



ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The trading volume for January 2021 was 2,199,505 shares with a turnover of UGX 305,052,157. This month's turnover performance was an 97.8% decrease from 167,683,250 shares worth UGX 13,990,081,666 that was recorded in January 2020.

Activity in the first month of the year decreased by 91.7% to a turnover of UGX 305 million from UGX 3.7 billion recorded in December 2020. This represents a daily average turnover of approximately UGX 16 million. Volume traded decreased to 2 million shares compared to 23 million shares traded in December 2020. The number of deals presented a total of 160 deals down from 250 deals executed in December 2020, with 68.5% of the deals attributed to the UMEME counter.

Turnover performance per counter

UMEME counter dominated activity for the month accounting for 93.72% of the total turnover followed by Bank of Baroda Uganda with 13.43%. In third position was Stanbic with 4.70% contribution to the month's turnover. CIPLA, DFCU, New vision limited, Uganda Clays Limited and National Insurance Corporation combined recorded 4.74 % of the total turnover. There was no cross-listed company that traded during the past month.

Volume traded per counter:

UMEME registered the highest volume of shares with 48.59%, followed by Stanbic with 27.26%. Bank of Baroda Uganda came third with 16.19% of the volume, while CIPLA was in the fourth position with 6.13% of the total volume. Uganda

Clays Limited and National Insurance Corporation Uganda accounted for 1.25% and 0.47% respectively, New vision Limited and DFCU had the least number of shares traded amounting to 2,773 shares, representing approximately 0.12% of total number of shares traded.

Trading Volumes and Activity on a Monthly Basis year on year

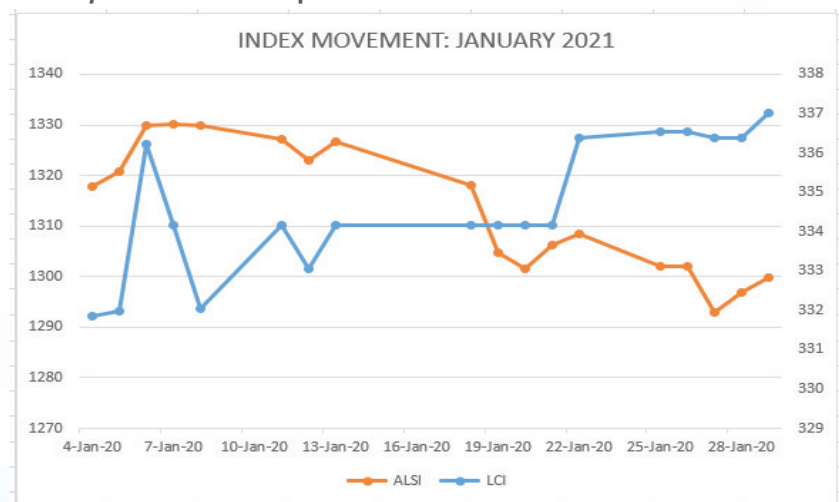
	January 2021	January 2020
Volume Traded	2,199,505	167,683,250
Turnover (UGX)	305,052,157	13,990,081,666
No. of Deals	160	455
Trading Days	18	22
Daily Avg. Turnover (UGX)	16,947,342	635,912,803
Daily Avg. no. of trades	9	21
Market Capitalization (UGX.bn)	18,116.38	25,274.81
USE All Share Index (ALSI)	1,299.94	1,821.86
Local Share Index (LSI)	337.01	343.81

Source USE Product Markets Department

USE Index Results

The USE Local Company Index (LCI) rose during the period with many local counters registering minimal price movements. The local index commenced the month at 331.85 and closed at 337.01 representative of a 1.55% increase. The USE All-Share Index (ALSI) decreased by 0.75% to 1,299.94 from 1,309.86 at the start of the month. Refer to ALSI/LCI graph below.

January 2021 Indices Graph:



Source: USE Product Markets Department

ECONOMIC & FINANCIAL DEVELOPMENTS:

INFLATION – OUTLOOK AND RISKS

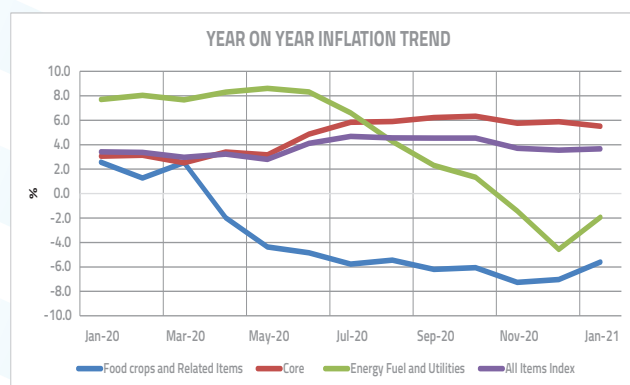
Annual headline inflation for the 12 months to January 2021 edged higher to 3.7% from 3.6% registered in the year to December 2020. According to the Uganda Bureau of Statistics, this was a result of higher Annual Energy, Fuel and Utilities deflation to 1.9% from a deflation of 4.6% registered in December 2020. The higher year on year Energy, Fuel and utilities inflation was driven by increase in prices of charcoal.

Year on year Food Crops and Related Items inflation rose to a deflation of 5.6% for the 12 months to January 2021 from a deflation of 7% registered in the year to December 2020 due to higher prices of fruits, particularly bananas.

Annual Core Inflation for the 12 months to January 2021 fell to 5.5% compared to 5.9% for the year to December 2020 driven by lower passenger transport prices.

Monthly headline inflation for January 2021 increased by 0.2%, lower than the 0.3% rise registered in December 2020. This was attributed to higher monthly Energy, Fuel and Utilities inflation resulting from higher prices of charcoal and kerosene. Monthly food crops and related inflation increased by 1.1% for January 2021 compared to a 0.2% drop registered in December 2020 due to higher prices of vegetables.

Inflation is expected to remain range bound due to sustained low economic activity.



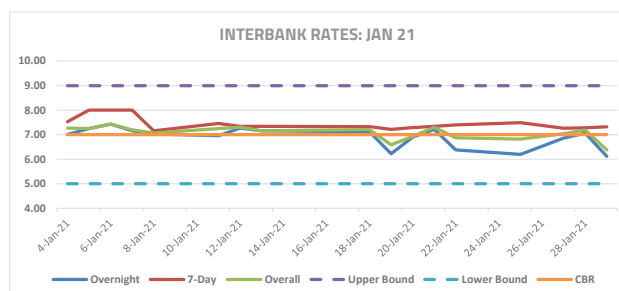
Source: UBOS UGANDA CONSUMER PRICE INDEX: 2009/10=100 JANUARY 2021

INTEREST AND LENDING RATES

Interbank Money Market Rates

Overnight rates averaged 6.9% in January 2021, lower than the 6.97% average posted in December 2020. 1-week and overall rates were stable at 7.46% and 7.1% respectively, in January 2021. The markets were relatively more liquid in January ahead of the General elections.

On the overall, money market rates fluctuated within the bands set by the Monetary Policy Committee as shown in the graph below:



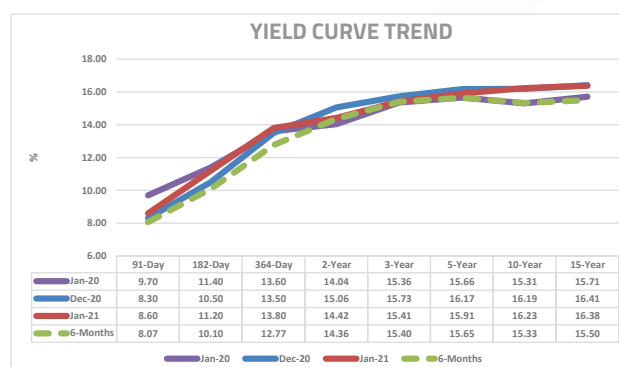
Source: Bank of Uganda

Yields on Government securities

The short end of the yield curve increased in January 2021 compared to December 2020 as the political risk peaked. Rates on the 91-Day, 182-Day and 364-Day increased to 8.6%, 11.2% and 13.8% from 8.3%, 10.5% and 13.5% in December 2020, respectively.

The medium portion of the yield curve came off slightly due to increased investor appetite for these government papers especially following the conclusion of the General elections. The 2-year bond registered the largest decline closing the past month at 14.4% compared to 15.1% at the end of 2020. Rate on the 3-year and 5-year bonds also came off to 15.4% and 15.9% respectively.

The longer end of the yield curve was stable in January 2021 with rates on the 10-year and 15-year government papers closing at 16.2% and 16.4% as investor demand on these tenors was matched with available supply. Bond Market turnover rose to Ugx 2.3 Trillion in January 2021 compared to Ugx 1.4 Trillion posted in December 2020. Rates are expected to remain range bound driven by the relative stability of the local currency coupled with limited post-election violence.

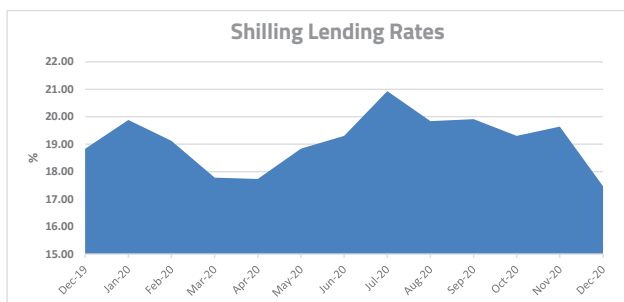


Source: Bank of Uganda

Lending rates

Bank of Uganda statistics show that rates on Shilling denominated loans reduced further in December 2020 to 17.5% from 19.6% registered in November 2020. On the overall, shilling denominated lending rates fell to an average of 19.2% in 2020, compared to 19.9% averaged in 2019 in line with the accommodative monetary policy implemented by Bank of Uganda last year. Lending rates

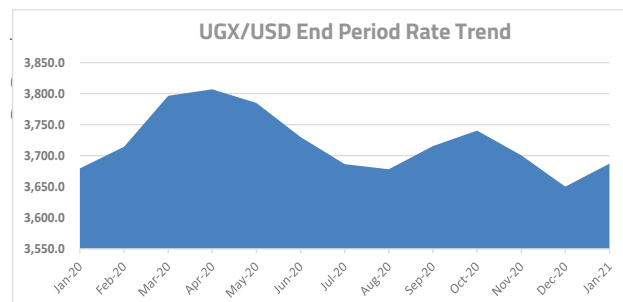
on foreign currency denominated loans rose to 6.6% in December 2020, from 5.3% posted in November 2020. Credit advanced by commercial banks grew by 2% month on month in December 2020. Total commercial banks' lending to the private sector grew by 12% to 16.8 Trillion in 2020.



Source: Bank of Uganda

FOREIGN EXCHANGE RATE DEVELOPMENT

The Uganda Shilling weakened by 1% to close January 2021 at 3,687 compared to 3,650 at the end of December 2020. This was largely driven by increased demand for foreign currency following the conclusion of the holiday season.



Source: Bank of Uganda

BOND LISTINGS:

There were 2 treasury bonds re-opened in January 2021 with a value of UGX 500bn which listed. Secondary market trading is over the counter (OTC) through the primary dealers. The current total value of the Government Bonds listed on the bourse stands at UGX 16.1 Trillion.

Government Bond Schedule: January 2021

INSTRUMENT CODE	ISIN	ISSUED SHARES	ISSUE DATE	RATE	MATURITY
FXD/02/2016/5YR	UG12H1802216	345BN	2016/02/24	18.38	2021/02/18
FXD/05/2016/5YR	UG12H1305210	100BN	2016/05/18	16.50	2021/05/13
FXD/09/2016/5YR	UG12H2109215	100BN	2016/09/27	16.50	2021/09/21
FXD/11/2016/5YR	UG12H2810218	200BN	2016/11/03	16.75	2021/10/28
FXD/12/2016/5YR	UG12H0312217	100BN	2016/12/09	17.00	2021/12/03
FXD/05/2017/5YR	UG12H1305228	156.3BN	2017/05/19	15.38	2022/05/13
FXD/7/2012/10YR	UG0000001079	1.615TN	2013/08/14	11.00	2022/06/09
FXD/07/2017/5YR	UG12H0707226	300BN	2017/07/13	14.13	2022/07/07
FXD/12/2017/5YR	UG12H2811224	156.3BN	2017/12/04	12.50	2022/11/28
FXD/6/2013/10YR	UG0000001244	1.482TN	2013/04/24	11.00	2023/04/13
FXD/1/2014/10YR	UG12J1801248	810BN	2014/01/30	14.00	2024/01/18
FXD/05/2019/5YR	UG12H1005240	153.7BN	2019/05/17	14.88	2024/05/10
FXD/8/2014/10YR	UG0000001467	1.070TN	2014/08/13	14.00	2024/08/01
FXD/1/2015/10YR	UG0000001517	100BN	2015/01/28	11.00	2025/01/16
FXD/12/2015/10YR	UG12J1812252	120BN	2015/12/30	19.50	2025/12/18
FXD/08/2016/10YR	UG12J2708269	970BN	2016/09/08	16.63	2026/08/27
FXD/5/2017/10YR	UG12J0605277	360BN	2017/05/18	16.00	2027/05/06
FXD/1/2018/10YR	UG12J1301280	220BN	2018/01/25	14.13	2028/01/13
FXD/12/2013/15YR	UG0000001376	220BN	2013/12/04	15.25	2028/11/16
FXD/2/2015/15YR	UG0000001533	1.865TN	2015/02/25	14.25	2029/08/23
FXD/5/2015/15YR	UG12K0205308	120BN	2015/05/21	17.50	2030/05/02
FXD/11/2020/10YR	UG12J1411303	187BN	2020/11/27	16.00	2030/11/14
FXD/4/2016/15YR	UG12K0304317	1.090TN	2016/04/20	17.00	2031/04/03
FXD/3/2017/15YR	UG12K0403325	320BN	2017/03/23	16.38	2032/03/04
FXD/2/2018/15YR	UG12K0302337	750BN	2018/02/22	14.38	2033/02/03
FXD/7/2019/15YR	UG12K2206346	1.659TN	2019/07/11	14.25	2034/06/22
FXD/11/2020/15YR	UG12K0811352	496.7BN	2020/11/27	16.25	2035/11/08
FXD/11/2020/20YR	UG12L0111405	1.039TN	2020/11/27	17.50	2040/11/01

Corporate Bond Activity: January 2021

The corporate Bonds segment remained inactive throughout the period. Investors in this segment have continued to hold onto their investments and receive interest that is paid out semi-annually. Below are the corporate bonds currently listed on the USE.

1. African Development Bank Bond maturing on 01.02.2022.
2. Kakira Sugar Limited Bond maturing on 07.12.2023.

CORPORATE ANNOUNCEMENTS: JANUARY 2021

NEW VISION LIMITED

Notice of Retirement.

New Vision Printing and Publishing Company Ltd would like to inform the public that on January 29, 2021 the Board of Directors of the Company accepted the request of the Chief Executive Officer, Mr. Robert Kabushenga for early retirement. Mr. Kabushenga served as CEO for 12 years and has grown the company from a small group to a multimedia house. The Board thanked him, the executive committee, and staff for the company's success. The Board requested Mr. Kabushenga to stay with the Company for 90 days to help with the transition.

Announcement is available on our website
<https://www.use.or.ug>.

EDUCATION COLUMN

UNDERSTANDING PREFERENCE SHARES

Preference shares are a class of share which give the shareholder specified preferential rights as defined within a company's articles of association. The preferential rights can vary from priority on payment of dividends and liquidation preference to anti-dilution provisions. Preference shares are issued by companies seeking to raise capital, combine the characteristics of debt and equity investments, and are consequently considered to be hybrid securities.

Preference shares vs ordinary shares - What is the difference?

Limited companies must have at least one shareholder; for many small businesses, its only shareholders are its directors. However, it is possible to purchase shares in other companies and enjoy a portion of any profits. When buying equity shares in a company you can purchase these from two distinct categories: ordinary shares and preference shares. There are advantages and disadvantages to each which will be considered in more detail below.

Ordinary shares

Ordinary shares are sometimes known as 'common stock'. Gives holders the right to vote at meetings as well as take dividends from the company's profits. Voting rights mean you have a say on issues such as salaries and the future direction of the business.

Although you do have the right to dividends when they are paid, companies are not obliged to distribute them should a decision be made to the contrary. This may be because profits are lower than expected, or because it has been decided that these profits are to be reinvested straight back into the business to fuel further growth instead.

Preference shares

Preference shares come with no voting rights but they do provide an advantage over ordinary shareholders when it comes to receiving dividends. Preference shareholders are first in line for dividend payments, both when the business is operating, and in the event of the company entering liquidation in the future. Dividend payments for preference shareholders are often at an agreed level and are made at defined points throughout the year. Due to this preference shares are often seen as a less risky investment, although payment amounts may be lower considering this. Should the company experience a period of growth with profits to match, preference shareholders will not see the benefit in this when it comes to receiving their dividend payment. However, this works both ways, and many individuals investing in this way appreciate the element of certainty that comes with it. Despite this, companies may choose not to make a dividend payment in certain instances. Even if you hold preferred stock, you will still not be able to receive a dividend payment if the company decides not to issue them. What happens in this situation depends on the type of preference share which is held.

TYPES OF PREFERENTIAL STOCKS

There are several investment options available to those looking to make money in the stock market. Most people probably think of common shares when they think of investing in stocks, but preference shares (preferred stock) can also be a lucrative investment vehicle. These combine some of the liquidation preference and income-generating features of corporate bonds with some of the equity benefits of shareholding. But preferred shares can come in several varieties. We examine several common configurations of these below:

Preferred Stock

Preference shares, also called preferred stock, are so-named because preferred shareholders have a higher claim on the issuing company's assets than common shareholders. In the most extreme case, this means that preferred shareholders must be paid for their interest in the company before common shareholders in the event of company bankruptcy and liquidation. The day-to-day implication of this claim is that preferred shares guarantee dividend payments at a fixed rate, while common shares have no such guarantee. In exchange, preferred shareholders give up the voting rights that benefit common shareholders.

Callable Preferred Shares

Callable shares are preferred shares that the issuing company can choose to buy back at a fixed price in the future. This stipulation benefits the issuing company more than the shareholder because it essentially enables the company to put a cap on the value of the stock. If the company retains the right to repurchase callable shares at \$45 a share, it may choose to buy out shareholders at this price if the market value of preferred shares looks like it might exceed this level. Callable shares ensure the company can limit its maximum liability to preferred shareholders.

Convertible Preferred Shares

Convertible shares are preferred shares that can be exchanged for common shares at a fixed rate. This can be especially lucrative for preferred shareholders if the market value of common shares increases. Assume an investor purchases five shares of convertible preferred stock at \$50 per share, and one share of preferred stock can be converted to three shares of common stock. Profit can be made on the initial \$250 investment if the five preferred shares are converted to 15 common shares when the value of common shares moves above \$17 ($\$17 * 15 = \255). Once the shares have been exchanged, the shareholder gives up the benefit of a fixed dividend and cannot convert common shares back to preferred shares.

Cumulative Preferred Shares

Preference shares that include a cumulative clause protect the investor against a downturn in company profits. If revenues are down, the issuing company may not be able to afford to pay dividends. Cumulative shares require that any unpaid dividends must be paid to preferred shareholders before any dividends can be paid to common shareholders. If a company guarantees dividends of \$10 per preference share but cannot afford to pay for three consecutive years, it must pay a \$40 cumulative dividend in the fourth year before any other dividends can be paid.

Participatory Preferred Shares

Participatory preference shares provide an additional profit guarantee to shareholders. All preference shares have a fixed dividend rate, which is their chief benefit.

However, participatory shares guarantee additional dividends if the issuing company meets certain financial goals. If the company has a particularly lucrative year and meets a predetermined profit target, holders of participatory shares receive dividend payments above the normal fixed rate.

ADVANTAGES OF PREFERENCE SHARES

Owners of preference shares receive fixed dividends, well before common shareholders see any money. In either case, dividends are only paid if the company turns a profit. But there is a wrinkle to this situation because a type of preference shares known as cumulative shares allow for the accumulation of unpaid dividends that must be paid out at a later date. So, once a struggling business finally rebounds and is back in the black, those unpaid dividends are remitted to preferred shareholders before any dividends can be paid to common shareholders.

Higher Claim on Company Assets

In the event that a company experiences a bankruptcy and subsequent liquidation, preferred shareholders have a higher claim on company assets than common shareholders do. Not surprisingly, preference shares attract conservative investors, who enjoy the comfort of the downside risk protection baked into these investments.

Additional Investor Benefits

A subcategory of preference shares known as convertible shares lets investors trade in these types of preference shares for a fixed number of common shares, which can be lucrative if the value of common shares begins climbing. Such participating shares let investors reap additional dividends that are above the fixed rate if the company meets certain predetermined profit targets.

Company Benefits

Preference shares benefit issuing companies in several ways. The lack of voter rights for preference shareholders places the company in a strength position, by letting it retain more control. Furthermore, companies can issue callable preference shares, which affords them the right to repurchase shares at their discretion. This means that if callable shares are issued with a 6% dividend but interest rates fall to 4%, then a company can purchase any outstanding shares at the market price, then reissue those shares with a lower dividend rate. This ultimately reduces the cost of capital. Of course, this same flexibility is a disadvantage to shareholders.

DISADVANTAGES OF PREFERENCE SHARES

The main disadvantage of owning preference shares is that the investors in these vehicles do not enjoy the same voting rights as common shareholders. This means that the company is not beholden to preferred shareholders the way it is to traditional equity shareholders. Although the guaranteed return on investment makes up for this shortcoming, if interest rates rise, the fixed dividend that once seemed so lucrative can dwindle. This could cause buyer's remorse with preference shareholder investors, who may realize that they would have fared better with higher interest fixed-income securities.

Financing through shareholder equity, either with common or preferred shares, lowers a company's debt-to-equity ratio, which is a sign of a well-managed business.

KEY TAKEAWAYS

- Preferred shares are a hybrid form of equity that includes debt-like features such as a guaranteed dividend.
- Preference shareholders receive dividend payments before common shareholders.
- Preference shareholders do not enjoy voting rights like their common shareholder counterparts do.
- Companies incur higher issuing costs with preferred shares than they do when issuing debt.
- The four main types of preference shares are callable shares, convertible shares, cumulative shares, and participatory shares.
- Each type of preferred share has unique features that may benefit either the shareholder or the issuer.

SOURCE:

<https://www.realbusinessrescue.co.uk/articles/directors-advice/preference-shares-vs-ordinary-shares-what-is-the-difference>

<https://www.syndicatoroom.com/learn/glossary/preference-shares>

<https://www.investopedia.com/ask/answers/040915/what-are-advantages-and-disadvantages-preference-shares.asp>

Appendix I: USE Member Firms

The following USE Member Firms are licensed to act as both broker/dealers and Market Advisors:

Market Advisor	Contact Person:
BARODA CAPITAL MARKETS (U) LTD. P. O. Box: 7197 Kampala Tel: +256 414 232 783 Fax: +256 414 230 781 Email: bcm.ug@bankofbaroda.com Website: www.barodacapital.webs.com	Mr. Mohan Prashantam
DYER & BLAIR (UGANDA) LTD Rwenzori House Ground Floor P. O. Box: 36620 Kampala Tel: +256-414-233050 Fax: +256 -414 231813 Email: Uganda@dyerandblair.com	Ms. Esther Kakiza
EQUITY STOCK BROKERS (U) LTD. Orient Plaza Plot 6/6A Kampala Road P. O. Box: 3072 Kampala Tel: +256-414 7719133/44 Email: equity@orient-bank.com	Ms. Nkundizana Christine
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UAP OLD MUTUAL FINANCIAL SERVICES LTD 2 nd floor, Block A, Nakawa business park P. O. Box 20079, Kampala Tel: +256 414 332 825 Email: brokerageufs@uap-group.com	Mr. Mwebaze Simon
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