual Capital Markets Industry Report is to disseminate information on the activities and performance of Uganda's capital markets. This industry report focuses on the period from 1st July 2021 to 30th June 2022.

The 2021/22 Capital Markets Annual Industry Report is the third edition since the inaugural report for the financial year 2019/20. The scope of the report includes the dissemination of information on developments, regulatory policy changes and initiatives. With regard to statistical data, comparisons are made for the preceding years to provide the reader with an overview of evolving trends within the capital markets. The Authority welcomes comments on the content of the publication from all stakeholders to better serve their information needs. In order to ease access, the 2021/22 Annual Industry Report has been published on the Authority's website (www.cmauganda.co.ug).

On behalf of the Board, Management and Staff of the Capital Markets Authority (CMA), I would like to register my appreciation to all stakeholders for their support and co-operation during the data collection, compilation and publication processes. These include approved capital markets intermediaries, The Ministry of Finance, Planning and Economic Development, as well as other Government agencies and institutions.

Finally, I avail myself of this opportunity to express a heart-felt word of gratitude to the Board of Directors for the guidance they continuously gave during the development of this publication and without a doubt, the CMA staff for their hard work and selfless 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 for 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.

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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
DPS	Dividend Per Share
FY	Financial Year
FSD	Financial Sector Deepening
GDP	Gross Domestic Product
IPO	Initial Public Offering
LCI	Local Counter Index
NIC	National Insurance Corporation
NSE	Nairobi Securities Exchange

The Year 2021/22 in Brief

Collective Investment Scheme AUM

UGX 1,303.7 Billion

Total AUM for CIS managers at the end of the FY 2021/22 was UGX 1,303.7 Billion (2020/21: UGX 731.9 Billion)

78.1

Domestic Market Capitalization

UGX 7.1 Trillion

Domestic Market Capitalization closed the FY 2021/22 at UGX 7.1 Trillion (2020/21: UGX 4.3 Trillion)

64.9

USE Local Counter Index

271.9 Points

USE LCI closed the FY 2021/22 at 271.9 points (2020/21: 344.8 points)

21.1

Equity Turnover

UGX 44.3 Billion

Total equity turnover in the FY 2021/22 was UGX 44.3 Billion (2020/21: UGX 17.3 Billion)

156.8

Fund Managers' AUM

UGX
3.89 Trillion

Total AUM for Fund Managers at the end of the FY 2021/22 was UGX 3.89 Trillion (2020/21: UGX 4.01 Trillion)

2.8

Total Market Capitalization

UGX
19.7 Trillion

Total Market Capitalization closed the FY 2021/22 at UGX 19.7 Trillion (2020/21: UGX 20.8 Trillion)

5.3

USE All Share Index

1,149.6 Points

USE ALSI closed the FY 2021/22 at 1,149.6 points (2020/21: 1,498.2 points)

23.3

Glossary of Terms Used

Assets Under Management	The total market value of the investments or assets that an entity manages on behalf of clients.
Balanced Fund	A CIS fund comprised of short, medium and long-term interest-bearing investments plus equities.
CIS Manager	A licensed firm that markets and sells CIS units to potential investors. The role of the CIS manager is to decide, within the rules of the trust and the various regulations, which investments are included within the unit trust.
Collective Investment Scheme	An investment product that allows an investor to pool savings with other investors, creating a large pool of funds to be invested on their behalf by a professional CIS manager.
Corporate Bond	A security issued by a non-government entity borrowing from the public in return for interest payment and principal repayment at the end of the term of the bond.
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 12 months or less or having a weighted average time to maturity of 12 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.
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.
Treasury Bill	A security issued by a government to borrow money from the public for a period of one year or less. In Uganda, these are issued in tenors of 91-days, 182-days, and 364-days.
Treasury Bond	A security issued by a government to borrow money from the public for a period of 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 with any number of constituent parts (sub-funds), providing the opportunity for unit holders to switch all or part of their investment from one part to another.

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Executive Summary

Preliminary estimates from the Uganda Bureau of Statistics (UBoS) indicate that the economy grew by 4.6% in the financial year 2021/22, attributed to, among other things, the full reopening of the economy in January 2022. The GDP data shows that the economy expanded by 4.6% during the financial year 2021/22 from the revised growth of 3.5% in the financial year 2020/21. The size of the economy in real terms increased from UGX 130.9 trillion in the financial year 2020/21 to UGX 136.9 trillion in the financial year 2021/22.

the economy grew by
4.6%
financial year 2021/22

A closer look at the macro economy shows that Annual average headline inflation for the FY 2021/22 was recorded at 3.4% compared to 2.5% which was recorded for the FY 2020/21. This was lower than the Sub-Saharan average of 5.3% registered in 2021. The increase in annual average headline inflation was driven by a rise in Food Crops and related items' annual average inflation that increased to 4.4% during FY 2021/22 up from minus 4.2% in FY 2020/21. Additionally, Annual average inflation for Energy, Fuels and Utilities (EFU) also rose to 5.3% in FY 2020/21, from minus 0.9% in FY 2020/21.

*annual average inflation for **EFU** rose to*
5.3%
financial year 2020/21

Performance of the capital markets

At the end of FY 2021/22, CIS Managers had UGX 1,303.7 billion in Assets Under Management (AUM), representing an increase of 78.1% from UGX 731.9 billion at the end of the previous financial year. The total number of investor accounts held by CIS managers at the end of the FY 2021/22 stood at ***34,199*** compared to a total of ***20,668*** investor accounts at the end of the previous financial year, a 65.5% increase in the ownership of CIS investor accounts.

Investor Accounts increased from **20,668**
to **34,199**
financial year 2021/22

That said, the total AUM by fund managers licensed by CMA stood at UGX 3.89 trillion at the end of the financial year 2021/22. This was equated to a drop of 2.8% from UGX 4.01 trillion at the end of the financial year 2020/21. The decrease in AUM can be partly attributed to the fall in the value of the assets held. In addition, the withdrawal of funds by a client who decided to do in-house fund management also contributed to the decline in AUM.

During the period under review, there was one Initial Public Offering (IPO). The IPO for MTN Uganda Limited opened on 11th October 2021 and closed on 22nd November 2021. The telecommunications company offered 4.47 billion ordinary shares at UGX 200 per share. The offer subscription level stood at 64.8%, with a total of UGX 535.9 Billion being raised. The company was listed on the USE on 6th December 2021. The offer and the listing were undertaken to comply with the requirements of the National Broadband Policy and the National Telecommunications Operator licence which requires the company to list at least 20% of its shares on a securities exchange.

Domestic market capitalization that represents the value of locally listed counters closed higher at UGX 7.1 trillion, representing a gain of 64.9%, from UGX 4.3 trillion at the end of FY 2020/21. This growth was largely due to the listing of MTN Uganda in December 2021 and the increase in the share price of three locally listed counters - UCL (131.7%), UMEME (9.1%), and NIC (3.4%). The increase in share prices was due to, among other things, demand outstripping supply during the period under review.

Notably, domestic market capitalization, when measured as a percentage of GDP (signifying the wealth in the capital markets relative to the size of the economy), grew from 3.3% at the end of the financial year 2020/21 to 5.2% at the close of the financial year 2021/22. The growth in the domestic market capitalization to GDP ratio was largely due to the listing of MTN Uganda on the Uganda Securities Exchange in December 2021.

Equity turnover, which accounts for the total value of shares traded, increased by 156.8% to UGX 44.3 billion in the financial year 2021/22 from UGX 17.3 billion recorded in the financial year 2020/21. The increased market activity can be attributed to, among other things, an uptick in domestic and foreign institutional investor activity driven by improved investor sentiments as economic activity picked up. The listing of MTN Uganda on the USE also contributed to the improved market activity.

The economic outlook and implications for the capital markets

The June 2022 World Bank Global Economic Prospects report notes that growth in Saharan Africa is projected to decelerate from 4.2% in 2021 to 3.7% in 2022, as high inflation and policy tightening weaken domestic demand. The report states that growth deceleration in major trading partners is compounding these headwinds. It further indicates that growth is projected to firm slightly to an average of 3.9% in 2023-24, assuming further progress with pandemic containment, favorable terms of trade in commodity exporters, and a gradual easing of global food price pressures.

Bank of Uganda projects economic growth will be in the range of 2.5-3% in 2022, partly reflecting the effects of higher costs of production arising from fuel and transportation on activity, but will rise to 5-6% in 2023, in part supported by public investments and recovery in demand as inflationary pressures begin to wane.

Going forward, the capital markets are projected to be weighed down by a reduced appetite for frontier markets driven by an increase in interest rates in developed markets such as the USA. Frontier markets such as Uganda might take huge hits because investors, particularly foreigners, get attracted to the western bonds and equities that are viewed as safe havens in times of global uncertainty. In addition, the appreciation of the dollar against global currencies including the Uganda Shilling, coupled with imported inflationary pressure in Uganda fuelled by the increase in the price of crude oil and global supply chain constraints could reduce the inflows into the local capital market. It is important to note that a higher cost of living eventually hurts the stock market and other investment classes since it cuts the disposable income that individuals can direct towards investing activities. On a positive note, the market remains upbeat with the expected listing of Airtel Uganda in the not-so-distant future.

Looking ahead, over the twelve months from 1st July 2022 to 30th June 2023, the Capital Markets Authority will focus on the following key initiatives: Operationalizing the Uganda Fixed Income Market Company; Amending the CMA Act; Creating a legal framework to license private equity and venture capital funds which are a key source of long term patient capital for Ugandan business enterprises; and Finalizing the review of the CIS framework to ease market access and strengthen controls.

This growth was largely due to the listing of MTN Uganda in December 2021 and the increase in the share price of three locally listed counters - UCL (131.7%), UMEME (9.1%), and NIC(3.4%).

1 Introduction

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

Capital markets are avenues where those with individual or group savings can provide long-term capital to governments and corporations that need it. These markets make it possible for governments and companies with productive ideas but with insufficient capital to access funding from those individuals and institutions with savings. In the capital markets, savers buy financial instruments known as securities and in exchange provide their savings as capital. These financial instruments usually have a term that 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 intermediation, 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 an 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;
- 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 enterprises;
- Creation, maintenance and regulation, through the 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 practices in securities markets, securities regulation and supervision;
- Protection of investors; and
- Operation of an Investor Compensation Fund.

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

The annual capital markets industry report covers the activities, developments and performance of Uganda's capital markets industry. The industry report aims at providing insights into the domestic capital markets performance and related activities taking note of global and regional developments. This industry report focuses on the period from 1st July 2021 to 30th June 2022.

1.4 Macroeconomic Context for the Industry Report

This section reviews the key macro-economic indicators which include: Global Economic Growth, Domestic Economic Growth, Gross Domestic Savings, Inflation, Exchange Rate, Central Bank Rate and Treasury Bill Rates. A sound macroeconomic environment enables capital markets to fulfil an important role in the economy by channeling savings into financial instruments (securities) issued by entities that need capital.

1.4.1 Global Economic Growth

The world economy suffered from a series of destabilizing shocks in the review period. After more than two years of the Covid-19 pandemic, the Russian Federation's invasion of Ukraine and its global effects on commodity markets, supply chains, inflation, and financial conditions steepened the slowdown in global growth. Compounding the damage from the Covid-19 pandemic, the Russian invasion of Ukraine magnified the slowdown in the global economy, pushing it to a protracted period of feeble growth and elevated inflation, according to the World Bank.

Global growth is expected to slump from 5.7% in 2021 to 2.9% in 2022 — significantly lower than the 4.1% that was anticipated in January. It is expected to hover around that pace over 2023-24, as the war in Ukraine disrupts activity, investment, and trade in the near term, pent-up demand fades and fiscal and monetary policy accommodation is withdrawn. As a result of the damage from the pandemic and the war, the level of per capita income in developing economies this year will be nearly 5% below its pre-pandemic trend as many headwinds, in particular, high commodity prices and continued monetary tightening are expected to persist.

1.4.2 Domestic Economic Growth

Estimates from the Uganda Bureau of Statistics (UBoS) indicate that the economy grew by 4.6% in the financial year 2021/22, attributed to, among other things, the full reopening of the economy in January 2022. The GDP data shows that the economy expanded by 4.6% during the financial year 2021/22 from the revised growth of 3.5% in the financial year 2020/21. The size of the economy in real terms increased from UGX 130.9 trillion in the financial year 2020/21 to UGX 136.9 trillion in the financial year 2021/22.

In terms of performance by sector, the industrial sector recorded a growth of 5.4% during the financial year 2021/22 compared to a growth of 3.5% in the previous year. This growth was attributed to a strong performance by the manufacturing, mining and quarrying, water supply and construction sub-sectors in the period under review.

In the same breath, the services sector grew by 3.8% in the FY 2021/22, compared to a growth of 2.8% in the previous financial year, driven by strong growth in trade and repair, real estate, information communication and education activities. That said, the agricultural, forestry and fishing sector grew by 4.3% in the financial year 2021/22, a similar growth registered in the financial year 2020/21.

Table I: GDP Statistics (2017/18 – 2021/22)

	2017/18	2018/19	2019/20	2020/21	2021/22
Gross Domestic Product					
GDP at constant 2016/17 prices (UGX Billion)	115,359	122,787	126,410	130,881	136,871
Annual Growth at Constant 2016/17 Prices (%)	6.3	6.4	3	3.5	4.6
GDP Per Capita					
GDP Per Capita at Constant 2016/17 Prices (UGX '000)	3,127	3,321	3,403	3,500	3708
GDP per capita at Constant 2016/17 Prices (US $)	855	889	916	957	1,046
Memorandum items					
Population ('000)	38,525	39,772	41,054	42,369	43,717
Exchange Rate (UGX per US $)	3,659	3,736	3,715	3,659	3,547

Source: Uganda Bureau of Statistics

According to the Bank of Uganda (BOU), the economy continues to recover from the Covid-19 pandemic-related downturn. However, the economic growth prospects have been dimmed with increasing risks of a global recession, and weaker consumer and business sentiments as high inflation and commodity prices, continue to erode household and business incomes and financial conditions tighten. Economic growth is projected in the range of 2.5-3% in 2022, partly reflecting the effects of higher costs of production arising from fuel and transportation on activity, but will rise to 5-6% in 2023, in part supported by public investments and recovery in demand as inflationary pressures begin to wane.

To this end, the CMA will continue with its sensitization efforts aimed at increasing the uptake of market-based financing among business owners and founders of businesses with resilient models than can survive in a slow-growth economic environment.

1.4.3 Gross Domestic Savings

Over the last five years, Gross Domestic Savings (GDS) which consist of savings of households, private corporate and public sectors have grown by a compounded average growth rate of 2.8% from UGX 22.9 trillion in 2017 to UGX 26.6 trillion in 2021. The rate of saving has been expanding in absolute numbers, but declining relative to GDP, as Ugandans save at a lower rate compared to the economic growth rate (see table II). Notably, Uganda's GDS to GDP ratio of 18.7% for 2021 is below the Sub-Saharan Africa average of 23.9%.

Table II: Gross Domestic Savings Statistics (2017 - 2021)

	2017	2018	2019	2020	2021
Gross Domestic Savings (UGX Billion)	22,896	22,966	26,485	26,871	25,615
Gross Domestic Savings (% of GDP)	19.8	18.7	21	20.5	18.7

Source: World Bank

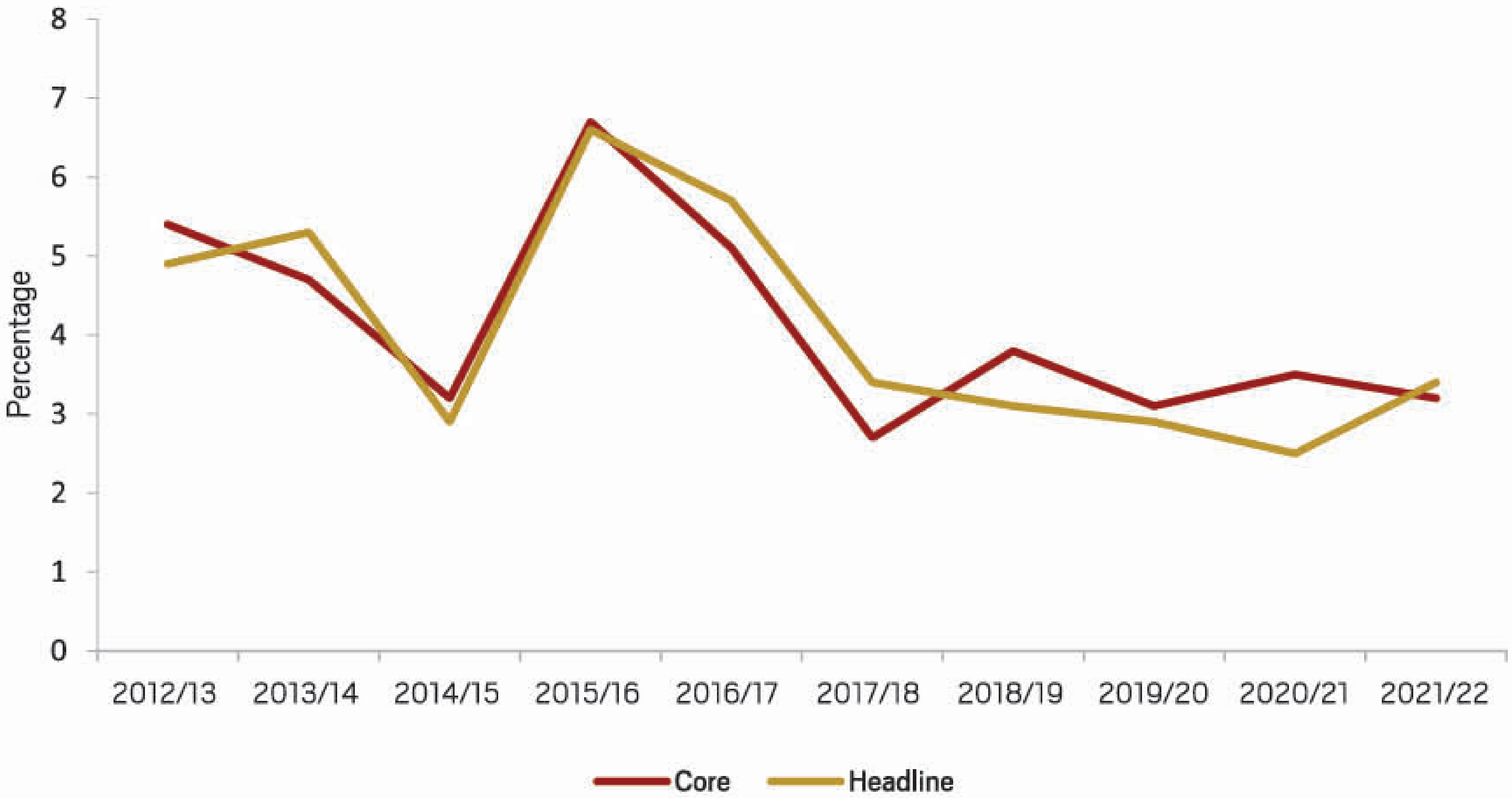
An increase in Gross Domestic Savings implies that there is more capital to be deployed as long-term capital via the capital markets. This long-term capital can facilitate refinancing efforts, expansion as well as exit strategies by business owners through the capital markets in the form of private and public equity and/or debt.

1.4.4 Inflation

Annual average headline inflation[1] for the FY 2021/22 was recorded at 3.4% compared to 2.5% which was recorded for the FY 2020/21. This was lower than the Sub-Saharan average of 5.3% registered in 2021. The increase in annual average headline inflation was driven by a rise in Food Crops and related items' annual average inflation that increased to 4.4% during the financial year, up from minus 4.2% in FY 2020/21. Additionally, Annual average inflation for Energy, Fuels and Utilities (EFU) also rose to 5.3% in FY 2020/21, from minus 0.9% in FY 2020/21. On the other hand, annual average core inflation[2] was recorded at 3.2% for FY 2020/21, compared to 3.5% recorded in FY 2020/21.

Over the last ten years, annual average headline inflation has declined by 4% on an annualized basis from 4.9% in the financial year 2012/13 to 3.4% in the FY 2021/22. Annual average Core Inflation has also declined by 5.6% on an annualized basis from 4.9% in FY 2012/13 to 3.4% in FY 2021/22.

Figure I: Annual Average Headline and Core Inflation Rates (FY 2012/13 – FY 2021/22)



Source: Uganda Bureau of Statistics

The Central Bank forecasts indicate that annual headline and core inflation will average around 7% and 6.1%, respectively in 2022. The inflation outlook is driven by the lagged impact of higher exchange rate depreciation, dry weather that has resulted in the sharp rise of food crop prices and a complete pass-through of global inflationary pressures. Inflation is expected to pick up in the second quarter of 2023 before gradually declining to stabilize around the medium-term target of 5% by mid-2024.

However, there are risks associated with the forecast that makes the timing of convergence to the medium-term target of 5% highly uncertain. On the downside, more aggressive monetary policy tightening in advanced economies could intensify capital outflows from Uganda leading to a more rapid depreciation of the Uganda shilling. Furthermore, more stringent sanctions

1 *Headline inflation refers to the inflation rate calculated based on the price index that includes all goods and services in an economy.*

2 *Core inflation refers to the inflation rate calculated based on a price index of goods and services except food and energy.*

on Russia and trade restrictions by some countries could worsen supply bottlenecks resulting in a surge in commodity prices thereby worsening Uganda's terms of trade. On the upside, growth could slow down further as inflation erodes the value of incomes and tighter financial conditions constrain investment and consumer demand. Furthermore, a bumper crop harvest could result in lower food crop prices.

High inflation erodes the purchasing power of savings making it imperative to invest in assets that can generate a positive real return. In a high inflationary environment, investors normally take a defensive posture by investing in assets that provide a hedge against inflation such as commodities and real estate. Additionally, in the equities market, preference is given to non-discretionary securities in areas such as utilities and healthcare that can wither a high inflation environment.

1.4.5 Exchange Rate

The Uganda shilling appreciated by 2.4% against the US Dollar, posting a monthly average of UGX 3,572 in 2021/22 compared to a monthly average of UGX 3,661 in 2020/21. This compares favourably to an average depreciation of 2.5% registered for East African regional currencies against the US Dollar over the same period.

Over the last ten years, the local currency has depreciated against the US Dollar by 3.6% on an annualized basis from UGX 2,589 in 2012/13 to UGX 3,572 in the review period. In comparison with the other regional currencies over the same period, the Kenyan shilling and Rwandan franc depreciated by 3.7% and 4%, respectively, against the US Dollar. On the other hand, the Tanzanian shilling appreciated by 0.1%, against the US Dollar.

INTRODUCTION **IN BRIEF**

Annual average ***HEADLINE INFLATION*** *FY 2021/22 was recorded at* **3.4%**

compared to **2.5%** *which was recorded for the FY 2020/21*

At the end of the FY 2021/22 Fund managers' AUM, when measured as a ***PERCENTAGE OF GDP*** *stood at* **2.8%**

In comparison, during the same period, the ratio of Fund managers' AUM to GDP for Kenya stood at **20.6%**

At the end of the FY 2021/22 each ***CIS investor account*** *had about* **UGX 38.1 M**

compared to **35.4 m** *in the FY 2020/21.*

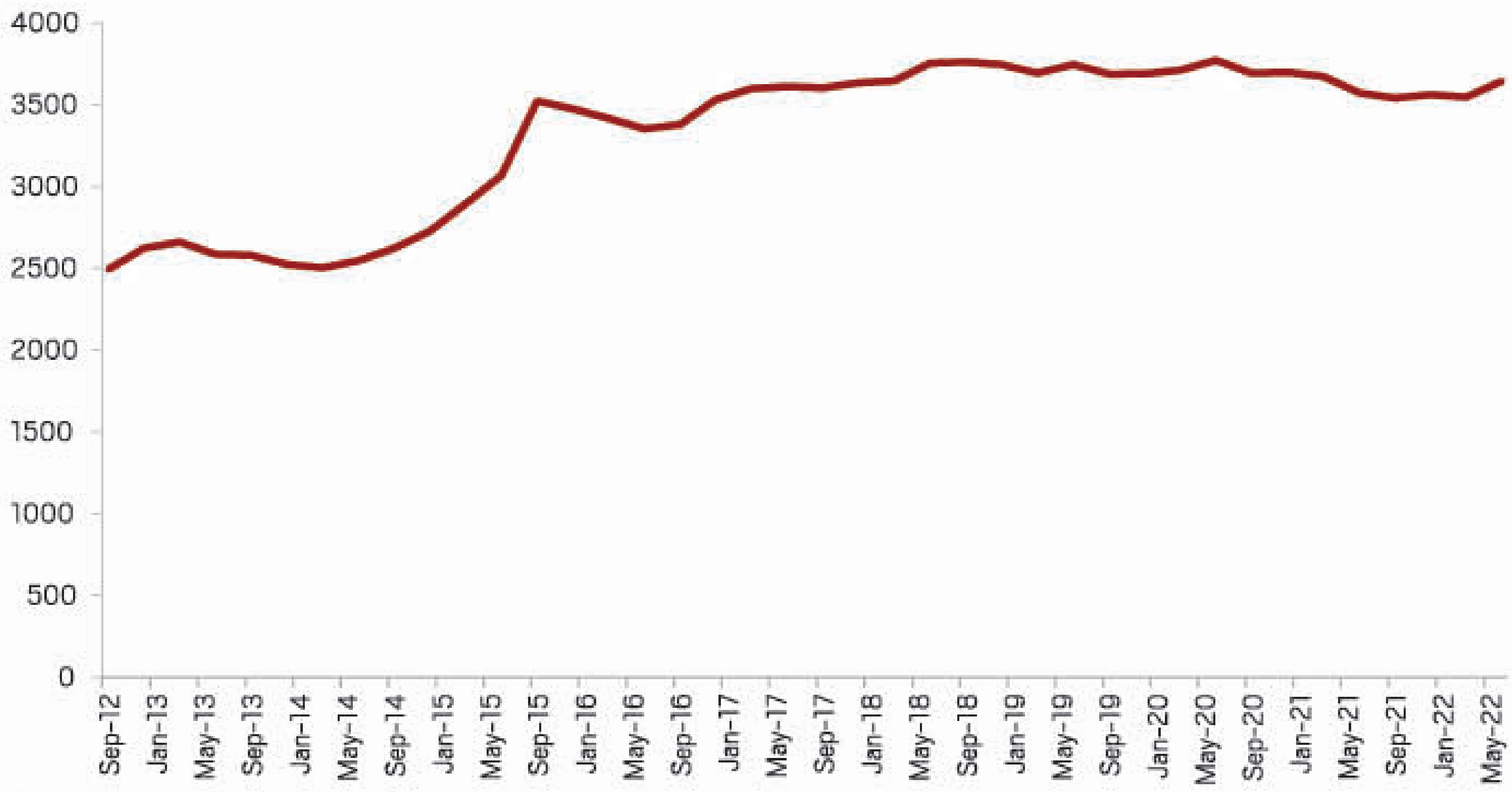
Local currency has ***DEPRECIATED AGAINST*** *the US Dollar by* **3.6%**

on an annualized basis from **UGX 2,589** *in 2012/13 to* **UGX 3,572** *in the review period*

Exchange Rate

The Uganda shilling appreciated by 2.4% against the US Dollar, posting a monthly average of UGX 3,572 in 2021/22

Figure II: Trends in USD/UGX Exchange Rate (2012/13 – 2021/22)



Source: Bank of Uganda

In the near term, the local currency may continue to weaken as the US dollar strengthens globally. This view is underpinned by the US Federal Reserve Bank's tight monetary policy stance which will continue leading to portfolio outflows from developing economies including Uganda.

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

1.4.6 Interest rates

1.4.6.1 Central Bank Rate

The Bank of Uganda increased the Central Bank Rate (CBR) by 250 basis points from 6.5% in June 2021, to 9% in June 2022. Bank of Uganda noted that the economy continues to face cost-push inflation pressures from the external environment, dry weather conditions and exchange rate depreciation amidst weak domestic demand. The central bank added that while the increases in the CBR were meant to bring back inflation to its medium-term objective of 5%, these have had an indirect effect in lowering the pace of depreciation of the exchange rate, which is expected to cushion the inflation pressures.

Going forward, the Central Bank's monetary policy stance is expected to be tightened even further, especially if inflationary pressures persist to ensure that inflation reverts to its medium-term target of 5%.

A contractionary monetary policy which includes high-interest rates targets to reduce the level of the money supply to create a balance between demand and supply in the economy. A rise in interest rates increases the cost of capital for businesses and compresses valuations for assets in both the private and public markets.

1.4.6.2 Treasury Bill Rates

Monthly Average Annualized yields on the 91-Day and 364-Day Treasury bills increased to 8.2% and 10.5%, respectively in June 2022, compared to 7.4% and 10.2% in July 2021. This increase in yields is partly explained by Central Bank Rate increments, which pointed to a tightening of monetary policy by BOU to tame inflation. That said, the Monthly Average Annualized yields on the 182-Day Treasury bills declined to 9.1% in June 2022, up from 9.2% in July 2021.

Table III: Monthly Average Annualized Yields on Treasury Bills in FY 2021/22

Tenor	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Arp	May	Jun
91-Day	7.4	7.3	7.0	6.8	6.7	6.7	6.7	6.7	6.7	6.7	6.7	8.2
182-Day	9.2	9.0	8.5	8.6	8.8	8.7	8.6	8.6	8.4	8.2	8.2	9.1
364-Day	10.2	9.9	9.6	10.1	10.6	10.4	10.2	9.8	9.7	9.0	9	10.5

Source: Bank of Uganda

In the short term, we anticipate the yields on government securities to remain elevated largely driven by the Central Bank's contractionary monetary policy and continued offshore sales of government treasuries.

2 Industry Performance Overview

This section covers the performance of Collective Investment Schemes (CISs) and Fund Management. It also provides insights into equity market performance, Government bond market & corporate bonds.

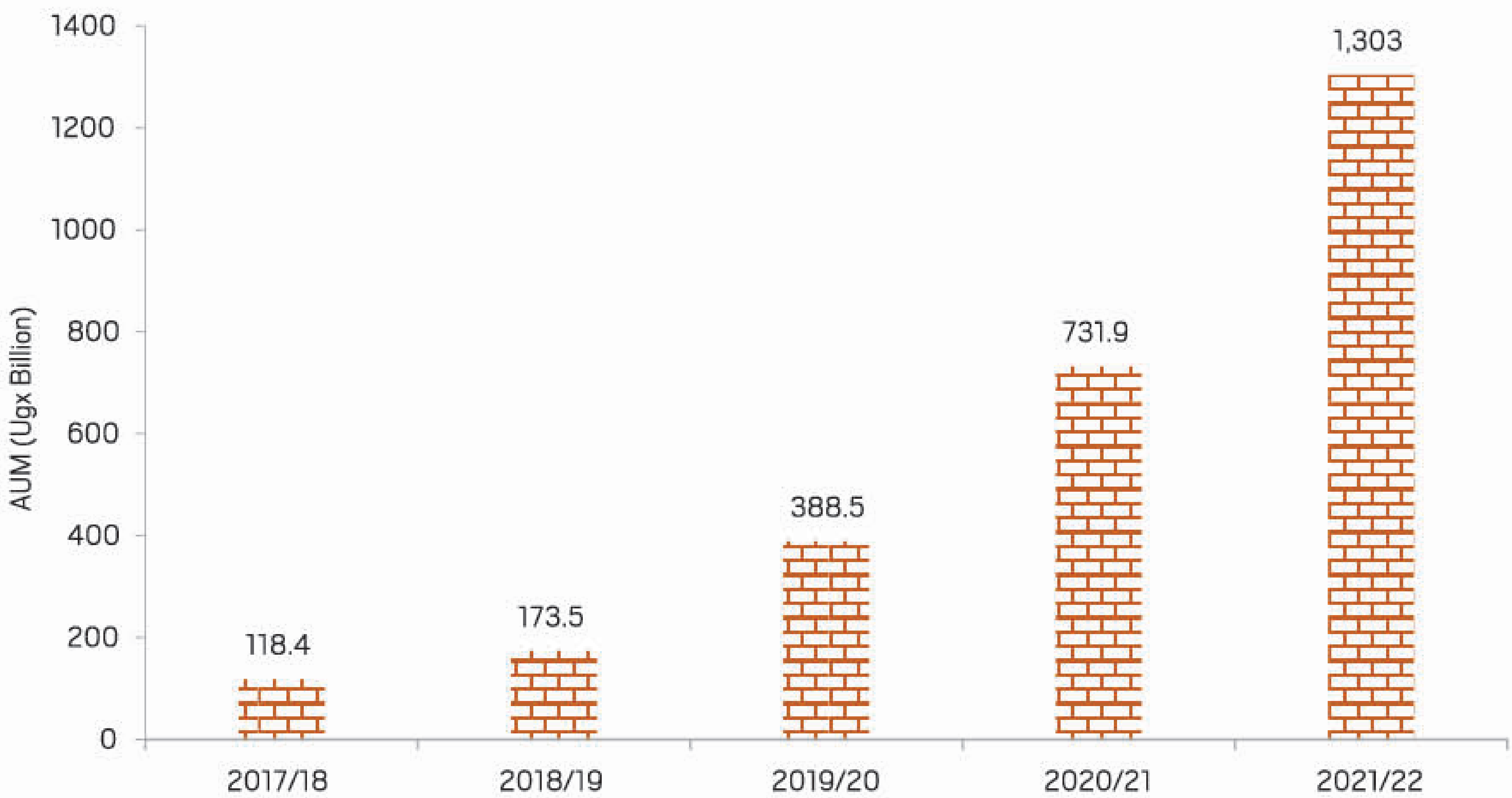
2.1 Performance of Collective Investment Schemes

At the end of FY 2021/22, CIS Managers had UGX 1,303.7 billion in Assets Under Management (AUM), representing an increase of 78.1% from UGX 731.9 billion at the end of the previous financial year. *Notably, the AUM has exceeded the NDP III target of UGX 1.03 trillion for the period of the development plan.* The total number of investor accounts held by CIS managers at the end of the FY 2021/22 stood at ***34,199*** compared to a total of ***20,668*** investor accounts at the end of the previous financial year, a 65.5% increase in the ownership of CIS investor accounts. This implies that at the end of the FY 2021/22 each CIS investor account had about UGX 38.1 million, compared to 35.4 million in the FY 2020/21.

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. The increased awareness is due to the public education campaigns run by the CMA and CIS managers at an organizational level. Additionally, professional management of funds and diversification benefits have served to increase interest in CIS among the investing public.

Over the last five years, the AUM has risen by 82.2% on an annualized basis from UGX 118.4 billion at the end of the financial year 2017/18 to UGX 1,303.7 billion at the end of FY 2021/22.

Figure III: Trends in CIS Assets under Management (2017/18 - 2021/22)



Source: CMA Market Supervision Department

Table IV shows the breakdown of CIS Assets under Management per CIS manager. The top two CIS managers controlled 82% of the total AUM at the end of FY 2021/22.

Table IV: CIS Assets under Management per CIS Manager

CIS Manager	AUM (UGX Billion)		Change (%)
	2020/21	2021/22	
UAP-Old Mutual Financial Services Limited	463.8	865.6	86.6
ICEA Lion Asset Management Limited	101.3	177.6	75.3
Britam Asset Managers Uganda Limited	139.9	201.4	44
Xeno Technologies Uganda Limited	25.7	36.9	43.6
Sanlam Investments East Africa Limited	1.2	22.3	1,758.3
Total	731.9	1,303.7	78.1

Source: CMA Market Supervision Department

A breakdown of the CIS assets by ***fund type*** at the end of the FY 2021/22 showed that a large portion of the assets were held in Umbrella Funds (69.9%) followed by Money Market funds at 17.8% and Fixed Income Fund at 9.4%. The dominance of the umbrella funds is partly because they provide higher returns compared to the other funds.

The umbrella funds invest in interest-bearing securities such as treasury bills, treasury bonds, corporate bonds, and fixed deposits with approved financial institutions. The funds' returns are further enhanced by the inclusion of selected, highly rated debt, corporate and government papers from across the region and offshore.

Table V: Assets under Management by Fund Type (2021/22)

Unit Trust Fund	AUM (UGX Billion)	Percentage (%)
Umbrella Funds	910.8	69.9
Money Market Funds	232.2	17.8
Fixed Income Fund	122.1	9.4
Bond Fund	29.7	2.3
Savings Fund	3.8	0.3
Balanced Funds	3.8	0.3
Equity Funds	1.5	0.1
Total	1,303.7	100

Source: CMA Market Supervision Department

Table VI below shows the industry-weighted average annual returns of the Umbrella Funds, Money Market Funds, Fixed Income Funds, Bond Fund, Savings Fund, Balanced Funds and Equity Funds.

Table VI: Industry Weighted Average Annual Returns of Selected Unit Trust Funds (%)

Unit Trust Fund	June 2021	June 2022	% Change
Umbrella Funds	7.46	7.69	3.1
Money Market Funds	2	1.85	-7.4
Fixed Income Funds	0.06	0.23	268.4
Bond Fund	0.41	0.36	-14.2
Savings Fund	0.07	0.03	-63.8
Balanced Funds	0.03	0.02	-39.8
Equity Funds	0.02	-0.02	-209.3

Source: Unit Trust Fund Fact sheets

A breakdown of AUM by ***asset class*** at the end of the FY 2021/22 indicates that investments in Government of Uganda bonds took up 69.4% of the total AUM followed by Fixed Deposits at 13.3% and Corporate Bonds at 7.9%. It is important to note that a large portion of the CIS umbrella funds' assets are invested in fixed-income securities, primarily treasury bonds.

A five-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 FY 2017/18 to 69.4% at the end of FY 2021/22. On the other hand, investments in Government of Uganda Treasury Bills and Listed Equities in the rest of East Africa as a percentage of total AUM have fallen from 22.9% and 0.4% at the end of the FY 2017/18 to 3.3% and 0.07% respectively at the end of the FY 2021/22.

The increase in the allocation of funds to government bonds and the drop in the allocation of funds to treasury bills and listed equities is driven in part by increased liquidity in the secondary market for Government bonds due to reforms in the Primary Dealership (PD) system and the unfavorable return performance of listed equities. Furthermore, the growth of umbrella funds which are primarily invested in treasury bonds can also partially explain the trend growth in allocation to government bonds.

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

Asset	2017/18	2018/19	2019/20	2020/21	2021/22
Government of Uganda Bonds	21.3	28.8	59.7	67.4	69.4
Fixed Deposits	37.6	36.8	19.1	13.7	13.3
Call Deposits			9.7	5.3	3.2
Government of Uganda Treasury Bills	22.9	16	7.2	8.9	3.3
Cash	2.5	1.6	2.7	1	2.4
Commercial Paper				1.6	0.8
Corporate Bonds	2.4	2.5	1.2	1.4	7.9
Listed Equities in Uganda	0.2	0.2	0.3	0.2	0.05
Government Bonds in Rest of East Africa	12.8	5.5			
Listed Equities in Rest of East Africa	0.4	0.2	0.1	0.1	0.07
Other Investments (Off-shore and foreign exchange)		8.5		0.4	0.4
Total	100	100	100	100	100

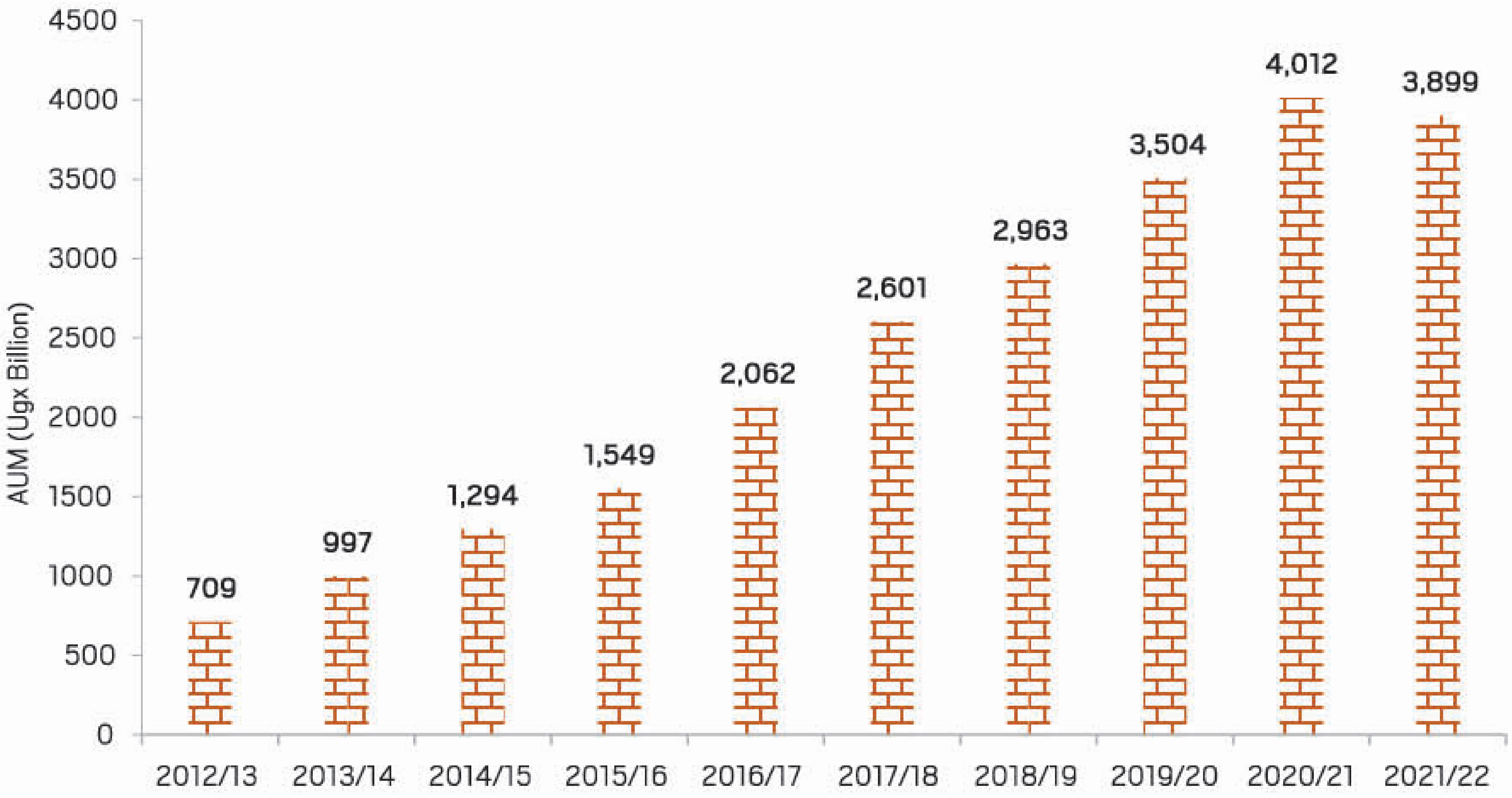
Source: CMA Market Supervision Department

2.2 Fund Management Performance

The total AUM by fund managers licensed by CMA stood at UGX 3.89 trillion at the end of the financial year 2021/22. This equated to a drop of 2.8% from UGX 4.01 trillion at the end of the financial year 2020/21. The decrease in AUM can be partly attributed to the fall in the value of the assets held. In addition, the withdrawal of funds from two fund managers by one of the schemes whose funds were being managed also contributed to the decline in AUM.

AUM has risen by 20.9% on an annualized basis from UGX 0.7 trillion at the end of the financial year 2012/13 to UGX 3.89 trillion at the end of 2021/22. The increase in AUM over the last ten years can be credited to the increase in the number of retirement benefit schemes and also the recruitment of new members by schemes whose funds are being managed.

Figure IV: Trends in Assets under Management for Fund Managers (2012/13 - 2021/22)



Source: CMA Market Supervision Department

At the end of the FY 2021/22 Fund managers' AUM, when measured as a percentage of GDP stood at 2.8%. In comparison, during the same period, the ratio of Fund managers' AUM to GDP for Kenya stood at 20.6%, indicating that Kenya has been able to mobilize a significant amount of savings through retirement benefit schemes relative to the size of its economy. The low fund managers' AUM to GDP ratio for Uganda can be attributed to, among other things, the slow progress of implementing pension reforms. The reform of the pension sector would boost pension coverage. This would in turn help mobilize local capital, which could be deployed for productive use in the capital markets.

Table VIII below shows a breakdown of AUM per fund manager. The top three fund managers in the FY 2021/22 controlled 82.4% of the total AUM during the period.

Table VIII: Assets under Management per Fund Manager

Fund Manager	AUM (UGX Billion)		Change (%)
	2020/21	2021/22	
Sanlam Investments East Africa Limited	1,821.7	1,699.6	-6.7
GenAfrica Asset Managers Uganda Limited	765.7	815.7	6.5
Britam Asset Managers Uganda Limited	813.9	699.1	-14.1
UAP-Old Mutual Financial Services Limited	409.8	451.9	10.3
ICEA Lion Asset Management Limited	201.1	231.6	15.2
Xeno Technologies Uganda Limited		1.4	
Total	4,012.1	3,899.4	-2.8

Source: CMA Market Supervision Department

A breakdown of AUM by asset class at the end of the FY 2021/2022 indicates that investments in Government of Uganda bonds constituted 75.2% of the total AUM followed by Fixed Deposits at 6.3% and Listed Equities in the Rest of East Africa at 5.7%. With the majority of assets being from the pension sector, fixed-income instruments are preferred, allowing to hedge pension liabilities and ensuring that liabilities are funded when the need arises (Liability Relative Approach to asset allocation).

An annualized trend analysis of asset allocation over the last five years indicates that investments in CIS as a percentage of total AUM have grown from 1.6% at the end of the financial year 2017/18 to 3.4% at the end of the FY 2021/22. This growth is driven by the decent returns and liquidity benefits provided by CIS compared to other investments such as fixed deposits. Additionally, the unfavorable return performance of equities has also driven investors to invest in CIS.

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

Asset	2017/18	2018/19	2019/20	2020/21	2021/22
Government of Uganda Bonds	56.4	64.2	65	71.9	75.2
Government of Uganda Treasury Bills	10.7	10.5	14.6	8.8	4.1
Government Bonds in Rest of East Africa	0.8	0.1	0.1	0.1	0.02
Treasury Bills in Rest of East Africa	0.05				
Listed Equities in Uganda	13.3	3.5	2.6	2.2	3.3
Listed Equities in Rest of East Africa	6.4	11.5	8	8.5	5.7
Fixed Deposits	7.8	7.3	6.6	5.7	6.3
Real Estate	0.6	0.5	0.7	0.6	0.5
Cash	1.1	1	0.5	0.5	0.6
Collective Investment Schemes	1.6	0.7	1	1.4	3.4
Other (Dividend Income Receivable and Wealth management)	0.3	0.1	0.5	0.03	0.7
Corporate Bonds	0.0	0.5	0.4	0.1	0.1
Unlisted Equities in Uganda		0.01	0.01	0.01	0.01
Unlisted Equities in the Rest of East Africa		0.05	0.04	0.03	0.03
Off-shore Investments (Equities)	0.4	0.01	0.01	0.003	
Total	100	100	100	100	100

Source: CMA Market Supervision Department

2.3 Equity Market Performance

All the listed equities in Uganda are on the Uganda Securities Exchange (USE), thus the equity market performance is evaluated based on USE.

2.3.1 Number of Listed Companies

The USE ended the period under review with 17 listed companies. Ten companies are locally listed, while seven are cross-listed from the Nairobi Securities Exchange. Notably, there was one new local listing on 6th December 2021 (MTN Uganda). That said, effective 21st July 2021, trading in Uchumi Supermarkets' shares on USE's Main Investment Market Segment and the listing of the company's shares on the Official List were each suspended. The above-mentioned suspension was on account of Uchumi's continued failure to comply with listing obligations prescribed under the USE Fees, Charges and Penalties Rules of 2021 and the USE Listing Rules of 2021 respectively.

Table X: Number of Companies Listed at the USE

Listing Status	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
New Local Listings	1	0	0	0	0	0	1	0	0	1
New Cross Listings	0	1	0	0	0	0	0	0	0	0
Total Foreign Listings	7	8	8	8	8	8	8	8	8	8
Total Domestic Listings	8	8	8	8	8	8	9	9	9	10
Total Listings	15	16	16	16	16	16	17	17	17	17

Source: Uganda Securities Exchange

The limited supply of securities or few issuers can be attributed to several factors, such as a nascent private sector dominated by family-owned businesses, a low level of awareness of market-based financing and a lack of investment readiness on the part of companies. However, several initiatives are underway to ensure that more companies are brought to the market. They include, among others: the Issuer Education Program and the Deal Flow Facility. The Issuer Education Program involves the use of external contractors to reach out to key persons of prospective issuers (such as business owners, business founders, board members, Chief Executive Officers and Chief Financial Officers) to sensitize them on long-term capital raising opportunities presented by non-bank, market-based financing.

The DFF, which was setup through a collaboration between the CMA, Financial Sector Deepening (FSD) Uganda and the European Union is a one-stop center that prepares and enhances businesses' access to long-term market-based financing (both private and public equity and/ or debt) by amongst others providing business support services. The pool of select enterprises is provided access to business development support to increase their competitiveness and place them on a path to accessing market-based financing.

2.3.2 Number of Securities Central Depository (SCD) Accounts at the USE

The total number of SCD accounts grew more than threefold to 121,343 at the end the FY 2021/22 from 38,265 at the end of FY 2020/21. The growth in SCD accounts can be attributed to, among other things, the publicity campaign undertaken during the MTN Uganda IPO and the digital service launched by the USE in partnership with MTN Mobile Money Uganda to facilitate convenient SCD account opening using the MTN MoMo platform. The digital SCD account opening service is envisaged to democratize and bolster both access to the Ugandan stock market and trade as more people will be able to open SCD accounts that are a requirement to trade in the securities market. It is worth noting that a total of 65,000 SCD accounts were opened on the m-IPO platform during the offer period.

Table XI: Number of SCD Accounts Per Investor Category

Investor Category	2020/21	2021/22	% Change
Ugandan Individuals	20,844	101,302	386
Ugandan Companies	1,032	1,267	22.8
East African Individuals	9,000	10,157	12.9
East African Companies	5,002	5,954	19
Foreign Individuals	1,026	1,167	13.7
Foreign Companies	1,361	1,496	9.9
Total	38,265	121,343	217.1

Source: Uganda Securities Exchange

2.3.3 Capital Raised through the Equity Market

During the period under review, there was one Initial Public Offering (IPO).

2.3.3.1 The MTN Uganda Limited IPO

The IPO for MTN Uganda Limited opened on 11th October 2021 and closed on 22nd November 2021. The telecommunications company offered 4.47 billion ordinary shares at UGX 200 per share. The offer subscription level stood at 64.8%, with a total of UGX 535.9 Billion being raised. The company was listed on the USE on 6th December 2021. The offer and the listing were undertaken to comply with the requirements of the National Broadband Policy and the National Telecommunications Operator licence which required the company to list at least 20% of its shares on a securities exchange. The offer was also undertaken by MTN Group in pursuance of its objective to broaden Ugandan shareholding in MTN and provide an opportunity to Ugandan investors, including MTN's loyal customers, to own a stake in the company and participate in its future growth. Results of the IPO of MTN Uganda Limited showed that 20,894 applicants out of a total of 21,394 applicants were Ugandan. Notably, a total of 2.9 billion shares were allocated to the applicants, with Ugandan investors taking up 87% of the shares, while on the other hand, East African investors took up 9%. In addition, 10% of the shares were allocated to retail investors while professional investors took up 90%.

Table XI below shows the capital that has been raised (UGX 1.43 Trillion) on the Uganda Securities Exchange through a combination of IPOs, rights issues and secondary offerings over the last ten years. These include: UMEME Limited IPO in the FY 2012/13, National Insurance Corporation 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 Industries Limited IPO in the FY 2018/19.

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

Listing Status	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Rights issues	0	7	0	0	0	191	0	0	0	0
Secondary offers of shares	0	248	0	0	113	0	0	0	0	0
IPOs	171	0	0	0	0	0	167	0	0	536
Total capital raised	171	255	0	0	113	191	167	0	0	536

Source: Uganda Securities Exchange, CMA Database

The Authority is mindful of the need to increase issuer participation and ensure more products are brought to the market. Cognizant of the fact that a big number of indigenous businesses are family-owned and controlled. CMA through its Issuer Resource Person Program is engaging such enterprises with the option to raise capital privately (private equity and placements), as a precursor to raising funds publicly. Furthermore, to increase access to market-based financing (both private and public equity and/ or debt) for business enterprises in Uganda, the DFF is among other things providing business support services to business enterprises, as mentioned in the previous section.

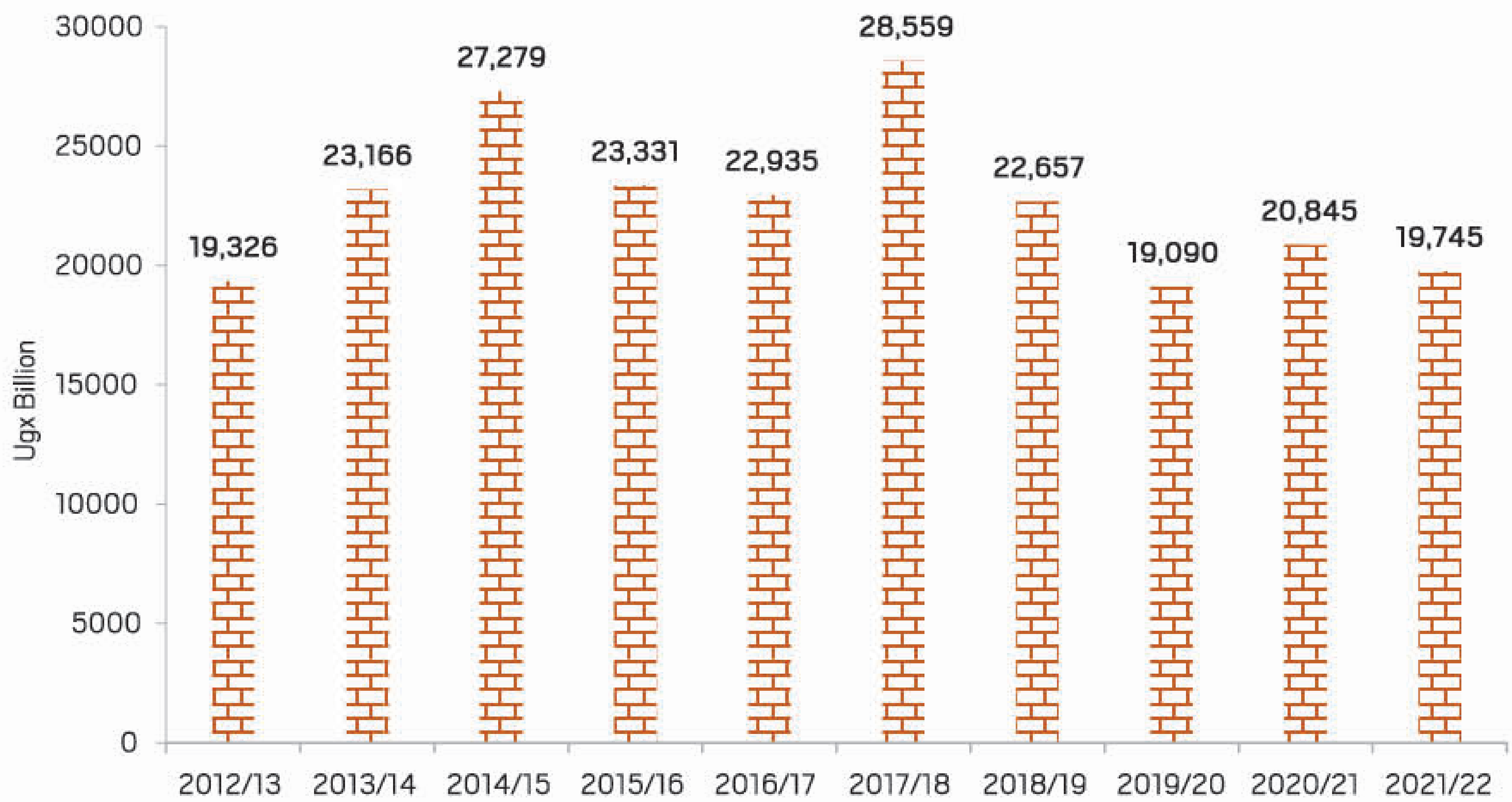
2.3.4 Secondary Market Activity

2.3.4.1 Market Size

I. Total Market Capitalization

The USE total market capitalization dropped 5.3% to UGX 19.7 trillion at the end of FY 2021/22 from UGX 20.8 trillion at the close of the previous financial year. This decline was due to the share price losses registered on all cross-listed counters – Centum Investments Limited, Nation Media Group, East Africa Breweries Limited, Jubilee Holdings, Equity Bank, Kenya Commercial Bank and Kenya Airways; and six locally listed counters – British American Tobacco Uganda, Vision Group, Bank of Baroda, Cipla Quality Chemicals Industries Limited, Stanbic Uganda Holdings Limited and DFCU Bank. The share price decline can be attributed to, among other things, supply from retail investors outstripping demand for the listed stocks during the period under review.

Figure V: Trends in Total Market Capitalization (2012/13 - 2021/22)

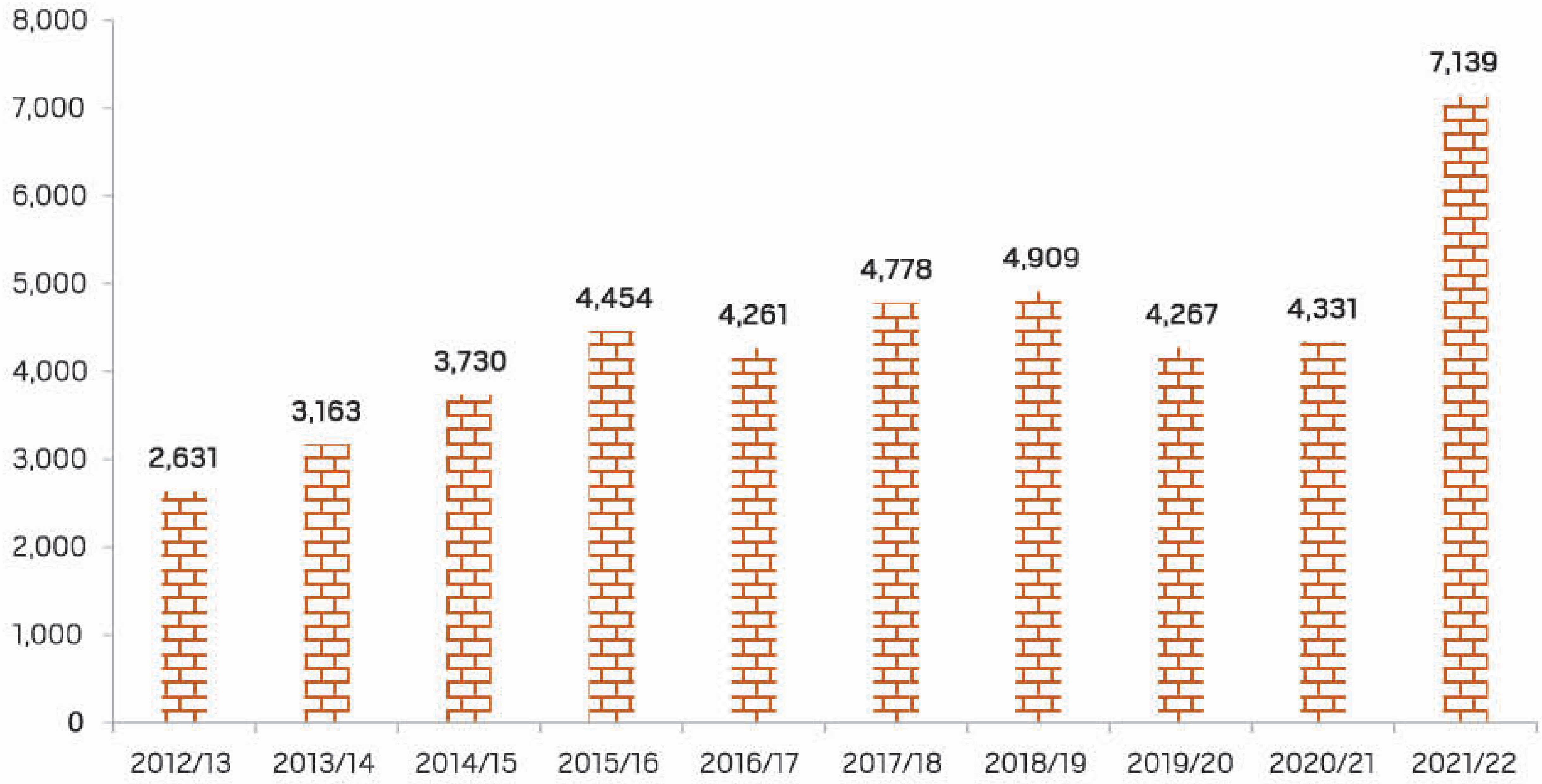


Source: USE market reports

II. Domestic Market Capitalization

Domestic market capitalization that represents the value of locally listed counters closed higher at UGX 7.1 trillion, representing a gain of 64.9%, from UGX 4.3 trillion at the end of FY 2020/21. This growth was largely due to the listing of MTN Uganda in December 2021 and the increase in the share price of three locally listed counters - UCL (131.7%), UMEME (9.1%), and NIC (3.4%). The increase in share prices was due to, among other things, demand outstripping supply during the period under review.

Figure VI: Trends in Domestic Market capitalization (2012/13 - 2021/22)



Source: USE market reports

III. Domestic Market Capitalization as a percentage of GDP

Domestic market capitalization, when measured as a percentage of GDP (signifying the wealth in the capital markets relative to the size of the economy), grew from 3.3% at the end of the financial year 2020/21 to 5.2% at the close of the financial year 2021/22. The growth in the domestic market capitalization to GDP ratio was largely due to the listing of MTN Uganda on the Uganda Securities Exchange in December 2021. ***Notably, the ratio of domestic market capitalization to GDP at end of June 2022 is above the NDP III target of 4.5%.***

Table XIII: Market Capitalization as a Percentage of GDP (2012/13 - 2021/22) (UGX Trillions)

	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Domestic market capitalization	2.6	3.2	3.7	4.5	4.3	4.8	4.9	4.3	4.3	7.1
GDP at Constant 2016/17 Prices	90.2	94.8	99.8	104.5	108.5	115.4	122.8	126.4	130.9	136.9
Domestic market capitalization to GDP (%)	2.9	3.3	3.7	4.3	3.9	4.2	4	3.4	3.3	5.2

Source: USE market reports, Uganda Bureau of Statistics

In comparison with other jurisdictions, Uganda's domestic market capitalization to GDP ratio is still low. At the end of the FY 2021/22, the domestic market capitalization to GDP ratio of Kenya, Tanzania and Nigeria stood at 20.7%, 8.1% and 38.1% respectively.

The Authority continued to engage medium to large companies in specific sectors to discuss ways through which they can participate as issuers in the market to raise capital to finance their growth, through demonstrable case studies from other jurisdictions. Among these are the telecommunications and financial services sector, as well as former state-owned enterprises which were privatized.

2.3.4.2 Market Activity

I. Market Turnover

Equity turnover, which represents the total value of shares traded, increased by 156.8% to UGX 44.3 billion in the financial year 2021/22 from UGX 17.3 billion recorded in the financial year 2020/21. Average turnover per day increased to UGX 169.8 million in the FY 2021/22, from UGX 70.9 million recorded in the previous financial year. The increased market activity can be attributed to, among other things, an uptick in domestic and foreign investor activity driven by improved investor sentiments as economic activity picked up. The listing of MTN Uganda on the USE also contributed to the improved market activity.

At the end of FY 2021/22, Uganda's equity turnover ratio (measured as total equity turnover divided by the total market capitalization) stood at 0.2%. In comparison with other jurisdictions, there is still room for growth. At the end of FY 2019/20, Kenya's equity turnover ratio stood at 6.3% while Tanzania's stood at 1.2%. Key among the interventions in the other jurisdictions to drive market activity is the increasing level of local investor participation in the capital markets through, among other things, public education and the use of mobile applications which are designed to provide market participants with convenient, faster, and real-time access to the securities exchanges' activities. It is important to note that CMA, together with other stakeholders also continue to undertake investor education which aims at creating awareness about capital markets, to drive market activity by increasing the level of local investor participation in the capital markets.

Over the last five years, the total equity turnover at the USE has decreased by 12.6% on an annualized basis from UGX 75.8 billion in the FY 2017/18 to UGX 44.3 billion in the review period.

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

Counter	2017/18	2018/19	2019/20	2020/21	2021/22
BATU				0.0001	0.007
BOBU	3.4	2.4	0.2	1.7	2.8
CENT	0.04	0.001	0.01	0.0001	0.001
CQCIL		0.4	0.1	0.3	0.06
DFCU	12.1	1.4	50.9	0.03	0.03
EABL	0.02				
KCB	0.005				0.0004
MTNU					4.6
NIC	0.2	0.05	0.008	0.03	0.02
NVL	0.03	0.03	0.01	0.03	0.05
SBU	11.4	20.4	33.1	7.9	11.9
UCHM	0.4	0.001			
UCL	0.4	0.9	0.2	0.5	1.2
UMEME	47.8	21.3	30.7	6.8	23.6
Total	75.8	46.9	115.4	17.3	44.3

Source: USE market reports

A breakdown of the turnover by ***investor category*** in the FY 2021/22 showed that foreign companies took up more than half of the total equity turnover (53.9%), followed by Ugandan companies (23.1%) and Ugandan individuals (11.2%).

A trend analysis of the percentage of equity turnover per investor category indicates that equity turnover of Foreign Individuals, East African Companies and Ugandan Companies as a percentage of total equity turnover has grown from 2.2%, 1.5% and 10.3% at the end of FY 2020/21 to 5.7%, 3.9% and 23.8% at the end of FY 2021/22 respectively.

Table XV: Percentage of Total Equity Turnover per Investor Category (%)

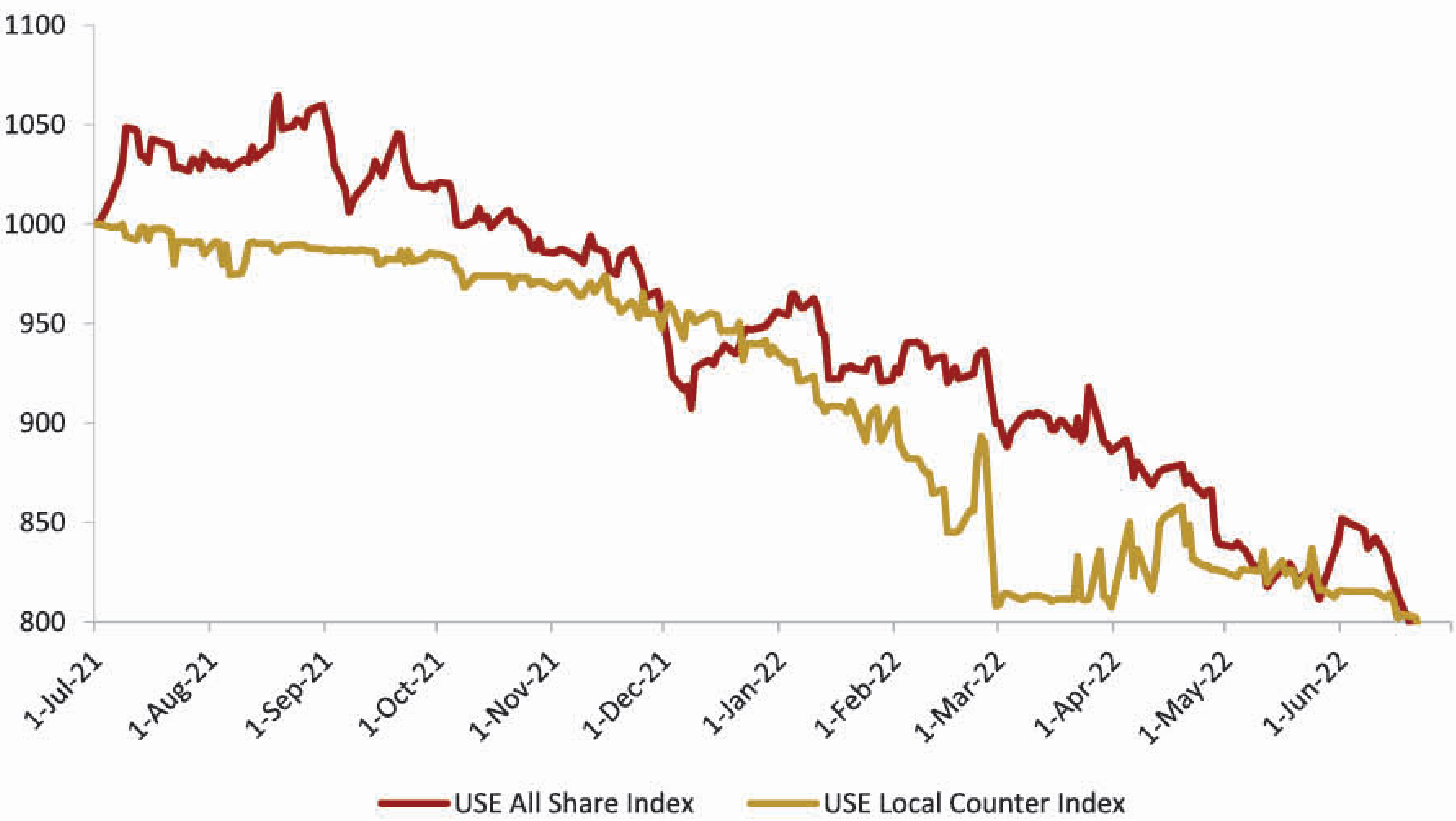
Investor Category	2020/21	2021/22
Ugandan Individuals	14.4	11.2
Ugandan Companies	10.3	23.8
East African Individuals	3.6	1.5
East African Companies	1.5	3.9
Foreign Individuals	2.2	5.7
Foreign Companies	67.9	53.9
Total	100	100

Source: Uganda Securities Exchange

2.3.4.3 Index Levels3

The USE All Share Index (ALSI) decreased by 23.3% to close the financial year 2021/22 at 767 points from 1,000 points recorded at the end of the previous financial year. The decline in the ALSI was due to the share price drops registered on all cross-listed counters – Centum Investments Limited, Nation Media Group, East Africa Breweries Limited, Jubilee Holdings, Equity Bank, Kenya Commercial Bank and Kenya Airways; and six locally listed counters – British American Tobacco Uganda, Vision Group, Bank of Baroda, Cipla Quality Chemicals Industries Limited, Stanbic Uganda Holdings Limited and DFCU Bank. The USE Local Counter Index (LCI) fell by 21.1% closing the financial year 2021/22 at 789 points from 1,000 points at the end of the FY 2020/21. The LCI decreased on account of share price drops registered on six locally listed counters – British American Tobacco Uganda, Vision Group, Bank of Baroda, Cipla Quality Chemicals Industries Limited, Stanbic Uganda Holdings Limited and DFCU Bank.

Figure VII: USE All Share and USE Local Counter Index Levels (2021/22)4



Source: USE market reports

3 *The indices have been rebased using the same start level of 1,000 points, to easily compare the performance of the indices*
4 *The indices have been rebased using the same start level of 1,000 points, to easily compare the performance of the indices*

2.3.4.4 Share Price Performance of Locally Listed Companies

Three locally listed counters, Uganda Clays Limited, UMEME and National Insurance Corporation registered share price gains of 131.7%, 9.1% and 3.3% respectively, to close the period under review at UGX 19, UGX 239.01 and UGX 6.2 from UGX 8.2, UGX 219, and UGX 6 respectively at the close of the previous financial year. On the other hand, six counters registered share price losses at the end of FY 2021/22. British American Tobacco Limited posted the highest drop in price to close the review period at UGX 15,000 from UGX 30,000 at the end of the FY 2020/21, representing a drop of 50%. Table XIV shows trends in prices and key drivers of prices on the locally listed counters.

Table XVI: Development of End-of-Period Share Prices on the USE (2017/18–2021/22)

Counter	2017/18	2018/19	2019/20	2020/21	2021/22	YoY (%)	Comments on Key Price
BATU	30,000	30,000	30,000	30,000	15,000	-50	Liquidity remains low on this counter due to limited float hence the counter seldom trades.
BOBU	150	128.73	110	120	80	-33.3	The bank's share price was partly affected by the Bank of Uganda's directive to financial institutions to defer dividend payments for 2020.
CQCIL		160	100	100	69	-31	Investor demand for the stock remains low with supply out striping demand for the counter.
DFCU	970	670	645	590	550	-6.8	DFCU's share price has mainly been affected by its dismal performance in 2021 and the Central Bank's directive to financial institutions to defer dividend payments for 2020.
MTNU					178.09		
NIC	18	13	9	6	6.2	3.3	The share price for the counter trended upwards owing to its improved performance in 2021.
NVL	450	330	315	310	160	-48.4	The New Vision share price was affected by a series of transactions emanating from a single seller, which was not a true and fair representation of market forces of demand and supply.
SBU	32	29	24	26.5	22	-17	The share price trended downwards despite the stellar performance in 2021, mainly due to the Central Bank's directive to financial institutions to defer dividend payments for 2020.
UCL	21.5	15.1	9	8.2	19	131.7	The high demand for this counter as a result of its impressive results for the year 2021 and dividend payout has led to the price rally.
UMEME	300	300	245	219	239.01	9.1	The counter has had a lot of activity since the start of the year 2022 owing to its improved performance and dividend payout in 2021 which has pushed the price up

Source: USE market reports

2.4 Performance of Locally Listed Companies

Overall, the profitability of locally listed companies on the USE reported for the full year 2021 grew by 123.9% to UGX 892.2 billion compared to UGX 398.8 billion for the full year 2020. Notably, all locally listed companies registered a profit in 2021 while in 2020 one listed company registered a loss. The increase in the net earnings can be largely attributed to the new USE listing (MTNU) which contributed UGX 340.41Bn, representing about 38.2% of the total earnings of listed companies. SBU, UMEME and BOBU net profits accounted for 55.9% of total earnings while the other six counters contributed about 6% to the total earnings of locally listed companies.

Table XVII: Summary of Full Year 2021 performance for Locally Listed Companies (UGX Billion)

Counter	2021				2020			
	Total Assets	Total Equity	Revenue	Net Profit	Total Assets	Total Equity	Revenue	Net Profit
BATU	59.4	38.5	93.8	10.3	69.7	48.2	162	19.9
BOBU	2,189	554.7	219.2	90.2	2,138.9	452.9	207.1	83.3
CQCIL	244.7	159.7	267.4	24.1	248.5	145.2	192.7	-23.1
DFCU	3,136.7	594	450.1	9.3	3,498.6	592.9	414.7	24.1
MTNU	3298.4	836.2	2,060.1	340.4	2760	726	1,877.8	321.7
NIC	106.6	38.7	25	3.2	101.6	35.4	19.9	1.9
NVL	123	65.5	61.1	0.4	102.2	73.4	91.8	2.7
SBU	8,720.1	1,533.3	958.3	269.3	8,572.2	1,243.4	885.2	241.7
UCL	74.5	40.7	36.7	5.9	68.9	35.9	29.7	4.9
UMEME	2,507.3	893.2	1,885	139.1	2,665	803.2	1,660.8	43.1

Source: Company Fillings, CMA Database

MTNU recorded the highest ***Return on Equity***[5] (ROE) of 40.7% in 2021 implying that the company's management is effectively using the company's equity to create returns for shareholders. On the other hand, NVL had the lowest Return on Equity of 0.6%.

Three financial metrics drive ROE: operating efficiency, asset use efficiency, and financial leverage. A sustainable and increasing ROE over time can mean that a company is good at generating shareholder value because it knows how to reinvest its earnings wisely, so as to increase productivity and profits. In contrast, a declining ROE can mean that management is making poor decisions on reinvesting capital in unproductive assets.

Table XVIII: ROE for Locally Listed Companies (2017 - 2021)

Counter	2017	2018	2019	2020	2021
BATU	31	33.9	35.7	41.3	26.8
BOBU	14.9	19.6	11.5	18.4	16.3
CQCIL			4	-15.9	15.1
DFCU	20.1	11.7	12.9	4.1	1.6
MTNU					40.7
NIC	9.1	-5.4	-8.3	5.4	8.3
NVL	0.02	3.5	2.9	3.7	0.6
SBU	22.9	22.5	23.2	19.4	17.6
UCL	7.7	6.2	-0.3	13.6	14.5
UMEME	22.2	17.2	16.7	5.4	15.6

Source: Company Fillings, CMA Database

BATU posted the highest Dividend per Share (DPS) of UGX 209.6 in 2021. The dividend per share allows an investor to determine how much income from the company they will receive on a per-share basis. In 2021, only three out of the ten listed companies did not declare a dividend. DFCU directors didn't recommend payment of a dividend for the year ended 31st December 2021, due to a drop in its after-tax earnings. The directors of NIC did not declare a dividend in the year ended 31st December 2021 because the company had not met the minimum Capital Adequacy Ratio (CAR). Notably, Regulation 6(8) of the Insurance (Capital Adequacy and Prudential Requirements) Regulations, 2020 (the Regulation) prohibits insurance companies which have not met the minimum CAR of 200% from paying a dividend. The directors of New Vision did not propose payment of a dividend for the year ended 30th June 2021 on the back of the company registering a loss.

5 *Return on Equity is net income expressed as a percentage of total equity used to measure returns to shareholders.*

The table below shows the DPS of locally listed companies over the last five years.

Table XIX: DPS for Locally Listed Companies (UGX, 2017 - 2021)

Counter	2017	2018	2019	2020	2021
BATU	246	280	320	406	209.58
BOBU	7.5	10	10	0	20[6]
CQCIL		0	0	0	2
DFCU	68.24	33.01	0	17.38	0
MTNU					14.99
NIC	1	0	0	0	0
NVL	0	25	25	18	0
SBU	1.76	1.9	2.15	0	1.96[7]
UCL	1	1	0	1.35	1.5
UMEME	7.6	40.9	41.34	12.2	54.1

Source: Company Fillings, CMA Database

UMEME posted the highest dividend yield of 22.6% in 2021. The dividend yield is used to determine the cash flows attributed to an investor from owning stocks or shares in a company. The ratio shows the percentage of dividends for every shilling of stock. The table below shows the dividend yield (in %) of locally listed companies over the last five years.

Table XX: Dividend Yield for Locally Listed Companies (Percentage, 2017 - 2021)

Counter	2017	2018	2019	2020	2021
BATU	0.53	0.82	0.93	1.07	1.39
BOBU	6.64	7.14	8	8.33	25
CQCIL		0	0	0	2.89
DFCU	9.61	4.01	0	2.78	0
MTNU					8.42
NIC	9.09	0	0	0	0
NVL	0	4.85	7.58	5.71	0
SBU	6.46	6.55	8.24	8.09	8.86
UCL	3.39	7.69	0	16.88	7.89
UMEME	1.9	12.78	17.74	5.57	22.64

Source: Company Fillings, CMA Database

2.5 Private Equity/Debt

According to the data collected by the East Africa Private Equity and Venture Capital Association (EAVCA), private equity/debt activity in Uganda improved in FY 2021/22, specifically in terms of the total number of deals compared to FY 2020/21. The total number of private equity/debt deals increased to 21 in FY 2021/22 from 15 in FY 2020/21, driven by Uganda's growth opportunities. That said, the total deal value fell by 12.4% from US$ 58.9 million in FY 2020/21 to US$ 51.6 million in FY 2021/22. The bulk of the deals were recorded in the finance and technology sectors which have proven to be defensive during the pandemic period.

6 *This figure includes BOBU's FY2020 dividend (UGX 10 per share) and FY2021 dividend (UGX 10 per share)*

7 *This figure includes SBU's FY2021 dividend (UGX 0.98 per share) and the interim dividend for 2022 (UGX 0.98 per share)*

Table XXI: Selected Private Equity/Debt Deals in Uganda by Sector in the FY 2021/22

Month/Year	Target Company	Target Sector	Acquirer Name	Deal Value (US$ Million)
Aug 2021	Pura Organic Agro Tech Ltd	Agro processing	Yield Uganda Investment Fund (Yield)	2,500,000
Aug 2021	Asaak	FinTech	Founders Factory Africa's Venture Scale programme	100,000
Aug 2021	AMFRI Farms Ltd	Agro processing	Yield Uganda Investment Fund (Yield)	1,533,545
Sep 2021	gnuGrid Africa	Renewable Energy	Angel investor	612,500
Sep 2021	Fin-e	FinTech	Undisclosed	300,000
Sep 2021	Ridelink	Transport and Logistics	Ortus Africa Venture	150,000
Oct 2021	Sekajja Agro Farms Ltd	Agro processing	Yield Uganda Investment Fund (Yield)	1,800,000
Nov 2021	Zembo Uganda	Industrials and materials	Mobility 54 Investment SAS	3,400,000
Dec 2021	Sausage King 3000 Uganda Limited	Agro processing	Yield Uganda Investment Fund (Yield)	Undisclosed
Dec 2021	SafeBoda	Transport and Logistics	Google Africa Investment Fund	Undisclosed
Dec 2021	EBO- Uganda	Banking	ABC Fund	1,140,000
Dec 2021	Tugende	FinTech	Nordic Microfinance Initiative (NMI)	17,000,000
Dec 2021	Winch Energy	Renewable Energy	Sunfunder Beyond The Grid Solar (BTG) Fund	2,000,000
Jan 2022	NUMIDA	FinTech	Y Combinator	500,000
Feb 2022	ChapChap Africa Ltd	FinTech	Nordic Impact Fund	Undisclosed
Mar 2022	Rocket Health	HealthTech	Creadev Evergree Investment Fund	5,000,000
Apr 2022	Laboremus Uganda	FinTech	DOB Equity East Africa Fund (Evergreen Fund)	Undisclosed
May 2022	Tugende	FinTech	Undisclosed (Organised by Verdant Capital)	2,825,000
Jun 2022	Emata	AgTech	Norrsken Impact Accelerator	125,000
Jun 2022	Nyamwamba II	Infrastructure	Serengeti Energy (Formerly responsAbility Renewable Energy Holding-rAREH	10,600,000
Jun 2022	XENO	FinTech	Beyond Capital Ventures	2,000,000

Source: East Africa Private Equity and Venture Capital Association

Disclaimer: The EAVCA took great measures to ensure that the information provided is accurate as collected from both primary and secondary/public domain sources. However, EAVCA cannot authenticate the accuracy of the deal details and caution is advised while using the information provided for investment decisions.

2.6 Government Bonds Performance

2.6.1 Primary Market Activity

Bank of Uganda issued a total of UGX 7.9 trillion in treasury bonds in the financial year 2021/22, 3.8% lower than UGX 8.2 trillion issued in the FY 2020/21. The drop in domestic debt issuance was partly due to the government's rejection of bids deemed to be highly-priced. It is worth noting that the issuance of long-term treasury bonds was prioritized to lengthen the maturity profile to mitigate refinancing risk in the domestic debt portfolio. To this end, the government paper that raised the most funds in the FY 2021/22 was the 20-year bond, taking up 33.2% of the total treasury bond issuances during the period under review.

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

Maturity	2020/21	2021/22	Change (%)
2-Year	1,049.7	1,203.6	14.7
3-Year	974.6	973.3	-0.1
5-Year	1,039.6	1,008.7	-3
10-Year	2,674.4	876	-67.2
15-Year	1,427.3	1,205.5	-15.5
20-Year	1,034.5	2,623	153.6
Total Bonds Issuance	8,200	7,890.1	-3.8

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

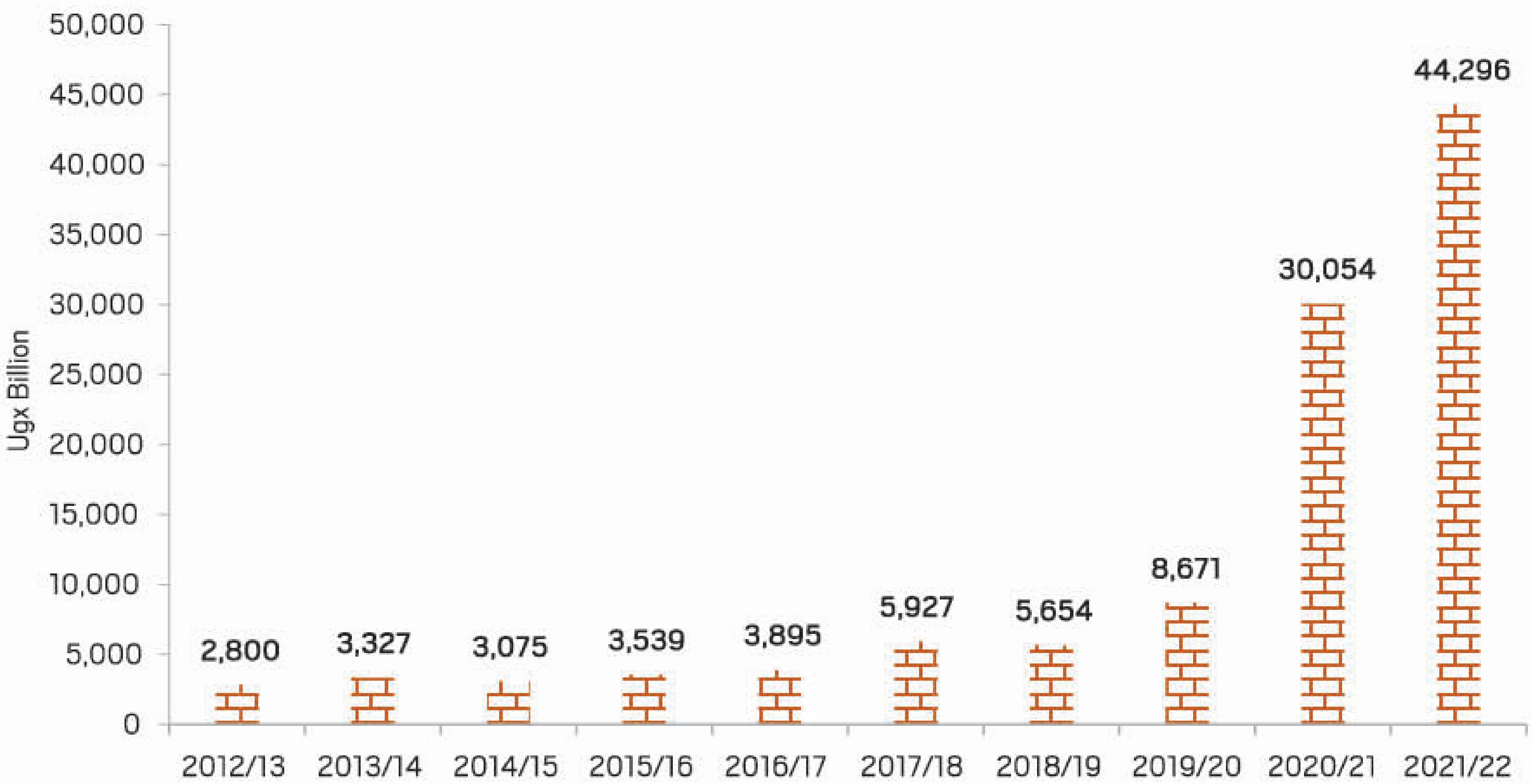
In the medium term, as the level of domestic debt rises, it is anticipated that the Government of Uganda will continue to prioritize the issuance of treasury bonds over treasury bills for purposes of lengthening the maturity profile to mitigate refinancing risk in the domestic debt portfolio.

2.6.2 Secondary Market Activity[8]

The value of government bonds traded in the secondary market, rose by 47.4% to UGX 44.3 trillion in FY 2021/22 from UGX 30.1 trillion in FY 2020/21. Average monthly turnover also grew by 48% to UGX 3.7 trillion in the financial year 2021/22 from UGX 2.5 trillion previously. The growth in turnover can be attributed to, among other things, increased investor appetite for government securities and primary dealership reforms that saw the number of primary dealers reduced to 7 with market-making obligations and incentives to have a vibrant secondary market.

Over the last ten years, the government bond turnover on the secondary market has increased by 35.9% on an annualized basis, from UGX 2.8 trillion in FY 2012/13 to UGX 44.3 trillion in FY 2021/22.

Figure VIII: Secondary Market Trading for Government Bonds (2012/13 - 2021/22)



Source: Bank of Uganda Money Market Reports

At the end of FY 2020/21, the government bond turnover ratio for Uganda stood at 200.7%. In comparison, Kenya had a bond turnover ratio of 24.4% in the same period, pointing to the Ugandan Government bond market space being relatively liquid compared to that of Kenya during the period under review.

8 *The figures only refer to the Over the Counter trading and not on-exchange trading*

2.6.3 Treasury Bonds Yields

In the primary market, the 2-year bond yield fell while yields on all other tenors edged upwards. Yields on the 3-year, 5-year, 10-year, 15-year and 20-year treasury bonds grew from average yields of 11.4%, 13.4%, 13.5%, 14.1% and 16%, respectively in the first quarter of the FY 2021/22 to averages of 12.4%, 14.5%, 13.8%, 14.5% and 17% in the last quarter. This increase in yields was partly explained by Central Bank Rate increments, which have pointed to a tightening of monetary policy to tame inflation. That said, the 2-year treasury bond sold for 9.9% in the last quarter of FY 2020/21 compared to an average yield of 10% in the first quarter.

Table XXIII: Quarterly Evolution of Yields on Treasury bonds (FY 2021/22)

Maturity	Jul – Sept	Oct – Dec	Jan – Mar	Apr - Jun
2-Year	10	11	10.5	9.9
3-Year	11.4	13.1	12.1	12.4
5-Year	13.4	13.7	14	14.5
10-Year	13.5	14	13.5	13.8
15-Year	14.1	15.5	14.4	14.5
20-Year	16	15.7	16	17

Source: Bank of Uganda

An increase in yields is indicative of higher costs of borrowing for the government as investors demand higher compensation for the various risks associated with holding long-term fixed-income securities. It is worth noting that there are ongoing initiatives such as the establishment of the Uganda Fixed Income Market (UFIM) to spur secondary market activity in the fixed-income securities market and also help facilitate appropriate pricing of risk. It is noteworthy that a fully operational UFIM will increase liquidity in the debt capital markets, contribute to a reduction in the cost of borrowing for the Government and the private sector and enhance market transparency.

2.7 Corporate Bond Performance

2.7.1 Corporate bond trading statistics

There was no activity in both the primary and secondary markets for corporate bonds in 2021/22. It is worth noting that the increase in the yields for government benchmarks makes corporate debt unattractive for issuers who have to price in a credit risk premium. With one listed corporate bond (Kakira Sugar Limited Bond) and buy-to-hold investors, the secondary market for corporate bonds is thin.

To drive activity in the primary market for corporate bonds, CMA will continue to sensitize business owners and founders on corporate bonds as an alternative source of market-based financing. Additionally, tools for de-risking issuances such as the use of guarantees, sinking funds and obtaining credit ratings to boost investor confidence will also be highlighted. Secondary market activity will in part be dependent on efforts to deepen trading. These efforts include, among other things, the setting up of the Uganda Fixed Income Market which is expected to spur secondary market activity for Government and corporate bonds.

Table XXIV: Corporate Bonds Listed at the USE since Inception

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

Source: Uganda Securities Exchange, CMA Database

2.8 Competitiveness and Inclusiveness

2.8.1 Domestic Market Capitalization as a Percentage of GDP

In comparison with other jurisdictions across the region, Uganda's domestic market capitalization to GDP ratio is still low. In the FY 2021/22, Kenya recorded the highest domestic market capitalization to GDP ratio at 18.5% followed by Tanzania at 7%, then Uganda at 5.2% and Rwanda at 4.9%. However, it is worth noting that Uganda's domestic market capitalization to GDP ratio has increased from 3.3% in the FY 2020/21 to 5.2% in the FY 2021/22.

The Authority continued to engage medium to large companies in specific sectors to discuss ways through which they can participate as issuers in the capital market to raise capital to finance their growth, through demonstrable case studies from other jurisdictions. Among these are the telecommunications and financial services sector, as well as former state-owned enterprises which were privatized.

Table XXV: Domestic Market Capitalization and GDP Statistics (US $ billion)

Country	Indicator	2020/21	2021/22
Uganda	Domestic market capitalization	1.2	2
	GDP at Constant Prices	36.9	38.6
	Domestic market capitalization to GDP (%)	3.3	5.2
Kenya	Domestic market capitalization	25.1	16.7
	GDP at Constant Prices	84.1	90.4
	Domestic market capitalization to GDP (%)	29.8	18.5
Tanzania	Domestic market capitalization	4.2	4.5
	GDP at Constant Prices	61.5	64.2
	Domestic market capitalization to GDP (%)	6.8	7
Rwanda	Domestic market capitalization	0.64	0.59
	GDP at Constant Prices	10.8	12
	Domestic market capitalization to GDP (%)	5.9	4.9

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

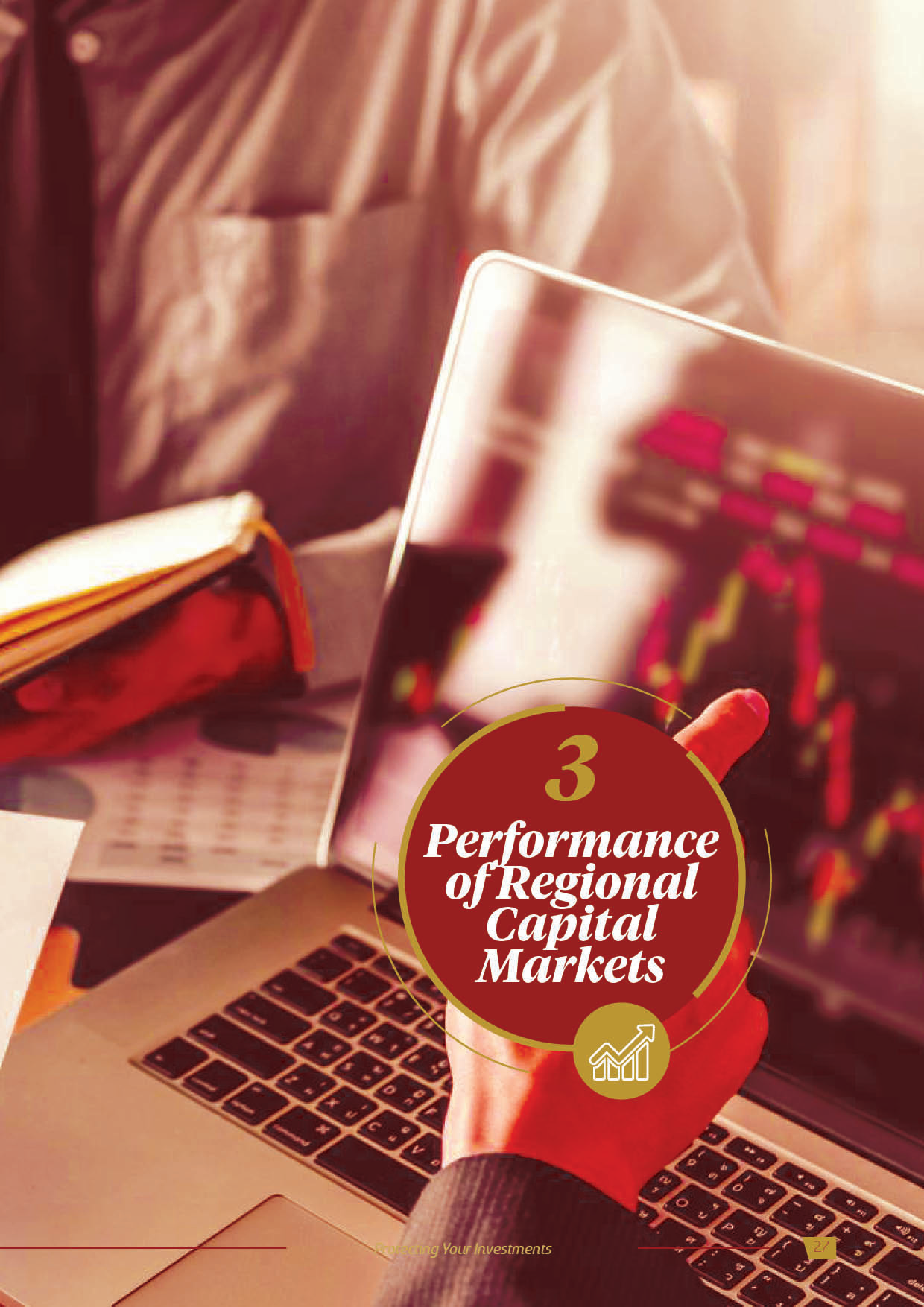
2.8.2 CIS AUM as a Percentage of GDP

At the end of the FY 2021/22 Uganda's CIS AUM, when measured as a percentage of GDP stood at 0.8%, compared to 0.5% in the FY 2020/21. In comparison, at the end of FY 2021/22, CIS AUM to GDP for Morocco stood at 43.3%, indicating success in mobilizing savings through CIS. It is worth noting that in Morocco, pension funds and other institutional investors are the main investors in CIS funds, contributing more than 90% to the total assets under management. As part of interventions to stimulate further growth of the CIS, CMA will enhance the current public awareness programs on CIS products and work with stakeholders to improve distribution. In addition, the Authority will also fast track the implementation of the ***Okusevinga*** project which seeks to grow the CIS sector by leveraging mobile phone technology to increase investor uptake.

Table XXVI: CIS Assets under Management as a Percentage of GDP (US $ billion)

Country	Indicator	2020/21	2021/22
Uganda	CIS Assets under Management	0.2	0.3
	GDP at Constant Prices	36.9	38.6
	CIS Assets under Management to GDP (%)	0.5	0.8
Kenya	CIS Assets under Management	1.1	1.2
	GDP at Constant Prices	84.1	90.4
	CIS Assets under Management to GDP (%)	1.3	1.4
Morocco	CIS Assets under Management	52.3	49.2
	GDP at Constant Prices	105.7	113.5
	CIS Assets under Management to GDP (%)	49.5	43.3

Source: World Bank, CMA Uganda Market Supervision Department, CMA Kenya and Moroccan Capital Market Authority



3
Performance of Regional Capital Markets

This section covers the performance of regional equity markets. It provides insights into the equities turnover, market capitalization and index levels on the Nairobi Securities Exchange, Rwanda Stock exchange and the Dar es Salaam Stock Exchange.

3.1 Equity Market Activity

3.1.1 Equity Turnover

Equity turnover at the Nairobi Stock Exchange (NSE) during the financial year 2021/22 fell by 12.8% to US$ 1,083.9 million from US$ 1,242.8 million recorded in the FY 2020/21. The dip in the market activity was a result of sell-offs by foreign institutional investors due to global uncertainties such as high inflation partially fueled by Russia's military actions in Ukraine. Frontier markets such as Kenya took a deeper hit because investors, particularly foreigners, are attracted to the western bonds and equities that are viewed as safe havens in times of global uncertainty. In the same breath, equity turnover at the Dar es Salaam Stock Exchange (DSE) during the financial year 2021/22 dropped by 76.3% to US$ 55.1 million from US$ 232.2 million registered in the previous financial year driven by low domestic and foreign institutional investor activity. The market turnover at the RSE also fell by 55.8% to US$ 19.1 million in FY 2021/22 from US$ 43.4 million recorded in FY 2020/21.

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

Securities Exchange	2017/18	2018/19	2019/20	2020/21	2021/22
USE	20.7	12.2	31.2	4.7	12.3
NSE	1,971.1	1,359.8	1,485	1,242.8	1,083.9
DSE	215.4	58.5	293.4	232.2	55.1
RSE	9.1	5.6	2.9	43.4	19.1

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

3.1.2 Market Capitalization

Domestic market capitalization at the NSE dropped by 33.4% to US$ 16.7 billion at the end of the review period, from US$ 25.1 billion at the end of FY 2020/21. The decline in market capitalization was largely due to the share price loss registered on Safaricom. The share price decline occurred against the backdrop of a huge selloff in global equities following Russia's invasion of Ukraine, which precipitated investor flight into safe-haven investments such as gold, US bonds and the dollar.

Domestic market capitalization at the RSE fell by 7.8% to US$ 0.59 billion at the end of the review period, from US$ 0.64 billion recorded at the close of the financial year 2020/21. The decrease in market capitalization was due to the share price drops registered on MTN Rwanda and I&M Bank Rwanda stocks during the quarter under review. That said, domestic market capitalization at the DSE closed higher at US$ 4.5 billion, from US$ 4.2 billion posted at the close of the FY 2020/21, representing a gain of 7.1%. The growth in market capitalization was due to share price gains registered on: CRDB Bank PLC, Dar es Salaam Stock Exchange, NMB Bank Plc, Swissport Tanzania Plc and JATU Plc. The rally of the share prices can be partly attributed to investors returning to the equities market as the book closure dates for dividends approached.

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

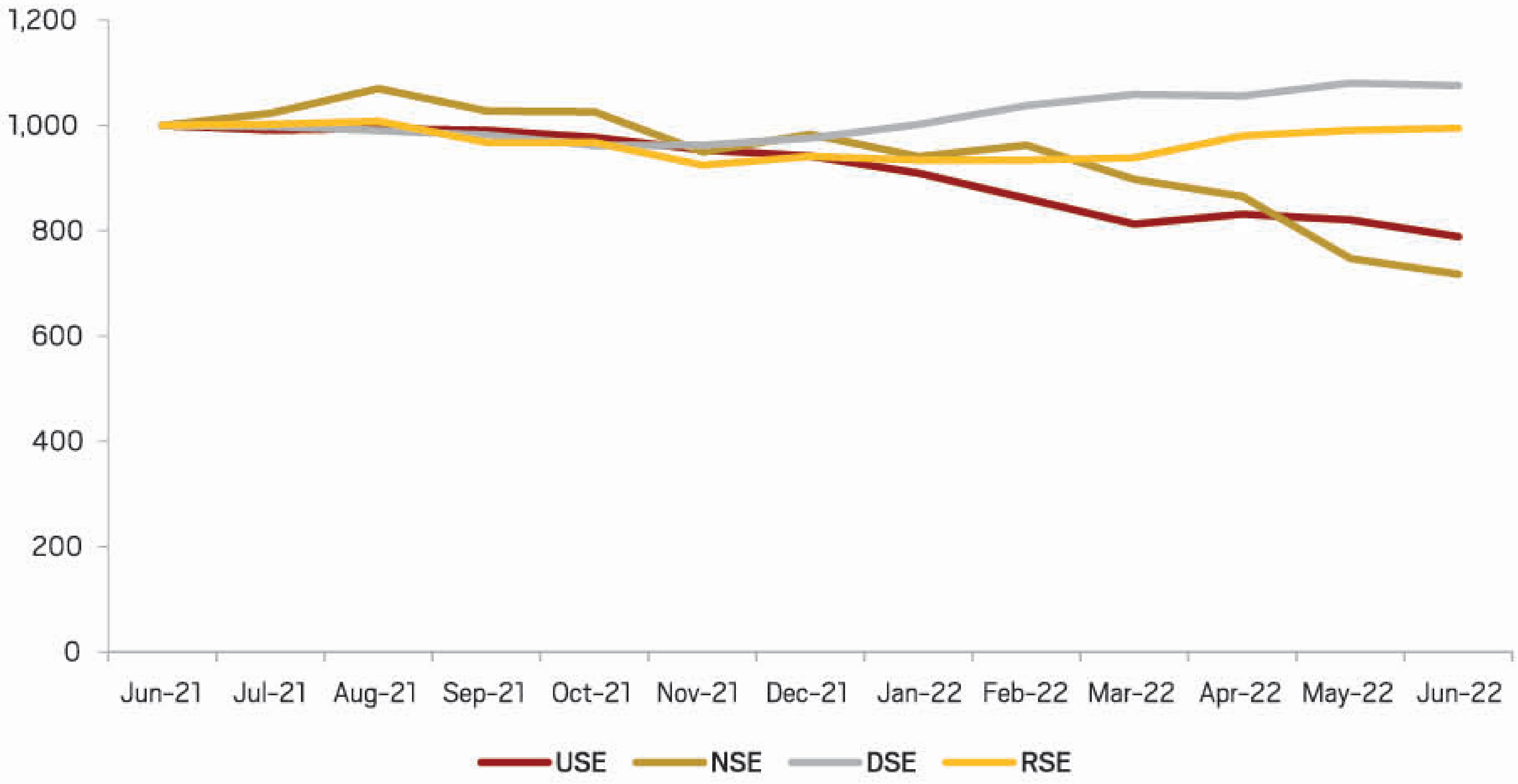
Securities Exchange	2020/21	2021/22	Change (%)
USE	1.2	1.9	55.7
NSE	25.1	16.7	-33.4
DSE	4.2	4.5	7.1
RSE	0.64	0.59	-7.8

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

3.1.3 Index Levels[9]

The NSE All-Share Index was down 28.3%, closing the financial year 2021/22 at 717 points from 1,000 points at the end of the financial year 2021/22. Similarly, the RSE Rwanda Share Index shed 0.5% to close the review period at 995 points from 1,000 points at the end of the financial year 2020/21. On the other hand, the DSE Tanzania Share Index gained 7.5%, closing the review period at 1,075 points from 1,000 points at the end of the previous financial year. The changes in index levels mirrored the changes in domestic market capitalization, with similar drivers.

Figure IX: Trends in the USE All-share, RSE All-share, DSE All-share and NSE All-share Indices (June 2021 – June 2022)10



Source: USE, RSE, DSE and NSE market reports

3.2 Government Bond Market Activity

3.2.1 Treasury Bond Rates

Across the region, the Government of Uganda treasury bonds registered the highest yields on the 10-year, 15-year and 20-year tenors. Average yields on the Government of Uganda's 10-year, 15-year and 20-year treasury bonds grew from 13.5%, 14.1% and 16% in the first quarter of the FY 2021/22 to 13.8%, 14.5% and 17% in the last quarter of the year. The increased yields were partly on account of rising inflation and a tight monetary policy stance of the Bank of Uganda. Similarly, average yields on the Government of Kenya's 10-year, 15-year and 20-year treasury bonds grew from 12.2%, 12% and 13% in the first quarter to 13.5%, 13.9% and 13.7% in the last quarter of the FY 2021/22, reflecting the tightening domestic and global monetary conditions.

Average yields on the Government of Rwanda's 10-year treasury bond grew from 11.9% in the first quarter to 12.2% in the last quarter of the FY 2021/22 while the 15-year treasury bond remained unchanged at 12.5%. That said, the 20-year treasury bond fell from 13% in the first quarter to 12.9% in the last quarter of the FY 2021/22.

On the other hand, average yields on the Government of Tanzania's 10-year, 15-year and 20-year treasury bonds fell from 11.6%, 13.6% and 15.4% in the first quarter to 10.3%, 11.7% and 11.7% in the last quarter of the FY 2021/22 due to huge investor appetite for long term government securities.

9 The indices have been rebased using the same start level of 1,000 points, to easily compare the performance of the indices

10 The indices have been rebased using the same start level of 1,000 points, to easily compare the performance of the indices

Table XXIX: Quarterly Evolution of Yields on Treasury Bonds Across the Region (FY 2021/22)

Country	Maturity	Jul – Sept	Oct – Dec	Jan – Mar	Apr - Jun
Uganda	10-Year	13.5	14	13.5	13.8
	15-Year	14.1	15.5	14.4	14.5
	20-Year	16	15.7	16	17
Kenya	10-Year	12.2	12.6	13	13.5
	15-Year	12	12.7	13.7	13.9
	20-Year	13	13.4	13.4	13.7
Tanzania	10-Year	11.6	11.5	11.2	10.3
	15-Year	13.6	13.6	12.5	11.7
	20-Year	15.4	15	12.9	11.7
Rwanda	10-Year	11.9		12	12.2
	15-Year	12.5		12.5	12.5
	20-Year	13	13		12.9

Source: Bank of Uganda, Central Bank of Kenya, Bank of Tanzania and National Bank of Rwanda

4

Regulatory Updates

The section provides an overview of regulated capital markets players, and insights into the Authority's activities that include: market development initiatives, market supervision developments and legal and regulatory issues.

4.1 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 XXX: Number of Regulated Capital Markets Players at the end of each Financial Year

Category	2020/21	2021/22	Comment
Fund Managers	7	7	
Stock Brokers	8	8	
Investment Advisors	9	9	
CIS Managers	5	6	A new CIS manager was licensed
Unit Trust Schemes	16	17	One new Unit Trust Scheme was approved
Trustees	2	2	
Securities Exchanges	2	2	
Securities Central Depositories	2	2	
Registrars		2	Two new registrars were approved
Custodians		4	Four new custodians were approved
Representative Licenses	35	40	Five new Representative Licenses were issued
Total	86	99	

Source: CMA Market Supervision Department

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

4.2 CMA Driven Market Development Initiatives

4.2.1 Capital Markets Awareness

4.2.1.1 Sensitization of potential investors and issuers

During the period under review, CMA continued with its public education efforts through investor education and issuer education programs. In light of containment measures aimed at managing the spread of covid-19, CMA held most of its public education activities via online platforms and several webinars were held in partnership with other like-minded institutions.

a) World Investor Week

CMA marked the International Organization of Securities Commissions (IOSCO) annual World Investor Week (WIW) 2021 from 4th to 10th October 2021. The week-long campaign was held under the theme: ***"Sustainable Finance and Fraud Prevention."*** The CMA partnered with the CFA Society of East Africa for five webinars during the week. The discussion topics included:

- Governance as part of sustainable finance by CFA Alan Lwetabe, Manager Deposits, Deposit Protection Fund on 4th October 2021;
- Investing through Collective Investment Schemes by CFA Simon Mwebaze, CEO of UAP Old Mutual Financial Services on 5th October 2021;
- Understanding scams and how to avoid being in one by CPA Denis Kizito, Manager Internet Audit, CMA Uganda on 6th October 2021;
- Working with an investment professional by Salima Asha Nakiboneka, Manager Investments, SBG Securities on 7th October 2021; and

- Charting an investment roadmap by CFA Susan Khainza, CEO of Kayan Consultancy on 8th October 2021.

The campaign aimed at improving financial literacy and raising awareness of various topical issues in line with the investor education and protection theme. A total of 13,703 investors were reached during the WIW activities.

b) Webinars, Radio and Television Outreaches

CMA through its investor resource persons (external persons contracted by CMA to reach out to potential investors) held 33 radio outreaches on XFM, Sanyu FM, Salt FM, KFM, Faith Radio, BCU Radio, Big FM, IUIU FM, Ebenenzer Radio, Elgon FM, Bukedde FM, Dembe FM, Galaxy FM, Radio City, Akaboozi Ku Biri, Radio One, Power FM, and CBS FM. In addition, 9 television outreaches were held on Bukedde TV, Urban TV, NTV, UBC TV, Salt TV, BBS TV, Family TV and BBS TV. During the period, 2 televised and 3 social media webinars were also held. Notably, over a period of four weeks, the Authority was able to reach about 9.8 million potential investors through webinars, television and radio outreaches which are aimed at creating awareness about capital markets, to drive market activity through Collective Investment Schemes (CIS).

In addition to outreach through the television and radio airwaves, the lifting of Covid-19 restrictions by the government revived physical meetings. In this regard, resource persons held 33 physical meetings where about 750 potential investors were reached.

c) Collaboration with the National Social Security Fund (NSSF)

As part of outreach efforts, CMA participated in a webinar organized by the National Social Security Fund, on 22nd September 2021. The webinar focused on intergenerational wealth transfer. During the webinar, CMA got the opportunity to have ***"squeeze backs"*** on its role and the various investment avenues in Uganda's capital markets exposed to an audience of 3,800 participants.

In addition, CMA participated in the NSSF Customer connect week from 25th to 29th October 2021 by providing a recorded video interview, explaining various industry products plus issuer and investor education programs. This video was viewed by 23,800 investors on YouTube and Twitter.

During the review period, CMA also partnered with the NSSF for two webinars on financial literacy on 18th January 2022 and 22nd February 2022. The webinars sought to sensitize participants on saving and investing in capital markets. The first webinar which was titled "Evaluating Personal Finance" discussed, among other things, experiences and practical tips to help individuals on the journey of setting personal financial goals. The discussions of the second webinar under the theme "Repurpose, Refocus, Reshape: My Why" revolved around positioning oneself to achieve personal goals. The two webinars reached an estimated audience of about 2,384 individuals.

d) Collaboration with the CFA Society East Africa

CMA in collaboration with CFA Society East Africa held webinars dubbed "IPO education series" from 1st to 11th November 2021. The discussion topics included:

- A public Question and Answer session on the MTN IPO moderated by CFA Kenneth Legesi, CEO of Ortus Africa on 1st November 2021;
- Fireside chat with MTN Uganda CEO and CFO moderated by CFA Aeko Ongodia, CFA Goerge Jato Otim, and CFA Miriam Nansubuga on 4th November 2021;
- Engagement with the transaction advisor for the MTN IPO moderated by CFA John Kamara, and CFA David Ivan Wangolo on 8th November 2021; and
- A session on "To buy or not to buy" moderated by CFA Walter Tukahiirwa, focusing on the merits and demerits of participating in the MTN IPO on 11th November 2021.

A total audience of 97,748 individuals was reached as a result of this initiative and empowered with knowledge on investing in IPOs.

e) Collaboration with the Uganda Institute of Banking and Financial Services (UIBFS)

In the same vein, CMA in collaboration with the UIBFS held a series of webinars as follows:

- "Key investment principles every woman should know," by Patricia Wairimu Kiwanuka, CFA, CEO Revenue Stream on 30th November 2021;
- "Why investment matters for the working class?" By Zac Kisesi, CFA, Head of Alternative Channels, Old Mutual Financial Services on 1st December 2021; and
- Planning for the future: Legacy wealth management for the family by Gloria Kambedha, CFA, CEO Greenthos Capital Limited & Alison Kwikiriza, Legal Adviser, Greenthos Capital on 3rd December 2021.

A total of about 220 potential investors were reached during the webinars.

f) Collaboration with Chartered Institute for Securities & Investment (CISI)

As part of capacity-building efforts, during the review period, CMA partnered with the CISI for a webinar on the 19th of April 2022. The webinar which was part of CISI's continuous professional development was titled "Building Professionalism within Financial Services – a focus on Uganda". The topics which were discussed during the webinar included, among other things, professionalism in Uganda and lessons from around the world; the return on investment for professionalism; and what professional bodies can do to help. The webinar drew participants from the capital markets industry in Uganda.

g) Collaboration with Universities

CMA held public lectures on capital markets at several universities intending to create awareness about capital markets among potential investors to drive market activity primarily through CIS. The lectures were held at universities that included:

- International University of East Africa on 4th April 2022;
- Cavendish University on 6th April 2022;
- Makerere University Business School on 21st April 2022;
- Ndejje University Kampala Campus on 25th April 2022;
- Ndejje University Luwero Main Campus on 29th April 2022; and
- Kyambogo University on 29th June 2022.

Through the public lectures, the Authority was able to reach over 764 students.

h) Issuer Education

CMA also continued with its ***Issuer Resource Persons Program*** which seeks to increase the supply of securities in the capital markets. The program involves the use of external resource persons to reach out to key persons of prospective issuers to sensitize them on opportunities presented by market-based financing. A key milestone for Issuer Resource Persons is presenting 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. During the financial year 2021/22, fundraising mandates worth about UGX 110.8 Billion were signed by CMA Issuer Resource persons with business enterprises seeking to raise market-based financing. The business enterprises include an oil and gas company, a hydropower engineering company and two agribusiness companies.

4.2.2 Research and Knowledge sharing

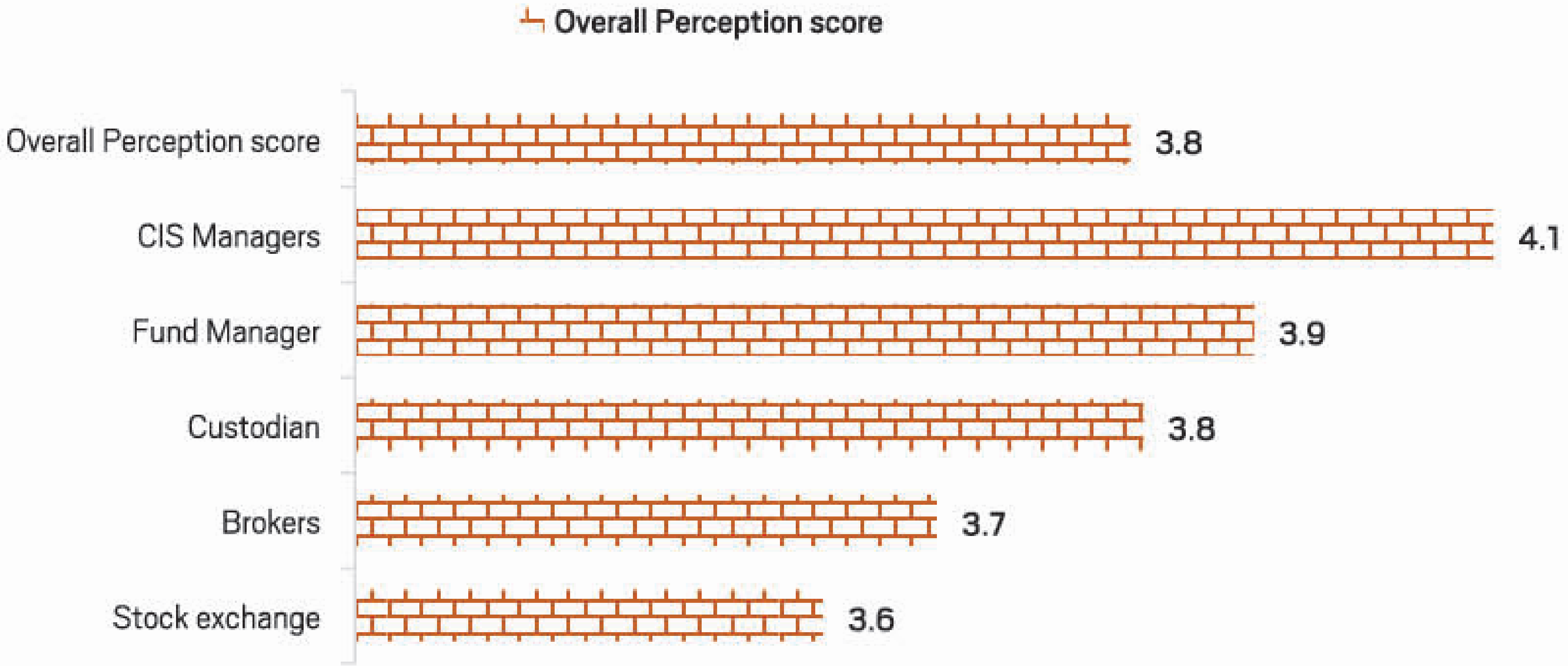
The Authority has placed special focus on the growth of CIS, which it believes have immense potential to mobilize savings from Ugandans for investing. During the period under review, four knowledge-sharing fora were held between CMA and CIS managers. The objective of the fora was to influence the thinking 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 the uptake of CIS products.

The online forum held on 29th September 2021 discussed, among other things, the key recommendations from the CMA-initiated investor perception survey that were relevant to CIS managers, and also progress made with regard to setting up the CIS managers' Association. The second online forum held on 12th November 2021, was convened as part of the ongoing efforts by stakeholders to set up a bond market forum to spur the secondary market activity of government securities and corporate bonds. On 18th March 2022, a physical meeting was held at the Smart 24 Television headquarters, which focused on the utilization of the free airtime accorded to the Capital Markets Authority and CIS managers by the business television. On 21st June 2022, an online forum was held to discuss, among other things, the response of the CIS industry to URA's contention of withholding tax on the distribution of income to unit holders in a CIS and also follow up on the action points/ resolutions from previous meetings.

4.2.3 Investor Perception Survey

In the process of implementing its mandate, CMA licenses, inspects and regulates intermediaries like stock exchanges, Collective Investment Scheme (CIS) managers, investment advisors, stock brokers, and trustees to ensure that they conduct their businesses in a way that adequately protects investors. In this regard, during the FY 2020/21, CMA commissioned Research World International to conduct an investor perception survey aimed at obtaining and understanding investors' perceptions towards approved/licensed intermediaries in their intermediation role, their operations, efficiency and effectiveness as an indicator of the level of protection that investors get. In computing the overall perceptual score for the market intermediaries, using the 5-point scale where 1 was very poor and 5 excellent, an average score for all perceptual attributes per market intermediary was calculated.

Figure X: Market intermediary overall perception score



Source: CMA Investor Perception Survey

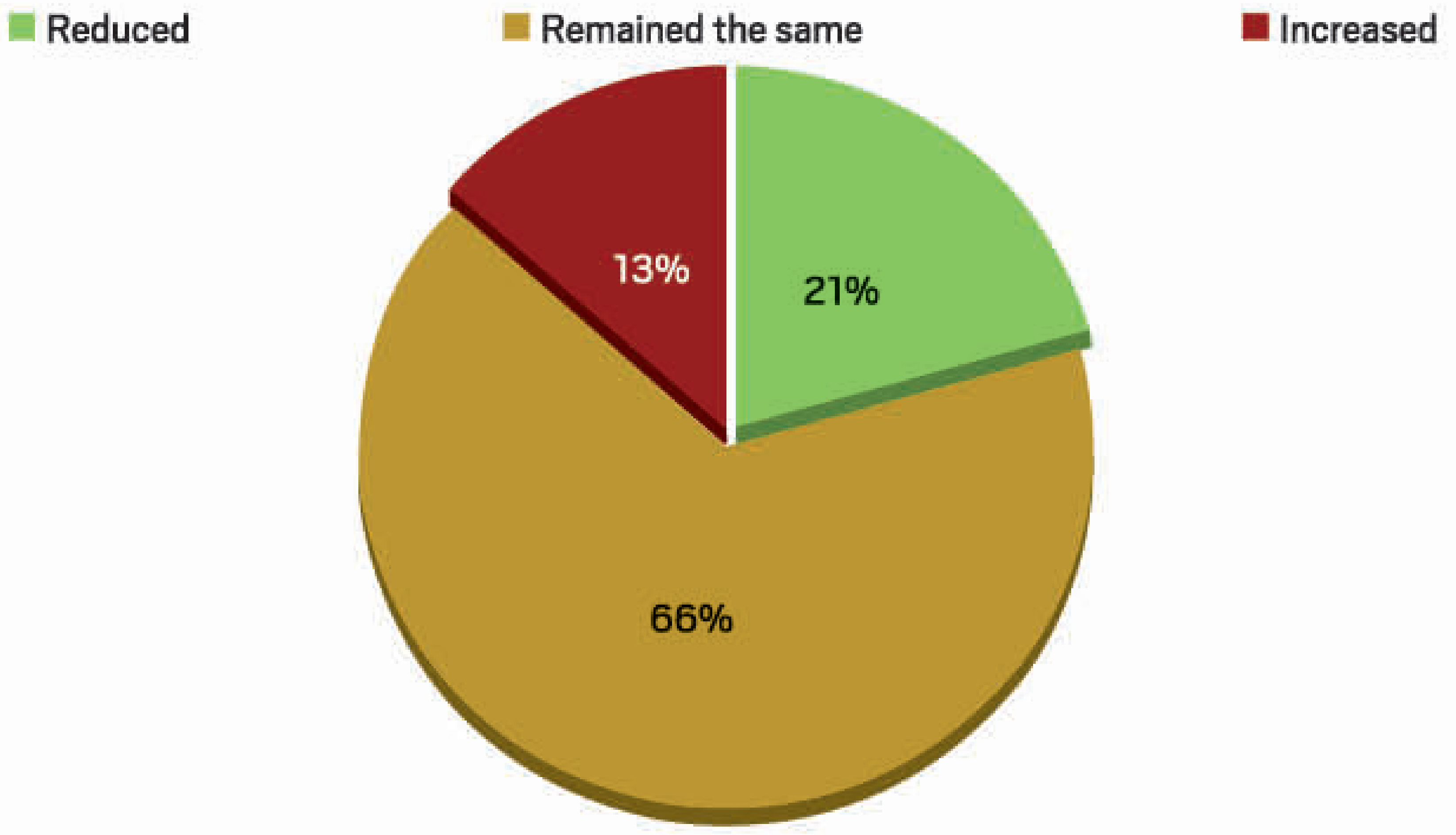
Findings as illustrated in Figure X above revealed that the overall perceptual score was at 3.8. The CIS Managers scored the highest score of 4.1, followed by the Fund Managers at 3.9, the Custodians at 3.8, Brokers at 3.7 and the Stock Exchange at 3.6. The Authority is working with market intermediaries to address the issues highlighted by the investors in order to improve their perception score as well as service provision to their clients. The recommendations included, among other things, increasing public education activities to sensitize the public about capital markets which will in turn attract more investors, improving communication with investors and providing timely feedback to issues raised, and embracing technology and adopting interactive internet services such that investors can access services on the go.

4.2.4 Stakeholder Perception Survey

As an industry regulator, CMA interacts with several stakeholders whose opinions and views have a great impact on the way the Authority executes its mandate. It is therefore imperative for CMA to understand these perceptions in order to perform its statutory role effectively. To this end, CMA with support from Financial Sector Deepening Africa (FSDA) undertook a stakeholder perception survey aimed at obtaining the opinions and views of stakeholders on CMA's regulatory role, its efficiency and its effectiveness.

The findings revealed that while stakeholder satisfaction with CMA services increased by 13% in the last two years prior to the survey, over half the sample remained with the same satisfaction level. There was a notable 21% reduction in satisfaction over the same period.

Figure XI: Change in the Satisfaction Level



Source: CMA Stakeholder Perception Survey

The reduction in satisfaction with CMA service delivery was more apparent among business owners while increase in level of satisfaction was skewed to listed companies. Two thirds of the stakeholders revealed that they were happy with how information on capital markets investments was made available, followed distantly by the favorable environment that enabled the good performance of Collective Investment Schemes. About 27% of the stakeholders attributed their dissatisfaction to the poor performance of the economy. In addition, 20% of the stakeholders blamed CMA for lacking new products while 16% were dissatisfied with the communication. The Authority is in the process of implementing the recommendations from its stakeholders in order to improve the satisfaction level as well as its service provision. The recommendations included, among other things, increasing the level of awareness of capital markets; championing the introduction of new capital markets products and ensuring a conducive environment for investment in them; and increasing the level of access to market-based financing for business enterprises in Uganda.

4.3 Market Supervision Developments

4.3.1 Regulatory Compliance

4.3.1.1 Risk Profiling and Inspections for Market Intermediaries

In line with CMA's risk-based approach to market supervision, the Market Supervision Department carried out a risk assessment for stockbrokers, investment advisory firms, CIS and Fund managers during the period under review. All licensed firms submitted their responses to the risk assessment and profiling questionnaire that was shared. To this end, risk profiling and rating scores were awarded based on the information provided in the questionnaires. The risk profiling and rating scores guide the Market Supervision Department on focus areas during inspections. Notably, in the period under review, two stock brokerage firms and two CIS Managers were inspected. Inspections are a key cog in ensuring that market players comply with the capital markets regulatory framework and risk in the industry is managed. This translates to enhanced protection of investors, crucial to developing confidence to invest.

4.3.1.2 Stress Testing for CIS Managers

During the period under review, the market supervision department carried out stress tests for the CIS Managers. Stress testing is a key supervision component that helps the Authority in analyzing risk in the market. The process involved reviewing and analyzing the CIS managers' financial statements, inflows and redemptions from the unit trust schemes, concertation risk in terms of investment undertakings or client concertation and also taking measurements on liquidity buffers of the CIS managers.

4.3.1.3 Quarterly Compliance Seminars

During the period under review, the CMA held two virtual compliance seminars. The first seminar which was held on 30th September 2021 focused on the Collective Investment Schemes industry and discussions revolved around the levels of compliance for the players under this licence category. Specifically, the seminar discussed the compliance challenges (non-compliance) and also the need for compliance right from the application through the life of the business and at closure, where it arises. The seminar was attended by CIS managers, trustees and custodians' representatives.

The second seminar which was held on 30th March 2022 deliberated on best practices for share registrars including share registration and principles which the authorized registrars are expected to embrace and adhere to. These principles include; honesty and fairness, capabilities, diligence, conflicts of interest, safeguarding of clients' assets, compliance and the responsibility of senior management.

The compliance seminars, among other things, provide a platform for market intermediaries to share concerns with the regulator and an opportunity for the Authority to highlight the findings of the market supervision department, as well as, receive feedback on its supervisory and compliance framework.

4.3.1.4 Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) Audit of Capital Markets Intermediaries' Operations

During the period under review, CMA held a preliminary engagement with the Financial Intelligence Authority to evaluate the compliance of the capital markets intermediaries with AML/CFT Laws. To this end, in accordance with AML/CFT Laws of Uganda, all CMA-licensed market intermediaries were required to carry out an independent AML audit of their operations. The independent audit for the licensed market intermediaries commenced on 1st June 2022. Notably, the intermediaries were allowed to select their respective AML independent auditors that would be approved by the Financial Intelligence Authority. The deadline for completing the independent AML audit and submission of the audit reports to the Financial Intelligence Authority was 31st August 2022.

The purpose of the independent audit is: to establish compliance with the AML/CFT-related laws, rules and regulations and various orders including guidelines; to evaluate the intermediaries' risk assessment framework by testing policies and procedures of the same; to Identify AML/CFT risks that the intermediaries face and rate the level of risk; and to assess the intermediaries' AML/CFT implementation in terms of adequacy and effectiveness.

4.3.1.5 Meeting of the East and Southern Africa Anti-Money Laundering Group

During the period under review, CMA was represented on the Ugandan delegation that attended the 43rd Meeting of the East and Southern Africa Anti-Money Laundering Group (ESAAMLG) task force of senior officials which took place in Arusha, Tanzania from 3rd to 8th April 2022. Uganda updated members of ESAAMLG on the progress made in fulfilling the Financial Action Task Force (FATF's) recommendations and immediate outcomes on addressing AML-related concerns.

If unchecked, money laundering and terrorism financing operations enable criminals to amass wealth, power, and influence, which in turn undermines the rule of law and can have a corrosive and corrupting effect on societies and economies. AML/CFT controls, when effectively implemented, mitigate these adverse effects and promote integrity and credibility in financial markets.

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

The CMA participated in the Technical Sub-Committee meeting of the Financial Sector Stability Forum (FSSF) held on 3rd September 2021. The forum provides a platform for organizations that are responsible for macroeconomic management and financial sector regulation in Uganda to discuss issues pertaining to enhancing the stability of the financial sector, share data and market intelligence and coordinate financial crisis management arrangements. The forum consists of the Bank of Uganda, Uganda Retirement Benefits Regulatory Authority, Insurance Regulatory Authority, Uganda Microfinance Regulatory

Authority, Deposit Protection Fund and CMA. During the review period, the Authority reported on the overall performance of the capital markets industry and associated risks to the forum by contributing to the financial risk assessment report.

4.3.3 Applications and Licenses

During the financial year 2021/22, the following entities were issued with licenses or granted approval;

- Standard Chartered Bank (Custodian License);
- KCB Bank Uganda Limited (Custodian License);
- Stanbic Bank Uganda Limited (Custodian License);
- Housing Finance Bank Uganda Limited (Custodian License).
- USE Nominees Ltd (approved as an Authorized Registrar);
- SBG Securities Uganda Limited (CIS Manager and the Unit Trust Scheme Licenses);
- Agola Holdings Limited (Investment advisor License);
- Inua Capital Limited (Fund Manager License); and
- Chipper Technologies Uganda Limited (Stockbroker License).

The licensing of market intermediaries fulfils CMA's objective of diversifying the market intermediaries' base. This effort is expected to result in enhanced competition, helping bring costs for issuers and investors down as well as drive innovation in Uganda's capital markets industry.

4.4 Legal and Regulatory Issues

4.4.1 Collective Investment Schemes Legal and Regulatory Framework

During the review period, the Authority sought to identify areas for amendment of the legal and regulatory framework for Collective Investment Schemes, from the industry players. To this end, a technical working group was constituted by the CMA that comprised of the regulator, asset managers, custodians and trustees. The technical working group took part in several meetings which culminated in a residential drafting retreat at Lakeside Escape, Mukono from 22nd to 25th March 2022. The regulations under review included: The Collective Investment Schemes (Licensing) Regulations, the Collective Investment Schemes (Unit Trusts) Regulations and the Collective Investment Schemes (Conduct of Business and Miscellaneous Provisions) Regulations.

4.4.2 Virtual Stakeholder Consultative Workshop

Following a meeting held at the Ministry of Finance Planning and Economic Development, further comments were proposed to the draft Capital Markets (Accounting and Financial Requirements) Regulations, the draft Capital Markets (Licensing and Approval) Regulations and the draft Capital Markets Authority (Conduct of Business) Regulations. To this end, the draft regulations were re-circulated to stakeholders and a virtual workshop was held on 8th June 2022 to seek their views on the additional comments and also receive final comments prior to publication of the regulations. With the review of the aforementioned regulations, CMA expects to provide a facilitative regulatory environment for market intermediaries, issuers of securities and investors.

4.4.3 Amendment to Table F of the Companies Act

The CMA prepared and submitted proposals for amendment of Table F of the Companies Act, 2012 to the Registrar General and the Solicitor General. The proposed amendments to the provisions of Table F of the Companies Act, 2012 are aimed at improving the governance of public companies. The specific proposed amendments include: the adoption of the corporate governance code; separation of the role of chairperson and chief executive officer; board evaluation; board committees; board effectiveness which includes the criteria for independence, the board composition, the role of the chairperson, the role of the board, and audit committee; and board processes and procedures which includes the conduct of board meetings.

4.4.3 Enforcement Actions for Market Misconduct Incidents

On 24th May 2022, CMA and the Office of the Director of Public Prosecutions (ODPP) signed a Memorandum of Understanding (MOU) to promote cooperation and carry out joint prosecutions against capital markets offences. The establishment of cooperation and collaboration between these two institutions will extend to the exchange of information aimed at promoting the quality of prosecutions relating to capital markets offenders in Uganda. The CMA and ODPP will also conduct joint trainings of staff on enforcement of the capital markets legal framework with an aim of building capacity. It is envisaged that the MOU will result in strengthened prosecution of criminal matters relating to capital markets leading to enhanced protection of the integrity of capital markets, in Uganda and investor confidence. According to the most recent Annual Crime Report 2021, economic crimes, some of which are capital markets related, increased by 9%, moving from 10,057 cases in the year 2020 to 10,966 cases in 2021. Currently, the CMA is handling 8 cases which are at various stages of prosecution. To this end, the MOU is a major milestone with regard to the provision of justice for victims.

5 Outlook

5.1 Economic Outlook

The June 2022 World Bank Global Economic Prospects report noted that growth in Saharan Africa is projected to decelerate from 4.2% in 2021 to 3.7% in 2022, as high inflation and policy tightening weaken domestic demand. The report stated that growth deceleration in major trading partners was compounding these headwinds. It further indicated that growth is projected to firm slightly to an average of 3.9% in 2023-24, assuming further progress with pandemic containment, favorable terms of trade in commodity exporters, and a gradual easing of global food price pressures. However, there are downside risks surrounding the outlook, with much uncertainty emanating from Russia's invasion of Ukraine. In addition, further disruption to global supplies of staple crops could lead to even higher food prices in Sub-Saharan Africa and increased spending on food imports.[11]

The full reopening of the economy and the diminished impact of the pandemic have unlocked the factors that had held back economic activity. However, the economic growth prospects have been dimmed with increasing risks of a global recession, and weaker consumer and business sentiments as high inflation and commodity prices, continue to erode household and business incomes and financial conditions tighten. The central bank projects economic growth will be in the range of 2.5-3% in 2022, partly reflecting the effects of higher costs of production arising from fuel and transportation on activity, but will rise to 5-6% in 2023, in part supported by public investments and recovery in demand as inflationary pressures begin to wane. The risks to the growth outlook are tilted to the downside, including the emergence of global recession, escalation of geopolitical conflicts, heighten global economic uncertainty and higher inflation. Other downside risks are further decline in consumer confidence, heightened exchange rate volatility and extended weakening of investor optimism. Nevertheless, in the medium term, a stronger recovery is expected to grow in the range of 6.5-7%, supported by public and private investments in the oil sector.[12]

5.2 Implications for Capital Markets

Going forward, the capital markets are projected to be weighed down by a reduced appetite for frontier markets driven by an increase in interest rates in developed markets such as the USA. Frontier markets such as Uganda might take huge hits because investors, particularly foreigners, get attracted to the western bonds and equities that are viewed as safe havens in times of global uncertainty. In addition, the appreciation of the dollar against global currencies including the Uganda Shilling, coupled with imported inflationary pressure in Uganda fuelled by the increase in the price of crude oil and global supply chain constraints could reduce the inflows into the local capital market. It is important to note that a higher cost of living eventually hurts the stock market and other investment classes since it cuts the disposable income that individuals can direct towards investing activities. On a positive note, the market remains upbeat with the expected listing of Airtel Uganda in the not-so-distant future.

5.3 Going Forward

The Capital Markets Authority will be focusing on the following key initiatives over the twelve months from 1st July 2022 to 30th June 2023:

- Operationalisation of the Uganda Fixed Income Market Company (UFIMC) - This initiative will involve setting up the UFIMC to spur secondary market activity for Government bonds. A fully operational UFIMC will increase liquidity in the debt capital markets, contribute to a reduction in the cost of borrowing for the Government and the private sector and enhance market transparency.
- Amendments to the CMA Act - To boost investor protection, innovation and increase access to capital markets, CMA is seeking an amendment to the CMA Act. Engagements with relevant stakeholders will be undertaken to bring the process to fruition. In addition, the Authority will fast-track the gazetting of the following regulations which have been submitted to the First Parliamentary Counsel for review and drafting: The Draft Capital Markets Authority (Prescription of Securities) legal notice 2022; The Draft Collective Investment Schemes (Conduct of Business)

11 *World Bank Group. (2022, June). Global Economic Prospects*
12 *Bank of Uganda. (2022, August). Monetary Policy Statement*

Regulations 2022; The Draft Collective Investment Schemes(Licensing) Regulations 2022; and the Draft Collective Investment Schemes (Unit Trusts) Regulations 2022.

- Advancing policies to strengthen domestic institutional investor participation in the business sector – This initiative will involve creating a legal framework to license private equity and venture capital funds which can be a key source of long-term patient capital for Ugandan business enterprises. This will facilitate the channelling of funds from investors into the private equity and venture capital firms licensed by the Authority for onward investment into Ugandan business enterprises.
- Finalise the review of the CIS framework to ease market access and strengthen controls – The Authority will fast-track this initiative which involves, among other things, reviewing the CIS regulatory framework to create a regulatory environment that is certain, friendly to innovation and cost-effective for investors and market intermediaries.

6

Appendix

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 at the end of FY 2021/22.

Firm	License Held	Address	Contact Person
ALTX East Africa Ltd	Stock Exchange	Plot 1 Mackenzie Close, Kololo P. O. Box 40138 Kampala, Uganda Tel: 0790-536781/ 0312-209600 Email: info@altxafrica.com	Mr. Joseph Kitamirike
ALTX Clearing Ltd	Securities Central Depository	Plot 1 Mackenzie Close, Kololo P. O. Box 40138 Kampala, Uganda Tel: 0790-536781/ 0312-209600 Email: info@altxafrica.com	Mr. Joseph Kitamirike
Asigma Capital Advisory Services Ltd	Investment Adviser	First Floor, Legacy House Plot 38B, Windsor Crescent, Kololo P. O. Box 2841 Kampala, Uganda Tel: 0392159560 E-mail: info@asigmacapital.com	Mr. David Nanambi
Baroda Capital Markets Limited	Stock Broker	Plot 18 Kampala Road P. O. Box 7197, Kampala, Uganda Tel: 0414-233680/3 Fax: 0414-258263 Email: bcm.ug@bankofbaroda.com	Mr. Mohan Prashantam
BIK Capital Limited	Stock Broker	First Floor, Media Plaza Plot 78, Kira Road Tel: 0774997424 Email: jofbakka@gmail.com	Mr. Joseph Bakkabulindi
Blue 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
Crested Capital	Stock Broker, Dealer, Investment Adviser	1st Floor Impala House Plot 13/15 Kimathi Avenue P. O. Box 31736, Kampala, Uganda Tel: 0414-230900 Email: info@crestedcapital.com	Mr. Robert Baldwin
Dyer and Blair Uganda Limited	Stock Broker	Ground Floor, Rwenzori House Plot 1 Lumumba Avenue P. O. Box 36620, Kampala, Uganda Tel: 0414-233050, 0312-265469 Email:sharesuganda@dyerandblair.com	Ms. Esther Kakiiza

Firm	License Held	Address	Contact Person
Equity Stock Brokers Limited	Stock Broker	Plot 6/6A Orient Plaza P. O. Box 3972, Kampala, Uganda Tel: 0414-236012/3/4/5 Fax: 0414-348039 Email: equity@orient-bank.com	Ms. Christine Nkundizana Muramuzi
GenAfrica Asset Managers Uganda Ltd	Fund Manager	6th Floor, Aha Towers Plot 7, Lourdel Road, Nakasero P. O. Box 75200, Kampala Tel: 0414-252343/ 350 Fax: 0414-253344 Email: uganda@genafrica.com	Mr. George Mulindwa
ICEA Lion Asset Management (U) Ltd	Fund Manager, Unit Trust Manager/ Collective Investment Scheme Manager	2nd Floor Rwenzori Courts P. O. Box 33953, Kampala, Uganda Tel: 0414-347535, 0414-232337 Email: icea@africaonline.co.ug	Mr. Emmanuel Mwaka
KCB Bank Uganda Limited	Trustee – Collective Investment Schemes	7th Floor, Commercial Plaza Plot 7, Kampala Road P.O Box 7399, Kampala, Uganda Tel: 0417-118336, 0417-118280	Ms. Sheila Nyerwanire
PCP Uganda Limited	Fund Manager	Plot M697, Equata Building 2nd Floor UMA Show Grounds, Lugogo P. O. Box 15373, Kampala, Uganda Tel: 0312-264983/4 Fax: 0312-264985 Email: info@pearlcapital.net	Mr. Edward Isingoma Matsiko
PKF Consulting Limited	Investment Adviser	Plot 1B Kira Road Kalamu House P. O. Box 24544, Kampala, Uganda Tel: 0414-341523/5 Fax: 0414-251370, 0414-341371 Email: pkfkam@ug.pkfea.com	Mr. Charles Ogutu
PricewaterhouseCoopers Limited	Investment Adviser	10th Floor Communications House 1 Colville Street Kampala Tel: 0414-236018/ 233743 Fax: 0414-239153 Email: general@ug.pwc.com	Mr. Francis Kamulegeya
Regency Wealth Management Uganda Limited	Investment Adviser	5th Floor, Shumuk House, Office SH9 Kampala, Uganda Tel: 0312-314316/ 0791-224611 Email: matthew@regency-wealth.com	Mr. Matthew Turner
Sail Global Corp Limited	Investment Adviser	Plot 26, Golf Course Road P.O Box 6111 Kampala, Uganda Tel: 0414-696297 Email: info@sailglobalcorp.com	Mr. Ronald Kwesiga

Firm	License Held	Address	Contact Person
Sanlam Investments East Africa Limited	Fund Manager, Unit Trust Manager/ Collective Investment Scheme Manager	1 Pilkington Road, 7th Floor, Workers House P. O Box 9831, Kampala Tel: 0414-340707/8/ 0312-265618 Fax: 0414-340750 Email: Mubbale.Mugalya@sanlameastafrica.com	Mr. Mubbale Kabandamawa Mugalya
SBG Securities Uganda Limited	Stock Broker	4th Floor, Crested Towers (Short) 17 Hannington Road P. O. BOX 7131, Kampala, Uganda Tel: 0312-224600/ 985 0312-224985 Email: cos_uganda@mail.standardbank.com	Mr. Joram Ongura
Standard Chartered Bank Uganda Limited	Trustee – Collective Investment Schemes, Investment Adviser	Plot 5, Speke Road P. O. Box 7111, Kampala, Uganda Tel: 0312-294459, 0414-340077 Fax: 0414-231473 Email: ug.service@sc.com	Ms. Cecilia Namuddu
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