URBRA

Retirement Benefits Sector

Investment Snapshot

Quarter End | March 2024

Total sector portfolio increased by 8.2% from UGX 22.5 trillion in December 2023 to UGX 24.3 trillion in March 2024

Performance Indicators

The Authority presents the Retirement Benefits Sector Investment Snapshot for the quarter ended March 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: March 2024

Assets under management — Sector assets stood at UGX 24.3 Trillion

Sector Growth Rate — The sector grew by 8.2% and 18.2% on QoQ and YoY basis respectively

Median Performance — Quoted Equities, Fixed Income and Money Market registered 12-month median performances of 5.6%, 16.5% and 11.3% respectively

Withdrawals & Expenses — Total withdrawals during the quarter amounted to UGX 370 Billion and Expenses stood at UGX 58.4 Billion

Contributions — Total Contributions during the quarter stood at UGX 580 Billion

Investment Income — Total Investment Income during the quarter was UGX 744 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 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 — The level of political stability in East Africa is generally stable compared to other regions

Market Commentary

Economic Growth

According to UBOS data, the Year-on-Year (YoY) Quarterly Gross Domestic Product (QGDP) for the third quarter (Q3) of 2023/24 expanded by 6.6%, a significant increase compared to the revised 2.1% growth in Q3 of the previous year. The growth was highly influenced by the industry sector that experienced a 7.9% YoY growth and the services sector which saw a 5.7% YoY growth.

Economic growth for FY 2023/24 is projected to maintain a steady rate of 6%, influenced by the impact of tighter monetary policies. While the 6% growth projection indicates economic stability, the underlying risks such as inflationary pressures and fiscal challenges could temper with this optimism. The government's ability to navigate these challenges, particularly in maintaining investment levels and managing revenue collections, will be crucial in ensuring sustained economic growth in the medium term.

Source: UBOS, Bank of Uganda

Inflation

Inflation for the 12 months ending March 2024 was recorded at 3.3% from 2.5% in the previous quarter, driven by rising core and energy, fuel & utilities inflation.

The central Bank projetcss inflation to exceed the 5% target in early FY 2024/25, influenced by shilling depreciation and other factors.

Source: Bank of Uganda, UBOS

Central Bank Rate (CBR)

In response to emerging economic risks, including the depreciation of the Ugandan shilling, the Bank of Uganda (BOU) raised the Central Bank Rate (CBR) to 10% during the March Monetary Policy Committee (MPC) meeting.

The BOU's actions underscored the challenging macroeconomic environment, where proactive policy adjustments were essential to curb inflationary pressures, maintain economic stability and support the Uganda shilling.

Source: Bank of Uganda,

Currency

The Ugandan Shilling experienced notable pressure during the quarter ending March 2024, depreciating by 3.0% quarter-on-quarter (QoQ) to a midrate of 3,889.4 per US dollar. On a month-on-month basis, the currency saw a slight decline of 0.45% compared to February 2024. This depreciation was attributed to a combination of factors, including heightened dollar demand, significant debt repayments, and capital flights.

As inflation climbs, driven by both domestic and global factors, the Ugandan Shilling is likely to face sustained depreciation, particularly if these pressures persist and external demand for the US dollar remains strong. This environment calls for careful monitoring of both fiscal and monetary policies to manage currency stability and mitigate further strain.

Fixed Income

The yield curve reveals a general upward trend in rates. average annualised rates for the 91-day Treasury bill increased marginally from 9.6% to 9.7%, while longer-term rates saw some upward movements. The average yield on the 10-year bond rose from 15.1% to 15.8%, reflecting increased risk premiums over the period. This rise in long-term yields, particularly evident in the 20-year bond which increased from 15.5% to 16.8%, suggests a tightening stance in the long term.

Source: Bank of Uganda

Quoted Equities

The NSE and USE All Share indices registered similar performances during the quarter , increasing by 23%.

The NSE growth was driven by significant positive movements in Safaricom (+27%), Equity Bank (+40%), KCB Group (+37%) and EABL (+15%)

Index	USE ALSI	USE LCI	NSE ALSI	DSE ALSI	RSE ALSI
Dec - 2023	872.5	271.85	92.11	1790.24	143.7
Mar - 2024	1071.92	267.25	113.09	1750.63	145.5
% Change	17.93%	-4.68%	18.87%	12.66%	1.25%

Source: African Financials, USE

Sector Portfolio

	December 2023		March 2024	
Asset Class	Amount (Million)	%	Amount (Million)	%
Cash and Demand	277,155	1.2	89,966	0.4
Fixed Deposits	329,278	1.5	325,928	1.3
Other Fixed Income*	258,057	1.1	294,816	1.2
Government Securities	17,601,495	78.2	19,279,839	79.1
Quoted Equities	2,571,346	11.4	2,877,166	11.8
Unquoted Equities	214,370	1.0	222,764	0.9
Immovable Property	1,235,542	5.5	1,248,130	5.1
Other Investment**	26,474	0.1	25,627	0.1
Total	22,513,718	100	24,364,236	100

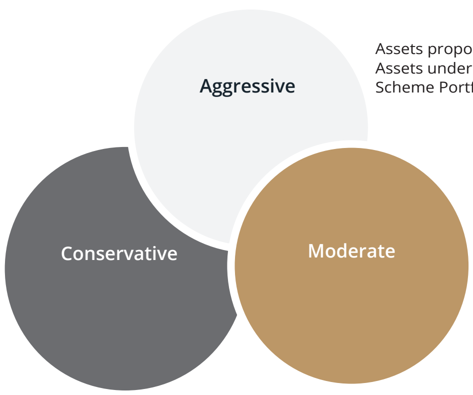
* Represents Commercial Paper, Corporate bonds, Asset Backed Securities, Collective Investment Schemes.
**Represents other approved assets

Mandatory Scheme Portfolio

	NSSF		Parliamentary Pension Scheme		Makerere University	
Asset Class	Amount (Million)	%	Amount (Million)	%	Amount (Million)	%
Cash and Demand	69,968	0.3	461	0.1	1,693	0.4
Fixed Deposits	94,022	0.5	4,023	0.9	150	0.0
Other Fixed Income*	6,250	0.0	87,247	18.8	36,408	9.2
Government Securities	16,534,005	79.3	331,861	71.4	340,571	86.3
Quoted Equities	2,706,905	13.0	15,394	3.3	612	0.2
Unquoted Equities	219,457	1.1	-	0.0	-	-
Immovable Property	1,232,473	5.9	-	0.0	15,337	3.9
Other Investment**	-	0.0	25,627	5.5	-	-
Total	20,863,080	100	464,612	100	394,771	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 70% - 50% and less than 50% respectively.



Assets proportion - 0.6%
Assets under management - 150.6 Billion
Scheme Portfolios - 4

Assets proportion - 99.0%
Assets under management - 24.1 Trillion
Scheme Portfolios - 57

Assets proportion - 0.3%
Assets under management - 83.1 Billion
Scheme Portfolios - 5

Asset Allocation

Asset Class	NSSF Amount (Million)	NSSF %	Occupational Scheme Amount (Million)	Occupational Scheme %
Cash and Demand	69,968	0.3	19,998	0.6
Fixed Deposits	94,022	0.5	231,906	6.6
Other Fixed Income*	6,250	0.0	288,566	8.2
Government Securities	16,534,005	79.3	2,745,834	78.4
Quoted Equities	2,706,905	13.0	170,261	4.9
Unquoted Equities	219,457	1.1	3,307	0.1
Immovable Property	1,232,473	5.9	15,657	0.4
Other Investment**		-	25,627	0.7
Total	20,863,080	100	3,501,156	100

As of March 2024, the National Social Security Fund (NSSF) managed a portfolio was valued at UGX 20.8 trillion, while occupational schemes oversaw assets totaling UGX 3.5 trillion. Both entities strategically allocated nearly 80% of their investments to government securities, underscoring a conservative approach to safeguarding funds.

For occupational schemes, an additional 8.2% was invested in other fixed-income instruments predominatly in Collective Investment Schemes, and 6.6% was maintained in bank deposits.

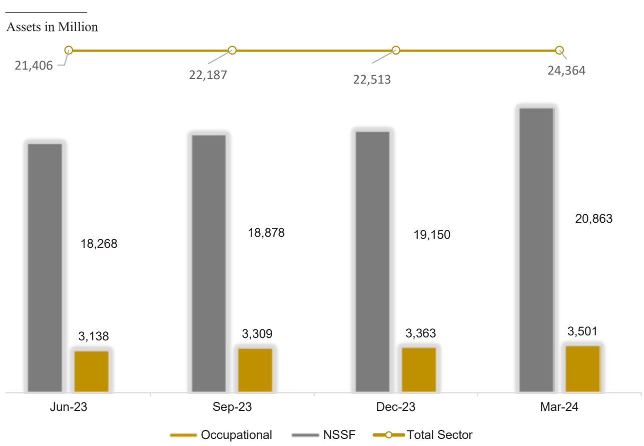
Fund Manager's Holding (Million)

Fund Managers	Cash and Demand	Fixed Deposits	Other Fixed Income	Government Securities	Quoted Equities	Unquoted Equities	Immovable Property	Other	Total
Britam	5,525	2,693	41,551	316,045	3,390	-	-	-	369,205
GenAfrica	1,872	27,293	136,361	844,961	69,695	-	15,337	-	1,095,518
ICEA	991	21,709	1,685	144,094	5,543	-	-	-	174,022
Sanlam	4,330	144,077	54,599	1,079,726	165,895	1,015	321	-	1,449,962
Xeno	-	-	-	-	-	-	-	-	-
PPS-Loan	-	-	-	-	-	-	-	25,627	25,627
UAP	7,868	37,065	54,370	361,007	15,795	2,292	-	-	478,396
Total	20,585	232,837	288,566	2,745,834	260,318	3,307	15,657	25,627	3,592,730

The asset allocation for the quarter ending March 2024 continues to show preference for safer, more stable investments, majorly in Government Securities and fixed-income assets. The cautious approach, mainly driven by market conditions, is expected to continue influencing fund managers' decisions.

All Figures in UGX

Sector Growth (%)



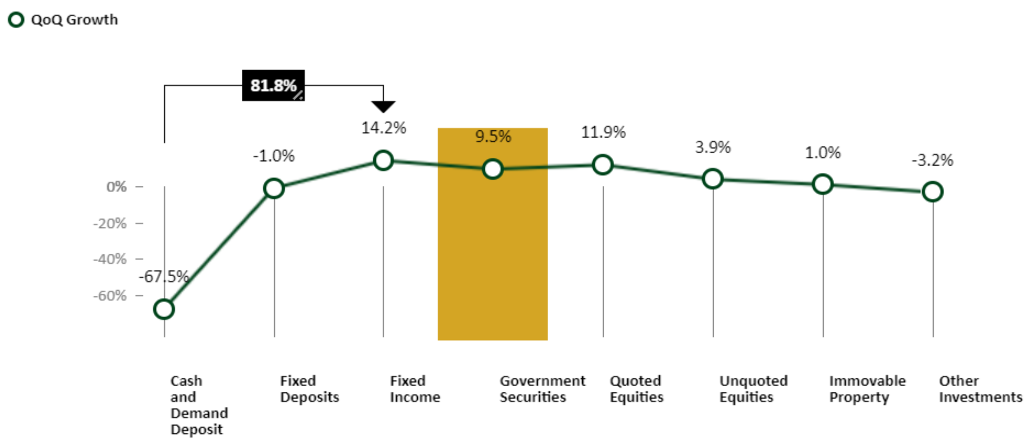
Schemes	June-23	Sept-23	Dec-23	Mar-24	QAGR
Occupational	4.74%	5.44%	1.47%	6.09%	4.43%
NSSF	4.02%	4.20%	1.44%	8.55%	4.55%
Sector	4.12%	4.39%	1.50%	8.19%	4.55%

QAGR: Quarterly Average Growth Rate

As of March 2024, the sector's assets have surged to UGX 24.36 trillion, reflecting a Compound Annual Growth Rate (CAGR) of 18.51% over the past year. Over the two-year period from 2021 to 2023, assets have risen significantly from UGX 19.36 trillion to UGX 24.36 trillion, translating to a CAGR of 12.20%. This growth has been driven by substantial contributions from both Occupational Schemes and the National Social Security Fund (NSSF), and also strong investment returns, particularly from fixed-income securities.

Asset Class Movement

Asset Class Movement



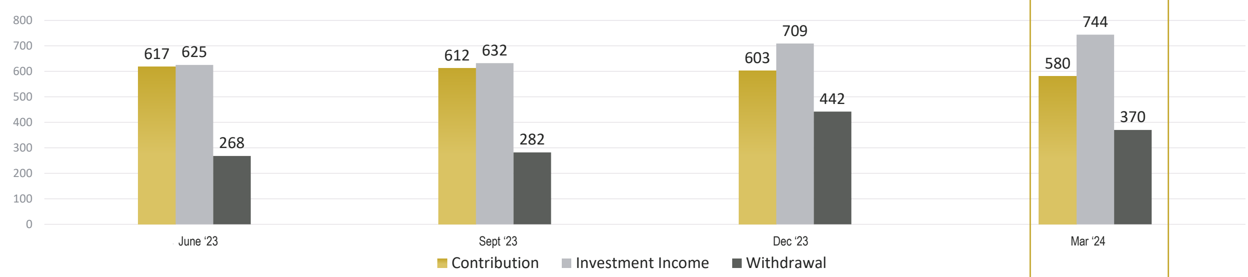
The latest quarterly data reveals a significant rebound in quoted equities, showing a 11.9% growth, primarily attributed to the strong performance and appreciation of the NSE All Share Index (NSE ALSI). This marks a notable recovery after several periods of negative performance in the equities market. Government securities growth stood at 9.5%, driven by their perceived safety amid market uncertainties. Other fixed-income assets, increased by 14.2% , attributed to increases in Collective Investment Schemes (CIS) underscoring their attractiveness as an investment vehicle.

Assets Held by Umbrella Schemes

	December 2023 (Million)	March 2024 (Million)	Growth (%)
Britam Umbrella Scheme	24,441	27,954	14%
Enwealth Uganda Umbrella Retirement Scheme	10,015	11,604	16%
ICEA (U) Limited Retirement Benefits Scheme	115,258	137,627	19%
ICEA Lion Teleka Umbrella Fund	12,567	18,042	44%
Jubilee Life Umbrella Retirement Scheme	23,930	25,557	7%
Octagon Uganda Umbrella Retirement Benefits Scheme	13,606	14,526	7%
Sara Umbrella Retirement Benefits Scheme	4,551	4,411	-3%
The Liaison Umbrella Fund	18,662	19,454	4%
UAP Life Umbrella Retirement Benefits Scheme	45,779	53,029	16%
Zamara Retirement Fund	64,566	71,606	11%
Total	333,375	383,808	15%

The pension sector's umbrella schemes have demonstrated strong growth, achieving an overall QoQ increase of 15% in March 2024. This performance is largely attributed to consistent contributions, positive market movements and favorable investment income, particularly from strategic allocations in government securities and other fixed-income assets.

Contributions, Investment Income & Withdrawal



In the first quarter of 2024, investment income maintained a consistent growth, closing at a peak of UGX 744 billion by the end of March. Contributions reduced to UGX 580 billion, while withdrawals decreased to UGX 370 billion, following a period of heightened activity in December 2023, largely driven by the NSSF's liquidity stress during peak withdrawal in Q2.

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	8.3	5.0	1.8	-0.2%	3.7	7.8	15.8	15.9%	2.4	4.9	10.1	10.0%
Median	14.1	9.7	5.6	1.8%	3.8	7.8	16.5	16.3%	2.8	5.6	11.3	10.8%
75' Percentile	20.1	15.6	14.6	5.2%	3.9	8.0	16.8%	16.6%	3.0	6.1%	12.6	12.2%
Range	57.9	56.6	89.2	19.1%	8.6	5.9	21.8	3.5%	0.15	0.15	0.13	0.16
Average	15.2	11.3	10.7	2.7%	3.8	7.8	16.8	16.1%	2.87	5.44	10.84	10.82%
W.A.P*	8.32	7.34	3.76	2.74	0.29	0.56	0.56	1.20	0.04	0.07	0.15	0.10

* Weighted Average Performance

As at end March 2024, 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	2,707	38.6%	12.5%	0.1%	5.0%	0.4%	2.2%	0.0%	0.0%	41.2%
Occupational	170	34.4%	7.6%	0.6%	20.5%	1.0%	0.4%	0.0%	0.0%	35.5%

Top Stocks	Occupational (%)	NSSF (%)	Market Price (Dec 2023)	Market Price (Mar 2024)	Capital Gain/Loss (%)	Dividend per Share	Dividend Yield (%)	Net Return (%)
Airterl Uganda Limited	0.03%	15.7%	93.76	85.00	-9.3%	4.60	4.9%	-4.44%
MTN UGANDA	23.3%	14.2%	170.55	170.00	-0.3%	18.00	10.6%	10.23%
Tanzania Breweries PLC	6.1%	12.7%	10,900.00	10,900.00	0.0%	0.00	0.0%	0.00%
NMB Bank Plc	0.0%	10.0%	4,500.00	4,780.00	6.2%	286.00	6.4%	12.58%
Safaricom Plc	12.1%	7.1%	13.90	17.75	27.7%	0.62	4.5%	32.16%
UMEME LIMITED	20.5%	6.5%	400.00	434.92	8.7%	24.00	6.0%	14.73%
Equity Bank Group Limited	4.8%	7.1%	33.65	47.15	40.1%	4.00	11.9%	52.01%
CRDB Bank PLC	5.5%	6.9%	460.00	570.00	23.9%	45.00	9.8%	33.70%
KCB Group	4.9%	5.2%	21.90	30.05	37.2%	1.00	4.6%	41.78%
Stanbic Uganda Holdings Limited	12.9%	3.0%	32.00	34.00	6.3%	5.47	17.1%	23.34%
East African Breweries Limited	1.5%	3.5%	114.00	130.50	14.5%	1.75	1.5%	16.01%
Tanzania Portland Cement Company Ltd	0.0%	2.4%	4,360.00	4,300.00	-1.4%	390.00	8.9%	7.57%
Bank of Kigali	0.0%	1.5%	286.00	300.00	4.9%	32.50	11.4%	16.26%
Vodacom Tanzania Limited	0.0%	1.3%	770.00	770.00	0.0%	9.95	1.3%	1.29%
Development Finance Company of Uganda Ltd	4.4%	0.6%	225.00	225.00	0.0%	8.19	3.6%	3.64%
Cipla Quality Chemicals Industries Limited	1.0%	0.6%	52.50	52.50	0.0%	2.50	4.8%	4.76%
Jubilee Holdings Limited	0.1%	0.5%	185.00	197.50	6.8%	2.00	1.1%	7.84%
Uganda Clays Limited	0.1%	0.4%	13.00	13.00	0.0%	0.50	3.8%	3.85%
Bank of Baroda Uganda	0.5%	0.2%	15.00	16.00	6.7%	10.00	66.7%	73.33%
British American Tobacco Kenya Plc	0.0%	0.2%	4.79	5.00	4.4%	0.00	0.0%	4.38%

Safaricom, Equity Bank, and KCB Group posted significant gains of 27.7%, 40.1%, and 37.2%, respectively, contributing to the robust 18.87% growth of the Nairobi Securities Exchange All Share Index (NSE-ASI). These gains were driven by strong earnings and capital inflows. Meanwhile, the Uganda Securities Exchange Local Share Index (USE-LSI) declined by 4.68%, largely due to a 9.3% drop in Airtel Uganda's stock. Despite this, local stocks like UMEME and MTN Uganda maintained stability, providing solid returns through strong dividend yields.

Fixed Income

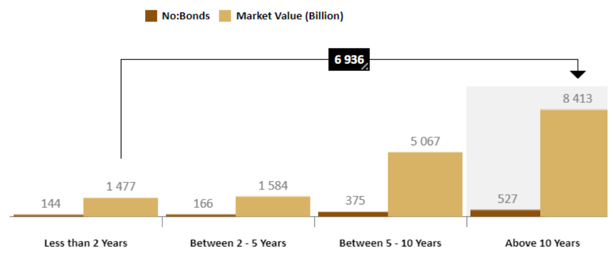
Distribution	Number of Bonds
Occupational Scheme	2,516
NSSF	1,212
Total Sector	3,728

As of March 2024, the bond holdings for NSSF and Occupational schemes indicated a significant concentration in longer-term maturities. NSSF holds a substantial portion of its portfolio in bonds with maturities of over 10 years, accounting for 527 bonds with a market value of UGX 8,413 billion, while also maintaining a strong position in the 5-10 year range, with 375 bonds valued at UGX 5,067 billion. In comparison, Occupational schemes show a preference for long-term bonds as well, with 1,008 bonds above 10 years but with a smaller market value of UGX 1,274 billion, and 976 bonds in the 5-10 year range valued at UGX 769 billion.

The Bond Weighted Average Maturity (WAM) stood ar 10.3 years which underscores scheme's strategic emphasis on long-term investments, aligning with the unique natur of retirement funds.

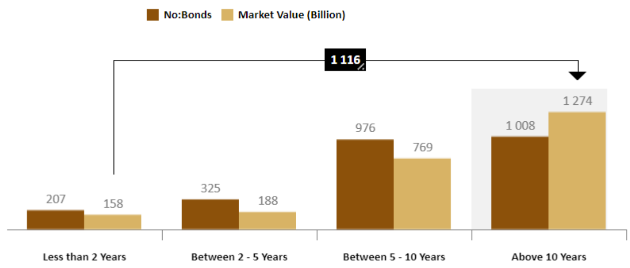
NSSF - BOND HOLDING

Maturity Profile

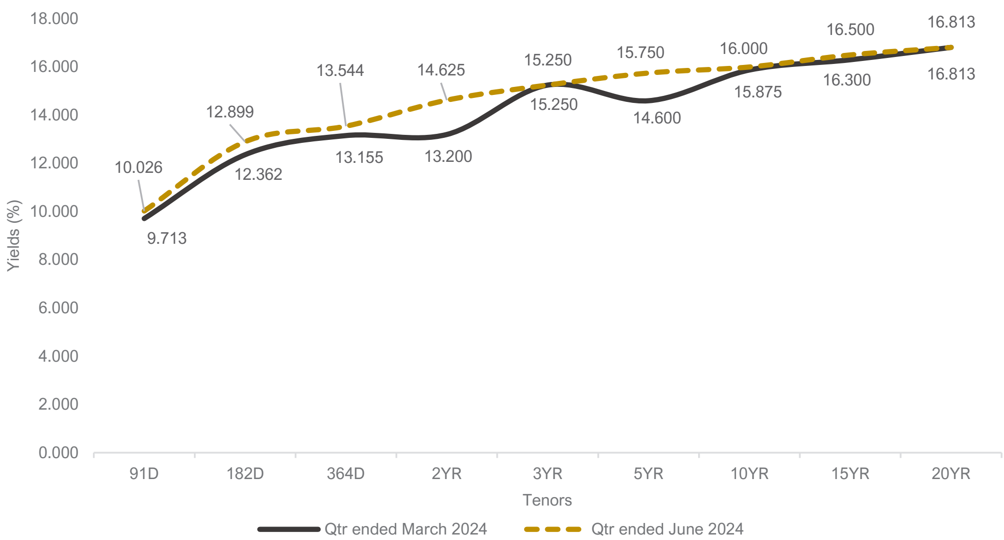


Occupational Schemes - BOND HOLDING

Maturity Profile

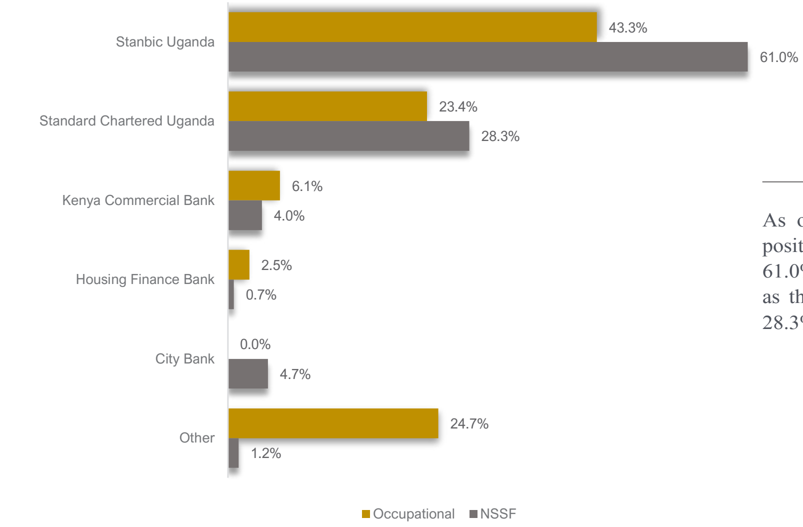


Yield Curve



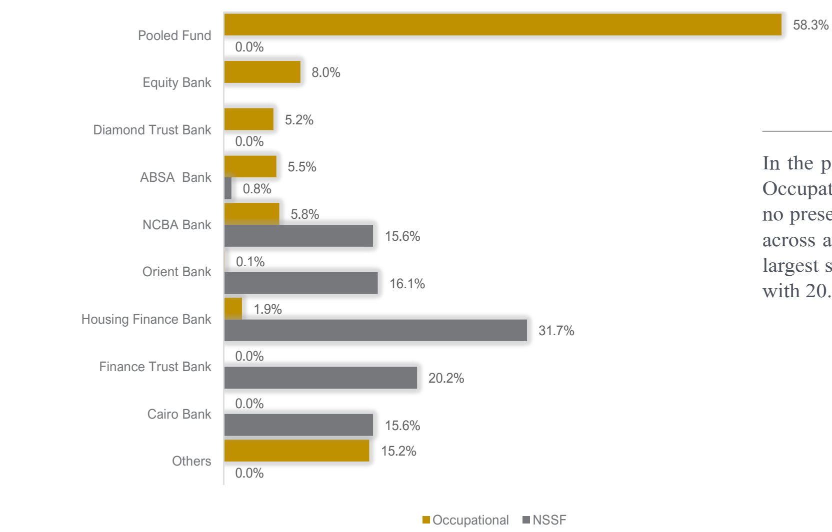
Short-term avergae yields saw minimal movement, with the 91-day and 364-day tenors rising by 0.11% and 0.30%. The 2-year yield declined by 0.63%, whereas the 3-year, 10-year, and 20-year yields increased significantly by 1.50%, 0.71%, and 1.32%, respectively. The overall steepening of the yield curve suggests rising long-term borrowing costs, likely influenced by expectations of tighter monetary policy or inflationary pressures.

Cash & Demand (%)



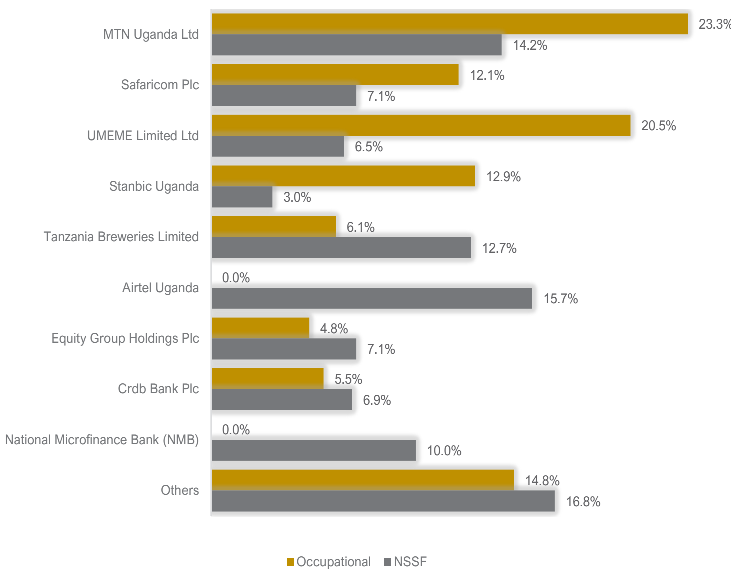
As of the reporting period, Stanbic Bank Uganda holds a dominant position for both the Occupational and NSSF schemes, holding 43.3% and 61.0% of their respective portfolios. Standard Chartered Uganda follows as the second-largest, with 23.4% of Occupational schemes funds and 28.3% by NSSF respectively.

Fixed Deposit (%)



In the period under review, Pooled Funds still play a significant role in Occupational schemes, comprising 58.3% of the portfolio, while having no presence in NSSF holdings. NSSF's exposure is notably concentrated across a few key financial institutions. Housing Finance Bank holds the largest share at 31.7%, followed by Finance Trust Bank and Orient Bank with 20.2% and 16.1% respectively.

Quoted Equities (%)



The NSSF and Occupational schemes show distinct investment preferences across sectors and countries, with some overlap in key holdings but with differences in concentration. NSSF is heavily concentrated in Airtel Uganda (15.7%) and MTN Uganda (14.2%), while Occupational schemes, are more concentrated in MTN Uganda (23.3%) and UMEME Limited (20.5%).

The investment portfolios continue to be weighted towards the financial and technology/telecom sectors, which together dominate the allocations. The financial sector accounts for 35.0% of total investments, while the technology and telecommunications sector leads with 38.1%.

URBRA

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