URBRA

UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY

Retirement Benefits Sector

Total sector portfolio increased by 4.13 % from UGX 12.5 trillion to UGX 13.0 trillion.

Investment Snapshot

Quarter Ending June 2019

Content

OVERVIEW

The Authority presents the Investment Returns Analysis Snapshot for the quarter end June, 2019. This snapshot is compiled to provide consolidated statistics and analysis relating to Schemes' Investments under management. The purpose of this snapshot is to provide industry statistics as well as the latest industry trends, performance and other developments. The report is based on the Quarterly Investment Returns for Quarter end June 2019 provided by all Licensed Retirement Benefits Schemes and the supervisory & enforcement work conducted by URBRA.

The quality and depth of analysis depends on the data availed and the accuracy of the data submitted by the Schemes.

Fund Manager Asset Holding

Fund Manager	Number of Schemes	AUM (Million)
Britam Asset Managers	8	81,501
Sanlam Investments E.A	21	822,436
GenAfrica Asset Managers	11	428,431
Xeno Investment Management	0	0
UAP	7	57,338
ICEA	2	43,344
Stanlib	12	376,615
NSSF Internal management	1	11,172,444

Cummulative Growth Rate (%)

	1 Year CAGR (17-18)	1 Year CAGR (18-19)	2 Year CAGR (17-19)	QAGR (18-19)
Occupational	27.7	10.4	18.7	4.08%
NSSF	27.6	14.1	20.7	4.14%
Total Sector	27.6	13.56	20.4	4.13%

CAGR: Compounded Annual Growth rate: QAGR: Quarterly Average Growth Rate

The report covers 62 of the 63 licensed Retirement Benefits Schemes with a total of Ugx 13 trillion Assets Under Management as at Quarter End June 2019

Total assets have grown at an average of 4.1% over the past 4 Quarters.

Median Performance

1 Year Median Performance	Quoted Equities	Fixed Income	Money Market
Median	-11.81	15.57	9.88

The 1 Year median return for Quoted Equities, Fixed income and money markets was -11.8%, 15.6%, 9.8% respectively compared to -8.8%, 10.9% and 9.6% in the previous quarter.

Economic Growth/ GDP

The economy was projected to grow by 6.1% in the FY 2018/19 based on the preliminary results by UBOS, which is 1 percentage point lower than the revised growth of 6.2% registered in the FY 2017/18. The services sector was the lead contributor to the realised FY GDP, accounting for about 48.7% of the overall GDP within the year.

Outlook

The economic growth is projected at 6.3% in the FY 2019/20 over a 2- 5 year horizon, real economic growth is forecasted to be within range of 6.5% to 7%, supported by strengthening private sector activity, foreign direct investment, public infrastructure investment and a pick-up in the extractive sector activities.

Inflation

The Annual Headline Inflation for the year end June 2019 was recorded at 3.4 percent compared to 3.3 percent recorded during the year end May 2019. This was attributed to an increase in the Annual Core Inflation which rose to 4.9 percent for the year end June 2019 compared to the 4.6 percent registered for the year end May 2019. The driver for the increase in Annual Core inflation was annual Service sector Inflation that rose to 4.7 percent for the year end June 2019 compared to the 4.0 percent recorded for the year end May 2019

Outlook

Overall, inflation has developed in line with BOU's forecast and is expected to remain close to 5 percent. Over the medium-term (2-3 years), inflation is forecasted to edge up slightly, peaking at 6.4% in the third quarter of FY 2020/21. The risks to this outlook remain with the future direction of food crop prices in the wake of uncertain weather conditions, domestic demand and path of exchange rate.

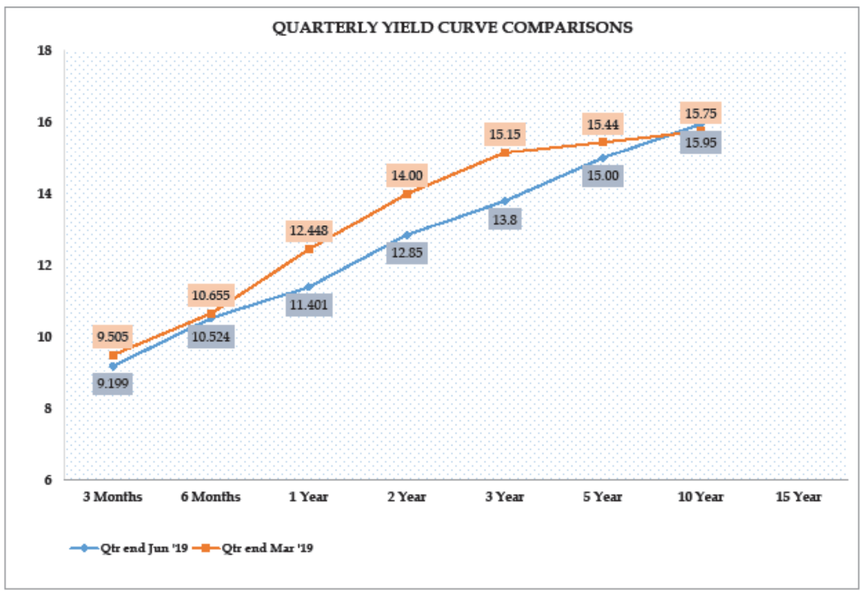
Currency

The UGX depreciated by 0.2% against the USD in Q1 2019, remaining within the UGX 3,700 band for every USD. It depreciated by 2.2% against the GBP and 0.9% against the KES while gaining 2.1% against the Euro.

CBR

The CBR rate is expected to stay at 10%. Given that inflation is projected to converge to the BoU's target of 5 percent, the economy is expected to remain on a steady growth trajectory over the the FY 2020/21

Financial markets – fixed income.



Source: Bank of Uganda

Yields on government paper continued to trend downwards during the quarter. The 2 and 5 year bonds fell by 0.8% and 0.5% respectively while Benchmark 10-year yields increased marginally by 0.03% during the quarter.

Outlook

A continued downward trend in the yield curve is expected given the current stable economic parameters i.e. lower inflation and positive growth trajectory.

Financial markets- Equities Market

	USE -ASI	USE-LSI Index	NSE-ASI Index	DARS-DSEI Index	RSE-ASI Index
Qtr-End Mar 19	1749.27	380.63	157.66	2060.29	124.81
Qtr-End June 19	1614.8	375.97	149.61	1892.3	126.94

Source: African Market Terminal LP

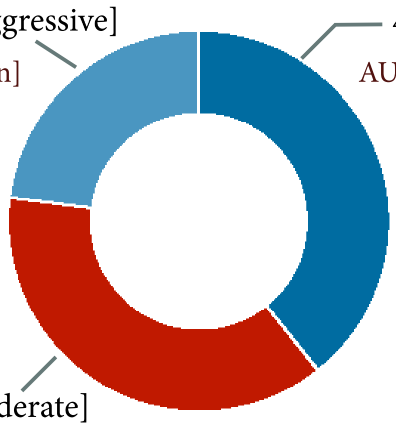
The USE ASI, was down (1.39%) while the USE LCI dipped by 6.15% during the period. There was a general decline observed across all counters except the RSE.We expect a mixed performance of the equity markets across the region.

Total Sector Portfolio

	Quarter Ending -Mar 19		Quarter Ending - June 19	
Asset Class	Amount (UGX Million)	Proportion (%)	Amount (UGX Million)	Proportion (%)
Cash and Demand	46,497	0.37	58,460	0.45
Fixed Deposit	193,737	1.54	246,344	1.89
Other Fixed Income	116,858	0.93	105,071	0.81
Government Securities	9,306,175	74.62	9,705,014	74.57
Quoted Equities	1,813,704	14.42	1,756,119	13.49
Unquoted Equities	324,307	2.58	339,116	2.61
Immovable Property	675,478	5.44	788,405	6.06
Other Investment	13,208	0.10	16,706	0.13
TOTAL	12,498,645	100	13,015,236	100

Note:"Other Fixed income"Asset class represents Commercial Paper, Corporate bonds, ABS, CIS,"Other investments"represent guaranted funds and other approved assets

Risk Profile



Risk Profile	Fixed Income Allocation	Number of Schemes	Scheme Proportion	AUM (Million)
Conservative	Over 70%	25	40.3%	11,889,502
Moderate	50% - 70%	27	43.5%	951,840
Aggressive	Less than 50%	10	16.1%	173,895
Total				13,015,236

Conservative strategy of investment constitutes 40.3%. This represents schemes with over 70% of Assets held in fixed income securities.

Mandatory Schemes	NSSF		Parliamentary Pension Scheme	
Asset Class	Amount (Million)	Proportion (%)	Amount (Million)	Proportion (%)
Cash and Demand	47,516	0.34	458	0.18
Fixed Deposit	146,791	1.12	20,090	8.05
Other Fixed Income	95,129	1.00	398	0.16
Government Securities	8,457,362	75.66	164,245	65.78
Quoted Equities	1,320,550	12.64	47,919	19.19
Unquoted Equities	332,966	3.02	0	0.00
Immovable Property	772,130	6.23	0	0.00
Other Investment	0	0.00	16,568	6.64
TOTAL	11,172,444	100	249,679	100

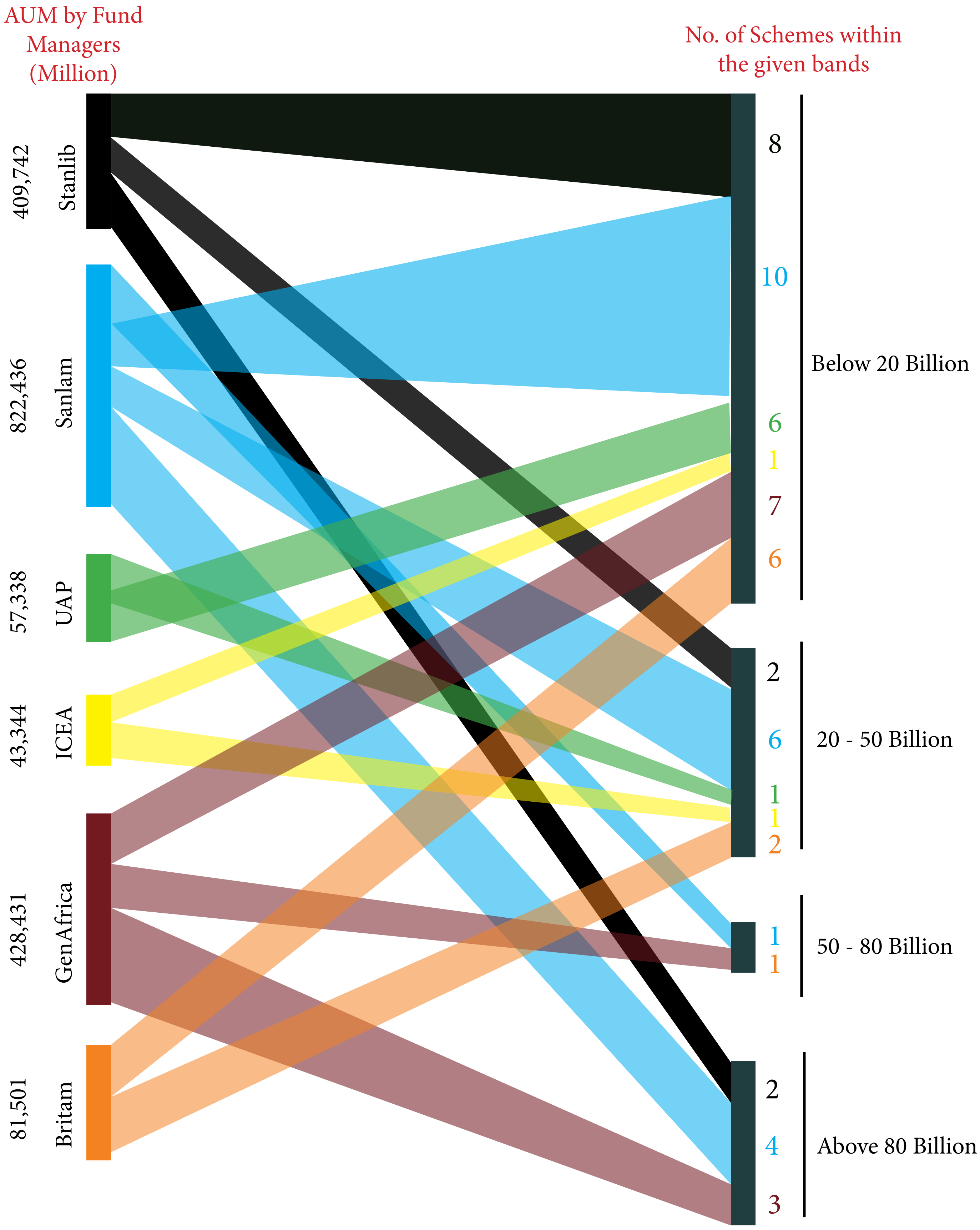
**All figures in UGX million*

Fund Managers	Cash and Demand	Fixed Deposits	Other Fixed Income	Governement Securities	Quoted Equities	Unquoted Equities	Property	Other	AUM
Britam	1,166	12,992	177	54,278	12,888	0	0	0	81,501
Gen-Africa	1,343	13,036	158	307,311	106,583	0	0	0	428,431
ICEA	199	7,072		32,982	3,092	0	0	0	43,344
Sanlam	4,710	17,482	2,840	544,637	230,342	6,151	16,275	0	822,436
Stanlib	2,053	40,501	239	273,720	76,521	0	0	16,706	409,742
UAP	1,473	8,469	6,528	34,725	6,143	0	0	0	57,338
TOTALS	**10,945**	**99,552**	**9,943**	**1,247,652**	**435,569**	**6,151**	**16,275**	**16,706**	**1,842,793**

**All figures in UGX million*

The proportion of private equity by sanlam Investments E.A is composed of investments in UAP Holdings.

Distributions within the given Asset Size Bands



		Assets Under Management of Schemes (Occupational)				
Categories		Below 20 Billion	20 - 50 Billion	50-80 Billion	Above 80 Billion	Totals
Fund Managers	Stanlib	75,958,855,113	49,303,306,088	-	284,479,526,626	409,741,687,827
	Sanlam	111,721,329,434	210,057,849,270	65,653,432,154	435,003,554,680	822,436,165,538
	UAP	36,445,118,841	20,893,269,332	-	-	57,338,388,173
	ICEA	7,827,757,086	35,516,449,438	-	-	43,344,206,524
	GenAfrica	45,324,766,573	-	73,053,052,096	310,053,571,332	428,431,390,001
	Britam	24,064,611,355	57,436,054,036	-	-	81,500,665,391
	Total	301,342,438,402	373,206,928,164	138,706,484,250	1,029,536,652,638	1,842,792,503,454

Over 50% of scheme's assets under management in the pension sector are in schemes with over UGX. 80 Billion

The Role of trustees in Investment of Scheme Fund

The investments of assets of retirement benefits schemes in Uganda are governed under the Uganda Retirement Benefits Regulatory Act and Investment of Scheme Funds Regulation,

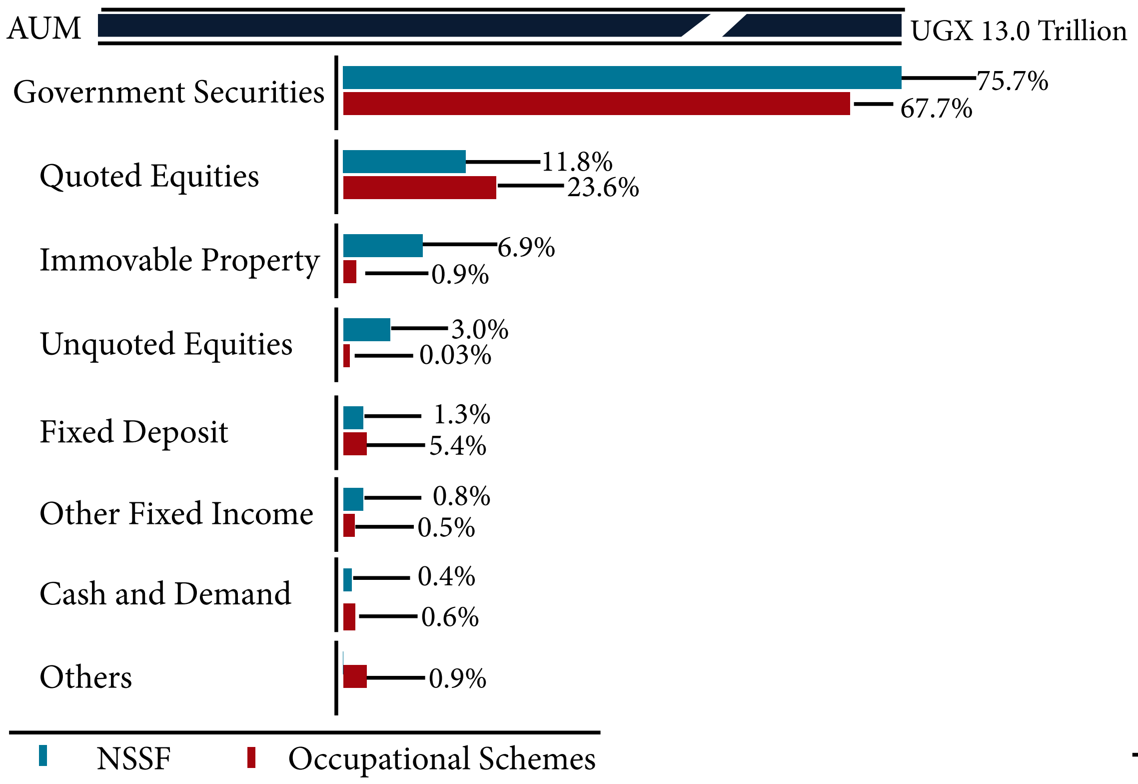
Investment Policy Statement

The Regulation (3) requires each scheme to have a prudent investment policy on the investment of the funds, clearly defining the Investment Objectives and Risk tolerance. The IPS should:

- Specify the risk tolerance, investment policy, objectives and principles of the Fund.
- Develop and implement an appropriate investment strategy to meet the objectives.
- Determine the permissible assets to be invested in (subject to any statutory limitation in the Regulations and the URBRA Act).
- Determine the Strategic asset allocation strategy
- Ensure compliance with all relevant legislation and regulations, and to act in accordance with the Trust Deed

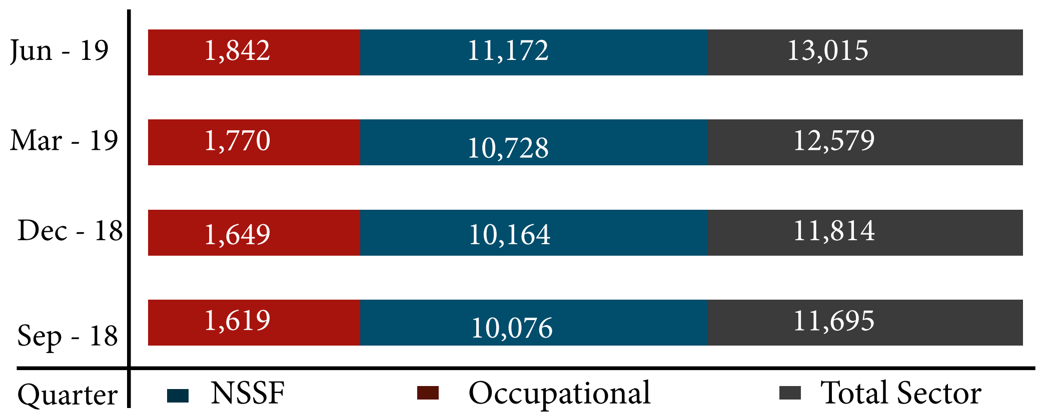
The Regulations require that trustees must obtain and consider the written professional advice of a qualified actuary or financial analyst when developing the document; The Policy is Must be reviewed at least once every three years

Asset Allocation (%)

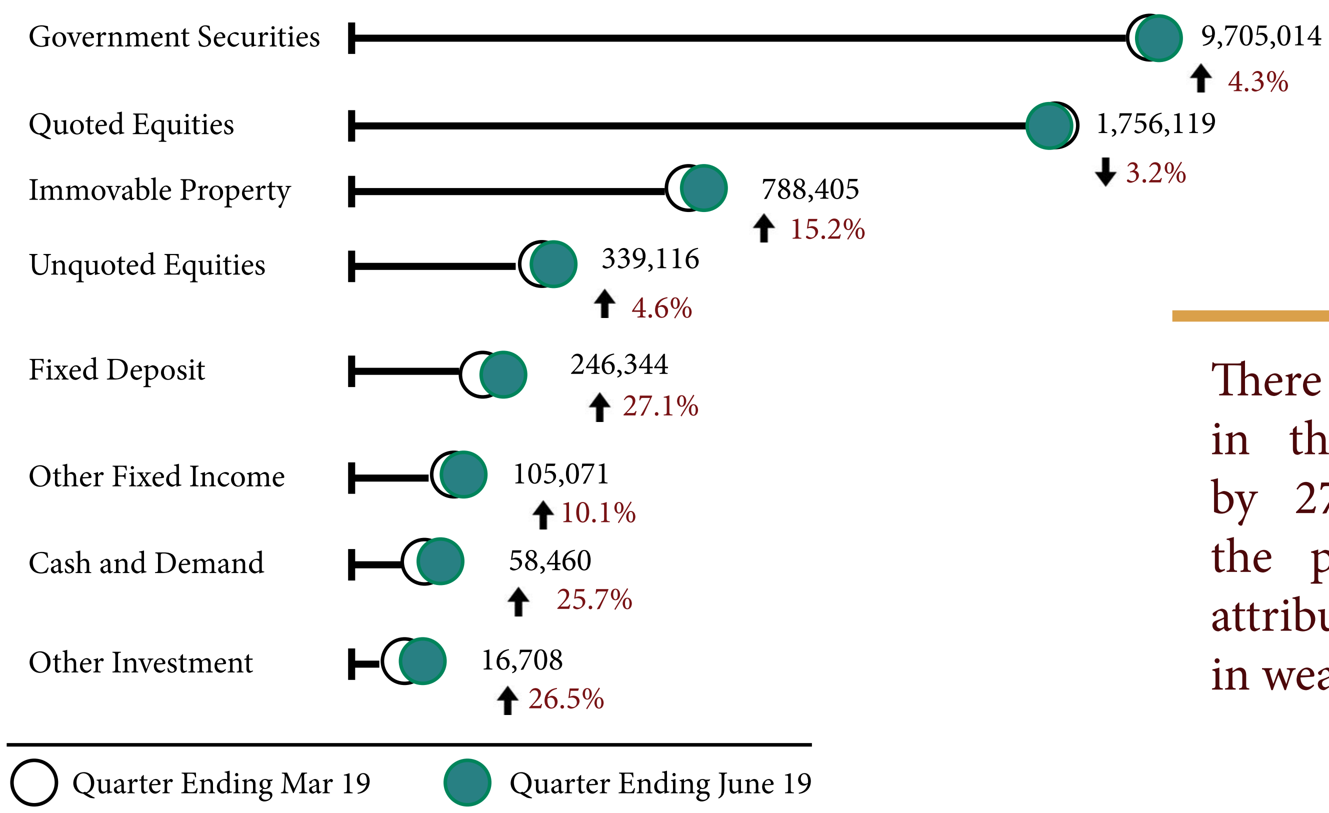


Government securities continue to dominate sector investments.

Quarterly Asset base (UGX Million)



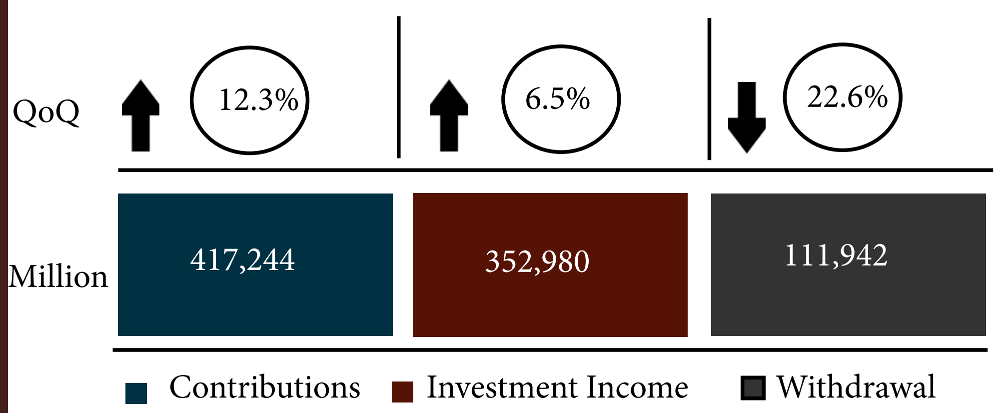
Asset Class Movement (UGX Million)



There was a significant increase in the allocation to fixed deposit by 27% compared to 4.1% in the previous quarter. This was attributed to increased allocations in wealth funds and Equity Bank.

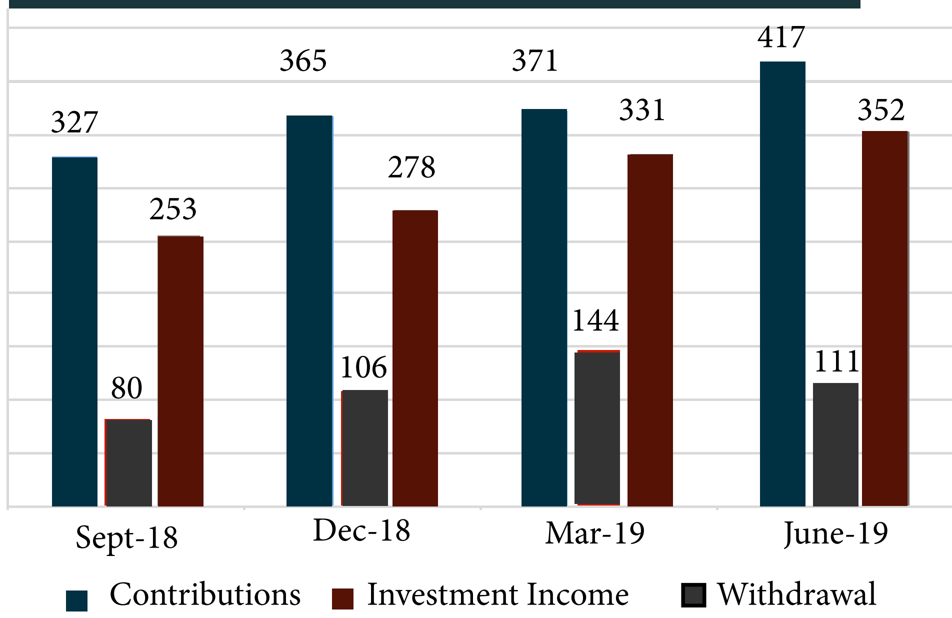
Contribution, Income & Withdrawal (UGX Millions)

Sector Asset Value: UGX 13 Trillion

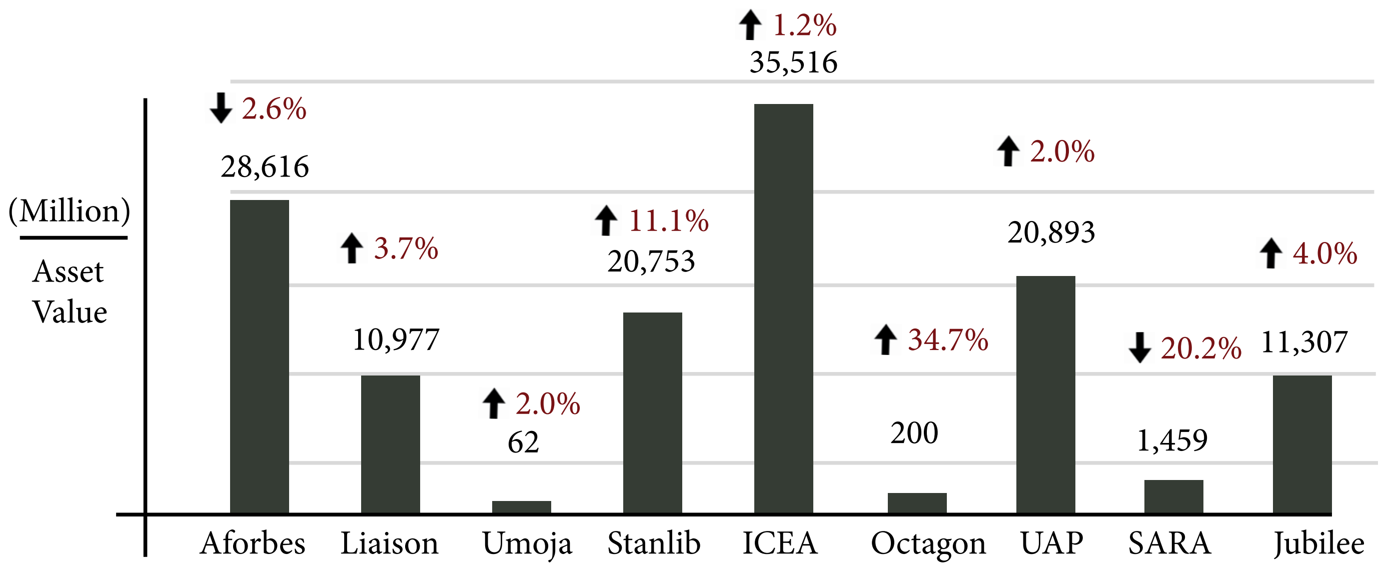


Investment income and contibutions increased by 12.3% and 6.5% respectively. Benefits withdrawals reduced by 22.6% on QoQ basis.

Quarterly movement (Billions)



Assets Held by Umbrella Schemes (Million)



Assets held by umbrella schemes increased by 4% to Ugx 130 Billion accounting for 1% of total sector asset

Quarterly Sector Growth (%)

	Sept - 18	Dec -18	Mar - 19	June -19	QAGR
Occupational	4.08%	1.90%	12.27%	4.08%	5.58%
NSSF	4.14%	0.88%	5.54%	4.14%	3.68%
Total Sector	4.13%	1.02%	6.48%	4.13%	3.94%

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	-4.23	0.00	-14.31	0.00	3.57	7.17	11.80	0.00	2.24	0.00	0.00	0.00
Median	-3.26	2.33	-11.82	0.325	3.89	7.8	15.57	12.405	2.58	5.10	9.89	0
75' Percentile	-1.21	7.00	0.00	4.00	4.75	10.65	16.56	16.54	2.71	5.51	10.57	12.63
Range	12.24	28.82	34.17	19.3	7.36	16.13	22.05	18.73	4.43	7.01	12.85	14.9
Average	-2.67	2.74	-7.86	2.60	3.85	7.40	12.18	8.16	2.22	3.91	7.06	5.74
W.A.P	-0.76	0.91	-2.96	0.63	3.75	7.63	15.45	15.21	1.20	2.41	4.56	3.16

Market Performance during FY 2018/19 and Expectations therein

Quoted Equities

Security	NSSF	Occupational	Market Value(Q1)	Market Value(Q4)	Dividend per share	Capital Gain/ Loss	Dividend Yield	Net Return
Safaricom (K) Ltd	22%	25%	29.00	28.10	1.10	-3.10%	3.91%	0.81%
UMEME	15%	3%	345.00	300.00	40.90	-13.04%	13.63%	0.59%
Equity Bank Kenya	11%	7.9%	46.00	38.95	2.00	-15.33%	5.13%	-10.19%
Tanzania Breweries Ltd	10%	4.9%	16,500.00	11,400.00	700.00	-30.91%	6.14%	-24.77%
East African Breweries	9%	9.4%	217.00	199.75	7.50	-7.95%	3.75%	-4.19%
Kenya Commercial Bank	9%	8.9%	45.50	38.25	3.50	-15.93%	9.15%	-6.78%
Bank of Kigali Shares	3%	0%	288.00	275.00	12.20	-4.51%	4.44%	-0.08%
Cipla Shares	3%	0.06%	262.00	160.00	-	-38.93%	0.00%	-38.93%
Stanbic Bank Ltd	3%	7.4%	32.00	29.00	1.90	-9.38%	6.55%	-2.82%
DFCU Bank	3%	7.4%	970.00	670.00	33.01	-30.93%	4.93%	-26.00%
Vodacom TZ Shares	3%	0%	800.00	800.00	12.74	0.00%	1.59%	1.59%
Bank of Baroda	0%	2.3%	150.00	128.73	10.00	-14.18%	7.77%	-6.41%

The equities market registered a decline across all counters in the EAC region. A view of the major holdings for schemes during the year showed positive net returns for Safaricom, UMEME and Vodacom TZ Share.

The diversification across the specific sectors played a key role in gains on investment. Top securities for NSSF included TBL, Equity Bank and EABL while those of Occupational Schemes were Safaricom, EABL and KCB.Over 71% of the Equity Investments are held in the rest of the EAC countries which embed a currency risk of conversion.

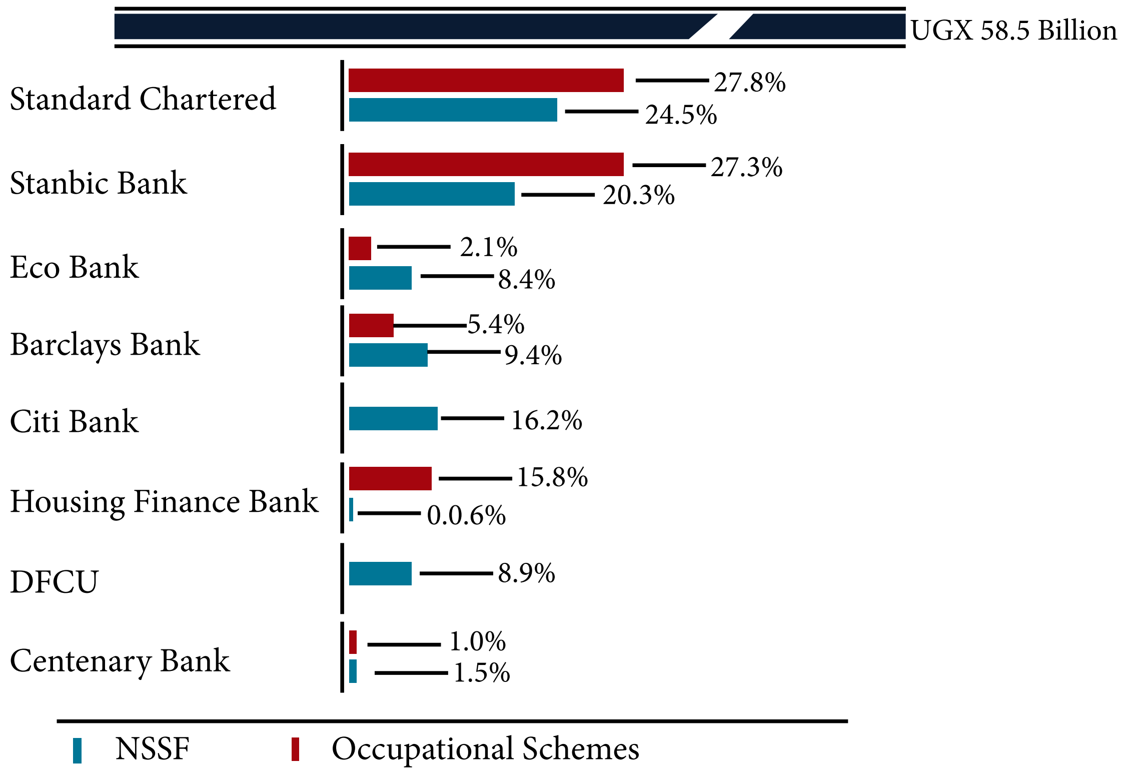
Government Securities

Tenor	Q1-(Sept-18)	Q2-(Dec-18)	Q3-(Mar-19)	Q4-(June-19)	% Change
91D	9.407%	10.457%	9.662%	9.102%	-3.24%
182D	11.283%	11.792%	10.695%	10.564%	-6.37%
364D	11.728%	13.267%	12.253%	11.407%	-2.74%
2Y	16.018%	15.017%	13.867%	12.642%	-21.08%
3Y	16.333%	16.250%	14.883%	13.703%	-16.10%
5Y	16.558%	16.358%	15.392%	14.758%	-10.87%
10Y	17.232%	17.008%	15.700%	15.733%	-8.70%
15Y	17.638%	17.375%	16.267%	15.883%	-9.95%

Generally, the yields on government securities trended downwards during the Financial Year. The reduced yield impact negatively on prices of new purchases undertaken within the year.

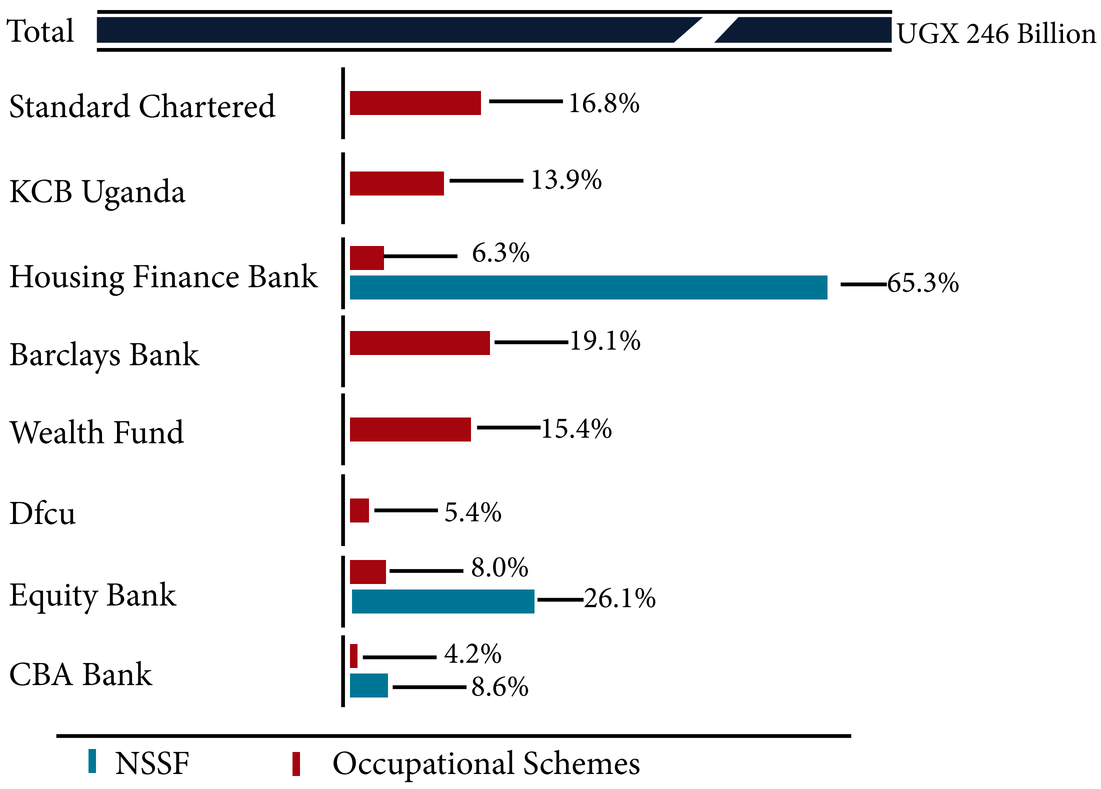
The impact of the direction of the yield curve is minimized for schemes that amortize rather than fair value.

Cash and Demand (Percentage)
Total Value: UGX 58.5 Billion



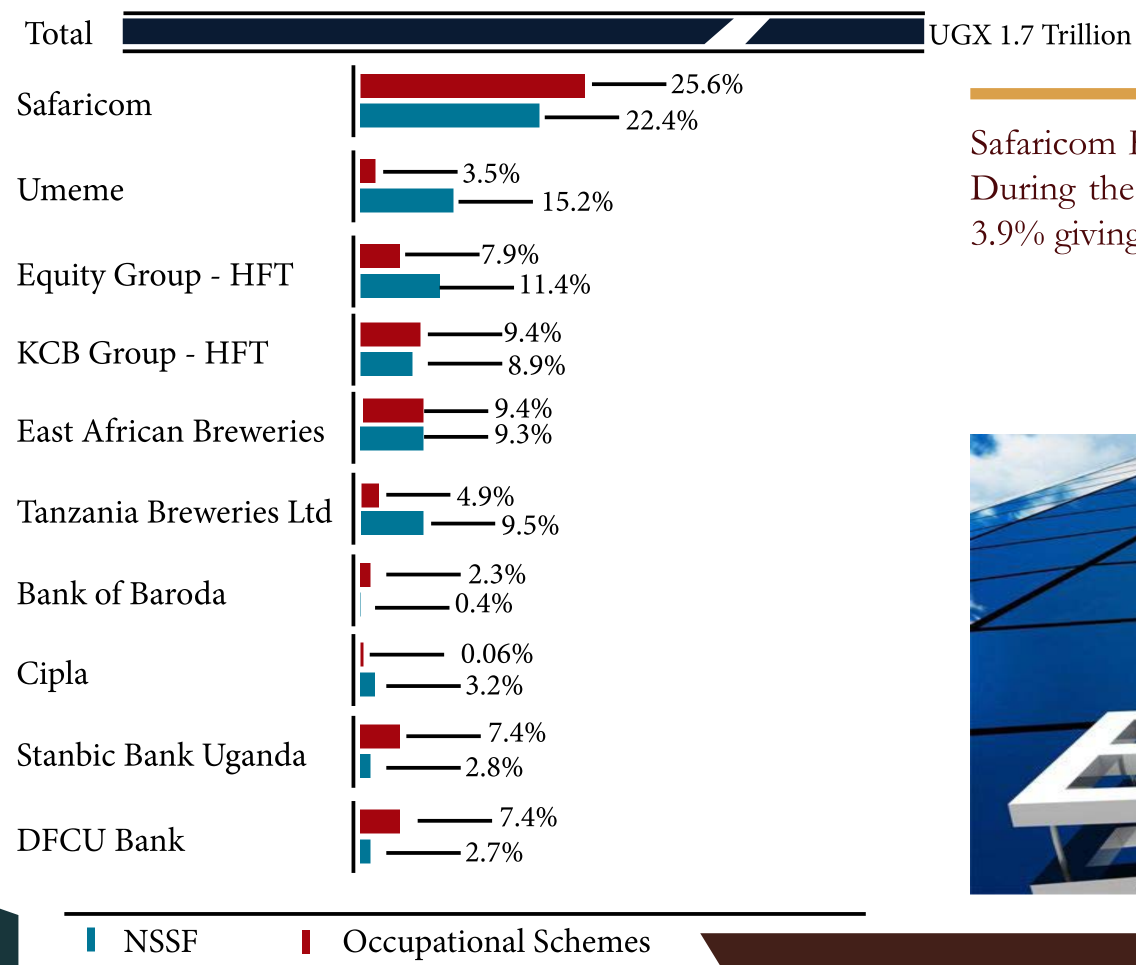
The largest proportion of Cash and demand deposit was held by Stanbic Bank and Standard Chartered Bank.
Allocations to Citi Bank and DFCU are limited to NSSF only.

Fixed Deposit (Percentage)
Total Value: UGX 246 Billion



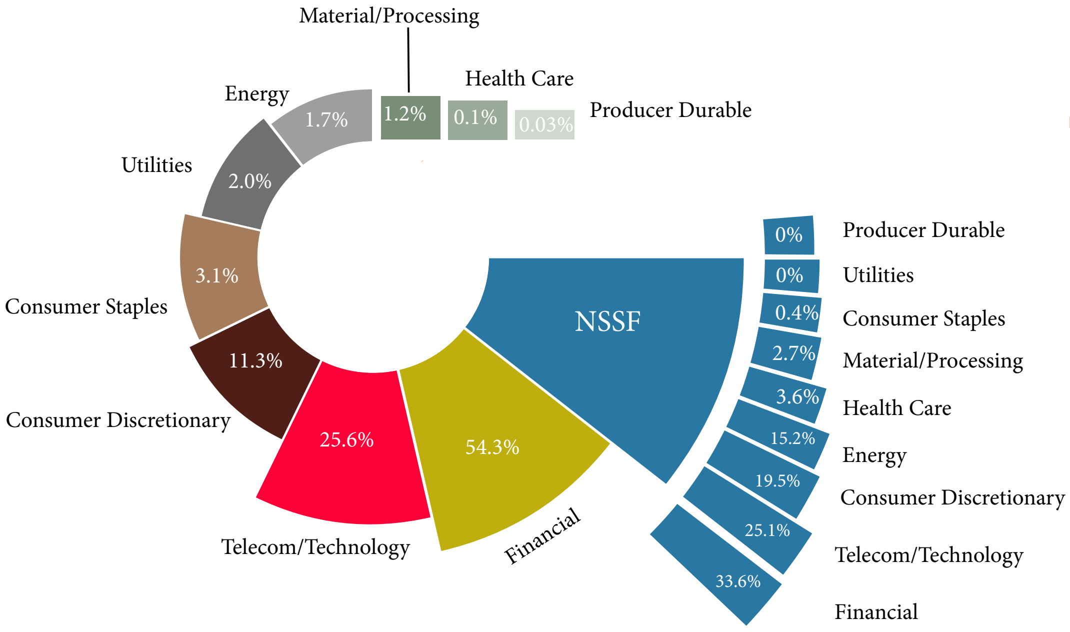
NSSF has its fixed deposits concentrated in HFB.

Quoted Equities (Percentage)



Safaricom HFT- remains a top attractive investment for pension funds. During the Financial year it lost 3.1% and realised a dividend yield of 3.9% giving a net return of 0.81%

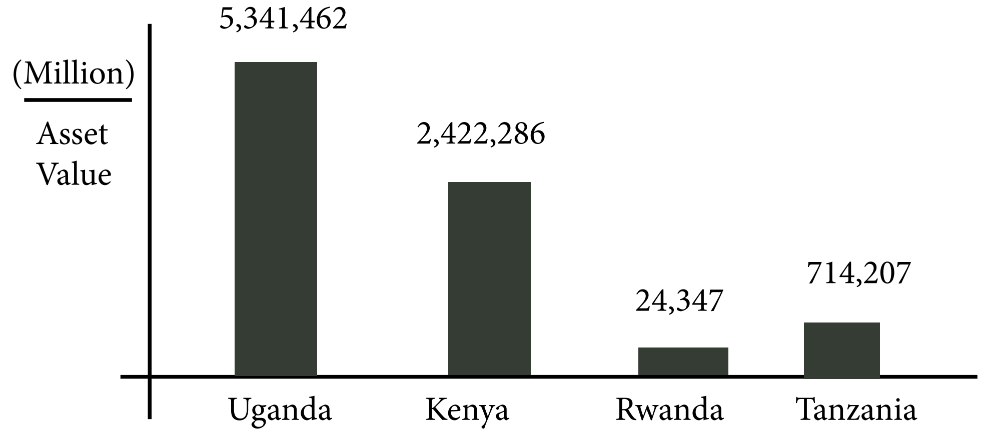
Distribution of Quoted Equities by Sector



The Authority requires all scheme fund managers to report and classify quoted equities using the guiding principle of the Russel Global Sector Classification (RGS) defined under a Three tier system with 9 Sectors.

Financial and Technology sectors continue to dominate both the occupational schemes and NSSF investments.

Regional Distribution of Government Securities by NSSF (UGX Million)



NSSF has UGX 2.4 trillion invested in Government securities of Kenya, 51% of which is aportioned to infrustructrural bonds.

URBRA Investment of Scheme Funds Regulations prescribe the maximum percentages for investment of scheme funds.

Asset Class	Maximum percentage (Aggregate Market Value)
Cash and demand deposits	5%
Fixed deposits, time deposits and certificates	30%
Commercial paper, corporate bonds, mortgage bonds and asset backed securities and collective investment schemes	30%
Government securities	80%
Quoted Equities	70%
Immovable property in Uganda, real estate investment trusts and property unit trust	30%
Private Equity	15%
Other Approved assets	5%

Source: URBRA Investment for scheme funds regulations 2014

URBRA
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