



Uganda Securities Exchange

Monthly Bulletin

September 2020

ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The trading volume for September 2020 was 12,069,830 shares with a turnover of UGX 877,691,758. This month's turnover performance was an 11.4% increase from 6,858,908 shares worth UGX 787,365,972 that was recorded in September 2019.

Activity in the ninth month of the year increased by 95.6 percent to a turnover of UGX 877.7 million from UGX 448.6 million recorded in August 2020. This represents a daily average turnover of approximately UGX 39.9 million. Volume traded declined to 12.1 million shares compared to 15.9 million shares traded in August 2020.

The number of deals presented a total of 357 deals up from 232 deals executed in August 2020, with 68.82 per cent of the deals attributed to the Stanbic counter. The recovery in activity compared to the past two months follows the ease of Covid-19 lockdown measures in Uganda and across the globe.

Turnover performance per counter

UMEME counter dominated activity for the month accounting for 72.75 percent of the total turnover, followed by Stanbic with 22.71 percent. In third position was Bank of Baroda Uganda, with 1.66 per cent contribution to the month's turnover. CIPLA, New Vision limited, DFCU, Uganda Clays Limited and National Insurance Corporation combined recorded 2.88 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 68.82 percent, followed by UMEME with 24.96 percent. Uganda Clays Limited came third with 2.71 percent of the volume, while CIPLA was in the fourth position with 1.18 percent of the total volume.

National Insurance Corporation Uganda and Bank of Baroda Uganda accounted for 1.15 percent and 1.02 percent, respectively. New Vision Limited and DFCU had the least number of shares traded amounting to 19,102 shares, representing approximately 0.15 percent of total number of shares traded.

Trading Volumes and Activity on a Monthly Basis year on year

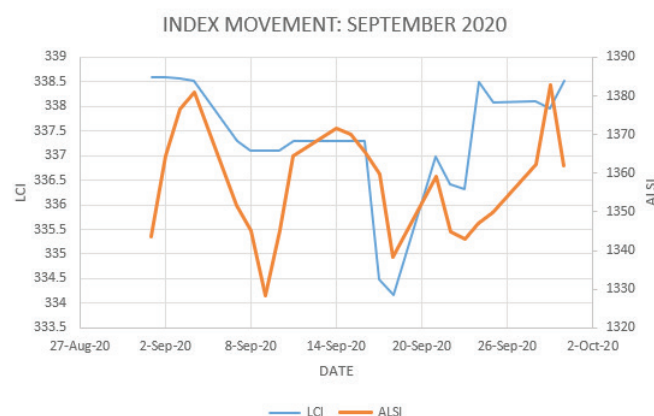
	September 2020	September 2019
Volume Traded	12,069,830	6,858,908
Turnover (UGX)	877,691,758	787,365,972
No. of Deals	357	418
Trading Days	22	21
Daily Avg. Turnover (UGX)	39,895,080	37,493,618
Daily Avg. no. of trades	16	20
Market Capitalization (UGX.bn)	18,986.07	21,784.04
USE All Share Index (ASI)	1,361.95	1,559.53
Local Share Index (LSI)	338.51	368.72

Source USE Product Markets Department

USE Index Results

The Local Company Index (LCI) declined slightly during the period with many local counters registering minimal price movements. The local index commenced the month at 338.73 and closed at 338.51 representative of a 0.06 percent decrease. The All Share Index (ALSI) increased by 2.24 percent to 1,361.95 from 1,332.11 at the start of the month. Refer to ALSI/LCI graph below.

September 2020 Indices Graph:



Source: USE Product Markets Department

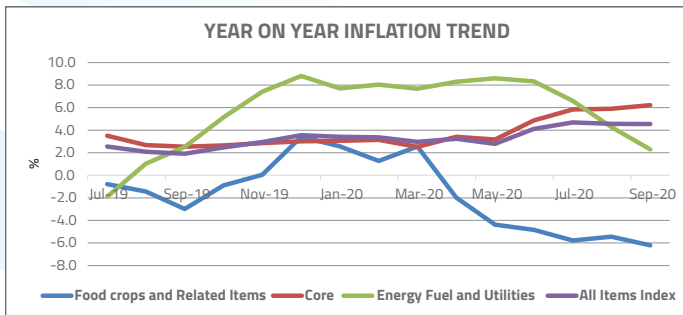
ECONOMIC & FINANCIAL DEVELOPMENTS:

INFLATION – OUTLOOK AND RISKS

Annual Headline Inflation for the 12 months to September 2020 declined to 4.5 percent compared to 4.6 percent registered for the year to August 2020. The decrease in Annual Headline inflation was a result of a drop in Annual Food Crops and Related Items Inflation which registered a deflation of 6.2 percent for the 12 months to September 2020 compared to a deflation of 5.4 percent recorded in August 2020.

Annual Energy, Fuel and Utilities (EFU) Inflation for the year to September 2020 declined to 2.3 percent from 4.3 percent registered in the previous month. The decrease in EFU inflation is mainly due to lower prices of liquified gas and kerosene.

Year on year Core Inflation rose to 6.2 percent in September 2020 from 5.9 percent registered in August 2020. This was mainly due to Annual Services Inflation that increased to 11.6 percent compared to 9.6 percent recorded for August 2020 as a result of higher transport costs. Monthly headline Inflation for September 2020 rose by 0.7 percent compared to the 0.3 percent rise recorded in August 2020 driven by higher prices of fruits.

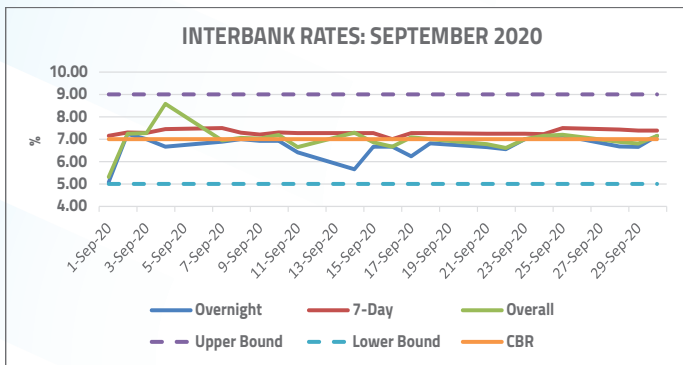


Source: UBOS UGANDA CONSUMER PRICE INDEX: 2009/10=100 SEPTEMBER 2020

INTEREST AND LENDING RATES

Interbank Money Market Rates

Money Markets were largely liquid in September 2020 with overnight rates averaging 6.69 percent from 6.73 percent in August 2020. 1-Week interbank rates edged lower last month posting an average of 7.3 percent. Interbank rates fluctuated within the bands set at August's Monetary Policy Committee meeting where the Central Bank Rate was maintained at 7 percent.

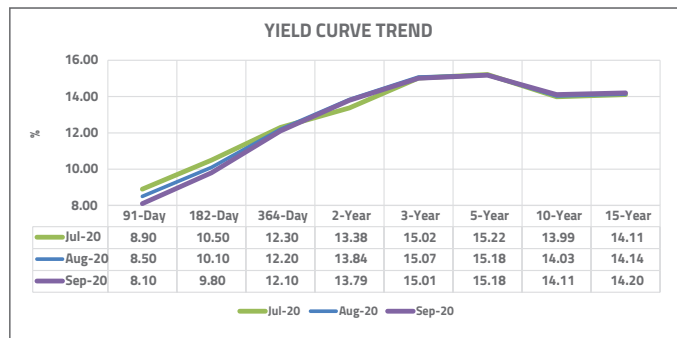


Source: Bank of Uganda

Yields on Yields on Government securities

Rates on the 91-Day and 182-Day decline in September 2020 to an average of 8.1 percent and 9.8 percent compared to 8.5 percent and 10.1 percent in August 2020. This was a result of increased investor demand for short term papers. The 364-Day T-Bill rate was stable at 12.1 percent. The medium portion of the yield curve remained stable during the month with rates on the 2-year, 3-year and 5-year papers closing the month at 13.8 percent, 15.0 percent, and 15.2 percent, respectively. This was driven by reduced investor appetite for these tenors. Interest rates on the 10-year and 15-year papers edged higher to 14.1 percent and 14.2 percent, respectively. Bond market turnover was registered at Ugx 940.8 Billion in September 2020 from Ugx 944.3 Billion in August 2020, representing a 0.4 percent decline.

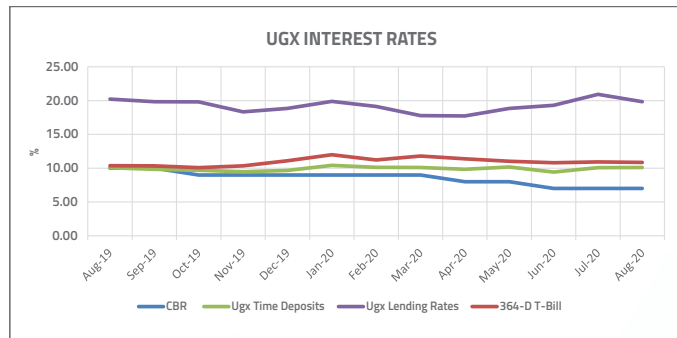
Bank of Uganda announced reforms to the Primary Dealership System which will take effect on 1st October 2020. The reforms, which are aimed at enhancing liquidity in the secondary market will limit competitive bidding (below Ugx 200Mln) in the primary market for government securities to only primary dealer banks. Rates are expected to remain range bound over the short term. However, rising inflation is expected to result in higher interest rates over the medium term.



Source: Bank of Uganda

Lending rates

Shilling denominated lending rates reduced to 19.8 percent in August 2020 compared to 20.9 percent registered in July 2020. Commercial Banks lending to the private sector declined during the same period to Ugx 15,998 Billion from Ugx 16,034 Billion registered in July 2020. Year on year, shilling denominated lending rates as of August 2020 are slightly lower from 20.2 percent registered in August 2019. This is a result of a more accommodative monetary policy stance witnessed this year with the Central Bank Rate currently at 7 percent compared to 10 percent in August 2019. Foreign currency denominated lending rates rose marginally to 5.9 percent in August 2020 compared to 5.3 percent registered in July 2020.

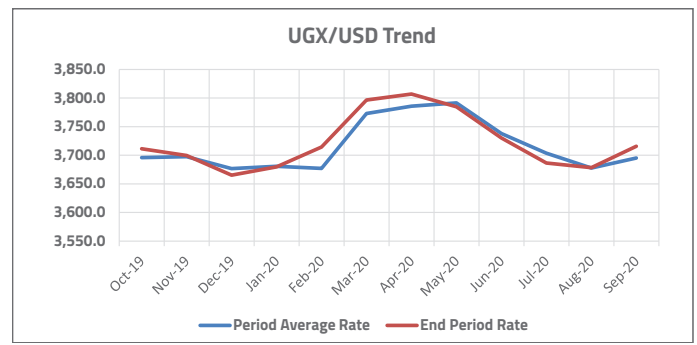


Source: Bank of Uganda

FOREIGN EXCHANGE RATE DEVELOPMENT

The Uganda Shilling weakened by 0.5 percent against the USD to an average of 3,695.1 in September 2020 compared to an average of 3,677.5 in August 2020. This was a result of higher demand for foreign currency from commercial banks and importers.

According to Bank of Uganda State of the Economy report, Uganda Shilling is expected to remain stable over the short term on account of matched corporate activity; with a bias towards depreciation due to COVID-19-related market uncertainty.



Source: Bank of Uganda

BOND LISTINGS:

There were 2 treasury bonds re-opened in September 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 13.6 Trillion.

Government Bond Schedule: August –2020

INSTRUMENT CODE	ISIN	ISSUED SHARES	ISSUE DATE	RATE	MATURITY
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	1.035TN	2013/04/24	11.00	2023/04/13
FXD/1/2014/10YR	UG12J1801248	810BN	2014/01/30	14.00	2024/01/18
FXD/05/2019/5YR	UG12H1005240	153.7BN	2019/05/17	14.88	2024/05/10
FXD/8/2014/10YR	UG0000001467	1.070TN	2014/08/13	14.00	2024/08/01
FXD/1/2015/10YR	UG0000001517	100BN	2015/01/28	11.00	2025/01/16
FXD/12/2015/10YR	UG12J1812252	120BN	2015/12/30	19.50	2025/12/18
FXD/08/2016/10YR	UG12J2708269	540BN	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	570BN	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: August 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
Uganda Limited Bond maturing on 07.12.2023

CORPORATE ANNOUNCEMENTS: SEPTEMBER 2020

UGANDA CLAYS LIMITED

EXTRACT OF THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE 2020

Overview:

The Directors of Uganda Clays Ltd announced the interim condensed Financial statements (un-audited) for the six months ended 30th June 2020. The first half of 2020 was unprecedented for most businesses world over. Despite the tough times, UCL's business continued to show resilience but not immune to the impact of the pandemic on the operating environment in the country. Focus was on employee safety, continued engagement with stakeholders and maintaining business continuity.

Performance highlights

Revenue decreased by 13% to UGX 13.0 Billion for the period compared to UGX 15 Billion in the same period in 2019, notably due to business disruptions impacted by the COVID-19 pandemic.

Cost of sales increased by 2% to UGX 10.8 Billion for the period from UGX 10.6 Billion for the same period in 2019 mainly driven by a 10% increase in the kiln firing costs.

Gross profit for the period reduced by 49% to UGX 2.1 Billion from UGX 4.3 Billion in the same period in 2019, driven by a fall in product sales volume.

Operating loss for the period increased to UGX 2 Billion from a loss of UGX 182 Million in the same period in 2019. However, the operating costs reduced by 6% to UGX 4.5 Billion from UGX 4.8 Billion in June 2019 mainly as a result of cost management initiatives rolled out by management during the period.

Balance Sheet Analysis Total assets declined by 7% to UGX 62.9 Billion from UGX 70.3 Billion in June 2019, mainly attributable to depreciation of machinery. Shareholder Equity reduced by 12% to UGX 31 Billion from UGX 35 Billion in June 2019.

Cash flows analysis: Cash generated for the period from operating activities was UGX 4.5 Billion compared to UGX 4.9 Billion over the same period in 2019 and mainly driven by a decline in sales.

Full announcement is available on our website <https://www.use.or.ug/content/uganda-clays-ltd-financial-statement-six-months-ended-30th-june-2020>

NATIONAL INSURANCE COOPERATION HOLDINGS LIMITED

UNAUDITED RESULTS FOR THE HALF YEAR TO 30 JUNE 2020

The Board of Directors of NIC Holdings Limited announced the unaudited results for the six months period ended 30 June 2020

Performance overview

The gross premium written for the group declined marginally by 1% to UGX 9.33 billion for the period ended 30 June 2020 from UGX 9.37 billion written in comparable period in 2019. The impact of various measures instituted by the Government to curtail the spread of COVID-19 pandemic caused business disruptions and resulted in the decline in gross written premium for the period. The closure of schools and countrywide lockdown severely affected the Long-term business thereby recording a drop of 28% in gross written premium, while the Non-Life business had a minimal growth of 3%. Necessary measures have been put in place to turn around the negative growth in the second half of 2020. Notwithstanding, the underwriting profit before management expenses was slightly better than the underwriting profit achieved in comparable period in 2019.

Increases in interest income and gains from asset disposal and foreign currency transactions all contributed to the 12% growth in investment and other income. Due to greater focus and control, management expenses reduced by 16% in the current period when compared to the 30 June 2019 figures.

Profit before tax and profit after tax for the period increased by 158% and 257% respectively owing to reduction in net claims incurred, decrease in management expenses and increase in investment and other income. Shareholders equity grew by 7% as a result of the retained earnings for the period from UGX 33.15 billion as at 31 December 2019 to UGX 35.57 billion as at 30th June 2020

Full announcement is available on our website <https://www.use.or.ug/content/nic-holdings-limited-half-year-unaudited-results>

BANK OF BARODA UGANDA LIMITED

BANK OF BARODA RELEASED AS SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2020

Highlights

- The Bank posted a year on year growth of 7.68% in deposits as on June 30, 2020.
- The Bank posted a year on year growth of 2.32% in loans and advances (Net) as on June 30, 2020.
- The Bank posted a year on year growth of 47.95% in Net profit after tax for the period ended June 30, 2020.
- The Bank's Capital Adequacy Ratio as on June 30, 2020 is well above the revised minimum norms.
- Core Capital to Risk Weighted Assets (RWA) 31.87% against the revised norms of 10%.

- Total Qualifying Capital to RWA: 33.20% against the minimum requirement of 12%.
- The company's board of directors did not recommend the payment of an interim dividend.

Full announcement is available on <https://www.use.or.ug/content/baroda-consolidated-statement-financial-position-june-30-2020>

EDUCATION COLUMN

LISTING BY INTRODUCTION

What is listing by Introduction?

Listing by introduction is one of the means by which a company can list its shares on the Stock Exchange. An introduction is an application for listing of shares already in issue where no marketing arrangements are required. This is because the existing shares for which listing is sought are already of such an amount and so widely held that there would be an open market for the trading in these shares.

Since only existing shares are listed by introduction, it follows that no new shares will be issued, and no additional funds will be raised.

Comparison between Initial Public Offers (IPOs) and Listings by Introduction:

	IPO	Listing by introduction
Raise new funds	✓	X
Issue new shares	✓	X
Listing of shares already in issuance	X	✓

A listing by introduction is common in circumstances where:

- The shares of the company concerned have already been listed on another exchange; or
- The shares are being migrated from one exchange to another.

Listing approval process

The procedures for vetting and approving a new listing by introduction are identical to those for IPOs. The Listing Division of the Stock Exchange is responsible for reviewing listing materials and administering the listing process under the Listing Rules. When the Listing Division is satisfied that the applicant complies with all new listing requirements, it recommends the Listing Committee to approve the application. The Listing Committee is a panel made up of a suitable balance of individuals with different background, including those from the securities industry.

Also, the company must meet the listing requirements – including a minimum number of public shareholders and minimum public float

Pre-listing arrangement

For a company whose shares have already been listed on another stock exchange, if its shares are to be listed on the desired Stock exchange by introduction, they must be transferred first from the share register of the market where they are listed (usually overseas) to the desired stock exchange share register.

Once the transfer and registration processes are completed and the company is listed on the desired stock exchange, investors can trade the company's shares through their brokerages, similar to trading of other listed shares.

However, since it will take longer for shares to transfer between the local and overseas registers, the desired stock exchange will consider whether sufficient shares are available for trading to ensure an open market and orderly trading at the time of listing.

A few examples of companies that have listed by introduction include MTN on the Nigeria Stock Exchange, CIMERWA Plc Rwanda's largest cement manufacturer was listed by introduction on Rwanda Stock Exchange under the Main Investment Market Segment in August 2020.

Pointers for investors

When deciding whether to invest in stocks listed on the exchange by introduction, you should take a similar approach as if you are investing in IPO shares. Read the listing document or prospectus of the company to understand its business nature, its performance, its outlook, to find out any corporate action being taken recently (e.g. a stock split, dividend distribution, or an acquisition) and any possible risk factors. Besides obtaining the listing document from the sponsors, you can visit the company website to retrieve the information online and check for any updates related to the company from time to time.

Stay smart as an investor and ask first. In case of drastic changes in share prices, look up the factors behind the price movements instead of trading on rumours.

KEY TAKEAWAYS

1. Listing by introduction is a way of listing shares already in issue on another exchange.
2. No marketing arrangement is required as the shares for which listing is sought are already widely held.
3. The listing approval procedures for a new listing by introduction are the same as those for initial public offering (IPO)
4. Before investing, you should read the listing prospectus and visit the company's website to check for any updates relating to the company being listed by introduction

Source; <https://www.ifec.org.hk/web/en/investment/investment-products/stock/listing-formats/listing-by-introduction.page#:~:text=An%20introduction%20is%20an%20application,the%20trading%20in%20these%20shares.>

<http://www.nse.com.ng/issuers/listing-your-company/ways-of-listing>

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.

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Ms. Esther Kakiza

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