



Uganda Securities Exchange

Monthly Bulletin

January 2020

ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The new year started off with a tremendous performance on the bourse. The trading volume for January 2020 was 167,683,250 with a turnover of UGX. 13,990,081,666 as compared to 47,779,920 traded in January 2019 with a turnover of UGX. 4,686,430,471. The increased activity on the UMEME and Stanbic Uganda Holdings Limited counters shows great optimism and promise on the part of the investors in the economy and we couldn't be more pleased.

However, Despite a steady influx of foreign and regional participation in the market, turnover levels remained significantly low with the month registering a turnover of UGX. 13.9 bn from 55.4bn recorded in the preceding Month (December 2019) – representing a daily average turnover of approximately 635.9m. Similarly Volume traded dropped to 167.6 million shares compared to 216.1million shares traded in December 2019. Number of deals presented a slight increase of 455 deals up from 451 deals in December 2019, with 70 per cent of the deals being done on the Stanbic Uganda Holdings Limited and UMEME Limited counters.

Turnover performance per counter

The Month saw UMEME Limited take the first position, with the counter posting 77.5 per cent of the total turnover, followed by Stanbic Uganda Holdings Limited accounting for 22.1 per cent of the turnover. In third position was CIPLA QCiL closing at 0.16 per cent. Bank of Baroda Uganda, DFCU Limited, Uganda Clays Limited, New Vision Limited and National Insurance Corporation recorded 0.24 per cent all together of the total turnover. The rest of the cross-listed securities had no turnover positions.

Volume traded per counter

Stanbic Bank Uganda Ltd registered the highest volume of shares executed, with a representation of 72.77 percent, followed by UMEME Limited with 26.98 percent. CIPLA QCiL came third with 0.11percent of the volume, while Uganda Clays had approximately 124,000 shares being traded and hence representing 0.07 per cent of the total volume. Bank of Baroda and National Insurance Corporation accounted for 0.06 per cent and 0.01 per cent respectively. New Vision Limited had a negligible position which registered a 650 shares traded, representing approximately 0.001 per cent.

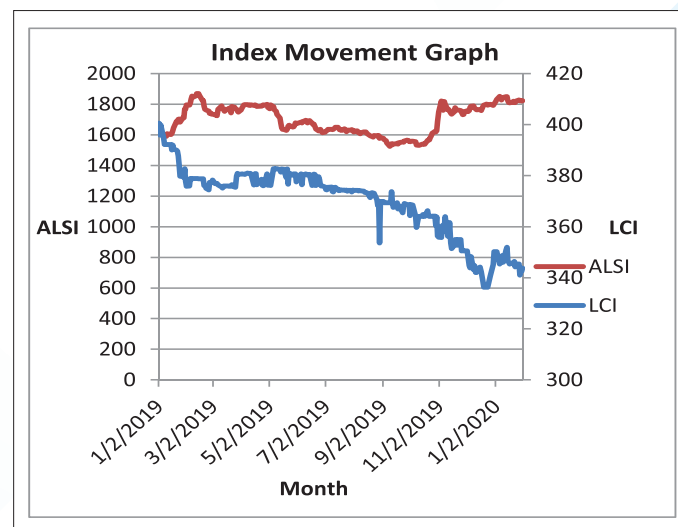
Trading Volumes and Activity on a Monthly Basis

	January 2020	January 2019
Volume Traded	167,683,250	47,779,920
Turnover (Ushs)	13,990,081,666	4,686,430,471
No. of Deals	455	332
Trading Days	22	22
Daily Avg. Turnover (Ushs)	635,912,803	213,019,567
Daily Avg. no. of trades	21	15
Market Capitalization (Ushs. bn)	25,274.81	24,924.15
USE All Share Index (ASI)	1821.86	1770.02
Local Share Index (LSI)	343.81	377.75

Source USE Product Markets Department

USE Index Results

The Local Company Index (LCI) rose steadily during the period with many local counters experiencing minimal prices movements. The local index commenced the month at 350.25, and closed at 343.81 shedding 1.84%. The ALSI opened at 1800.72 and closed at 1821.86 representing a marginal 1.17 per cent rise from the start. Refer to ALSI/LCI graph below.



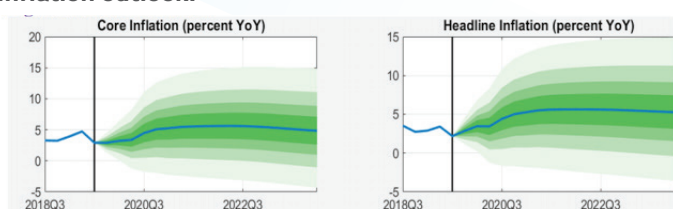
Source: USE Product Markets Department

ECONOMIC & FINANCIAL DEVELOPMENTS: January – 2020

INFLATION – OUTLOOK AND RISKS

The inflation outlook remained broadly unchanged from the October 2019 projection. Annual core inflation and headline inflation are projected to remain below 5 percent in the near term. However, core inflation is projected 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 commodity prices, a decline in global inflationary pressures coupled with slackened global growth could lead to lower domestic inflation. However, on the upside, worsening weather conditions could lead to higher food crop inflation. In addition, the instability in the global financial markets and uncertainty during the election period could lead to a depreciation of the exchange rate, which could translate into higher inflation. Lastly, a rise in fiscal deficit could also lead to inflationary pressures going forward.

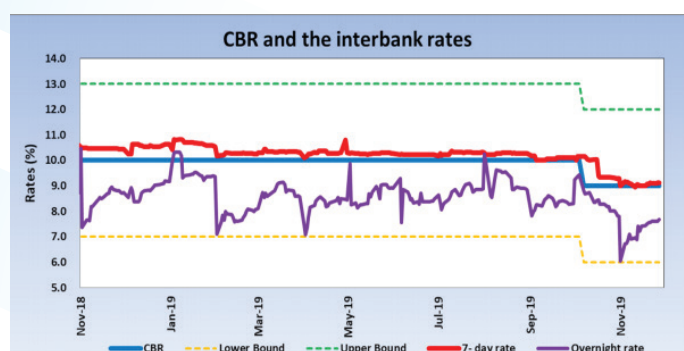
Inflation outlook.



Source: Bank of Uganda (Dec 2019 Monetary policy report)

INTEREST AND LENDING RATES

Treasury bill yields in the primary market declined in line with the monetary policy stance. In the three months to November 2019, yields on the 91-day, 182-day and 364-day Treasury bills continued to trend in line with CBR, declining to 8.6 percent, 10.6 percent and 11.4 percent from respective values of 9.4 percent, 10.9 percent and 11.5 percent. Yields on treasury bonds with the exception of the 10-year paper rose in the quarter to November 2019 compared to quarter to August 2019. During the same period, yields on the 3 year and 15 year bonds rose to respective rates of 14.3 percent and 15.1 percent, from 13.6 percent and 14.9 percent. Additional amounts were awarded on longer dated tenors in anticipation of under subscriptions in auctions in the festive season. In line with movements in the primary market, yields edged up across the maturity spectrum in the secondary market. The rise in yields could be seasonal in anticipation of tighter liquidity conditions on account of end-year corporation taxes and high demand for cash during the imminent festive season. The increase in yields on longer dated risk free paper signals higher inflation expectations in the medium-term.



Source: Bank of Uganda (Dec 2019 Monetary policy report)

As at end of January 2020 the Central Bank Rate was at 9.0, Lending Rate at 13.0, 91-day T-Bill 9.7 yield and 364-day T-Bill 13.6 yield

FOREIGN EXCHANGE RATE DEVELOPMENT

The Uganda shilling remained relatively stable with an appreciation trend against the US Dollar despite the strengthening of the US Dollar against major international currencies. In the three months to November, the shilling appreciated by 0.5 percent compared to the previous quarter. Similarly, on a year-on-year basis, the shilling appreciated by one percent in November 2019 to UGX3, 697.4/US\$. The relative stability is attributed to net forex supply in the IFEM due to export receipts, strong inflows from offshores, NGOs and amidst relatively subdued demand. On a trade-weighted basis, the nominal effective exchange rate (NEER) appreciated by 1.5 year on-year and 1.2 per cent quarter-on-quarter. In real terms, the Real Effective Exchange rate (REER) depreciated by one per cent month-on-month. The Real exchange rate appreciation of the shilling is to a large extent driven by a nominal appreciation of the shilling which bonds well with the low domestic inflation environment as depicted below.

Changes in the NER, Inflation Differential and REER



Source: Bank of Uganda

(Dec 2019 Monetary report)

January 2020; End of period 3679.7, Period Average 3680.8, Depreciation rate -0.6

EVENTS: January 2020

UGANDA CLAYS ANNIVERSARY

USE hosted UCL during the month to commemorate their 20 years anniversary of being listed on the exchange. The team shared their experience highlighting how UCL had benefited from listing on the exchange and how they had contributed to the economy and community over the years. The ceremony was concluded by having Mr. George Inholo and his team ring the bell to commence trading



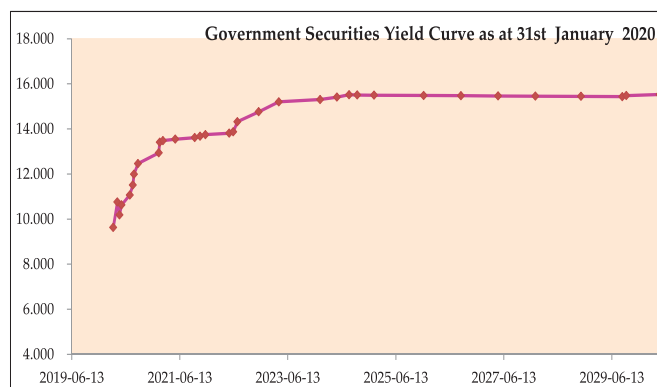
BOND LISTINGS

There were 2 treasury bonds re-opens with a value of UGX. 280bn which were listed, secondary market trading is over the counter through the primary dealers. The current total value of the Government Bonds listed on the bourse stand at UGX 13.4 Trillion.

Government Bond Schedule: January –2020

Security Name/ ISIN	Coupon	Amount Outstanding	Maturity Date
UG0000001517	17.000%	99,939,500,000.00	19-Mar-20
UG12K0302337	11.250%	48,987,800,000.00	16-Apr-20
UG12H1405200	17.000%	100,000,000,000.00	14-May-20
UG0000000782	11.000%	80,000,000,000.00	9-Jul-20
UG12G0608202	13.250%	20,000,000,000.00	6-Aug-20
UG0000001590	20.000%	88,883,100,000.00	3-Sep-20
UG0000000865	11.000%	,024,579,000,000.00	21-Jan-21
UG0000001665	18.375%	60,000,000,000.00	18-Feb-21
UG0000001707	16.500%	81,783,400,000.00	13-May-21
UG0000001699	16.500%	00,000,000,000.00	21-Sep-21
UG12H2810218	16.750%	69,360,300,000.00	28-Oct-21
UG0000001699	17.000%	00,000,000,000.00	3-Dec-21
UG12HI305228	15.375%	156,300,000,000.00	13-May-22
UG0000001079	11.000%	,208,854,200,000.00	9-Jun-22
UG12H0707226	14.125%	56,395,000,000.00	7-Jul-22
UG12H2811224	12.500%	00,000,000,000.00	28-Nov-22
UG0000001244	11.000%	10,804,100,000.00	13-Apr-23
UG12J1801248	14.000%	70,000,000,000.00	18-Jan-24
UG12H1005240	14.875%	53,700,000,000.00	10-May-24
UG0000001467	14.000%	21,339,500,000.00	1-Aug-24
UG12H2509240	14.875%	50,000,000,000.00	25-Sep-24
UG0000001400	17.000%	29,062,000,000.00	16-Jan-25
UG0000001715	19.500%	85,093,500,000.00	18-Dec-25
UG0000001764	16.625%	62,489,700,000.00	27-Aug-26
UG12J0605277	16.000%	13,650,500,000.00	6-May-27
UG12J1301280	14.125%	20,000,000,000.00	13-Jan-28
UG0000001376	15.250%	80,674,000,000.00	16-Nov-28
UG0000001533	14.250%	,456,548,000,000.00	23-Aug-29
UG12J1909298	14.375%	100,000,000,000.00	19-Sep-29
UG0000001533	17.500%	282,271,000,000.00	2-May-30
UG0000001699	17.000%	353,631,000,000.00	3-Apr-31
UG12K0403325	16.375%	320,000,000,000.00	4-Mar-32
UG12K0302337	14.375%	851,788,300,000.00	3-Feb-33
UG12K2206346	14.250%	504,147,600,000.00	22-Jun-34
UG0000001079	11.000%	75,000,000,000.00	9-Jun-22
UG12K2206346	14.250%	210,000,000,000.00	22-Jun-34

Government Yield Curve Trend: January 2020



Source: Bank of Uganda

Corporate Bond Activity: January 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 is a list of 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

EDUCATION COLUMN

UNDERSTANDING GROWTH ENTERPRISE MARKET SEGMENTS (GEMS)

The Uganda Securities Exchange (USE) has a Growth Enterprise Market Segment (GEMS). GEMS enables firms to raise substantial initial and ongoing capital, while benefiting from increased profile and liquidity within a regulatory environment designed specifically to meet their needs.

The establishment of a GEMS market in Uganda paved way for the listing of Small and Medium Sized Enterprises (SMEs) on the Exchange, which is a major driver of our country's economy." The GEMS is supported by a wide community of experienced advisors, ranging from brokers to accountants, lawyers and the fundamental Market Advisors who assist companies to list on GEMS and comply with good corporate governance and global best practices. The establishment of this market is bound to be a fundamental contributor to the stability of the overall financial system of our country.

Requirements unique to the Growth Enterprise Market Segment (GEMS)

- The applicant does not meet at least one of the requirements for listing on MIMS.
- The applicant has entered into a Market Advisory Agreement with a Market Advisor effective for 2 years from application date.
- That the founding shareholders, for a company admitted to GEMS with a trading record of less than five years, agree not to dispose off their interest in the applicant except by way of delisting or reclassification to the MIMS
- Founding shareholders of a company admitted on GEMS with a trading record of less than five years, can only

dispose off their interest, after a period of three years has elapsed from its admission on the GEMS or when the company has acquired a trading record of five years

- That the participation in the issue for a company that has been in existence for one year or less is restricted to professional investors
- Public company registered under the Companies Act;
- Free transferability of shares;
- Adequate working capital and solvency;
- Operation for at least one year;
- No profitability record required;
- 5 directors, 1/3 non-executive;
- Directors with no bankruptcy, fraud, criminal offence or financial misconduct proceedings;
- Competent board and senior management – at least 1 year experience in the business;
- All issued shares to be immobilized;

The table below presents a comparison of the requirements for eligibility and conditions for listing on the Official List of the USE and listing on the Growth Enterprise Market Segment of the USE

	Main Investment Market Segment(MIMS)	Growth Enterprise Market Segment
Type of Company	Public limited liability company	Public limited liability company
Minimum share Capital	Minimum authorized issued and fully paid up share capital of UGX1billion before the public offering of shares	Not required
Minimum net assets	Net assets of UGX 2 billion before the public offering of shares	Not required
Financial history	Published audited financial statements for a period of at least 5yrs	Not required
	Prepared financial statements for the latest accounting period on a going concern basis	Statement of assets and liabilities for company that is one year and less
Profitability requirement	Declaration of positive profits after tax attributable to shareholders in at least 3 of the last 5 completed accounting periods prior to public offer	Not required
Minimum shareholding	Immediately following the public offer, 20% of shares shall be held by not less than 1000 shareholders	Not required

Fees Requirements and costs of going public

It is important to note that there are costs associated with an Initial Public Offer (IPO) and initial listing on the USE. At a minimum, the company would require the following:

No.	Item	Fees Requirements
1	CMA	0.1% of the value of the listing
2	USE	0.1% of the value of the funds raised at the IPO
3	Professionals (Accountants, Lawyers, Media etc)	Negotiated between company and service provider
4	Transaction Advisors	Negotiated between company and service provider
5	Sponsoring Brokers	Negotiated between company and service provider

The CMA (Prospectus) Regulations, 1996 require the issuer to disclose the planned application of the proceeds of the issue. Such a disclosure includes brokerage expenses, approval fees, printing costs, legal and advisory costs.

The above costs, which are associated with the IPO, are paid out of the share price of the IPO. Such costs are therefore not paid by the company but rather are paid by the incoming/new shareholders. They therefore should not be a deterrent to listing on the exchange.

	MIMS (UGX)	GEMS (UGX)
Application for listing	4,000,000	2,000,000
Re-submission of application for listing	1,000,000	1,000,000
Initial listing	0.2% of the value of the securities to be listed subject to a minimum of 200 currency points	0.1% of the value of securities to be listed
Additional listing	0.2% of the market capitalization of the additional securities to be listed	0.1% of the market capitalization of the additional securities to be listed
Annual listing * The annual listing fee will be calculated on the basis of a 12 month average market capitalization	0.05% of market capitalization of the issuer subject to a minimum of 200 currency points and a maximum of 5,000 currency points.	0.05% of market capitalization of the issuer subject to a maximum of 1000 currency points

FREQUENTLY ASKED QUESTIONS ON GEMS

1. What type of company is the GEMS designed for?

The GEMS is ideally suited for small to medium sized companies which are fast growing and looking for additional sources of capital to fuel growth.

2. What are the benefits of listing on the GEMS?

The benefits of listing on the GEMS include the following:

- Easier and cheaper capital raising
- Enhanced brand and credibility
- Positive impact on internal culture
- Increased strategic flexibility

3. What are the specific benefits of listing on the GEMS?

- Profile: Companies listed on the GEMS will benefit from higher visibility
- Cost-efficiency: GEMS has lower listing costs and lower ongoing compliance costs. GEMS has also lower disclosure requirements as compared to the Main Market
- Flexibility: Ongoing flexibility to facilitate growth

4. Will I lose control of the company?

No. You retain as much ownership in the company as you want through your holding in equity securities. All you are doing by listing is giving up a portion of your ownership to shareholders in exchange for capital.

5. What is the difference between the Main Investment Market Segment and the Growth Enterprise Market Segment?

The key differences can be summarized as follows:

- Lower costs
- Lower level of compliance
- Simpler and cheaper listing documentation

6. Our company is thinking about listing. What should we do to make it happen?

You can then contact the Products & Markets department of the Uganda Securities Exchange.

7. What documentation do we need to produce?

All applicants will have to submit a fully-fledged admission document as per clause 7(1) of the GEMS rules. However the USE may be flexible in certain circumstances where companies do not meet the entry requirements.

8. When should we announce to the market that we intend to list?

The decision to announce your intention to list should be considered carefully. Once you announce that you intend to become listed, you will start to receive an increased level of attention regarding your company and its listing strategy. Some companies announce their intentions early; others leave it until the last minute.

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 FINANCIAL SERVICES 2 nd floor UAP Nakawa business park P. O. Box 20079, Kampala Tel: +256 414 332 717 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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