

**ABRIDGED
ANNUAL REPORT 2018**

XENŌ

TRUSTEE

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Kampala Road
P. O. Box 7399
Kampala, Uganda

FUND MANAGER

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

CUSTODIAN

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Crested Towers
Plot 17, Hannington Road
Kampala, Uganda

AUDITOR

Ernest & Young,
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**FUND MANAGER'S
REPORT**

Market Overview

Equity markets worldwide come under intense pressure from a myriad of factors ranging from local regulatory actions, to external global trade wars, intensifying concerns about the slowing global economy, monetary policy normalization through policy rate increases, and political uncertainty especially in Europe and the Middle East among other factors. Monetary policy normalization is an attempt by central banks to reduce the size of their balance sheets and raise benchmark interest rates so that monetary policy returns to the environment prior to the 2008 financial crisis.

Multiple mixed signals from the global economy and the gradual, yet persistent, tightening of financial conditions has seen market repricing with many going through a correction -drop of over 10% in a given period- over the course of the year and some even entering a bear territory –a drop of over 20% in a given period.

The markets in developing countries including the emerging and frontier are more affected by external factors than domestic given that most participation in these markets is by foreign players and not domestic players.

Service Delivery During the Year

Since 2018 has been the first full calendar year that XENO has been providing investment management services to clients, we have been improving our systems to better serve our clients efficiently by updating our platform.

Funding Options

XENO expanded its funding options from just bank transfers to include mobile money that can be initiated within the clients' dashboard or directly through USSD using our merchant code with Payleo for both MTN and Airtel numbers exclusively.

Linked-Account Option

During the year, we developed and introduced a linked-account product that efficiently solves the most underlying problem that saving groups face (fair and equitable division of interest from group savings). This account also allows each member to track his or her contributions, aggregate group contributions, individual portfolio performance, and group portfolio performance. This account serves investment clubs, SACCOs, and retirement schemes.

Investment Performance

The year 2018 witnessed an upward shift in the treasury secondary market yield curve from the close of 2017 due to increased government borrowing in the debt market.

The major regional equity markets all closed significantly lower besides the domestic market which ticked up 4.9% from the same time last year. Kenya's NSE All Share Index closed down 18% while Tanzania's Share Index closed down 5.8% for the same period. This was after all the benchmark indices hit month high points during the course of the year.

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**TRUSTEES
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.

.....

Judy Rwamba
On behalf of the Trustee
KCB Bank Uganda Limited

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**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

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DEC 2018

Total Revenue	28,038,083
Total Costs	[7,946,860]
Profit attributable to Unit holders	20,091,223

STATEMENT OF FINANCIAL POSITION

Total assets	423,346,434
Total liabilities attributable to Unit holders	1,884,462
Net assets attributable to unit holders	421,461,973

PORTFOLIO COMPOSITION

Cash	3.6%
Fixed Deposit	0.0%
Treasury Bills	96.4%
Treasury Bonds	0.0%
Equities	0.0%

FEES

Initial fees	0.00%
Annual Management fees	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.

INVESTMENT POLICY

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. 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

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DEC 2018

Total Revenue	244,620,655
Total Costs	(56,278,929)
Profit attributable to Unit holders	188,341,726

STATEMENT OF FINANCIAL POSITION

Total assets	2,395,801,817
Total liabilities attributable to Unit holders	10,834,553
Net assets attributable to unit holders	2,384,967,264

PORTFOLIO COMPOSITION

Cash	3.6%
Fixed Deposit	0.0%
Treasury Bills	96.4%
Treasury Bonds	0.0%
Equities	0.0%

FEES

Treasury Bonds	0.00%
Equities	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
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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

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DEC 2018

Total Revenue	13,154,762
Total Costs	(8,233,398)
Profit attributable to Unit holders	4,921,364

STATEMENT OF FINANCIAL POSITION

Total assets	262,297,410
Total liabilities attributable to Unit holders	1,184,387
Net assets attributable to unit holders	261,113,023

PORTFOLIO COMPOSITION

Cash	3.6%
Fixed Deposit	0.0%
Treasury Bills	96.4%
Treasury Bonds	0.0%
Equities	0.0%

FEES

Initial fee	0.0%
Annual Management fee	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

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DEC 2018

Total Revenue	(36,387,418)
Total Costs	(10,533,994)
Profit attributable to Unit holders	(46,921,412)

STATEMENT OF FINANCIAL POSITION

Total assets	308,127,510
Total liabilities attributable to Unit holders	1,389,015
Net assets attributable to unit holders	306,738,495

PORTFOLIO COMPOSITION

Cash	3.6%
Fixed Deposit	0.0%
Treasury Bills	96.4%
Treasury Bonds	0.0%
Equities	0.0%

FESS

Initial fees	0.00%
Annual Management fees	2.00%

CONTACT US

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IMPORTANT INFORMATION

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

We are not acting and do not purport to act in any way as an advisor or in a fiduciary capacity.

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

Collective Investment Scheme funds (CISs) 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.