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Protecting Your Investments

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What should You be thinking in terms of Your Finances

- Whether we live in the comfort of what we have today or create better opportunities for tomorrow.
- Whether we allow the desperation of today to make us ignore the consequences of our decisions on our future
- Whether our choices fulfill short-term needs or long-term needs.
- Whether we live on what we have today or save to invest for tomorrow.

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Saving and Investing for the Future

The capital markets offers different products that enable you save and invest for the future

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What Are Capital Markets?

- It is like any other market with buyers and sellers offering different products.
- Except in this case the products being offered are financial products such Collective Investment Schemes (CIS), shares and bonds.
- These products offer you, the buyer (investor) an opportunity to save and invest.

Products in the Capital Markets

cma

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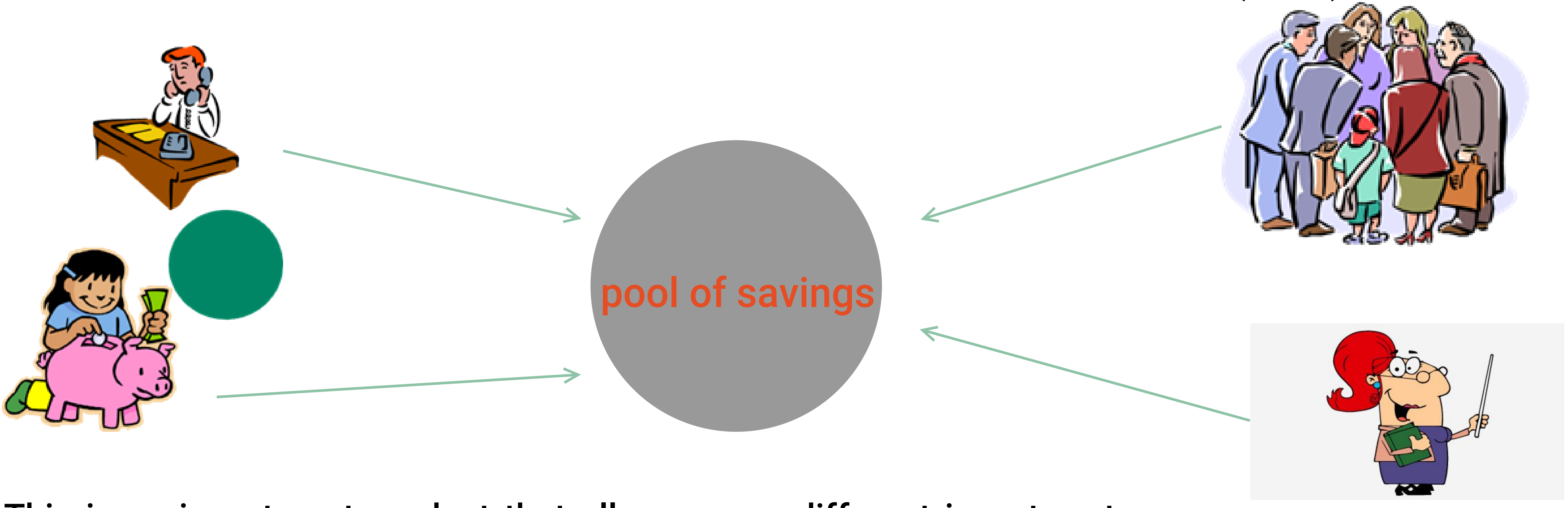
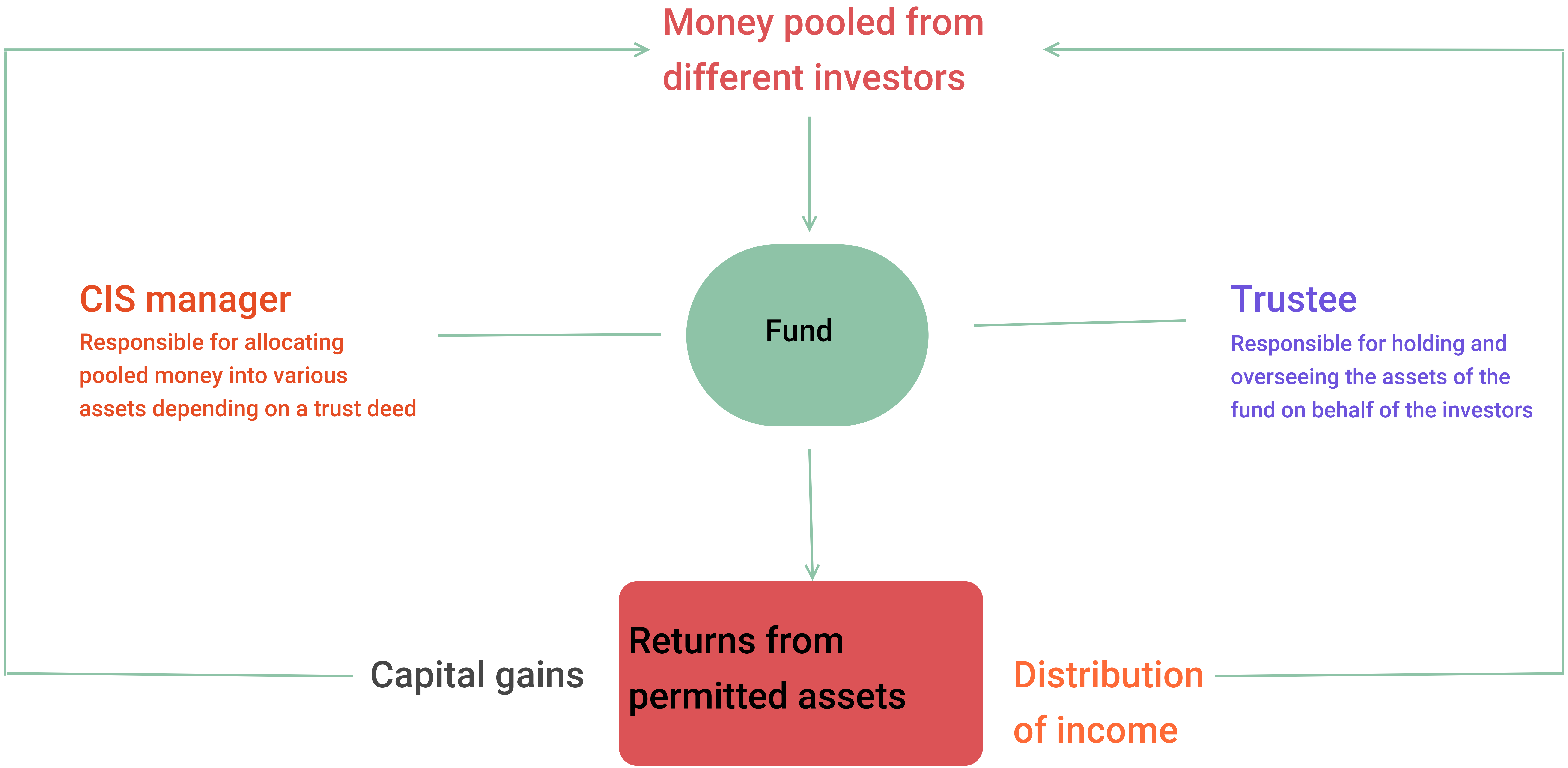
What is a Collective Investment Scheme (CIS)



This is an investment product that allows many different investors to pool their money together, generating a large pool of funds managed by professional investment managers

How a CIS Works



Trust deed is a legal document that creates trust, giving the trustee the responsibility to hold and oversee the assets for the benefit of the investors. The CIS is established by a trust deed between a CIS manager and a trustee

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Why Invest in a CIS?

Risk Diversification

CIS invest in a variety of investments such as shares, corporate bonds and government securities, off setting a drop in return on investment in one asset by a gain in return on another asset.

Tax benefits

Income distributed by the CIS fund to investors is not taxed.

Professional management

Investors gain the advantage of professional management of their funds. CIS managers have more knowledge and skills to carry out research and allocate an investors' funds in investments that will yield higher returns and minimize risks. Most individual investors do not have the skill and knowledge to make sound investment decisions on their own.

Security

CIS managers are regulated by the CMA under the CIS Act, ensuring the protection of the investors.

Why Invest in a CIS?

Your money is accessible

Collective investments in securities can be sold when the investor deems it necessary, which means that an investor can sell all or part of the investment at any time.

Affordable

One can invest small amounts of money making it possible for more people to invest in assets that they would normally not be able to invest in.

Flexibility

No fixed investment period. Clients can easily switch from one fund to another, transfer ownership and regularly top up on investment

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Downside of Investing in a CIS

1 Loss of control

Investors are not directly in control of all investment decisions. However, the CIS professional managers must invest your funds in accordance with the prospectus and trust deed of the scheme.

2 Fees / Charges

Unit trust managers do not offer a free service and therefore unit trust holders/ investors must pay a unit trust management fee.

Types of CIS available for Investment

Money market fund

Comprises of investment in short term debt securities such as fixed deposits and treasury bills for a period less than one year
Low risk - ideal during times of stock market turbulence.

Equity fund

Comprises of investment in only shares.
High risk but diversification of portfolio reduces overall risk and maximizes returns.

Balanced fund

Comprises of investment in bonds and stocks.
Medium risk - suitable for medium risk investors.

Umbrella trust fund

Comprises of investments in a mix of short term and long term securities such as treasury bills, treasury bonds, and equities.

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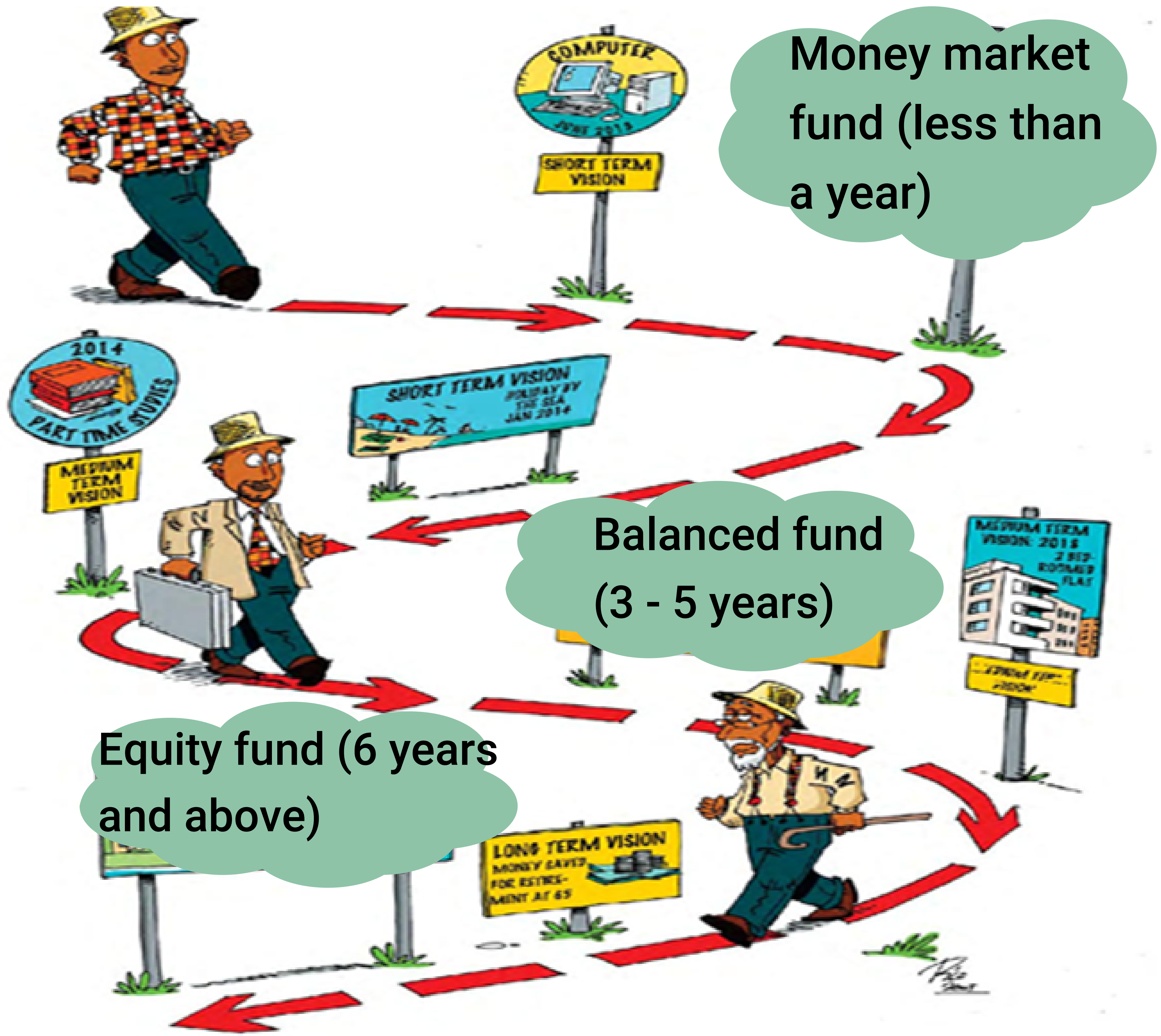
Consider Your Investment Horizon



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How to Invest in a CIS

Choose a CIS manager licensed and regulated by CMA. To open an account, submit a copy of your passport or national ID and passport size photos.

Once the account is opened, make a deposit of a desired amount to the client trust fund bank account of the CIS manager (its provided upon activation of the CIS account)
Do not be afraid to start investing, you can start with Ugx 50,000 per month depending on the type of fund.

Remember to contact your CIS manager to confirm deposit to the client trust account.
The manager will then purchase units in the fund, making you a unit holder.

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How to Redeem/Sell Units in a CIS

1. Contact your CIS manager informing them of your intention to sell

2. Fill out a redemption form indicating how many units you are selling and submit it to your CIS manager

3. Once your request is confirmed, your units are sold and the funds credited to your bank account within 4 to 5 business days from the redemption date

4. Request for an investor statement indicating your closing units, closing price per unit and closing market value

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Where Do CISs Invest?

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Understanding Shares

Shares (equities)

A unit of ownership in a company

Shareholder

Owner of the shares

Why Invest In Shares? An Asset Comparison

Asset	Advantages	Disadvantages
Shares	Higher returns on investment over the long-term; in most cases outperforms inflation; no supervision required; transparent; liquid; low probability of investment fraud; can be used as collateral for loans.	Higher risks over the short-term; rank last in priority in case of liquidation
Real estate	Higher returns on investment over the long-term; in most cases outperforms inflation.	Higher risks over the short-term; illiquid; supervision required; very limited or no transparency; high probability of investment fraud.
Fixed income (T – bonds and bills)	Low to moderate returns on investment; very low probability of loosing investment; regular fixed income payments; relatively liquid; no supervision is required; transparent; low probability of investment fraud.	Sometimes does not outperform inflation.

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How Can You Invest in Shares?

To invest in shares one is first required to have a Securities Central Depository (SCD) account which is an electronic account of one’s shares. SCD accounts are opened with broker/dealers licensed by CMA.

Before you buy or sell shares make sure you complete a purchase/sale order form with your broker/dealer.

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When Can You Invest in Shares?

Trading in the secondary market takes place on a stock exchange

2

GOVERNMENT SECURITIES

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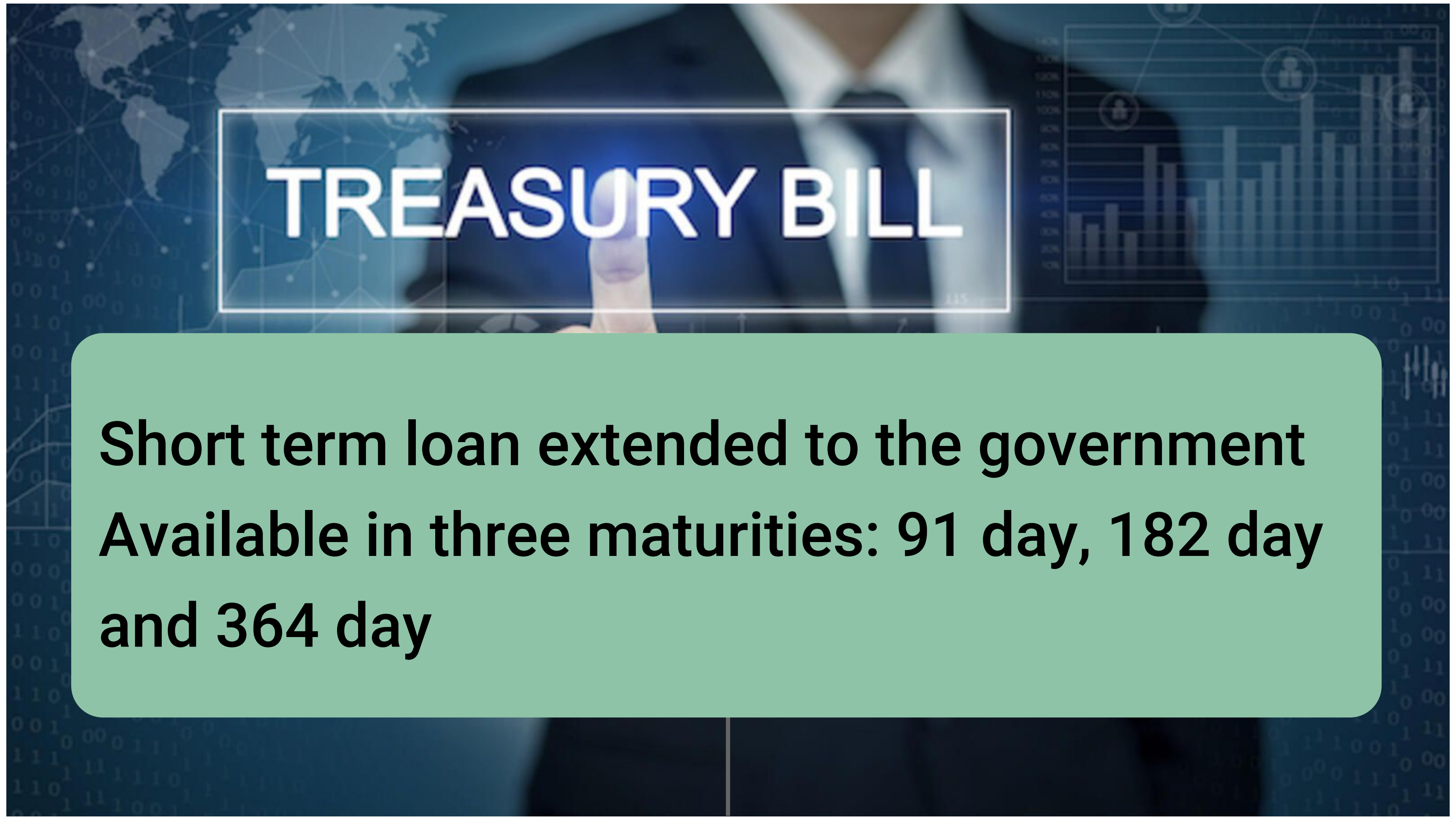
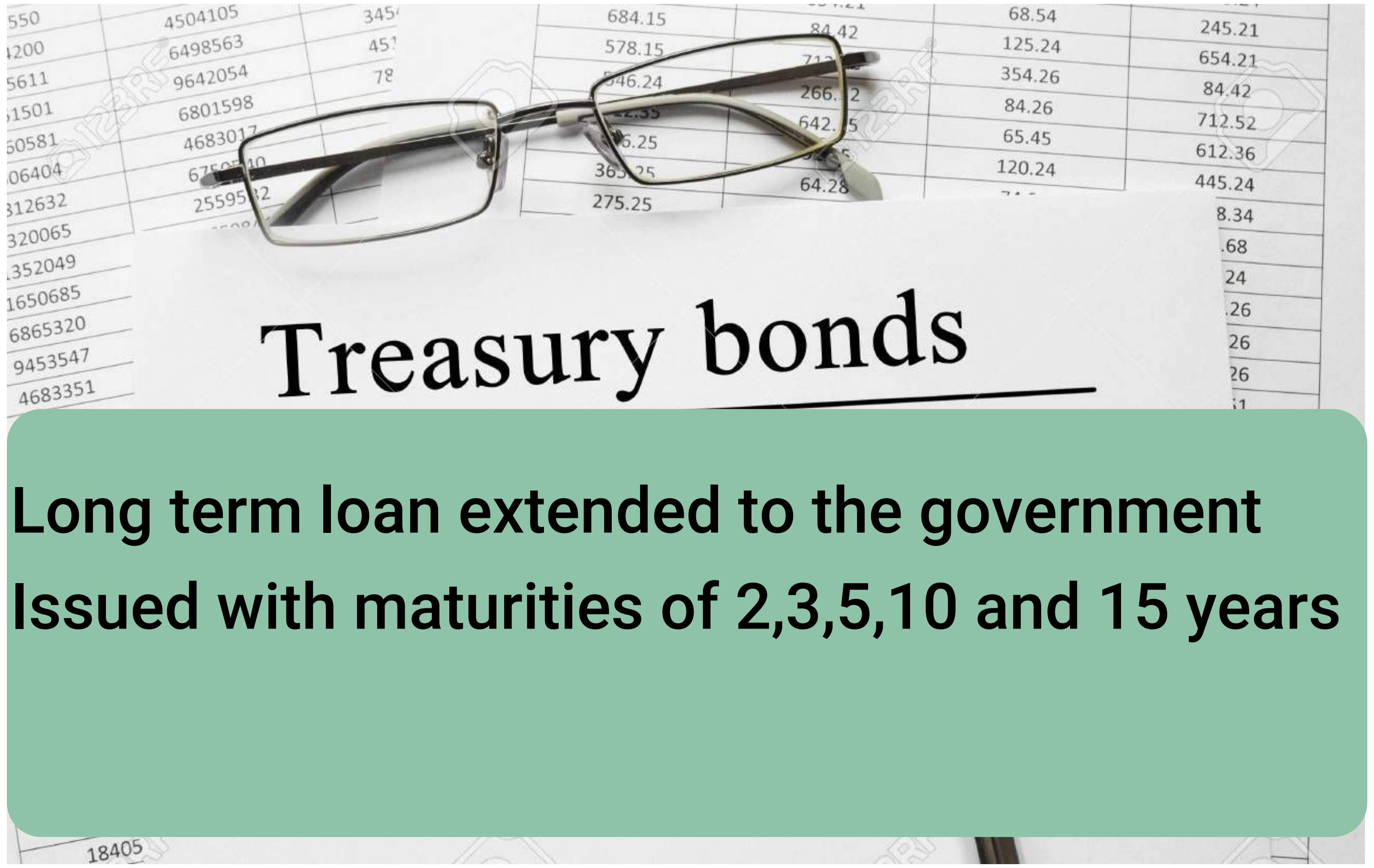
Understanding Government Securities



Short term loan extended to the government
Available in three maturities: 91 day, 182 day and 364 day



Long term loan extended to the government
Issued with maturities of 2,3,5,10 and 15 years

The government borrows money from the public to meet its short term and long term obligations
T - bills and bonds are issued and backed by the full faith and credit of the government of Uganda

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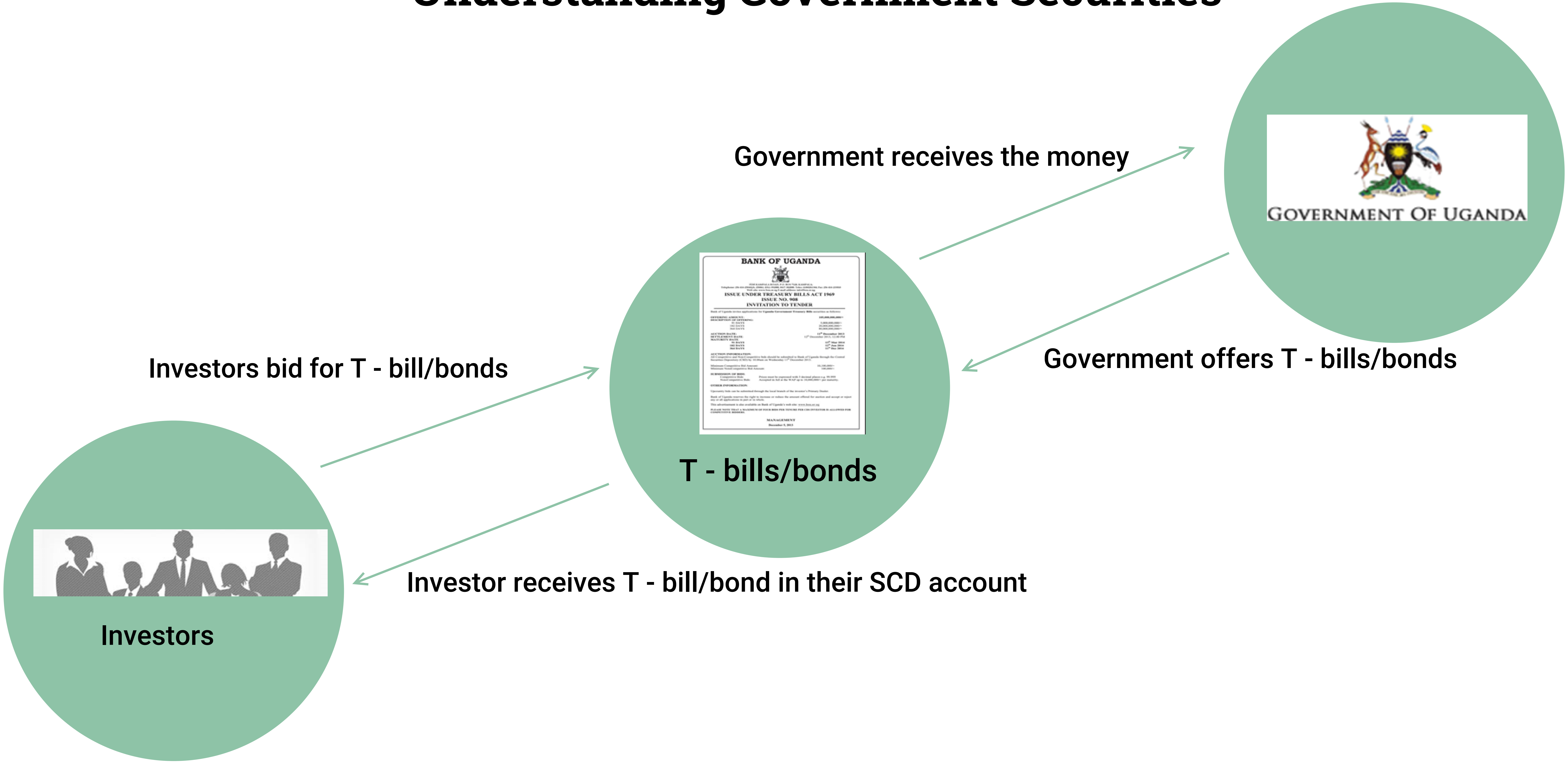
Understanding Government Securities



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Advantages of Investing in Government Securities

- Offer competitive rate with an average return of 11.43% for a 364-day T - bill (as at July 2019). Interest for Treasury bonds is 12–14% per annum depending on the bond, paid every 6 months directly into your bank account
- Are credit risk free instruments as they are backed by the full faith and credit of the Government of Uganda
- Relatively liquid and can be sold with ease in the secondary market
- Can be pledged as collateral for borrowing

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How To Invest In Government Securities

- Can be bought from primary dealers (commercial banks) in both the primary and secondary markets. All banks are primary dealers.

- Sold/auctioned twice a month and advertised in newspapers 7 days before the auction. Bank of Uganda has an annual calendar showing dates of auction

- An investor needs to have a Central Securities Depository account to invest. Registration is by filling a form that can be accessed on the Bank of Uganda website

- Minimum investment is UGX 100,000

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Important Contacts

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