URBRA

UGANDA RETIREMENT BENEFITS REGULATORY AUTHORITY

QUARTERLY INVESTMENT SNAPSHOT

Ending September 2018

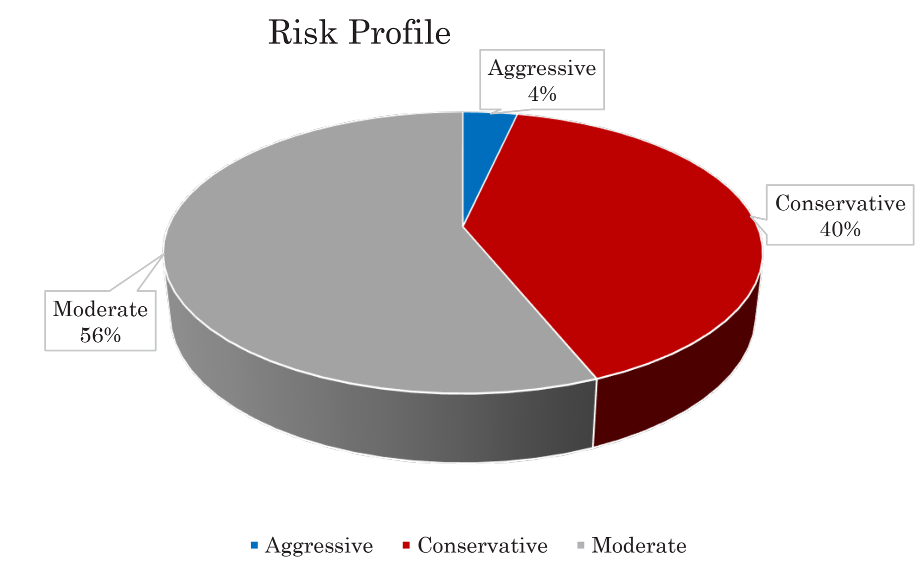
"Total sector portfolio increased by 2.4 % from UGX 11.4 trillion to UGX 11.6 trillion.

- Total Sector Portfolio
- Concentration
- Portfolio Analysis
- Market Outlook

Background

We present the Quarterly Investment Returns Analysis Snapshot for the period ended September, 2018. The report shows the general investment trends in the sector, the systemic market assessment in terms of concentration by schemes and concludes with investment outlook for the next quarter.

Risk Profile



The investment strategy adopted across all the schemes in the sector is largely moderate with 54% of the schemes having between 60-80 % of their Asset invested in Fixed Income Securities

TOTAL SECTOR PORTFOLIO

Assets	"Million"	Proportion
CASH AND CALL	48,381	0.41%
FIXED DEPOSITS	157,521	1.35%
FIXED INCOME	122,094	1.04%
GOVERNMENT SECURITIES	8,565,052	73.24%
QUOTED EQUITIES	1,777,704	15.20%
UNQUOTED EQUITIES	351,394	3.00%
OFF-SHORE INVESTMENTS	227	0.00%
IMMOVABLE PROPERTY	669,563	5.73%
OTHER INVESTMENTS	2,947	0.03%
TOTAL	**11,694,883**	**100.0%**

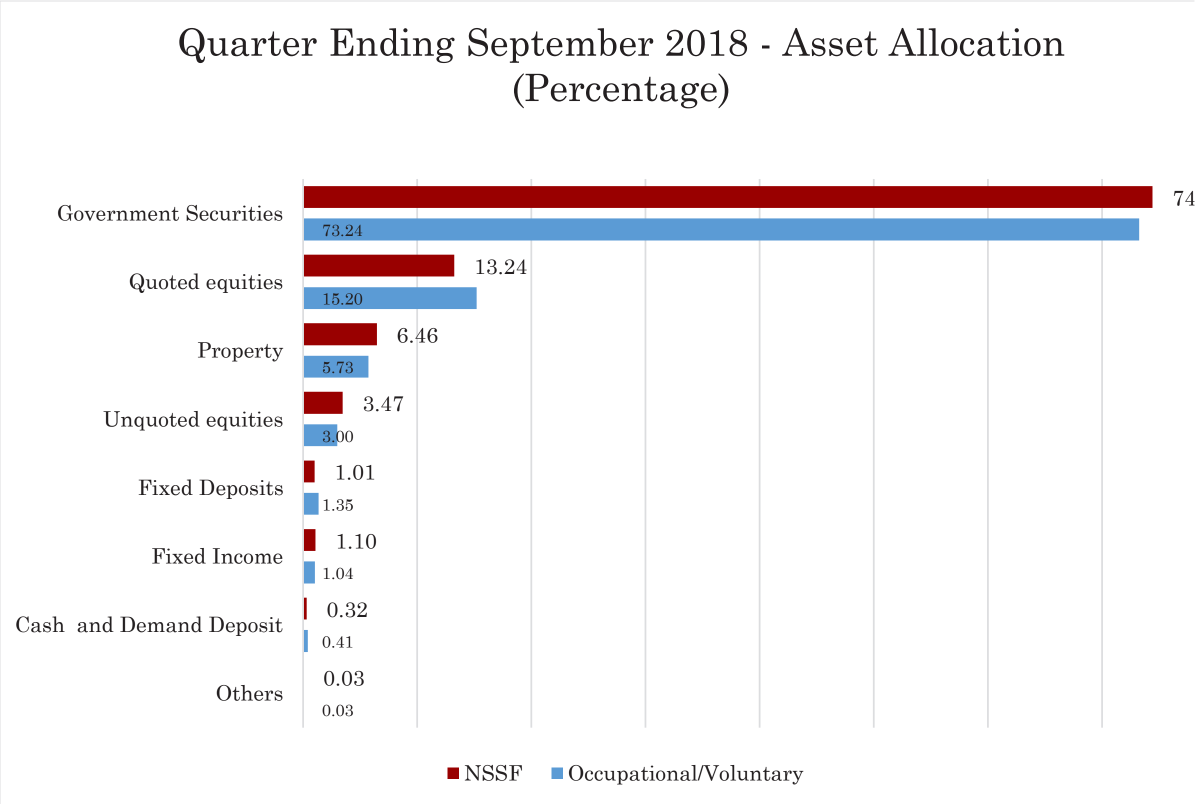
Government Securities mantained the largest proportion of scheme funds investment followed by Quoted Equities.

Scheme Funds Asset Allocation - Fund Managers

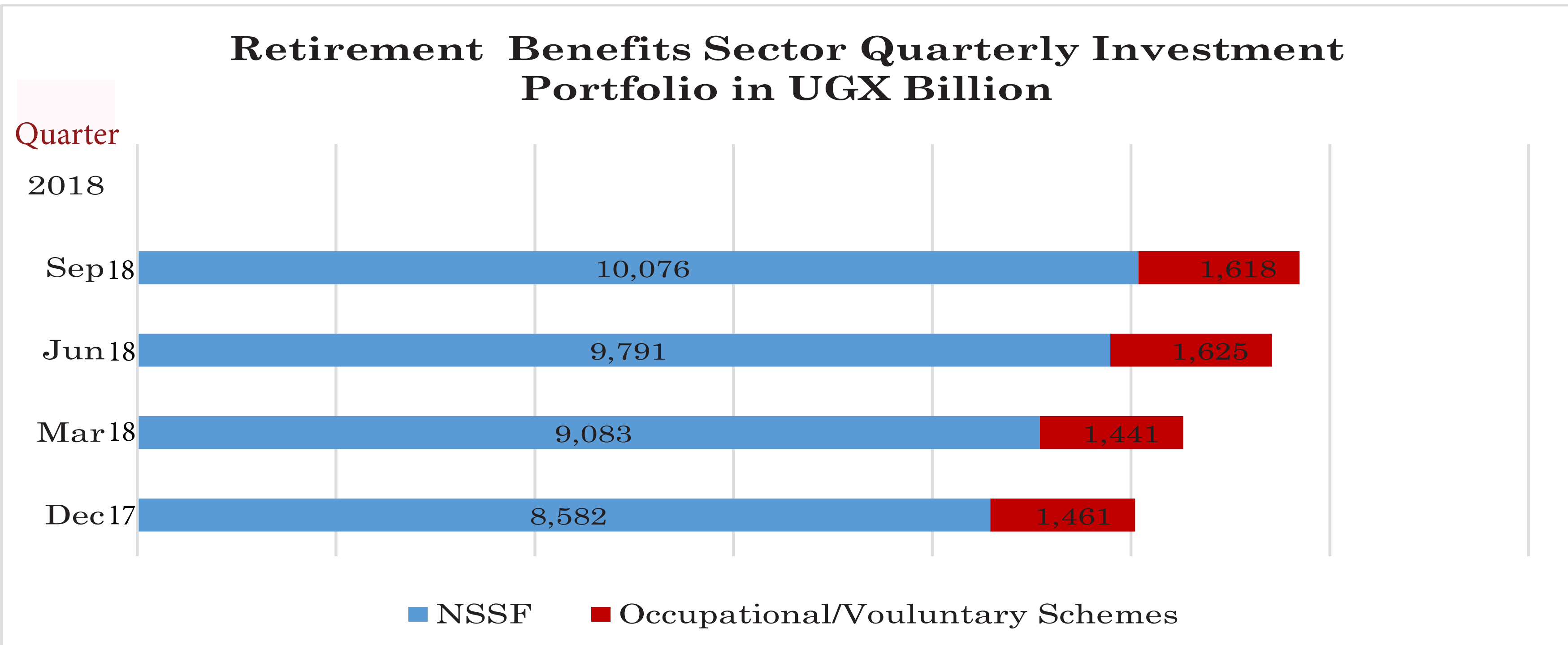
Fund Managers	Cash and Demand	Fixed Deposits	Fixed Income	Governement Securities	Quoted equities	Unquoted equities	Offshore Investments	Property	Other	AUM (Millions)
BRITAM	1,581	0	202	43,859	13,866	0	0	0	2,947	62,454
GENAFRICA	2,398	8,355	180	256,594	92,556	0	0	0	0	360,084
ICEA	141	8,458	0	29,971	3,448	0	0	0	0	42,019
SANLAM	5,929	11,966	8,146	466,295	249,093	1,503	87	16,276	0	759,293
STANLIB	4,905	23,917	271	238,294	79,008	0	140	2,686	0	349,220
UAP	978	2,790	2,934	33,311	5,510	0	0	0	0	45,523
TOTALS	**15,932**	**55,487**	**11,733**	**1,068,323**	**443,480**	**1,503**	**227**	**18,961**	**2,947**	**1,618,594**

***Offshore investments are prohibited under the URBRA Act 2011 and the URBRA Investment of Scheme Funds Regulations, 2014.

Total Distributions by Investment



Sector Asset Growth



Trend	Grth-Sept,17	Grth- Dec,17	Grth-March,18	Grth-June, 18	Grth-Sept,18
NSSF	10.0%	3.7%	5.8%	7.8%	2.9%
Occupational Schemes	7.7%	3.8%	-1.4%	12.7%	-0.4%
Total sector	**10.0%**	**3.7%**	**4.8%**	**8.47%**	**2.4%**

Occupational Schemes: The -0.4% is attributed to a reduction in fixed deposits (-25.8%), cash and call (-11.2%), quoted equities (-11.4%) and fixed income (-5.9%).

NSSF: Despite the -9.1% change in its quoted equities, NSSF had a positive growth in all the other asset classes.

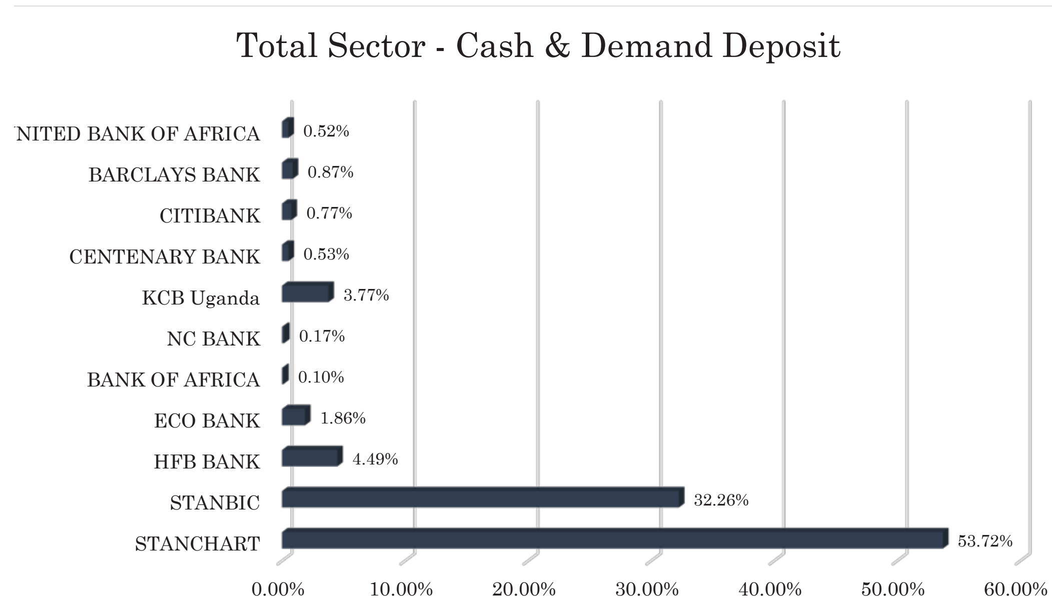
Concentration of Pension Funds

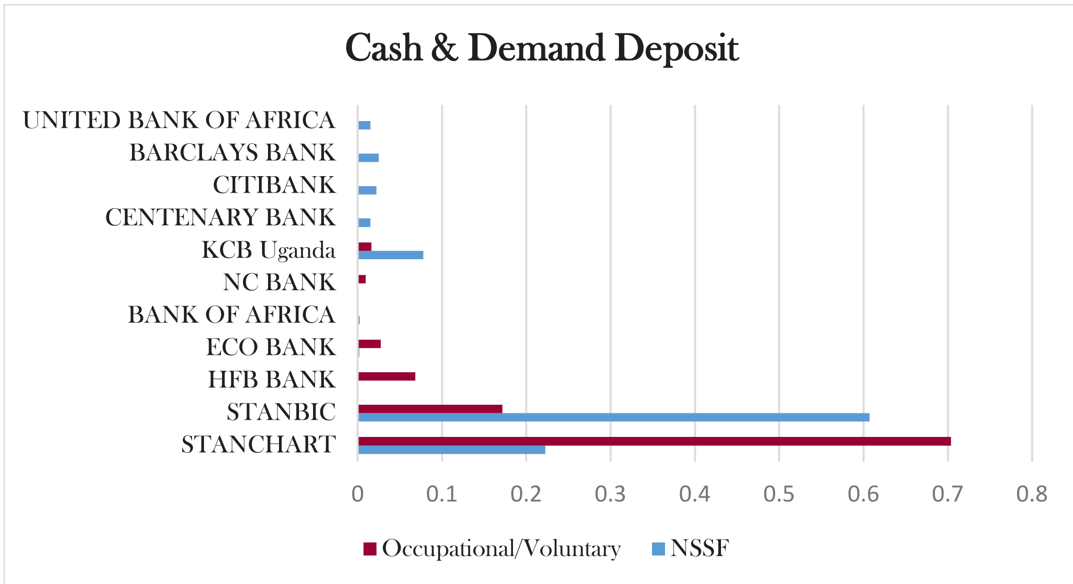
- Uganda holds the biggest allocation of Scheme fund in Government Security (99%), followed by Kenya and Rwanda.
- Equities have concetration of 53.1% holding in Kenya, 28.5% in Uganda, 15.2% in Tanzania and 3.1% in Rwanda.

Concentration are presented as percentage of Total Sector Distribution (NSSF and Occupational/Voluntary)

Cash & Cash Equivalents

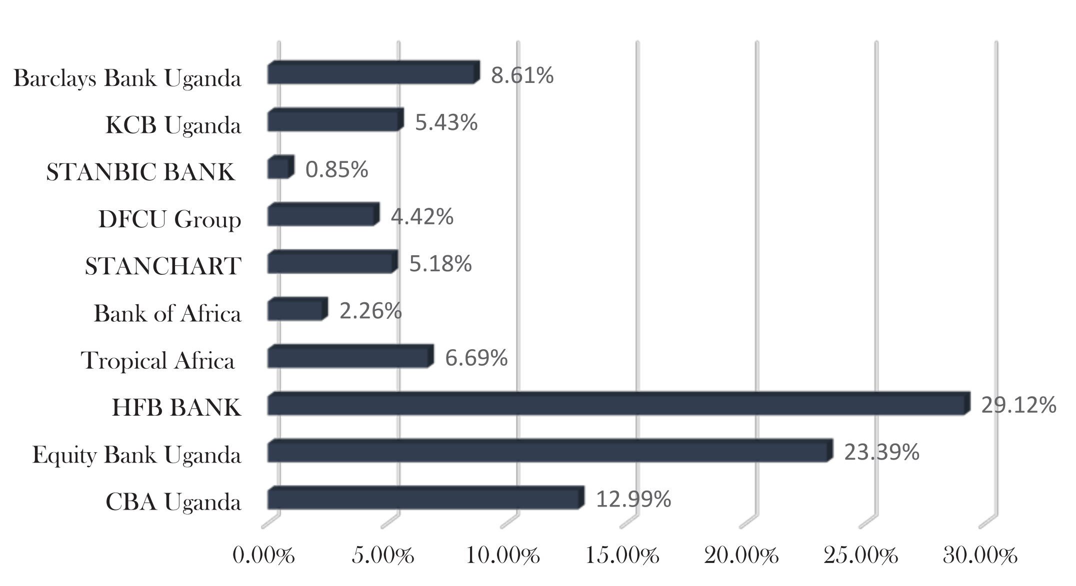
Total Sector

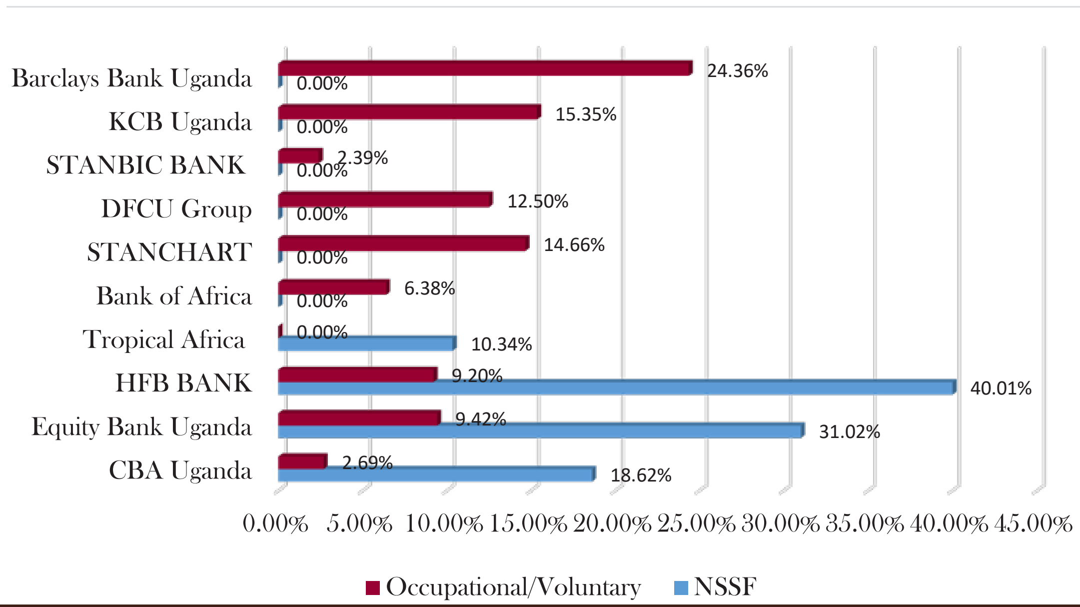




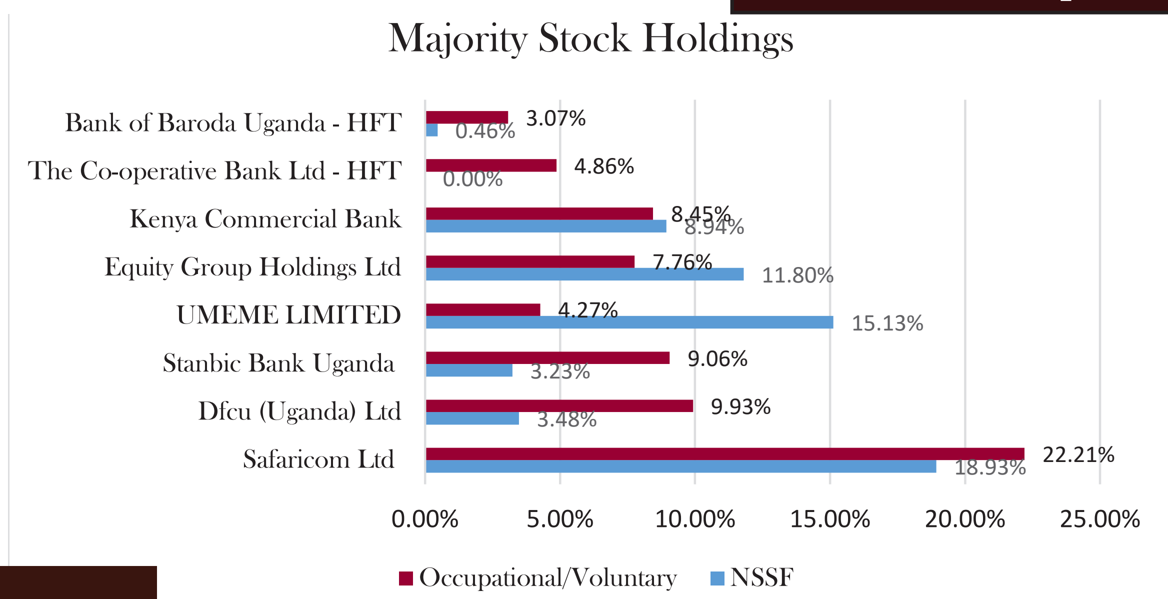
Fixed Deposits

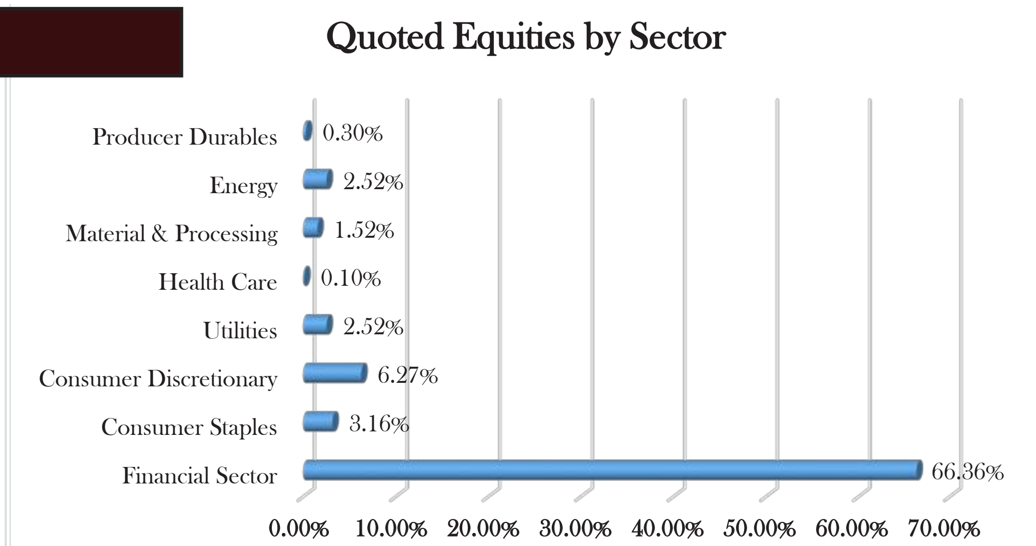
Total Sector





Quoted Equities





PORTFOLIO ANALYSIS

Government Securities

Overview

The ranking of the asset classes continues to depict a conservative investment strategy adopted by schemes, with over 70% invested in Government securities during the year. A look at the yield trajectory during the quarter indicated that at the there was a decrease in the short- term rates due to as inflation pressures halted and the currency made some gains against the USD in the quarter.

Outlook

Bank of Uganda maintained their policy rates at 9.0% in the quarter. It's expected that policy will remain accommodative across the region in 2018. BOU increased CBR from 9% to 10% in October and cited a projected further rise in the peak of 6.5 to 7.5% in the second quarter of 2018/19. Interest rates are therefore likely to increase in response to the climb in CBR coupled with a depreciating currency; and accordingly we would expect Schemes to maintain and increase their allocation in government securities in abide to benefit from this rise.

Equities

Overview

Investments in quoted equities remain the second largest with the total investments accounting for 15.2% of the total industry assets. We see a greater proportion of occupational schemes assets invested in quoted equities to about 27% compared to NSSF with an allocation of 12.0%.

During the quarter, there was a listing of a Phamacuetical company on Uganda Security Exchange (USE), Cipla QCiL which increased the Equities holding with Ugx 70.6 Billion of Pension funds invested in it

Outlook

The economy is expected to remain on a steady growth path supported by a robust domestic demand growth, public infrastructure, agricultural production and recovery in the FDI's. We maintain a positive outlook on equities and expect schemes to maintain or marginally increase allocation. We expect the improving macroeconomic environment to positively impact the business environment.

Alternative

The demand for good-quality alternative investments still outweighs the supply, making valuations for assets like infrastructure and private equity very expensive. The lack of market indices, coupled with sentimental attachments also makes the valuation of such assets very expensive and opaque.

Private Equities

The allocation to private equities has continuously remained stable at 2% of the total sector portfolio. NSSF and Voluntary schemes managed by SANLAM Investments East African Limited remain the only entities currently invested in this asset class.

Real Estate

Limited innovation in the market. No new products yet e.g. REITs which provide alternative exposure to asset classes that require large lump sums.

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