

XENO Investment Management

Annual Report

2021



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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

Letter to Investors

Dear Investor,

This marks the fifth year of the unlikeliest of journeys that started with a simple objective: to give you easy access to professional investment guidance to help you organize your finances to achieve specific financial goals. At the time of this writing, you and over 40,000 people have used the XENO platform, to plan, save, and invest for various goals.

Philosophy

The surge in users of the XENO platform is a testament to our founding philosophy that financial markets (and products if packaged compellingly and are easy to use) can be used by anyone who needs to invest their savings to achieve a specific financial goal in the future. We have made it our mission to ensure that you and millions more attain the financial freedom to realize your full potential and help you live your life without constraint.

Growth

XENO's assets under management grew from UGX 21 billion (\$6 million) to UGX 31 billion (\$9 million) in 2021. This growth in assets was driven by a surge in deposits from investors, a buoyant regional stock market, and double-digit returns in the fixed-income markets.

Approach

We have not wavered in our steadfast belief that goal-based investment is the best approach for individuals to use when investing in the financial markets. Invariably, everyone has financial goals they are working towards even if they are sometimes not explicitly stated.

XENO's mission is to ensure you have the products, tools, and guidance that you need to help you achieve your goals.

Markets

The Covid-19 pandemic continued to cast a shadow on the global economy. At the time of this writing, inflation is surging across the world, driven by a surge in commodity prices due to the war in Ukraine. Governments across the world are racing to deploy a combination of unorthodox monetary and fiscal programs to tame inflation to varying degrees of success.

The Future

Investing your savings is still the best tool to stay ahead of inflation. To that end, we aim to continue giving you access to a diversified portfolio. However, we are going to combine our XENO Uganda Domestic Equity Fund and the XENO Uganda Regional Equity Fund into a XENO East Africa Equity Fund. Over the next year, we intend to introduce an international equity fund to give you access to international exposure.

This growth in assets was driven by a surge in deposits from investors, a buoyant regional stock market, and double-digit returns in the fixed-income markets.

Aéko Ongodia

Chief Executive Officer

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 pages 10 to 35, which comprise the statement of financial position as at 31 December 2021, and the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the year ending 31 December 2021, 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 2021, and of its financial performance and its cash flows for the year ending 31 December 2021 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 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 2021.

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 data-bbox="359 572 1569 615">Expected Credit Losses on financial assets (Refer to notes 3.2, 7)</p> <p data-bbox="359 699 1509 778">As described in the notes to the financial statements, the Expected Credit Losses have been determined in accordance with IFRS 9 financial instruments.</p> <p data-bbox="359 834 1002 872">Key areas of judgment include among others:</p> <ul data-bbox="359 924 1552 1003" style="list-style-type: none"> • 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 data-bbox="359 1059 809 1097">The identification of exposures:</p> <ul data-bbox="359 1106 1532 1365" style="list-style-type: none"> - with significant increase in credit risk since initial recognition, and for which a loss allowance is recognised over the remaining life of the exposure (lifetime ECL) ; and - 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). <ul data-bbox="359 1422 1569 1772" style="list-style-type: none"> • Assessment of the Probability of Default (PD) and the Loss Given Default (LGD) • 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. • Application of additional overlay adjustments to reflect factors that are not considered in the applied expected credit loss model. 	<p data-bbox="1649 699 2452 737">Our audit procedures included, but were not limited to:</p> <ul data-bbox="1649 793 2802 1543" style="list-style-type: none"> • Reviewed the accounting policies for compliance with the IFRS 9 requirements • Reviewed the impairment model – assumptions, functioning and application in accordance with IFRS 9 • 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. • 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 post-reporting date performance of the financial asset. • Checked whether disclosures made in the financial statements agreed to the audited balances and information, and whether they were in accordance with IFRS 9.

Other information

The Fund Manager is responsible for the other information. The other information comprises the annual 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 skepticism 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Fund Manager.

- 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.
- 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.
- 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 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.

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

- i) The annual financial statements submitted to the Authority together with the report give a true and fair view of the state of affairs of the Fund.
- ii) The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the Capital Markets Authority (Amendment) Act, 2016.
- iii) The financial statements have been properly calculated and exceed the requirements stipulated under the Capital Markets Authority (Amendment) Act, 2016.
- iv) Proper accounting records have been kept and adequate systems for their control have been maintained in accordance with the Collective Investment Schemes (Conduct of Business and Miscellaneous Provisions) Regulations, 2003 throughout the financial year.
- v) The reconciliation of customer assets has been properly performed in accordance with the Collective Investment Schemes (Conduct of Business and Miscellaneous Provisions) Regulations, 2003.
- vi) Based on review procedures performed, nothing has come to the auditor's attention that leads the auditor to believe that the Fund held client money or customer's assets during the period covered under review; and
- vii) All information and explanations necessary for the purpose of the audit have been obtained.

The engagement partner on the audit resulting in this independent auditor's report is CPA Freda Kaheru Agaba – P0531.

Freda Kaheru Agaba
Partner, Ernst & Young
 Certified Public Accountants of Uganda

Fund Manager's Report

NET ASSET VALUE	2021	2020	2019
XUMMF	4,773,173,079	3,264,146,545	1,113,869,330
XUBF	26,299,720,675	16,985,775,245	5,977,094,074
XUDEF	478,434,807	425,200,418	315,444,553
XUREF	1,023,750,795	719,899,811	547,079,978

NAV Per Unit	2021	2020	2019
XUMMF	141.12	129.79	119.00
XUBF	167.45	148.67	132.32
XUDEF	107.16	106.74	106.22
XUREF	133.31	118.35	145.60

Units Per Fund	2021	2020	2019
XUMMF	33,824,597	25,148,628	9,360,057
XUBF	157,055,666	114,254,494	45,173,161
XUDEF	4,464,843	3,983,462	2,969,748
XUREF	7,679,467	6,082,715	3,757,291

Market Value:	XUMMF	Average Yield
UGX	2018	9.20%
4,791,698,364	2019	10.49%
Dec 2021	2020	12.05%
	2021	11.50%

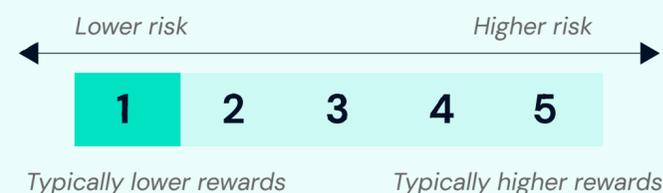
License Category of Fund The Fund is licensed as a money market fund within the meaning of the Collective Investment Schemes Act 2003.

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. The weighted average return on Treasury Bills in 2021 was 11.50% (2020: 12.05%)

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. 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 ended 31 December 2021, UGX 332,047,343 (2020: UGX 171,557,463) was distributed to the unitholders by automatically crediting the capital by reinvesting the profit back into the Fund.

	UGX	UGX
STATEMENT OF COMPREHENSIVE INCOME	2021	2020
Total Revenue	433,939,099	224,834,173
Total Expenses	(101,891,756)	(53,276,710)
Total comprehensive income for the year	332,047,343	171,557,463
STATEMENT OF FINANCIAL POSITION	2021	2020
Assets		
Investments	3,893,792,727	3,170,307,275
Other Assets	897,905,637	106,955,352
Total Assets	4,791,698,364	3,277,262,627
Equity and Liabilities		
Unit holders balances	4,773,173,079	3,264,146,545
Current Liabilities	18,525,285	13,116,082
Total equity and liabilities	4,791,698,364	3,277,262,627

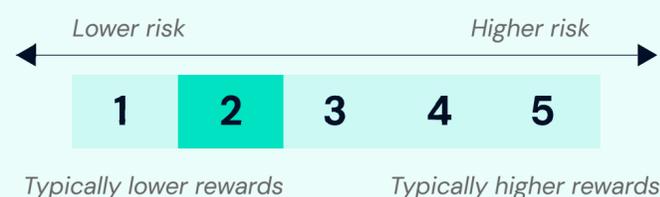
FEES	2021	2020	2019
Initial Fees	0.00%	0.00%	0.00%
Annual Management Fees	1.50%	1.50%	1.50%

Performance

FUND PRICES	2021	2020	2019
Lowest	129.83	119.03	109.44
Highest	141.12	129.76	119.00

Market Value:	XUMMF	Average Yield
UGX	2018	14.61%
26,391,463,517	2019	14.75%
Dec 2021	2020	15.36%
	2021	15.68%

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 15.68% (2020: 15.36%)
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 ended 31 December 2021, UGX 2,537,020,080 (2020: UGX 1,241,537,851), was distributed to the unitholders by automatically crediting the capital through reinvesting the profit back into the Fund.

	UGX	UGX
STATEMENT OF COMPREHENSIVE INCOME	2021	2020
Total Revenue	3,186,106,098	1,582,476,728
Total Expenses	(649,086,018)	(340,938,877)
Total comprehensive income for the year	2,537,020,080	1,241,537,851
STATEMENT OF FINANCIAL POSITION	2021	2020
Assets		
Investments	25,465,940,039	16,732,982,856
Other Assets	925,523,478	313,580,440
Total Assets	26,391,463,517	17,046,563,296
Equity and Liabilities		
Unit holders balances	26,299,720,675	16,985,775,245
Current Liabilities	91,742,842	60,788,051
Total equity and liabilities	26,391,463,517	17,046,563,296

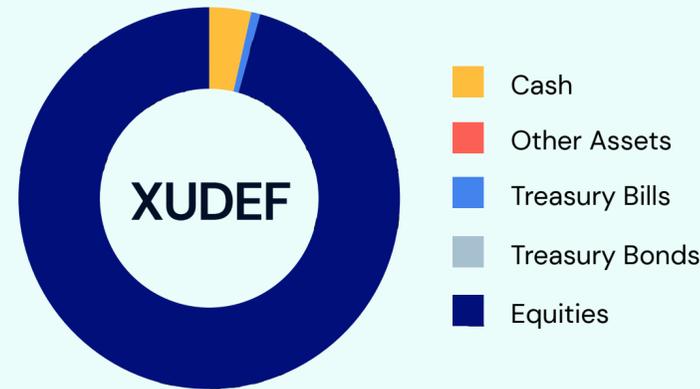
FEES	2021	2020	2019
Initial Fees	0.00%	0.00%	0.00%
Annual Management Fees	2.00%	2.00%	2.00%

Performance

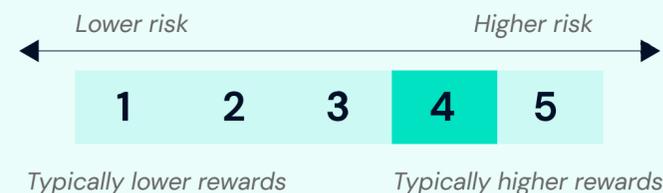
FUND PRICES	2021	2020	2019
Lowest	148.71	132.36	117.67
Highest	167.45	148.62	132.32

Market Value:

UGX
481,717,960
Dec 2021



- 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 2021, UGX 424 (2020: Loss UGX 8,404,680) was distributed to the unit holders automatically by debiting the capital.

	UGX	UGX
STATEMENT OF COMPREHENSIVE INCOME	2021	2020
Total Revenue	17,028,805	7,903,265
Total Expenses	(17,029,229)	(16,307,945)
Total comprehensive income for the year	(424)	(8,404,680)
STATEMENT OF FINANCIAL POSITION	2021	2020
Assets		
Investments	465,111,440	419,844,941
Other Assets	16,606,520	8,904,283
Total Assets	481,717,960	428,749,224
Equity and Liabilities		
Unit holders balances	478,434,807	425,200,418
Current Liabilities	3,283,153	3,548,806
Total equity and liabilities	481,717,960	428,749,224

FEEES	2021	2020	2019
Initial Fees	0.00%	0.00%	0.00%
Annual Management Fees	2.00%	2.00%	2.00%

Performance

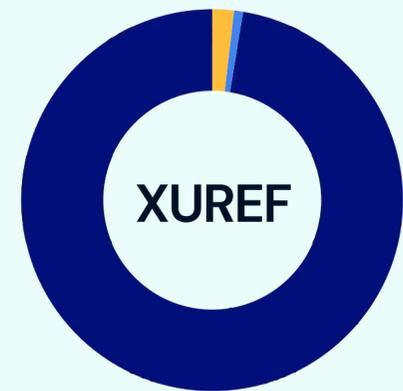
FUND PRICES	2021	2020	2019
Lowest	103.82	103.98	104.22
Highest	112.87	109.11	122.40

Market Value:

UGX

1,028,030,941

Dec 2021



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

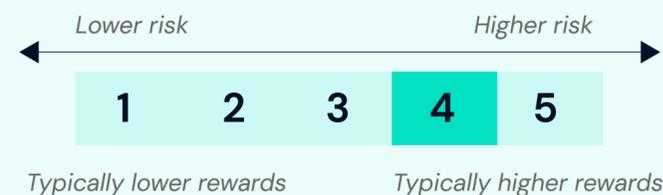
License Category of Fund The Fund is licensed as a money market fund within the meaning of the Collective Investment Schemes Act 2003.

Investment Objective The investment objective of the XENO Uganda 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 profit for the year ended 31 December 2021, UGX 78,050,289 (2020: Loss of UGX 95,450,103) was distributed to the unitholders automatically by crediting the capital.

	UGX	UGX
STATEMENT OF COMPREHENSIVE INCOME	2021	2020
Total Revenue	110,356,958	(69,709,562)
Total Expenses	(31,172,086)	(24,714,549)
Total comprehensive income for the year	78,050,289	(95,450,103)
STATEMENT OF FINANCIAL POSITION	2021	2020
Assets		
Investments	1,006,473,591	703,830,681
Other Assets	21,557,350	20,155,138
Total Assets	1,028,030,941	723,985,819
Equity and Liabilities		
Unit holders balances	1,023,750,795	719,899,811
Current Liabilities	4,280,146	4,086,008
Total equity and liabilities	1,028,030,941	723,985,819

FEES	2021	2020	2019
Initial Fees	0.00%	0.00%	0.00%
Annual Management Fees	2.00%	2.00%	2.00%

Performance

FUND PRICES	2021	2020	2019
Lowest	118.33	98.30	102.82
Highest	147.81	148.95	145.60