



ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The trading volume for February 2022 was 68,077,807 shares with a turnover of UGX3,223,000,328. This month's increased by 67% compared to 69,852,234 shares worth UGX1,929,065,917 that was recorded in February 2021.

Turnover in February increased by 57.2% compared to the turnover registered in January 2022, from 2 billion to 3.2 billion. This represents a daily average turnover of UGX169 million. Volume increased to 68 million shares compared to 41 million shares traded in January 2022. The number of deals increased to 475 up from 371 executed in January 2022, with 43 per cent of the deals attributed to the MTN Uganda counter.

Turnover performance per counter

Stanbic dominated activity for the month accounting for 37.92 percent of the total turnover followed by MTN with 28.87 percent. In third position was UMEME with 19.36 per cent and Uganda Clays Limited in fourth position with 10.52 percent, Bank of Baroda Uganda, British American Tobacco, New Vision Limited, National Insurance Corporation Uganda Limited and CIPLA combined recorded 3.34 percent of the total turnover.

Volume traded per counter

Stanbic contributed the highest volume with 64.52 percent, followed by Uganda Clays Limited with 21.10 percent. MTN Uganda Limited came third with 7.72 percent, while UMEME was in the fourth position with 4.95 percent. Bank of Baroda Uganda accounted for 1.59 percent,

National Insurance Corporation Uganda Limited, New Vision Limited, British American Tobacco and CIPLA had the least number of shares traded amounting to 73,965 shares representing 0.10 percent of total number of shares traded.

Trading Volumes and Activity on a Monthly Basis year on year

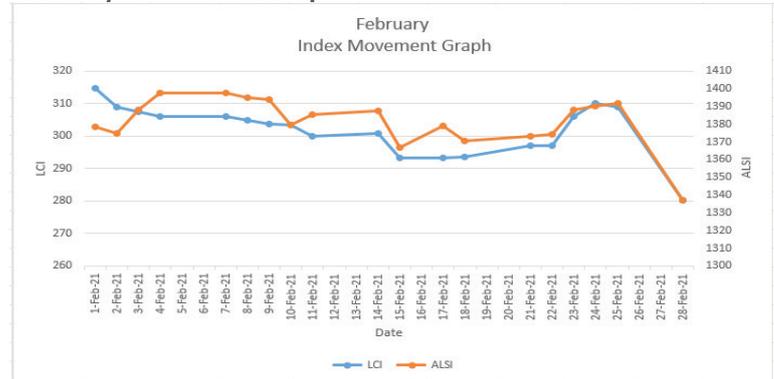
	February 2022	February 2021
Volume Traded	68,077,807	69,852,234
Turnover (UGX)	3,223,000,328	1,929,065,917
Number of Deals	475	213
Trading Days	19	19
Daily Average Turnover (UGX)	169,631,596	101,529,785
Daily Average number of trades	25	11
Market Capitalization (UGX.bn)	22,994.67	18,844.51
USE All Share Index (ASI)	1337.09	1352.13
Local Share Index (LSI)	280.38	338.86

Source USE Product Markets Department

USE Index Results

The Local Company Index (LCI) decreased during the period with many local counters registering minimal price movements. The local index commenced the month at 313.5 and closed at 280.38 representing a 10.56 percent decline. The All Share Index (ALSI) declined by 2.35 percent to 1337.09 from 1369.36 at the start of the month.

February 2022 Indices Graph:



Source: USE Product Markets Department



Equities Report

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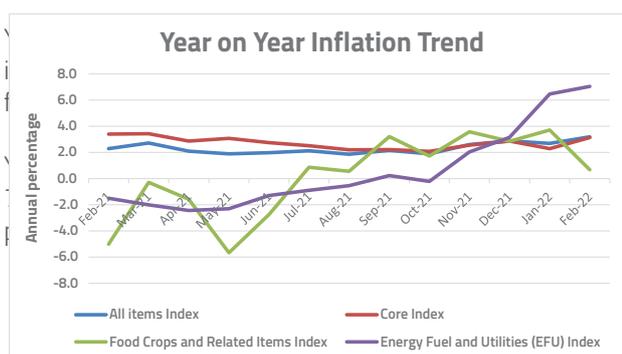
ECONOMIC & FINANCIAL DEVELOPMENTS: FEBRUARY 2022

INFLATION – OUTLOOK AND RISKS

Annual headline inflation increased to 3.2% in the 12 months to February 2022 up from 2.7% in January 2021. This was mainly driven by the increases in the prices of commodities under; Education Services (9.0 %), 'Furnishings, Household Equipment and Routine Household' (9.6 %), between January and February 2022.

The Monthly Headline Inflation for February 2022 increased by 1.0 % compared to the 0.3 % drop recorded in the month of January 2022. This is mainly attributed to the monthly Education Services Inflation which increased by 8.4 % in the month of February 2022 compared to the 0.0 % recorded in the month of January 2022.

The Core Inflation for the 12 months to February 2022 increased to 3.1 % in February 2022, up from 2.3 % registered in January 2022. This is mainly attributed to Annual 'Other Goods' Inflation that increased to 5.1 % for the 12 months to February 2022 up from 4.3 % in January 2022.



Source: UBOS UGANDA CONSUMER PRICE INDEX: 2016/17=100 FEBRUARY 2022

INTEREST AND LENDING RATES

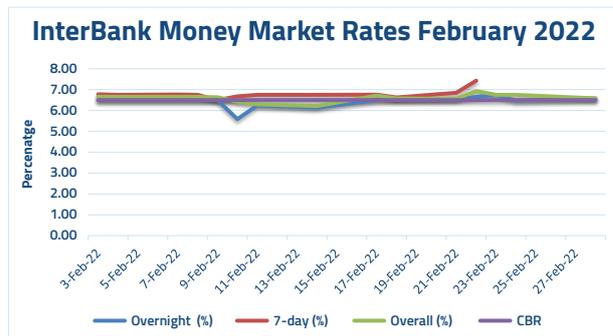
Interbank Money Market Rates

Interbank Money Market rates edged slightly lower averaging 6.57% in February 2022 compared to 6.59% in January 2022. Overnight rates edged at 6.44% in February 2022 compared to 6.5 in January 2022 while 7-Day rates edged lower averaging at 6.73 last month compared to 6.85% in January 2022.

Bank of Uganda maintained the Central Bank Rate at its record low of 6.5% in February. Based on an assessment of the current macroeconomic situation and the outlook and balance of risks, the MPC judged that keeping the CBR unchanged at 6.5 percent would be consistent with meeting the inflation target of 5 percent sustainably in the medium term while supporting economic recovery.

The band on the CBR is kept unchanged at +/-2 percentage points on the CBR and the margins on the rediscount rate and bank rate kept unchanged at 3 and 4

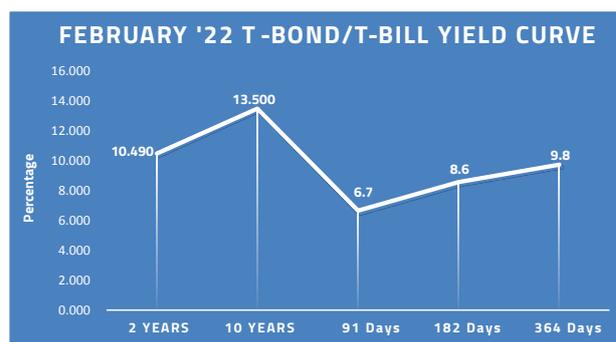
percentage points on the CBR, respectively.



Source: Bank of Uganda

Yields on Government securities

Rates on the short end of the yield curve at the end of February 2022 edged the same as at the end of January 2022 except 364-Day which edged slightly lower. The 91-Day, 182-Day and 364-Day closed the past month at 6.7%, 8.6% and 9.8% respectively. The recently issued 2-year and 10-year government papers closed February 2022 at 10.490%, and 13.500% respectively.



Source: Bank of Uganda

Lending rates

Shilling denominated lending rates rose to 19.40% in January 2021 from 18.06% in December 2021. Month on month Foreign Currency denominated lending rates slightly declined to 6.11% in January 2021 compared to 6.26% in December 2021. On average foreign currency denominated lending rates have been fluctuating pointing to a differing appetite for these loans.

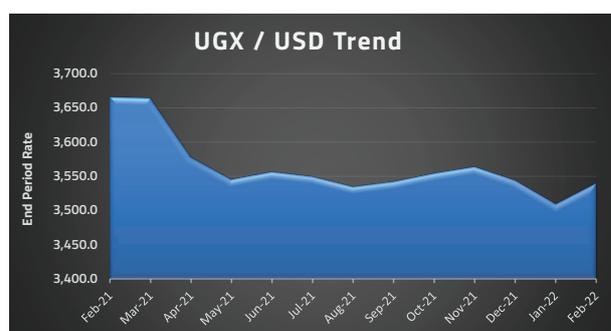


Source: Bank of Uganda

FOREIGN EXCHANGE RATE DEVELOPMENT

The local currency edged lower month on month closing February at 3,540 compared to 3,509 in January driven by higher appetite for foreign currency during the period.

The Uganda Shilling has strengthened by 3.4% against the USD so far this year compared to 3,665 at the end of February 2021 due to increased inflows from NGOs, coffee export receipts, forex bureaux and increased participation from off shores seeking to take advantage of the higher yields in Government Securities.



Source: Bank of Uganda

BOND LISTINGS:

There were 2 treasury bonds listed in February 2022, these were re-openings with a value of UGX 500bn. The current total value of the Government Bonds listed on the bourse stands at UGX 22.2 trillion.

Government Bond Schedule: February 2022

INSTRUMENT CODE	IS IN	ISSUED SHARES	ISSUE DATE	RATE	MATURITY
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	1.862TN	2013/04/24	11.00	2023/04/13
FXD/09/2021/2YR	UG12F0709234	600BN	2021/09/09		2023/09/07
FXD/1/2014/10YR	UG12J1801248	1.290TN	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/10/2019/5YR	UG12H2509240	250BN	2019/10/02	14.88	2024/09/25
FXD/1/2015/10YR	UG0000001517	700BN	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	1.220TN	2016/09/08	16.63	2026/08/27
FXD/5/2017/10YR	UG12J0605277	560BN	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/11/2020/10YR	UG12J1411303	187BN	2020/11/27	16.00	2030/11/14
FXD/4/2016/15YR	UG12K0304317	1.630TN	2016/04/20	17.00	2031/04/03
FXD/3/2017/15YR	UG12K0403325	1.220TN	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	2.259TN	2019/07/11	14.25	2034/06/22
FXD/11/2020/15YR	UG12K0811352	1.396TN	2020/11/27	16.25	2035/11/08
FXD/11/2020/20YR	UG12L0111405	1.339TN	2020/11/27	17.50	2040/11/01

Corporate Bond Activity: February 2022

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. Kakira Sugar Limited Bond maturing on 07.12.2023

Alternative trading of Government securities Activity: February 2022

	Month	Security	Amount Auction	Secondary
01	Feb-22	TBILL	1,293,700,000	
02		TBOND		560,000,000
	Total		1,293,700,000	560,000,000

CORPORATE ANNOUNCEMENTS: FEBRUARY 2022



NEW VISION LIMITED

The Board of Directors, New Vision Printing and Publishing Company Ltd announced the semi annual report and financial statements for the half year ended December 31, 2021.

Performance

Overall turnover grew by 52.54% from last year mainly because of Publishing orders for Ministry of Education Home Schooling and Upper Primary textbooks printed and distributed in the period. Advertising revenue registered a growth of 9.81% while revenue from Circulation and commercial Printing declined by 12.27% and 9.76% respectively. Television advertising, Radio advertising and Print advertising grew by 14.93, 12.58% and 0.87% respectively from the same period last year. Publishing contributed 33% to total revenue, accounted for 38% of the total costs and highest contribution to profitability for the period ended December 31, 2021.

Treasury bond investment

The Company invested UGX 5.0Bn in a Bank of Uganda 20-year 17.5% coupon Treasury Bond in November 2021 redeemable in 2040. The face value of the Bond is UGX 4.128Bn with cash inflows of UGX 722M per annum payable semiannually.

Earnings per share was 5.2

Dividends

The Directors did not recommend payment of an interim dividend in accordance with the company's practice of only paying the dividend at the end of the financial year.

Full announcement can be found on our website; <https://www.use.or.ug/content/new-vision-half-year-financials>

Security Halt On New Vision Printing And Publishing Company Limited (Nvl) Counter (Pursuant to Rule 58 of USE Trading Rules 2021)

Effective 11th February the Exchange, in keeping with its mandate to ensure a fair, transparent, orderly, and efficient market imposed a security halt on the NVL counter as it conducted an expedited evaluation of a trading activity which resulted in a sporadic share price decline.

Full notice can be found on our website; <https://www.use.or.ug/content/nvl-security-halt-market-notice>

Lifting Of Security Halt On New Vision Printing And Publishing Company Limited (Nvl) Counter

The halt was lifted on 22nd February 2022, upon further inquiry into the trading activity on the counter between 1st January 2022 and 10 th, February 2022, it was established that the price volatility on the counter was artificially created by a series of transactions emanating from a single seller and not a true and fair representation of market forces of demand and supply.

Full notice can be found on our website; <https://www.use.or.ug/content/market-notice-lifting-security-halt-new-vision-counter>

EDUCATION COLUMN.

OVER-THE-COUNTER (OTC)



What Is Over-the-Counter (OTC)?

Over-the-counter (OTC) refers to the process of how securities are traded via a broker-dealer network as opposed to on a centralized exchange. Over-the-counter trading can involve equities, debt instruments, and derivatives, which are financial contracts that derive their value from an underlying asset such as a commodity.

In some cases, securities might not meet the requirements to have a listing on a standard market exchange such as Uganda Securities Exchange. Instead, these securities can be traded over-the-counter.

However, over-the-counter trading can include equities that are listed on exchanges and stocks that are not listed. Stocks that are not listed on an exchange, and trade via OTC, are typically called over-the-counter equity securities, or OTC equities.

Trading Over the Counter

Understanding Over-the-Counter

Stocks that trade via OTC are typically smaller companies that cannot meet the exchange listing requirements of formal exchanges. However, many other types of securities also trade here. Stocks that trade on exchanges are called listed stocks, whereas stocks that trade via OTC are called unlisted stocks.

Trade transactions can take place through OTC Markets Group's electronic matching platforms such as; OTCQX; OTCQB; and the Pink Open Market (also known as OTC Pink or "Pink Sheets").¹

Each of these platforms contains a progressively lower (i.e., riskier) tier of companies' stocks. Stocks in the highest-tier OTCQX must meet various eligibility criteria and contain shares of several foreign ADRs. The lowest tier is the OTC Pink, which has far less stringent listing criteria and quality control.

Types of OTC Securities

The equities that trade via OTC are not only small companies. Some well-known large companies are listed on the OTC markets. For instance, the OTCQX trades in ADR shares of large foreign companies such as Allianz SE, BASF SE, Roche Holding Ag, and Danone SA.

American depository receipts (ADRs), which represent shares in a stock that trade on a foreign exchange, are often traded OTC. Shares trade in this manner because the underlying company does not wish to or cannot meet the stringent exchange requirements. Also, the cost to list on the stock exchanges creates a barrier for many companies.

Instruments such as bonds do not trade on a formal exchange as banks issue these debt instruments and market them through broker-dealer networks. These are also considered OTC securities. Banks save the cost of the exchange listing fees by matching buys and sells from clients internally or from another brokerage firm. Other financial instruments, such as derivatives, also trade through the dealer network.

OTC Networks

The OTC Markets Group operates some of the most well-known networks, such as the Best Market (OTCQX), the Venture Market (OTCQB), and the Pink Open Market. Although OTC networks are not formal exchanges such as the NYSE, they still have eligibility requirements. For example, the OTCQX does not list the stocks that sell for less than five dollars known as penny stocks shell companies, or companies going through bankruptcy. The OTCQX Best Market includes securities of companies with the largest market caps and greater liquidity than the other markets.

Through the OTC marketplaces, you can find the stocks of companies that are small and developing. Depending on the listing platform, these companies may also submit reports to the Securities and Exchange Commission (SEC) regulators. OTCBB stocks will usually have a suffix of "OB" and must file financial statements with the SEC.

Another trading platform is the Pink Sheets, and these stocks come in a wide variety. These businesses do not meet the requirements of the SEC. While buying shares

Over-the-Counter (OTC) Markets

OTC markets provide a place to trade stocks that aren't listed on major exchanges.

There are 3 main stock exchanges that list over-the-counter stocks:

You can buy and sell OTC stocks through most major online brokers.

OTCQX

The OTCQX is the top tier of OTC markets. It has the highest reporting standards and strictest oversight.

OTCQB

The OTCQB is often called the "venture market." It mostly includes companies in the developing phase.

Pink Sheets

Pink Sheets have no reporting requirements and could include some less legitimate companies.

of this nature may involve less transactional costs, they are prime for price manipulation and fraud. These stocks will usually have a suffix of “.PK” and are not required to file financial statements with the SEC.

Pros and Cons of the OTC Marketplace

As mentioned earlier, bonds, ADRs, and derivatives also trade in the OTC marketplace. However, investors should take great care when investing in more speculative OTC securities. The filing requirements between listing platforms vary, and some necessary information, such as business financials, may be hard to locate.

Most financial advisors consider trading in OTC shares as a speculative undertaking. For this reason, investors must consider their investment risk tolerance and if OTC stocks have a place in their portfolios. However, with the added risk of OTC shares comes the possibility of significant returns. Since these shares trade at lower values, and usually, for less transactional costs, they provide an avenue for share price appreciation.

Stocks trading OTC are not, generally, known for their large volume of trades. Lower share volume means there may not be a ready buyer when it comes time to sell your shares. Also, the spread between the bid price and the ask price is usually larger. These stocks may make volatile moves on any market or economic data.

The OTC marketplace is an alternative for small companies or those who do not want to list on the standard exchanges. Listing on a standard exchange is an expensive and time-consuming process and outside the financial capabilities of many smaller companies. Companies may also find that listing in the OTC market provides quick access to capital through the sale of shares.

Examples of OTC Securities

OTC Markets Group is the operator of the financial markets for OTCQX. “OTCMarkets.com” lists the most actively traded companies and information on the advances and decliners.

On a given day, the total dollar volume can exceed \$2 billion, with over 7 billion shares trading hands. Companies include the Chinese multimedia company Tencent Holdings LTD (TCEHY), the food and beverage giant Nestle SA (NSRGY), and the healthcare company Bayer A.G. (BAYRY).

What Is an Example of an Over-the-Counter Market?

In financial trading, an over-the-counter market is a market where financial securities are traded through a broker-dealer network as opposed to on a financial exchange, which is known as exchange trading and is centralized. An over-the-counter market is not centralized and occurs between two parties. An example of an over-the-counter market would be a trade that occurs between two individuals that buy and sell a share of a company that is not listed on an exchange. An over-

the-counter market can consist of any security, such as equities, commodities, and derivatives.

How Do You Buy a Security on the OTC Market?

To buy a security on the OTC market the first step is to identify the specific security you want to purchase and the amount you want to invest. Certain markets provide information on various securities that you should engage with. For example, OTCQX is one of the largest and most well-respected marketplaces for OTC stocks. Next, find a broker through which you can purchase the OTC security.

Most of the brokers that sell exchange-listed securities also sell OTC securities. Once you have your broker and account set up, fund your account with the capital you'd like to invest and then purchase your OTC security. This can be done electronically on your broker's platform or via a phone call with your broker.

KEY TAKEAWAYS

- Over-the-counter (OTC) securities are traded directly between counterparties without being listed on an exchange.
- Securities that are traded over-the-counter may be facilitated by a dealer or broker specializing in OTC markets.
- OTC trading helps promote equity and financial instruments that would otherwise be unavailable to investors.
- Companies with OTC shares may raise capital through the sale of stock.

Pros

- OTC provides access to securities not available on standard exchanges such as bonds, ADRs, and derivatives.
- Fewer regulations on the OTC allows the entry of many companies who can not, or choose not to, list on other exchanges.
- Through the trade of low-cost, penny stock, speculative investors can earn significant returns.

Cons

- OTC stocks have less trade liquidity due to low volume which leads to delays in finalizing the trade and wide bid-ask spreads.
- Less regulation leads to less available public information, the chance of outdated information, and the possibility of fraud.
- OTC stocks are prone to make volatile moves on the release of market and economic data.

SOURCE;

<https://www.investopedia.com/terms/o/otc.asp>

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:
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. Suite A-3, Plot 16-17 Nyonyi Gardens, Kololo P. O. Box: 23482 Kampala, Uganda Tel: +256-414 7719133/44 Email: equity@orient-bank.com	Mr. Isaac Mwigo
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 2nd 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 4th Floor Crested Towers (Short Towers) P. O. Box 7131, Kampala Tel: +256 0312 224 600 Email: sbgs_uganda@stanbic.com	Mr. Joram Ongura



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