



Uganda Securities Exchange

Monthly Bulletin

June 2020

ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The trading volume for June 2020 was 3,862,908 shares with a turnover of UGX 279,839,205. This month's turnover performance was an 87.9% decrease from 64,829,448 shares worth UGX 2,317,738,533 that was recorded in June 2019. The COVID-19 pandemic continues to have adverse social and economic effects which have led to a sharp decline in financial market sentiments.

Activity in the sixth month of the year declined by 43.7% to a turnover of UGX 280 million from UGX 497 million recorded in May 2020. This represents a daily average turnover of approximately UGX 14 million. However, Volume traded rose to 3.8 million shares compared to 2.9 million shares traded in May 2020. The number of deals presented a slight increase of 158 deals up from 92 deals executed in May 2020, with 68.5 per cent of the deals attributed to the Stanbic counter.

Turnover performance per counter

UMEME counter dominated activity for the month. It accounted for 70.63 percent of the total turnover, followed by Stanbic with 22.69 percent. In third position was Bank of Baroda Uganda with 3.75 per cent contribution. CIPLA, Uganda Clays Limited, DFCU, National Insurance Corporation Uganda and New Vision Limited combined contributed 2.93 percent to 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 68.48 percent, followed by UMEM with 20.88 percent. Uganda Clays Limited came third with 4.55 percent of the volume, while National Insurance Corporation Uganda was in the fourth position with 2.43 percent of the total volume. Bank

of Baroda Uganda and CIPLA accounted for 2.39 per cent and 1.21 percent, respectively. DFCU had the least number of shares traded amounting to 1,653 shares, representing approximately 0.04 per cent of total number of shares exchanged during the month.

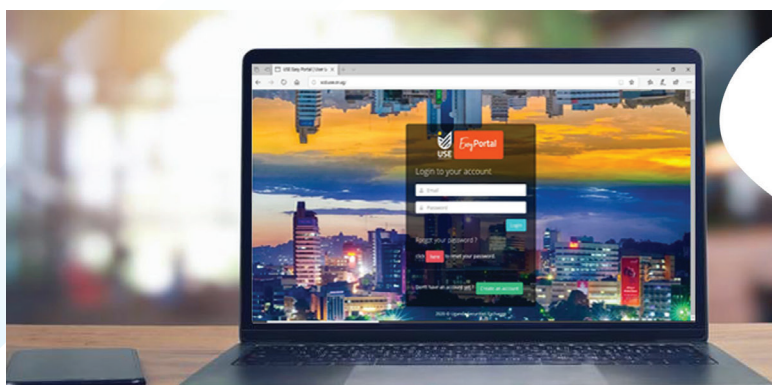
Monthly Trading Volumes and Activity (Year-on-Year)

	June 2020	June 2019
Volume Traded	3,862,908	64,829,448
Turnover (UGX)	279,839,205	2,317,738,533
No. of Deals	158	564
Trading Days	20	18
Daily Avg. Turnover (UGX)	13,991,960	128,763,252
Daily Avg. No. of trades	8	31
Market Capitalization (UGX.bn)	19,089.50	22,656.49
USE All Share Index (ASI)	1,369.84	1,614.8
Local Share Index (LSI)	339.17	375.97

Source USE Product Markets Department

USE Index Results

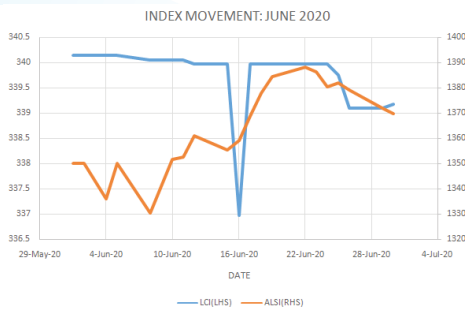
The Local Company Index (LCI) declined slightly during the period with most local counters experiencing minimal price movements. The local index commenced the month at 340.14 and closed at 339.17, representative of a 0.29 percent decrease. The All Share Index (ALSI) increased marginally by 0.02 percent to 1369.84 from 1369.52 at the start of the month. Refer to ALSI/LCI graph below:



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June 2020 Indices Graph:



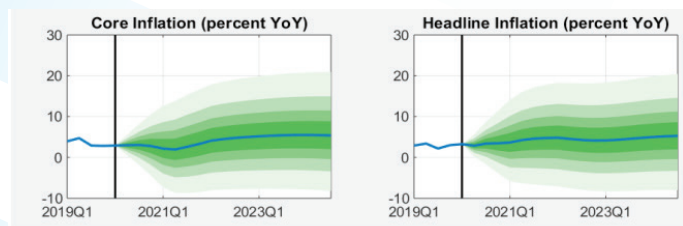
Source: USE Product Markets Department

ECONOMIC & FINANCIAL DEVELOPMENTS:

INFLATION:

Annual Headline Inflation rose to 4.1 percent in the 12 months to June 2020, from 2.8 percent registered in May 2020. According to the Uganda Bureau of Statistics (UBOS), this rise was attributed to a rise in year on year Core inflation which increased to 4.9 percent in June 2020 from 3.2 percent in the previous month. The higher Core inflation was driven by higher transport costs which resulted into increased annual services inflation. Year-on-year Food crops inflation declined to a deflation of 4.8 percent in June 2020 compared to a deflation of 4.4 percent recorded in May 2020 due to lower prices of bananas and other fruits. Annual Electricity, Fuel and Utilities Inflation fell from 8.6 percent in May 2020 to 8.3 percent in June 2020 due to drop in prices of charcoal and firewood. Headline inflation averaged 3 percent in FY2019/20 from 3.1 percent registered in FY2018/19. Month-on-month inflation for June 2020 posted a 1.2 percent increase compared to a 0.1 percent drop registered in May 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. The Bank of Uganda inflation forecasts are shown in the figure below.

Inflation Outlook



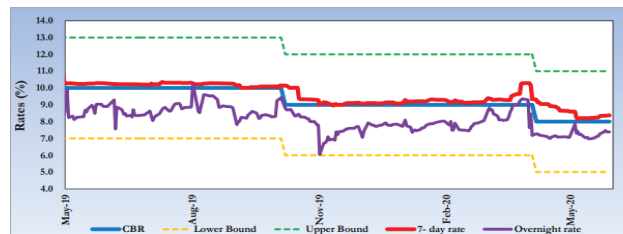
Source: Bank of Uganda (June 2020 Monetary policy report)

INTEREST AND LENDING RATES

Interbank Money Market Rates

Interbank money market rates were aligned to the Monetary Policy stance in June 2020. The Monetary Policy Committee (MPC) reduced the Central Bank Rate (CBR) to 7% in the Meeting held in June. This was a 1% decline from 8% that was announced in April 2020. Overnight rates averaged 6.6 percent in June 2020, down from 7.4 percent in May 2020. The 7-day interbank rate also posted a decline averaging 7.6% in June 2020 compared to 8.4% recorded in May 2020. Indeed, the CBR continues to anchor movements in the 7-day money market rate as depicted below

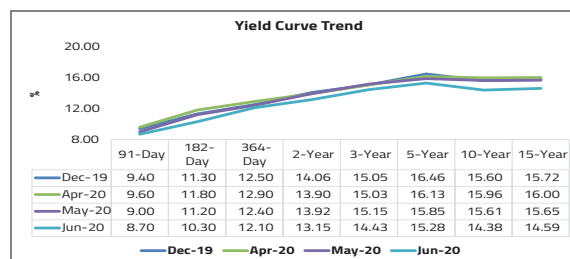
The 7-day Inter Bank Rate and Central Bank Rate



Yields on Government securities

Treasury bills yields declined further in June 2020 as the market reacted to a more accommodative monetary policy stance taken by the Central Bank. The 91-Day, 182-Day and 364-Day rates dropped to 8.7 percent, 10.3 percent and 12.1 percent in June 2020 from 9 percent, 11.2 percent and 12.4 percent in May 2020, respectively. The medium- and long-term portions of the yield curve also fell in June 2020. Yields on the 10-year and 15-year posted the largest drops month-on-month to 14.4 percent and 14.6 percent from 15.6 percent and 15.7 percent in May 2020. The 2-year, 3-year and 5-year rates close June 2020 at 13.2 percent, 14.4 percent and 15.3 percent, respectively. Bond market activity increased in June 2020 with a turnover of Ugx 1 Trillion registered, up from Ugx 796.6 Billion in May 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. The yield curve trend is shown in the Figure below:

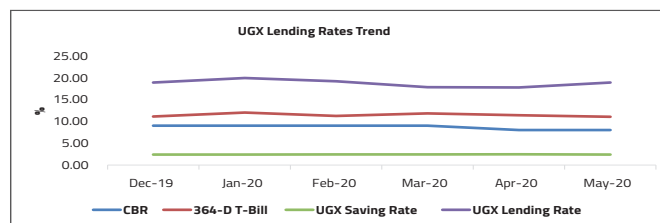
Secondary Market Yields on T-bills and T-bonds



Source: Bank of Uganda

Lending rates

Shilling denominated lending rates rose to 18.8% in May 2020 from 17.7% in April 2020. On other hand, lending rates on foreign currency denominated loans averaged 4.2 percent in May 2020 from 6.2 percent in April 2020. The accommodative monetary policy stance taken by the Central Bank were yet to take full effect by the end of May 2020. According to the Bank of Uganda June Monetary Policy, the Central Bank reiterated its commitment to maintain an adequate supply of liquidity in domestic markets, to encourage lending by financial institutions to households and businesses.

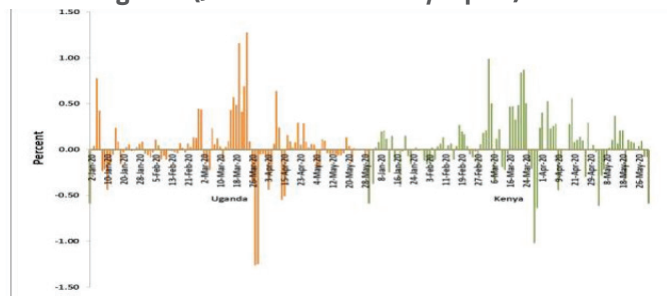


Source: Bank of Uganda

FOREIGN EXCHANGE RATE DEVELOPMENT

The Uganda Shilling posted a 1.41 percent appreciation month on month against the USD to 3,737.9 in June 2020 from 3,791.5 in May 2020. The local currency was supported by muted demand from corporate companies and importers during the period as a result of slower economic activity. Year-on-year, the shilling had depreciated by 0.24 percent to 3,737.9 in June 2020 from 3,729 in June 2019. 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.

Bank of Uganda (June 2020 Monetary report)



Source: Bank of Uganda and Central Bank of Kenya

BOND LISTINGS:

There were 2 treasury bonds re-opened in June 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 12.6 Trillion.

Government Bond Schedule: June –2020

INSTRUMENT CODE	ISIN	ISSUED SHARES	ISSUED ATE	RATE	MATURITY
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	1.615TN	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	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	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	1.105TN	2019/07/11	14.25	2034/06/22

Corporate Bond Activity: June 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: JUNE 2020

STANBIC HOLDINGS UGANDA LIMITED ANNUAL GENERAL MEETING

Stanbic Uganda Holdings Ltd issued a Notice to shareholders for the company's Annual General Meeting (AGM) for the year ended December 31st, 2019. According to the Notice, the AGM will be held by electronic means on Friday, July 17th, 2020 at 11am. A virtual general meeting is a meeting where shareholders are given the opportunity to attend the meeting using an online platform which allows them to vote, ask questions and participate electronically in real-time instead of attending the meeting at a physical venue. To participate in the virtual AGM, shareholders are advised to register by following the instructions below; a. Dial *284*32# (Uganda mobile networks) or *483*801# (Kenya mobile networks) and follow the prompts, or b. Send an email request to suhlagm@image.co.ke. Registration commences on Wednesday June 24th, 2020 at 8:00 am and closes 48 hours before the AGM. The Notice is available on our website: <http://use.or.ug/content/stanbic-uganda-holdings-limited-notice-agm> (SOURCE: Stanbic Holdings Uganda Ltd AGM Notice issued on June, 24th 2020.)

Update on STANBIC Uganda Holdings Ltd Dividend payment for the period ended December 31st, 2019

The Chairman Board of Directors for Stanbic Uganda Holdings Ltd provided an update to shareholders on the dividend payment for the period ended December 2019. This was a follow up to the communication made on April 15th, 2020 regarding the Bank of Uganda (BOU) directive to Supervised Financial Institutions (SFIs) to defer payment of all discretionary distributions including dividends. Shareholders were advised that BOU declined a request by Stanbic Bank Uganda (a wholly owned subsidiary of Stanbic Uganda Holdings Ltd) for exception. The dividend payable by Stanbic Bank Uganda Ltd (a wholly owned subsidiary of Stanbic Uganda Holdings Ltd) forms the dividend pool for SUHL shareholders. As a result, the Board of Directors advised that as a result, no dividend for the period ended December 31st, 2019 will be recommended to SUHL shareholders for approval at the Annual General Meeting scheduled for Friday, July 17th 2020. The Board assured shareholders that the Bank subsidiary remains liquid and well capitalized with sufficient buffers well above the regulatory requirements. The Full Statement is available on our website: <http://use.or.ug/content/stanbic-uganda-holdings-limited-market-notice> (Source: Stanbic Holdings Uganda Ltd Update on Dividend payment for the Year ended 31st December 2019)

Incorporation of Stanbic Business Incubator Limited

Stanbic Uganda Holdings (SUHL) Ltd informed its shareholders and general public that it had established Stanbic Business Incubator Limited, a SUHL wholly owned subsidiary. Stanbic Business Incubator Limited is a private company limited by guarantee and its main objective is to provide capacity building and development support to small and medium enterprises operating in Uganda. The subsidiary will be operational effective June 1, 2020. The Full notice is available on our website: <http://use.or.ug/content/incorporation-stanbic-business-incubator-limited>.

CIPLA Quality Chemicals Industries Limited

CiPLA QCI released their full year results for the year 2019-2020. Revenue Local sales increased by 18% in FY 2019-20 due to increased orders from international health organisations for delivery in Uganda. Reduction in export sales by 53% resulted mainly from suspension of sales to Government of Zambia (GOZ) due to delayed payments for previous deliveries. The benefit of the increase in local sales reduced the impact of ceasing sales to the GOZ. This resulted in sales closing at UGX 193 billion (2019: UGX 195 billion). Gross profit reduced from 27% in FY 2018-19 to 19% in FY 2019-20 mainly due to change in product mix in the new orders received after suspension of sales to GOZ and increase in orders from international health organizations.

The margins were further affected by increased competition in some of the product ranges, which in turn, put pressure on pricing to remain competitive. Impairment allowance on financial assets increased by UGX 29 billion from UGX 3 billion (FY 2018-19) to UGX 32 billion (FY 2019-20) due to the continued delay in receiving payments from GOZ. The board of Directors do not recommend payment of a dividend for the financial year ended 31 March 2020 (2019: Nil). Full details of the financial statements are available on our website: <http://use.or.ug/content/cipla-qcil-2019-20-financial-results>

NIC HOLDINGS UGANDA LIMITED.

CAUTIONARY ANNOUNCEMENT

NIC Holdings issued a cautionary announcement in line with Rules 38, 40(1) and Appendix 4 of the Uganda Securities Exchange Listing Rules 2003. The Profit Warning announcement highlighted that although business income grew by 15%, there has been a 44% increase in the loss after tax (LAT). The increase in LAT arose mainly from:

- (i) The 3,394% increase in impairment provision on receivables from Ushs 34.15 million in 2018 to Ushs 1.19 billion in 2019 due to the implementation of the insurance industry premium payment policy on "cash and carry" basis,
- (ii) The 7,322% increase in actuarial liability adjustments from Ushs 16.40 million in 2018 to Ushs 1.22 billion in 2019. These are adjustments arising from technical provisions advised by the Group's Actuary; and
- (iii) The more than Ushs 1.59 billion fair value loss on the Group's quoted equities.

The public was advised to exercise caution in their shares transactions and seek relevant financial advice. Full Announcement is available on our website: <http://use.or.ug/content/cautionary-announcement-nic-holdings>

NIC also released their Consolidated Financial Statements for the year ended December 31, 2019. Total assets decreased by 5.93% in 2019 to UGX 94.9 billion from UGX 100.9 billion in 2018. Loss after Tax increased by 43.7% in 2019 to UGX 2.7 billion from UGX 1.9 billion in 2018. The 19th Annual General Meeting of NIC Holdings Limited ("the Company") will be held via ZOOM on Thursday, 30th July, 2020 at 2.00 pm prompt.

Full announcement of financial statements available on our website: <http://use.or.ug/content/extract-2019-audited-financial-statements-nic-holdings>

EQUITY GROUP HOLDINGS PLC

Update on proposed transaction for the acquisition of banking businesses in Rwanda, Tanzania, Zambia and Mozambique by Equity Group Holdings PLC (egh) on 2 January 2020, EGH published an update on the proposed acquisition of banking assets from Atlas Mara Limited (ATMA) in Rwanda, Tanzania, Zambia and Mozambique in exchange for shares in EGH (the Proposed Transaction). In the update, EGH announced that while EGH and ATMA were yet to sign a detailed transaction agreement and the binding term sheet in respect of the Proposed Transaction had expired, EGH and ATMA would continue further discussions in early 2020 to try to reach mutually acceptable commercial terms with respect to the Proposed Transaction, or a variant of it. EGH also announced that there was no certainty that a transaction would materialise. By way of update, EGH has continued to engage with ATMA regarding the Proposed Transaction or a variant of it.

The board of directors of EGH (the Board) have however considered the events that have taken place since the date of the above public announcement and particularly the effects of the COVID-19 pandemic to both the world and the economies in which EGH Group entities operate. After careful consideration, EGH and ATMA have mutually agreed to discontinue discussions on the Proposed Transaction, or a variant of it, for the foreseeable future. The reasons for this decision include the need to refine EGH's strategy given the COVID-19 pandemic. This refinement entails conserving cash and liquidity (including the non-declaration of dividend for the financial year ended 31 December 2019) and deploying it to support customers in existing businesses.

At the same time management will continue to place focus on accelerating the push to digital channels and growing the Equity Group's various non-funded income franchises while re-evaluating the acquisition of new businesses where significant capital injection and managerial attention is required. EGH however remains committed to its strategic objective of expanding its footprint in Africa to provide access to competitive, tailored financial services to improve people's lives and livelihoods whilst also delivering significant value to its stakeholders and to its vision of building sub-Saharan Africa's premier financial institution through delivering innovative products and services to customers, including, in particular, the effective use of technology. Consequently, EGH will continue to evaluate opportunities to expand its footprint. EGH will in the usual manner ensure that it keeps the shareholders and the investing public informed of any developments in this regard. Full statement available on our website: <http://use.or.ug/content/market-notice-egh-plc>

EDUCATION COLUMN

UNDERSTANDING BONUS ISSUE

What is a Bonus Issue?

A bonus issue, also known as a scrip issue or a capitalization issue, is an offer of free additional shares to existing shareholders (is a stock dividend, allotted by the company to reward the shareholders). A company may decide to distribute further shares as an alternative to increasing the dividend payout. For example, a company may give one bonus share for every five shares held. Bonus issues

are given to shareholders when companies are short of cash and shareholders expect a regular income. Shareholders may sell the bonus shares and meet their liquidity needs. Bonus shares may also be issued to restructure company reserves. Issuing bonus shares does not involve cash flow. It increases the company's share capital but not its net assets. The bonus shares are issued out of the reserves shares of the company. Bonus shares are issued according to each shareholder's stake in the company. For example, a three-for-two bonus issue entitles each shareholder three shares for every two they hold before the issue. A shareholder with 1,000 shares receives 1,500 bonus shares ($1000 \times 3 / 2 = 1500$). At the bourse there are several listed companies that have issued bonus shares to their shareholders namely Stanbic, Bank of Baroda Uganda, National Insurance Corporation and DFCU. Bonus shares are not taxable. But the stockholder may have to pay capital gains tax, if they sell them.

KEY TAKEAWAYS

- A bonus issue of shares is stock issued by a company in lieu of cash dividends. Shareholders can sell the shares to meet their liquidity needs.
- Bonus shares increase a company's share capital but not its net assets.

Advantages and Disadvantages of Issuing Bonus Shares

Companies low on cash may issue bonus shares rather than cash dividends as a method of providing income to shareholders. Because issuing bonus shares increases the issued share capital of the company, the company is perceived as being bigger than it really is, making it more attractive to investors. In addition, increasing the number of outstanding shares decreases the stock price, making the stock more affordable for retail investors. Bonus shares give a positive sign to the market that the company is committed towards a long term growth story. Bonus shares increase the outstanding shares which in turn enhances the liquidity of the stock. The perception of the company's size increases with the increase in the issued share capital. However, issuing bonus shares takes more money from the cash reserve than issuing dividends does. Also, because issuing bonus shares does not generate cash for the company, it could result in a decline in the dividends per share in the future, which shareholders may not view favorably. In addition, shareholders selling bonus shares to meet liquidity needs lowers shareholders' percentage stake in the company, giving them less control over how the company is managed.

Stock Splits and Bonus Shares

Stock splits and bonus shares have many similarities and differences. A stock split is where a company divides the existing shares into multiple shares. Companies typically declare a stock split as a method of infusing additional liquidity into shares, increasing the number of shares trading and making shares more affordable to retail investors. A stock split increases the number of shares an investor holds but the value of the investment remains the same. Both Bonus Issues and Stock Splits result in an increase in the number of shares outstanding for a company. When a stock is split, there is no increase or decrease in the company's cash reserves. In contrast, when a company issues bonus shares, the shares are paid for out of the cash reserves. Bonus shares are only available to existing shareholders while Stock Splits benefit both existing and potential investors. [Source: Investopedia, Investarindia]

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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