



Capital Markets Quarterly Bulletin

Quarter ended September 2022

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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 |
| FY | Financial Year |
| 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 |
| SCD | Securities Central Depository |
| 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 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 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

CIS Managers had a total of UGX 1,460.1 billion in Assets Under Management (AUM) at the end of the review period, representing a growth of 12% from UGX 1,303.7 billion at the close of June 2022. The total number of CIS accounts at the end of September 2022 was **40,155**, compared to 34,467 investor accounts at the end of the previous quarter, an increase of 16.5%. The growth in AUM and clients can be attributed to increased awareness about the benefits of investing through CIS vehicles among local investors, an increase in the number of CIS managers to five and the confidence of investors with respect to regulatory protection. In the same breath, the total AUM for fund managers licensed by CMA closed the third quarter of 2022 at UGX 4.01 trillion, representing a growth of 3% from UGX 3.90 trillion at the end of June 2022. The increase in AUM can be attributed to, among other things, the gain in the value of the assets held.

The USE total market capitalization grew by 9.7% to UGX 21.7 trillion at the end of the review period from UGX 19.7 trillion at the end of June 2022. This growth was due to share price gains on six cross-listed counters - EABL, JHL, KA, KCB, EBL and NMG; and two locally listed counters - BOBU and MTNU. On the contrary, domestic market capitalization which represents the value of locally listed stocks fell by 0.1% from UGX 7.14 trillion at the end of June 2022, to UGX 7.13 trillion at the end of the review period. This decline was attributed to the fall in market capitalization registered on seven locally listed counters - UCL (-21.1%), UMEME (-16.3%), NIC (-6.5%), CQCIL (-5.8%), SBU (-4.5%), NVL (-3.1%), and DFCU (-0.5%).

Equity turnover at the USE fell by 33% to UGX 9.2 billion in the third quarter of 2022, from UGX 13.7 billion registered in the previous quarter (2Q2022). Average turnover per session dropped to UGX 139.8 million per session in the period under review, from UGX 208 million recorded in 2Q2022. The drop in turnover was partly due to global policy uncertainties such as high inflation partially fueled by Russia's military actions in Ukraine that have seen offshore investors who account for over 70% of turnover at the USE disengage from emerging and frontier markets.

The USE All Share Index (ALSI) grew by 9.5% to close the third quarter of 2022 at 1,259.1 points from 1,149.6 points reported at the close of the previous quarter. The ALSI increased as a result of share price gains registered on six cross-listed counters - EABL, JHL, KA, KCB, EBL and NMG; and two locally listed counters - BOBU and MTNU. On the other hand, the USE Local Counter Index fell by 0.2%, closing the review period at 271.4 points from 271.9 points at the end of the second quarter of 2022. The decline in the LCI was a result of the share price drop on seven locally listed counters - UCL (-21.1%), UMEME (-16.3%), NIC (-6.5%), CQCIL (-5.8%), SBU (-4.5%), NVL (-3.1%), and DFCU (-0.5%).

The International Monetary Fund's Regional economic outlook report notes that Sub-Saharan Africa's economic activity is expected to slow significantly in 2022 and remain relatively modest in 2023. A downturn in advanced economies and emerging markets, tighter financial conditions, and volatile commodity prices have undermined last year's gains. Notably, the region is expected to grow by 3.6% in 2022, down from 4.7% in 2021, due to muted investment and the overall worsening of its balance of trade. The Bank of Uganda (BOU) notes that the domestic economy which has weathered several shocks is showing signs of recovery. However, economic growth is expected to remain below its long-run trend until the FY 2025/26.

Going forward, the capital markets are projected to continue being weighed down by massive selloffs by international investors who are liquidating their investments in emerging and frontier markets as a result of rising interest rates in the US and Europe, and the geopolitical tensions brought about by the on-going war between Russia and Ukraine.

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 focuses on the period 1st July 2022 to 30th September 2022.

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 | June 2022 | Sept 2022 |
|---------------------------------|-----------|-----------|
| Fund Managers | 7 | 8 |
| Stock Brokers | 8 | 8 |
| Investment Advisors | 9 | 8 |
| CIS Managers | 6 | 6 |
| Unit Trust Schemes | 17 | 17 |
| Trustees | 2 | 2 |
| Custodians | 4 | 4 |
| Stock Exchanges | 2 | 2 |
| Securities Central Depositories | 2 | 2 |
| Representative Licenses | 40 | 38 |
| Registrars | 2 | 2 |
| Total | 99 | 97 |

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 period under review, CMA continued with its investor education program which aims at creating awareness about capital markets, to drive market activity through Collective Investment Schemes (CIS). The program is conducted through external resource persons contracted by CMA to reach out to potential investors in the capital markets, with emphasis on investment through CIS. In the period under review, CMA through its investor resource persons held 2 radio outreaches on Dembe FM and CBS FM. The Authority also held 6 television outreaches on Urban TV, Smart24 TV, Worship Harvest Online TV and BBS TV. Furthermore, during the period, one social media webinar was held while three opinion/feature articles were published in the newspapers.

In addition to outreach through the webinars, television and radio airwaves, the Authority held two public lectures on capital markets at Makerere University Business School on 14th July 2022 and Uganda Technology and Management University on 15th July 2022. CMA through its external resource persons also undertook physical meetings. During the review period, resource persons held 14 physical meetings.

It is worth noting that the authority was able to reach about 1.37 million potential investors through public lectures, physical meetings, webinars, television and radio outreaches.

2.2.1.2 Issuer Education

CMA also continued with its Issuer Education Program which seeks to increase the supply of securities in the capital markets. The program involves reaching out to business owners, business founders and key persons in business enterprises to sensitize them on opportunities presented by market-based financing, the different types of non-bank market-based financing, its merits, and the preparatory steps for accessing it.

To widen the Authority's reach to potential issuers, CMA organized a webinar for potential issuers that took place on 16th September 2022, to educate business owners on market financing. The webinar which was under the theme of Corporate Governance and Access to Capital was facilitated by Kenneth Legesi, CFA, the Managing Director at Ortus Africa Capital. The objective of the webinar was to educate business owners on the best practice with respect to corporate governance and how this increases their access to capital.

2.3 Market Supervision Developments

2.3.1 Regulatory Compliance

During the review period, the Authority continued to conduct financial analysis for all fund managers, CIS managers and stockbrokers to test for the capital adequacy requirements provided for in the CMA legal framework. The monthly financial analysis is a key component 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.

2.3.2 Applications and Licenses

During the quarter ended September 2022, the following licenses were renewed:

- a. PKF Consulting Limited (Investment Advisory License);
- b. Standard Chartered Bank Uganda Limited (Investment Advisory License);
- c. Britam Asset Management (Fund manager License);
- d. Gen Africa Asset Management Uganda Limited (Fund manager License and Representative Licenses).
- e. Sanlam Investment East Africa Limited (Fund manager License and four Representative Licenses);
- f. XENO Technologies Uganda Limited (Fund manager License, CIS Unit Trust License and four Unit Trust Scheme Licenses);
- g. Sail Global Corp Limited (Investment Advisory License); and
- h. ALTX clearing Limited (Securities Central Depository 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.

2.4 Legal and Regulatory Issues

2.4.1 Virtual Stakeholder Consultative Workshop

Following the approval of two CIS regulations by the Board of Directors for circulation to stakeholders to solicit for comments, the Legal and Board Affairs Department held a virtual workshop on 27th September 2022. The regulations under review are: The Collective Investment Schemes Open-ended Investment Companies Regulations and the Collective Investment Schemes (Fees) Instrument.

In addition, to boost investor protection and increase access to capital markets, the Authority has commenced the review of the CMA Act. It is worth noting that a key building block for efficient capital markets is the presence of a facilitative regulatory framework that allows for innovation, increases access and ensures that

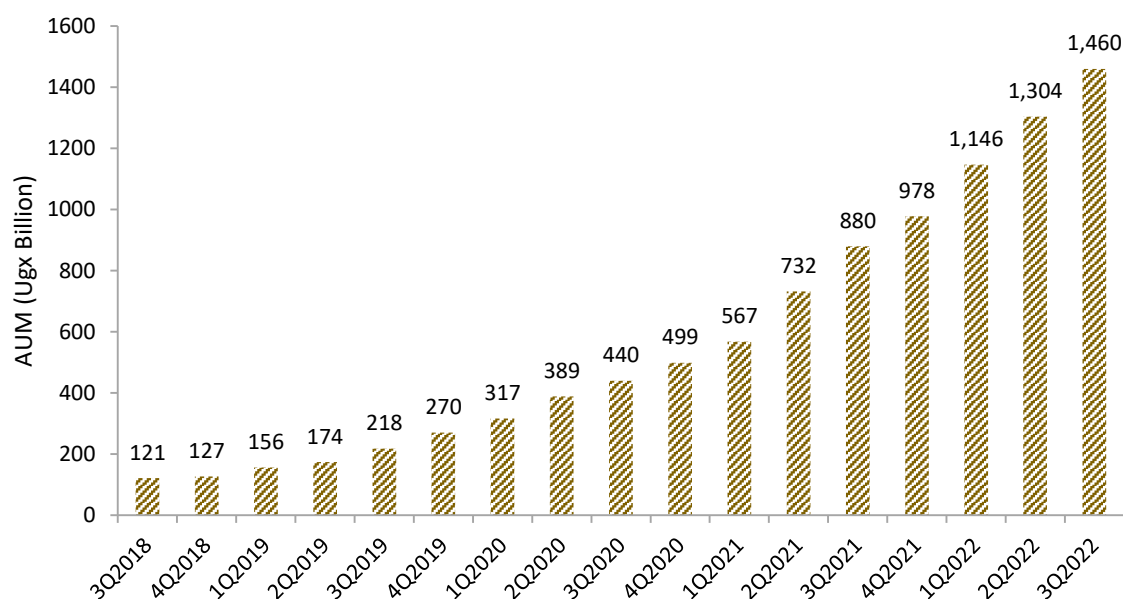
the market is fair for the protection of investors. With the review of the aforementioned regulations, CMA expects to provide a facilitative regulatory environment for market intermediaries, issuers of securities and investors.

3.0 Industry Performance Overview

3.1 Performance of Collective Investment Schemes

CIS Managers had a total of UGX 1,460.1¹ billion in Assets Under Management (AUM) at the end of the review period, representing a growth of 12% from UGX 1,303.7 billion at the close of June 2022. On an annualized basis, AUM grew by 65.9% from UGX 880 billion recorded in a similar period in 2021 (3Q2021). The total number of CIS accounts at the end of September 2022 was **40,155**², compared to 34,467 investor accounts at the end of the previous quarter, an increase of 16.5%. The growth in AUM and clients can be attributed to increased awareness about the benefits of investing through CIS vehicles among local investors, an increase in the number of CIS managers to five and the confidence of investors with respect to 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 81.7% of the total AUM at the end of September 2022.

¹ Figure is based on preliminary estimates from CIS managers

² Figure is based on estimates

Table II: CIS Assets under Management per CIS Manager

| CIS Manager | AUM (UGX Billion) | | Change (%) |
|---|-------------------|------------------------|------------|
| | Jun 2022 | Sept 2022 ³ | |
| UAP-Old Mutual Financial Services Limited | 865.6 | 988.6 | 14.2 |
| ICEA Lion Asset Management Limited | 177.6 | 197.5 | 11.2 |
| Britam Asset Managers Uganda Limited | 201.4 | 204.1 | 1.3 |
| Xeno Technologies Uganda Limited | 36.9 | 38.5 | 4.3 |
| Sanlam Investments East Africa Limited | 22.3 | 31.4 | 40.8 |
| Total | 1,303.7 | 1,460.1 | 12 |

Source: CMA Market Supervision and Research & Market Development Departments

A breakdown of AUM by asset allocation at the end of September 2022 indicates that allocation to Government of Uganda bonds took up 79% of the total AUM followed by Fixed Deposits at 13.2% and Call deposits at 2.8%. This is indicative of a market dominated by CIS funds that have interest-bearing instruments, as the underlying assets.

An annualized trend analysis of CIS assets allocation indicates cash as a percentage of total AUM has grown from 1.3% at the end of September 2021 to 1.8% at the end of September 2022. The growth in the amount of cash held is driven by the need to increase the liquidity buffers of the CIS managers to meet redemption requests as the number of CIS Account holders increase. In addition, Government of Uganda bonds as a percentage of total AUM have grown from 66.2% at the end of September 2021 to 79% at the end of September 2022.

³ Figures are based on preliminary estimates from CIS managers

Table III: Quarterly CIS Industry Asset Allocation (Percentage)

| Asset | Sept 2021 | Dec 2021 | Mar 2022 | Jun 2022 | Sept 2022 |
|--|------------|------------|------------|------------|------------|
| Government of Uganda Bonds | 66.2 | 68.6 | 72.8 | 76.5 | 79 |
| Fixed Deposits | 14.8 | 14.9 | 13.1 | 13.3 | 13.2 |
| Call Deposits | 5.4 | 3.9 | 5.3 | 3.2 | 2.8 |
| Government of Uganda Treasury Bills | 9 | 8.1 | 4.7 | 3.3 | 2.6 |
| Cash | 1.3 | 1.6 | 1.5 | 1.6 | 1.8 |
| Commercial Paper | 1.4 | 1.2 | 0.9 | 0.8 | 0.7 |
| Corporate Bonds | 0.9 | 1 | 0.9 | 0.8 | 0.7 |
| Listed Equities in Uganda | 0.1 | 0.05 | 0.05 | 0.05 | 0.04 |
| Listed Equities in Rest of East Africa | 0.1 | 0.1 | 0.08 | 0.07 | 0.06 |
| Other Investments (Off-shore and foreign exchange) | 0.9 | 0.6 | 0.59 | 0.4 | 0.4 |
| Total | 100 | 100 | 100 | 100 | 100 |

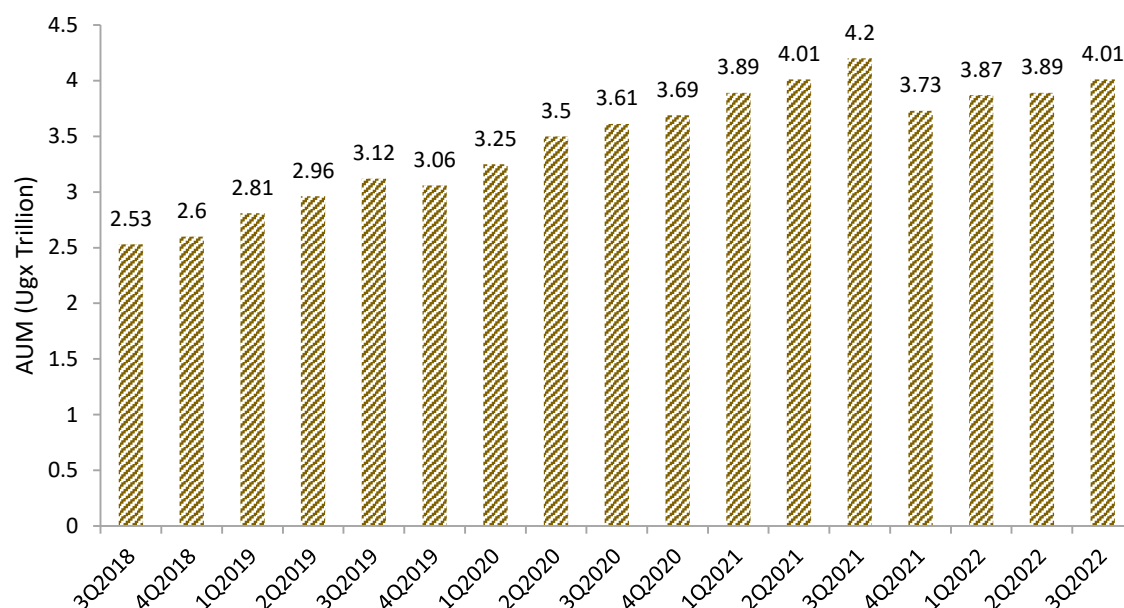
Source: CMA Market Supervision and Research & Market Development Departments

3.2 Fund Management Performance

The total AUM for fund managers licensed by CMA closed the third quarter of 2022 at UGX 4.01⁴ trillion, representing a growth of 3% from UGX 3.9 trillion at the end of June 2022. The increase in AUM can be attributed to, among other things, the gain in the value of the assets held. On an annualized basis, the AUM fell by 4.4% from UGX 4.2 trillion recorded in a similar period in 2021 (3Q2021). The decrease in AUM can be partially attributed to the withdrawal of funds from two fund managers (Sanlam Investments East Africa Limited and Britam Asset Managers Uganda Limited) by one of the schemes whose funds were being managed.

⁴ Figure is based on preliminary estimates from fund managers

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 three fund managers controlled 82.2% of the total AUM at the end of September 2022.

Table IV: Assets under Management per Fund Manager

| Fund Manager | AUM (UGX Billion) | | Change (%) |
|---|-------------------|------------------------|------------|
| | Jun 2022 | Sept 2022 ⁵ | |
| Sanlam Investments East Africa Limited | 1,699.6 | 1,747.5 | 2.8 |
| GenAfrica Asset Managers Uganda Limited | 815.7 | 835.7 | 2.5 |
| Britam Asset Managers Uganda Limited | 699.1 | 717.5 | 2.6 |
| UAP-Old Mutual Financial Services Limited | 451.9 | 481.9 | 6.6 |
| ICEA Lion Asset Management Limited | 231.6 | 231.6 | 0 |
| Total | 3,899.4 | 4,014.2 | 3 |

Source: CMA Market Supervision and Research & Market Development Departments

A breakdown of the AUM by asset allocation at the end of September 2022 indicates that investments in Government of Uganda bonds constituted 76% of the total AUM followed by Fixed Deposits at 6.4% and Listed Equities in the Rest of East Africa at 5.2%. An annualized trend analysis of asset allocation indicates that investments in CIS as a percentage of total AUM have grown from 1.5% at the end of September

⁵ Figures are based on preliminary estimates from fund managers

2021 to 4.2% at the end of September 2022. This growth is driven by the decent returns and liquidity benefits provided by CIS compared to other investments such as fixed deposits.

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

| Asset | Sept 2021 | Dec 2021 | Mar 2022 | Jun 2022 | Sept 2022 |
|--|------------|------------|------------|------------|------------|
| Government of Uganda Bonds | 73.5 | 73.3 | 75.1 | 75.2 | 76 |
| Government of Uganda Treasury Bills | 7.8 | 6 | 4.5 | 4.1 | 3.4 |
| Government Bonds in Rest of East Africa | 0.1 | 0.1 | 0.1 | 0.02 | 0.01 |
| Listed Equities in Uganda | 2.1 | 3.6 | 3.3 | 3.3 | 3.7 |
| Listed Equities in Rest of East Africa | 7.4 | 7.4 | 6.6 | 5.7 | 5.2 |
| Fixed Deposits | 5.8 | 6.3 | 6.5 | 6.3 | 6.4 |
| Real Estate | 0.8 | 0.5 | 0.5 | 0.5 | 0.5 |
| Cash | 0.8 | 0.7 | 0.3 | 0.6 | 0.6 |
| Collective Investment Schemes | 1.5 | 1.8 | 2.8 | 3.4 | 4.2 |
| Other (Dividend Income Receivable and Wealth management) | 0.02 | 0.03 | 0.03 | 0.7 | 1.5 |
| 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 | 0.03 | 0.03 |
| Off-shore Investments (Equities) | 0.003 | | | | |
| 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

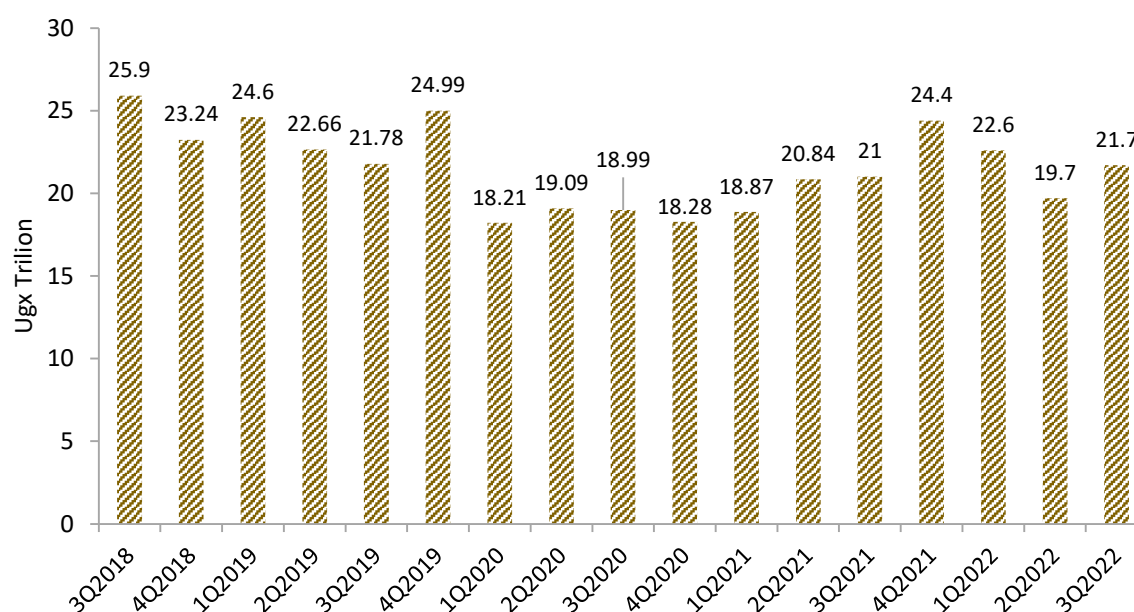
3.3.1.1 Market Size

I. Total Market Capitalization

The USE total market capitalization grew by 9.7% to UGX 21.7 trillion at the end of the review period from UGX 19.7 trillion at the end of June 2022. This growth was due to share price gains on six cross-listed counters - EABL, JHL, KA, KCB, EBL and NMG; and two locally listed counters - BOBU and MTNU.

On an annual basis, total market capitalization increased by 3.1% from UGX 21 trillion at the end of a similar period in 2021. This growth was due to the share price gains on two locally listed counters - UCL and NIC. In addition, the listing of MTN Uganda in December 2021 also contributed to this growth.

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

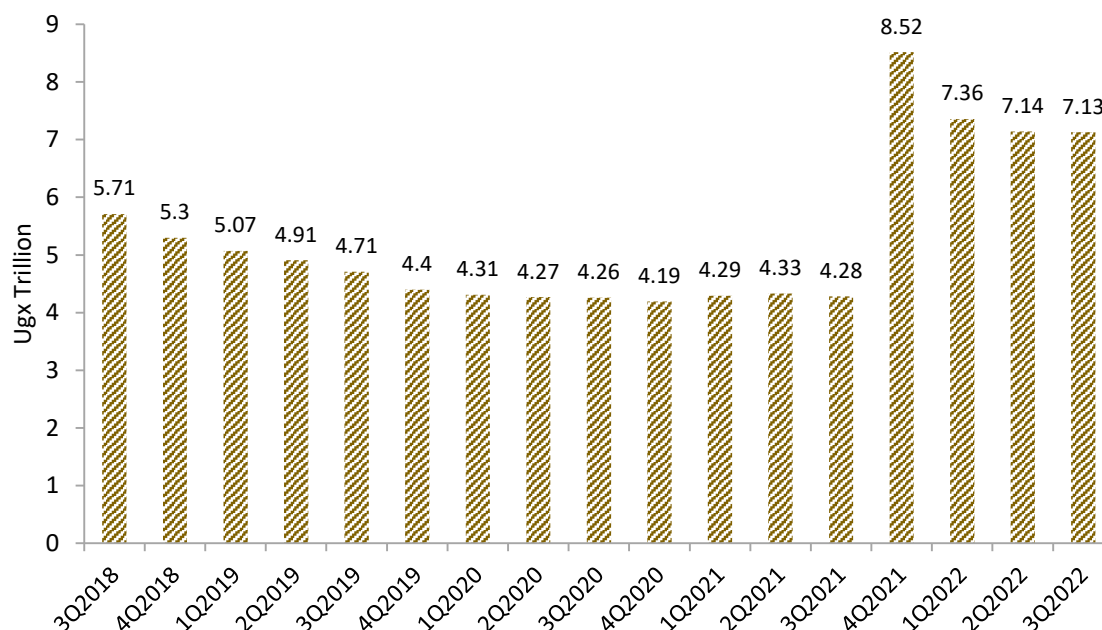


Source: USE market reports

II. Domestic Market Capitalization

Domestic market capitalization which represents the value of locally listed stocks fell by 0.1% from UGX 7.14 trillion at the end of June 2022, to UGX 7.13 trillion at the end of the review period. This decline was attributed to the fall in market capitalization registered on seven locally listed counters - UCL (-21.1%), UMEME (-16.3%), NIC (-6.5%), CQCIL (-5.8%), SBU (-4.5%), NVL (-3.1%), and DFCU (-0.5%).

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



Source: USE market reports

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

On an annual basis, domestic market capitalization grew by 66.7% from UGX 4.3 trillion at the end of a similar period in 2021. This growth was due to the listing of MTN Uganda in December 2021 and the increase in the share price of two locally listed counters - UCL (76.5%) and NIC (13.7%).

3.3.1.2 Market Activity

I. Market Turnover

Equity turnover at the USE fell by 33% to UGX 9.2 billion in the third quarter of 2022, from UGX 13.7 billion registered in the previous quarter (1Q2022). Average turnover per session dropped to UGX 139.8 million per session in the period under review, from UGX 208 million recorded in 2Q2022. The drop in turnover was partly due to global policy uncertainties such as high inflation partially fueled by Russia's military actions in Ukraine that have seen offshore investors who account for over 70% of turnover at the USE disengage from emerging and frontier markets.

On an annualized basis, the total equity turnover at the USE grew by 27.4% from UGX 7.2 billion in the third quarter of 2021 to UGX 9.2 billion in the review period. The increase in turnover can be attributed to, among other things, increased participation from investors driven by improved sentiments as economic activity picks.

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

| Counter | 3Q2021 | 4Q2021 | 1Q2022 | 2Q2022 | 3Q2022 |
|--------------|----------------|-----------------|----------------|-----------------|----------------|
| BATU | | | 6.8 | | |
| BOBU | 12.4 | 608.2 | 106.9 | 2,115.7 | 2,742.2 |
| CENT | | | | 1.1 | 31.6 |
| CQCIL | 6.5 | 45.4 | 2.3 | 6.9 | 10.4 |
| DFCU | 6.1 | 15.8 | 1.6 | 1.8 | 3.7 |
| KCB | 0.4 | | | | |
| MTNU | | 716.6 | 2 | 1,854.9 | 2,761.4 |
| NIC | 0.7 | 2.1 | 9.1 | 11.4 | 11.7 |
| NVL | 3.6 | 32.1 | 8.3 | 3.3 | 1.5 |
| SBU | 2,866.1 | 6,597.9 | 2,272.5 | 221.5 | 721.2 |
| UCL | 277.2 | 285.3 | 403.6 | 261.6 | 95.7 |
| UMEME | 4,053.4 | 7,734.1 | 2,535.8 | 9,252.1 | 2,823.6 |
| Total | 7,226.5 | 16,037.6 | 7,343.7 | 13,730.3 | 9,202.9 |

Source: USE market reports

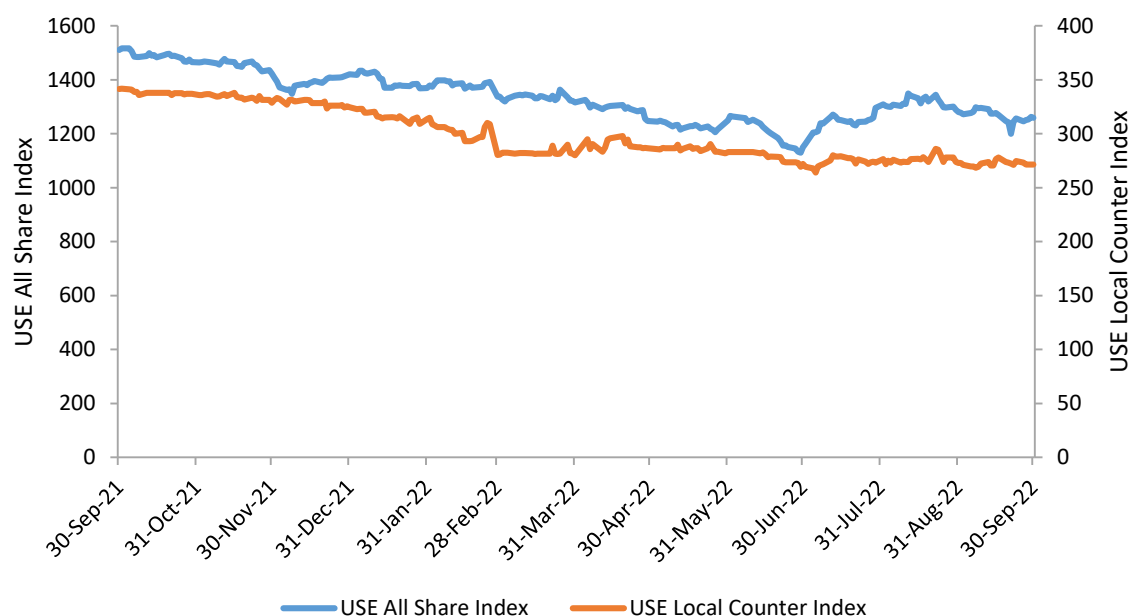
3.3.1.3 Index Levels

The USE All Share Index (ALSI) grew by 9.5% to close the third quarter of 2022 at 1,259.1 points from 1,149.6 points reported at the close of the previous quarter. The ALSI increased as a result of share price gains registered on six cross-listed counters - EABL, JHL, KA, KCB, EBL and NMG; and two locally listed counters - BOBU and MTNU.

The USE Local Counter Index fell by 0.2%, closing the review period at 271.4 points from 271.9 points at the end of the second quarter of 2022. The decline in the LCI was a result of the share price drop on seven locally listed counters - UCL (-21.1%), UMEME (-16.3%), NIC (-6.5%), CQCIL (-5.8%), SBU (-4.5%), NVL (-3.1%), and DFCU (-0.5%).

On an annualized basis, the USE All-share index was down 16.7% from 1,511.3 points at the end of the third quarter of 2021, while the USE LCI dropped by 20.6% from 341.6 points recorded at the end of a similar quarter in 2021. The ALSI fell on account of share price losses registered on all cross-listed counters - CENT, NMG, EABL, JHL, EBL, KCB and KA; and seven locally listed counters - BATU, NVL, BOBU, CQCIL, SBU, DFCU and UMEME. The decline in LCI was driven by share price losses registered on seven locally listed counters - BATU (-50%), NVL (-47.8%), CQCIL (-31.6%), BOBU (-27.4%), SBU (-20.4%), DFCU (-6%) and UMEME (-4.8%).

Figure V: USE All Share and USE Local Counter Index Levels (September 2021 to September 2022)



Source: *USE market reports*

3.3.1.4 Share Price Performance of Locally Listed Companies

Two locally listed counters, BOBU and MTNU registered share price gains of 6.3% and 2.8%, to close the period under review at UGX 85 and UGX 183 from UGX 80 and UGX 178.1 respectively at the close of the second quarter of 2022. The BATU stock price remained unchanged to close the third quarter of 2022 at UGX 15,000. That said, the rest of the seven counters (UCL, UMEME, NIC, CQCIL, SBU, NVL and DFCU) registered share price drops at the end of the second quarter of 2022.

UCL posted the highest drop in price to close the review period at UGX 15 from UGX 19 at the end of the previous period (2Q2022), representing a drop of 21.1%. The UCL share price decline can be attributed to, among other things, supply from retail investors outstripping demand for the stock during the period under review. The downward trend of UMEME's share price is due to low investor appetite for the counter owing to uncertainty on the renewal of its concession by the Government. NIC share price has been, in part, negatively affected by the suspension of the NIC Life Assurance Company Limited by the Insurance Regulatory Authority in August, 2022. CQCIL, SBU and NVL share prices' downward trend is partly due to the low investor demand for the stocks with supply out stripping demand for the counters. DFCU share price has been affected by the drop in its after-tax earnings and the non-payment of a dividend for the year ended 31st December 2021.

Table VII: Quarterly Price movements on the USE (UGX)⁶

| Counter | 3Q2021 | 4Q2021 | 1Q2022 | 2Q2022 | 3Q2022 | Year on Year Change (%) |
|---------|--------|--------|--------|--------|--------|-------------------------|
| BATU | 30,000 | 30,000 | 15,000 | 15,000 | 15,000 | -50 |
| BOBU | 117 | 95.5 | 90 | 80 | 85 | -27.4 |
| CQCIL | 95 | 92 | 89 | 69 | 65 | -31.6 |
| DFCU | 582 | 580 | 555 | 550 | 547 | -6 |
| MTNU | | 195 | 180 | 178.09 | 183 | |
| NIC | 5.1 | 5.1 | 5.9 | 6.2 | 5.8 | 13.7 |
| NVL | 297 | 267 | 160 | 160 | 155 | -47.8 |
| SBU | 26.38 | 26 | 25 | 22 | 21 | -20.4 |
| UCL | 8.5 | 13 | 21 | 19 | 15 | 76.5 |
| UMEME | 210 | 189 | 187.5 | 239.01 | 200 | -4.8 |

Source: USE market reports

3.4 Government Bonds Performance

3.4.1 Primary Market Activity

Bank of Uganda issued a total of UGX 2.3 trillion in treasury bills and bonds in the third quarter of 2022, 9.7% lower than UGX 2.6 trillion raised in the second quarter of 2022. The decrease in debt issuances can be attributed to, among other things, the rejection of bids deemed to be highly-priced.

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

| Maturity | 3Q2021 | 4Q2021 | 1Q2022 | 2Q2022 | 3Q2022 |
|----------------|----------|----------|---------|---------|---------|
| Total Issuance | 3,318.19 | 2,781.26 | 3,114.2 | 2,596.6 | 2,344.2 |

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

3.4.2 Treasury Bonds Yields

In the primary market, yields on all tenors edged upward. Yields on the 2-year, 3-year, 5-year, 10-year, 15-year and 20-year treasury bonds grew from average yields of 9.9%, 12.4%, 14.5%, 13.8%, 14.5% and 17%, respectively in the quarter ended June 2022 to averages of 14%, 14.8%, 16.3%, 16.3%, 16.8% and 18.5% in the period under review. The increase in yields is partly on account of rising inflation and the tight monetary policy stance of Bank of Uganda.

⁶ Share price of locally listed counters at the end of each quarter

On an annual basis, yields on the 2-year, 3-year, 5-year, 10-year, 15-year and 20-year treasury bonds grew from averages of 10%, 11.4%, 13.4%, 13.5%, 14.1% and 16% in the third quarter of 2021 to average yields of 14%, 14.8%, 16.3%, 16.3%, 16.8% and 18.5%, respectively in the third quarter of 2022.

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

| Maturity | 3Q2021 | 4Q2021 | 1Q2022 | 2Q2022 | 3Q2022 |
|----------|--------|--------|--------|--------|--------|
| 2-Year | 10 | 11 | 10.5 | 9.9 | 14 |
| 3-Year | 11.4 | 13.1 | 12.1 | 12.4 | 14.8 |
| 5-Year | 13.4 | 13.7 | 14 | 14.5 | 16.3 |
| 10-Year | 13.5 | 14 | 13.5 | 13.8 | 16.3 |
| 15-Year | 14.1 | 15.5 | 14.4 | 14.5 | 16.8 |
| 20-Year | 16 | 15.7 | 16 | 17 | 18.5 |

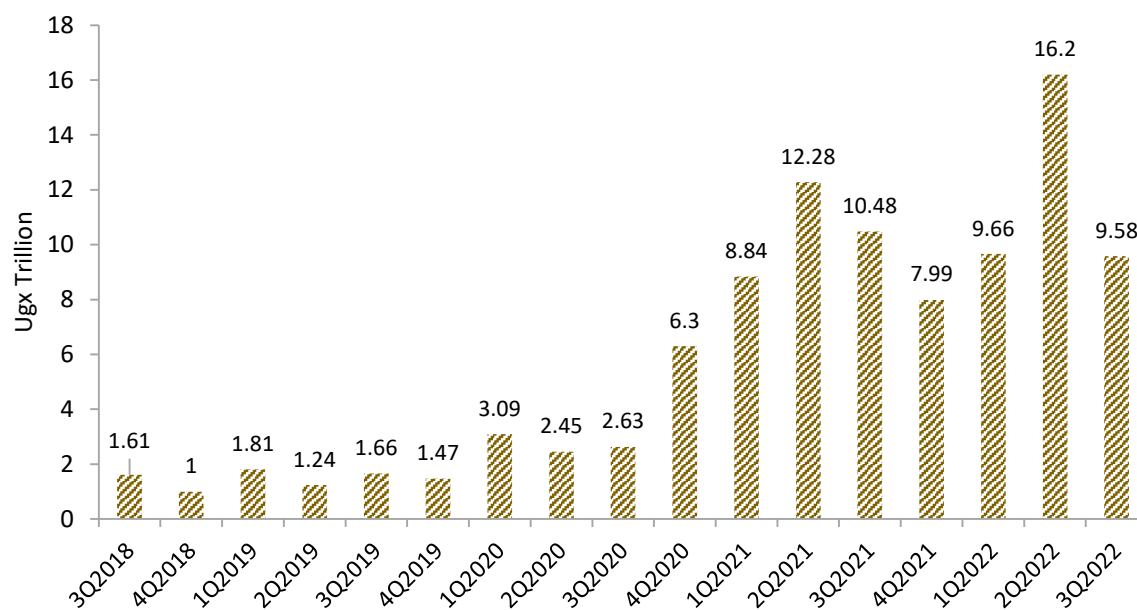
Source: Bank of Uganda

3.4.3 Secondary Market Activity

The value of government bonds traded on the secondary market fell by 40.8% to UGX 9.6 trillion in the third quarter of 2022 from UGX 16.2 trillion in the second quarter of 2022. Average monthly turnover also decreased to UGX 3.2 trillion in the review period from UGX 5.4 trillion previously. Additionally, the government bond turnover ratio for the third quarter of 2022 stood at 37.6%, compared to 68.8% in the second quarter of 2022. The decrease in turnover can be attributed to, among other things, low foreign investor appetite for government of Uganda securities.

On an annualized basis, the government bond turnover on the secondary market has decreased by 8.6% from UGX 10.5 trillion in the third quarter of 2021 to UGX 9.6 trillion in the period under review.

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 Market Capitalization

Domestic market capitalization at the Nairobi Stock Exchange (NSE) grew by 3.2% to US\$ 16.6 billion at the end of the review period, from US\$ 16.1 billion at the end of the second quarter of 2022. The increase in market capitalization was driven by local investors snapping shares dumped by foreign investors that shifted capital to safe havens in developed markets such as the USA as the federal reserve tightened monetary policy conditions to curb inflation.

In the same breath, domestic market capitalization at the Rwanda Stock Exchange (RSE) grew by 0.6% to US\$ 0.58 billion at the end of the review period, from US\$ 0.57 billion recorded at the close of the second quarter of 2022. The increase in market capitalization was due to the share price gain registered on the Bralirwa Plc stock during the quarter under review. That said, domestic market capitalization at the Dar es Salaam Stock Exchange (DSE) closed lower at US\$ 4.45 billion, from US\$ 4.53 billion posted at the close of 2Q2022, representing a drop of 1.7%. The downtrend can be attributed to the fall of stock prices resulting from the global movements where the equities have been struggling as investors anticipate that rising interest rates to tame inflation might trigger a possible recession. The losing counters included: TCCIA Investment Plc, Mwalimu Commercial Bank and NMB Bank Plc.

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

| Securities Exchange | 3Q2021 | 4Q2021 | 1Q2022 | 2Q2022 | 3Q2022 | Year on Year Change (%) |
|---------------------|--------|--------|--------|--------|--------|-------------------------|
| USE | 1.12 | 2.23 | 1.92 | 1.87 | 1.86 | 66.7 |
| NSE | 23.1 | 21.5 | 20.1 | 16.1 | 16.6 | -28 |
| DSE | 4.13 | 4.11 | 4.49 | 4.53 | 4.45 | 7.7 |
| RSE | 0.58 | 0.56 | 0.55 | 0.57 | 0.58 | -0.3 |

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

4.2 Equity Turnover

Equity turnover at the NSE in the second quarter of 2022 dropped by 21.8% to US\$ 182.1 million from US\$ 233 million registered in the second quarter of 2022 due to, among other things, low participation from both local and foreign institutional investors owing to increased investor risk aversion. Frontier markets such as Kenya have taken deeper hits because investors, particularly foreigners, are attracted to the western bonds and equities that are viewed as safe havens in times of global

economic uncertainty. On the other hand, equity turnover at the RSE for the third quarter of 2022 increased to US\$ 5.7 million from US\$ 3.7 million recorded in the second quarter of 2022. The growth in turnover on the RSE can be largely attributed to the increased activity on the MTN Rwanda counter which had a single-day transaction on 1st September 2022, where it recorded a turnover of US\$ 4.3 million. In the same breath, turnover at the DSE increased by 0.2% to US\$ 17.6 million, from US\$ 17.5 million recorded in the second quarter of 2022. The growth in turnover on the DSE can be partially attributed to increased domestic institutional investor activity.

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

| Securities Exchange | 2Q2021 | 3Q2021 | 4Q2021 | 1Q2022 | 3Q2022 | Year on Year Change (%) |
|---------------------|--------|--------|--------|--------|--------|-------------------------|
| USE | 1.7 | 2 | 4.5 | 2 | 3.7 | 116.9 |
| NSE | 352.2 | 284.7 | 321.6 | 244.6 | 233 | -33.8 |
| DSE | 12.9 | 15 | 7.3 | 15.2 | 17.5 | 36.5 |
| RSE | 9.7 | 0.4 | 0.5 | 14.6 | 3.7 | -62.3 |

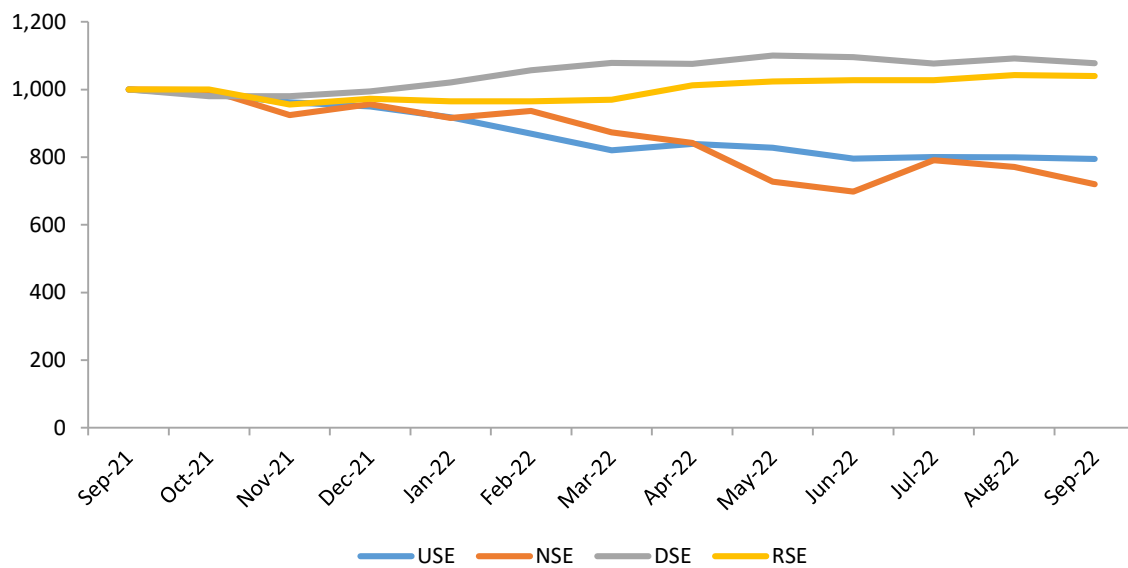
Source: DSE Market Reports, RSE Market Reports, USE Market Reports and NSE market reports

4.3 Index Levels⁷

The NSE All-Share Index gained 3.2%, to close the second quarter of 2022 at 720 points from 698 points at the end of the second quarter of 2022. Similarly, the RSE Rwanda Share Index gained 1.1% to close the review period at 1,040 points from 1,028 points at the end of the second quarter of 2022. On the other hand, the DSE Tanzania Share Index shed 1.6%, closing the review period at 1,077 points from 1,096 points at the end of the second quarter of 2022. The changes in index levels mirrored the changes in domestic market capitalization, with similar drivers.

⁷ The indices have been rebased using the same start level of 1,000 points (end of June 2021), to easily compare the performance of the indices

Figure VII: Trends in the Domestic Share Indices of USE, RSE, DSE and NSE (September 2021 - September 2022)



Source: USE, RSE, DSE and NSE market reports

5.0 Outlook

5.1 Economic Outlook

The International Monetary Fund's Regional economic outlook report notes that Sub-Saharan Africa's economic activity is expected to slow significantly in 2022 and remain relatively modest in 2023. A downturn in advanced economies and emerging markets, tighter financial conditions, and volatile commodity prices, have undermined last year's gains. Notably, the region is expected to grow by 3.6% in 2022, down from 4.7% in 2021, due to muted investment and the overall worsening of its balance of trade.⁸

The BOU notes that the domestic economy which has weathered several shocks is showing signs of recovery. However, economic growth is expected to remain below its long-run trend until the FY 2025/26. BOU indicates that the risks of global recession and tighter financial conditions will likely weigh on domestic economic growth. In addition, the potential for a sustained weakening of the shilling exchange rate coupled with lower foreign exchange reserves and constrained demand for Uganda's exports could add to the external financing strains. Higher domestic interest rates, declining private sector credit and tight fiscal policy could further weigh down economic growth.⁹

5.2 Implications for Capital Markets

Going forward, the capital markets are projected to continue being weighed down by massive sell-offs by international investors who are liquidating their investments in emerging and frontier markets as a result of rising interest rates in the US and Europe, and the geopolitical tensions brought about by the on-going war between Russia and Ukraine. Emerging and frontier markets are seen as unattractive because of depreciating currencies, high inflation and rising debt levels. In addition, it is projected that stock market capitalisation will continue its downtrend as increasing discount rates push valuations downwards.

⁸ International Monetary Fund. (2022, October). *Regional Economic Outlook: Saharan Africa*

⁹ Bank of Uganda. (2022, October). *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 September 2022.

| 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 |
| Baroda Capital Markets Limited | Stock Broker | Plot 18 Kampala Road P. O. Box 7197, Kampala, Uganda Tel: 0414-233680/3 Fax: 0414-258263 Email: bcm.ug@bankofbaroda.com | Mr. Mohan Prashantam |
| BIK Capital Limited | Stock Broker | First Floor, Media Plaza Plot 78, Kira Road Tel: 0774997424 Email: jofbakka@gmail.com | Mr. Joseph Bakkabulindi |
| Blue Solitaire Investments Limited | Investment Adviser | 203 - Kirabo Complex Bukoto - Kisasi Road P.O Box 1534 Kampala, Uganda Tel: 0752711660 Email: jatin@blue-solitaire.com | Mr. Jatin B.K. Ghughu |
| Britam Asset Managers Company (Uganda) Limited | Fund Manager, Unit Trust Manager/ Collective Investment Scheme Manager | Course View Towers, 1st Floor Yusuf Lule Road P.O Box 36583 Kampala, Uganda Tel: 0417-702600/ 0312-305600 Email: info@britam.com | Mr. Ronald Kasolo |
| Chipper Technologies Uganda Limited | Stock Broker | 2nd Floor, Room 203 SMS House, 7th Street Industrial Area P.O Box 29274 | Mr. Dan Tumuramye |

| Firm | License Held | Address | Contact Person |
|---|---|---|---|
| | | Tel: 0200-935935 | |
| Crested Capital | Stock Broker, Dealer | 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 |
| Equity Stock Brokers Limited | Stock Broker | Plot 6/6A Orient Plaza P. O. Box 3972, Kampala, Uganda Tel: 0414-236012/3/4/5 Fax: 0414-348039 Email: equity@orient-bank.com | Ms. Christine Nkundizana Muramuzi |
| GenAfrica Asset Managers Uganda Ltd | Fund Manager | 6th Floor, Aha Towers Plot 7, Lourdel Road, Nakasero P. O. Box 75200, Kampala Tel: 0414-252343/ 350 Fax: 0414-253344 Email: uganda@genafrika.com | Mr. George Mulindwa |
| 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 | Mr. Edward Isingoma Matsiko |

| Firm | License Held | Address | Contact Person |
|--|--|---|---------------------------------|
| | | Tel: 0312-264983/4 Fax: 0312-264985 Email: info@pearlcapital.net | |
| 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 |
| 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. Joram Ongura |
| 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 | 2nd Floor, Block A, UAP Nakawa Business Park, Plot 3-5 New Port Bell Road | Mr. Simon Mwebaze |

| Firm | License Held | Address | Contact Person |
|----------------------------------|---|---|------------------|
| | Adviser, Unit Trust Manager/ Collective Investment Scheme Manager | P. O. Box 1610 Kampala, Uganda 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 | 6th Floor Workers House Plot 1, Pilkington Road P.O. Box 2237, Kampala, Uganda Tel: 0392-177488, 0772-842100 Email: uganda@myxeno.com | Mr. Aeko Ongodia |