

**ABRIDGED
ANNUAL REPORT 2019**



**XENO UNIT TRUST
FUNDS**

TRUSTEE

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

FUND MANAGER

XENO Investment Management Limited
Workers House, 6th Floor
Pilkington Road
P. O. Box 9354
Kampala, Uganda

CUSTODIAN

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

AUDITOR

Ernest & Young,
Plot 18, Clement Hill Road
Shimomi Office Village
P. O. Box 7152
Kampala, Uganda

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**FUND MANAGER
REPORT**

Dear Unitholders,

XENO's mission is to help you to plan, save, and invest for your financial goals so that you can achieve the financial security to confidently live the life you deserve. We enable you to achieve this by leveraging technology to provide the best professional investment guidance and management.

To achieve that objective, we structured the XENO Unit Trust Funds (comprising the XENO Uganda Money Market Fund, XENO Uganda Bond Fund, XENO Uganda Domestic Equity Fund, and XENO Uganda Regional Equity Fund, all together the "XENO Funds") to make it easy for you to invest as little as UGX 10,000 in a diversified investment portfolio to help you reach your short, medium, and long term goals.

Performance

In 2019, the XENO Uganda Money Market Fund (XUMMF) had an average yield of 11.79% (compared to 9.35% in 2018) and the XENO Uganda Bond Fund (XUBF) had average yield of 15.82% (compared to 14.5% in 2018). The XENO Uganda Domestic Equity Fund (XUDEF) returned -13.2% (compared to 15.6% in 2018) and the XENO Uganda Regional Equity Fund (XUREF) returned 39.1% (compared to -7.5% in 2018).

The yields in the money markets and bond markets were underpinned by stable inflation averaging 2.9%, GDP growth rate of 5.6% and a stable Uganda shilling that appreciated modestly against all other major currencies. The performance in the regional equity markets was powered by a late rally by the Kenyan banking stocks following the lifting of the interest caps by the Kenyan parliament in November 2019.

Assets under management in the XENO Funds grew by 164% to UGX 8 billion from UGX 3.3 billion in 2018.

Year	2017	2018	2019
Assets Under Management (UGX billions)	1.0	3.4	8.0

Innovations in the year ahead

We concluded the year with the ambition to launch the XENO Umbrella Scheme in the first quarter of 2020 to enable employers to extend retirement benefits to their employees without the need to setup an expensive standalone retirement benefits scheme. Using the current XENO platform, employers will be able to setup a retirements scheme in a few clicks.

In addition, we aimed to become the first company in the world to offer goal-based investment advice and management via USSD. By enabling access to the XENO platform via USSD, we give you the ability to setup an account, fund it, and monitor the performance of your investments without connecting to the internet.

Finally, the COVID-19 pandemic broke in December 2019 in Hubei Province in China but by the end of that year, it was not clear what the trajectory it would take and what impact it would have on the world.

Aéko Ongodia

XENO Investment Management Limited

On behalf of Fund Manager

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**TRUSTEE
REPORT**

REPORT TO THE TRUSTEE

We, KCB Bank, in our capacity as Trustee of the XENO Unit Trust Scheme, have prepared a report in terms of section 121(1) and (2) of the Collective Investment Schemes (Unit Trusts) Regulations 2003 of Uganda, for the 16 months period ended on 31st December 2018. The report is available to from us and/or XENO Investment Management Limited (Fund Manager). This letter is an abridged version of the report.

Having fulfilled our duties as required by the Act, we confirm to the best of our knowledge, XENO Investment Management Limited, the Fund Manager, has managed the Scheme in accordance with the limitations imposed on the investment and borrowing powers of the Manager and Trustee by the Collective Investment Schemes Act 2003 of Uganda and Trust Deed and Rules of the Fund.

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Bruno Muhindi
On behalf of the Trustee
KCB Bank Uganda Limited

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**AUDITOR
REPORT**

Our opinion

We have audited the financial statements of the XENO Uganda Unit Trust Funds, which comprise the statement of financial position as at 31 December 2019, 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 2019, 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 2019, and of its financial performance and its cash flows for the year ended 31 December 2019 in accordance with International Financial Reporting Standards and the requirements of the Collective Investment Schemes Regulations 2003.

Basis of the 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 Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and other independence requirements applicable to performing audits of financial statements in Uganda.

We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of XENO Uganda Money Market Fund. 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 2019. We have determined that there are no key audit matters to communicate in our report.

Other Information

The Fund Manager is responsible for the other information. The other information comprises the Organization 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 Collective Investment Schemes Act 2003 and the Regulations, 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 as a whole 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 on the basis of 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 appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.
- Conclude on the appropriateness of the Fund Manager's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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.

Auditor's responsibilities for the audit of the financial statements (continued)

- 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.

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Regulations, we report to you, based on our audit that:

I. the Fund kept customer money segregated throughout the year ended 31 December 2019 in accordance with the Regulations; 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 Regulations.

The engagement partner on the audit resulting in this independent auditor's report is CPA Michael Kimoni – P0248.

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

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**XENO UNIT TRUST
PERFORMANCE**

XENO UGANDA MONEY MARKET FUND

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 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.

INVESTMENT POLICY

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.

TYPES OF UNITS

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

RISK PROFILE

Conservative	Moderate	Aggressive

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.

PERFORMANCE

FUND PRICES	2019	2018	2017
Lowest	109.44	102.04	99.98
Highest	119.00	109.41	102.02

STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
	UGX	UGX
Total Revenue	79,538,120	28,038,083
Total Costs	(19,978,900)	(7,946,860)
Profit attributable to Unitholders	59,559,220	20,091,223

STATEMENT OF FINANCIAL POSITION

	UGX	UGX
Assets		
Investments	1,091,651,678	408,040,560
Other Assets	25,680,607	15,305,874
Total assets	1,117,332,285	423,346,434
Equity and Liabilities		
Unitholders balances	1,113,869,330	421,461,973
Current liabilities	3,462,955	1,884,461
Total equity and liabilities	1,117,332,285	423,346,434

PORTFOLIO COMPOSITION

	2019	2018
Cash	2.2%	3.6%
Other Assets	0.1%	0.0%
Treasury Bills	97.7%	96.4%
Treasury Bonds	0.0%	0.0%

FEES

	2019	2018
Initial fees	0.00%	0.00%
Annual Management fees	1.50%	1.50%

XENO UGANDA BOND FUND

LICENSE CATEGORY OF FUND

The Fund is licensed as a Securities Fund within the meaning of the Collective Investment Schemes Act 2003.

INVESTMENT OBJECTIVE

The investment objective of the XENO Uganda Bond Market Fund is to provide investors with a high level of income while preserving 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 debt government and corporate debt. The returns greatly depend on the levels and movements in medium to long-term interest rates.

TYPES OF UNITS

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

RISK PROFILE

Conservative	Moderate	Aggressive
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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.

PERFORMANCE

FUND PRICES	2019	2018	2017
Lowest	117.67	104.76	100.00
Highest	132.31	117.63	104.73

STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
	UGX	UGX
Total Revenue	618,929,283	244,620,655
Total Costs	(130,221,994)	(56,278,929)
Profit attributable to Unitholders	488,707,289	188,341,726
STATEMENT OF FINANCIAL POSITION		
	UGX	UGX
Assets		
Investments	5,931,475,424	2,381,101,122
Other Assets	64,723,815	14,700,695
Total assets	5,996,199,239	2,395,801,817
Equity and Liabilities		
Unitholders balances	5,977,094,074	2,384,967,264
Current liabilities	19,105,165	10,834,553
Total equity and liabilities	5,996,199,239	2,395,801,817

PORTFOLIO COMPOSITION

	2019	2018
Cash	1.0%	0.6%
Other Assets	0.1%	0.0%
Treasury Bills	8.9%	3.4%
Treasury Bonds	90.0%	96.0%

FEES

	2019	2018
Initial fees	0.00%	0.00%
Annual Management fees	2.00%	2.00%

XENO UGANDA DOMESTIC EQUITY FUND

LICENSE CATEGORY OF FUND

The Fund is licensed as a Securities Fund within the meaning of the Collective Investment Schemes Act 2003.

INVESTMENT OBJECTIVE

The investment objective of the XENO Uganda Domestic Equities Fund is to provide investors with medium to long-term capital growth.

INVESTMENT POLICY

The Fund Manager achieves the Fund's investment objective by optimizing across a range of high-quality companies listed on the Uganda Securities Exchange while minimizing the investor's risk.

TYPES OF UNITS

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

RISK PROFILE

Conservative	Moderate	Aggressive

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.

PERFORMANCE

FUND PRICES	2019	2018	2017
Lowest	104.31	105.81	100.00
Highest	122.43	133.30	109.77

STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
	UGX	UGX
Total Revenue	(37,862,445)	13,154,762
Total Costs	(14,243,559)	(8,233,398)
Profit attributable to Unitholders	(52,106,004)	4,921,364
STATEMENT OF FINANCIAL POSITION		
	UGX	UGX
Assets		
Investments	301,384,349	259,488,084
Other Assets	15,358,971	2,809,326
Total assets	316,743,320	262,297,410
Equity and Liabilities		
Unitholders balances	315,444,553	261,113,023
Current liabilities	1,298,767	1,184,387
Total equity and liabilities	316,743,320	262,297,410

PORTFOLIO COMPOSITION

	2019	2018
Cash	4.2%	1.0%
Other Assets	0.6%	0.1%
Treasury Bills	20.0%	39.6%
Treasury Bonds	0.0%	0.0%
Equities	75.2%	59.3%

FEES

	2019	2018
Initial fees	0.00%	0.00%
Annual Management fees	2.00%	2.00%

XENO UGANDA REGIONAL EQUITY FUND

LICENSE CATEGORY OF FUND

The Fund is licensed as a Securities 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 Fund's investment objective by investing across a range of value and growth companies listed on securities exchanges in Nairobi, Dar es Salaam, and Kigali.

TYPES OF UNITS

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

RISK PROFILE

Conservative	Moderate	Aggressive
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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.

PERFORMANCE

FUND PRICES	2019	2018	2017
Lowest	102.76	104.63	100.00
Highest	145.61	129.32	113.60

STATEMENT OF COMPREHENSIVE INCOME

	2019	2018
	UGX	UGX
Total Revenue	151,231,513	(36,387,418)
Total Costs	(17,272,035)	(10,533,994)
Profit attributable to Unitholders	133,959,478	(46,921,412)

STATEMENT OF FINANCIAL POSITION		
	UGX	UGX
Assets		
Investments	522,410,587	289,760,701
Other Assets	26,390,287	18,366,809
Total assets	548,800,874	308,127,510
Equity and Liabilities		
Unitholders balances	547,079,978	306,738,495
Current liabilities	1,720,896	1,389,015
Total equity and liabilities	548,800,874	308,127,510

PORTFOLIO COMPOSITION

	2019	2018
Cash	4.5%	6.0%
Other Assets	0.3%	0.0%
Treasury Bills	13.6%	16.5%
Treasury Bonds	0.0%	0.0%
Equities	81.6%	77.5%

FEES

	2019	2018
Initial fees	0.00%	0.00%
Annual Management fees	2.00%	2.00%

CONTACT US

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Phone	256 392 177 488
Email	uganda@myxeno.com
Website	www.myxeno.com

IMPORTANT INFORMATION

Copies of the audited financial statements for XENO Uganda Unit Trusts are available on request, free of charge. Call our Client Service Centre or send us an email to uganda@myxeno.com to request a copy. All information provided is product related and is not intended to address the circumstances of any particular individual or entity.

No one should act upon such information without appropriate professional advice and a thorough examination of their particular situation.

Collective Investment Scheme funds are generally medium to long term investments. Funds are traded at ruling prices. Unit trust prices are calculated on a net asset value basis, which is the total value of all assets in the fund including any income accruals less permissible deductions from the fund.

A schedule of charges, fees and advisor fees is available on request from the Manager, XENO Investment Management Limited, which is licensed under the Collective Investment Schemes Act, 2003.