

## ACTIVITY REPORT

### MARKET PERFORMANCE

#### Equities Report

The trading volume for September 2021 was 22,056,956 shares with a turnover of UGX 895,500,784. This month's turnover performance was an 2.03 % increase from 12,069,830 shares worth UGX 877,691,758 that was recorded in September 2020.

Activity in the 9th month of the year decreased by 77.29 percent to a turnover of UGX 895 million from UGX 3.9 billion recorded in August 2021. This represents a daily average turnover of approximately UGX 40 million. Volume traded decreased to 22.1 million shares compared to 46.6 million shares traded in August 2021. The number of deals presented a total of 302 deals up from 266 deals executed in August 2021, with 52.6 per cent of the deals attributed to the Stanbic counter.

#### Turnover performance per counter

UMEME counter dominated activity for the month accounting for 51.89 percent of the total turnover followed by Stanbic with 41.63 percent. In third position was Uganda Clays Limited with 5.35 per cent contribution to the month's turnover. Bank of Baroda Uganda, New vision Limited, CIPLA, DFCU and National Insurance Corporation Uganda combined recorded 1.14 percent of the total turnover.

#### Volume traded per counter

Stanbic registered the highest volume of shares with 63.83 percent, followed by Uganda Clays Limited with 25.50 percent. UMEME came third with 10.06 percent of the volume, while National Insurance Corporation Uganda was in the fourth

position with 0.34 percent of the total volume. CIPLA accounted for 0.11 percent, Bank of Baroda Uganda, New vision Limited and DFCU had the least number of shares traded amounting to 35,229 shares representing 0.16 percent of total number of shares traded.

#### Trading Volumes and Activity on a Monthly Basis year on year

	September 2021	September 2020
Volume Traded	22,056,956	12,069,830
Turnover (UGX)	895,500,784	877,691,758
Number of Deals	302	357
Trading Days	22	22
Daily Average Turnover (UGX)	40,704,581	39,895,080
Daily Average number of trades	14	16
Market Capitalization (UGX.bn)	21,002.78	18,986.07
USE All Share Index (ASI)	1,511.30	1,361.95
Local Share Index (LSI)	341.60	338.51

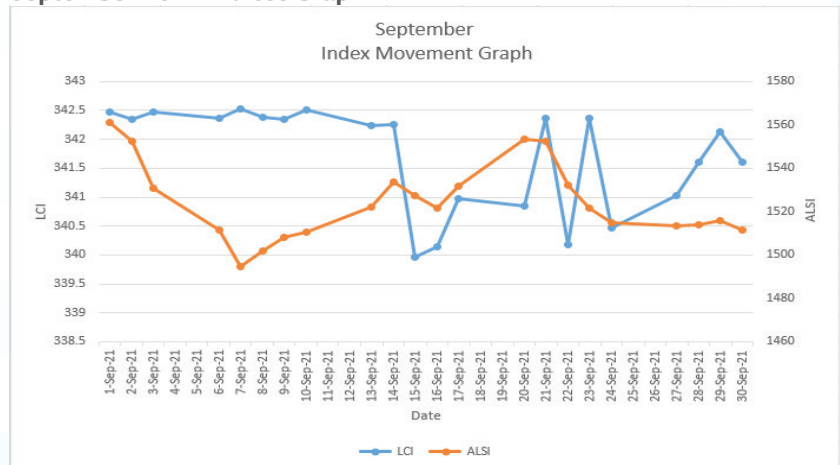
Source USE Product Markets Department

#### 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 342.68 and closed at 341.60 representative of a 0.32 percent decrease. The All Share Index (ALSI) decreased by 4.03 percent to 1,511.30 from 1,574.7 at the start of the month.

Refer to ALSI/LCI graph below.

#### September 2021 Indices Graph:



Source: USE Product Markets Department

# ECONOMIC & FINANCIAL DEVELOPMENTS: SEPTEMBER 2021

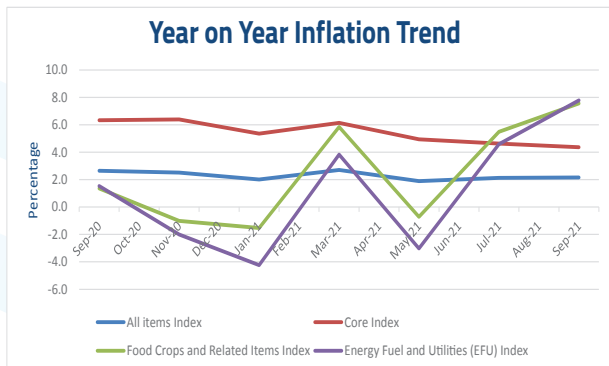
## INFLATION – OUTLOOK AND RISKS

Annual headline inflation increased to 2.2% in the 12 months to September 2021 compared to 1.9% in August 2021. This was mainly driven by the rise in the prices of the commodities under; 'Food and Non-Alcoholic Beverages' (2.9 percent), 'Furnishings, Household Equipment and Routine Household' (3.0percent) and 'Personal Care, Social Protection and Miscellaneous Goods' (2.9 percent) between September 2020 and September 2021.

Annual food crops and related items inflation rose to 3.2% in the year to September 2021 from 0.5% in the year to August 2021 driven by high prices of fruits and nuts during the period. Year on year Core inflation remained constant at 2.2% in the 12 months to September 2021 same as in August 2021. This is attributed to Annual 'Other Goods' Inflation that increased to 2.5 percent in September 2021 up from 1.9 percent in August 2021.

Year on year Electricity, Fuel and Utilities inflation increased to 0.2% in September 2021 compared to a deflation of 0.5% posted in August 2021 driven by higher 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 SEPTEMBER 2021

## INTEREST AND LENDING RATES

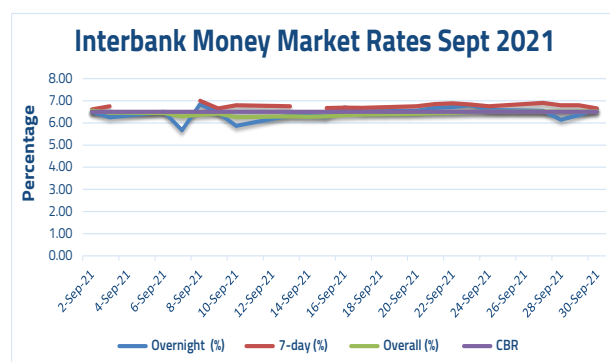
### Interbank Money Market Rates

Interbank Money Market rates edged lower averaging 6.4% in September 2021 compared to 6.5% averaged in August 2021 pointing to sustained liquidity in the money markets amidst slow recovery in private sector credit. Overnight rates were stable month on month averaging 6.4% while 7-Day rates edged higher at 6.8% last month compared to 6.7% averaged in August 2021.

Bank of Uganda maintained the Central Bank Rate at its record low of 6.5% in September, at the Monetary Policy Committee meeting held in August 2021 it cited slow recovery in economic activity and benign inflation.

According to the Central Bank, significant uncertainties continue to surround the economic outlook which remains conditional on the containment of the spread of the pandemic which is highly premised on the vaccination rates.

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



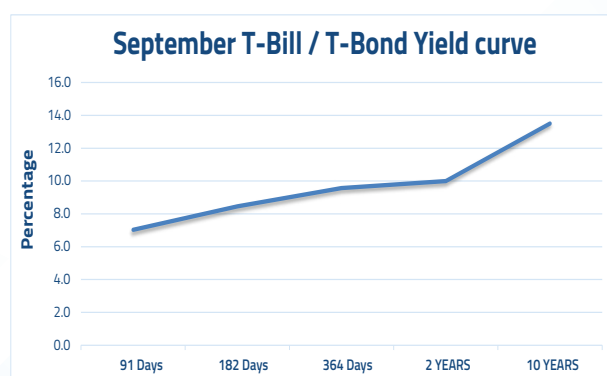
Source: Bank of Uganda

### Yields on Government securities

Rates on the short end of the yield curve edged lower by the end of September 2021 compared to the end of August 2021. The 91-Day, 182-Day and 364-Day closed the past month at 7%, 8.5% and 9.6% 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 10-year government paper closed September 2021 at 13.65% compared to 13.75% at the end of August 2021. On the overall, current yields remain below the six months average and close of December 2020 showing the extent of decline observed this year.

Sustained liquidity in the markets driven by slow recovery in private sector credit amidst an expansionary monetary policy stance and forecast stable local currency is forecast to keep interest rates within current ranges (with some tenors edging further lower).



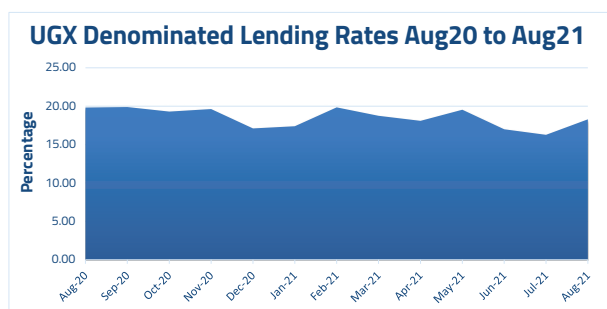
Source: Bank of Uganda

## Lending rates

Shilling denominated lending rates rose to 18.3% in August 2021 from 16.3% in July 2021. According to the Monetary Policy Report for August 2021, commercial banks' weighted average lending rate has maintained a downward trajectory since February 2021 in line with the reduction in the Central Bank Rate.

Month on month Foreign Currency denominated lending rates slightly rose to 5.8% in August 2021 compared to 5.4% in July 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 has been implemented by the Central Bank since 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,



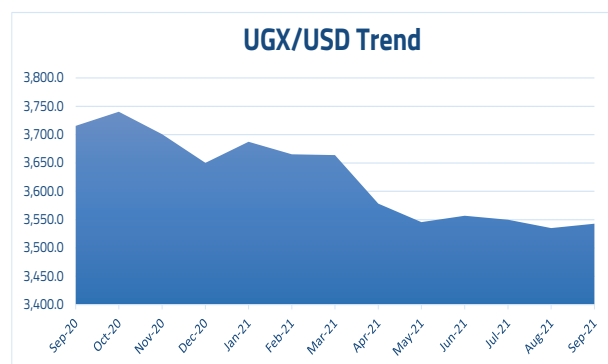
Source: Bank of Uganda

## FOREIGN EXCHANGE RATE DEVELOPMENT

The local currency edged lower month on month closing September at 3,542 compared to 3,535 driven by higher appetite for foreign currency during the period. This speaks to slightly increased recovery in economic activity following the lifting of Covid-19 containment measures in August.

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.

The UGX is expected to trade range bound over the short to medium term supported by foreign inflows from investors in Treasury bills and bonds and muted import demand amidst muted economic activity.



Source: Bank of Uganda

## BOND LISTINGS:

There were 2 treasury bonds listed in September 2021, one re-opened with a value of UGX 300bn and a new one with a value of 200bn. The current total value of the Government Bonds listed on the bourse stands at UGX 19.7 Trillion.

### Government Bond Schedule: September 2021

INSTRUMENT CODE	IS IN	ISSUED SHARES	ISSUE DATE	RATE	MATURITY
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	1.862TN	2013/04/24	11.00	2023/04/13
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: September 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: September 2021

	Month	Security	Amount Auction	Secondary
01	Sept-21	TBILL	336,000,000	
02		TBOND	260,700,000	166,800,000
	<b>Total</b>		<b>596,700,000</b>	<b>166,800,000</b>

## CORPORATE ANNOUNCEMENTS: SEPTEMBER 2021

### UGANDA CLAYS LIMITED

#### FINANCIAL STATEMENT FOR THE SIX MONTHS ENDED 30<sup>TH</sup> JUNE 2021

The Directors of Uganda Clays Limited announced the interim condensed financial statements for six months. The first half of 2021 posed serious challenges for the industry and the economy as a whole.

#### Performance Highlights;

**Revenue** for the period increased by 34% to UGX 17.5BN for the period compared to UGX 13BN in the same period in 2020, notably due to improved efficiencies in production and increase in sales volumes.

**Gross profit** for the period increased by 190% to UGX 7.4BN from UGX 2.5BN in the same period in 2020.

**Overhead costs** increased by 12% to UGX 5.4BN from 4.8BN driven by increased funding of operating expenditure initiatives.

**Profit After Tax** for the period increased by 292% to UGX 2.8BN from a loss position of UGX 1.4BN in the same period 2020

**Balance sheet analysis.** Total assets increased by 13% to UGX 70BN.

**Outlook** The fundamentals for the market remain positive with actions having been taken to strengthen the business and enhance operational flexibility leaving the company well positioned in the sector.

**Full announcement is available on our website;** <https://www.use.or.ug/content/ucl-financials-six-months-ended-30th-june-2021>

### BANK OF BARODA UGANDA

#### BANK OF BARODA CONSOLIDATED UNAUDITED FINANCIAL STATEMENT FOR THE SIX MONTHS PERIOD ENDED AT JUNE 30, 2021

Board of Directors approved the publication of the financials of the Bank for half year ended June 30, 2021 in its meeting dated September 21, 2021.

#### Highlights

- The Bank posted a year on year growth of 8.58% in deposits as on June 30, 2021. The Bank posted a year on year growth of 13.12% in loans and advances (Net) as on June 30, 2021.



- The Bank posted a year on year growth of 8.55% in Net profit after tax for the period ended June 30, 2021.
- The Bank's networth has also grew by 15.33% year on year as on June 30, 2021.
- The Bank's Capital Adequacy Ratio as on June 30, 2021 was well above the revised minimum norms.
- Core Capital to Risk Weighted Assets (RWA) 32.75% against the revised norms of 10%.
- Total Qualifying Capital to RWA: 34.05% against the minimum requirement of 12%

Full announcement is available on our website; <https://www.use.or.ug/content/bobu-interim-financials-2021>

#### **BANK OF BARODA POST AGM NOTICE.**

At the 51st Annual General Meeting of Bank of Baroda Uganda Limited for the year ended December 31, 2020 held at 1:00p.m on Thursday, August 26, 2021 online through electronic platform, the shareholders passed the following resolutions:

1. Confirmation of the minutes of the 50th Annual General Meeting of the Company held on Friday, September 18, 2020 online through electronic platform.
2. Adoption of the separate and consolidated financial statement for the year ended December 31, 2020, report of the Board of Directors on the state of affairs of the Bank, together with the Auditors' report thereon.
3. Ratification of the payment of the final dividend at UGX. 10.00 per share (100%) for the financial year ended December 31st 2019 which was by 21st May 2021 paid to the shareholders on the register at the close of business on 17th May 2021. ii. Approved the dividend proposed by the Board of Directors at the rate of UGX.10.00 per share for the Financial Year 2020 subject to approval from Bank of Uganda.

Full announcement is available on our website; <https://www.use.or.ug/content/bank-baroda-uganda-ltd-post-agm-notice>

#### **UGANDA SECURITIES EXCHANGE PARTNERS WITH MTN MOBILE MONEY TO DIGITALIZE SCD ACCOUNT OPENING**

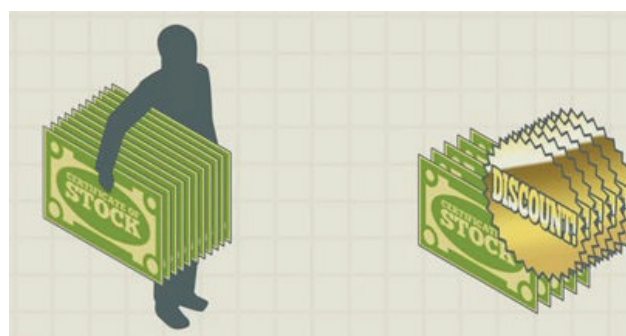
(Tuesday 14th September 2021- Kampala, Uganda): Uganda Securities Exchange's (USE) Securities Depository USE SCD launched a digital Securities Central Depository (SCD) account opening platform in partnership with MTN Mobile Money in a bid to further democratize Uganda's stock market. The innovation is the first of its kind in Uganda and it is envisaged to simplify the process of opening an SCD account, which is a requirement for individual investors to participate in the securities market. While launching the digitalized SCD account opening service in a joint press conference

between USE and MTN Mobile Money at the Kampala Serena Hotel, Paul Bwiso, the Chief Executive Officer, Uganda Securities Exchange noted that the new digital SCD account opening platform will bolster participation of the everyday Ugandan in the country's stock market as more people will be able to open their SCD accounts remotely and subsequently be able to invest in any of the companies and debt instruments listed on the USE.

Full announcement is available on our website; <https://www.use.or.ug/content/uganda-securities-exchange-partners-mtn-mobile-money-digitalize-scd-account-opening>

## **EDUCATION COLUMN**

### **UNDERSTANDING RIGHTS ISSUES**



#### **How a Shareholder may Approach Equity Rights Issues**

A Rights Issue is fast becoming a usual terminology in the capital markets of Uganda. Both individual and institutional investors have had a taste of Rights Issues when Uganda Clays became the first listed company to offer Rights to existing shareholders. Today we explore how a shareholder should approach an offer of rights and the possible implications of their actions.

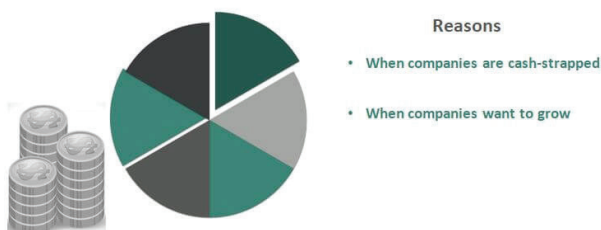
An appropriate starting point is defining a Rights Issue so we can take off from the same platform. A Rights Issue is an issue of new shares for cash to existing shareholders in proportion to their existing holdings at a discounted price (Usually 20-30% of the market price). It is therefore, a way of raising new cash from shareholders - an important source of new equity funding for publicly quoted companies. It is important to note that it is an offer of new shares for cash and this offer is only made to existing shareholders. There are other offers for new shares that may be offered to existing shareholders, but not for cash; these do not form part of today's discussion and are defined differently. What is the implication of this?

The first important implication to a shareholder is that one will need to pay cash in order to acquire the new shares being offered. As a shareholder you have to be able to pay for these shares and thus you need to have money for this. The amount of money that one pays depends on

the number of shares one is entitled to. The entitlement is calculated based on ones' level of shareholding at the cutoff date.

Another important implication is that Rights are offered to existing shareholders only. Does this mean those who do not own shares in that particular company cannot participate at all? This is because existing shareholders have the "right of first refusal" (otherwise known as a "preemption right") on the new shares. By taking these preemption rights up, existing shareholders can maintain their existing percentage holding in the company.

## Rights Issue



However, shareholders can, and often do, waive these rights, by selling them to others. Shareholders can also vote to rescind their preemption rights. Existing shareholders, who are entitled to exercise their rights, may exercise their rights in one of two ways. They may choose to buy their rights at the offer price or renounce their rights and sell them to the market. It is when these existing shareholders sell to the market that anyone can buy these shares. However, it is important to note that these shares will be sold at a market determined price and not the rights offer price.

When a Rights Issue is announced dates are set to inform existing and prospective shareholders. These dates and terms are described in more detail below:

**Book closure date:** This is the date when the shareholder register is closed. This means that the rights offer/issue will only be applicable for shareholders who are recorded in the register as at the closure date.

**Offer period:** This is the period within which rights are offered to the existing shareholders.

**Offer ratio:** Shares are normally issued in ratios, that is to say, for example 3 shares for every 5 shares held. This would mean that for someone who holds 500 shares, they would benefit 300 additional shares.

**Example:**

X buys 5 shares trading at UGX 3000 and the rights are being offered at a 30% discount. The ratio is 3 new shares for every 5 held:

5 existing shares at a market price of UGX 3000= UGX 15, 000

3 new shares for cash at UGX 2,100 = UGX 6,300

Total for 8 shares = UGX 21, 300

Value of 1 share post rights issue = UGX 21, 300 /8

Effective cost per share = UGX 2,662.50

The difference between the market price per share of UGX 3,000 and the effective cost per share of UGX2, 662.50 is your profit. The post rights issue price cannot be determined as situations differ but the principle holds true. It is therefore advisable to follow your rights and take advantage of the fact that the shares are being offered below the market price but it is not mandatory.

At this point I find it relevant to explore the possible direction of a share price post a Rights Issue and the reasons thereof. The share price is usually expected to fall after the Rights Issue. This is not necessary the case although it is very common. The share price may fall not because the market's views about the company have changed but merely because the market is absorbing the new shares just issued. Since the number of shares will have increased in some instances by a huge percentage, the price would need to be adjusted to match the new number of shares. However, in some cases the post rights issue price has actually gone up. This could be as a result of many reasons.

Whichever direction the post Rights Issue takes it is important for investors to pay attention to the fundamental features of any stock. One has to be satisfied that the company's growth potential is significant, the cash flows are healthy and that the business will continue to be profitable and deliver value to shareholders. Investment advisors and stockbrokers can be useful in explaining these issues and assist would be investors. It is very important to avoid being carried away by following what others are doing. Fundamental analysis is very important and should be an important consideration before making any investment in shares.

In conclusion however, investors should treat any rights issue as a fresh equity issue, as they would be increasing their exposure to a company. Therefore, all the necessary precautions of a fresh investment should be taken.

**SOURCE;**

<https://www.investopedia.com/investing/understanding-rights-issues/>

## Right Issue



## 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:
<b>BARODA CAPITAL MARKETS (U) LTD.</b> P. O. Box: 7197 Kampala <b>Tel:</b> +256 414 232 783 <b>Fax:</b> +256 414 230 781 <b>Email:</b> bcm.ug@bankofbaroda.com <b>Website:</b> www.barodacapital.webs.com	<b>Mr. Mohan Prashantam</b>
<b>DYER &amp; BLAIR (UGANDA) LTD</b> Rwenzori House Ground Floor P. O. Box: 36620 Kampala <b>Tel:</b> +256-414-233050 <b>Fax:</b> +256 -414 231813 <b>Email:</b> Uganda@dyerandblair.com	<b>Ms. Esther Kakiza</b>
<b>EQUITY STOCK BROKERS (U) LTD.</b> Orient Plaza Plot 6/6A Kampala Road P. O. Box: 3072 Kampala <b>Tel:</b> +256-414 7719133/44 <b>Email:</b> equity@orient-bank.com	<b>Ms. Nkundizana Christine</b>
<b>CRESTED STOCKS AND SECURITIES LIMITED</b> Head Office - Impala House 6th Floor Plot 13-15, Kimathi Avenue P. O. Box 31736, Kampala, Uganda <b>Tel:</b> +256 312 230900/ +256 414 230 900 <b>Email:</b> info@crestedcapital.com <b>Website:</b> www.crestedcapital.com	<b>Mr. Robert H. Baldwin</b>
<b>UAP OLD MUTUAL FINANCIAL SERVICES LTD</b> 2nd floor, Block A, Nakawa business park P. O. Box 20079, Kampala <b>Tel:</b> +256 414 332 825 <b>Email:</b> brokerageufs@uap-group.com	<b>Mr. Mwebaze Simon</b>
<b>SBG SECURITIES LIMITED</b> 4th Floor Crested Towers (Short Towers) P. O. Box 7131, Kampala <b>Tel:</b> +256 0312 224 600 <b>Email:</b> sbgs_uganda@stanbic.com	<b>Mr. Ongura Joram</b>



### UGANDA SECURITIES EXCHANGE

UAP Nakawa Business Park, Block A, 4<sup>th</sup> Floor, Plot 3 - 5 New Port Bell Road. P. O. Box 23552 Kampala, Uganda.

**T:** +256 (3123708) 15/17/18. **E:** info@use.or.ug. **W:** www.use.or.ug

