



ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The total trading volume for February 2024 was 19,311,157 shares with a turnover of UGX 942,992,024. This month's turnover performance showed a 19.88% decline from UGX 1,176,901,354 recorded in February 2023. Turnover in February decreased by 41.89% in comparison with the turnover registered in January 2024, from UGX 1.622 billion to UGX 0.942 billion. This turnover represents a daily average turnover of UGX 47.149 million. Volume traded decreased to approximately 19 million shares compared to 21 million shares traded in January 2024. The number of deals decreased to 540 deals from 639 deals executed in January 2024.

Turnover performance per counter

UMEME Limited (UMEM) counter dominated monthly activity, accounting for 42.55% of the total turnover followed by Bank of Baroda Uganda Limited with 20.86%. In third position was MTN Uganda Limited (MTNU) with a 15.09% contribution to the month's turnover and Stanbic Uganda Holdings Limited in fourth position with 11.58%. Airtel Uganda Limited (AIRTEL UGANDA), National Insurance Corporation (NIC), Quality Chemicals Limited (QCIL), DFCU Limited (DFCU), Uganda Clays Limited (UCL) and New Vision Printing and Publishing Limited (NVL) traded a total turnover of 9.92%. The Local Company Index (LCI) dropped during the period on the back of drops on the AIRTEL UGANDA, MTNU and NIC counters. The local index commenced the month at 268.94 and closed at 265.19 representing a -1.39% decrease. The All-Share Index (ALSI) increased by 7.16%, however, to 918.74 from 857.32 at the start of the month representing the changing environment on the cross listed stocks.

Counter Price Movements February 2024

Top Gainers

Counter	Open (01.02)	Close (29.02)	Change %	YTD Change %
CENT	193.41	238.85	23.49%	16.31%
EABL	2,376.00	2,917.87	22.81%	5.02%
EBL	891.00	1079.14	21.12%	31.76%
NMG	475.20	551.08	15.97%	12.36%
KCB	476.39	551.08	15.68%	5.36%

Top Losers

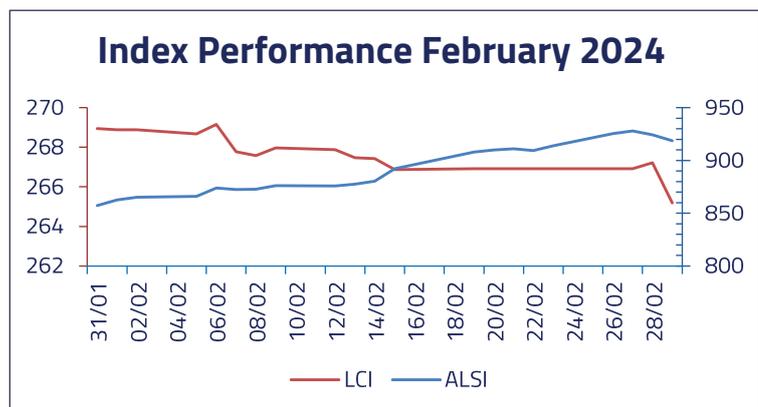
Counter	Open(01.02)	Close(29.02)	Change %	YTD Change %
NIC	6.50	6.20	4.62%	4.62%
AIRTEL UGANDA	91.07	87.00	4.47%	7.21%
MTNU	170.00	169.83	0.10%	0.42%

Trading Volumes and Activity on a Monthly Basis year on year

Metrics	Feb-24	Feb-23
Volume Traded	19,311,157	10,106,381
Turnover (UGX)	942,992,024	1,176,901,354
No. of Deals	540	395
Trading Days	20	19
Daily Avg. Turnover (UGX)	47,149,601	61,942,177
Daily Avg. no. of trades	27	21
Market Capitalization (UGX. Bn)	20,032.47	20,776.76
USE All Share Index (ALSI)	918.74	1,207.93
Local Share Index (LSI)	265.19	270.92

Source USE Trading and Research Department

February 2024 Indices Graph



Source: USE Trading and Research Department



Equities Report

The total trading volume for February 2024 was **19,311,157** shares



Turnover performance per counter

UMEME Limited (UMEM) counter dominated monthly activity, accounting for **42.55%** of the total turnover



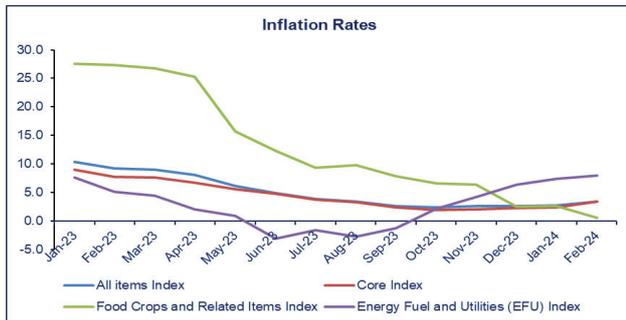
Volume traded per counter

The local index commenced the month at 268.94 and closed at 265.19 representing a **-1.39%** decrease.

ECONOMIC & FINANCIAL DEVELOPMENTS: February 2024

INFLATION – OUTLOOK AND RISKS

Annual inflation as measured by the consumer price index of Uganda for the 12 months to February 2024 printed at 3.4% compared to 3.4% registered in the 12 months to January 2024. Energy, Fuel and Utilities have been a key contributor to this rise from August 2023. Year on year Annual Food Crops and Related Items Inflation slightly decreased to 0.5% in the 12 months to February 2024, down from 2.6% registered in the year ended January 2024. Year on year Annual Energy Fuel and Utilities (EFU) Inflation registered at 8.0% for the 12 months to February 2024, compared to 7.4% registered in the year ended January 2024.

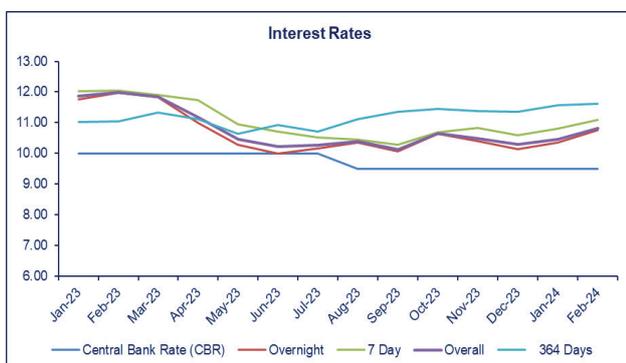


Source: UBOS UGANDA CONSUMER PRICE INDEX: 2016/17=100 Apr 2023

INTEREST AND LENDING RATES

Interbank Money Market Rates

Interbank Money Market rates edged slightly higher averaging 10.83% in February 2024 compared to 10.45% in January 2024. Overnight rates edged slightly higher at 10.77% in February 2024 compared to 10.36 in February 2023. Additionally, 7-Day rates edged slightly higher averaging at 11.09% in February 2024 compared to 10.81% in January 2023. The CBR rate was raised to 10.00% by the Monetary Policy Committee of the Bank of Uganda in its March 2024 meeting.



Source: Bank of Uganda

Yields on Government securities.

Rates on the short end of the yield curve at the end of January 2024 dropped slightly compared to the end of December 2023. Closing average yields in the bond market at the end of January 2024 increased significantly after slight drops in December from November.

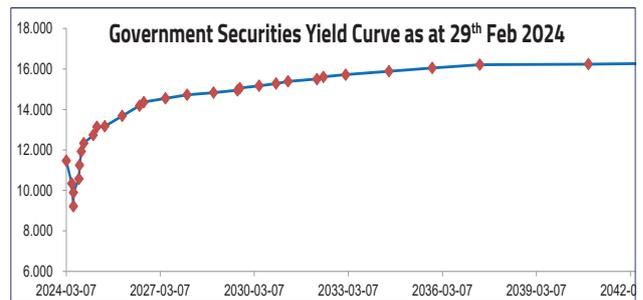
Tenors	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
91 Days	9.80%	9.80%	9.70%	9.94%	9.31%	9.93%	9.31%	9.22%
182 Days	11.70%	11.00%	10.49%	11.85%	11.89%	11.88%	11.78%	11.93%
364 Days	12.30%	12.00%	11.11%	12.50%	12.76%	12.72%	12.77%	13.14%

Source: Bank of Uganda

Maturity	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24
2 years	12.44%	13.60%	13.43%	13.28%	13.03%	13.00%	13.11%	13.17%
3 years	13.29%	13.69%	13.66%	13.60%	13.32%	13.72%	13.78%	14.19%
5 years	14.13%	14.56%	14.91%	14.63%	14.63%	14.81%	14.75%	14.73%
10 years	14.57%	15.48%	15.59%	15.25%	15.09%	15.48%	15.54%	15.72%
15 years	14.74%	15.68%	15.84%	15.33%	15.16%	15.75%	15.82%	16.22%
20 years	14.91%	16.35%	16.15%	15.31%	15.18%	15.74%	15.83%	16.31%

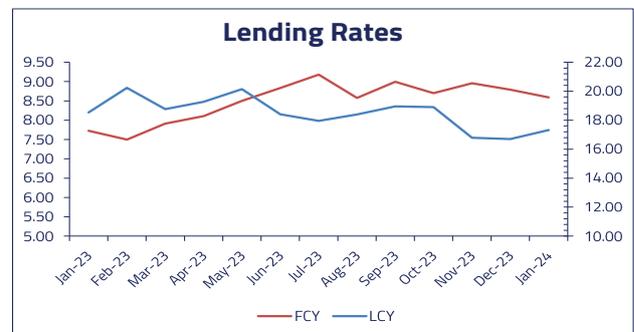
Source: Bank of Uganda

Closing Yield Curve February 2024



Lending rates

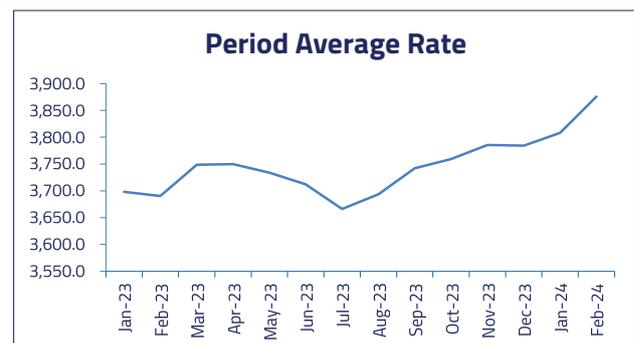
Shilling denominated lending rates increased to 17.32% in January 2024 from the 16.70% recorded in December 2023. Month on month, foreign currency denominated lending rates slightly dropped to 8.59% in January 2024 compared to 8.79% in December 2023. (Source: Bank of Uganda data)



Source: Bank of Uganda

Foreign Exchange Rate Development

The local currency has been gradually depreciating against the US dollar from July 2023 averaging 3,873.6 for February 2024 in comparison to 3,805.0 for December 2023.



Source: Bank of Uganda

BOND LISTINGS

There were reopens for the 5-year and 15-year bonds with Yield to Maturity at 14.600% and 16.300 % respectively. The current total value of the Government Bonds listed on the bourse stands at UGX 35.065 trillion as at the end of 29 February 2024. There was also a private placement bond auction with cut off ytm of 3 yr. (14.250%), 5 yr. (14.900%), 10 yr. (15.800%), 15 yr. (16.300%) and 20 yr. (16.750%).

Government Bond Schedule: February 2024

IS IN	ISSUER NAME	TYPE	ISSUED SHARES	ISSUE DATE	MATURITY
UG12H1005240	GOVERNMENT OF UGANDA	B	153,700,000,000.00	2019/05/17	2024/05/10
UG12F3005242	GOVERNMENT OF UGANDA	B	291,000,000,000.00	2022/06/02	2024/05/30
UG0000001467	GOVERNMENT OF UGANDA	B	1,070,000,000,000.00	2014/08/13	2024/08/01
UG12F0808242	GOVERNMENT OF UGANDA	B	730,000,000,000.00	2022/08/11	2024/08/08
UG12H2509240	GOVERNMENT OF UGANDA	B	250,000,000,000.00	2019/10/02	2024/09/25
UG0000001517	GOVERNMENT OF UGANDA	B	850,000,000,000.00	2015/01/28	2025/01/16
UG12G2905259	GOVERNMENT OF UGANDA	B	2,221,442,200,000.00	2022/06/02	2025/05/29
UG12J1812252	GOVERNMENT OF UGANDA	B	120,000,000,000.00	2015/12/30	2025/12/18
UG12G0907265	GOVERNMENT OF UGANDA	B	473,000,000,000.00	2023/07/13	2026/07/09
UG12J2708269	GOVERNMENT OF UGANDA	B	1,220,772,600,000.00	2016/09/08	2026/08/27
UG12J0605277	GOVERNMENT OF UGANDA	B	1,580,000,000,000.00	2017/05/18	2027/05/06
UG12J1301280	GOVERNMENT OF UGANDA	B	2,261,603,800,000.00	2018/01/25	2028/01/13
UG0000001376	GOVERNMENT OF UGANDA	B	220,000,000,000.00	2013/12/04	2028/11/16
UG0000001533	GOVERNMENT OF UGANDA	B	1,865,000,000,000.00	2015/02/25	2029/08/23
UG12K0205308	GOVERNMENT OF UGANDA	B	120,000,000,000.00	2015/05/21	2030/05/02
UG12J1411303	GOVERNMENT OF UGANDA	B	187,489,000,000.00	2020/11/27	2030/11/14
UG12K0304317	GOVERNMENT OF UGANDA	B	1,630,000,000,000.00	2016/04/20	2031/04/03
UG12K0403325	GOVERNMENT OF UGANDA	B	1,620,000,000,000.00	2017/03/23	2032/03/04
UG12J2005328	GOVERNMENT OF UGANDA	B	1,530,311,400,000.00	2022/06/02	2032/05/20
UG12K0302337	GOVERNMENT OF UGANDA	B	1,820,000,000,000.00	2018/02/22	2033/02/03
UG12K2206346	GOVERNMENT OF UGANDA	B	2,259,740,000,000.00	2019/07/11	2034/06/22
UG12K0811352	GOVERNMENT OF UGANDA	B	1,826,700,000,000.00	2020/11/27	2035/11/08
UG12K1405378	GOVERNMENT OF UGANDA	B	3,548,896,200,000.00	2022/06/02	2037/05/14
UG12L0111405	GOVERNMENT OF UGANDA	B	2,969,351,300,000.00	2020/11/27	2040/11/01
UG12L0805428	GOVERNMENT OF UGANDA	B	892,100,000,000.00	2022/06/02	2042/05/08
UG12L1408420	GOVERNMENT OF UGANDA	B	2,016,767,400,000.00	2022/09/08	2042/08/14
UG12L1806433	GOVERNMENT OF UGANDA	B	1,338,000,000,000.00	2023/07/13	2043/06/18

Alternative trading of Government securities Activity: February 2024

The following was the done through the alternative trading of government securities platform.

February 2024 (UGX)		T-bills	T-bonds
Auction		623,100,000	711,700,000
Secondary		0	0

CORPORATE ANNOUNCEMENTS: February 2024



BAT Uganda Limited Audited Results Announcements:

The Directors of British American Tobacco Uganda Limited announced the audited results for the financial year ended 31st December 2023.

Find announcement here: <https://www.use.or.ug/sites/default/files/UG%20FY%202024%20Results%20%281%29.pdf>

QCIL Interim Dividend Announcement: QCIL announced the approval of an interim dividend of UGX 1.6 per share to be paid on 15th March 2024.

Find announcement here: <https://www.use.or.ug/sites/default/files/Qcil%20Interim%20Dividend%20Announcement.pdf>

QCIL Change of Name Announcement: Quality Chemical Industries Limited notified its shareholders and the public of its change of name from Cipla Quality Chemical Industries Limited to Quality Chemical Industries Limited. Find announcement here: <https://www.use.or.ug/sites/default/files/Qcil%20Change%20of%20name%20Announcement.pdf>

BOBU Director Appointment: The Board of Directors of Bank of Baroda (Uganda) Limited ("the Company") informed its shareholders and the public of the appointment of Mr. Tyagi Lalit as Non-Executive Director on the Bank's Board with effect from 05th February 2024.

Find announcement here: <https://www.use.or.ug/sites/default/files/ANNOUNCEMENT%20OF%20CHANGES%20IN%20BOARD.pdf>

BOBU Director Resignation: The Board of Directors of Bank of Baroda (Uganda) Limited ("the Company") informed its shareholders and the public that on account of elevation to the position of Global Managing Director of Bank of Baroda India Mr. Debadatta Chand resigned as a Non-Executive Director of the Company with effect from 12th February 2024.

Find announcement here: <https://www.use.or.ug/sites/default/files/Bank%20of%20Baroda%20%2013%202%202024%20%284%29.pdf>

EDUCATION COLUMN.

EQUITY VALUATION



Equity valuation is a blanket term and is used to refer to all tools and techniques used by investors to find out the true value of a company's equity. It is often seen as the most crucial element of a successful investment decision. Investment Banks typically have an equity research department, where research analysts produce equity research reports of select securities in various industries. Every participant in the stock market either implicitly or explicitly makes use of equity valuation while making investment decisions. Everyone from small individual investors to large institutional investors uses equity valuations to make investment decisions in equity markets. The total size of the global equity market is estimated to be around \$70 trillion and every participant in the stock market, from professional fund managers to academic researchers, is trying to find mispriced stocks.

Inputs in the Equity Valuation Process

The true value of any financial asset is thought to be a good indicator of how that asset will do in the long run. In equity markets, a financial asset with a relatively high intrinsic value is expected to command a high price, and a financial asset with a relatively low intrinsic value is expected to command a low price. Distortions can take place in the short run, i.e., financial assets with relatively low intrinsic value might command a high price and vice-versa, but such distortions are expected to disappear over time. In the long run, the true value of a stock (and thereby the market price of that stock) depends only on the fundamental factors affecting the stock. The factors can be broadly classified into four categories.

- Macroeconomic variables
- Management of the business
- Financial health of the business
- Profits of the business

What Is Discounted Cash Flow (DCF)?

Discounted cash flow (DCF) refers to a valuation method that estimates the value of an investment using its expected future cash flows. DCF analysis attempts to determine the value of an investment today, based on projections of how much money that investment will generate in the future. It can help those considering whether to acquire a company or buy securities.

Discounted cash flow analysis can also assist business owners and managers in making capital budgeting or operating expenditures decisions.

How Does Discounted Cash Flow (DCF) Work?

The purpose of DCF analysis is to estimate the money an investor would receive from an investment, adjusted for the time value of money. The time value of money assumes that a dollar that you have today is worth more than a dollar that you receive tomorrow because it can be invested. As such, a DCF analysis is useful in any situation where a person is paying money in the present with expectations of receiving more money in the future. For example, assuming a 5% annual interest rate, \$1 in a savings account will be worth \$1.05 in a year. Similarly, if a \$1 payment is delayed for a year, its present value is 95 cents because you cannot transfer it to your savings account to earn interest. Discounted cash flow analysis finds the present value of expected future cash flows using a discount rate. Investors can use the concept of the present value of money to determine whether the future cash flows of an investment or project are greater than the value of the initial investment.

If the DCF value calculated is higher than the current cost of the investment, the opportunity should be considered. If the calculated value is lower than the cost, then it may not be a good opportunity, or more research and analysis may be needed before moving forward with it. To conduct a DCF analysis, an investor must make estimates about future cash flows and the ending value of the investment, equipment, or other assets. The investor must also determine an appropriate discount rate for the DCF model, which will vary depending on the project or investment under consideration. Factors such as the company or investor's risk profile and the conditions of the capital markets can affect the discount rate chosen. If the investor cannot estimate future cash flows or the project is very complex, DCF will not have much value and alternative models should be employed.

Advantages and Disadvantages of DCF

Advantages

- Discounted cash flow analysis can provide investors and companies with an idea of whether a proposed investment is worthwhile.
- It is an analysis that can be applied to a variety of investments and capital projects where future cash flows can be reasonably estimated.
- Its projections can be tweaked to provide different results for various what-if scenarios. This can help users account for different projections that might be possible.

Disadvantages

- The major limitation of discounted cash flow analysis is that it involves estimates, not actual figures. So, the result of DCF is also an estimate. That means that for DCF to be useful, individual investors and companies must estimate a discount rate and cash

flows correctly.

- Furthermore, future cash flows rely on a variety of factors, such as market demand, the status of the economy, technology, competition, and unforeseen threats or opportunities. These can't be quantified exactly. Investors must understand this inherent drawback for their decision-making.
- DCF shouldn't necessarily be relied on exclusively even if solid estimates can be made. Companies and investors should consider other, known factors as well when sizing up an investment opportunity. In addition, comparable company analysis and precedent transactions are two other, common valuation methods that might be used.

How Do You Calculate DCF?

Calculating the DCF involves three basic steps. One, forecast the expected cash flows from the investment. Two, select a discount rate, typically based on the cost of financing the investment or the opportunity cost presented by alternative investments. Three, discount the forecasted cash flows back to the present day, using a financial calculator, a spreadsheet, or a manual calculation.

What Is an Example of a DCF Calculation?

You have a discount rate of 10% and an investment opportunity that would produce \$100 per year for the following three years. Your goal is to calculate the value today—the present value—of this stream of future cash flows. Since money in the future is worth less than money today, you reduce the present value of each of these cash flows by your 10% discount rate. Specifically, the first year's cash flow is worth \$90.91 today, the second year's cash flow is worth \$82.64 today, and the third year's cash flow is worth \$75.13 today. Adding up these three cash flows, you conclude that the DCF of the investment is \$248.68.

Is Discounted Cash Flow the Same as Net Present Value (NPV)?

No, it's not, although the two concepts are closely related. NPV adds a fourth step to the DCF calculation process. After forecasting the expected cash flows, selecting a discount rate, discounting those cash flows, and totaling them, NPV then deducts the upfront cost of the investment from the DCF. For instance, if the cost of purchasing the investment in our above example were \$200, then the NPV of that investment would be \$248.68 minus \$200, or \$48.68.

The Bottom Line

Discounted cash flow is a valuation method that estimates the value of an investment based on its expected future cash flows. By using a DCF calculation, investors can estimate the profit they could make with an investment (adjusted for the time value of money). The value of expected future cash flows is first calculated by using a projected discount rate. If the discounted cash flow is higher than the current cost of the investment, the investment opportunity could be worthwhile.

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
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
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. Karuhanga Francis
Chipper Technologies Uganda Limited 2nd Floor, SMS House P. O. Box 29274, Kampala Uganda Tel: +256 200 935 935 Email: uganda@chippercash.com	Mr. Dan Tumuramye



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