

ACTIVITY REPORT

MARKET PERFORMANCE

Equities Report

The trading volume for October 2021 was 5,084,265 shares with a turnover of UGX 246,951,058. This month's turnover performance was a 48.78 % decline from 14,340,948 shares worth UGX 482,100,399 that was recorded in October 2020.

Activity in October declined 72.43 % compared to the turnover registered in September, from 895 Million to 246 Million. This represents a daily average turnover of approximately UGX 11 million. Volume traded decreased to 5 million shares compared to 22 million shares traded in September 2021. The number of deals declined to 166 deals down from 302 deals executed in September 2021, with 44 per cent of the deals attributed to the Stanbic counter.

Turnover performance per counter

UMEME counter dominated activity for the month accounting for 41.30 percent of the total turnover followed by Stanbic with 40.53 percent. In third position was CIPLA with 8.84 per cent contribution to the month's turnover. Bank of Baroda Uganda, DFCU, Uganda Clays Limited and National Insurance Corporation Uganda combined recorded 9.33 percent of the total turnover.

Volume traded per counter

Stanbic registered the highest volume of shares with 75.27 percent, followed by UMEME with 10.62 percent. Uganda Clays Limited came third with 5.55 percent of the volume, while CIPLA was in the fourth position with 4.54 percent of the total volume. Bank of Baroda Uganda accounted for 3.27 percent, National Insurance Corporation Uganda and

DFCU had the least number of shares traded amounting to 38,500 shares representing 0.75 percent of total number of shares traded.

Trading Volumes and Activity on a Monthly Basis year on year

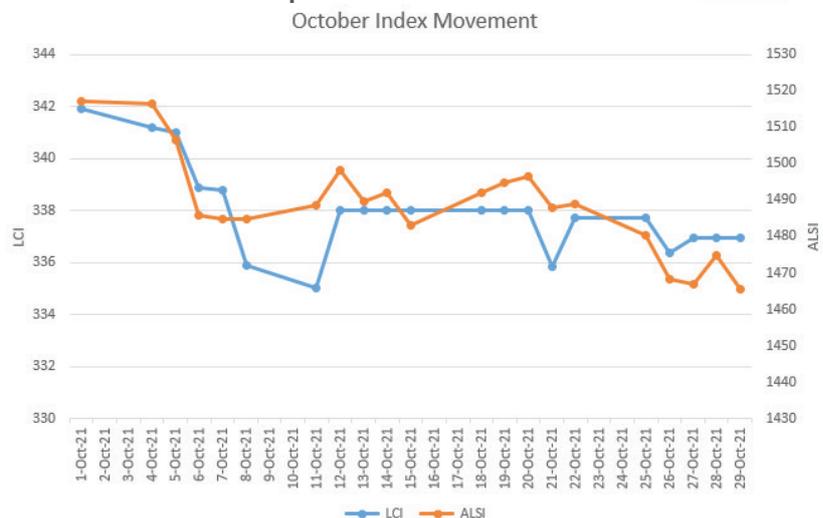
	October 2021	October 2020
Volume Traded	5,084,265	14,340,948
Turnover (UGX)	246,951,058	482,100,399
Number of Deals	166	230
Trading Days	21	21
Daily Average Turnover (UGX)	11,759,574	22,957,162
Daily Average number of trades	8	11
Market Capitalization (UGX.bn)	20,377.64	18,207.19
USE All Share Index (ASI)	1,465.55	1,306.58
Local Share Index (LSI)	336.94	327.90

Source USE Product Markets Department

USE Index Results

The Local Company Index (LCI) slightly decreased during the period with many local counters registering minimal price movements. The local index commenced the month at 341.60 and closed at 336.94 representing a 1.37 percent decline. The All Share Index (ALSI) declined by 3.03 percent to 1,465.55 from 1,511.30 at the start of the month.

October 2021 Indices Graph:



Source: USE Product Markets Department

ECONOMIC & FINANCIAL DEVELOPMENTS: OCTOBER 2021

INFLATION – OUTLOOK AND RISKS

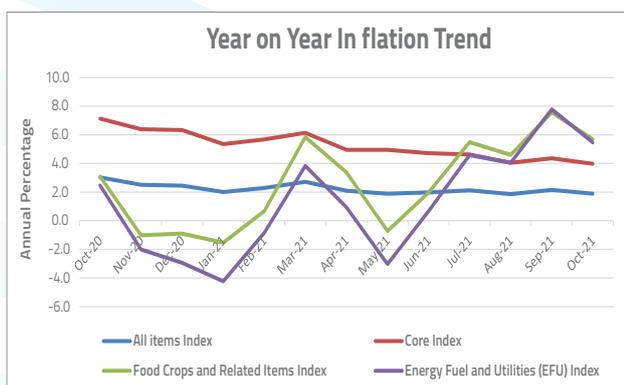
Annual headline inflation decreased to 1.9% in the 12 months to October 2021 compared to 2.2% in September 2021. This was mainly driven by the decline in the prices of commodities under; 'Transport' (2.4 percent), 'Alcoholic Beverages, Tobacco and Narcotics' (minus 0.5 percent) and 'Housing, Water, Electricity, Gas and Other Fuels' (minus 0.9 percent) between October 2020 and October 2021.

The Inflation for Food and Non-Alcoholic Beverages increased to 3.1 percent for the 12 months to October 2021 up from 2.9 percent recorded in September 2021. The increase was due to Annual Food Inflation that increased to 3.2 percent in October 2021 up from 3.0 percent recorded in September 2021.

Annual food crops and related items inflation declined to 1.7% in the year to 2021 from 3.2% in the year to September 2021. Year on year Core inflation reduced to 2.1% in the 12 months to October compared to 2.2% in September 2021. This is attributed to Annual Services Inflation that decreased to 1.1 percent in October 2021 down from 1.8 percent in September 2021.

Year on year Electricity, Fuel and Utilities deflated 0.2% in October 2021 compared to an inflation of 0.2% posted in September 2021 driven by slightly lower prices of petrol during the period.

Inflation is expected to remain range bound over the short to medium term driven by weak economic activity following the partial lifting of Covid-19 measures.



Source: UBOS UGANDA CONSUMER PRICE INDEX, 2016/17=100 OCTOBER 2021

INTEREST AND LENDING RATES

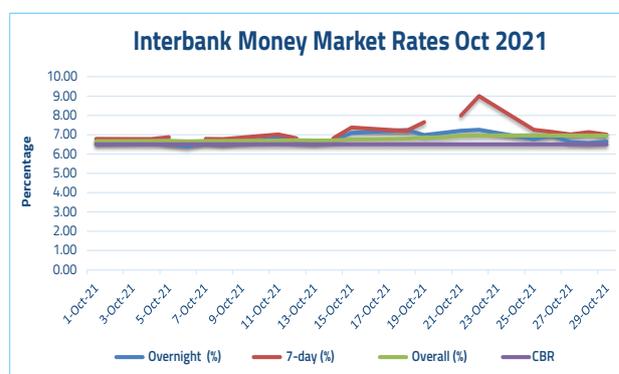
Interbank Money Market Rates

Interbank Money Market rates edged higher averaging 6.8% in October 2021 compared to 6.4% averaged in September 2021. Overnight rates also edged higher averaging 6.8% in October 2021 compared to 6.4% averaged in September 2021 while 7-Day rates edged higher at 7.1% last month compared to 6.8% averaged in September 2021.

Bank of Uganda maintained the Central Bank Rate at its record low of 6.5% in September, assessing that further monetary policy easing (reducing the CBR) at this stage could further weaken the Uganda shilling and yet tightening policy (increasing the CBR) to help the shilling when the economy is still operating below its maximum level of production, would not be supportive of growth.

BOU thus decided to maintain the CBR at 6.5% which is consistent with meeting the inflation target of 5% sustainably and in supporting economic recovery.

On the overall, money market rates fluctuated within the bands set by the Monetary Policy Committee as shown in the graph below:

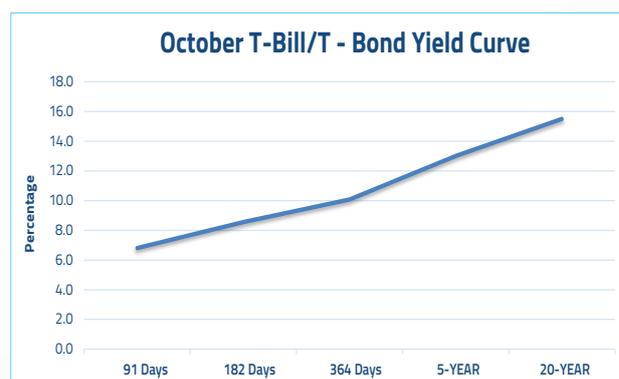


Source: Bank of Uganda

Yields on Government securities

Rates on the short end of the yield curve edged higher by the end of October 2021 compared to the end of September 2021 except for the 91-Day. The 91-Day, 182-Day and 364-Day closed the past month at 6.8%, 8.6% and 10.1% respectively. There has been sustained investor demand for these securities arising from high liquidity in the markets especially with slow recovery in private sector credit.

The recently issued 5-year/20-year government papers closed October 2021 at 13.00% and 15.50% respectively.

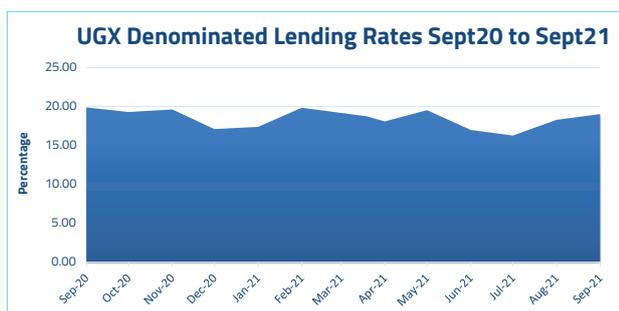


Source: Bank of Uganda

Lending rates

Shilling denominated lending rates rose to 19.1% in September 2021 from 18.3% in August 2021. Month on month Foreign Currency denominated lending rates rose to 6.9% in September 2021 compared to 5.8% in August 2021. On average foreign currency denominated lending rates have been rising pointing to higher appetite for these loans.

Private Sector Credit growth has remained moderate despite the expansionary monetary policy that was implemented by the Central Bank last year due to sustained uncertainty resulting from the Covid-19 pandemic, increased risk aversion by lenders, low economic activity and high government domestic borrowing,

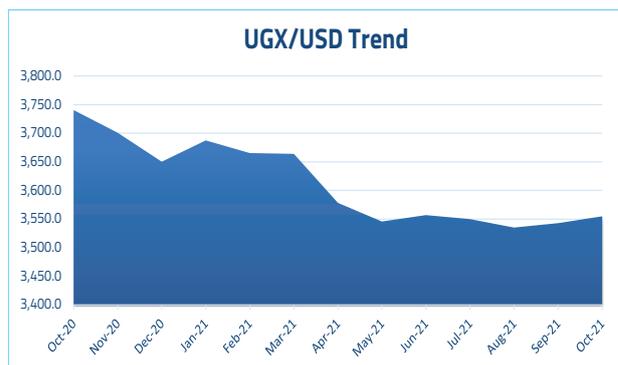


Source: Bank of Uganda

FOREIGN EXCHANGE RATE DEVELOPMENT

The local currency edged lower month on month closing October at 3,554 compared to 3,542 in September driven by higher appetite for foreign currency during the period. This speaks to slightly rises in prices due to instability in foreign financial markets hence weakening the Uganda shilling.

The Uganda Shilling has strengthened by 3% against the USD so far this year compared to 3,650 at the end of December 2020 supported by increased inflows from portfolio investors seeking government securities yields, improved coffee export receipts and lower import activity.



Source: Bank of Uganda

BOND LISTINGS:

There were 2 treasury bonds listed in October 2021, 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 19.4 Trillion.

Government Bond Schedule: October 2021

INSTRUMENT CODE	IS IN	ISSUED SHARES	ISSUE DATE	RATE	MATURITY
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	1.862TN	2013/04/24	11.00	2023/04/13
FXD/09/2021/2YR	UG12F0709234	200BN	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	300BN	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	620BN	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	796.7BN	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: October 2021

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

Alternative trading of Government securities Activity: October 2021

	Month	Security	Amount Auction	Secondary
01	Oct-21	TBILL	367,000,000	0
02		TBOND	14,600,000	0
	Total		381,800,000	0

CORPORATE ANNOUNCEMENTS: OCTOBER 2021

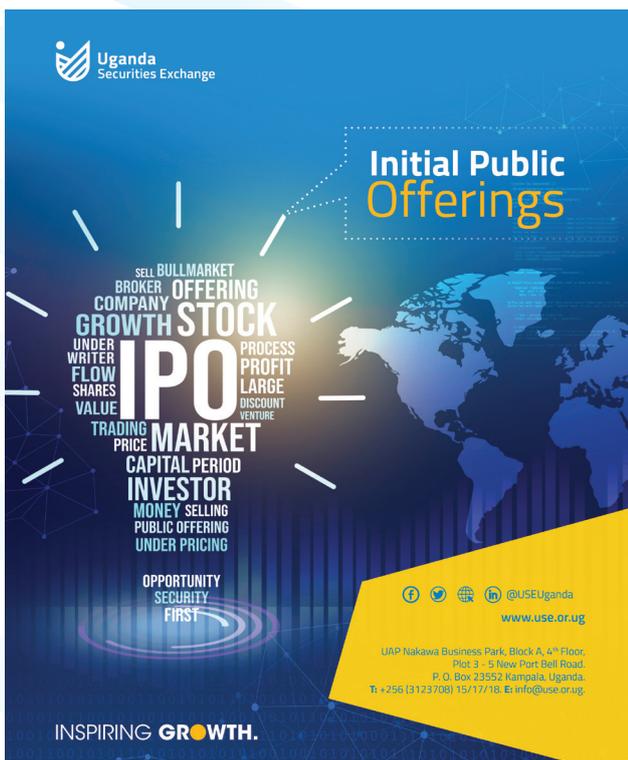
MTN Uganda

MTN Uganda announced its intention to float on the Uganda Securities Exchange on 5th October 2021. MTN Uganda floated 20 percent of its shares through an initial Public Offer on the 11th October 2021 and all important

information related to the offer i.e .price, number of shares, bonus etc can be found in the MTN Prospectus on our website;

<https://www.use.or.ug/uploads/announcements/MTNU%20IPO%20-%20Full%20Prospectus.pdf>

EDUCATION COLUMN



UNDERSTANDING INITIAL PUBLIC OFFERING. (IPO)

An IPO is a form of equity financing, where a percentage ownership of a company is given up by the founders in exchange for capital. It is the opposite of debt financing.

What Is an Initial Public Offering (IPO)?

An initial public offering (IPO) refers to the process of offering shares of a private corporation to the public in a new stock issuance. An IPO allows a company to raise capital from public investors. The transition from a private to a public company can be an important time for private investors to fully realize gains from their investment as it typically includes a share premium for current private investors. Meanwhile, it also allows public investors to participate in the offering.

There are several companies that trade on the Uganda Securities Exchange and other stock markets around the world. The companies on USE include BATU, DFCU, Stanbic, UCL, Kenya Airways etc. Every one of those companies had to start somewhere. They each sprang to trading life with initial public offerings (IPOs), turning from private companies to public ones, attracting investors and raising capital.

Initial Public Offering (IPO)



How an Initial Public Offering (IPO) Works

IPO is one of the few market acronyms that almost everyone is familiar with. Before an IPO, a company is privately owned; usually by its founders and maybe the family members who lent them money to start. In some cases, a few long-time employees might have some equity in the company, assuming it hasn't been around for decades.

The founders give the lenders and employees a piece of the action in lieu of cash. Why? Because the founders know that if the company falters, giving away part of the company won't cost them anything. If the company succeeds, and eventually goes public, theoretically everyone should win. A stock that was worth nothing the day before the IPO will now have value.

A privately held company's value is largely a guess, dependent on its income, assets, revenue, growth, etc. While those are certainly much of the same criteria that go into valuing a public company, a soon-to-be-IPOed company doesn't have any feedback in the form of a buyer willing to immediately purchase its shares at a particular price.

IPO shares of a company are priced through underwriting due diligence. When a company goes public, the previously owned private share ownership converts to public ownership, and the existing private shareholders' shares become worth the public trading price. Share underwriting can also include special provisions for private to public share ownership.

Generally, the transition from private to public is a key time for private investors to cash in and earn the returns they were expecting. Private shareholders may hold onto their shares in the public market or sell a portion or all of them for gains.

Meanwhile, the public market opens up a huge opportunity for millions of investors to buy shares in the company and contribute capital to a company's shareholders' equity. The public consists of any individual or institutional investor who is interested in investing in the company.

Overall, the number of shares the company sells and the price for which shares sell are the generating factors for the company's new shareholders' equity value.

Shareholders' equity still represents shares owned by investors when it is both private and public, but with an IPO the shareholders' equity increases significantly with cash from the primary issuance.

The IPO process works with a private firm contacting an investment bank that will facilitate the IPO. The investment bank values the firm through financial analysis, comes up with a valuation, share price, a date for the IPO, and a tremendous amount of other information.

After successful IPO, a company will be listed on a stock exchange and its shares will be available for purchase and sale. This is one of the main ways a business raises capital to fund its growth.

The IPO Process

An IPO comprehensively consists of two parts. The first is the pre-marketing phase of the offering, while the second is the initial public offering itself. When a company is interested in an IPO, it will advertise to underwriters by soliciting private bids or it can also make a public statement to generate interest.

The underwriters lead the IPO process and are chosen by the company. A company may choose one or several underwriters to manage different parts of the IPO process collaboratively. The underwriters are involved in every aspect of the IPO due diligence, document preparation, filing, marketing, and issuance.



Steps to an IPO

1. Proposals

Underwriters present proposals and valuations discussing their services, the best type of security to issue, offering price, amount of shares, and estimated time frame for the market offering.

2. Underwriter

The company chooses its underwriters and formally agrees to underwrite terms through an underwriting agreement.

3. Team

IPO teams are formed comprising underwriters, lawyers, certified public accountants (CPAs) etc.

4. Documentation

Information regarding the company is compiled for required IPO documentation.

5. Marketing & Updates

Marketing materials are created for pre-marketing of the new stock issuance. Underwriters and executives market the share issuance to estimate demand and establish a final offering price. Underwriters can make revisions to their financial analysis throughout the marketing process. This can include changing the IPO price or issuance date as they see fit.

Companies take the necessary steps to meet specific public share offering requirements. Companies must adhere to both exchange listing requirements and the regulator's requirements for public companies.

6. Board & Processes

Form a board of directors and ensure processes for reporting auditable financial and accounting information every quarter.

7. Shares Issued

The company issues its shares on an IPO date. Capital from the primary issuance to shareholders is received as cash and recorded as stockholders' equity on the balance sheet. Subsequently, the balance sheet share value becomes dependent on the company's stockholders' equity per share valuation comprehensively.

8. Post IPO

Some post-IPO provisions may be instituted. Underwriters may have a specified time frame to buy an additional amount of shares after the initial public offering (IPO) date. Meanwhile, certain investors may be subject to quiet periods.



Advantages and Disadvantages of an IPO

The primary objective of an IPO is to raise capital for a business. It can also come with other advantages, but also disadvantages.

Advantages

One of the key advantages is that the company gets access to investment from the entire investing public to raise capital. This facilitates easier acquisition deals (share conversions) and increases the company's exposure,

prestige, and public image, which can help the company's sales and profits.

Increased transparency that comes with required quarterly reporting can usually help a company receive more favorable credit borrowing terms than a private company.

Disadvantages

Companies may confront several disadvantages to going public and potentially choose alternative strategies. Some of the major disadvantages include the fact that IPOs are expensive, and the costs of maintaining a public company are ongoing and usually unrelated to the other costs of doing business.

Fluctuations in a company's share price can be a distraction for management which may be compensated and evaluated based on stock performance rather than real financial results. As well, the company becomes required to disclose financial, accounting, tax, and other business information. During these disclosures, it may have to publicly reveal secrets and business methods that could help competitors.

Rigid leadership and governance by the board of directors can make it more difficult to retain good managers willing to take risks. Remaining private is always an option. Instead of going public, companies may also solicit bids for a buyout. Additionally, there can be some alternatives that companies may explore.

Pros

- Can raise additional funds in the future through secondary offerings
- Attracts and retains better management and skilled employees through liquid stock equity participation (e.g. ESOPs)
- IPOs can give a company a lower cost of capital for both equity and debt

Cons

- Significant legal, accounting, and marketing costs arise, many of which are ongoing
- Increased time, effort, and attention required of management for reporting
- There is a loss of control and stronger agency problems

Investing in an IPO

When a company decides to raise money via an IPO it is only after careful consideration and analysis that this particular exit strategy will maximize the returns of early investors and raise the most capital for the business. Therefore, when the IPO decision is reached, the prospects for future growth are likely to be high, and many public investors will line up to get their hands on some shares for the first time. IPOs are usually discounted to

ensure sales, which makes them even more attractive, especially when they generate a lot of buyers from the primary issuance.

Initially, the price of the IPO is usually set by the underwriters through their pre-marketing process. At its core, the IPO price is based on the valuation of the company using fundamental techniques. The most common technique used is discounted cash flow, which is the net present value of the company's expected future cash flows.

Underwriters and interested investors look at this value on a per-share basis. Other methods that may be used for setting the price include equity value, enterprise value, comparable firm adjustments, and more. The underwriters do factor in demand but they also typically discount the price to ensure success on the IPO day.

It can be quite hard to analyze the fundamentals and technicals of an IPO issuance. Investors will watch news headlines but the main source for information should be the prospectus, which is available as soon as the company files its application. The prospectus provides a lot of useful information. Investors should pay special attention to the management team and their commentary as well as the quality of the underwriters and the specifics of the deal. Successful IPOs will typically be supported by big investment banks that can promote a new issue well.

Overall, the road to an IPO is a very long one. As such, public investors building interest can follow developing headlines and other information along the way to help supplement their assessment of the best and potential offering price.

The pre-marketing process typically includes demand from large private accredited investors and institutional investors, which heavily influence the IPO's trading on its opening day. Investors in the public don't become involved until the final offering day. All investors can participate but individual investors specifically must have trading access in place. The most common way for an individual investor to get shares is to have an account with a brokerage firm. At the USE it is called a Securities Central Depository account (SCD) where shares are deposited upon allotment after the IPO and it's the same account used for trading. Please check out appendix at the end of this bulletin for a list of the USE licensed brokers

Can Anybody Invest in an IPO?

Oftentimes, there will be more demand than supply for a new IPO. For this reason, there is no guarantee that all investors interested in an IPO will be able to purchase shares. Those interested in participating in an IPO may be able to do so through their brokerage firm, although access to an IPO can sometimes be limited to a firm's larger clients. Another option is to invest through a mutual fund or another investment vehicle that focuses on IPOs.



Is it Good to Buy IPO Shares?

IPOs tend to garner a lot of media attention, some of which is deliberately cultivated by the company going public. IPOs are popular among investors because they tend to produce volatile price movements on the day of the IPO and shortly thereafter. This can occasionally produce large gains, although it can also produce large losses. Ultimately, investors should judge each IPO according to the prospectus of the company going public, as well as their financial circumstances and risk tolerance.

KEY TAKEAWAYS

- An initial public offering (IPO) refers to the process of offering shares of a private corporation to the public in a new stock issuance.
- Private companies work with investment banks to bring their shares to the public, which requires tremendous amounts of due diligence, marketing, and regulatory requirements.
- Purchasing shares in an IPO is difficult as the first offering is usually reserved for large investors, such as hedge funds and banks for some countries.
- Companies must meet requirements by exchanges and the Securities and Exchange Commission (SEC) to hold an IPO.
- IPOs provide companies with an opportunity to obtain capital by offering shares through the primary market.
- An IPO can be seen as an exit strategy for the company's founders and early investors, realizing the full profit from their private investment.

The Bottom Line

The late and legendary Benjamin Graham, who was Warren Buffett's investing mentor, decried IPOs as being for neither the faint of heart nor the inexperienced. They're for seasoned investors; the kind who invest for the long haul, aren't swayed by fawning news stories, and care more about a stock's fundamentals than its public image.

SOURCE <https://www.investopedia.com/terms/i/ipo.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:
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 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. Ongura Joram



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