URBRA

Retirement Benefits Sector

Investment Snapshot

Quarter End | June 2023

Total sector portfolio increased by 3.4% from UGX 20.56 trillion in March 2023 to UGX 21.4 trillion in June 2023

Performance Indicators

The Authority presents the Retirement Benefits Sector Investment Snapshot for the quarter ended June 2023. This snapshot is compiled to provide consolidated statistics and analysis relating to Retirement Benefits Schemes' Investments under management. The snapshot provides Retirement Benefits Sector statistics as well as trends, performance and other developments based on Investment Returns submitted by all Licensed Retirement Benefits Schemes and the supervisory & enforcement initiatives conducted by URBRA.

The scope and depth of analysis depends on the completeness and the accuracy of the data submitted by the Schemes.

Sector Performance Indicators at a Glance: June 2023

- **Assets under management**: Sector assets stood at UGX 21.4 Trillion
- **Sector Growth Rate**: The sector grew by 4.1% and 9.8% on QoQ and YoY basis respectively
- **Median Performance**: Quoted Equities, Fixed Income and Money Market registered 12-month median performances of -6.5%, 16.2% and 11.4% respectively
- **Withdrawals**: Total withdrawals during the quarter amounted to UGX 268 Billion
- **Contributions**: Total Contributions during the quarter stood at UGX 617 Billion
- **Investment Income**: Total Investment Income during the quarter was UGX 625 Billion

Risk Factors and Sector impliction: Compared to the previous quarter

- **GDP**: The growth provides opportunity for increased business activity
- **Exchange Rate**: The Ugandan shilling ended the quarter on a strong note, appreciating by 2.8% against the US dollar.
- **Investment Income**: The increse in investment income support adequacy and growth
- **Inflation**: The decreased headline inflation increases aggregate demand and increases costs
- **Contributions**: Increased contributions are a positive indicator of savings and economic activity.
- **Political Stability**: The level of political stability in East Africa is generally stable compared to other regions

Market Commentary

Economic Growth

The initial GDP estimates from UBOS reveal that during the fiscal year FY 2022/23, the economy expanded by 5.3%, surpassing the 4.6% growth recorded in 2021/22. In terms of sector contributions, the services sector remained the primary driver of GDP, accounting for 42.6%, followed by the industry sector at 26.1%, and agriculture at 24.0%.

The World Bank has revised its economic growth projection for Uganda upward to 6.2% for the upcoming financial year. The accelerated growth is expected to be fueled by expected reduction in commodity prices, substantial increases in fixed investment as significant infrastructure projects advance, continued efforts in fiscal consolidation.

Source: UBOS, World Bank

Inflation

The average annual inflation rate for the Financial Year 2022/2023 was recorded at 8.8%, a significant increase compared to the 3.4% rate observed in the Financial Year 2021/2022.

As of June 2023, the annual inflation rate decreased to 4.9%, down from 6.2% in May 2023. Additionally, the annual inflation rate for Energy, Fuel, and Utilities (EFU) experienced a deceleration, reaching negative 3.1% for the year ending in June 2023, in contrast to the 0.9% rate reported for the year ending in May 2023.

With Inflationary pressures on a downward trajectory, it is anticipated to align with the Bank of Uganda's medium-term target of 5% core inflation by the end of 2023

Source: Bank of Uganda, UBOS

Central Bank Rate (CBR)

In June 2023, the Bank of Uganda (BOU) opted to keep the Central Bank Rate (CBR) at 10 percent, the Monetary Policy Committee chose not to lower the cost of credit due to lingering concerns about inflation risks.

Source: Bank of Uganda,

Currency

The Ugandan shilling ended the quarter on a strong note, appreciating by 2.8% against the US dollar. Also, the Uganda Shilling saw notable strengthening against the Pound, and Euro, with gains of 0.3%, and 2.4% respectively.

Factors contributing to this included the Bank of Uganda's conservative monetary policy, rising export and tourism earnings, and increased foreign direct investment (FDI) inflows.

Source: Bank of Uganda

Fixed Income

The yield curve declined due to improved market liquidity, strong auction demand, and central bank discipline. Government security yields dropped significantly, driven by high oversubscription in recent auctions as investors aimed to secure high interest rate.

As of June 2023, the issuance of government securities amounted to 1,165.7 billion Ugandan Shillings (UGX), with UGX 906.2 billion allocated for budget expenditure and UGX 259.5 billion earmarked for refinancing purpose.

Source: Bank of Uganda, MOFPED

Quoted Equities

In the quarter ending June 2023, regional stock indices experienced declines due to several factors, including ongoing foreign capital outflows, rising macroeconomic uncertainties. Specifically, the Nairobi share index experienced a significant loss of 13.4%, the Tanzania share index saw a decline of 3.2%, and the Rwanda share index registered a 5.5% drop in value during the quarter.

The Ugandan Securities Exchange (USE) Local share index, however, managed to buck the trend, recording a gain of 1.8% to finish the quarter at 271.7, up from 266.9.

Index	USE ALSI	USE LCI	NSE ALSI	DSE ALSI	RSE ALSI
Mar - 2023	1,148.25	266.89	112.76	1,888.79	142.80
June - 2023	1,017.68	271.66	107.00	1,800.04	143.65
% Change	-11.37%	1.79%	-5.11%	-4.70%	0.60%

Source: African Markets, USE

Sector Portfolio

	March 2023		June 2023	
Asset Class	**Amount (Million)**	**%**	**Amount (Million)**	**%**
Cash and Demand	90,730	0.4	271,379	1.3
Fixed Deposits	320,051	1.6	309,920	1.4
Other Fixed Income*	178,282	0.9	220,790	1.0
Government Securities	16,060,479	78.1	16,713,826	78.1
Quoted Equities	2,235,686	10.9	2,172,035	10.1
Unquoted Equities	329,830	1.6	347,816	1.6
Immovable Property	1,320,354	6.4	1,346,373	6.3
Other Investment**	23,836	0.1	24,684	0.1
Total	20,559,248	100	21,406,822	100

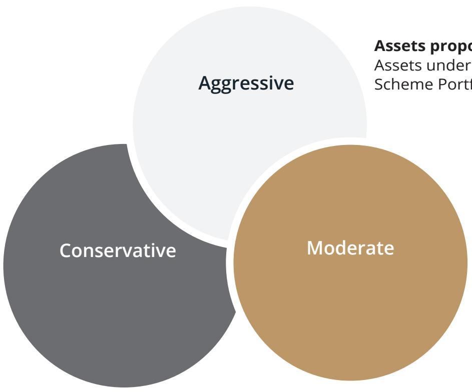
* Represents Commercial Paper, Corporate bonds, Asset Backed Securities, Collective Investment Schemes.
**Represents other approved assets

Mandatory Scheme Portfolio

	NSSF		Parliamentary Pension Scheme		Makerere University	
Asset Class	**Amount (Million)**	**%**	**Amount (Million)**	**%**	**Amount (Million)**	**%**
Cash and Demand	250,661	1.4	333	0.1	103	0.0
Fixed Deposits	105,281	0.6	8,188	2.0	4,079	1.1
Other Fixed Income*	15,162	0.1	46,758	11.2	25,348	7.1
Government Securities	14,225,660	77.9	321,879	76.9	308,411	86.7
Quoted Equities	1,995,641	10.9	16,520	3.9	616	0.2
Unquoted Equities	346,907	1.9	-	-	-	-
Immovable Property	1,329,010	7.3	-	-	17,042	4.8
Other Investment**	-	-	24,684	5.9	-	-
Total	18,268,322	100	418,362	100	355,599	100

Risk Profile

The Conservative risk profile is composed of portfolios with allocation of over 70% in Fixed Income , while Moderate and Aggressive profiles are composed of portfolios with allocation between 50% - 70% and less than 50% respectively.



Assets proportion - 0.8%
Assets under management - 166.1 Billion
Scheme Portfolios - 6

Assets proportion - 98.2%
Assets under management - 21.0 Trillion
Scheme Portfolios - 59

Assets proportion - 1.1%
Assets under management - 229.1 Billion
Scheme Portfolios - 2

Asset Allocation

	NSSF		Occupational Scheme	
Asset Class	Amount (Million)	%	Amount (Million)	%
Cash and Demand	250,661	1.4	20,718	0.7
Fixed Deposits	105,281	0.6	204,639	6.5
Other Fixed Income*	15,162	0.1	205,628	6.6
Government Securities	14,225,660	77.9	2,488,166	79.3
Quoted Equities	1,995,641	10.9	176,393	5.6
Unquoted Equities	346,907	1.9	909	0.0
Immovable Property	1,329,010	7.3	17,362	0.6
Other Investment**	-	-	24,684	0.8
Total	18,268,322	100	3,138,500	100

As of June 2023, the National Social Security Fund (NSSF) had a substantial portfolio valued at UGX 18.3 trillion, while occupational schemes managed assets totaling UGX 3.1 trillion. Both predominantly allocated nearly 80% of their investments into government securities. In the case of occupational schemes, this is followed by a 6.6% allocation to other fixed-income instruments, with a significant portion channeled into collective investment schemes, and 6.5% held in bank deposits.

Despite the inherent market volatility and turbulence, the NSSF still mantained presence in the equity market after Government Secutities, with an 11.0% allocation to quoted equities.

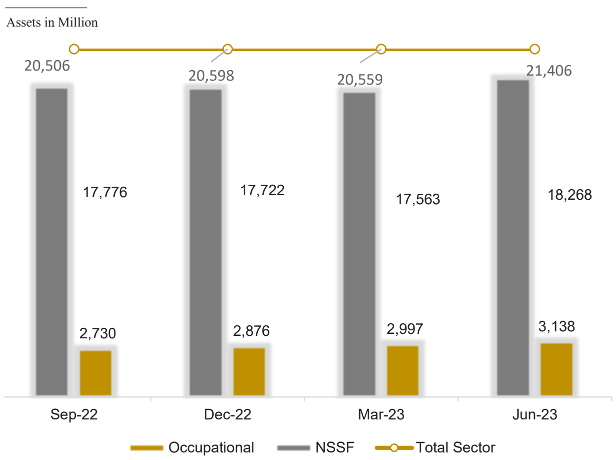
Fund Manager's Holding (Million)

Fund Managers	Cash and Demand	Fixed Deposits	Other Fixed Income	Government Securities	Quoted Equities	Unquoted Equities	Immovable Property	Other	Total
Britam	2,654		44,513	267,063	4,149				318,379
GenAfrica	4,609	16,416	75,714	807,708	63,864		17,042		985,352
ICEA	7,697	23,178	1,422	124,266	5,663				162,226
Sanlam	7,317	123,038	43,048	950,948	164,169	909	321		1,289,749
Xeno			2,625						2,625
PPS-Loan								24,684	24,684
UAP	764	42,807	38,307	338,182	14,823				434,883
Total	23,041	205,439	205,628	2,488,166	252,668	909	17,362	24,684	3,217,897

The allocation of assets overseen by Licensed Fund Managers for Retirement Benefits Schemes increased from UGX 3.1 trillion to UGX 3.2 trillion. The Strategy in assets allocation reflects a shift towards government securities, primarily driven by market turbulence and underperformance in quoted equities. Furthermore, there is still growing trend of allocating more funds to other fixed-income assets, particularly Collective Investment Schemes.

All Figures in UGX

Sector Growth (%)

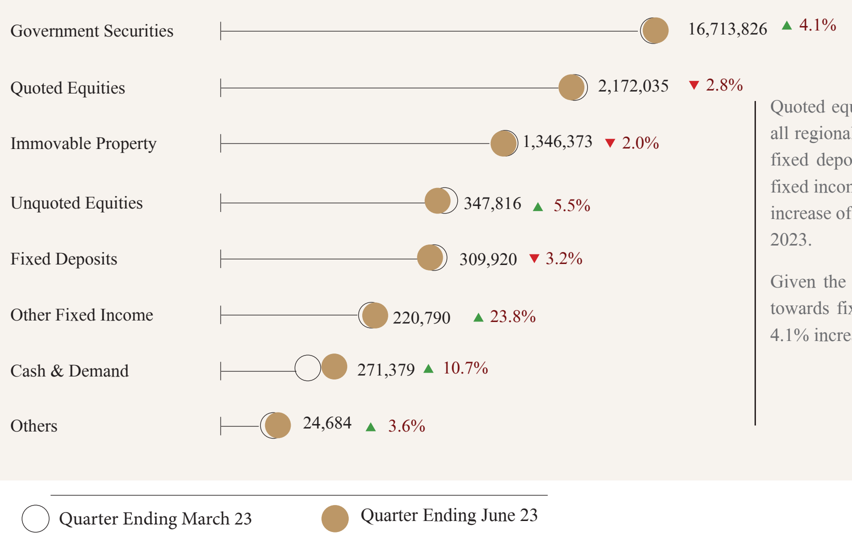


Schemes	Sept-22	Dec-22	Mar-23	June-23	QAGR
Occupational	3.00%	5.36%	4.18%	4.74%	4.32%
NSSF	5.48%	-0.30%	-0.90%	4.02%	2.07%
Sector	5.14%	0.45%	-0.19%	4.12%	2.38%

QAGR: Quarterly Average Growth Rate

After experiencing a decline in March 2023, the sector made a significant recovery, with a quarter-on-quarter (QoQ) growth of 4.1% and a year-on-year (YoY) growth of 9.8% during the quarter ending in June 2023, culminating in a total value of UGX 21.4 trillion, compared to UGX 19.5 trillion in June 2022. This growth was primarily driven by a 4.7% increase in assets held by occupational schemes and a 4.0% rise in assets managed by the National Social Security Fund (NSSF). These gains can be attributed to both increased contributions from scheme participants and higher investment income generated.

Asset Class Movement



Quoted equities saw a notable decrease of 2.3%, with declines observed in all regional indices. Immovable property experienced a 2.0% decline, while fixed deposits dropped by 3.2%. On the other hand, investments in other fixed income instruments surged by 23.8%, driven primarily by a substantial increase of 34% in investments in collective investment schemes during June 2023.

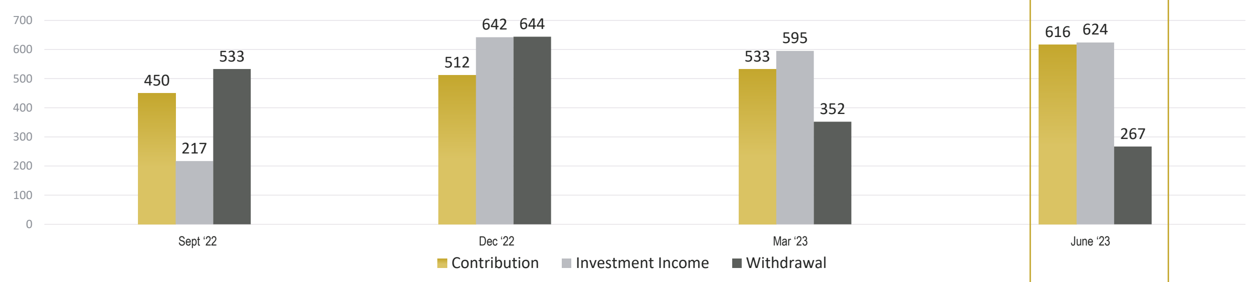
Given the underperformance of the equities markets, there is a clear shift towards fixed income securities, as evident from the growth in CIS and a 4.1% increase in government securities.

Assets Held by Umbrella Schemes

	March 2023 (Million)	June 2023 (Million)	Growth (%)
The Liaison Umbrella Fund	17,599	17,703	0.59%
Jubilee Life Umbrella Retirement Scheme	19,710	21,167	7.39%
Umoja Umbrella Retirement Benefits Scheme	3,982	4,146	4.12%
Zamara Retirement Fund	58,869	63,129	7.24%
Octagon Uganda Umbrella Retirement Benefits Scheme	15,437	11,829	-23.37%
ICEA (U) Limited Retirement Benefits Scheme	126,594	132,261	4.48%
ICEA Lion Teleka Umbrella Fund	13,735	14,075	2.47%
UAP Life Umbrella Retirement Benefits Scheme	43,105	46,498	7.87%
Sara Umbrella Retirement Benefits Scheme	4,094	4,039	-1.35%
Enwealth Uganda Umbrella Retirement Scheme	5,676	7,405	30.46%
Xeno Umbrella Retirement Benefits Scheme	2,376	2,625	10.51%
Britam Umbrella Scheme	18,902	20,311	7.45%
Total	330,080	345,188	4.58%

The assets held within the Umbrella Scheme's retirement funds have seen a notable 4.6% growth, increasing from UGX 330 billion to UGX 345.2 billion. Umbrella Scheme represents a modest 2% of the total assets under management for retirement funds. The lion's share of these assets is primarily overseen by ICEA, Zamara, and UAP.

Contributions, Investment Income & Withdrawal



During the quarter under review, there were notable increases in key financial metrics. Total contributions and investment income showed positive growth, with contributions rising by 11.5% to reach UGX 616 billion, and investment income increasing by 4.9% to a total of UGX 624 billion. However, Withdrawals reduced by 24% and unrealized losses increased by 76% to UGX 562 Billion, emphasizing the challenging Equities market conditions.

Performance (%)

	Quoted Equities				Fixed Income				Money Market			
	3 Months	6 Months	1 Year	3 Year	3 Months	6 Months	1 Year	3 Year	3 Months	6 Months	1 Year	3 Year
25' Percentile	-5.65	-9.93	-9.42	0.95	3.74	7.21	15.47	15.12	2.62	5.28	10.39	9.29
Median	-4.20	-7.63	-6.49	1.77	3.89	7.61	16.22	15.82	2.95	6.23	11.41	9.78
75' Percentile	-2.38	-3.65	-4.22	3.31	4.03	7.88	16.65	16.36	3.14	6.51	11.97	12.17
Range	14.74	19.84	25.63	10.42	5.86	7.86	16.04	6.87	3.18	341.92	11.88	7.32
Average	-3.10	-6.55	-6.53	1.63	4.25	7.62	16.07	15.56	2.72	13.25	10.56	10.43
W.A.P*	-0.50	-0.79	-0.79	0.09	0.51	0.76	1.83	1.45	0.28	0.75	1.04	0.76

* Weighted Average Performance

As at end June 2023, the annual median returns for Quoted Equities was -6.5%, Fixed Income at 16.2%, and Money Markets at 11.4%.

Quoted Equities

Sector	Quoted Equities (Billion)	Financial Sector	Consumer Staples	Consumer Discretionary	Utilities	Health Care	Material & Processing	Energy	Producer Durables	Technology & Telecom
NSSF	1,919	42.69%	0.51%	19.87%	0.00%	1.37%	0.54%	6.17%	0.00%	28.85%
Occupational	252	38.61%	0.74%	13.91%	9.90%	0.05%	0.22%	0.82%	0.04%	29.65%

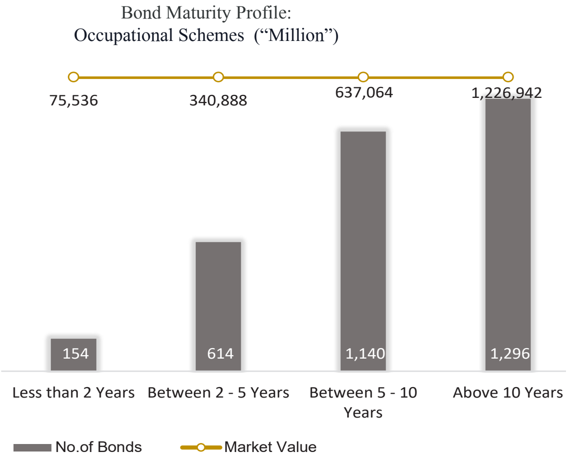
Top Stocks	Occupational (%)	NSSF (%)	Market Price (Dec 2022)	Market Price (Mar 2023)	Capital Gain/Loss (%)	Dividend per Share	Dividend Yield (%)	Net Return (%)
MTN Uganda Ltd	20.7%	18.7%	170.00	170.00	0.0%	5.60	3.3%	3.29%
Tanzania Breweries Limited	7.8%	11.9%	10,900.00	10,900.00	0.0%	0.00	0.0%	0.00%
Safaricom Plc	15.1%	10.2%	18.10	17.50	-3.3%	0.62	3.4%	0.11%
Equity Group Holdings Plc	6.3%	9.6%	45.50	38.25	-15.9%	4.00	8.8%	-7.14%
CRDB Bank Plc	5.8%	7.9%	475.00	470.00	-1.1%	45.00	9.5%	8.42%
Umeme Limited Ltd	13.6%	6.6%	331.23	440.00	32.8%	24.00	7.2%	40.08%
KCB Group Plc	6.8%	7.3%	35.50	29.30	-17.5%	1.00	2.8%	-14.65%
National Microfinance Bank (NMB)	0.0%	7.0%	3,500.00	3,480.00	-0.6%	286.00	8.2%	7.60%
East African Breweries Plc	2.8%	6.1%	170.00	155.00	-8.8%	1.75	1.0%	-7.79%
Stanbic Uganda	9.8%	3.0%	21.00	26.00	23.8%	3.61	17.2%	41.00%
Twiga TPCC	0.0%	3.2%	4,040.00	4,000.00	-1.0%	390.00	9.7%	8.66%
BK GROUP PLC	0.0%	2.1%	270.00	286.00	5.9%	32.50	12.0%	17.96%
Vodacom Tanzania	0.0%	1.8%	770.00	770.00	0.0%	9.95	1.3%	1.29%
DFCU	4.6%	0.8%	520.00	264.00	-49.2%	8.19	1.6%	-47.66%
Cipla Quality Chemicals Industries Ltd	0.0%	1.5%	60.00	70.00	16.7%	2.50	4.2%	20.83%
JUBILEE HOLDINGS LTD	0.1%	0.7%	177.00	180.00	1.7%	2.00	1.1%	2.82%
Uganda Clays Limited	0.1%	0.6%	15.00	15.00	0.0%	0.50	3.3%	3.33%
ABSA Bank Kenya	2.8%	0.0%	12.80	11.80	-7.8%	0.20	1.6%	-6.25%
Bank of Baroda Uganda	0.9%	0.3%	85.00	15.89	-81.3%	10.00	11.8%	-69.54%
British-American Inv. Co.Ltd	0.0%	0.3%	4.65	5.02	8.0%	0.00	0.0%	7.96%

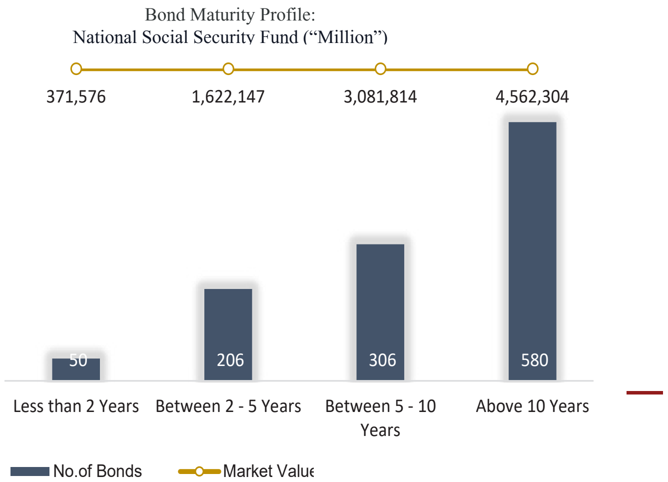
During the second quarter of 2023, a downward trajectory was witnessed in all major regional indices, primarily driven by the persistent capital outflows and the overarching macroeconomic risks. However, the USE LCI stood as an exception, experiencing a 1.8% increase, largely attributed to the positive performance of Stanbic Bank and UMEME. Significant developments of the period revolved around the anticipation of Airtel's IPO. Additionally, was the BOBU rights 5-for-1 rights issue, which resulted in a substantial decrease in the company's share price, plummeting from 80 shillings to 16 shillings per share. This move was prompted by the need to comply with heightened capital requirements set by the Bank of Uganda.

Fixed Income

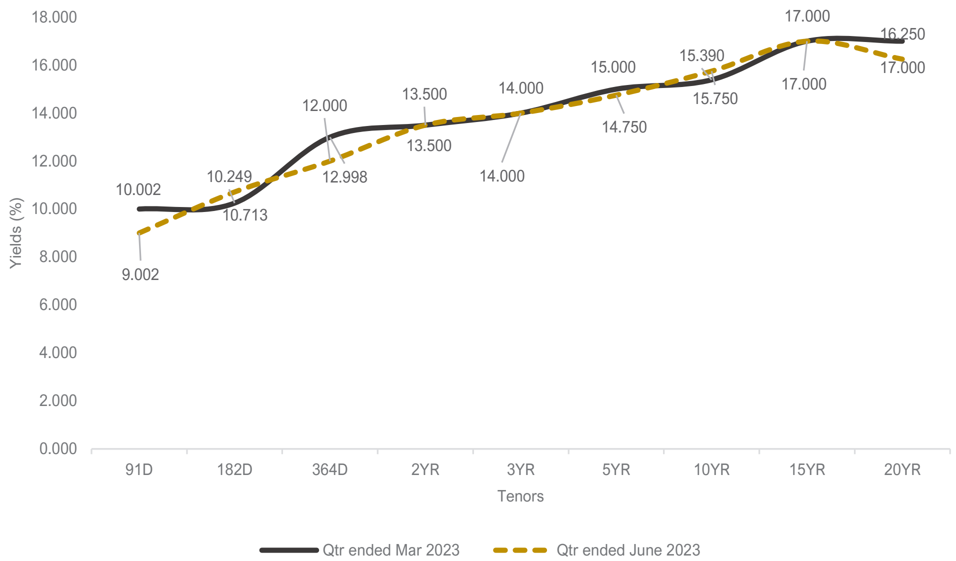
Distribution	Number of Bonds
Occupational Scheme	3,204
NSSF	1,142
Total Sector	4,346

In the quarter ended June 2023, the Retirement Benefits Sector continued to allocate a substantial portion of its investment capital to the bond market, portfolio comprising a total of 4,346 individual bonds. Both the National Social Security Fund and Occupational Schemes maintained a strategic asset allocation strategy that underscored a long-term perspective. A considerable proportion of their bond holdings were characterized by maturities exceeding a 5-year horizon.



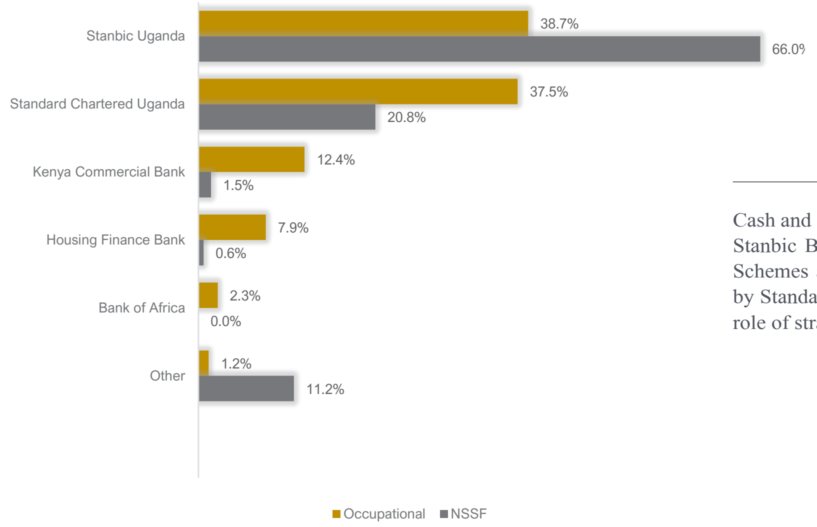


Yield Curve



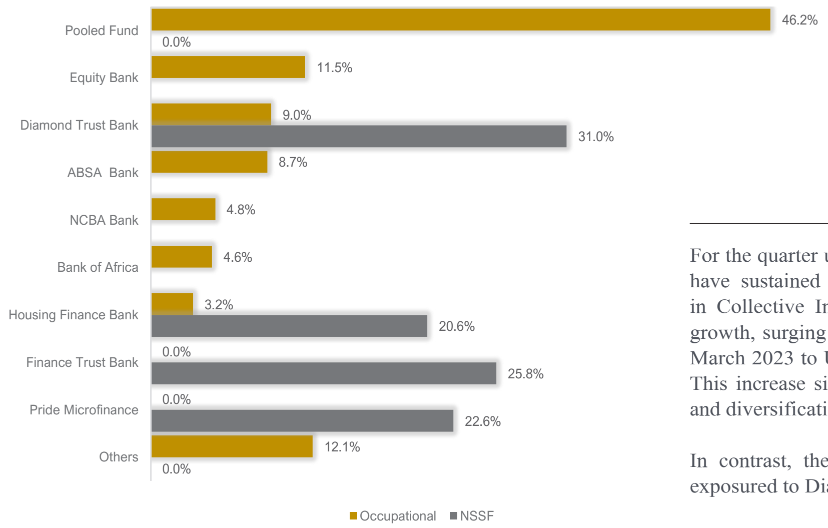
During the Quarter, the primary market saw an overall decrease in yields across the curve, with the exception being the 10-Year bond that gained 36 basis points. The yield curve declined due to improved market liquidity, strong auction demand, and central bank discipline. Government security yields dropped significantly, driven by high oversubscription in recent auctions as investors aimed to secure high interest rate.

Cash & Demand (%)



Cash and demand deposits is predominatly held by Custodial Banks, with Stanbic Bank as the predominant holder of cash for both Occupational Schemes and the National Social Security Fund (NSSF), closely trailed by Standard Chartered Bank. This investment underscores the significant role of strategic allocation in managing the liquidity of Scheme Funds.

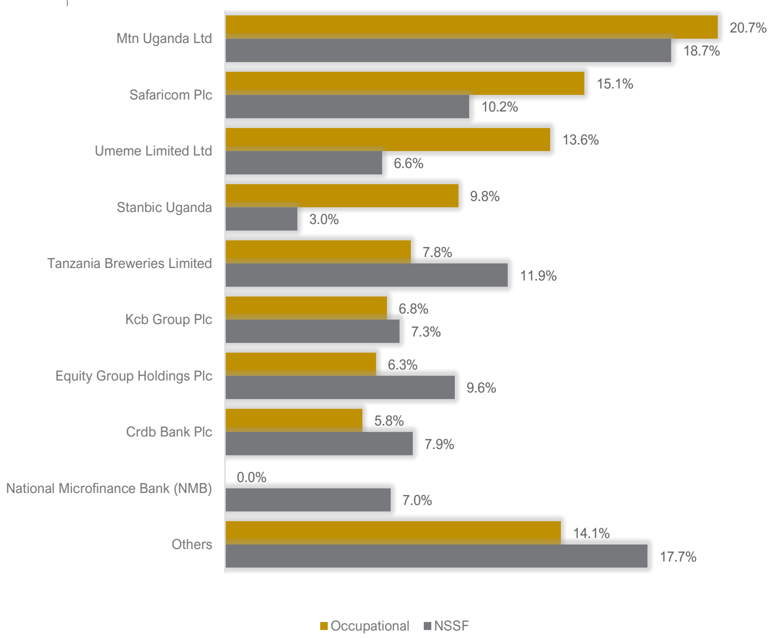
Fixed Deposit (%)



For the quarter under review, it is still evident that occupational schemes have sustained a considerable reliance on pooled funds. Investments in Collective Investment Schemes, in particular, exhibited substantial growth, surging by 34% from UGX 154 billion in the quarter ending in March 2023 to UGX 205 billion in the quarter concluding in June 2023. This increase signifies a heightened confidence in the potential returns and diversification benefits offered by these pooled investment vehicles.

In contrast, the National Social Security Fund (NSSF) was majorly exposured to Diamond Trust Bank.

Quoted Equities (%)



Investment in Quoted Equities within the sector amounted to UGX 2.2 trillion, marking a 2.3% decrease when compared to the previous quarter. Despite the inherent market volatilities within the Equities domain, the Telecommunications and Technology sector remains dominant, with MTN Uganda and Safaricom taking the lead.

As we approach the conclusion of the government concession for UMEME, this stock continues to exhibit robust performance, concluding at UGX 440, compared to the previous quarter's UGX 330. This uptrend is indicative of the market's optimism regarding this particular counter, especially as the concession draws to an end.

At the end of the quarter, major setbacks were observed in Bank of Baroda, experiencing an 81.3% decline, primarily attributed to a rights issue. DFCU demonstrated a continued signal of its underperforming status, with a 49.2% decline, emphasizing persistent challenges in the bank's operations. Additionally, Equity Bank faced a 20.0%a drop, while EABL and Centum recorded declines of 18.1% and 3.8%, respectively.

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