Investment Snapshot

Quarter End | March 2023

Total sector portfolio decreased by 0.2% from UGX 20.59 trillion in December 2022 to UGX 20.56 trillion in March 2023

Performance Indicators

The Authority presents the Retirement Benefits Sector Investment Snapshot for the quarter ended March 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: March 2023

Assets under management — Sector assets stood at UGX 20.56 Trillion

Sector Growth Rate — The sector grew by -0.2% and 6.2% on QoQ and YoY basis respectively

Median Performance — Quoted Equities, Fixed Income and Money Market registered 12-month median performances of -6.2%, 16.0% and 10.2% respectively

Withdrawals — Total withdrawals during the quarter amounted to UGX 352 Billion

Contributions — Total Contributions during the quarter stood at UGX 553 Billion

Investment Income — Total Investment Income during the quarter was UGX 596 Billion

Risk Factors and Sector impliction: Compared to the previous quarter

GDP — The growth provides opportunity for increased business activity

Exchange Rate — The Uganda Shilling weakened by 1.6%, 4.0% and 3.2% on QoQ against the USD, Pound and Euro respectively

Investment Income — The decrease in investment income impairs 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 economic growth rate for the quarter ending March 2023 stood at 4.4%, showing a decrease from the 4.9% reported in December 2022. This decline was primarily influenced by a contraction of 3.6% in the service sector. Multiple downside risks to growth arise from low global growth, higher interest rates, cost-of-living pressures, government fiscal position, lower commodity prices, adverse weather conditions, supply chain disruptions, and global economic uncertainties

Despite these risks, the Bank of Uganda anticipates that economic growth will remain in the range of 5.5% to 6.0% for the fiscal year 2022/23, driven by increased demand, a rebound in foreign investments, and improvements in the supply chain.

Source: Bank of Uganda, UBOS

Inflation

In March 2023, headline inflation decreased to 9.0% as a result of lower price pressures in food, transport, housing, and utilities. This drop was influenced by a slight slowdown in fuel, food, and annual core inflation, which went from 0.6%, 29.4%, and 8.4% in December 2022 to 4.4%, 26.7%, and 7.6% in March 2023 respectively.

The Bank of Uganda (BOU) pojects that in 2023, headline inflation will average at 6.5%, while core inflation will average at 5.6%. Core inflation, which had been above the target ceiling of 5%, is expected to remain elevated until at least the middle of the year due to ongoing inflationary pressures from the supply side.

Source: Bank of Uganda, UBOS

Central Bank Rate (CBR)

The Bank of Uganda opted to maintain its policy rate at 10% during the February 2023 monetary policy committee meeting. However, considering the drop in fuel prices and ongoing inflationary pressures, it is likely that the central bank will be compelled to raise the policy.

Source: Bank of Uganda,

Currency

The Uganda Shilling depreciated by 1.6% against the USD, 4.0% against the Pound, and 3.2% against the Euro. This loss in value is primarily attributed to the tightening of global monetary policies and the persistent strain on the national account, mainly due to sluggish growth in export earnings. The persistent exit of foreign investors, influenced by the policies of the US Federal Reserve regarding Fixed Income, further contributed to this trend

Source: Bank of Uganda,Fitch

Fixed Income

During the Quarter, the primary market saw an overall decrease in yields across the curve, with the exception being the 3-Year and 5-Year bonds that gained 50 and 100 basis points respectively.

On the shorter end of the curve, the 91D, 182D and 364D were down 66, 141 and 15 basis points respectively. The largest drops were for the 2-Year tenor that was down by 325 basis points and the 10-Year that was down by 211 basis points.

For the second quarter of 2023, there is an anticipation of liquidity strains, which is reflected in the increased interbank interest rates and lower treasury maturities. The average monthly maturities for the end of June 2023 are expected to decrease from UGX 801 billion in March 2023 to UGX 640 billion

Source: Bank of Uganda, MOFPED

Quoted Equities

In the quarter under review, regional indices in Uganda and Kenya experienced losses while there were minimal gains in Rwanda and Tanzania exchanges. The drops in the NSE (-11.5%) are on account of big off-shore investor exits from Safaricom.

52% of schemes' investments in equities is in Kenya while 40% is in Ugandan stocks. The UMEME counter continued to dominate activity on the USE.

Index	USE ALSI	USE LCI	NSE ALSI	DSE ALSI	RSE ALSI
Dec - 2022	1,212.58	272.67	127.47	1,881.99	142.64
Mar - 2023	1,148.25	266.89	112.76	1,888.79	142.80
% Change	-5.31%	-2.12%	-11.54%	0.36%	0.11%

Source: African Markets, USE

Sector Portfolio

Asset Class	December 2022 Amount (Million)	December 2022 %	March 2023 Amount (Million)	March 2023 %
Cash and Demand	81,945	0.4	90,730	0.4
Fixed Deposits	289,583	1.4	320,051	1.6
Other Fixed Income*	191,057	0.9	178,282	0.9
Government Securities	15,853,368	77.0	16,060,479	78.1
Quoted Equities	2,507,904	12.2	2,235,686	10.9
Unquoted Equities	329,836	1.6	329,830	1.6
Immovable Property	1,321,190	6.4	1,320,354	6.4
Other Investment**	23,015	0.1	23,836	0.1
Total	20,597,897	100	20,559,248	100

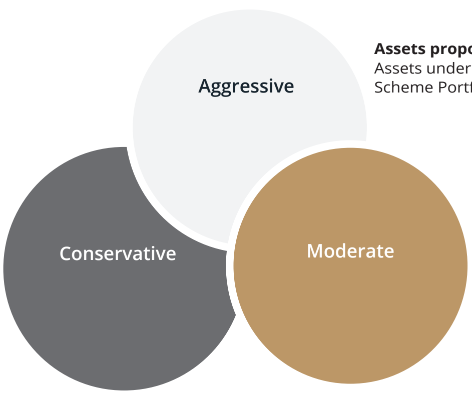
* Represents Commercial Paper, Corporate bonds, Asset Backed Securities, Collective Investment Schemes.
**Represents other approved assets

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	73,063	0.4	3,867	1.0	362	0.1
Fixed Deposits	139,230	0.8	-	-	-	-
Other Fixed Income*	24,317	0.1	36,435	9.3	26,474	7.6
Government Securities	13,659,534	77.8	307,901	78.8	299,794	86.6
Quoted Equities	2,034,467	11.6	18,810	4.8	2,283	0.7
Unquoted Equities	328,810	1.9	-	-	25	0.01
Immovable Property	1,303,225	7.4	-	-	17,129	5.0
Other Investment**	-	-	23,836	6.1	-	-
Total	17,562,647	100	390,849	100	346,067	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 - 49.7 Billion
Scheme Portfolios - 4

Assets proportion - 99.2%
Assets under management - 20.4 Trillion
Scheme Portfolios - 62

Assets proportion - 0.5%
Assets under management - 110 Billion
Scheme Portfolios - 1

Asset Allocation

Asset Class	NSSF Amount (Million)	NSSF %	Occupational Scheme Amount (Million)	Occupational Scheme %
Cash and Demand	73,063	0.4	17,667	0.4
Fixed Deposits	139,230	1.4	180,821	1.6
Other Fixed Income*	24,317	0.9	153,965	0.9
Government Securities	13,659,534	77.0	2,400,944	78.1
Quoted Equities	2,034,467	12.2	201,219	10.9
Unquoted Equities	328,810	1.6	1,020	1.6
Immovable Property	1,303,225	6.4	17,129	6.4
Other Investment**	-	0.1	23,836	0.1
Total	17,562,647	100	2,996,601	100

Both the Occupational schemes and the National Social Security Fund (NSSF) hold a considerable portion of their Assets Under Management (AUM) in government securities. In terms of allocation, occupational schemes have invested 78.1% of their AUM in government securities, while NSSF has dedicated 77.0% of their AUM to the same asset class. Quoted equities rank second, with NSSF investing 12.2% of their AUM and occupational schemes allocating 10.9% of their AUM to this asset class.

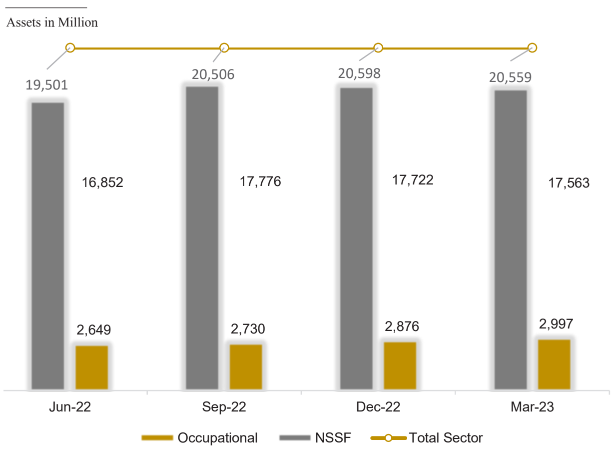
Fund Manager's Holding (Million)

Fund Managers	Cash and Demand	Fixed Deposits	Other Fixed Income	Government Securities	Quoted Equities	Unquoted Equities	Immovable Property	Other	Total
Britam	4,382	-	51,163	403,513	21,485	25	-	-	480,567
GenAfrica	3,994	15,618	49,585	772,086	65,005	-	17,129	-	923,417
ICEA	4,771	28,979	1,273	113,784	5,888	-	-	-	154,694
Sanlam	5,691	112,299	35,132	990,604	113,875	1,045	-	-	1,258,646
Xeno	-	-	2,376	-	-	-	-	-	2,376
PPS-Loan	-	-	-	-	-	-	-	23,836	23,836
UAP	255	32,279	14,437	185,877	7,382	-	-	-	240,231
Total	19,092	189,175	153,965	2,465,864	213,636	1,069	17,129	23,836	3,083,766

Licensed Fund Managers collectively oversee UGX 3.1 trillion of Retirement Benefits Scheme assets. Notably, government securities emerge as the primary choice for investment allocation among these managers. However, recent trends indicate a notable increase in investments in other fixed income assets, particularly Collective Investment Schemes. This signifies a growing diversification strategy and the recognition of potential opportunities beyond traditional avenues.

All Figures in UGX

Sector Growth (%)

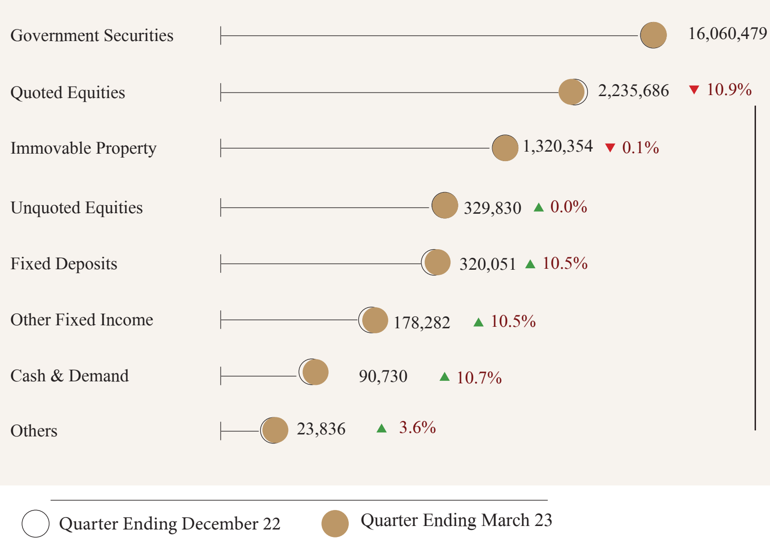


Schemes	June- 22	Sept-22	Dec-22	Mar-23	QAGR
Occupational	0.23%	3.08%	5.16%	4.18%	3.16%
NSSF	0.84%	5.48%	-0.30%	-0.90%	1.28%
Sector	0.75%	5.15%	0.45%	-0.19%	1.54%

QAGR: Quarterly Average Growth Rate

The sector experienced a slight downturn of 0.2% during the quarter ended March 2023. This decline was primarily influenced by a significant 0.9% decrease in the National Social Security Fund's (NSSF) performance. It is noteworthy that the NSSF's decline has persisted, following a previous decrease of 0.3% in December 2022. Several factors contributed to this decline, including mid-term payments, capital losses in investments related to quoted equities due to ongoing losses in the regional indices, as well as currency losses on foreign investments. In contrast, occupational schemes resiliently grew by 4.2% during the same period.

Asset Class Movement



Quoted Equities experienced a significant decline of 10.9%, primarily attributed to the persistently poor performance of regional counters. This continuous downward trend in regional markets is due to foreign investor exodus. The slump in Quoted Equities highlights the challenges faced by schemes in this asset class and underscores the need for careful evaluation and risk mitigation strategies in regional markets.

In contrast, Other fixed income assets witnessed a notable increase of 10.5%, fueled by a rise in investments or allocations to collective investment schemes.

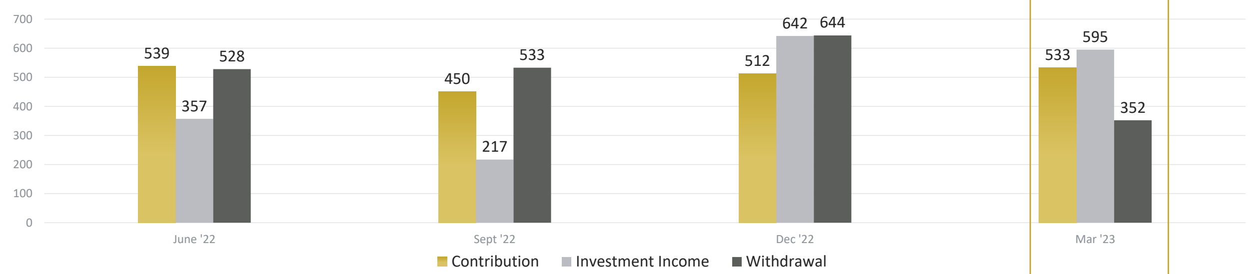
Government securities experienced a modest increase of 1.3% during the period, with the total value rising from UGX 15.8 trillion in December 2022 to UGX 16.1 trillion in March 2023.

Assets Held by Umbrella Schemes

	December 2022 (Million)	March 2023 (Million)	Growth (%)
The Liaison Umbrella Fund	17,214	17,599	2.24%
Jubilee Life Umbrella Retirement Scheme	18,521	19,710	6.42%
Umoja Umbrella Retirement Benefits Scheme	3,671	3,982	8.45%
Zamara Retirement Fund	55,486	58,869	6.10%
Octagon Uganda Umbrella Retirement Benefits Scheme	15,156	15,437	1.85%
ICEA (U) Limited Retirement Benefits Scheme	100,176	126,594	26.37%
ICEA Lion Teleka Umbrella Fund	12,548	13,735	9.46%
UAP Life Umbrella Retirement Benefits Scheme	41,144	43,105	4.77%
Sara Umbrella Retirement Benefits Scheme	4,570	4,094	-10.41%
Enwealth Uganda Umbrella Retirement Scheme	4,409	5,676	28.75%
Xeno Umbrella Retirement Benefits Scheme	2,091	2,376	13.64%
Britam Umbrella Scheme	15,279	18,902	23.71%
Total	290,264	330,080	13.72%

Umbrella Scheme assets experienced a significant increase of 13.7%, surpassing the growth rate of 5.2% recorded in the previous quarter (December 2022). This growth was primarily driven by the positive performance and onboarding of new participating employers by Enwealth, ICEA, and Britam Umbrella Schemes. However, SARA Umbrella Scheme faced a decline of 10.4% during the same period.

Contributions, Investment Income & Withdrawal



In the quarter under review, the total contributions, investment income, and withdrawals were UGX 533 Billion, UGX 595 Billion, and UGX 352 Billion, respectively. Similar to last quarter where the sector registered an unrealized loss of UGX.381 Billion, there was an unrealized loss of UGX. 319 Billion, attributed to market value losses in equities during the Quarter ended March 2023

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	-4.83	-6.68	-8.67	0.24	3.00	7.90	9.14	16.39	2.79	5.45	9.63	9.16
Median	-4.03	-5.33	-6.21	0.86	3.77	7.99	16.01	16.5	3.04	5.91	10.22	9.51
75' Percentile	-2.54	-3.29	-4.49	2.34	3.86	12.07	16.38	16.67	3.24	6.42	11.38	11.89
Range	28.99	53.59	58.15	8.29	3.45	7.78	8.89	1.19	3.58	10.85	9.21	3.71
Average	-3.74	-3.89	-6.00	1.08	3.37	9.57	13.42	16.50	2.95	5.87	10.10	10.29
W.A.P*	-0.86	-3.66	-5.33	4.19	3.66	7.57	15.87	15.31	0.21	0.39	0.69	0.51

* Weighted Average Performance

As at end March 2023, the annual median returns for Quoted Equities was -6.2%, Fixed Income at 16.0%, 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	2,034	46.46%	0.49%	11.83%	6.15%	0.80%	0.51%	0.00%	0.00%	33.77%
Occupational	201	45.60%	0.82%	1.20%	7.57%	0.05%	7.29%	3.42%	0.00%	34.04%

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	17.5%	13.8%	180.00	170.00	-5.6%	15.90	8.8%	3.28%
CRDB Bank Plc	6.7%	11.3%	395.00	475.00	20.3%	45.00	11.4%	31.65%
Safaricom Ltd	15.9%	8.5%	24.15	18.10	-25.1%	0.58	2.4%	-22.65%
Equity Bank	7.9%	9.2%	44.50	45.50	2.2%	4.00	9.0%	11.24%
Tanzania Breweries Limited	7.5%	9.2%	10,900.00	10,900.00	0.0%	0.00	0.0%	0.00%
National Microfinance Bank	0.0%	10.1%	3,020.00	3,500.00	15.9%	286.00	9.5%	25.36%
Kenya Commercial Bank	9.8%	7.2%	38.10	35.50	-6.8%	1.00	2.6%	-4.20%
UMEME Ltd	8.5%	0.7%	275.00	331.23	20.4%	63.90	23.2%	43.68%
East African Breweries Ltd	3.4%	5.4%	167.50	170.00	1.5%	3.75	2.2%	3.73%
Twiga TPCC	0.0%	4.9%	3,700.00	4,040.00	9.2%	390.00	10.5%	19.73%
Vodacom Tanzania	0.0%	2.8%	770.00	770.00	0.0%	0.00	0.0%	0.00%
Stanbic Uganda Holdings Ltd	6.9%	1.8%	21.00	21.00	0.0%	3.61	17.2%	17.19%
DFCU Limited	8.1%	1.2%	543.00	520.00	-4.2%	8.19	1.5%	-2.73%
Bank of Kigali GROUP PLC	0.0%	1.6%	271.00	270.00	-0.4%	32.50	12.0%	11.62%
Cipla Quality Chemicals Industries Ltd	0.0%	10.6%	60.00	60.00	0.0%	2.00	3.3%	3.33%
JUBILEE HOLDINGS LTD	0.1%	0.6%	198.75	177.00	-10.9%	8.00	4.0%	-6.92%
Uganda Clays Limited	0.1%	0.4%	17.20	15.00	-12.8%	0.50	2.9%	-9.88%
ABSA Bank Kenya	3.2%	0.0%	12.30	12.80	4.1%	1.15	9.3%	13.41%
Bank of Baroda Uganda	1.0%	0.2%	85.00	85.00	0.0%	10.00	11.8%	11.76%
British-American Inv. Co.Ltd	0.0%	0.2%	5.20	4.65	-10.6%	0.00	0.0%	-10.58%

Price movements in Safaricom have a pronounced effect on the performance of the NSE market. Safaricom lost 25% in the quarter, largely due to investor bearish sentiments and sell-offs on Safaricom (and KCB) counters by foreign funds chasing higher returns in developed markets. The company has had reducing net profits following capital investments in Ethiopia.

Top stocks invested in by schemes on the USE also had price declines within the Quarter; MTN Uganda (5.6%), DFCU (4.2%) and Uganda Clays Limited (12.8%).

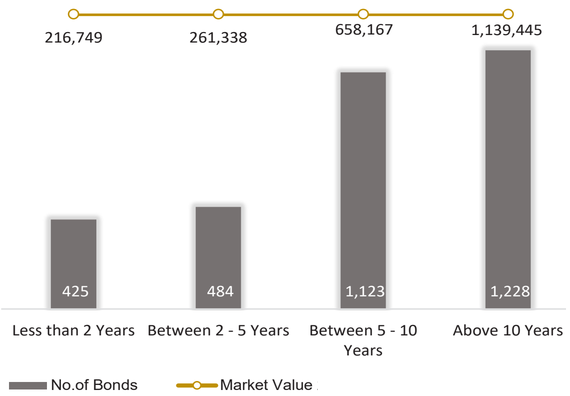
Investors however remained bullish on UMEME Limited, with the stock posting the biggest quarter price gain (20.4%) amongst the 20 top stocks invested in be Retirement Benefits schemes.

Fixed Income

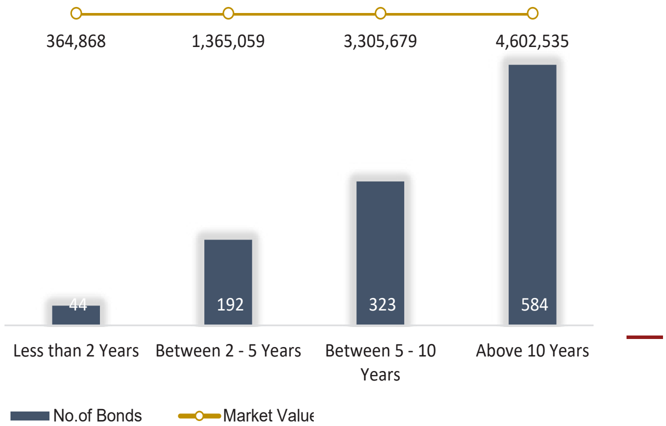
Distribution	Number of Bonds
Occupational Scheme	3,260
NSSF	1,143
Total Sector	4,403

As of March 2023, the Retirement Benefits Sector maintained the significant portion of its investments to the bond market, consisting of a total of 4,403 bonds. Both National Social Security Fund and Occupational Schemes strategically distributed their porttfolio emphasizing a long-term view with a significant number of bonds maturing over 10 years.

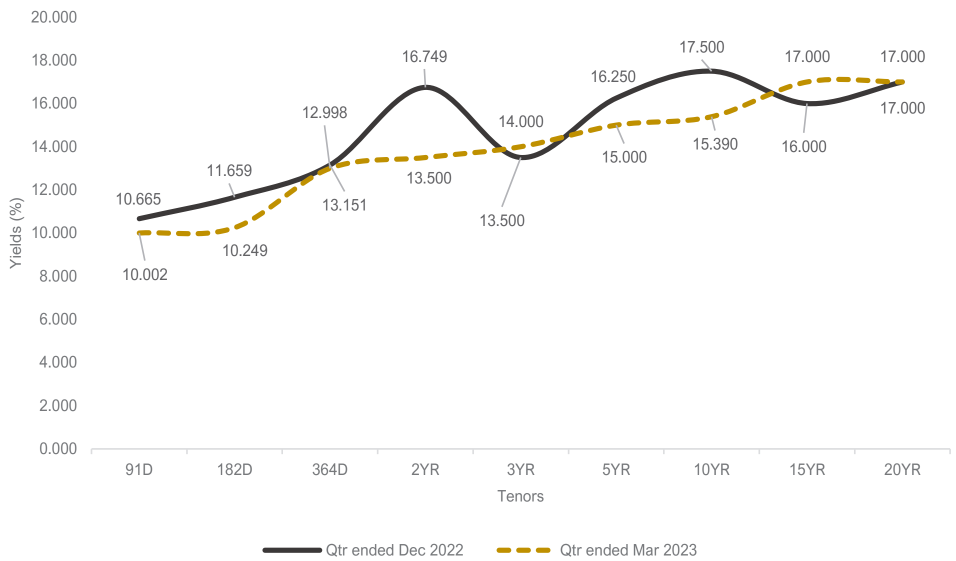
Bond Maturity Profile:
Occupational Schemes ("Million")



Bond Maturity Profile:
National Social Security Fund ("Million")



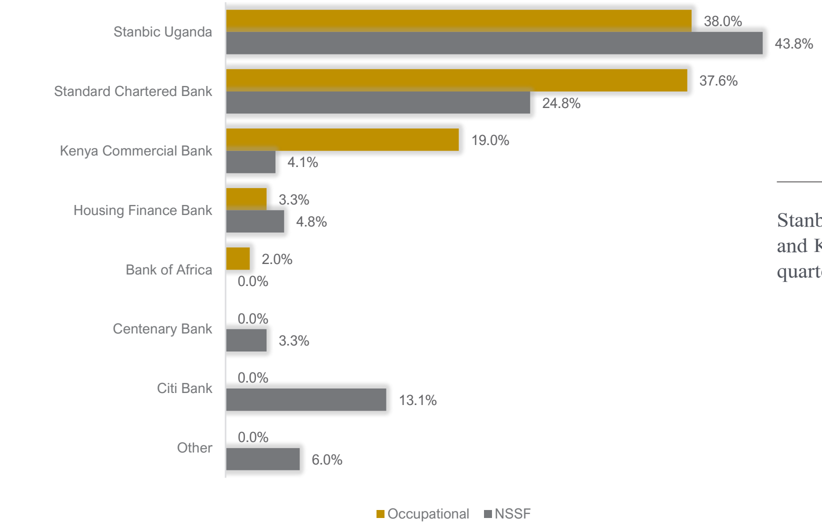
Yield Curve



During the Quarter, the primary market saw an overall decrease in yields across the curve, with the exception being the 3-Year and 5-Year bonds that gained 50 and 100 basis points respectively. On the shorter end of the curve, the 91D, 182D and 364D were down 66, 141 and 15 basis points respectively. The largest drops were for the 2-Year tenor that was down by 325 basis points and the 10-Year that was down by 211 basis points.

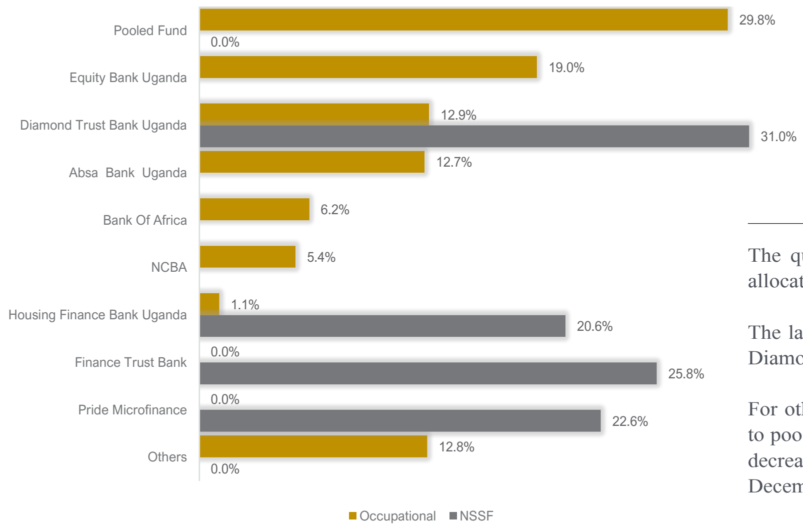
Expectations are positive for a largely stable yield curve, supported by foreign financing, decreased government spending, and alleviated inflationary pressures. However, caution is warranted due to uncertainties surrounding global monetary policy, the high cost of external borrowing, persistent inflationary pressures, and the lagged current account position.

Cash & Demand (%)



Stanbic Bank (43%), Standard Chartered Bank (27%), CITI Bank (10%), and KCB Bank (7%) held the most cash and equivalents as at end of the quarter.

Fixed Deposit (%)

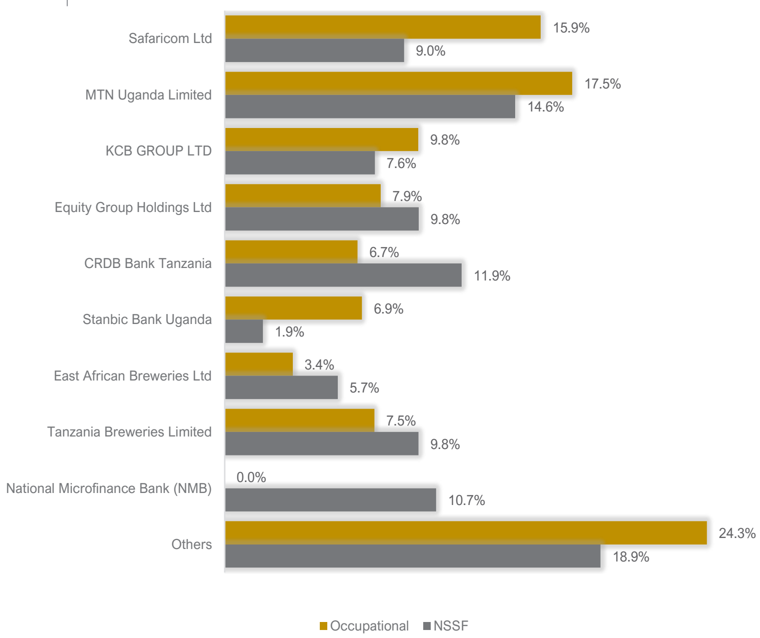


The quarter ended March 2023 had an 11% increase in the schemes' allocation to fixed deposits.

The largest exposures of the total investments in fixed deposits were in Diamond Trust Bank (17%) and Equity Bank Uganda (12%).

For other fixed income, the occupational schemes were largely exposed to pooled funds. Investments in Collective Investment Schemes however decreased slightly by 8% from UGX 167 billion in the quarter ended December 2022 to UGX 154 billion in the Quarter ended March 2023

Quoted Equities (%)



There was an 11% reduction in the market value of sector investments in quoted equities.

65% of sector investments in quoted equities as of Quarter ended March 2023 were in 6 stocks i.e., MTN (U) Ltd (15.0%), CRDB Bank (11.4%), Safaricom (9.8%), %), Equity Bank (9.6%), Tanzania Breweries Limited (9.5%) and National Microfinance Bank (9.5%).

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