

XENO Investment Management

# Annual Report

2020



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# Corporate Information

**TRUSTEE**

KCB Bank Uganda Limited  
Corporate Suite, Commercial Plaza, 7th Floor  
Kampala Road  
P.O Box 7399  
Kampala, Uganda

**CUSTODIAN**

Stanbic Bank Uganda Limited  
Crested Towers  
Plot 17, Hannington Road  
Kampala, Uganda

**FUND MANAGER**

XENO Investment Management Limited  
Workers House, 1st Floor  
Pilkington Road  
P.O Box 9831  
Kampala, Uganda

**AUDITOR**

Ernst & Young  
Certified Public Accountants of Uganda  
Plot 18 Clement Hill Road,  
Shimoni Office Village,  
P O Box 7125,  
Kampala, Uganda

# Trustee's Report

## Dear Unit Holders,

In accordance with section 121(1) and (2) of the Collective Investment Scheme (Unit Trusts) Regulations 2003 of Uganda, we KCB Bank Uganda Limited in our capacity as Trustee of the XENO Uganda Money Market Fund, hereby confirm that:

- To the best of our knowledge, XENO Investment Management Limited, the Unit Trust manager has managed the scheme in accordance with the limitations imposed on the investment and borrowing powers of the Manager and Trustee by the Trust Deed, by the scheme particulars and by all the regulations for the time being in force under section 31 of the Collective Investment Schemes Act 2003 of Uganda.
- That there were no deviations from any of the provisions of the Trust Deed and those of the Regulations.

*Yours sincerely,  
For and on behalf of the Trustee*

**Bruno Muhindi**  
**Head of Finance,**  
KCB Bank Uganda Limited

# Auditor's Report

## Our opinion

We have audited the financial statements of the XENO Uganda Unit Trust Funds set out on the preceding pages, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the year ended 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the XENO Uganda Unit Trust Funds as at 31 December 2020, and of its financial performance and its cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority (Amendment) Act, 2016 and the Collective Investment Schemes (Financial and Accounting) Regulations, 2003.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the year ended 31 December 2020.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements.

The results of our audit procedures, including the procedures performed to address the matter below, provided the basis for our audit opinion on the accompanying financial statements

Key Audit Matter	How the matter was addressed in our audit
<p>Impairment of financial assets Refer to notes 3.1, 7</p> <p>A described in noted to the financial statements, the impairment losses have been determined in accordance with IFRS9 financial instruments.</p> <p>Key areas of judgment include among others:</p> <p>The interpretation of the requirements to determine impairment under application of IFRS 9, which is reflected in the Fund's expected credit loss model.</p> <p>The identification of exposures:</p> <ul style="list-style-type: none"> <li>- with significant increase in credit risk since initial recognition, and for which a loss allowance is recognised over the remaining life of the exposure (life-time ECL); and</li> <li>- without significant increase in credit risk, and for which a loss allowance is recognised for default events that are possible within the next 12-months (12-month ECL).</li> </ul> <p>Assessment of the Probability of Default (PD) and the Loss Given Default (LGD)</p> <ul style="list-style-type: none"> <li>- Assumptions used in the expected credit loss model such as the financial condition of the counterparty, expected future cash flows and forward-looking macroeconomic factors.</li> </ul> <p>Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss model.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Review of the ECL model against the requirements of IFRS 9.</li> </ul> <p>Understood the Fund's process including controls in place to ensure that the methodology applied, and data inputs do not result into material misstatement in the financial statements.</p> <ul style="list-style-type: none"> <li>• Reviewed the assumptions made to factor the Probability of Default (PD) and the Loss Given Default (LGD) and Exposure at Default (EAD) into the ECL computations, considering market conditions, and the postreporting date performance of the financial asset.</li> </ul> <p>Checked whether disclosures made in the financial statements agreed to the audited balances and information, and whether they were in accordance with IFRS 9.</p>

### Our opinion

The Fund Manager is responsible for the other information. The other information comprises the Organisation information, Fund Manager's report, Statement of Fund Manager's responsibilities and Trustee's report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Fund Manager for the financial statements

The Fund Manager is responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority (Amendment) Act, 2016 and the Collective Investment Schemes (Financial and Accounting) Regulations, 2003, and for such internal control as the Fund Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Fund Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Unit Holders either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Fund Manager is responsible for overseeing the Fund's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements. As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the financial statements.

We are responsible for the direction, supervision and performance of the Fund audit. We remain solely responsible for our audit opinion.

We communicate with the Fund Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Fund Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Fund Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

This report, including the opinion, has been prepared for, and only for, the Fund's unit holders as a body in accordance with the Capital Markets Authority (Amendment) Act, 2016 and for no other purposes.

As required by the Capital Markets Authority (Amendment) Act, 2016, we report to you, based on our audit that:

i) the Fund kept customer money segregated throughout the financial year in accordance with the Capital Markets Authority (Amendment) Act, 2016; and,

ii) the Fund has maintained systems adequate to identify documents of title, or documents evidencing title to securities held in safekeeping for the Fund's customers in accordance with the Capital Markets Authority (Amendment) Act, 2016.

The engagement partner on the audit resulting in this independent auditor's report is CPA Michael Kimoni – PO248.

**CPA Michael Kimoni**  
**Partner**, Ernst & Young  
Certified Public Accountants of Uganda



# Fund Manager's Report

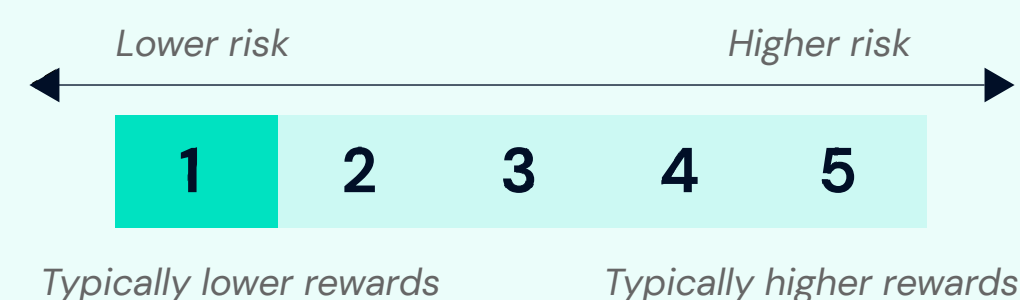
NET ASSET VALUE	2020	2019	2018
XUMMF	3,264,146,545	1,113,869,330	421,461,973
XUBF	16,985,775,245	5,977,094,074	2,384,967,264
XUDEF	425,200,418	315,444,553	261,113,023
XUREF	719,899,811	547,079,978	306,738,495

NAV Per Unit	2020	2019	2018
XUMMF	129.79	119.00	109.42
XUBF	148.67	132.32	117.63
XUDEF	106.74	106.22	122.36
XUREF	118.35	145.60	104.68

Units Per Fund	2020	2019	2018
XUMMF	25,148,628	9,360,057	3,851,913
XUBF	114,254,494	45,173,161	20,274,717
XUDEF	3,983,462	2,969,748	2,133,999
XUREF	6,082,715	3,757,291	2,930,312

Market Value:	XUMMF	Average Yield
UGX	2018	9.20%
<b>3,227,262,627</b>	2019	10.49%
Dec 2020	2020	12.05%

<b>License Category of Fund</b>	The Fund is licensed as a money market fund within the meaning of the Collective Investment Schemes Act 2003.
<b>Investment Objective</b>	The investment objective of the XENO Uganda Money Market Fund is to provide investors with a high level of current income than they would otherwise get on money market instruments of similar duration. The Fund does not invest in equities.
<b>Investment Policy</b>	The Fund Manager achieves the Fund's investment objective by optimizing investments across high-quality short-term debt securities while ensuring the preservation of capital. The returns greatly depend on the levels and movements in short-term interest rates. The weighted average return on Treasury Bills was 12.05%. (2019: 10.49%)
<b>Type of Units</b>	The Fund has accumulation units within the meaning of the Collective Investment Schemes Act 2003.
<b>Risk profile</b>	The Fund is a low risk fund and it has no exposure to equities. The Fund is particularly suitable for conservative investors with a short-term savings goal who seek a competitive yield.



### Income Distribution

The income for the year period ended 31 December 2020, UGX 171,557,463 (2019: UGX 59,559,220), was distributed to the unitholders by automatically crediting the capital through reinvesting the profit back into the Fund.

	UGX	UGX
<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>2020</b>	<b>2019</b>
Total Revenue	224,834,173	79,538,120
Total Expenses	-53,276,710	-19,978,900
<b>Total comprehensive income for the year</b>	<b>171,557,463</b>	<b>59,559,220</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Investments	3,170,307,275	1,091,651,678
Other Assets	106,955,352	25,680,607
<b>Total Assets</b>	<b>3,277,262,627</b>	<b>1,117,332,285</b>
<b>Equity and Liabilities</b>		
Unit holders balances	3,264,146,545	1,113,869,330
Current Liabilities	13,116,082	3,462,955
<b>Total equity and liabilities</b>	<b>3,277,262,627</b>	<b>1,117,332,285</b>

FEES	2020	2019	2018
Initial Fees	0.00%	0.00%	0.00%
Annual Management Fees	1.50%	1.50%	1.50%

### Performance

FUND PRICES	2020	2019	2018
Lowest	119.03	109.44	102.04
Highest	129.76	119.00	109.42

Market Value:	XUMMF	Average Yield
UGX	2018	14.61%
<b>17,046,563,296</b>	2019	14.75%
Dec 2020	2020	15.36%

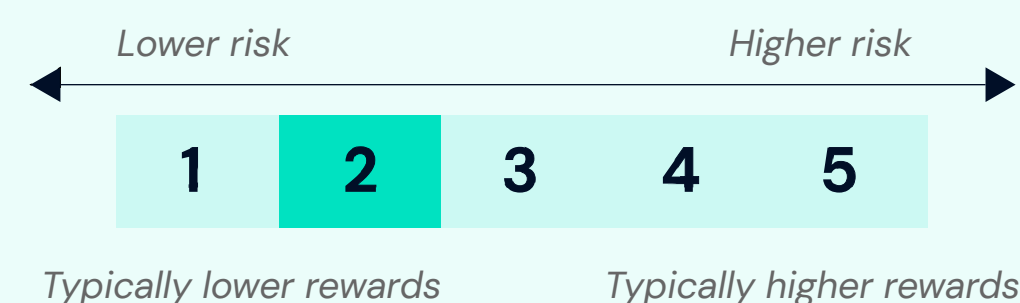
**License Category of Fund** The Fund is licensed as a money market fund within the meaning of the Collective Investment Schemes Act 2003.

**Investment Objective** The investment objective of the Fund is to provide investors with a high level of income while preserving their capital. The Fund does not invest in equities.

**Investment Policy** The Fund Manager achieves the Fund's investment objective by investing across a range of high-quality medium to long-term government and corporate debt. The returns depend on the levels and movements in medium to long-term interest rates. The weighted average return on investments was 15.36% (2019: 14.75%)

**Type of Units** The Fund has accumulation units within the meaning of the Collective Investment Schemes Act 2003.

**Risk profile** The Fund is a low risk fund and it has no exposure to equities. It is suitable for moderately conservative investors who have a medium to long term investment horizon but seek interest income and can tolerate significant interest rate risk.



### Income Distribution

The income for the year period ended 31 December 2020, UGX 1,241,537,851 (2019: UGX 488,707,289), was distributed to the unitholders by automatically crediting the capital through reinvesting the profit back into the Fund.

	UGX	UGX
<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>2020</b>	<b>2019</b>
Total Revenue	1,582,476,728	618,929,283
Total Expenses	-340,938,877	-130,221,994
<b>Total comprehensive income for the year</b>	<b>1,241,537,851</b>	<b>488,707,289</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Investments	16,732,982,856	5,931,475,424
Other Assets	313,580,440	64,723,815
<b>Total Assets</b>	<b>17,046,563,296</b>	<b>26,391,463,517</b>
<b>Equity and Liabilities</b>		
Unit holders balances	16,985,775,245	5,977,094,074
Current Liabilities	60,788,051	19,105,165
<b>Total equity and liabilities</b>	<b>17,046,563,296</b>	<b>5,996,199,239</b>

FEES	2020	2019	2018
Initial Fees	0.00%	0.00%	0.00%
Annual Management Fees	2.00%	2.00%	2.00%

### Performance

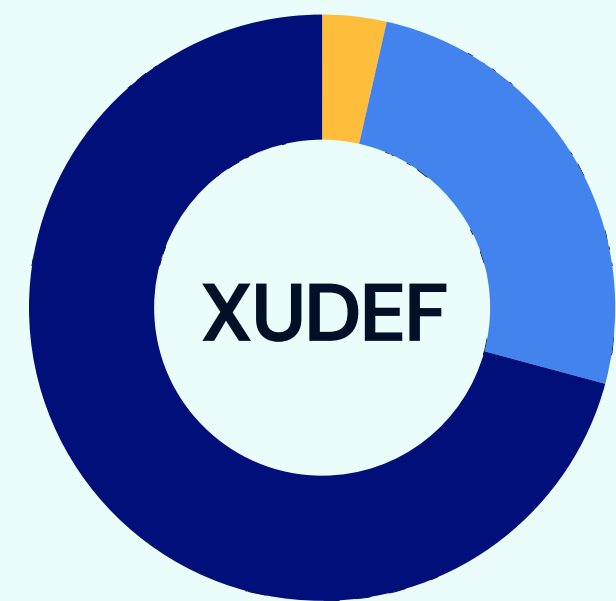
FUND PRICES	2020	2019	2018
Lowest	132.36	117.67	104.76
Highest	148.62	132.32	117.63

**Market Value:**

UGX

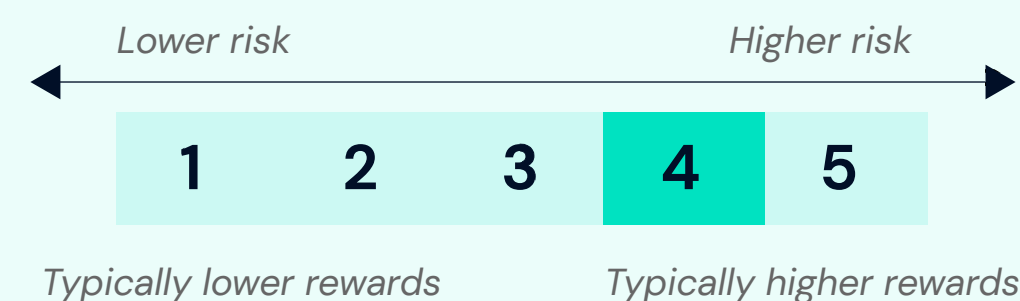
**428,749,224**

Dec 2020



- Cash
- Other Assets
- Treasury Bills
- Treasury Bonds
- Equities

- License Category of Fund** The Fund is licensed as a money market fund within the meaning of the Collective Investment Schemes Act 2003.
- Investment Objective** The investment objective of the XENO Uganda Domestic Equity Fund is to provide investors with a medium to long term capital growth.
- Investment Policy** The Fund Manager achieves the Fund's investment objective by optimizing investments across a range of high-quality companies listed on the Uganda Securities Exchange while minimizing the investors' risk.
- Type of Units** The Fund has accumulation units within the meaning of the Collective Investment Schemes Act 2003.
- Risk profile** The Fund is a medium risk fund with a biased allocation to domestic equities. The Fund's risk arises mainly from the movements in the prices of the underlying stocks held in the Fund's portfolio.

**Income Distribution**

The Loss for the year ended 31 December 2020, UGX 8,404,680 (2019: Loss UGX 52,106,004) was distributed to the unitholders automatically by crediting the capital.

	UGX	UGX
<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>2020</b>	<b>2019</b>
Total Revenue	7,903,265	(37,862,445)
Total Expenses	(16,307,945)	(14,243,559)
<b>Total comprehensive income for the year</b>	<b>(8,404,680)</b>	<b>(52,106,004)</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Investments	419,844,941	301,384,349
Other Assets	8,904,283	15,358,971
<b>Total Assets</b>	<b>428,749,224</b>	<b>316,743,320</b>
<b>Equity and Liabilities</b>		
Unit holders balances	425,200,418	315,444,553
Current Liabilities	3,548,806	1,298,767
<b>Total equity and liabilities</b>	<b>428,749,224</b>	<b>316,743,320</b>

<b>FEEs</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Initial Fees	0.00%	0.00%	0.00%
Annual Management Fees	2.00%	2.00%	2.00%

**Performance**

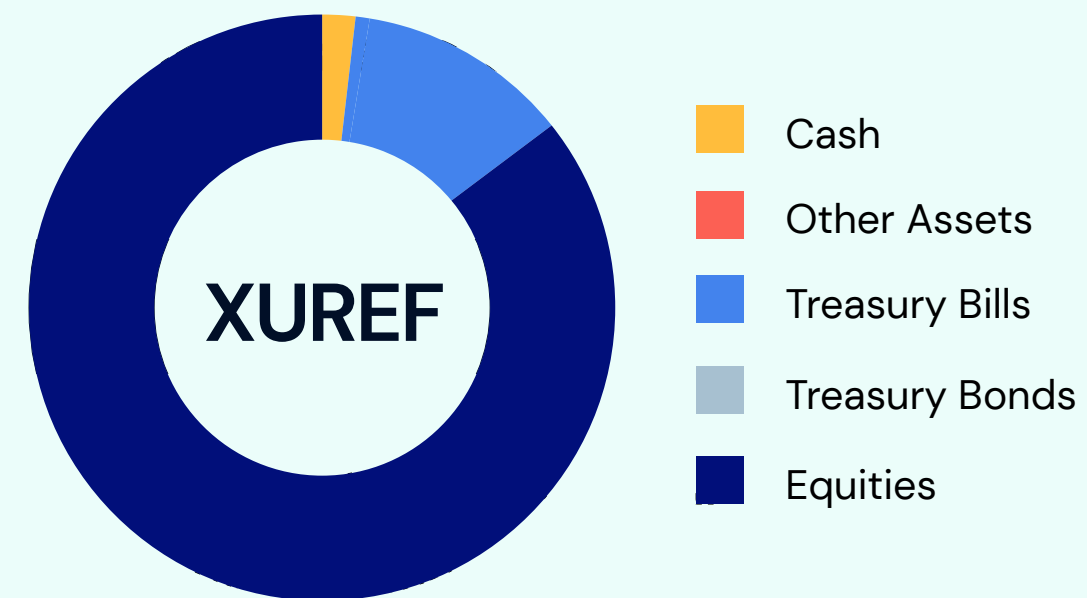
<b>FUND PRICES</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Lowest	103.98	104.22	105.81
Highest	109.11	122.40	133.30

## Market Value:

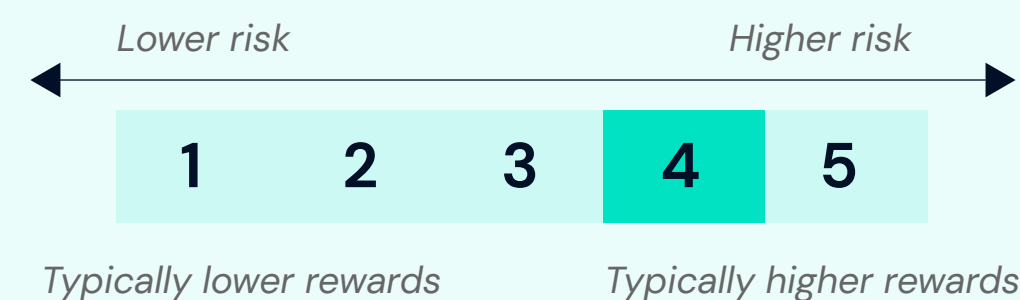
UGX

# 723,982,504

Dec 2020



- License Category of Fund** The Fund is licensed as a money market fund within the meaning of the Collective Investment Schemes Act 2003.
- Investment Objective** The investment objective of the XENO Uganda Regional Equity Fund is to provide investors with medium to long term capital growth by actively investing in a portfolio that comprises a mix of transferable securities listed on approved securities exchanges in East Africa (excluding Uganda) and tactically allocating to cash or near cash deposits to manage liquidity.
- Investment Policy** The Fund Manager achieves the investment objective by investing across a range of value and growth companies listed on securities exchanges in Nairobi, Dar es Salaam, and Kigali.
- Type of Units** The Fund has accumulation units within the meaning of the Collective Investment Schemes Act 2003.
- Risk profile** The Fund is a high-risk fund with a biased allocation to regional equities. The Fund's risk arises mainly from the movements in the prices of the underlying stocks held in the Fund's portfolio and the movements in the exchange rates between the Uganda shilling and other East African currencies.



## Income Distribution

The Loss for the year ended 31 December 2020, UGX 95,450,103 (2019: Profit UGX 133,959,478) was distributed to the unitholders automatically by crediting the capital.

	UGX	UGX
<b>STATEMENT OF COMPREHENSIVE INCOME</b>	<b>2020</b>	<b>2019</b>
Total Revenue	(69,709,562)	151,231,513
Total Expenses	(25,751,542)	(17,272,035)
<b>Total comprehensive income for the year</b>	<b>(95,461,104)</b>	<b>133,959,478</b>
<b>STATEMENT OF FINANCIAL POSITION</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Investments	703,830,681	522,410,587
Other Assets	20,155,138	26,390,287
<b>Total Assets</b>	<b>723,985,819</b>	<b>548,800,874</b>
<b>Equity and Liabilities</b>		
Unit holders balances	719,899,811	547,079,978
Current Liabilities	4,086,008	1,720,896
<b>Total equity and liabilities</b>	<b>723,985,819</b>	<b>548,800,874</b>

FEES	2020	2019	2018
Initial Fees	0.00%	0.00%	0.00%
Annual Management Fees	2.00%	2.00%	2.00%

## Performance

FUND PRICES	2020	2019	2018
Lowest	98.30	102.82	104.63
Highest	148.95	145.60	129.32