



Uganda Securities Exchange

Monthly Bulletin

April 2020

ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The trading volume for April 2020 was 9,179,466 shares with a turnover of UGX 1,408,709,632. This month's turnover performance registered 92.7% decrease from 309,753,084 shares worth UGX 19,368,049,360 that was recorded in April 2019.

Reduction in activity is partly attributed to a sharp decline in financial market sentiments driven by concerns about the economic impact of the ensuing pandemic as the disease spread to the rest of the world and dented investor confidence, shaking financial markets.

Activity in the fourth month of the year remained relatively low showing a decline in performance of 33.3% with comparison to the previous month registering a turnover of UGX 1.4billion from UGX 2.1billion recorded in March 2020. This represented a daily average turnover of approximately UGX 67million. Similarly, Volume traded dropped to 9.2 million shares compared to 11million shares traded in March 2020. The number of deals presented a slight decrease of 157 deals down from 283 deals March 2020, with 60.65 per cent of the deals being done on the UMEME counter.

Turnover performance per counter

The UMEME counter experienced the most activity for the month. This accounted for 93.76 percent of the total turnover, followed by Stanbic with 6.08 percent. In third position was Bank of Baroda Uganda closing at 0.12 per cent. National Insurance Corporation Uganda, CIPLA and DFCU recorded 0.29 per cent altogether of the total turnover. The rest of the cross-listed securities had no turnover positions.

Volume traded per counter

UMEME registered the highest volume of shares executed, with a representation of 60.65 percent, followed by Stanbic with 38.86 percent. National Insurance Corporation came third with 0.27 percent of the volume, while Bank of Baroda Uganda had approximately 13,630 shares being traded and hence representing 0.15 per cent of the total volume. Uganda Clays Limited and CIPLA accounted for 0.05 per cent and 0.02 per cent respectively. New Vision Limited had the least number of shares traded amounting to 100 shares, representing approximately 0.00 per cent of total number of shares traded.

Trading Volumes and Activity on a Monthly Basis year on year

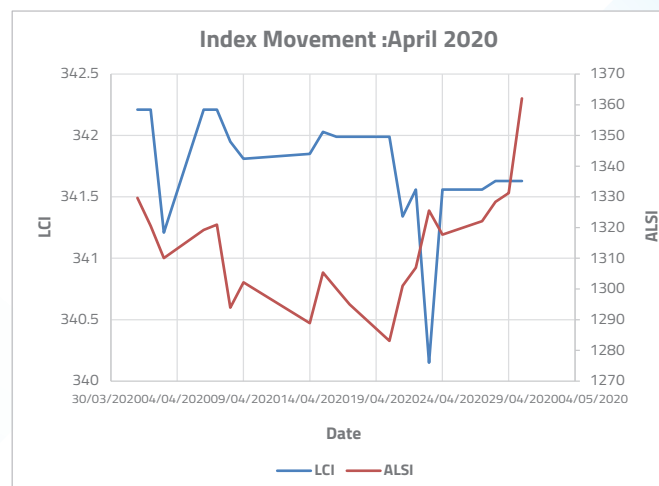
	April 2020	April 2019
Volume Traded	9,179,466	309,753,084
Turnover (UGX)	1,408,709,632	19,368,049,360
No. of Deals	157	461
Trading Days	21	20
Daily Avg. Turnover (UGX)	67,081,411	968,402,468
Daily Avg. no. of trades	8	23
Market Capitalization (UGX.bn)	18,986.5	24,840.88
USE All Share Index (ASI)	1362.06	1778.29
Local Share Index (LSI)	341.63	376.27

Source USE Product Markets Department

USE Index Results

The Local Company Index (LCI) declined slightly during the period with many local counters experiencing minimal prices movements. The local index commenced the month at 342.21, and closed at 341.63 recording a 0.17 % slight decrease. The ALSI opened at 1305.34 and closed at 1362.06 representing a 4.34 % rise from the start. Refer to ALSI/LCI graph below

April 2020 Indices Graph:



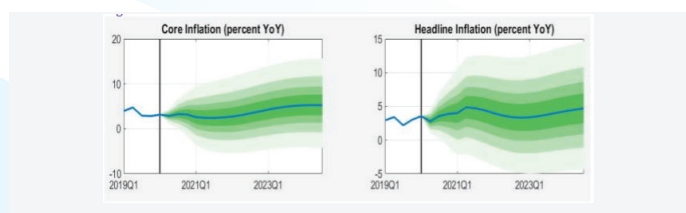
Source: USE Product Markets Department

ECONOMIC & FINANCIAL DEVELOPMENTS: April – 2020

INFLATION – OUTLOOK AND RISKS

The inflation forecasts are relatively subdued compared to the February 2020 forecast round. Inflation is projected in the range of 2–4 percent in 2020 and is expected to converge to the target of 5 percent in the medium-term. Nonetheless, the forecasts are susceptible to a number of risks. On the downside, low world oil prices coupled with slower global demand would deflate domestic inflationary pressures. Demand constraints related to Covid-19 could overwhelm effects of supply disruptions on inflation in the near term. Additional tighter prolonged lock-down measures related to the Covid-19 pandemic could constrain demand further. However, on the upside, if the COVID-19 pandemic persists, inflation could increase higher than predicted. In addition, a worsening current account balance on account of the pandemic could put pressures on the exchange rate, thereby fueling inflationary pressures. The rising fiscal deficit due to large spending pressures against domestic revenue shortfalls could also exert pressure on domestic inflation. Furthermore, unpredictable and adverse weather conditions coupled with the threat from the impact of the locust invasion on agricultural output could stoke food crop inflation. See figure below

Inflation Outlook



Source: Bank of Uganda (April 2020 Monetary policy report)
Inflation Headline 3.2, Core 3.4

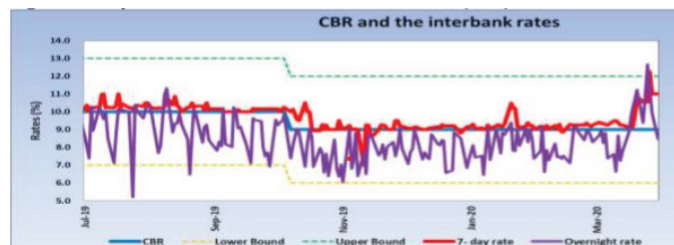
INTEREST AND LENDING RATES

Treasury bill yields in the primary market edged up slightly, in the quarter to March 2020. The 91-day, 182-day and 364-day Treasury bill rates rose to 9.6 percent, 11.1 percent and 13.2 percent, respectively in the three months to March 2020 from 8.8 percent, 10.8 percent and 11.7 percent in the quarter to December 2019. Similarly, yields on Treasury bonds also increased with the 2-year, 3-year, 5-year and 10-year papers rising to 14.0 percent, 15.6 percent, 16.5 percent and 15.7 percent, respectively in the quarter to March 2020 from respective rates of 13.4 percent, 14.9 percent, 15.6 percent, and 14.9 percent in the quarter to December 2019. However, the 15-year Treasury bond declined in the quarter to March 2020 averaging 15.3 percent compared to 15.5 percent recorded in the quarter ending December 2019. Yields in the secondary market also edged up in line with developments in the primary market.

The Figure below shows the trend in the secondary market yields on government securities.



Commercial bank lending interest rates remained relatively stable in the quarter ending February 2020, reflecting the eased monetary policy stance. The average commercial bank shilling lending interest rate declined to 19.28 percent in the quarter to February 2020, from 19.32 percent in the previous quarter. This decline was mainly on account of lower rates to the manufacturing, trade, mortgage, personal and household loans and agricultural sectors to average rates of 19.0 percent, 18.8 percent, 22.0 percent, 16.8 percent and 21.4 percent, respectively. Lending interest rates by sector are shown below.



Source: Bank of Uganda (April 2020 Monetary policy report)

As at end of April 2020 the Central Bank Rate was at 8.0, 91-day T-Bill 9.6 yield, 182-day T-Bill 10.85 and 364-day T-Bill 12.9 yield

FOREIGN EXCHANGE RATE DEVELOPMENT

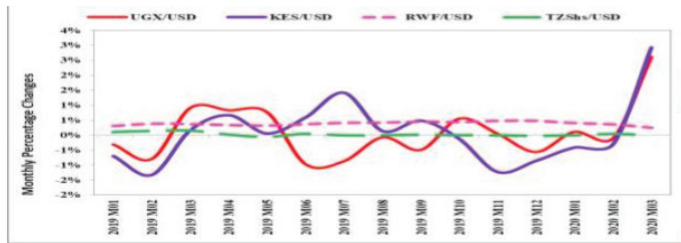
The shilling remained relatively stable in January 2020; however, depreciation pressures emerged in February and March 2020. The shilling depreciated by 1.8 percent year-on-year and 2.6 percent month-on-month to a mid-rate of UGX 3,772.91/USD in March 2020. This depreciation was largely driven by the panic on account of the COVID-19 pandemic which led to exit of offshore investors, speculative tendencies and the usual demand for dividend payments from manufacturing and telecom sectors, which increased demand pressures in the domestic foreign exchange market.

Indeed, to counter the sharp exchange rate depreciation resulting from volatility in the global financial markets and the rush to hold safe havens assets, BoU sold US\$ 198.9 million during this period. This intervention managed to calm down the markets however; reduced inflows largely caused by the COVID-19 pandemic may further aggravate depreciation pressures in the domestic foreign exchange market. The resultant negative sentiments from investors may translate into a continued preference for safe haven markets. Overall, BoU will intervene in the foreign exchange market to smoothen volatility while letting the shilling adjust to external pressures.

Conditions in the interbank foreign exchange market (IFEM) enabled the BoU purchase US\$ 2 million on a gross basis for reserve build-up in March 2020. This amounted to a net sale of US\$ 204.86 million taking into account the intervention Sales amounting to US\$ 198.9 million and targeted Sales to Uganda Electricity Transmission Company Limited (UETCL) of US\$ 7.96 million.

The regional currencies faced depreciation pressures in March 2020 with the exception of the Tanzanian Shilling. The Kenya Shilling and the Rwandan Franc depreciated month-on-month by 2.93 percent and 0.25 percent respectively. However, the Tanzanian Shilling remained relatively stable over the same period as depicted in below.

Currency movements in selected EAC currencies during March 2020



Source: Bank of Uganda (April 2020 Monetary report)

April 2020; End of period 3807.0, Period Average 3785.7

In February 2020, BoU projected that GDP growth for FY 2019/20 would remain in the range of 5.5 – 6.0 percent supported by the accommodative monetary policy stance, robust growth in private sector credit, fiscal stimulus and multiplier effects of public infrastructure investments and improved performance in all the sectors. However, given the social and economic integration of the Ugandan economy to the global economy, the brunt of the global recession on account of the COVID-19 pandemic will not spare the Ugandan economy. In the near term, activity in the Ugandan economy is likely to decline considerably. Indeed, the BoU has revised its growth rate projection for FY2019/20 to 3-4 percent.

Manufacturing, construction and the services sectors are the most affected due to the fact that a significant proportion of their inputs are imported. Indeed, many firms are already feeling the negative effects. The services sector is projected to slow down significantly, with considerable effects on trade, hotels and accommodation, repairs, transportation, storage, financial and insurance activities mainly caused by a decline in tourism, travel restrictions and supply chain disruptions.

The Bank of Uganda has also revised its inflation forecasts downward in the near term. Inflation is projected in the range of 2-4 percent in 2020 and is expected to converge to the target of 5 percent in the medium-term. Nonetheless, the forecasts are susceptible to a number of risks including; low world oil prices, demand constraints related to Covid-19, prolonged lock-down measures related to the Covid-19 pandemic that could constrain demand further, a worsening current account balance on account of the pandemic could put

pressures on the exchange rate, the rising fiscal deficit and adverse weather conditions coupled with the threat from the impact of the locust invasion on agricultural output could stoke food crop inflation. Given the deterioration in macroeconomic conditions and in order to ensure adequate access to credit and the normal functioning of financial markets, Bank of Uganda eased monetary policy. The BoU reduced the Central Bank Rate (CBR) by 1 percentage point to 8 percent. The band on the CBR was maintained at +/-3 percentage points and the margin on the rediscount rate at 4 percentage points on the CBR, and therefore, the rediscount rate and the bank rate were 12 percent and 13 percent, respectively. BoU also directed Supervised Financial Institutions (SFIs) to defer the payments of all discretionary distributions such as dividends and bonus payments for at least 90 days effective March 2020, depending on the evolution of the pandemic. This would ensure that SFIs have adequate capital buffers, while supporting the real economy. In addition, BoU will undertake the following:

- i) Provide exceptional liquidity assistance to commercial banks that are in liquidity distress for a period of up to one year.
- ii) Provide liquidity to commercial banks for a longer period through issuance of reverse REPOs of up to 60 days at the CBR, with opportunity to roll over.
- iii) Purchase Treasury Bonds held by Microfinance Deposit taking Institutions (MDIs) and Credit Institutions (CIs) in order to ease their liquidity distress whenever it arises. MDIs and CIs that do not hold Treasury bills or bonds in their asset holdings will be provided with liquidity secured by their holdings of unencumbered Fixed Deposits or Placements with other SFIs
- iv) Grant exceptional permission to SFIs to restructure loans of corporate and individual customers including extending the moratorium on loan repayment for borrowers that have been affected by the pandemic, on a case by case basis at the discretion of the SFIs for up to 12 months, effective April 1st, 2020.

BoU will continue to monitor the evolving financial market and macroeconomic conditions and calibrate its operations to meet the need for any additional liquidity support, as may be warranted.

BOND LISTINGS:

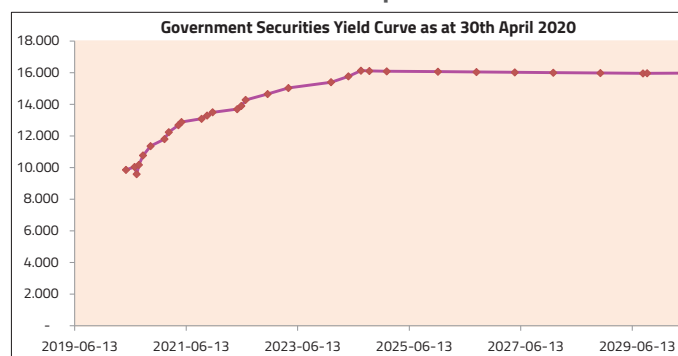
There were 2 treasury bonds re-opens with a value of UGX 285bn which listed, secondary market trading is over the counter (OTC) through the primary dealers. The current total value of the Government Bonds listed on the bourse stand at UGX 11.1 Trillion.

Government Bond Schedule: April –2020

INSTRUMENTCODE	ISIN	ISSUEDSHARES	ISSUEDATE	RATE	MATURITY
FXD/05/2015/5YR	UG12H1405200	100BN	2015/05/21	17.00	2020/05/14
FXD/6/2010/10YR	UG0000000782	80BN	2010/07/21	11.00	2020/07/09
FXD/08/2017/3YR	UG12G0608202	220BN	2017/08/10	13.25	2020/08/06
FXD/09/2015/5YR	UG12H0309205	100BN	2015/09/10	20.00	2020/09/03
FXD/2/2011/10YR	UG0000000865	710BN	2011/02/02	11.00	2021/01/21
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	1.315TN	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	755BN	2013/04/24	11.00	2023/04/13
FXD/1/2014/10YR	UG12J1801248	580BN	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	650BN	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	300BN	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	1.445TN	2015/02/25	14.25	2029/08/23
FXD/5/2015/15YR	UG12K0205308	120BN	2015/05/21	17.50	2030/05/02
FXD/4/2016/15YR	UG12K0304317	300BN	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	685BN	2019/07/11	14.25	2034/06/22

Government Yield Curve Trend: April 2020



Source: Bank of Uganda

Corporate Bond Activity: April 2020

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 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: April 2020

KENYA AIRWAYS

APPOINTMENT/RESIGNATION OF NON-EXECUTIVE DIRECTORS

The Board of Directors, Kenya Airways PLC wishes to announce that Mr. Solomon Kitungu, Principal Secretary, State Department for Transport has been appointed a Director of the Company to fill a casual vacancy.

The Board further wishes to announce that it has accepted the resignation of Prof. Paul Maringa from the Board, following his appointment as Principal Secretary, State Department for Infrastructure.

The Board wishes to thank Prof. Paul Maringa for his service on the Board and to welcome Mr. Solomon Kitungu to the Board.

BRITISH AMERICAN TOBACCO UGANDA LIMITED

APPOINTMENT OF A NON-EXECUTIVE DIRECTOR OF BRITISH AMERICAN TOBACCO UGANDA LIMITED (Rule 38 of the Uganda Securities Exchange Listing Rules 2003)

The Board of Directors of British America Tobacco Uganda Limited (BAT Uganda) informs its shareholders and the general public that Mrs. Candy Wekesa Okoboi has been appointed as a Non-Executive Director to the Board effective 23rd April 2020. Candy has over 20 years' experience in legal practice, financial markets and consulting. She is currently the Head of Legal at Stanbic Bank Uganda Limited. Prior to this, Candy was previously Head of the Legal and Compliance departments at the Uganda Securities Exchange and the Capital Markets Authority.

She also served as Senior Legal Advisor (Business Licensing Reform Project) at the Uganda Investment Climate Program (under the support of the International Finance Corporation and World Bank Group). At a continental level, she has previously been a member of the Africa Peer Review Mechanism Country Review Missions for the Republic of Zambia and the United Republic of Tanzania. She has also accomplished several corporate governance assignments at this level and in Uganda as a member and trainer at the Institute of Corporate Governance of Uganda.

Candy holds a Bachelor's degree in Law from Makerere University, a Post-Graduate Diploma in Legal Practice from the Law Development Centre and a Master of Business Administration from the University of Edinburgh Management School. The Board of Directors congratulates Candy on her appointment and welcomes her to the Board.

STANBIC UGANDA HOLDINGS LIMITED

Stanbic Uganda Holdings Limited Incorporation of Stanbic Properties Limited. Stanbic Uganda Holdings Limited informs its shareholders and the general public that it has established a wholly owned subsidiary, Stanbic Properties Limited (Property subsidiary). The main objective of the Property subsidiary is to hold and manage its real estate portfolio. The Property subsidiary will be operational effective May 1, 2020

EDUCATION COLUMN

UNDERSTANDING RIGHTS ISSUES

How a Shareholder may Approach Equity Rights Issues

A Rights Issue is fast becoming a usual terminology in the capital markets of Uganda. Both individual and institutional investors have had a taste of Rights Issues when Uganda Clays became the first listed company to offer Rights to existing shareholders. Today we explore how a shareholder should approach an offer of rights and the possible implications of their actions.

An appropriate starting point is defining a Rights Issue so we can take off from the same platform. A Rights Issue is an issue of new shares for cash to existing shareholders in proportion to their existing holdings at a discounted price (Usually 20-30% of the market price). It is therefore, a way of raising new cash from shareholders - an important source of new equity funding for publicly quoted companies. It is important to note that it is an offer of new shares for cash and this offer is only made to existing shareholders. There are other offers for new shares that may be offered to existing shareholders, but not for cash; these do not form part of today's discussion and are defined differently. What is the implication of this? The first important implication to a shareholder is that one will need to pay cash in order to acquire the new shares being offered. As a shareholder you have to be able to pay for these shares and thus you need to have money for this. The amount of money that one pays depends on the number of shares one is entitled to. The entitlement is calculated based on ones' level of shareholding at the cutoff date.

Another important implication is that Rights are offered to existing shareholders only. Does this mean those who do not own shares in that particular company cannot participate at all? This is because existing shareholders have the "right of first refusal" (otherwise known as a "preemption right") on the new shares. By taking these preemption rights up, existing shareholders can maintain their existing percentage holding in the company. However, shareholders can, and often do, waive these rights, by selling them to others. Shareholders can also vote to rescind their preemption rights. Existing shareholders, who are entitled to exercise their rights, may exercise their rights in one of two ways. They may choose to buy their rights at the offer price or renounce their rights and sell them to the market. It is when these existing

shareholders sell to the market that anyone can buy these shares. However, it is important to note that these shares will be sold at a market determined price and not the rights offer price. When a Rights Issue is announced dates are set to inform existing and prospective shareholders. These dates and terms are described in more detail below:

Book closure date: This is the date when the shareholder register is closed. This means that the rights offer/issue will only be applicable for shareholders who are recorded in the register as at the closure date.

Offer period: This is the period within which rights are offered to the existing shareholders.

Offer ratio: Shares are normally issued in ratios, that is to say, for example 3 shares for every 5 shares held. This would mean that for someone who holds 500 shares, they would benefit 300 additional shares.

Example:

X buys 5 shares trading at UGX 3000 and the rights are being offered at a 30% discount. The ratio is 3 new shares for every 5 held:

5 existing shares at a market price of UGX 3000	= UGX 15, 000
3 new shares for cash at UGX 2,100	= UGX 6,300
Total for 8 shares	= UGX 21, 300
Value of 1 share post rights issue	= UGX 21, 300 /8
Effective cost per share	= UGX 2,662.50

The difference between the market price per share of UGX 3,000 and the effective cost per share of UGX2, 662.50 is your profit. The post rights issue price cannot be determined as situations differ but the principle holds true. It is therefore advisable to follow your rights and take advantage of the fact that the shares are being offered below the market price but it is not mandatory. At this point I find it relevant to explore the possible direction of a share price post a Rights Issue and the reasons thereof. The share price is usually expected to fall after the Rights Issue. This is not necessary the case although it is very common. The share price may fall not because the market's views about the company have changed but merely because the market is absorbing the new shares just issued. Since the number of shares will have increased in some instances by a huge percentage, the price would need to be adjusted to match the new number of shares. However, in some cases the post rights issue price has actually gone up. This could be as a result of many reasons.

Whichever direction the post Rights Issue takes it is important for investors to pay attention to the fundamental features of any stock. One has to be satisfied that the company's growth potential is significant, the cash flows are healthy and that the business will continue to be profitable and deliver value to shareholders. Investment advisors and stockbrokers can be useful in explaining these issues and assist would be investors. It is very important to avoid being carried away by following what others are doing. Fundamental analysis is very important and should be an important consideration before making any investment in shares. In conclusion however, investors should treat any rights issue as a fresh equity issue, as they would be increasing their exposure to a company. Therefore, all the necessary precautions of a fresh investment should be taken.

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
CRESTED STOCKS AND SECURITIES LIMITED Head Office - Impala House 6th Floor Plot 13-15, Kimathi Avenue P. O. Box 31736, Kampala, Uganda Tel: +256 312 230900/ +256 414 230 900 Email: info@crestedcapital.com Website: www.crestedcapital.com	Mr. Robert H. Baldwin
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. Kitungulu Kenneth



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