

ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The trading volume for February 2021 was 69,852,234 shares with a turnover of UGX1,929,065,917. This month's turnover performance was an 64 % decrease from 95,301,897 shares worth UGX 5,490,245,715 that was recorded in February 2020.

Activity in the 2nd month of the year increased by 532.3 percent to a turnover of UGX 1.9 billion from UGX 305 million recorded in January 2021. This represents a daily average turnover of approximately UGX 101 million. Volume traded increased to 69 million shares compared to 2 million shares traded in January 2021. The number of deals presented a total of 213 deals up from 160 deals executed in January 2021, with 93.9 per cent of the deals attributed to the Stanbic counter.

Turnover performance per counter

Stanbic counter dominated activity for the month accounting for 93.39 percent of the total turnover followed by UMEME with 2.86 percent. In third position was CIPLA with 1.55 per cent contribution to the month's turnover. Uganda Clays limited, Bank of Baroda Uganda, National Insurance Corporation and DFCU combined recorded 2.19 percent of the total turnover. There was no cross-listed company that traded during the past month.

Volume traded per counter.

Stanbic registered the highest volume of shares with 93.93 percent, followed by Uganda Clays Limited with 2.94 percent. National Insurance Corporation Uganda came third with 2.15 percent of the volume, while

CIPLA was in the fourth position with 0.45 percent of the total volume. UMEME and Bank of Baroda Uganda accounted for 0.36 percent and 0.17 percent respectively, DFCU and New vision Limited had the least number of shares traded amounting to 587 shares, representing 0.00 percent of total number of shares traded.

Trading Volumes and Activity on a Monthly Basis year on year

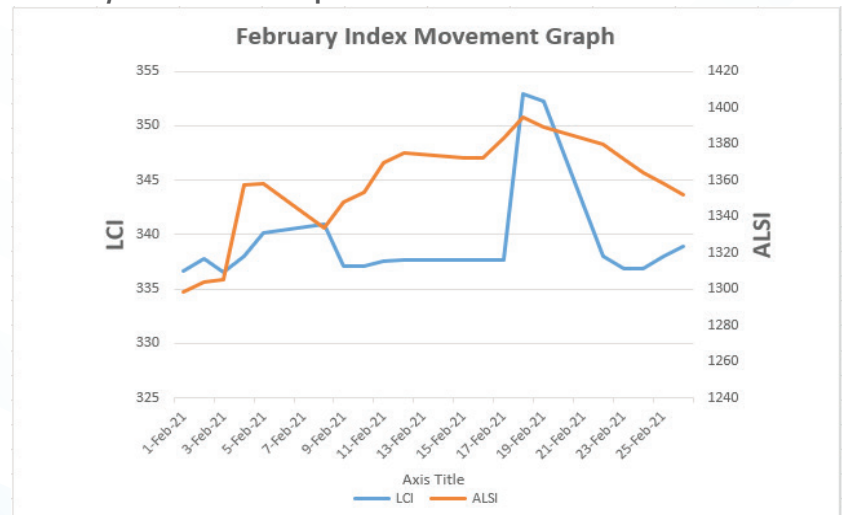
	February 2021	February 2020
Volume Traded	69,852,234	95,301,897
Turnover (UGX)	1,929,065,917	5,490,245,715
No. of Deals	213	360
Trading Days	19	20
Daily Avg. Turnover (UGX)	101,529,785	274,512,286
Daily Avg. no. of trades	11	18
Market Capitalization (UGX.bn)	18,844.51	23,782.45
USE All Share Index (ASI)	1,352.13	1,712.67
Local Share Index (LSI)	338.86	342.00

Source USE Product Markets Department

USE Index Results

The Local Company Index (LCI) slightly increased during the period with many local counters registering minimal price movements. The local index commenced the month at 337.01 and closed at 338.86 representative of a 0.54 percent increase. The All Share Index (ALSI) increased by 4.01 percent to 1,352.13 from 1,299.94 at the start of the month. Refer to ALSI/LCI graph below.

February 2021 Indices Graph:



Source: USE Product Markets Department

ECONOMIC & FINANCIAL DEVELOPMENTS:

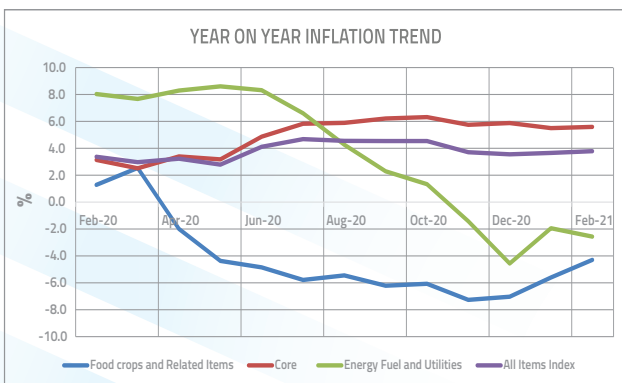
INFLATION – OUTLOOK AND RISKS

Year on year headline inflation rose slightly to 3.8% in the 12 months to February 2021 from 3.7% registered in the year to January 2021. According to the Uganda Bureau of Statistics (UBOS), this was a result of a rise in annual food crops and related items inflation which posted a deflation of 4.3% compared to a deflation of 5.6% registered in the 12 months to January 2021. The rise in food inflation was attributed to higher prices of vegetables.

Annual Core inflation for the year to February 2021 rose to 5.6% from 5.5% registered in January 2021 due to a rise in prices of other goods including secondhand vehicles and sugar during the period. Annual Energy, Fuel and Utilities (EFU) inflation fell to a deflation to 2.6% in February 2021 from a deflation of 1.9% registered in the previous month due to lower prices of charcoal.

Monthly headline inflation for February 2021 rose by 0.3%, higher compared to the 0.2% rise registered in January 2021 because of higher monthly core inflation. Monthly food crops and related items inflation increased by 2.2% due to higher prices of vegetables registered last month.

Inflation is expected to edge higher as economic activity recovers following the generally peaceful conclusion of General Elections and increased availability of the Covid-19 vaccine.



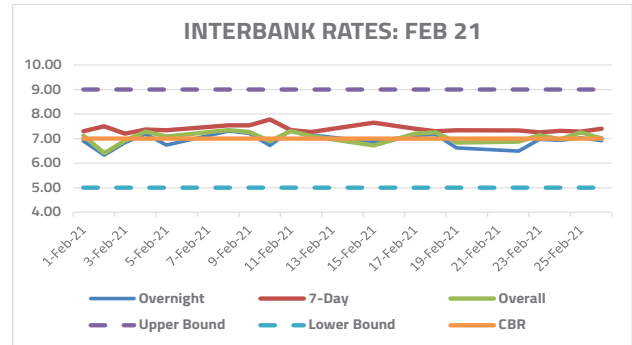
Source: UBOS UGANDA CONSUMER PRICE INDEX: 2009/10=100 FEBRUARY 2021

INTEREST AND LENDING RATES

Interbank Money Market Rates

Overnight rates edged higher in February 2021 averaging 6.94% compared to 6.9% averaged in January 2021. On the other hand, overall rates were stable at 7.1% in the past month signifying steady liquidity in the money markets.

Money market rates fluctuated within the bands set by the Monetary Policy Committee as shown in the graph below:

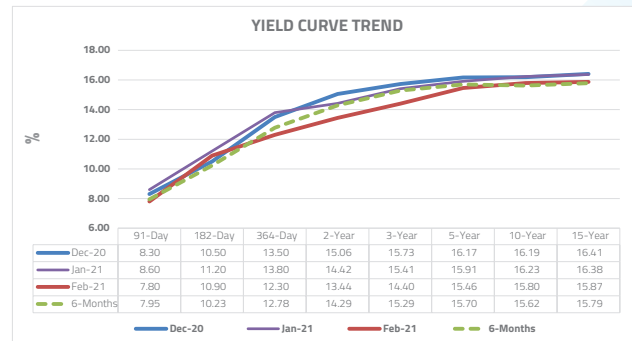


Source: Bank of Uganda

Yields on Government securities

Yields dropped across the entire curve over the past month compared to January 2021 following the overall calm after the January 2021 elections. The largest drops were registered on the 1-year and 3-year government papers which closed February 2021 at 12.3% and 14.4% respectively. The short end of the yield curve is currently trading below the 6 months average while the 10-year and 15-year papers are still trading slightly above the 6-months average at 15.8% and 15.9% respectively.

Bank of Uganda raised Ugx 487.8 Billion in the last T-Bond auction held in February 2021 compared to Ugx 450 Billion that was offered. The 2-year and 15-year papers had a cut off rate of 13.55% and 16.1% respectively. We expect rates to remain range bound due to stable local currency with sustained investor appetite on the medium- and long-term tenors.

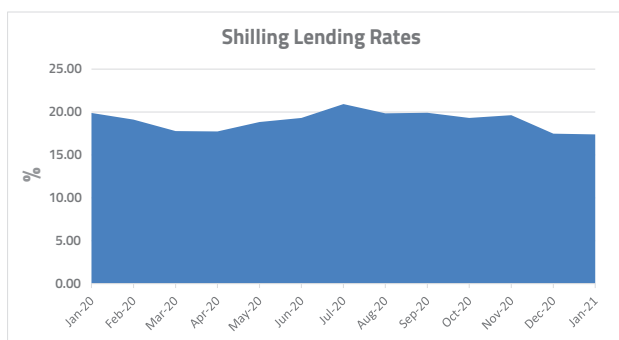


Source: Bank of Uganda

Lending rates

Rates on shilling denominated loans dropped to an average of 17.4% in January 2021 compared to 17.5% in December 2020. According to the February Monetary Policy report credit demand proxied by value of loan applications and approvals decreased to an average of Ugx 1.4 Trillion and Ugx 804 Billion in the quarter to January 2021.

Overall credit demand remains subdued due to concerns around borrowers' ability to pay especially with some sectors that have not returned to full operation following last year's measures put in place to mitigate the spread of COVID-19.

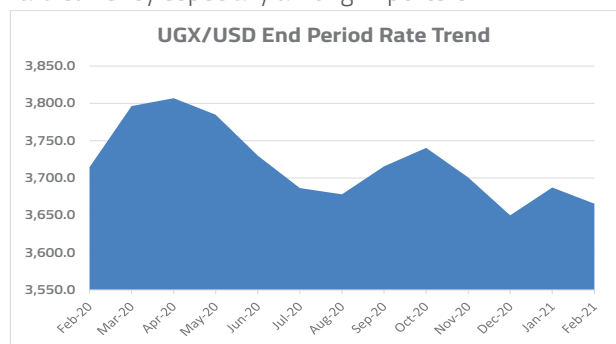


Source: Bank of Uganda

FOREIGN EXCHANGE RATE DEVELOPMENT

The Uganda Shilling strengthened marginally by 0.6% month-on-month to close February 2021 at 3,665.5. This was due to slow recovery in demand from importers as economic recovery remains sluggish. The currency has been largely stable from the end of December 2020.

The local currency is expected to remain range bound over the short term driven by suppressed demand for hard currency especially among importers.



Source: Bank of Uganda

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.

BOND LISTINGS:

There were 2 treasury bonds re-opened in February 2021 with a value of UGX 450bn 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 16.2 Trillion.

Government Bond Schedule: February 2021

INSTRUMENT CODE	ISIN	ISSUED SHARES	ISSUE DATE	RATE	MATURITY
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	1.632TN	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	1.959TN	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: February 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: FEBRUARY 2021

New Vision Limited Announces Half Year 2020/21 Unaudited Financial Results

The Board of Directors, New Vision Printing and Publishing Company Ltd announced the unaudited results. For the Half Year ended December 31, 2020.

Overall turnover declined by 14.06% from last year. Commercial Printing revenue registered a growth of 41.57% while revenue from Advertising and Circulation declined by 20.63% and 18.33% respectively. Radio Advertising grew by 23.43% while Print, Digital and TV Advertising declined by 31.16%, 22.03% and 13.05% respectively from the same period last year.

Cost of sales reduced by 11.43% due to cost containment measures during the Covid 19 pandemic and other production efficiencies. The Directors did not recommend payment of an interim dividend in accordance with the company's practice of only paying the dividend at the end of the financial year.

Full Announcement is available on our website <https://www.use.or.ug/uploads/announcements/New%20Vision%20Half%20Year%20Financials%20December%202020.pdf>

(Source: New Vision Ltd Half Year 2020/21 Unaudited Financial Results)

British American Tobacco Uganda Limited (BAT Uganda):

The Directors of British American Tobacco Uganda Limited (BAT Uganda) announced the results for the year ended 31 December 2020 with a resilience performance in a challenging environment.

The Company demonstrated resilience by delivering strong financial results for the year ended 31 December 2020. Gross revenue reduced by 1% to UGX 162 billion due to lower sales volumes, reflecting the impact of the COVID-19 pandemic.

Total cost of operations reduced by 5% to UGX 50 billion in line with lower sales volumes, as well as pragmatic cost saving initiatives undertaken to cushion business profitability from the impact of the COVID-19 pandemic on revenue.

The Board of Directors proposed a final dividend in respect of the year ended 31 December 2020 of UGX 406 per Ordinary Share, to be recommended for approval by the shareholders at the Annual General Meeting to be held on 27 May 2021. The dividend, which is subject to withholding tax, will be paid on 21 June 2021 to shareholders on the register at close of business on 31 May 2021.

Full Announcement is available on our website https://www.use.or.ug/uploads/announcements/20210211%20BATU%20Results%20Announcement%202020_Final.pdf

(Source: British American Tobacco Uganda 2020 Audited Financial Results Announcement)

East African Breweries Limited (EABL):

The Board of Directors of East African Breweries Limited announced its unaudited half year results for six months ended 31 December 2020.

Operating environment

EABL's half year performance was delivered against a background of a challenging global and local macro-economic environment arising from the Covid-19 pandemic. The impact was a gradual recovery in volume with sales showing sequential improvement against the previous half (January to June 2020).

Financial highlights

The Group's volume and net sales declined 5% and 3% respectively compared to the same period last year, with net revenue reported of Kshs 44.5 billion. The first half sales improved 53% compared to the previous half (January to June 2020).

At country level Tanzania and Uganda net sales grew 17% and 13% respectively compared to the same period last year, while Kenya declined 10% albeit growing 53% against the previous half (January to June 2020).

Profit after tax declined 47% compared to the same period last year, driven by foreign exchange losses, increase in cost of sales and a one-off tax provision.

Dividend

In recognition of the uncertainty in the external environment and the need to conserve cash to enable the business to continue a recovery trajectory, the Board does not recommend an interim dividend for the half year ended December 31, 2020.

Full Announcement is available on our website <https://www.use.or.ug/sites/default/files/EABL%20F21%20Half-Year%20Results%20-%20Press%20Advert.pdf>

(Source: East African Breweries Ltd Unaudited Half Year Financial Results Announcement)

EDUCATION COLUMN

Depository Receipt

A depository receipt (DR) is a negotiable certificate issued by a bank representing shares in a foreign company traded on a local stock exchange. The depository receipt gives investors the opportunity to hold shares in the equity of foreign countries and gives them an alternative to trading on an international market.

A depository receipt, which was originally a physical certificate, allows investors to hold shares in the equity of other countries. One of the most common types of DRs is the American depository receipt (ADR), which has been offering companies, investors, and traders global investment opportunities since the 1920s.

Understanding a Depository Receipt (DR)

Depository receipts were created to minimize the complications of investing in foreign securities.

Previously, if investors wanted to buy shares in a foreign company, they would need to exchange their money into foreign currency and open a foreign brokerage account. Then, they would be able to purchase shares through the brokerage account on a foreign stock exchange.

The creation of depository receipts eliminates the entire process and makes it simpler and more convenient for investors to invest in international companies.

A depository receipt allows investors to hold shares in stocks of companies listed on exchanges in foreign countries. A depository receipt avoids the need to trade directly with the stock exchange in the foreign market.

Instead, investors transact with a major financial institution within their home country, which typically reduces fees and is far more convenient than purchasing stocks directly in foreign markets.

When a foreign-listed company wants to create a depository receipt abroad, it typically hires a financial advisor to help it navigate regulations. The company also typically uses a domestic bank to act as custodian and a broker in the target country to list shares of the firm on an exchange, such as the New York Stock Exchange (NYSE), in the country where the firm is located. Here, it is important to note that the actual foreign company is neither listed nor traded on the exchange. The underlying shares would be held by another custodian bank in the home country of the company issuing the depository receipts.

Examples of Depository Receipts

American Depository Receipts

In the United States, investors can gain access to foreign stocks via American depository receipts (ADRs). ADRs are issued only by U.S. banks for foreign stocks that are

traded on a U.S. exchange, including the American Stock Exchange (AMEX), NYSE, or Nasdaq. For example, when an investor purchases an American depository receipt, the receipt is listed in U.S. dollars, and a U.S. financial institution overseas holds the actual underlying security rather than by a global institution. ADRs are a great way to buy shares in a foreign company while earning capital gains and possible getting paid dividends, which are cash payments by the companies to shareholders. Both capital gains and dividends are paid in U.S. dollars.

ADR holders do not have to transact in foreign currencies because ADRs trade in U.S. dollars and clear through U.S. settlement systems. The U.S. banks require that the foreign companies provide them with detailed financial information, making it easier for investors to assess the company's financial health compared to a foreign company that only transacts on international exchanges.

For example, ICICI Bank Ltd is listed in India and is typically unavailable to foreign investors. However, ICICI Bank has an American depository receipt issued by Deutsche Bank that trades on the NYSE, which most U.S. investors can access, providing it much wider availability among investors.

Global Depository Receipts

Depository receipts have spread to other parts of the globe in the form of global depository receipts (GDRs), European DRs, and international DRs. While ADRs are traded on a U.S. national stock exchange, GDRs are commonly listed on European stock exchanges such as the London Stock Exchange. Both ADRs and GDRs are usually denominated in U.S. dollars, but can also be denominated in euros.

A GDR works the same way as an ADR only in reverse. A U.S. based company that wants its stock to be listed on the London Stock Exchange can accomplish this via a GDR. The U.S. based company enters into a depository receipt agreement with the London depository bank. In turn, the London bank issue shares in Britain based on the regulatory compliance for both countries.

Many other countries around the world, such as India, Russia, the Philippines, and Singapore also offer depository receipts.

How are Depository Receipts Issued?

1. An investor needs to contact a broker in a local bank if he/she is interested in purchasing depository receipts. The local bank in the investor's home country, which is called the depository bank, will assess the foreign security before deciding to purchase shares.
2. The broker in the depository bank will purchase the shares either on the local stock exchange that it trades in or purchase the shares in the foreign stock exchange by using another broker in a foreign bank, which is also known as the custodian bank.

3. After purchasing the shares, the depositary bank will request the shares to be delivered to the custodian bank.
4. After the custodian bank receives the shares, they will group the shares into packets, each consisting of 10 shares. Each packet will be issued to the depositary bank as a depositary receipt that is traded on the bank's local stock exchange.
5. When the depositary bank receives the depositary receipts from the custodian bank, it notifies the broker, who will deliver it to the investor and debits fees from the investor's account.

Advantages of Depositary Receipts

Depositary receipts can be attractive to investors because they allow investors to diversify their portfolios and purchase shares in foreign companies.

Diversification is an investment strategy whereby a portfolio is constructed so that it contains a wide variety of stocks in multiple industries. Diversifying using depositary receipts, along with other investments, prevents a portfolio from being too heavily concentrated in one holding or sector.

Depositary receipts provide investors with the benefits and rights of the underlying shares, which may include voting rights, dividends, and open markets that investors would not have access to otherwise.

Depositary receipts are more convenient and less expensive than purchasing stocks in foreign markets. ADRs, for example, help reduce the administration and duty costs that would otherwise be levied on each transaction.

Depositary receipts help international companies to raise capital globally and encourage international investment by tapping into the global markets and attracting foreign investors around the world.

Less international regulation

Since it is traded on a local stock exchange, investors do not need to worry about international trading policies and global laws.

Disadvantages of Depositary Receipts

Limited access for most investors: Sometimes, depositary receipts may not be listed on stock exchanges. Therefore, only institutional investors, which are companies or organizations that execute trades on behalf of clients, can invest in them.

Other potential downsides to depositary receipts include their relatively low liquidity, meaning there are not many buyers and sellers, which can lead to delays in entering and exiting a position. In some cases, they may also come with significant administrative fees.

Depositary receipts, such as ADRs, do not eliminate currency risk for the underlying shares in another country. Dividend payments in euros, for example, are converted to U.S. dollars, net of conversion expenses and foreign taxes. The conversion is done in accordance with the deposit agreement. Fluctuations in the exchange rate could impact the value of the dividend payment.

Investors still have economic risks since the country that the foreign company is located could experience a recession, bank failures, or political upheaval. As a result, the value of depositary receipt would fluctuate along with any heightened risks in the foreign county.

Also, there are risks with attending securities that are not backed by a company. The depositary receipt may be withdrawn at any time, and the waiting period for the shares being sold and the proceeds distributed to investors may be long.

Higher administrative and processing fees, and taxes

There may be higher administrative and processing fees because you need to compensate for custodial services from the custodian bank. There may also be higher taxes. For example, ADRs receive the same capital gains and dividend taxes as other stocks in the U.S. However, the investor is subject to the foreign country's taxes and regulations aside from regular taxes in the U.S.

KEY TAKEAWAYS

- A depositary receipt (DR) is a negotiable certificate representing shares in a foreign company traded on a local stock exchange.
- Depositary receipts allow investors to hold equity shares of foreign companies without the need to trade directly on a foreign market.
- Depositary receipts allow investors to diversify their portfolios by purchasing shares of companies in different markets and economies.
- Depositary receipts are more convenient and less expensive than purchasing stocks directly in foreign markets.

SOURCE.

<https://www.kotaksecurities.com/ksweb/Meaningful-Minutes/5-things-you-should-know-about-depositary-receipts>

<https://corporatefinanceinstitute.com/resources/knowledge/trading-investing/depositary-receipt/>

<https://www.investopedia.com/terms/d/depositaryreceipt.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
SBG SECURITIES LIMITED 4 th Floor Crested Towers (Short Towers) P. O. Box 7131, Kampala Tel: +256 0312 224 600 Email: sbgs_uganda@stanbic.com	Mr. Ongura Joram



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