



Uganda Securities Exchange

Monthly Bulletin

July 2020

ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The trading volume for July 2020 was 5,866,658 shares with a turnover of UGX 271,741,775. This month's turnover performance was an 89.9% decrease from 93,804,001 shares worth UGX 2,700,347,706 that was recorded in July 2019. Trading activity remains low as the market continues to grapple with the impact of the risk posed as a result of the COVID-19 pandemic with most investors mainly focusing on fixed income assets. Activity in the seventh month of the year declined by 2.9 percent to a turnover of UGX 271.7 million from UGX 280 million recorded in June 2020. This represents a daily average turnover of approximately UGX 12 million. However, Volume traded rose to 5.8 million shares compared to 3.8 million shares traded in June 2020. The number of deals presented an increase of 369 deals up from 158 deals executed in June 2020, with 59.40 per cent of the deals attributed to the Stanbic counter.

Turnover performance per counter

UMEME counter dominated activity for the month. It accounted for 41.34 percent of the total turnover, followed by Stanbic with 30.78 percent. In third position was CIPLA, with 14.75 per cent contribution. Bank of Baroda Uganda, Uganda Clays Limited, DFCU, New Vision limited, National Insurance Corporation Uganda and British American Tobacco Uganda combined recorded 13.14 percent of the total turnover. Cross-listed securities did not post any turnover positions during the past month.

Volume traded per counter

Stanbic registered the highest volume of shares, with 59.40 percent, followed by Uganda Clays Limited with 22.41 percent. UMEME came third with 7.81 percent of the volume, while CIPLA was in the fourth position with 7.19 percent of the total volume. Bank of Baroda Uganda and National Insurance Corporation Uganda accounted for 2.76 percent and 0.24 percent, respectively. DFCU, New Vision Limited and British American Tobacco Uganda had the least number of shares traded amounting to 10,990 shares, representing approximately 0.19 percent of total number of shares traded.

Trading Volumes and Activity on a Monthly Basis year on year

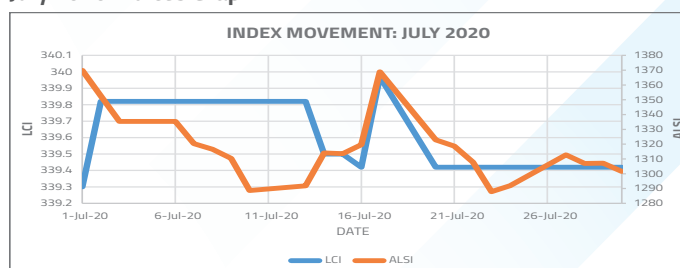
	July 2020	July 2019
Volume Traded	5,866,658	93,804,001
Turnover (UGX)	71,741,775	2,700,347,706
Number of Deals	369	530
Trading Days	22	23
Daily Average Turnover (UGX)	12,351,899	117,406,422
Daily Avg. no. of trades	17	23
Market Capitalization (UGX.bn)	18,137.94	22,712.30
USE All Share Index (ASI)	1,301.56	1,626.91
Local Share Index (LSI)	339.42	374.32

Source USE Product Markets Department

USE Index Results

The Local Company Index (LCI) rose slightly during the period with many local counters experiencing minimal price movements. The local index commenced the month at 339.17 and closed at 339.42 representative of a 0.07 percent marginal increase. The All Share Index (ALSI) decreased by 4.98 percent to 1,301.56 from 1,369.84 at the start of the month. Refer to ALSI/LCI graph below.

July 2020 Indices Graph:

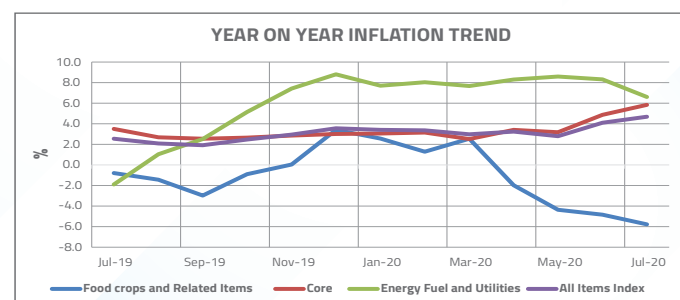


Source: USE Product Markets Department

ECONOMIC & FINANCIAL DEVELOPMENTS:

INFLATION – OUTLOOK AND RISKS

Year on year headline inflation rose to 4.7 percent in the 12 months to July 2020 compared to 4.1 percent registered in the year ended June 2020. According to the Uganda Bureau of Statistics (UBOS), this rise was a result of higher annual core inflation driven by increased transport costs following the implementation of COVID-19 preventive measures. Annual Core Inflation rose to 5.8 percent in the year to July 2020. Food Prices remain low with Annual Food Crops and related Items inflation posting a deflation of 5.8 percent in July 2020 compared to a deflation of 5 percent registered in the 12 months to June 2020. Annual Energy, Fuel and Utilities Inflation declined from 8.3 percent in June 2020 to 6.6 percent in July 2020 due to lower prices of charcoal during the period. Notably, month on month headline inflation rose by 0.2 percent in July 2020, much slower compared to 1.2 percent increase posted in June 2020. Inflation is forecast to remain below the Central Bank's target of 5 percent over the short term due to sustained subdued economic activity as a result of the COVID-19 pandemic coupled with a stable Uganda Shilling.

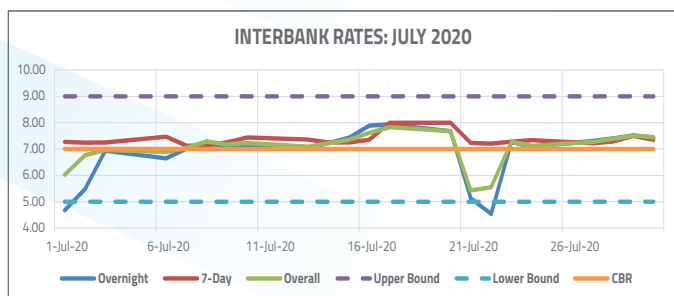


INTEREST AND LENDING RATES

Interbank Money Market Rates

Overnight rates rose marginally in July 2020 to 6.9 percent from 6.5 percent registered in June 2020. On the other hand, the 7-Day interbank rate fell to 7.3 percent last month compared to 7.5 percent in June 2020. Year on year, overnight rates have declined reflecting the accommodative monetary policy stance pursued by Bank of Uganda with the Central Bank Rate (CBR) currently at 7 percent. Indeed, the CBR continues to anchor movements in the 7-day money market rate as depicted below:

Interbank Rates: July 2020



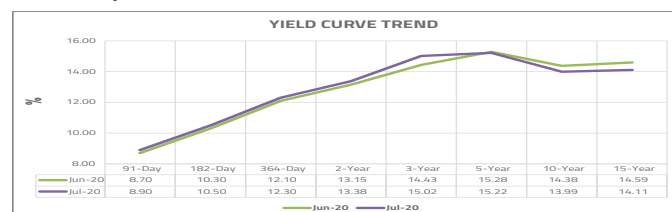
Yields on Government securities

Treasury bill yield rose slightly in the month of July 2020 with the 91-Day, 182-Day and 364-Day closing the month at 8.9 percent, 10.5 percent and 12.3 percent, respectively. Investor demand was mainly focused on the 182-Day Treasury bill ahead of the General Elections scheduled for the first quarter of 2021. The medium portion of the yield curve rose slightly with the biggest increments registered on the 3-year government paper whose rate rose to 15.02 percent at the end of July 2020 from 14.43 percent at the end of June 2020.

The longer end of the curve came off with the 10-year and 15-year dropping to 13.99 percent and 14.11 percent, respectively at the end of July 2020. Bond market activity declined slightly last month to a value of Ugx 944.3Mln compared to Ugx 1 Trillion registered in June 2020. The expansionary monetary policy stance coupled with a stable local currency witnessed over the past months has supported relative stability of the yield curve. Higher government borrowing ahead of the 2021 General Elections presents a risk of rise in yields

over the short to medium term.

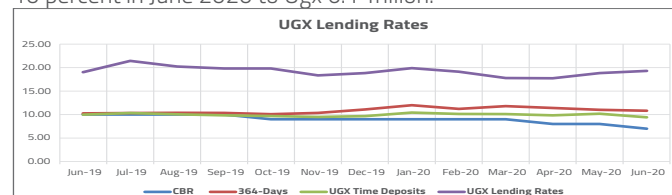
Secondary Market Yields on T-bills and T-bonds



Source: Bank of Uganda

Lending rates

Lending rates on shillings denominated loans rose further in the month of July 2020. According to data from Bank of Uganda, UGX lending rates were recorded at 19.3 percent in June 2020 compared to 18.8 percent in May 2020. Notably, year on year UGX lending rates are higher at 19.3 percent in June 2020 from 19.0 percent in June 2019. This shows the increased risk as a result of the effects of the Covid-19 pandemic on the economy. Total UGX commercial banks' lending to the private sector rose marginally by 0.9 percent to Ugx 9.9 Trillion in June 2020. US Dollar denominated lending rates also rose to 5.5 percent in June 2020 compared to 4.2 percent recorded in May 2020. Foreign currency denominated loans rose by 10 percent in June 2020 to Ugx 6.1 Trillion.



Source: Bank of Uganda

FOREIGN EXCHANGE RATE DEVELOPMENT

The Uganda Shilling appreciated by 0.9 percent month-on-month to an average of 3,686 in July 2020 compared to an average of 3,730 posted in June 2020. The local currency was supported by muted demand from corporate and importers during the period as a result of slower economic activity. Year to date, the local currency has weakened by 0.6 percent compared to an average of 3,680 recorded in January 2020. The Uganda Shilling is expected to remain stable over the short term due to slow economic activity. However, the currency is forecast to come under pressure as economic activity

recovers over the medium term. Source: Bank of Uganda Statistics.

BOND LISTINGS:

There were 2 treasury bonds re-opened in July 2020 with a value of UGX 370bn 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 12.9 Trillion.

Government Bond Schedule: July –2020

INSTRUMENT CODE	ISIN	ISSUED SHARES	ISSUE DATE	RATE	MATURITY
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	1.615TN	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	905BN	2013/04/24	11.00	2023/04/13
FXD/1/2014/10YR	UG12J1801248	710BN	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	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	1.865TN	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	1.345TN	2019/07/11	14.25	2034/06/22

Corporate Bond Activity: July 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 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: JULY 2020

UMEME LIMITED Annual General Meeting Notice:

Umeme Limited issued a notice to shareholders for the company's Annual General Meeting (AGM) which was to be held by electronic means (online/virtual meeting). The AGM was scheduled for Thursday, 6th August 2020 at 10am. According to the notice, some of the business that was to be conducted at the meeting included to receive the audited financial statements for the year ended 31st December 2019, to receive and adopt the recommendation of the Directors on the declaration of a final dividend for the year 2019 among others. The meeting was also to conduct special business which included a special resolution amending the Company's Articles of Association to include the conduct of general meetings in a virtual/electronic manner and receive an update on the concession extension process.

Dividend Information

2019 Final Dividend: Following the deferral of Annual General Meetings as per the Uganda Securities Exchange market notice dated 28th April 2020, Umeme informs its shareholders that the previously published book closure and dividend payment dates have been revised. The dividend, if approved at the AGM, will be paid on or about 17th August 2020 to shareholders whose names appear on the Share Register at the close of business on 28th July 2020. Full Announcement is available on our website: <https://use.or.ug/content/umeme-notice-annual-general-meeting>. Source: *UMEME Ltd notice of the annual general meeting dated 16th July 2020*

UGANDA CLAYS LIMITED

Uganda Clays Limited released their audited financial statements for the year ended 31.12.2020

Revenue for the period was US\$ 30.7 billion and was largely the same as the prior year 2018 which was US\$ 30.0 billion. There was a reduction in the gross margin of 4% compared to the prior year (2019: 31%, 2018: 35%). This was a result of machine down time at the Kamonkoli plant during the annual maintenance shutdown, in addition to a reduction in the firing capacity occasioned by scarcity of coffee husks which are the main fuel source. There

was a 29% increase in the total overheads. This is majorly attributed to professional and consultancy costs incurred in the period and increased distribution costs. Notable improvement was realised in the ICT environment to improve business processes and controls. Additionally, a provision was made in the financial statements in compliance with IFRS 9.

Dividend

The Board of Directors does not recommend a dividend payment for the year ended 31 December 2019. **The Annual General Meeting for the year 2019 shall be held on 25th September 2020 at 2:30 pm.** Further details to be availed in the AGM Notice which will be published not less than 21 days before the date of the meeting. **Full details of the financial statements are available on our website: <https://use.or.ug/content/uganda-clays-limited-financial-statements>**

KENYA AIRWAYS

CAUTIONARY ANNOUNCEMENT: NATIONALISATION OF KENYA AIRWAYS PLC

Kenya Airways PLC issued a cautionary announcement to shareholders and investors on the potential nationalization of the company. According to the statement, KQ has been in discussions with the Government with respect to collaboration between KQ and other stakeholders in the Kenyan aviation industry, including a possible restructuring of the operations and corporate structure of KQ. To this end, the National Aviation Management Bill 2020 that sets out the legal framework for the nationalisation of KQ has been tabled in Parliament. The nationalisation (completion of which would be subject to all applicable legal and regulatory approvals) may, once confirmed in greater detail, have a material effect on the price of KQ's securities. Accordingly, shareholders and investors are advised to exercise caution when dealing in KQ's securities until a further announcement is made. Full Announcement is available on our website: <https://use.or.ug/content/kenya-airways-cautionary-statement>. Source: *Kenya Airways PLC Cautionary announcement issued July 2020*

STANBIC UGANDA HOLDINGS LIMITED

STANBIC UGANDA HOLDINGS LIMITED CIRCULAR TO SHAREHOLDERS

Stanbic Uganda Holdings Ltd issued a circular to shareholders in respect of the proposed amendment to the Articles of Association of

Stanbic Uganda Holdings Ltd (the Company). The notice of the Annual General Meeting (AGM) of the Company for the year ended December 31st, 2019 to be held by electronic means on Friday July 17th, 2020 formed part of this circular. The purpose of the circular was to provide background information related to the special business of the AGM regarding the proposed amendment of the Company articles of association which sought to provide for the conduct of general meetings in a virtual and hybrid manner, in addition to the physical meetings. Full Announcement is available on our website: <https://www.use.or.ug/sites/default/files/SUHL%20Circular%20TO%20Shareholders%20-%20Amendment%20of%20Articles.pdf>
Source: Stanbic Uganda Holdings Ltd Circular to Shareholders

BRITISH AMERICAN TOBACCO UGANDA (BATU)

BATU Released their unaudited financial results for the six months ended 30.06.2020

Financial performance:

Notwithstanding the challenges caused by COVID-19, the company demonstrated resilience and maintained profitability during the period. Gross revenue reduced by 12% to UGX 76 billion due to lower sales volumes reflecting the impact of the Covid-19 pandemic. Net revenue decreased by 5% to UGX 36.7 billion in line with the decline in gross revenue, partially offset by improved product mix. The total cost of operation reduced by 7% to UGX 26.8 billion driven by lower sales volume and prudent cost management measures. The decline in cost of operations more than offset the reduction in net revenue, resulting in an increase in the operating margin 1.7 % points to 27.1%. Profit before tax increased by 2% to UGX 9.9 billion, reflecting the growth in profit from operation and lower financial costs. Cash generated from operations increased by 67% to UGX 16.7 billion driven by improved profitability and benefits of effective working capital management during the period.

Contributions to Government revenues

Contribution to government revenues inform of exercise duty, value added tax and cooperation tax reduced by UGX 7.3 billion to UGX 42.9 billion in line with lower sales revenue. Illicit trade in tax-evaded cigarettes continues to impact industry and government revenues. We estimated that illicit trade in tax evaded cigarettes denies the government UGX 30 billion in revenue annually. We recognize the opportunity presented by the implementation of Digital Tracking Solution (DTS) by the Uganda Revenue Authority in addressing this challenge and will continue to engage with relevant government agencies to support the fight against illicit trade in cigarettes. Full details of the financial statements are available on our website: <https://use.or.ug/content/batu-financial-results>. Source: Stanbic Uganda Holdings Ltd Circular to Shareholders

EDUCATION COLUMN

UNDERSTANDING GOVERNMENT SECURITIES.

What are Government Securities?

In the investing world, government security applies to a range of investment products offered by a governmental body. In Uganda, there are two types of Government Securities: Treasury Bills (T-Bills) and Treasury Bonds (T-Bonds). Governments of many nations will issue these debt instruments to fund ongoing, necessary, operations. Government securities come with a promise of the full repayment of invested principal at maturity of the security. Some government securities may also pay periodic coupon or interest payments.

Government Securities Explained

Government securities are debt instruments issued by a sovereign government. They sell (issue) these products to finance day-to-day governmental operations and provide funding for special infrastructure and military projects. These investments work in much the same way as a corporate debt issue. Corporations issue bonds as a way to gain capital for buying equipment, funding expansion, and

paying off other debt. By issuing debt, governments can avoid hiking taxes or cutting other areas of spending in the budget each time they need additional funds for a project. After issuing government securities, individual and institutional investors will buy them to either hold until maturity or sell to other investors on the secondary bond market. Investors buy and sell previously issued bonds in the market for a variety of reasons. They may be looking to earn interest income from the bond's periodic coupon payments or to allocate a portion of their portfolio into conservative risk-free assets. These securities are considered conservative investments with low-risk since they have the backing of the government that issued them.

Types of Government securities

Although there are many types of government securities, we have outlined a few of the most popular below:

- **Treasury bills:** These are short-term government securities. The T-bill matures within one year from issuance and does not pay periodic interest. Investors can buy the security at a lower price than its face value, or a discount. When the bill matures, investors are paid the face value amount. The interest earned or return on the investment is the difference between the purchase price and the face value amount of the bill. The available maturities for T-Bills in Uganda are: 91 Days (3 Months), 182 Days (6 Months) and 364 Days (1 Year)
- **Treasury bond:** A Bond is a type of promissory note under which an issuer such as Bank of Uganda (BOU) owes a debt to the purchaser of the bond. Depending on the terms of the Bond, the issuer is obliged to pay interest (coupons) at fixed intervals (semiannual or annual) and/or repay the debt (Face Value) later termed as the maturity. A bond is characterized by: Face Value, Coupon rate (rate of interest you receive every six months, semiannually) and Maturity. The Bond Market in Uganda is dominated by Bank of Uganda securities. Treasury bonds typically have par values in multiples of Ugx 100,000 and are sold on auction on Treasury Direct. Bank of Uganda issues T-Bonds with the following maturities: 2 Years, 3 Years, 5 Years, 10 Years and 15 Years.
- **A municipal bond** is a government bond issued by states, cities, and counties to fund capital projects, such as building roads, schools, and hospitals. In the US, the interest earned from these bonds is tax exempt from federal income tax. Also, the interest earned on a municipal bond might be exempt from state and local taxes if the investor resides in the state where the bond is issued. The municipal bond has several maturity dates in which a portion of the principal comes due on a separate date until the entire principal is repaid.
- **Treasury notes (T-notes):** These are issued by the U.S. Treasury and are intermediate-term bonds that mature in two, three, five, or 10 years. T-Notes usually have a face value of \$1,000 and pay semiannual interest payments at fixed coupon rates or interest rates. The interest payment and principal repayment of all Treasuries are backed by the full faith and credit of the government, which issues these bonds to fund its debts.

KEY TAKEAWAYS

- Government securities come with a promise of the full repayment of invested principal at maturity of the security.
- Government securities often pay periodic coupon or interest payments.
- Government securities are considered conservative investments with a low risk since they have the backing of the government that issued them.
- However, these securities may pay a lower rate of interest than corporate bonds.

U.S. vs. Foreign Securities

As mentioned earlier, the United States is only one of many countries

that issues government securities to fund operations. U.S. Treasury bills, bonds, and notes are considered risk-free assets due to their backing by the American government. Italy, France, Germany, Japan, Uganda and many other nations also float government bonds. However, government securities issued by foreign governments can carry the risk of default, which is the failure of paying back the principal amount invested. If a country's government collapses or there's instability, a default can occur. When purchasing foreign government securities, it is important to weigh the risks, which can include economic, country, and political risks. Although U.S. government securities or Treasuries are risk-free investments, they tend to pay lower interest rates as compared to corporate bonds. As a result, fixed-rate government securities can pay a lower rate than other securities in a rising rate environment, which is called interest rate risk. Also, the low rate of return may not keep up with rising prices in the economy or the inflation rate.

Buying Government Securities

In Uganda, Commercial banks, Insurance companies, Private companies, Government agencies, Pension funds, Individuals (of at least 18-year-old), Primary dealer banks and offshore investors can buy government bonds. Government Securities in Uganda are subject to Withholding Tax of 20 percent for maturity periods below 10 years and Withholding Tax of 10 percent for maturity periods above 10 years. This is charged on the Capital Gain (difference between the Face Value and the Purchase Value). Treasury Bill auctions are held fortnightly (every two weeks) while Treasury Bonds occur according to a timetable issued by the Bank of Uganda (BoU).

The link below shows the timetable for T-Bills and Bonds issuance in the current financial year FY20/21: <https://www.bou.or.ug/bou/bouwebsite/bouwebsitecontent/FinancialMarkets/Bills-and-Bonds-Calendar/Auction-Calendar-2020-2021.pdf>The Settlement cycle for government bills and bonds is T+1 (where T is auction day) while on the Secondary Market, settlement is on T which is the day of trade. When bidding in the auctions, there are two categories: Competitive (\geq UGX 200,100,000) who determine the rates that they can get in the auction, and Noncompetitive (\leq UGX 200,000,000) who will get the average (VWAP).

Controlling Money Supply Through Government Securities

The Central Bank controls the flow of money through many policies, one of which is selling of government bonds. As they sell bonds, they reduce the amount of money in the economy and push interest rates upward. The government can also repurchase these securities, affecting the money supply and influencing interest rates. These are called open market operations (OMO), the Central bank buys bonds on the open market, reducing their availability and pushing the price of the remaining bonds up. As bond prices rise, bond yields fall driving interest rates in the overall economy lower.

New issues of government bonds are also issued at lower yields in the market further driving down interest rates. As a result, a Central Bank can significantly impact the trajectory of interest rates and bond yields for many years. The supply of money changes with this buying and selling, as well. When the Central Bank repurchases Treasuries from investors, the investors deposit the funds in their bank or spend the money elsewhere in the economy. This spending, in turn, stimulates retail sales and spurs economic growth. Also, as money flows into banks through deposits, it allows those banks to use those funds to lend to businesses or individuals, further stimulating the economy.

Pros

- Government securities can offer a steady stream of interest income
- Due to their low default risk, government securities provide a safe-haven for investments
- Some government securities are exempt from state and local taxes

- Government securities can be bought and sold easily
- Government securities are available through mutual funds and exchange-traded funds
- Although stock prices can fluctuate over time, government securities usually have less price volatility risk

Cons

- Government securities offer low rates of return relative to other securities
- The interest rates of government securities may not keep up with inflation especially in the case of fixed interest rates
- Government securities issued by foreign governments can be risky
- Government securities often pay a lower rate in a rising-rate market especially in the case of fixed interest rates

Risks of Government Securities (Explained):

Although there are many benefits to government securities and are often considered safe and stable investments, there are some risks associated with them. Investors must weigh the pros and cons of before investing in government securities. Investing in government securities usually results in low returns and slow capital appreciation or price increases.

The principal amount invested can be tied up for a long time, particularly in the case of long-term bonds with maturities greater than 10 years. As a result, investors do not have access to the cash and may take a loss if they need the money and cash in their bonds early. Also, since government securities can often pay a lower return than equities, there is the opportunity of lost income.

Government securities have interest rate risk meaning the rate paid by the security could be lower than interest rates in the overall market. For example, an investor that purchased a bond paying 2% per year might lose out if interest rates rise over the years to 4%. Government securities provide a fixed interest payment regardless of where interest rates move during the life of the bond. If rates rise, existing bondholders might lose out on the higher rates.

Inflation erodes the return on fixed-rate bonds. Inflation is an overall measure of rising prices in the economy. Since the interest rate paid on most bonds is fixed for the life of the bond, inflation risk can be an issue if prices rise by a faster rate than the interest rate on the bond. If a bond pays 2% and inflation is rising by 4%, the bondholder is losing money when factoring in the rise in prices of goods in the economy. Ideally, investors want fixed-income security that pays a high enough interest rate that the return beats out inflation.

Real World Examples of Fixed-Income Securities

T-Bonds provide semiannual interest payments and usually have face values in multiples of Ugx 100,000. On the other hand Treasury bills are short term securities with maturities ranging from 3 Months (91-Day) to 1-Year (364-Days). These securities are also issued in multiples of Ugx 100,000.

The 1-year Treasury bill that was issued on July 30th, 2020, paid a rate of 12.30%. In other words, investors would be paid 12.3% or Ugx 12,300 on their Ugx 100,000 investment for the year. The Ugx 100,000 principal would be paid back in 1 year.

On the other hand, the 10-year Treasury bond that was issued June 11, 2020, paid a rate of 14.75%. The bond also pays semiannual interest payments at fixed coupon rate (14.25%) and usually is issued in multiples of Ugx 100,000 face value. Each bond would pay Ugx 7,125 every six months until maturity.

We can see that the shorter-term bond pays a lower rate than the

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
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Mr. Mohan Prashantam

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Ms. Esther Kakiza

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Ms. Nkundizana Christine

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Website: www.crestedcapital.com

Mr. Robert H. Baldwin

UAP OLD MUTUAL FINANCIAL SERVICES LTD

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Mr. Mwebaze Simon

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Tel: +256 0312 224 600
Email: sbgs_uganda@stanbic.com

Mr. Kitungulu Kenneth



**Uganda
Securities Exchange**

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