Retirement Benefits Sector

# Investment Snapshot

## Quarter End | June 2024

Total sector portfolio increased by 2.44% from UGX 24.3 trillion in March 2024 to UGX 24.95 trillion in June 2024

Performance Indicators

The Authority presents the Retirement Benefits Sector Investment Snapshot for the quarter ended June 2024. 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 2024

- **Assets under management** — Sector assets stood at UGX 24.9 Trillion
- **Sector Growth Rate** — The sector grew by 2.4% and 18.5% on QoQ and YoY basis respectively
- **Median Performance** — Quoted Equities, Fixed Income and Money Market registered 12-month median performances of 13.8%, 16.3% and 11.6% respectively
- **Withdrawals & Expenses** — Total withdrawals during the quarter amounted to UGX 148 Billion and Expenses stood at UGX 76 Billion
- **Contributions** — Total Contributions during the quarter stood at UGX 671 Billion
- **Investment Income** — Total Investment Income during the quarter was UGX 823 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 1.2% against the US dollar.
- **Investment Income** — The increase in investment income supports adequacy and growth
- **Inflation** — Rising inflation can lead to higher production costs and may initially boost aggregate demand, but sustained inflation can also reduce purchasing power, potentially dampening demand over time
- **Contributions** — Increased contributions are a positive indicator of savings and economic activity.
- **Political Stability** — Cautious macroeconomic enviroment in Kenya amid political unrest and public resistance to Kenya's Finance Bill

Market Commentary

## Economic Growth

Uganda's economy recorded a growth of 6.0% in FY23/24, an improvement from 5.3% in the prior year, underpinned by sound macroeconomic management, stable inflation, favorable agricultural output, and strong performance in the industrial and services sectors.

While the growth trajectory remains positive, bolstered by the anticipated commencement of oil production which is expected to significantly improve fiscal and current account balances, challenges persist. Public debt levels reached 47.9% of GDP as of June 2023, emphasizing the need for fiscal discipline and enhanced revenue mobilization. Investor sentiment has shown optimism, reflected in the Business Tendency Index rising to 58.57 in June 2024, surpassing the neutral 50-mark threshold.

Source: UBOS, Bank of Uganda, IMF

## Inflation

Inflation remains broadly contained, averaging 3.9% over the period, despite upward pressure from rising energy prices and core inflation, which edged up to 3.8% from 3.6% in the previous period.

In FY24/25, inflation is expected to remain moderate, supported by stable demand and contained cost pressures.

Source: Bank of Uganda, UBOS

## Central Bank Rate (CBR)

The Bank of Uganda maintained the Central Bank Rate at 10.25% during its June 2024 Monetary Policy Committee meeting, citing stable inflation and a resilient currency.

This stance aligns with the dual objectives of achieving medium-term inflation targets and supporting economic expansion, fostering Uganda's socio-economic transformation agenda.

Source: Bank of Uganda,

## Currency

The Ugandan Shilling strengthened by 1.2%, averaging Shs 3,747.2 per USD in June 2024, up from Shs 3,791.4 per USD in May 2024. This appreciation was primarily driven by robust inflows from various sectors, including remittances, foreign investment from offshore entities, and a notable increase in export revenues

Source: MOFPED

**Trend of Uganda Shilling Exchange rate against the US dollar**


Source: Bank of Uganda, PWC

## Fixed Income

The fixed-income market in Uganda during the quarter ended June 2024 reflected increased government activity in the domestic debt space, driven by refinancing needs and heightened fiscal pressures. In the fiscal year 2023/24, Uganda's government increased its issuance of securities by 34%, raising UGX 15,239 billion compared to UGX 11,334 billion in the previous fiscal year. This surge was driven by heightened financing needs to support various government initiatives.

According to the Ministry of Finance, bond issuances surged to address maturing obligations and support ongoing development initiatives, contributing to a notable rise in domestic debt stock.

Source: Bank of Uganda

## Quoted Equities

The USE LSI declined by 3.0%, led by Airtel's 17.6% drop, while the NSE ALSI fell 3.18% amid political unrest and public resistance to Kenya's Finance Bill.

The drop in the NSE ASI was majorly driven by drops in Safaricom (-2.5%), Equity Bank (-10.4%) and Jubilee Holdings

| Index | USE ALSI | USE LCI | NSE ALSI | DSE ALSI | RSE ALSI |
|---|---|---|---|---|---|
| Mar - 2023 | 1,071.92 | 267.25 | 113.09 | 1,790.24 | 144.47 |
| June - 2024 | 1,028.93 | 259.13 | 109.49 | 2,016.97 | 145.50 |
| % Change | -4.01% | -3.04% | -3.18% | 12.66% | 0.71% |

Source: African Markets, USE

## Sector Portfolio

| Asset Class | March 2024 Amount (Million) | March 2024 % | June 2024 Amount (Million) | June 2024 % |
|---|---|---|---|---|
| Cash and Demand | 89,966 | 0.4 | 133,215 | 0.5 |
| Fixed Deposits | 325,928 | 1.3 | 483,153 | 1.9 |
| Other Fixed Income* | 294,816 | 1.2 | 271,204 | 1.1 |
| Government Securities | 19,279,839 | 79.1 | 19,820,620 | 79.4 |
| Quoted Equities | 2,877,166 | 11.8 | 2,609,735 | 10.5 |
| Unquoted Equities | 222,764 | 0.9 | 386,620 | 1.5 |
| Immovable Property | 1,248,130 | 5.1 | 1,231,309 | 4.9 |
| Other Investment** | 25,627 | 0.1 | 23,839 | 0.1 |
| Total | 24,364,236 | 100 | 24,959,694 | 100 |

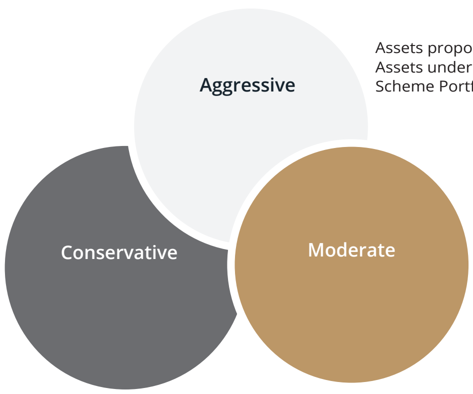
* Represents Commercial Paper, Corporate bonds, Asset Backed Securities, Collective Investment Schemes.
**Represents other approved assets

## Mandatory Scheme Portfolio

| Asset Class | NSSF Amount (Million) | NSSF % | Parliamentary Pension Scheme Amount (Million) | Parliamentary Pension Scheme % | Makerere University Amount (Million) | Makerere University % |
|---|---|---|---|---|---|---|
| Cash and Demand | 108,796 | 0.5% | 3,896 | 0.8 | 119 | 0.0 |
| Fixed Deposits | 278,697 | 1.3% | 1,153 | 0.2 | 995 | 0.3 |
| Other Fixed Income | - | 0.0% | 85,917 | 17.7 | 24,181 | 6.1 |
| Government Securities | 17,025,467 | 79.4% | 354,718 | 73.2 | 353,283 | 89.8 |
| Quoted Equities | 2,432,347 | 11.3% | 15,180 | 3.1 | 615 | 0.2 |
| Unquoted Equities | 385,741 | 1.8% | - | - | - | 0.0 |
| Immovable Property | 1,216,627 | 5.7% | - | - | 14,361 | 3.6 |
| Other Investment | - | 0.0% | 23,839 | 4.9 | - | - |
| Total | 21,447,675 | 100 | 484,702 | 100 | 393,554 | 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 - 0.2%
Assets under management - 54.5 Billion
Scheme Portfolios - 2

Assets proportion - 99.4%
Assets under management - 24.8 Trillion
Scheme Portfolios - 58

Assets proportion - 0.4%
Assets under management - 101 Billion
Scheme Portfolios - 6

## Asset Allocation

| | NSSF | | Occupational Scheme | |
|---|---|---|---|---|
| Asset Class | Amount (Million) | % | Amount (Million) | % |
| Cash and Demand | 108,796 | 0.5 | 24,419 | 0.7 |
| Fixed Deposits | 278,697 | 1.3 | 204,456 | 5.8 |
| Other Fixed Income* | - | 0.0 | 271,204 | 7.7 |
| Government Securities | 17,025,467 | 79.4 | 2,795,154 | 79.6 |
| Quoted Equities | 2,432,347 | 11.3 | 177,388 | 5.1 |
| Unquoted Equities | 385,741 | 1.8 | 879 | 0.0 |
| Immovable Property | 1,216,627 | 5.7 | 14,681 | 0.4 |
| Other Investment** | - | - | 23,839 | 0.7 |
| Total | 21,447,675 | 100 | 3,512,018 | 100 |

The asset allocation across NSSF and occupational schemes underscores a pronounced preference for government securities, which account for 79.4% of NSSF's portfolio and 79.6% of occupational schemes, reflecting their strategic focus on stability and low-risk assets. Quoted equities emerge as a key differentiator, with NSSF allocating 11.3% to this asset class, significantly outpacing the 5.1% allocation by occupational schemes, indicative of a greater appetite for market-linked returns

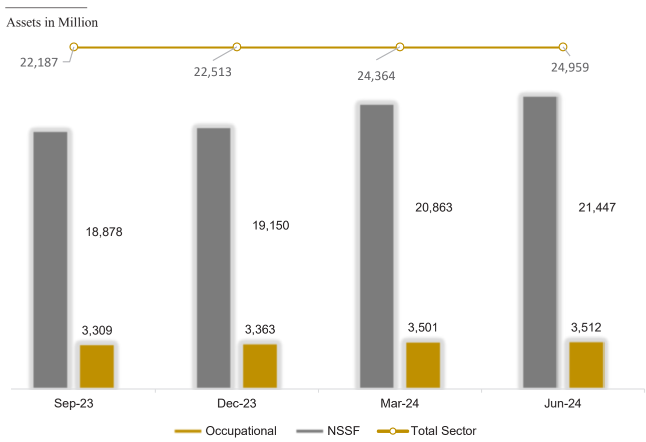
## Fund Manager's Holding (Million)

| Fund Managers | Cash and Demand | Fixed Deposits | Other Fixed Income | Government Securities | Quoted Equities | Unquoted Equities | Immovable Property | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Britam | 1,578 | 16,035 | 24,552 | 462,299 | 16,632 | 91 | 25 | - | 521,212 |
| GenAfrica | 7,053 | 16,575 | 126,768 | 872,274 | 76,818 | - | 14,336 | - | 1,113,824 |
| ICEA | 2,151 | 17,466 | 216 | 97,381 | 7,270 | - | - | - | 124,484 |
| Sanlam | 4,343 | 128,629 | 47,946 | 1,049,411 | 71,801 | 788 | 321 | - | 1,303,239 |
| Xeno | - | - | - | - | - | - | - | - | - |
| PPS-Loan | - | - | - | - | - | - | - | 23,839 | 23,839 |
| UAP | 9,250 | 31,970 | 69,603 | 370,679 | 14,709 | - | - | - | 496,211 |
| Total | 24,376 | 210,675 | 269,086 | 2,852,044 | 187,230 | 879 | 14,681 | 23,839 | 3,582,809 |

The asset allocation for the quarter ending June 2024 continues to show preference for safer, more stable investments, majorly in Government Securities and fixed-income assets.

All Figures in UGX

## Sector Growth (%)

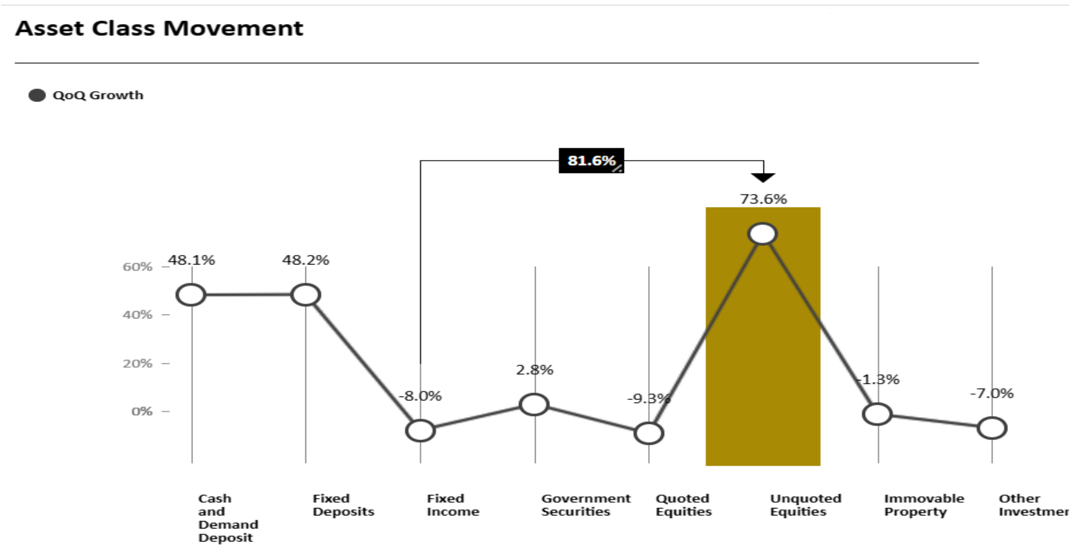



| Schemes | Sept-23 | Dec-23 | Mar-24 | Jun-24 | QAGR |
|---|---|---|---|---|---|
| Occupational | 5.44% | 1.47% | 6.09% | 0.31% | 3.33% |
| NSSF | 4.20% | 1.44% | 8.55% | 2.80% | 4.25% |
| Sector | 4.39% | 1.50% | 8.19% | 2.44% | 4.16% |

QAGR: Quarterly Average Growth Rate

As of June 2024, the sector's assets increased to UGX 24.96 trillion, reflecting a Quarterly Average Growth Rate (QAGR) of 4.16% and Compound Annual Growth Rate (CAGR) of 16.8% over the past year. This growth has been driven by substantial contributions from both Occupational Schemes and NSSF bolstered by investment returns, particularly from fixed-income securities.

## Asset Class Movement



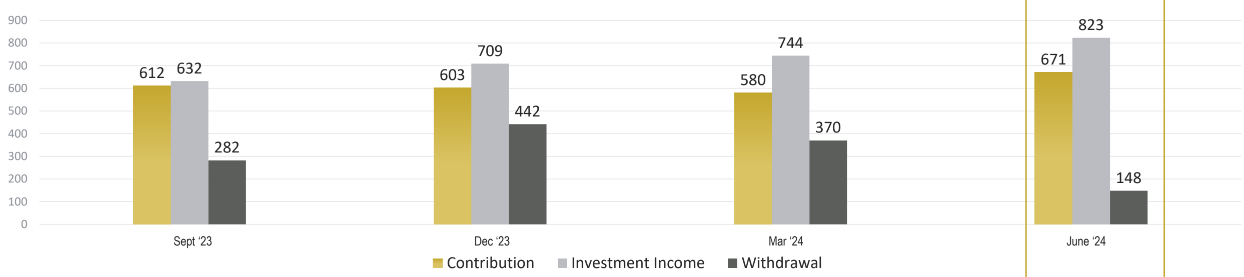

Unquoted equities exhibited a 73.6% QoQ growth, primarily driven by increased allocations to TBD Bank by NSSF, a strategic pivot toward private market opportunities amid volatile public markets. Meanwhile, liquidity-focused assets, including cash and demand deposits (48.1%) and fixed deposits (48.2%), had strong inflows. Government securities delivered modest growth (2.8%), maintaining their role as a defensive core holding, while quoted equities declined (-9.3%).

## Assets Held by Umbrella Schemes

| | March 2024 (Million) | June 2024 (Million) | Growth (%) |
|---|---|---|---|
| Britam Umbrella Scheme | 27,954 | 31,363 | 12% |
| Enwealth Uganda Umbrella Retirement Scheme | 11,604 | 13,404 | 16% |
| ICEA (U) Limited Retirement Benefits Scheme | 137,627 | 85,603 | -38% |
| ICEA Lion Teleka Umbrella Fund | 18,042 | 18,839 | 4% |
| Jubilee Life Umbrella Retirement Scheme | 25,557 | 26,682 | 4% |
| Octagon Uganda Umbrella Retirement Benefits Scheme | 14,526 | 15,405 | 6% |
| Sara Umbrella Retirement Benefits Scheme | 4,411 | 4,814 | 9% |
| The Liaison Umbrella Fund | 19,454 | 19,893 | 2% |
| UAP Life Umbrella Retirement Benefits Scheme | 53,029 | 53,029 | 0% |
| Zamara Retirement Fund | 71,606 | 76,686 | 7% |
| Total | 383,808 | 345,718 | -10% |

The 10% decline in total AUM across umbrella schemes as of June 2024 was significantly influenced by the 38% contraction in the ICEA (U) Limited Retirement Benefits Scheme, primarily attributed to the exit of key participating employers. In contrast, schemes like the Enwealth Uganda Umbrella Retirement Scheme (16% growth) and the Britam Umbrella Scheme (12% growth) showcased strong contribution, income inflows and resilient employer participation.

## Contributions, Investment Income & Withdrawal




The quarter under review highlighted contributions rising by 15.76% to UGX 671.4 billion, driven by member and employer participation. Investment income increased by 10.71%, reaching UGX 823.8 billion, driven by improved portfolio performance across key asset classes. Meanwhile, withdrawals dropped sharply by 59.90% to UGX 148.3 billion, likely due to lower member exits or tighter withdrawal policie

## 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 | 1.0 | 9.1 | 6.5 | -2.8 | 3.7 | 7.7 | 15.6 | 15.9 | 2.3 | 5.0 | 10.6 | 10.1 |
| Median | 4.6 | 17.4 | 13.8 | 0.1 | 3.8 | 7.8 | 16.3 | 16.4 | 2.8 | 5.7 | 11.6 | 10.8 |
| 75' Percentile | 16.5 | 24.7 | 19.4 | 3.7 | 3.9 | 8.0 | 16.6 | 16.6 | 3.0 | 6.1 | 12.1 | 12.8 |
| Range | 26.8 | 55.6 | 47.4 | 15.9 | 1.0 | 4.4 | 6.6 | 3.5 | 0.03 | 0.16 | 0.11 | 0.16 |
| Average | 8.0 | 18.3 | 14.0 | 0.6 | 3.8 | 7.7 | 15.9 | 15.9 | 2.62 | 5.68 | 11.25 | 10.93 |
| W.A.P* | 0.24 | 7.65 | 6.23 | 0.21 | 0.30 | 0.59 | 0.59 | 1.20 | 0.05 | 0.09 | 0.16 | 0.11 |

* Weighted Average Performance

As at end June 2024, the annual median returns for Quoted Equities was 13.8%, Fixed Income at 16.3%, and Money Markets at 11.6%.

## Quoted Equities

| Sector | Quoted Equities (Billion) | Financial Sector | Consumer Staples | Consumer Discretionary | Utilities | Health Care | Material & Processing | Energy | Producer Durables | Technology & Telecom |
|---|---|---|---|---|---|---|---|---|---|---|
| NSSF | 2,432 | 34.5% | 12.7% | 0.1% | 9.3% | 0.6% | 2.7% | 0.0% | 0.0% | 40.1% |
| Occupational | 177 | 32.4% | 7.8% | 0.6% | 18.8% | 0.1% | 0.3% | 0.0% | 0.0% | 40.1% |

| Top Stocks | Occupational (%) | NSSF (%) | Market Price (Mar 2024) | Market Price (June 2024) | Capital Gain/Loss (%) | Dividend per Share | Dividend Yield (%) | Net Return (%) |
|---|---|---|---|---|---|---|---|---|
| MTN UGANDA | 25.0% | 18.4% | 170.00 | 170.00 | 0.0% | 18.00 | 10.6% | 10.59% |
| Airtel Uganda Limited | 0.0% | 12.1% | 85.00 | 70.00 | -17.6% | 2.15 | 2.5% | -15.12% |
| UMEME LIMITED | 18.2% | 9.3% | 434.92 | 460.00 | 5.8% | 78.20 | 18.0% | 23.75% |
| Safaricom Plc | 15.1% | 8.3% | 17.75 | 17.30 | -2.5% | 1.20 | 6.8% | 4.23% |
| Equity Bank Group Limited | 4.3% | 8.7% | 47.15 | 42.25 | -10.4% | 4.00 | 8.5% | -1.91% |
| Tanzania Breweries PLC | 6.5% | 8.0% | 10,900.00 | 10,900.00 | 0.0% | 0.00 | 0.0% | 0.00% |
| NMB Bank Plc | 0.0% | 7.0% | 4,780.00 | 5,200.00 | 8.8% | 361.00 | 7.6% | 16.34% |
| KCB Group | 4.0% | 6.4% | 30.05 | 31.25 | 4.0% | 1.50 | 5.0% | 8.99% |
| CRDB Bank PLC | 5.2% | 5.9% | 570.00 | 520.00 | -8.8% | 50.00 | 8.8% | 0.00% |
| East African Breweries Limited | 1.8% | 4.7% | 130.50 | 146.75 | 12.5% | 6.00 | 4.6% | 17.05% |
| Stanbic Uganda Holdings Limited | 12.8% | 3.2% | 34.00 | 37.00 | 8.8% | 5.47 | 16.1% | 24.91% |
| Tanzania Portland Cement Company Ltd | 0.0% | 2.3% | 4,300.00 | 4,100.00 | -4.7% | 390.00 | 9.1% | 4.42% |
| Bank of Kigali | 0.0% | 1.5% | 300.00 | 305.00 | 1.7% | 32.62 | 10.9% | 12.54% |
| Vodacom Tanzania Limited | 0.0% | 1.2% | 770.00 | 770.00 | 0.0% | 9.95 | 1.3% | 1.29% |
| Development Finance Company of Uganda Ltd | 4.2% | 0.5% | 225.00 | 225.00 | 0.0% | 8.19 | 3.6% | 3.64% |
| Cipla Quality Chemicals Industries Limited | 0.1% | 0.6% | 52.50 | 55.50 | 5.7% | 5.70 | 10.9% | 16.57% |
| Jubilee Holdings Limited | 0.1% | 0.6% | 197.50 | 179.00 | -9.4% | 2.00 | 1.0% | -8.35% |
| Uganda Clays Limited | 0.1% | 0.4% | 13.00 | 12.00 | -7.7% | 0.00 | 0.0% | -7.69% |
| Bank of Baroda Uganda | 0.5% | 0.3% | 16.00 | 20.00 | 25.0% | 2.00 | 12.5% | 37.50% |
| Britam Holdings Plc | 0.0% | 0.3% | 5.00 | 6.04 | 20.8% | 0.00 | 0.0% | 20.80% |

The Uganda Securities Exchange Local Share Index (USE LSI) declined by 3.04% during the period, primarily driven by a 17% drop in Airtel's stock price. Similarly, the Nairobi Securities Exchange All-Share Index (NSE ALSI) fell by 3.18%, reflecting market unease amid heightened political uncertainty and widespread demonstrations triggered by the Finance Bill. This bill, aimed at introducing new revenue streams for Kenya, was met with strong public opposition, leading to nationwide protests.

## Fixed Income

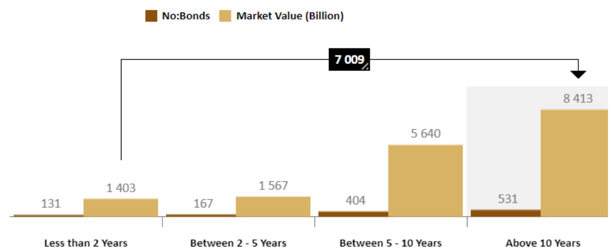
| Distribution | Number of Bonds |
|---|---|
| Occupational Scheme | 1,153 |
| NSSF | 1,233 |
| Total Sector | 2,386 |

As of June 2024, the sector's Weighted Average Maturity (WAM) stands at 10.3 years, indicating a strong preference for long-term investments, A strategic tilt toward maximizing returns while balancing liquidity needs and interest rate risk.

Both NSSF and occupational schemes display a strong inclination toward long-term bonds, benefiting from higher yields and stability in cash flows. This is consistent with the broader market trend of locking in attractive rates amidst potential rate volatility.

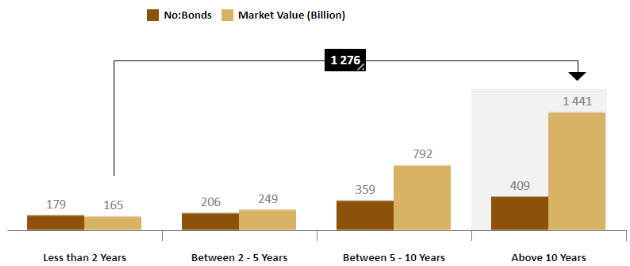
**NSSF - BOND HOLDING**

Maturity Profile

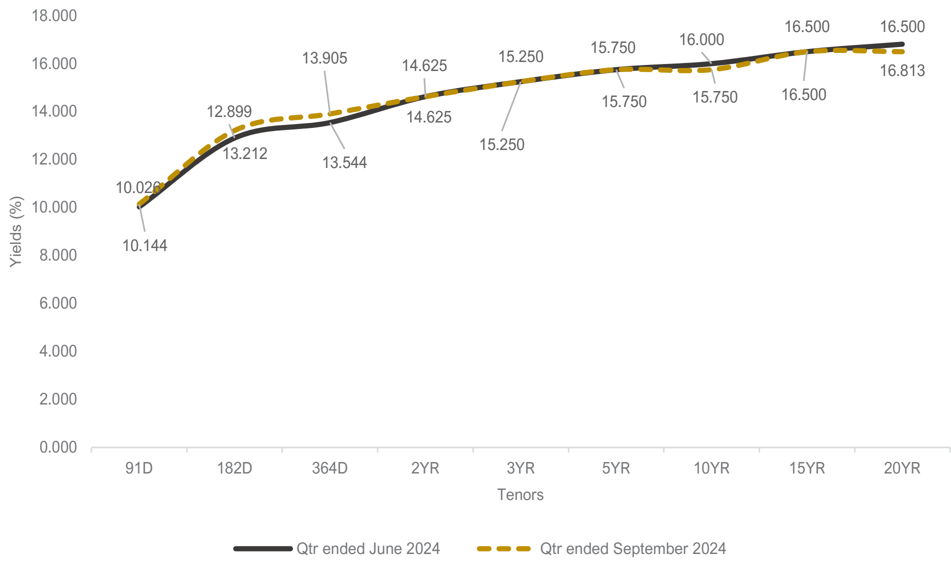



**Occupational Schemes - BOND HOLDING**

Maturity Profile

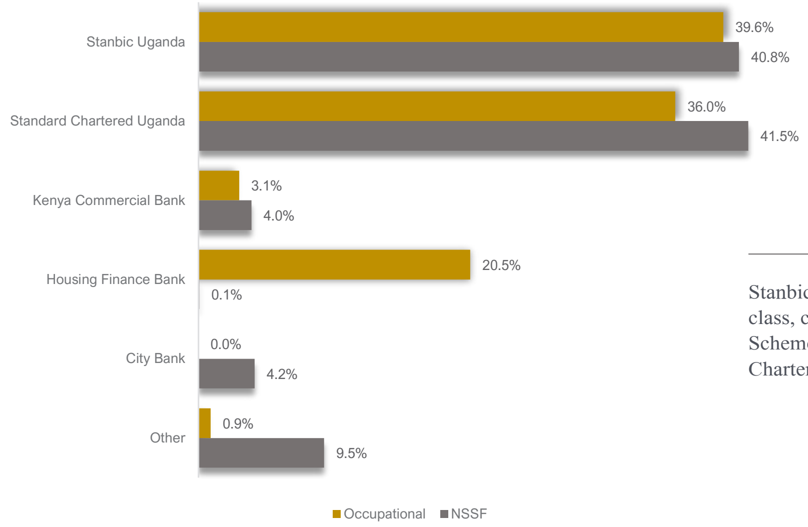



## Yield Curve



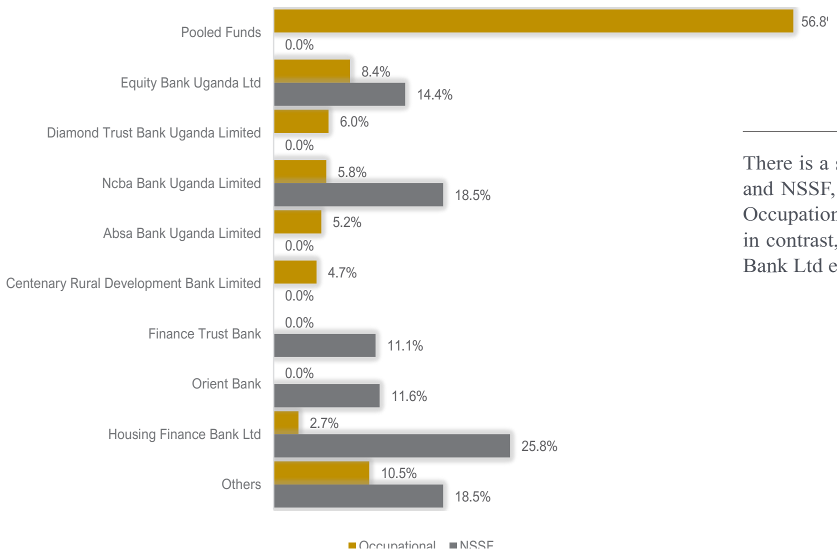

Short-term yields increased, with the 91-day, 182-day, and 364-day tenors rising by 0.31%, 0.54%, and 0.39%, respectively. The 2-year and 5-year tenors saw notable gains of 1.43% and 1.15%, while the 10-year and 15-year yields edged up by 0.13% and 0.20%.

## Cash & Demand (%)



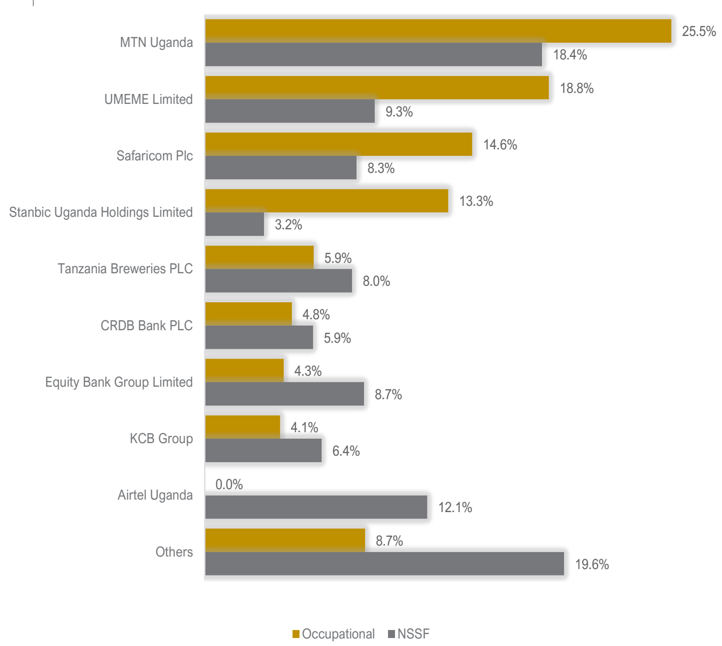

Stanbic Bank Uganda and Standard Chartered Uganda dominate this asset class, collectively accounting for over 75% of funds in both Occupational Schemes and NSSF, with Stanbic at 39.6% and 40.8% and Standard Chartered at 36.0% and 41.5%, respectively

## Fixed Deposit (%)




There is a stark divergence in allocation between Occupational Schemes and NSSF, with Pooled Funds commanding an outsized 56.8% share in Occupational Schemes indicating a strong preference for Unit trusts and in contrast, NSSF allocations are more dispersed, with Housing Finance Bank Ltd emerging as a significant outlier at 25.8%.

## Quoted Equities (%)




The allocation reflects significant market-driven positioning, with Telecommunications equities like MTN Uganda (25.5% Occupational, 18.4% NSSF) and Airtel Uganda (12.1% NSSF, no Occupational) standing out. In the Utilities sector, UMEME Limited shows strong Occupational exposure at 18.8%, but reduced NSSF allocation at 9.3%. Financial sector stocks, such as Stanbic Uganda Holdings Limited, have notable Occupational exposure at 13.3%, but only 3.2% in NSSF. These movements underscore the impact of price changes, sector trends and investor sentiments on equity allocation.

Uganda Retirement Benefits Regulatory Authority (URBRA)
3rd – 6th floor, Plot 1 Clement Hill Road
P.o Box 7561, Kampala – Uganda
Telephone: +256 417304500/ +256200513500/ +256312324500

Website: www.urbra.go.ug | Twitter:@urbraUg | Facebook: urbraUg

## Directorate of supervision and market conduct

Email: investment@urbra.go.ug