

XENÖ

XENO INVESTMENT MANAGEMENT

Unit Trust Funds Report

2022

myxeno.com



Table of Contents

Corporate Information	3
Letter To Investors	4
Statement Of Fund Manager's Responsibilities	6
Trustee's Report	7
Report Of The Custodian	8
Report Of The Auditor	9
Fund Manager's Report	12
XENO Uganda Money Market Fund	13
XENO Uganda Bond Fund	14
XENO Uganda Domestic Equities Fund	15
XENO Uganda Regional Equities Fund	16

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

PricewaterhouseCoopers
Communications House
1 Colville Street,
P O Box 8053
Kampala, Uganda.

Letter to Investors

Dear Investor,

At the time of this writing, you will be part of the 100,000 people who have used the tools we have built to craft a personal plan to meet a financial objective that occurs in the future. This is a significant responsibility for us, and we do not take it lightly. Our unwavering commitment is to ensure that you achieve your future financial goals, regardless of the state of the financial markets.

Our Belief

We believe that for anyone to stand any chance of comfortably meeting a future financial obligation invariable requires meticulous planning, consistent savings from their earning, and religiously investing the savings towards a specific financial goal. Done well, these three steps will free all of us from worrying about the future. We have made it our mission to deliver the tools and the workflows for you to do all these things in one place and effortlessly and help you attain your freedom.

Growth

In 2022 alone, you and thousands of other XENO investors collectively deposited over UGX 31 billion (\$9 million) towards your financial goals. By the end of the year, we were managing just over UGX 44 billion (\$11.5 million) in Assets Under Management.

This asset growth was driven by the acceleration in investor deposits and the double-digit performance in the fixed-income markets.

Strategic Collaboration

Our strategic collaboration with MTN Mobile Money was pivotal for opening a new and cheaper channel for you and thousands of others to deposit via MTN Mobile Money channels without incurring any transaction charges. We completed integrating this new sequence in April 2022 and we immediately saw a surge in monthly deposits from a monthly average of UGX 146m to UGX 405m by the end of the year.

Some Challenges

We strongly believe that goal-based investment is the best approach for individuals to use financial markets to attain personal objectives. At XENO, we implement this approach through tax-exempt unit trust funds that are licensed and regulated by the Capital Markets Authority. The XENO unit trust funds are structured to cover the entire investment universe available to Ugandan investors. We, however, faced some challenges in implementing our strategy during the year.

The first challenge came in the form of proposed changes to the Income Tax Act that wanted to eliminate the tax exemption that Collective Investment Schemes (i.e., unit trust funds) enjoyed over other types of investments. We led from the front and managed to convince the policy-makers that this policy change was misplaced and would cause more harm than good to a nascent industry and our savings culture.

The next challenge came the regulatory huddle that we must jump to in order to complete the amalgamation of the XENO Uganda Domestic Equity Fund and XENO Uganda Regional Equity Fund and reconstitution into the XENO East African Equity Fund. We have submitted the paperwork and are awaiting regulatory approval. We had hoped to have completed it within the year, but we have not yet received the regulatory approval to proceed. Finally, the equity markets had a difficult year after the breakout of the Russian-Ukrainian war.

Markets

Amidst the ongoing global economic recovery from the COVID-19 pandemic, the Ukraine-Russia conflict in early 2022 introduced significant disruptions to global supply chains, causing a surge in global wheat and energy prices.

This escalation in prices placed added strain on consumers worldwide, with repercussions extending into the global financial markets, leading to a downturn in asset prices.

In Kenya, a new government took office in August 2022, confronting unprecedented challenges such as worsening debt levels and persistent depreciation of the Kenyan Shilling against major global and regional currencies. This depreciation posed additional pressure ahead of the Eurobond payment in 2024.

In response, the Kenyan government implemented new taxes, sparking discontent among investors. The resulting selloffs by global investors further depressed the prices of major counters like Safaricom and KCB Group.

At the time of this writing, a new conflict has erupted in the Middle East between Israel and Hamas in the Gaza region. Given the Middle East's status as the world's largest producer of fossil fuels, this war is anticipated to have prolonged and far-reaching effects on the global economy.

The Future

We share a journey, not of a single step or sprint, but of thousands of steps as we run this marathon of life. We want you to run this marathon confident in the belief that no matter what happens, you have a partner who has methodically crafted a journey and a sequence for your financial goals, regardless of what the world throws at you, you will be fine.

Aéko Ongodia

Chief Executive Officer

Statement Of Fund Manager's Responsibilities

The Collective Investment Schemes (Financial and Accounting) Regulations 2003 ("the Regulations") require the Fund Manager to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Fund as at the end of the year and of the results of its operations. It also requires the Fund Manager to keep proper accounting records that disclose, with reasonable accuracy, the financial position of the Fund.

The Fund Manager accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies in conformity with International Financial Reporting Standards and in the manner required by the Regulations. The Fund Manager is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its profit in accordance with International Financial Reporting Standards and the requirements of the Regulations.

The Fund Manager further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

DECLARATION STATEMENT

- The XENO Uganda Unit Trust Funds is an approved Unit Trust within the meaning of the Act. • The unitholders are not liable for the debts of the Unit Trust; and
- The XENO Uganda Unit Trust Funds is a money market fund investing in fixed income securities of short-term durations at attractive yields to ensure the return on the Fund is maximised. In preparing the financial statements, the Fund Manager has assessed the Fund's ability to continue as a going concern.

The Fund Manager hereby reports that nothing has come to their attention to indicate that the Fund will not remain a going concern for the foreseeable future from the date of this statement.

Aéko Ongodia

Chief Executive Officer

On behalf of the Fund Manager
XENO Investment Management Limited

Trustee's Report

We, KCB Bank Uganda Limited in our capacity as Trustee of XENO Uganda Unit Trust Funds, hereby confirm the following: as required under section 121(1) and (2) of the Collective Investment Schemes (Unit Trusts) Regulations, 2003;

a) To the best of our knowledge, XENO Investment Management Limited, the Unit Trust manager has managed the Funds in accordance with the limitations imposed on the investment and borrowing powers of the Fund 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.

b) There were no deviations from any of the provisions of the Trust Deed and those of the Regulations.

We confirm that as required by the Collective Investment Schemes (Unit Trusts) Regulations, 2003 Section 92 (2), we are satisfied that the Fund has maintained sufficient records, of which these financial statements are part.

Bruno Muhindi
Head of Finance
KCB Bank Uganda Limited

Ramla N Munyakazi
Head of Corporate Bank
KCB Bank Uganda Limited

Report Of The Custodian

In accordance with the Collective Investments Schemes (Unit Trusts) Regulations, 2003 (herein the 'Regulations') and the Custody Agreement between Stanbic Bank Uganda Limited as the Custodian and XENO Investment Management Limited as the Fund Manager, we confirm that we have discharged the duties prescribed for a Custodian under the Regulations and the XENO Uganda Unit Trust Funds Trust Deed and Rules.

For the year ended 31 December 2022, we have held the assets for the XENO Uganda Unit Trust Funds, including the securities and income that accrue thereof, to the order of the Fund Manager and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

We confirm that we effected the sale, redemption, and cancellation of units in accordance with the creation and liquidation instructions received from the Fund Manager.

Andrew Omiel

On behalf of the Custodian
Stanbic Bank Uganda Limited

Report Of The Auditor

REPORT OF THE INDEPENDENT AUDITOR TO THE UNITHOLDERS OF XENO UGANDA UNIT TRUST FUNDS

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the XENO Uganda Unit Funds as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and have been prepared in the manner required by the Collective Investment Schemes (Financial and Accounting) Regulations, 2003.

What we have audited

The Fund's financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in net assets attributable to unitholders for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independence

We are independent of the Fund in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("the IESBA Code") together with the ethical requirements that are relevant to our audit of financial statements in Uganda, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit matters

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 information in 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 any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Collective Investment Schemes ((Financial and Accounting) Regulations, 2003, and for such internal control as the Fund Manager determines 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 Fund Manager either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Fund Manager 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 judgment 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.

- 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.

We communicate with those charged with governance 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.

From the matters communicated with those charged with governance, 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.

The Collective Investment Schemes (Financial and Accounting) Regulations, 2003 require that in carrying out our audit we consider and report to you on the following matters.

We confirm that:

(i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;

(ii) In our opinion proper books of account have been kept by the Fund, so far as appears from our examination of those books of account; and

(iii) The Fund's statement of financial position and statement of comprehensive income are in agreement with the books of account. The engagement partner on the audit resulting in this independent auditor's report is CPA Clive Mayombwe – PO349.

CPA Clive Mayombwe
Certified Public Accountants
Kampala

Fund Manager's Report

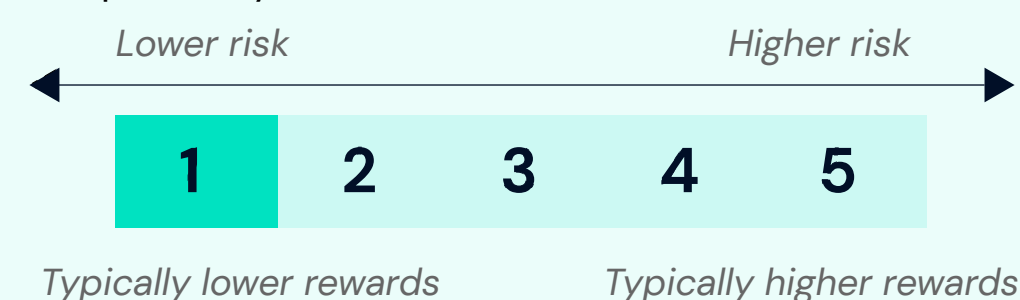
NET ASSET VALUE (UGX '000)	2022	2021	2020
XUMMF	6,690,005	4,773,173	3,264,147
XUBF	35,750,686	26,299,721	16,985,775
XUDEF	609,052	478,435	425,200
XUREF	1,302,902	1,023,751	719,899

NAV Per Unit	2022	2021	2020
XUMMF	151.42	141.12	129.79
XUBF	187.56	167.45	148.67
XUDEF	108.08	107.16	106.74
XUREF	122.96	133.31	118.35

Units Per Fund	2022	2021	2020
XUMMF	44,182,631	33,824,597	25,148,628
XUBF	190,607,132	157,055,666	114,254,494
XUDEF	5,635,417	4,464,843	3,983,462
XUREF	10,595,738	7,679,467	6,082,715

Book Value UGX '000:	XUMMF	Average Yield
UGX _____	2019	10.49%
6,690,005	2020	12.05%
Dec 2022 _____	2021	11.50%
	2022	9.89%

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.
Type of Units	The Fund has accumulation units within the meaning of the Collective Investment Schemes Act 2003.
Total Value of the Fund	As at 31 December 2022, the total book value of the Fund is Ugx 6,690 million (2021: Ugx 4,773 million).
Auditor	The Fund's auditor, PricewaterhouseCoopers Certified Public Accountants, was appointed during the year and continues in office in accordance with section 88 of the Collective Investment Schemes (Unit Trusts) Regulations 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 profit realised by the Fund for the year ended 31 December 2022 was Ugx 396 million (2021: Ugx 332 million). The profit has been distributed to the unitholders by automatically crediting the capital through reinvesting the profit back into the Fund.

	UGX '000	UGX '000
STATEMENT OF COMPREHENSIVE INCOME	2022	2021
Total Revenue	531,364	433,939
Total Expenses	(134,910)	(101,8912)
Total comprehensive income for the year	396,454	332,047
STATEMENT OF FINANCIAL POSITION	2022	2021
Assets		
Investments	6,271,636	3,893,793
Other Assets	441,426	897,906
Total Assets	6,713,062	4,791,698
Equity and Liabilities		
Unit holders balances	6,690,005	4,773,173
Current Liabilities	23,057	18,525
Total equity and liabilities	6,713,062	4,791,698

FEES	2022	2021	2020
Initial Fees	0.00%	0.00%	0.00%
Annual Management Fees	1.50%	1.50%	1.50%

Performance

FUND PRICES	2022	2021	2020
Lowest	141.14	129.83	119.03
Highest	151.42	141.12	129.76

Book Value UGX '000:	XUMMF	Average Yield
UGX _____	2019	14.75%
35,750,686	2020	15.36%
Dec 2022 _____	2021	15.68%
	2022	15.48%

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 Fund is to provide investors with a high level of income while preserving their capital. The Fund does not invest in equities.

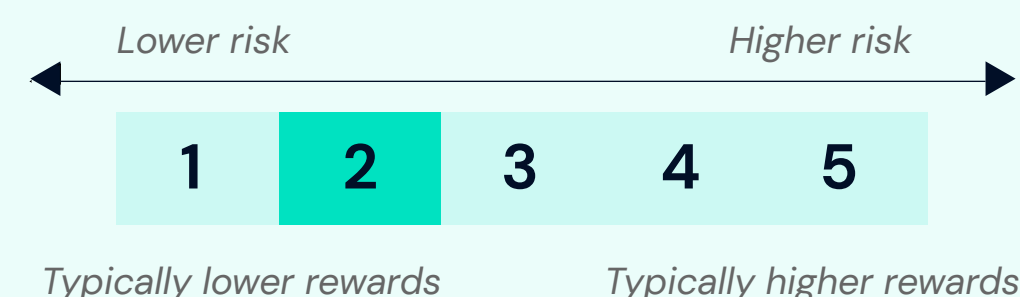
Investment Policy The Fund Manager achieves the Fund's investment objective by investing across a range of high-quality medium to long-term government and corporate debt. The returns depend on the levels and movements in the medium to long-term interest rates.

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

Total Value of the Fund As at 31 December 2022, the total book value of the Fund is UGX 35,751 million (2021: UGX 26,300 million).

Auditor The Fund's auditor, PricewaterhouseCoopers Certified Public Accountants, was appointed during the year and continues in office in accordance with section 88 of the Collective Investment Schemes (Unit Trusts) Regulations 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 profit realised by the Fund for the year ended 31 December 2022 is UGX 3,359 million (2021: UGX 2,537 million). The profit has been distributed to the unitholders by automatically crediting the capital through reinvesting the profit back into the Fund.

	UGX '000	UGX '000
STATEMENT OF COMPREHENSIVE INCOME	2022	2021
Total Revenue	4,277,145	3,186,106
Total Expenses	(918,454)	(649,086)
Total comprehensive income for the year	3,358,691	2,537,020
STATEMENT OF FINANCIAL POSITION	2022	2021
Assets		
Investments	35,607,727	25,465,940
Other Assets	259,818	925,523
Total Assets	35,867,545	26,391,464
Equity and Liabilities		
Unit holders balances	35,750,686	26,299,721
Current Liabilities	116,859	91,743
Total equity and liabilities	35,867,545	26,391,464

FEES	2022	2021	2020
Initial Fees	0.00%	0.00%	0.00%
Annual Management Fees	2.00%	2.00%	2.00%

Performance

FUND PRICES	2022	2021	2020
Lowest	167.51	148.71	132.36
Highest	187.56	167.45	148.62

