



Capital Markets Quarterly Bulletin

Quarter ended June 2023

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List of Abbreviations and Acronyms

| | |
|-------|---|
| ALSI | All Share Index |
| AUM | Assets Under Management |
| BATU | British American Tobacco Uganda |
| BOBU | Bank of Baroda Uganda |
| BOU | Bank of Uganda |
| CENT | Centum Investments Company Limited |
| CIS | Collective Investment Scheme |
| CMA | Capital Markets Authority |
| CQCIL | Cipla Quality Chemicals Limited |
| DFCU | Development Finance Corporation of Uganda |
| DSE | Dar es Salaam Stock Exchange |
| EBL | Equity Bank Limited |
| JHL | Jubilee Holdings Limited |
| KCB | Kenya Commercial Bank |
| LCI | Local Counter Index |
| NIC | National Insurance Corporation |
| NMG | Nation Media Group |
| NSE | Nairobi Securities Exchange |
| NVL | New Vision Limited |
| RSE | Rwanda Stock Exchange |
| SBU | Stanbic Bank Uganda |
| UCL | Uganda Clays Limited |
| UGX | Uganda Shillings |
| UMEME | UMEME Limited |
| USE | Uganda Securities Exchange |

| | |
|-------------|---------------------------------|
| US\$ | United States of America Dollar |
| 182D T-bill | 182 Day Treasury Bill |
| 1Q | First Quarter |
| 2Q | Second Quarter |
| 3Q | Third Quarter |
| 4Q | Fourth Quarter |

Glossary of Terms Used

| | |
|------------------------------|--|
| Assets Under Management | The total market value of the assets that a fund manager 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 scheme. |
| Collective Investment Scheme | An investment product that allows an investor to pool savings with other investors, creating a large pool of funds to be invested on their behalf by a professional CIS manager. |
| Corporate Bond | A security issued by a non-government entity borrowing from the public for a certain period of time, making periodic interest payments and repaying the principal amount borrowed at the end of the term. |
| Equity Fund | A CIS fund comprised of investments in only shares. |
| 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 interest-bearing investments having a maturity of 12 months or less or a fund having interest-bearing instruments whose weighted time to maturity is 12 months or less. |
| Market Capitalization | The total market value of a company's outstanding shares or other securities in issue. |
| Stock broker | A licensed firm that buys and sells securities as an agent on behalf of clients and earns a commission. |
| Treasury Bill | A security issued by a government to borrow money from the public for one year or less. Treasury bills are issued in tenors of 91-days, 182-days, and 364-days. |
| Treasury Bond | A security issued by a government to borrow money from the public for more than one year. Treasury |

Bonds 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 sub-funds, providing the opportunity for unit holders to switch all or part of their investment from one sub-fund to another.

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Executive Summary

At the end of June 2023, CIS Managers had a total of Ugx 1,965.9 billion in Assets Under Management (AUM), a growth of 11.9%, from Ugx 1,757.3 billion in March 2023. The number of funded CIS accounts at the end of June 2023 was 66,188, a 16.6% increase, from the previous quarter's 56,787 funded investor accounts. The growth in AUM and investor accounts can be attributed to increased awareness of the benefits of investing through CIS vehicles, the increase in CIS managers to six, and the confidence of investors in regulatory protection.

Fund managers licensed by CMA ended the second quarter of 2023 with AUM of Ugx 4.6 trillion, a 5.7% increase from Ugx 4.4 trillion in March 2023. This increase in AUM was due to the rise in the value of the assets held and the recruitment of new members by the schemes whose funds are under management.

The total market capitalization of the USE declined by 10.5% to Ugx 17.7 trillion at the end of the review period, compared to Ugx 19.8 trillion in March 2023. This decline was driven by the decrease in market capitalization of five cross-listed counters (CENT, EABL, EBL, KA, and KCB) and one locally listed counter (DFCU). Domestic market capitalization, representing the value of locally listed stocks, grew by 4.3% from Ugx 7 trillion in March 2023 to Ugx 7.3 trillion at the end of the review period. This growth can be attributed to the increase in market capitalization of five locally listed counters (UMEME, SBU, CQCIL, BOBU, and NIC).

The USE witnessed a 40.7% growth in equity turnover during the second quarter of 2023, reaching Ugx 24.2 billion, compared to Ugx 17.2 billion in the first quarter (1Q2023). This increase in market turnover can be attributed to higher investor activity, particularly driven by dividend payments from listed companies.

The USE All Share Index (ALSI) decreased by 11.4% to 1,017.7 points at the end of the second quarter of 2023, in comparison to 1,148.3 points at the close of the previous quarter. This decline in the ALSI was due to share price losses on five cross-listed counters (CENT, EABL, EBL, KA, and KCB) and one locally listed counter (DFCU). Conversely, the USE Local Counter Index (LCI) increased by 1.8% to 271.7 points, up from 266.9 points in the first quarter of 2023. The growth of the LCI was driven by share price increases on five locally listed counters (UMEME, SBU, CQCIL, BOBU and NIC).

The World Bank's Global Economic Prospects report for June 2023 predicts a slowdown in global growth this year due to tighter credit conditions and banking sector stress in advanced economies. Additionally, the report highlights that Sub-Saharan Africa is expected to experience a decrease in growth to 3.2% in 2023 due to external challenges, persistent inflation, higher borrowing costs, and increased insecurity. However, amidst these uncertainties, the Bank of Uganda notes that Uganda's economy has demonstrated remarkable strength and resilience. Inflationary

pressures are easing and economic recovery is underway, despite ongoing uncertainty and evolving risks in the global economy. The Central Bank projects a growth rate of 6% to 6.5% for Uganda in the fiscal year 2023/24.

Looking ahead, the capital markets may continue to be affected by foreign investors selling off their investments in emerging and frontier markets as they seek more attractive returns in developed markets like the USA. Nonetheless, we remain optimistic about the market's prospects, especially with the anticipated listing of Airtel Uganda before the year-end.

1.0 Introduction

1.1 The Capital Markets Quarterly Bulletin

The Capital Markets Quarterly Bulletin covers developments in Uganda's capital markets industry. The quarterly bulletin provides insights into the Authority's regulatory affairs, capital markets industry performance and the performance of regional markets. This quarterly bulletin covers the period from 3rd April 2023 to 30th June 2023.

2.0 Regulatory Affairs

2.1 An Overview of Regulated Capital Markets Players

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

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

| Category | Mar 2023 | Jun 2023 |
|---------------------------------|----------|----------|
| Fund Managers | 8 | 8 |
| Stock Brokers | 8 | 6 |
| Dealers | 2 | 3 |
| Investment Advisors | 8 | 6 |
| CIS Managers | 6 | 6 |
| Unit Trust Schemes | 17 | 18 |
| Recognized Scheme | 1 | 1 |
| Venture Capital Fund | | 1 |
| Trustees | 2 | 2 |
| Custodians | 4 | 4 |
| Stock Exchanges | 2 | 2 |
| Securities Central Depositories | 2 | 2 |
| Representative Licenses | 38 | 33 |
| Registrars | 3 | 3 |
| Total | 101 | 95 |

Source: CMA Market Supervision Department

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

2.2 Market Development Initiatives

2.2.1 Capital Markets Awareness

2.2.1.1 Investor Education

During the review period, the CMA continued to implement its investor education program, aimed at raising awareness about capital markets and boosting market activity through Collective Investment Schemes (CIS). This program involves partnering with external resource persons contracted by the CMA to reach out to potential investors in the capital markets, with a particular focus on investment through CIS. These resource persons utilize various platforms, including mass media, webinars, and in-person presentations, to effectively engage with their target audience. In this review period, the CMA's investor resource persons successfully reached 1.5 million individuals through television, radio, webinars, and in-person presentations.

2.2.1.2 Steering Committee of the Capital Markets Development Master Plan

CMA hosted the steering committee for the implementation of the Capital Markets Development Master Plan. The steering committee is the top decision making organ in the implementation process for the master plan.

During the steering committee meeting, members were updated on the implementation process and areas for their intervention. Key areas for intervention identified include: taxation of private equity funds, reforms in the retirement benefits sector; and deepening of secondary markets for government bonds, which is the foundation for a vibrant equities market.

The master plan is an industry document, that provides a blueprint for the development of Uganda's capital markets. When fully implemented, capital markets will be positioned to serve the long-term capital needs of both the public and private sectors and provide an avenue for Ugandans to invest their savings.

2.1.1.3 Collective Investment Scheme Awards

To recognize and celebrate persons who have contributed to the growth of the CIS sub-sector, CMA hosted an awards breakfast on 6th June 2023. The event was graced by guests from the CIS sub-sector among others. During the ceremony, the following awards were handed out:

- i. Top performing CIS Manager based on year-on-year growth in CIS accounts-
Sanlam Investments East Africa

- ii. Top performing CIS Manager based on year-on-year growth in CIS AUM- ***Sanlam Investments East Africa***
- iii. CIS Manager of the year based total CIS AUM-UAP ***Old Mutual Financial Services***
- iv. Top performing Investor Resource Person based on sessions FY 2022/2023- ***Andrew Mwima***

CMA will continue recognizing individuals and entities that contribute to the growth of the CIS sub-sector. This is expected to motivate market players to go out of their way, in seeking to grow the CIS sub-sector.

2.2.1.4 Issuer Outreach

To widen the Authority's reach to potential issuers, CMA organized a webinar for potential issuers that took place on 30th June 2023 focusing on market-based financing. The webinar which was under the theme of Commercial Paper as an alternative source of business financing was facilitated by Kenneth Legesi, CFA, Managing Partner and Chief Investment Officer at Ortus Africa Capital. The objective of the webinar was to increase awareness among business owners, entrepreneurs and founders on commercial paper as an alternative source of business financing. The webinar discussed, among other things, the intricacies of commercial paper transactions, including the process of creating & issuing commercial papers.

2.3 Market Supervision Developments

2.3.1 Applications and Licenses

During the quarter that ended in June 2023, the following licenses were granted/renewed:

- a. Dyer and Blair (Broker License);
- b. SBG Securities Limited (Broker License);
- c. Chipper Technologies Uganda Limited (Broker License);
- d. Profin Group Uganda Limited (Investment Adviser License);
- e. Utilis Ventures Limited (Investment Adviser and Dealer Licenses);
- f. Inua Impact Fund (Venture Capital Fund License)
- g. UAP Financial Services (CIS Unit Trust License);

The licensing of market intermediaries fulfils CMA's objective of protecting investors by ensuring that all players in the sector are vetted and meet minimum requirements.

2.3.3 Approval of the Bank of Baroda (Uganda) Limited Bonus Issue Prospectus

In the quarter ended June 2023, the CMA approved the Bank of Baroda (Uganda) Limited Bonus Issue prospectus. The bank sought capitalization of US \$ 33.78 million by issuing 12.5 billion units of ordinary shares of UGX 10 each to be allotted as bonus shares and credited as fully paid shares to shareholders in the ratio of 5 (five) new

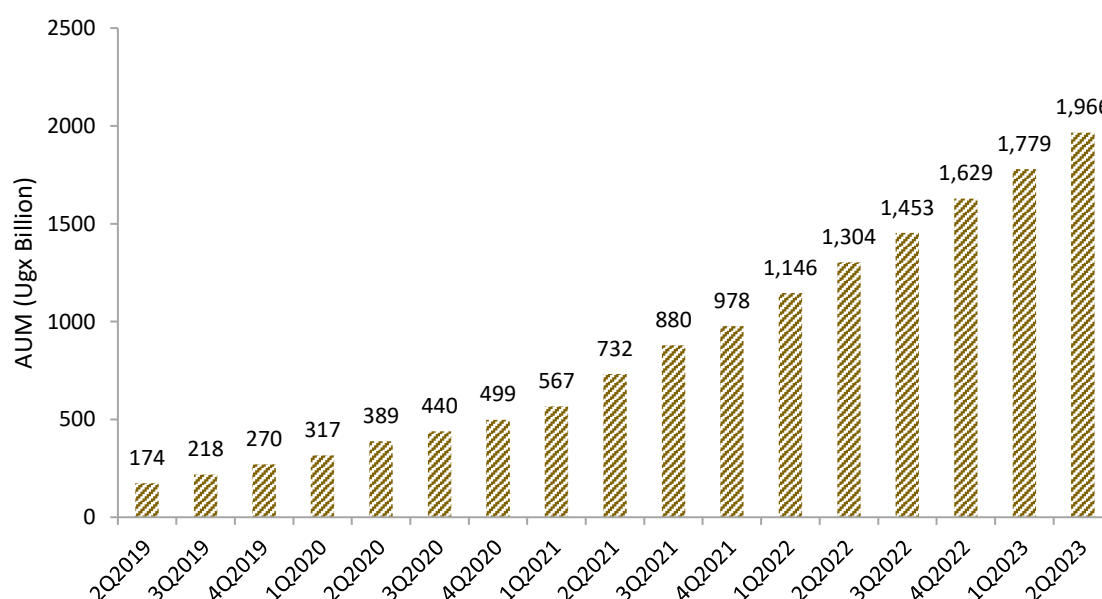
shares for every 1 (one) share held. Following the allotment and listing of the bonus shares, the paid-up share capital and fully paid ordinary shares of the bank increased from UGX 25 billion to UGX 150 billion. It is worth noting that the rationale of the bonus issue was to meet regulatory capital requirements, reward eligible shareholders, and further boost the trading liquidity of the bank's shares on the Uganda Securities Exchange. The additional shares were listed at the Uganda Securities Exchange (USE) on 15th June 2023.

3.0 Industry Performance Overview

3.1 Performance of Collective Investment Schemes

At the end of June 2023, CIS Managers boasted Ugx 1,965.9 billion in Assets Under Management (AUM), a growth of 11.9%, from Ugx 1,757.3 billion at the conclusion of March 2023. In an annualized comparison, total AUM surged by a substantial 50.8% from Ugx 1,303.8 billion recorded during a similar period in 2022 (2Q2022). The total number of funded CIS accounts as of June 2023 reached an impressive **66,188¹**, signifying a growth of 16.6% in contrast to the **56,787** active investor accounts observed at the end of the preceding quarter. The upsurge in AUM and investor accounts was due to heightened awareness of investing through CIS vehicles among local investors, an increase in the number of CIS managers to six, and the resolute confidence of investors in terms of regulatory protection.

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



Source: CMA Market Supervision and Research & Market Development Departments

Table II shows the breakdown of CIS Assets under Management per CIS manager. The top two CIS managers controlled 81.9% of the total AUM at the end of June 2023.

¹ Figure is based on preliminary figures

Table II: CIS Assets under Management per CIS Manager

| CIS Manager | AUM (Ugx Billion) | | Change (%) |
|---|-------------------|----------------|-------------|
| | Mar 2023 | Jun 2023 | |
| UAP-Old Mutual Financial Services Limited | 1,197.4 | 1,351.4 | 12.9 |
| ICEA Lion Asset Management Limited | 242.6 | 258.3 | 6.5 |
| Britam Asset Managers Uganda Limited | 190.5 | 187 | -1.8 |
| Xeno Technologies Uganda Limited | 50.8 | 51.7 | 1.7 |
| Sanlam Investments East Africa Limited | 69.9 | 83 | 18.6 |
| SBG Securities Limited | 27.8 | 34.5 | 23.9 |
| Total | 1,779.2 | 1,965.9 | 10.5 |

Source: CMA Market Supervision and Research & Market Development Departments

A breakdown of AUM at the end of June 2023 reveals that Government of Uganda bonds accounted for 71.9% of the total AUM. Fixed Deposits accounted for 15.6% and Government of Uganda Treasury Bills accounted for 5.3%. This indicates that CIS funds with interest-bearing instruments as the underlying assets are dominating the market.

An analysis of the trend in CIS asset allocation on an annualized basis shows that corporate bonds and Government of Uganda Treasury Bills as a percentage of total AUM have increased from 0.8% and 3.3% at the end of June 2022 to 2% and 5.3% respectively at the end of June 2023. The growth in funds allocated to corporate bonds and Government of Uganda Treasury Bills was driven by positive real returns. Furthermore, call deposits as a percentage of total AUM have risen from 3.2% at the end of June 2022 to 4.2% at the end of June 2023. This increase in the amount held as call deposits is motivated by the need to enhance the liquidity buffers of CIS managers in order to meet redemption requests from CIS account holders as the AUM expand and the number of CIS accounts grow.

Table III: Quarterly CIS Industry Asset Allocation (Percentage)

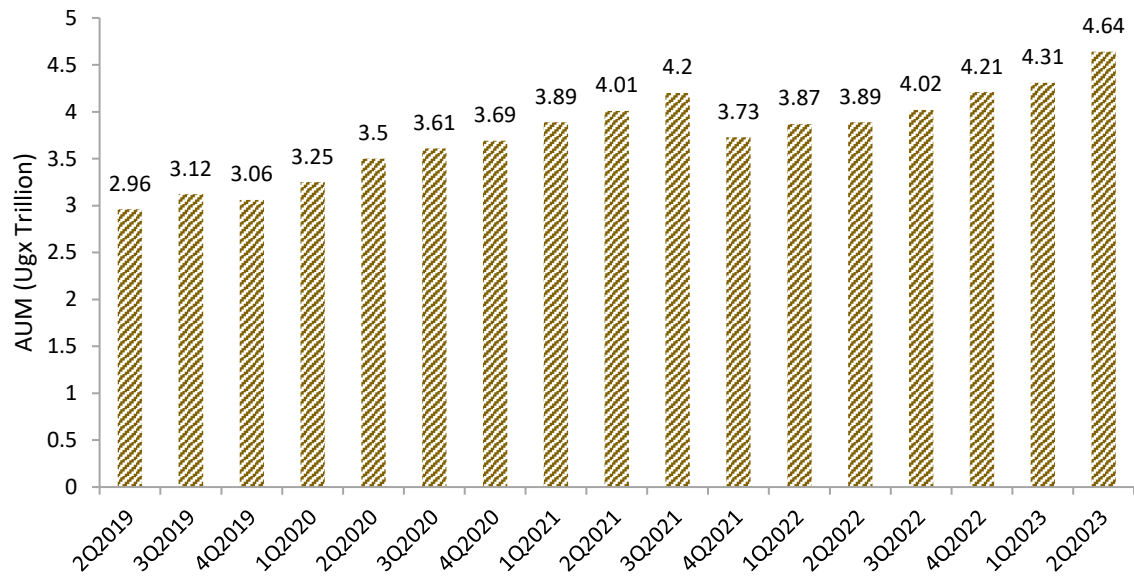
| Asset | Jun 2022 | Sept 2022 | Dec 2022 | Mar 2023 | Jun 2023 |
|--|------------|------------|------------|------------|------------|
| Government of Uganda Bonds | 76.5 | 79.8 | 74.7 | 72.1 | 71.9 |
| Fixed Deposits | 13.3 | 11.6 | 14.3 | 15.1 | 15.6 |
| Call Deposits | 3.2 | 1.4 | 3 | 4.4 | 4.2 |
| Government of Uganda Treasury Bills | 3.3 | 3.6 | 4.7 | 5.2 | 5.3 |
| Cash | 1.6 | 0.4 | 0.5 | 0.8 | 0.7 |
| Commercial Paper | 0.8 | 2.6 | 2.4 | 0.2 | 0.1 |
| Corporate Bonds | 0.8 | 0.08 | 0.1 | 1.7 | 2 |
| Listed Equities in Uganda | 0.05 | 0.04 | 0.04 | 0.04 | 0.04 |
| Listed Equities in Rest of East Africa | 0.07 | 0.07 | 0.06 | 0.06 | 0.06 |
| Other Investments (Off-shore and foreign exchange) | 0.4 | 0.3 | 0.3 | 0.3 | 0.3 |
| Total | 100 | 100 | 100 | 100 | 100 |

Source: CMA Market Supervision and Research & Market Development Departments

3.2 Fund Management Performance

Fund managers licensed by the CMA concluded the second quarter of 2023 with an AUM of Ugx 4.6 trillion, marking a growth of 5.7% from Ugx 4.4 trillion in March 2023. On an annualized basis, the AUM increased by 19.2% from Ugx 3.9 trillion recorded in the same period in 2022 (2Q2022). The surge in AUM can be attributed to the appreciation in the value of the assets held, as well as the enrollment of new members by the schemes whose funds are under management.

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



Source: CMA Market Supervision and Research & Market Development Departments

Table IV below shows a breakdown of AUM per fund manager. The top two fund managers controlled 65% of the total AUM at the end of June 2023.

Table IV: Assets under Management per Fund Manager

| Fund Manager | AUM (Ugx Billion) | | Change (%) |
|---|-------------------|----------------|------------|
| | March 2022 | June 2023 | |
| Sanlam Investments East Africa Limited | 1,883.2 | 2,030 | 7.8 |
| GenAfrica Asset Managers Uganda Limited | 926 | 988.1 | 6.7 |
| Britam Asset Managers Uganda Limited | 778.8 | 609 | -21.8 |
| UAP-Old Mutual Financial Services Limited | 509.6 | 709.2 | 39.2 |
| ICEA Lion Asset Management Limited | 296.6 | 308.4 | 4 |
| Total | 4,394.2 | 4,644.7 | 5.7 |

Source: CMA Market Supervision and Research & Market Development Departments

A breakdown of the AUM at the end of June 2023 shows that the majority of investments (77.5%) were in Government of Uganda bonds, followed by Fixed Deposits (6.6%) and CIS (4.1%). An analysis of the trend over the year indicates that investments in CIS as a percentage of total AUM increased from 3.4% in June 2022 to

4.1% in June 2023. This growth is attributed to the favorable returns and liquidity benefits offered by CIS compared to other options like fixed deposits.

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

| Asset | Jun 2022 | Sept 2022 | Dec 2022 | Mar 2023 | Jun 2023 |
|--|------------|------------|------------|------------|------------|
| Government of Uganda Bonds | 75.2 | 75.9 | 76.4 | 77 | 77.5 |
| Government of Uganda Treasury Bills | 4.1 | 4.2 | 4.4 | 4.8 | 4.9 |
| Government Bonds in Rest of East Africa | 0.02 | 0.02 | 0.01 | 0.01 | 0.0 |
| Listed Equities in Uganda | 3.3 | 2.9 | 2.9 | 2.9 | 2.8 |
| Listed Equities in Rest of East Africa | 5.7 | 5.9 | 5.2 | 3.7 | 3.2 |
| Fixed Deposits | 6.3 | 5.6 | 6 | 6.6 | 6.6 |
| Real Estate | 0.5 | 0.5 | 0.4 | 0.4 | 0.4 |
| Cash | 0.6 | 0.5 | 0.5 | 0.5 | 0.6 |
| Collective Investment Schemes | 3.4 | 4.2 | 4.2 | 3.8 | 4.1 |
| Other (Dividend Income Receivable and Wealth management) | 0.7 | 0.02 | 0.01 | 0.01 | 0.01 |
| Corporate Bonds | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Unlisted Equities in Uganda | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 |
| Unlisted Equities in Rest of East Africa | 0.03 | 0.03 | 0.03 | 0.02 | 0.02 |
| Total | 100 | 100 | 100 | 100 | 100 |

Source: CMA Market Supervision and Research & Market Development Departments

3.3 Equity Market Performance

3.3.1 Secondary Market Activity

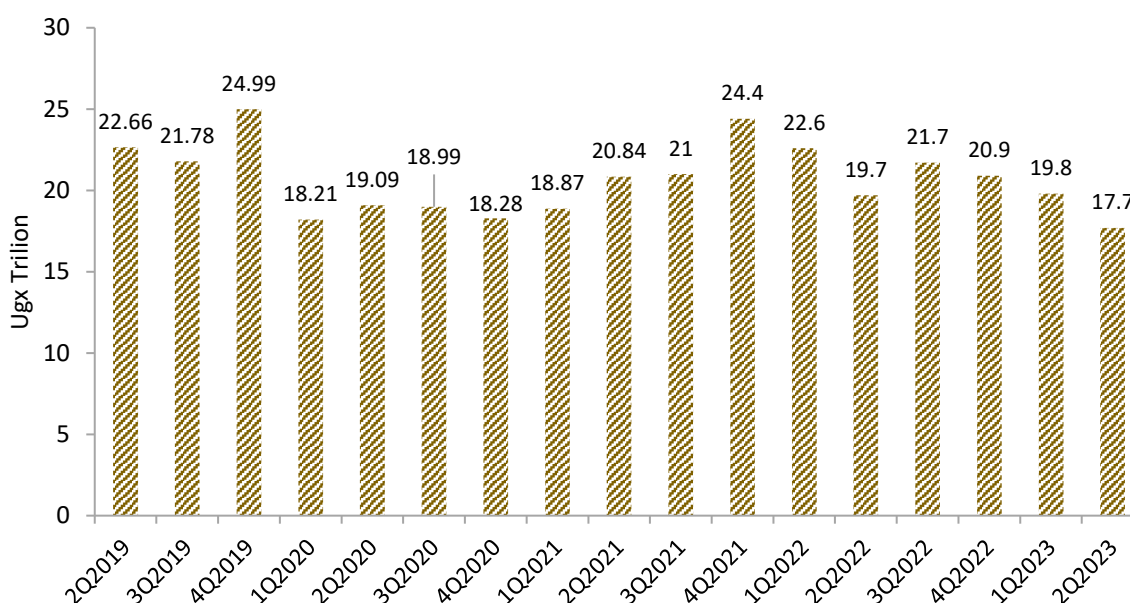
3.3.1.1 Market Size

I. Total Market Capitalization

The total market capitalization of the USE decreased by 10.5% to Ugx 17.7 trillion at the end of the review period, compared to Ugx 19.8 trillion at the end of March 2023. This decline can be attributed to the decrease in market capitalization observed on five cross-listed counters (CENT, EABL, EBL, KA, and KCB) and one locally listed counter (DFCU).

On an annual basis, the total market capitalization dropped by 10.5% from UGX 19.7 trillion during the same period in 2022. This decline can be attributed to the decrease in market capitalization observed on all other six cross-listed counters except EABL, as well as four locally listed counters (DFCU, UCL, MTNU, and NVL).

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

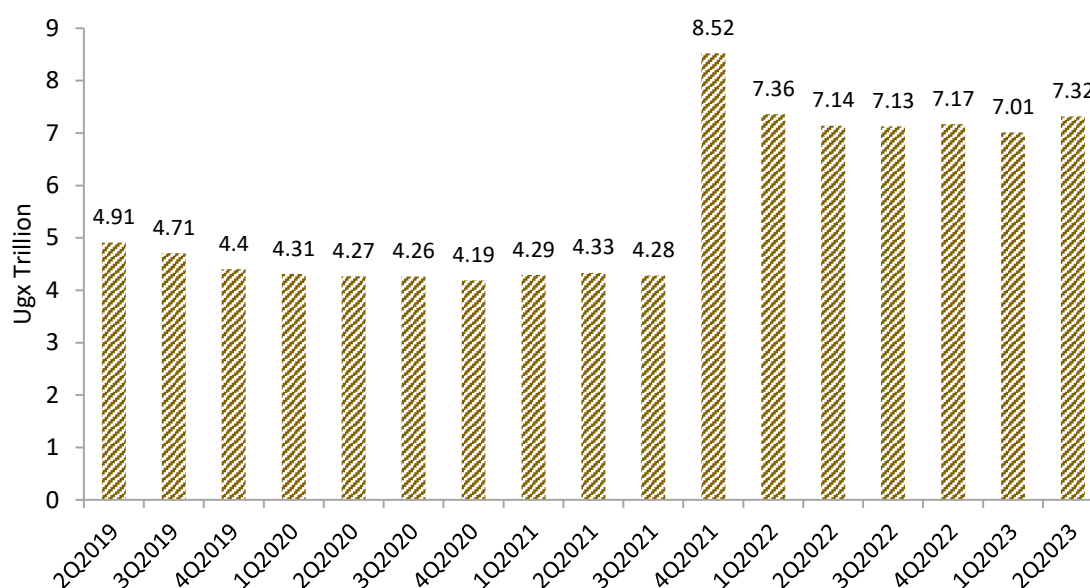


Source: USE market reports

II. Domestic Market Capitalization

The domestic market capitalization, representing the value of locally listed stocks, experienced a growth of 4.3% from Ugx 7 trillion in March 2023 to Ugx 7.3 trillion by the end of the review period. This significant growth can be attributed to the substantial increase in market capitalization recorded on five locally listed counters - UMEME (32.8%), SBU (23.8%), CQCIL (16.7%), BOBU (12.2%), and NIC (10%).

Figure IV: Quarterly Trends in Domestic Market Capitalization (Ugx, Trillion)



Source: USE market reports

The changes in the domestic market capitalization mirror the changes in the prices of domestic counters, as discussed in part 3.3.1.4 of the bulletin.

Over the course of a year, the domestic market capitalization increased by 2.5% from Ugx 7.1 trillion at the end of a similar period in 2022. This growth can be attributed to the rise in market capitalization of five locally listed counters - UMEME, SBU, NIC, BOBU, and CQCIL.

3.3.1.2 Market Activity

I. Market Turnover

Equity turnover at the USE experienced a growth of 40.7% in the second quarter of 2023, reaching Ugx 24.2 billion. This growth is notable considering the registered turnover of Ugx 17.2 billion in the first quarter (1Q2023). Additionally, the average turnover per session increased to Ugx 389.4 million in the review period, compared to Ugx 268.1 million in 1Q2023. The increase in market turnover was due to increased investor activity, with many aiming to benefit from dividend payments of listed companies.

On an annualized basis, the total equity turnover at the USE witnessed a substantial growth of 76.6% from Ugx 13.7 billion in the second quarter of 2022 to Ugx 24.2 billion in the review period. This significant improvement was primarily driven by increased domestic and foreign institutional investor activity, which is a result of improved investor sentiment as economic activity strengthens.

Table VI: Quarterly Equity Turnover per Counter at the USE (Ugx, Million)

| Counter | 2Q2022 | 3Q2022 | 4Q2022 | 1Q2023 | 2Q2023 |
|--------------|-----------------|----------------|----------------|-----------------|-----------------|
| BOBU | 2,115.7 | 2,742.2 | 339.6 | 289.9 | 685.6 |
| CENT | 1.1 | 31.6 | | | |
| CQCIL | 6.9 | 10.4 | 33.5 | 13.2 | 9.7 |
| DFCU | 1.8 | 3.7 | 2.9 | 1.4 | 31.9 |
| MTNU | 1,854.9 | 2,761.4 | 1,050.5 | 3,805.5 | 7,635.5 |
| NIC | 11.4 | 11.7 | 26 | 10.9 | 37.6 |
| NVL | 3.3 | 1.5 | 2.2 | 0.2 | 0.03 |
| SBU | 221.5 | 721.2 | 1,242.6 | 3,774.9 | 3,609 |
| UCL | 261.6 | 95.7 | 44.1 | 18.9 | 1.3 |
| UMEME | 9,252.1 | 2,823.6 | 5,687 | 9,271.5 | 12,233.5 |
| Total | 13,730.3 | 9,202.9 | 8,428.4 | 17,186.4 | 24,244.1 |

Source: USE market reports

3.3.1.3 Index Levels

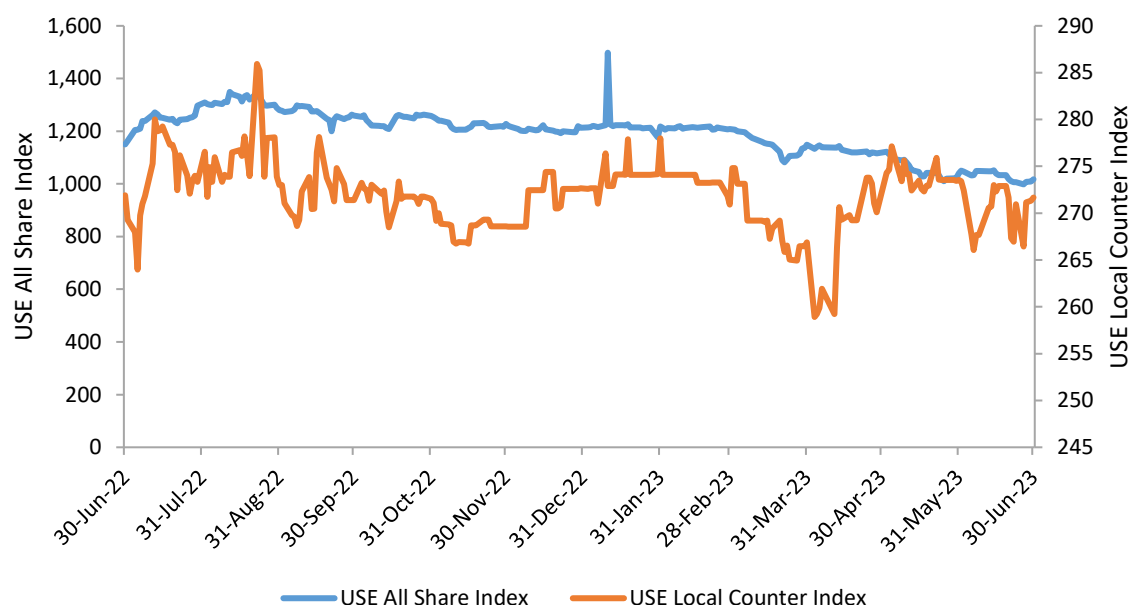
The USE All Share Index (ALSI) experienced a decrease of 11.4% in the second quarter of 2023, closing at 1,017.7 points from 1,148.3 points in the previous quarter. This decline was due to share price losses in five cross-listed counters (CENT, EABL, EBL, KA, and KCB) and one locally listed counter (DFCU).

In contrast, the USE Local Counter Index (LCI) saw an increase of 1.8% during the review period, ending at 271.7 points compared to 266.9 points in the first quarter of 2023. The growth in the LCI was driven by higher share prices in five (5) locally listed counters (UMEME, SBU, CQCIL, BOBU and NIC).

On an annualized basis, the ALSI dropped by 11.5% from 1,149.6 points in the second quarter of 2022, while the USE LCI had a decrease of 0.1% from 271.9 points in a similar quarter in 2022. The ALSI decline was primarily influenced by share price losses in all other cross-listed counters except EABL, as well as five (5) locally listed counters (DFCU, UCL, NIC, MTNU, and NVL). Meanwhile, the LCI decrease was driven by share price declines in six locally listed counters (BOBU, DFCU, UCL, NIC, MTNU, and NVL).

Overall, the ALSI and LCI experienced contrasting performances during the specified period, with the former facing a decline and the latter demonstrating moderate growth.

Figure V: USE All Share and USE Local Counter Index Levels (June 2022 to June 2023)



Source: *USE market reports*

3.3.1.4 Share Price Performance of Locally Listed Companies

Five locally listed counters recorded gains in their share prices during the review period. UMEME experienced the highest increase of 32.8%, closing the period at UGX 440 compared to UGX 331.2 at the end of the previous quarter. SBU, CQCIL, BOBU and NIC also saw gains of 23.8%, 16.7%, 12.16% and 10% respectively, closing the second quarter at UGX 26, UGX 70, and UGX 5.5. On the other hand, BATU, MTNU, NVL, and UCL remained unchanged at UGX 15,000, UGX 170, UGX 155, and UGX 15.

The gains in share prices was partly due to increased investor demand as many investors sought to benefit from the dividend payments offered by the listed companies. Additionally, UMEME's rising share price reflects the growing interest from investors anticipating the government payout at the end of the concession period.

Table VII: Quarterly Price movements on the USE (Ugx)²

| Counter | 2Q2022 | 3Q2022 | 4Q2022 | 1Q2023 | 2Q2023 | Year on Year Change (%) |
|---------|--------|--------|--------|--------|--------------------|-------------------------|
| BATU | 15,000 | 15,000 | 15,000 | 15,000 | 15,000 | 0 |
| BOBU | 80 | 85 | 85 | 85 | 95.34 ³ | 12.16 |
| CQCIL | 69 | 65 | 60 | 60 | 70 | 1.4 |
| DFCU | 550 | 547 | 543 | 520 | 264 | -52 |
| MTNU | 178.09 | 183 | 180 | 170 | 170 | -4.5 |
| NIC | 6.2 | 5.8 | 5 | 5 | 5.5 | -11.3 |
| NVL | 160 | 155 | 155 | 155 | 155 | -3.1 |
| SBU | 22 | 21 | 21 | 21 | 26 | 18.2 |
| UCL | 19 | 15 | 17.2 | 15 | 15 | -21.1 |
| UMEME | 239.01 | 200 | 275 | 331.2 | 440 | 84.1 |

Source: USE market reports

3.4 Government Bonds Performance

3.4.1 Primary Market Activity

In the second quarter of 2023, the Bank of Uganda issued a total of Ugx 2.4 trillion in treasury bills and bonds, which was 25% lower compared to the Ugx 3.2 trillion raised in the first quarter of 2023. This decrease in debt issuances was due to the Government's strategy to modify the deficit financing mix for the fiscal year by reducing domestic debt and opting for more cost-effective foreign currency financing.

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

| Maturity | 2Q2022 | 3Q2022 | 4Q2022 | 1Q2023 | 2Q2023 |
|----------------|---------|---------|---------|---------|---------|
| Total Issuance | 2,596.6 | 2,344.2 | 3,334.8 | 3,232.4 | 2,422.8 |

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

3.4.2 Treasury Bonds Yields

In the primary market, the yields on the 10-year Treasury bond saw an increase, whereas the yields on all other tenors experienced a decrease. The average yield on the 10-year treasury bonds rose to 15.8% during the period under review, compared

² Share price of locally listed counters at the end of each quarter

³ Price adjusted to reflect the effects of bonus issue

to an average of 15.2% in the previous quarter ending in March 2023. Conversely, the yields on the 2-year, 3-year, 5-year, 15-year, and 20-year treasury bonds declined compared to the averages reported in the first quarter of 2023. This decline in yields is consistent an improvement in the liquidity position of actors within the Government bond market space.

Looking at the annual basis, the yields on the 2-year, 3-year, 5-year, 10-year, and 15-year treasury bonds increased in comparison to the second quarter of 2022, while the yield on the 20-year bond decreased. (Refer to Table IX)

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

| Maturity | 2Q2022 | 3Q2022 | 4Q2022 | 1Q2023 | 2Q2023 |
|----------|--------|--------|--------|--------|--------|
| 2-Year | 9.9 | 14 | 16.7 | 13.8 | 13.5 |
| 3-Year | 12.4 | 14.8 | 14.4 | 14.5 | 14 |
| 5-Year | 14.5 | 16.3 | 16.3 | 15 | 14.8 |
| 10-Year | 13.8 | 16.3 | 17.5 | 15.2 | 15.8 |
| 15-Year | 14.5 | 16.8 | 17 | 16.4 | 16 |
| 20-Year | 17 | 18.5 | 17 | 16.5 | 16.3 |

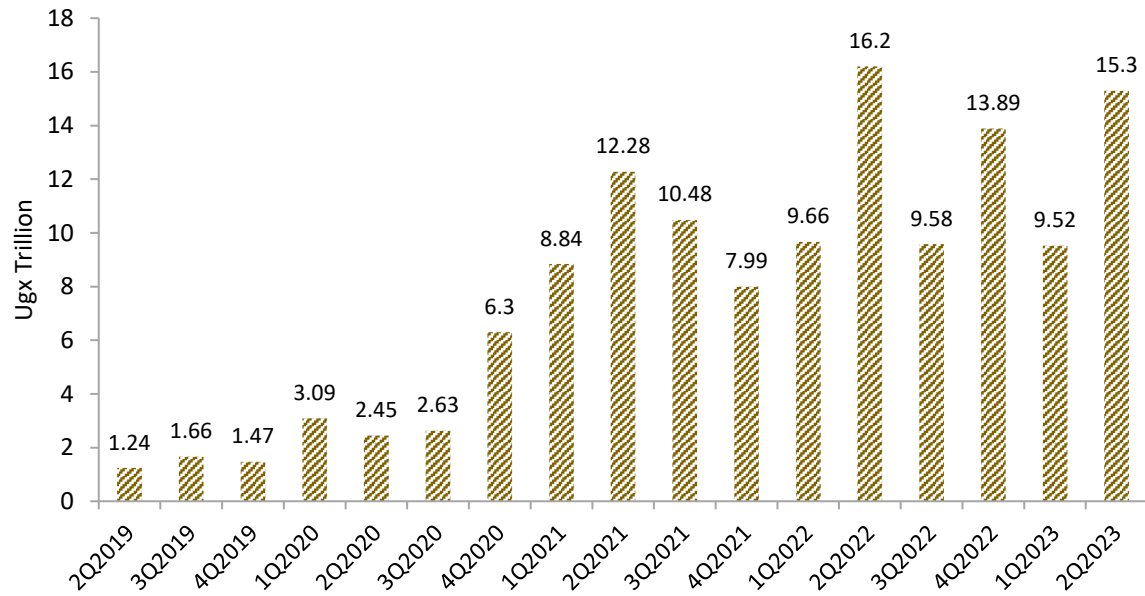
Source: Bank of Uganda

3.4.3 Secondary Market Activity

The value of government bonds traded on the secondary market significantly increased in the second quarter of 2023, reaching Ugx 15.3 trillion from Ugx 9.5 trillion in the previous quarter. The average monthly turnover also grew to Ugx 5.1 trillion compared to Ugx 3.2 trillion previously. Moreover, the government bond turnover ratio for the first quarter of 2023 rose to 53% from 35% in the first quarter. This growth in turnover is due to, among other things, increased investor appetite for government of Uganda securities

On an annualized basis, the government bond turnover on the secondary market experienced a decline of 5.1% during the review period, amounting to Ugx 15.3 trillion compared to Ugx 16.2 trillion in the second quarter of 2022.

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



Source: Bank of Uganda Money Market Reports

4.0 Performance of Regional Markets

4.1 Collective Investment Schemes

At the end of June 2023, CIS managers in Uganda had AUM of US\$ 530.2 million; however, this only represents 1.14 % of Uganda's Gross Domestic Product. Across the East African region, Kenya leads with AUM of US \$ 1,216 million (See Table X).

Table X: Comparison of Number of CIS Investor Accounts and CIS AUM as a Percentage of GDP as of June 2023⁴

| Indicator | Uganda | Kenya | Tanzania |
|---|--------|---------|----------|
| GDP at Constant Prices (US \$ billion) | 46.38 | 110.3 | 67.84 |
| CIS Assets under Management (US \$ million) | 530.2 | 1,212.1 | 649.3 |
| CIS Assets under Management to GDP (%) | 1.14 | 1.10 | 0.95 |
| Number of CIS Accounts | 66,188 | 942,236 | 183,987 |
| Average Balance per Account (US \$) | 8,010 | 1,286 | 3,529 |

Source: CMA Market Supervision and Research & Market Developments; World Bank; Capital Markets Authority Kenya. (2023). Quarterly Statistical Bulletin; <https://www.uttamis.co.tz/>

4.2 Market Capitalization

Domestic market capitalization at the Nairobi Stock Exchange (NSE) experienced a 5.1% decline, reaching US\$ 12 billion by the end of the review period, compared to US\$ 12.6 billion at the end of the first quarter of 2023. This decrease in market capitalization can be attributed to foreign investors selling their shares to pursue lucrative opportunities in developed markets like the USA. Additionally, retail investors reacted with panic sales, further dragging down prices. The depreciation of the shilling, scarcity of dollars, geopolitical concerns surrounding the Russia-Ukraine conflict, and soaring inflation, which prompted interest rate hikes in developed markets, all contributed to the capital flight from the NSE. Nevertheless, domestic market capitalization at the Rwanda Stock Exchange (RSE) grew by 2% to US\$ 0.54 billion, up from US\$ 0.53 billion recorded in the first quarter of 2023. This growth was mainly driven by the increase in share prices of Bank of Kigali and Cimerwa Plc. Similarly, the Dar es Salaam Stock Exchange (DSE) witnessed an increase in market capitalization, closing at US\$ 4.69 billion, compared to US\$ 4.66 billion in 1Q2023, representing a gain of 0.8%. This positive performance can be attributed to the share price gains of locally listed companies, including Dar es Salaam Stock Exchange, National Investments Company Limited, NMB Bank Plc, and Tanga Cement Company Limited.

⁴Preliminary figures and estimates

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

| Securities Exchange | 2Q2022 | 3Q2022 | 4Q2022 | 1Q2023 | 2Q2023 | Year on Year Change (%) |
|---------------------|--------|--------|--------|--------|--------|-------------------------|
| USE | 1.93 | 1.92 | 1.93 | 1.89 | 1.97 | 2.5 |
| NSE | 14.0 | 14.4 | 14.3 | 12.6 | 12.0 | -14.1 |
| DSE | 4.47 | 4.40 | 4.43 | 4.66 | 4.69 | 5 |
| RSE | 0.52 | 0.52 | 0.52 | 0.52 | 0.53 | 3.1 |

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

4.3 Equity Turnover

Equity turnover at the NSE in the second quarter of 2023 experienced a sharp decline of 78.1%, dropping to US\$ 103.6 million from the first quarter's US\$ 368.6 million. This decrease in turnover was partly due to foreign investors selling their shares to pursue lucrative opportunities in developed markets like the USA. Additionally, retail investors reacted with panic sales, further dragging down prices. The depreciation of the shilling, scarcity of dollars, geopolitical concerns surrounding the Russia-Ukraine conflict, and soaring inflation, which prompted interest rate hikes in developed markets, all contributed to the capital flight from the NSE. Conversely, the DSE witnessed a 36.4% increase in market turnover, with US\$ 12.1 million compared to the previous US\$ 8.9 million in the first quarter of 2023. This growth can be attributed to improved activity from both local and foreign investors, as the market gains momentum. Similarly, equity turnover at the RSE rose to US\$ 1.3 million in the second quarter, an increase from the previous US\$ 0.4 million in the first quarter of 2023. This improvement in turnover can be partially attributed to enhanced activity from both local and foreign institutional investors.

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

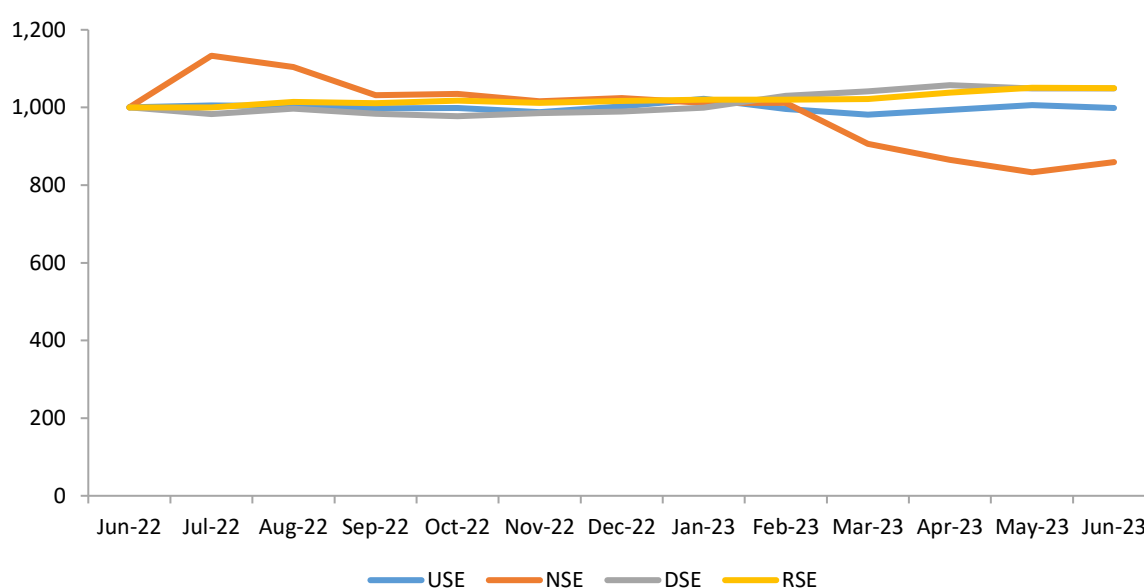
| Securities Exchange | 2Q2022 | 3Q2022 | 4Q2022 | 1Q2023 | 2Q2023 | Year on Year Change (%) |
|---------------------|--------|--------|--------|--------|--------|-------------------------|
| USE | 3.7 | 2.4 | 2.3 | 4.6 | 6.5 | 41.30 |
| NSE | 225.6 | 188.9 | 141.5 | 368.6 | 103.6 | 71.89 |
| DSE | 17.5 | 17.6 | 8 | 8.9 | 12.1 | 35.95 |
| RSE | 3.7 | 5.7 | 5.1 | 0.4 | 1.3 | 325 |

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

4.4 Index Levels⁵

The NSE All-Share Index declined by 5.1%, ending the second quarter of 2023 at 860 points compared to 906 points at the end of the first quarter. On the other hand, the RSE Rwanda Share Index increased by 2.7% to finish the review period at 1,049 points from 1,022 points at the end of the first quarter. Similarly, the DSE Tanzania Share Index grew by 0.7%, closing the review period at 1,049 points compared to 1,041 points at the end of the first quarter of 2023. The changes in index levels are reflective of the changes in domestic market capitalization, driven by similar factors.

Figure VII: Trends in the Domestic Share Indices of USE, RSE, DSE and NSE (June 2022 - June 2023)



Source: USE, RSE, DSE and NSE market reports

⁵ The indices have been rebased using the same start level of 1,000 points (end of March 2022), to easily compare the performance of the indices

5.0 Outlook

5.1 Economic Outlook

The World Bank's Global Economic Prospects report for June 2023 predicts a slowdown in global growth due to tightening credit conditions and stress in the banking sector of advanced economies. Additionally, the report indicates that Sub-Saharan Africa's growth is expected to decline to 3.2% in 2023, influenced by external challenges, persistent inflation, higher borrowing costs, and increased insecurity. It should be noted that many countries are still grappling with the aftermath of the pandemic, with high living costs dampening consumption growth. Fiscal space has also narrowed while rising import bills and higher debt burdens have increased financing needs.⁶

In the context of unpredictable global economic dynamics, the Central Bank notes that Uganda's economy has shown remarkable strength and resilience. Despite ongoing uncertainty, inflationary pressures are easing, and economic recovery is underway. The central bank projects that economic growth for the fiscal year 2023/24 will fall within the range of 6% to 6.5%. Long-term sustainable growth is expected in 2024/25, supported by investments in oil-related infrastructure, the energy sector, transportation, and a recovery in manufacturing and construction. Furthermore, the country's exports are expected to benefit from stronger external demand, and government expenditure will contribute to annual economic growth exceeding 7% in the medium term.⁷

5.2 Implications for Capital Markets

Going forward, the capital markets are expected to remain under pressure due to foreign investors selling off their investments in emerging and frontier markets in favour of more attractive returns in developed markets like the USA. However, there is an optimistic outlook with the anticipated listing of Airtel Uganda before the end of the year.

⁶ World Bank Group. (2023, June). *Global Economic Prospects*

⁷ Bank of Uganda. (2023, June). *Monetary Policy Statement*

Appendix 1: List of Licensed Persons

This is a list of persons approved and licensed by the Capital Markets Authority to provide various services related to the capital markets industry in Uganda as of 30th June 2023.

| Firm | License Held | Address | Contact Person |
|--|--|--|-------------------------|
| Agola Holdings Limited | Investment Adviser | Wamala Road, Kalinabiri, Ntinda P. O. Box 24531 Kampala, Uganda Tel: 0782540805 Email: tabulino@yahoo.co.uk | Mr. Taban Charles Lino |
| 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 |
| BIK Capital Limited | Stock Broker | First Floor, Media Plaza Plot 78, Kira Road Tel: 0774997424 Email: jofbakka@gmail.com | Mr. Joseph Bakkabulindi |
| Blue Solitaire Investments Limited | Investment Adviser | 203 - Kirabo Complex Bukoto - Kisasi Road P.O Box 1534 Kampala, Uganda Tel: 0752711660 Email: jatin@blue-solitaire.com | Mr. Jatin B.K. Ghughu |
| Britam Asset Managers Company (Uganda) Limited | Fund Manager, Unit Trust Manager/ Collective Investment Scheme Manager | Course View Towers, 1st Floor Yusuf Lule Road P.O Box 36583 Kampala, Uganda Tel: 0417-702600/ 0312-305600 Email: info@britam.com | Mr. Ronald Kasolo |
| Chipper Technologies Uganda Limited | Stock Broker | 2nd Floor, Room 203 SMS House, 7th Street Industrial Area P.O Box 29274 Tel: 0200-935935 | Mr. Dan Tumuramye |
| Crested Capital | Stock Broker, Dealer | 1st Floor Impala House Plot 13/15 Kimathi Avenue P. O. Box 31736, Kampala, Uganda | Mr. Robert Baldwin |

| Firm | License Held | Address | Contact Person |
|-------------------------------------|--|---|-----------------------------|
| | | Tel: 0414-230900 Email: info@crestedcapital.com | |
| 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 |
| GenAfrica Asset Managers Uganda Ltd | Fund Manager | 6th Floor, Aha Towers Plot 7, Lourdel Road, Nakasero P. O. Box 75200, Kampala Tel: 0414-252343/ 350 Fax: 0414-253344 Email: uganda@genafrika.com | Mr. George Mulindwa |
| Housing Finance Bank Uganda Limited | Custodian | Investment House Plot 4, Wampewo Avenue, Kololo P.O Box 1539, Kampala Uganda Tel: 0417-803000 Email: info@housingfinance.co.ug | Ms. Angela Ndawula |
| 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 |
| Inua Capital Limited | Fund Manager | The Design Hub Kampala Plot 3, Bata Close 5th Street, Industrial Area Kampala, Uganda Email: kim@inuacapital.com | Kim Kamarebe |
| KCB Bank Uganda Limited | Trustee - Collective Investment Schemes, Custodian | 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 | Mr. Charles Ogutu |

| Firm | License Held | Address | Contact Person |
|--|--|---|---------------------------------|
| | | Fax: 0414-251370, 0414-341371 Email: pkfkam@ug.pkfea.com | |
| Profin Group Uganda Limited | Investment Adviser | Plot 1, Naguru, Katalima Crescent Bwindi Trust House, Room C1 P.O Box 36697 Kampala, Uganda Tel: 0414533261 | Mr. Eric Duplessis |
| 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 |
| 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, Unit Trust Manager/ Collective Investment Scheme Manager | 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. Andrew Mashanda |
| Stanbic Bank Uganda Limited | Custodian | Crested Towers Plot 17, Hannington Road, Kampala Tel: 0800 250 250 | Mr. Andrew Omiel |
| Standard Chartered Bank Uganda Limited | Trustee - Collective Investment Schemes, Custodian, Investment Adviser | Plot 5, Speke Road P. O. Box 7111, Kampala, Uganda Tel: 0312-294459, 0414-340077 Fax: 0414-231473 Email: ug.service@sc.com | Ms. Cecilia Namuddu |
| UAP Financial Services Limited | Stock Broker, Fund Manager, Investment Adviser, Unit Trust | 2nd Floor, Block A, UAP Nakawa Business Park, Plot 3-5 New Port Bell Road P. O. Box 1610 Kampala, Uganda | Mr. Simon Mwebaze |

| Firm | License Held | Address | Contact Person |
|---|---|--|---------------------|
| | Manager/ Collective Investment Scheme Manager | Tel: 0414-332824 Fax: 0414-346449 Email: financialservices@uap.co.ug info@uap.co.ug | |
| USE Commodities Exchange Limited | Commodities Exchange | 4th Floor, Block A, North Wing Plot 3-5, UAP Nakawa Business Park P. O. Box 23552, Kampala, Uganda Tel: 0312-370815/ 7/ 8 Email: info@use.or.ug | Mr. Paul Bwiso |
| USE Nominees Limited | Registrar | 4th Floor, Block A, North Wing Plot 3-5, UAP Nakawa Business Park P. O. Box 23552, Kampala, Uganda Tel: 0312-370815/ 7/ 8 Email: info@use.or.ug | Mr. Paul Bwiso |
| Uganda Securities Exchange | Stock Exchange, Securities Central Depository | 4th Floor, Block A, North Wing Plot 3-5, UAP Nakawa Business Park P. O. Box 23552, Kampala, Uganda Tel: 0312-370815/ 7/ 8 Email: info@use.or.ug | Mr. Paul Bwiso |
| Xeno Technologies Uganda Limited | Fund Manager, Unit Trust Manager/ Collective Investment Scheme Manager | 1st Floor Workers House Plot 1, Pilkington Road P.O. Box 2237, Kampala, Uganda Tel: 0392-177488, 0772-842100 Email: uganda@myxeno.com | Mr. Aeko Ongodia |