

# ▶ INVESTOR HANDBOOK

## EQUITIES (STOCKS)

Equities:

An Equity or stock represents the ownership share of a company. As an investor, you benefit from this ownership in the form of dividends earned and potential positive changes in the share prices. However, there is no guarantee for future profits or that the investor could be able to redeem the amount invested.

Equity (Stock) Market: It is the market in which shares are issued and traded either through exchanges or over-the-counter trading. It provides companies with access to capital and investors with a slice of ownership in the company and the potential of gains based on the company's future performance.

A stock's value is based on a company's ability to generate profits, or earnings, which can be distributed to shareholders in the form of dividends or special cash distributions.

In Rwanda there are 10 listed companies on the Rwanda Stock Exchange (RSE), of which 5 are local and the other 5 are cross-listed companies (foreign companies listed on a local stock exchange).

### **Locally Listed Companies**

- Bank of Kigali Plc
- I&M Bank Rwanda Plc
- MTN Rwandacell Plc
- Bralirwa Plc
- Cimerwa Plc

### **Cross Listed Companies**

- RH Bophelo Ltd
- Equity Bank Group Ltd
- Kenya Commercial bank
- National Media Group
- Uchumi Supermarket Ltd

## Price List and Listing Dates

The table below summarizes the listed and cross listed companies, along with the listing year

Security	Closing Price per Share (FRW)	Listing Year
KCB	370	2009
NMG	1,200	2010
BOK	272	2011
BLR	170	2011
USL	104	2013
EQTY	440	2015
IMR	43	2017
RHB	526	2020
CMR	120	2020
MTNR	176	2021

Stock prices as at [26th September 2022]

**Dividends:** All listed companies' dividend policies and payouts depending on the profit made. Below is a table summarizing the declared dividends

Frw

Stock	2017	2018	2019	2020	2021
BK Group Plc	12.30	13.85	12.20	0	28.70
Bralirwa Plc	1.00	3.75	5.50	1.00	17.03
I&M Bank Plc	2.27	2.58	2.95	0	1.20
MTN Rwandacell	11.178	5.552	8.6	7.62	4.98
Cimerwa	0	0	0	0	0

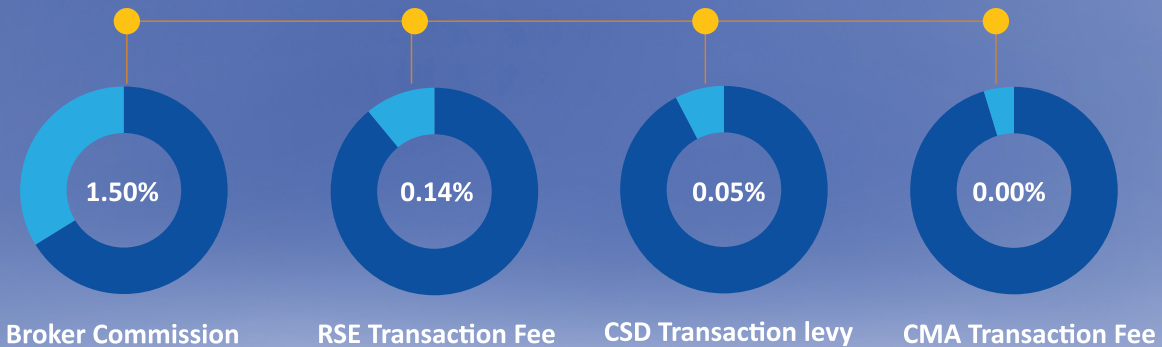
## ▶ Why Invest in Equities?

- Stocks offer investors the greatest potential for growth (capital appreciation) over the term. Invest in stocks for diversification.
- Dividend Income: Many companies pay dividends on a regular basis.
- The power of compounding: Compounding occurs when an investment generates earnings or dividends which are then reinvested. These earnings or dividends then generate their own earnings.

## FEES AND TAXES

**Fees:** The minimum number of shares to buy is 100 and in multiples of one hundred.

Commissions on the secondary market are 1.71% of the total turnover on both the buy and sell-side. Breakdown for the 1.71% market commission is here below



**Taxes:** A withholding Tax applies to dividend income on listed securities for both local, EAC Investors and foreign investors (5% and 15% respectively).

## Requirement to open a Central Securities Depository

Below are the requirements for Local individual to invest in Equities

- Valid passport/ID copy
- Colored passport photo

## For all Non local individual clients, the above documents have to be notarized

Below are the requirements for Local Corporates/Institutions to invest in Equities

- Certificate of Incorporation
- Articles of association
- Valid passport copies for authorized signatories
- Board resolution appointing signatories
- Colored passport photo for each signatory

**For all non-local institutions, the above documents have to be notarized**

## **GOVERNMENT BONDS**

Below are the requirements for Local Corporates/Institutions to invest in Equities

### **What is a Bond?**

A bond is a debt security where the bond issuer (the borrower) issues the bond for purchase by the bondholder (the lender). It is also known as a fixed income security, as a bond usually gives the investor a regular or fixed return.

The National Bank of Rwanda issues a bond every month. The tenor period currently range from 3year; 5year; 7year; 10year; 15year and 20year. The interest rate or coupon rate provided by the bond varies from 10.65% p.a to 13.50% p.a depending on the tenor period.

In Rwanda, bonds are fixed-rate bond. The interest or coupon rate of the bond is fixed for the entire term (tenor) of the bond

The interests are paid semi-annually subject to a withholding tax of 5% for local and EAC Citizen and 15% for Foreign Investors and they are paid into client's cash account. The minimum to buy for bonds is Frw 100,000 and in multiples of one hundred thousand.

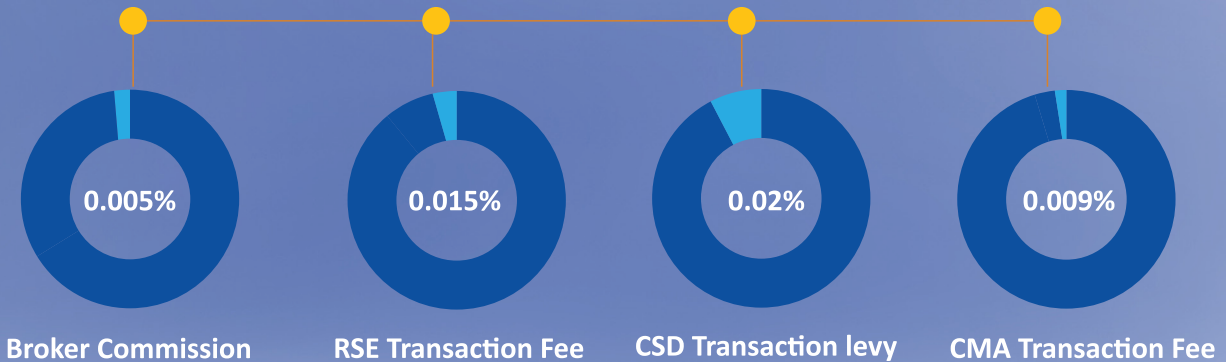




# How to get the money back before maturity?

An investor who needs their money back before the maturity date can trade the bond on the secondary market/ Rwanda Stock Exchange (RSE) with the assistance of a stock broker.

Selling on the secondary market, the market commission is 0.049%. Below is the breakdown



# Why investing in Treasury bonds?

- They are risk free investments since they are issued by the government
- Bonds generally pay high interest's rates also known as coupon rates
- Bonds can easily be converted into cash money when an investor needs money before maturity, She/he trade the bond on secondary market at the Rwanda Stock Exchange (RSE) with brokers assistance.
- Tax incentive: Withholding tax on interest for a three-year bond and above is currently fixed at 5%.
- It can also be pledged as collateral for loan in financial institutions.

## TREASURY BILLS

Treasury Bills (T-bills): Are short term debt securities (one year or less) issued as a primary instrument for regulating money supply or raising funds via open market operations to finance the budget gap.

T-bills are always issued through the country's central bank, and commonly pay no explicit interest and are instead sold at a discount. Their yield or profit comes from the difference between price and the par-value also called redemption value.

They are issued by auction on a weekly basis with maturity dates of 28 days, 91 days, 182 days and 364 days. The minimum purchase is Frw 100.000. T-bills market is open for all investors (Banks, non Banks, Insurance companies, Pension Fund, individuals, etc)

Below are the requirements for Local individual to invest in Bonds

- Valid passport/ID copy
- Colored passport photo

**For all Non local individual clients, the above documents have to be notarized**

Below are the requirements for Local Corporates/Institutions to invest in Bonds

- Certificate of Incorporation
- Articles of association
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# CORPORATE BONDS

Corporate bonds are debts issued by industrial, financial, and service companies to finance capital investments. Investors who buy corporate bonds are lending money to the company issuing the bond. In return, the company makes a legal commitment to pay interest on the principal and, in most cases, to return the principal when the bond comes due, or matures. Currently, there is only one outstanding bond in Rwanda, which has been issued by ENERGIHOTEL PLC. It is a 10-year corporate bond listed issued by Energicotel Plc with a coupon of 13.75%. The minimum amount to invest is 1,000,000Frw; coupon is paid semi-annually.

ENERGICOTEL PLC went on the records of the Capital Market Authority (CMA) and Rwanda Stock Exchange (RSE) as the first Independent Power Producer (IPP) to receive regulatory approval to issue and list a Corporate Bond on the RSE. Energicotel 'ECTL' PLC started trading as the first ever corporate bond issued by a private energy investor in August 2021.

Interest is subject to withholding tax. In terms of current legislation, withholding tax at the rate of 5% will be deducted from interest payments made to both Rwandan resident and East African resident

## Why Invest in a Corporate Bond?

- Risk of capital loss is reduced
- A strong buffer against share market volatility
- Higher income than term deposits and government bonds
- Access to the benefits of diversification

## MCB AFRICA DOMESTIC BOND FUND (MCB AFDB)

MCB Africa domestic bond fund : The African Domestic Bond Fund (“ADBF”) is a USD fund that invests in the African bond market through a well-diversified portfolio of bonds in 8 countries. MCB Investment Management Co.

Ltd (Manager), working in partnership with the African Development Bank (AfDB) launched ADBF in 2018 and listed the fund on the Exchange of Mauritius.

Dividends are paid twice per year (May and November) however, the dividend yield is determined by the fund manager each year and not the annual fund returns.

The fund is open to everyone looking for medium term returns in US dollars. Minimum investment is \$5,000 and there are no taxes on the returns for the client.

## What is the process of Investing in the MCB Funds?

There are two options: One is to open an account with custody account with Bank of Kigali where the funds will be transferred to by the client.

BK custody will open an account for the client with the Mauritius Security Exchange and transfer the funds to MCB broker settlement account, and will charge 0.10%-0.15% per annum for custodial fees. This is the fastest route.

The other option is for the client to apply directly to open a CSD account with the Mauritius stock Exchange through BK Capital.

## What is the redemption or sales of securities process?

The client only fills out a sale of securities form and submitted to the MCB broker who liquidate and send the funds to the client at no cost except the bank charges to wire the money.

## Why invest in the Fund?

- Attractive returns: Over 10% p.a. USD returns in the last 3 years (Top 1% performing funds in the world)
- Bi annual income distributions
- Well diversified portfolio
- Dedicated African focused investment team
- Strong shareholder/investor backing (MCB Group and AFDB)

## Performance

Returns	Dividend Yield 2022
African Domestic Bond Fund (“ADB”)	9.32%

Source: African Domestic Bond Fund as at 30th June 2022

## FEES SCHEDULE AND REQUIREMENT FEES

The management fees are at 0.72% but all returns and yield rates published are net of fees. In addition to that, if the client chooses to go through BK custody, they will pay 0.1% of the funds within custody per year, and 0.10% each time one makes the investment. On top of these fees, there will also be a Stock Exchange of Mauritius (SEM) fee and the wiring charge to the MCB settlement account.



To initiate the transfer to MCB, there will be bank charges that will apply as per below:

- Brokerage commission: 0.45% of investment value
- 0.50% of the amount
- Swift Transfer: Frw 15,000
- Correspondence fee: \$25
- VAT: \$11.71

## REQUIREMENTS TO INVEST IN THE FUND

### **For individuals**

The subscriber will have to complete the application form and:  
The client will have to complete the application form

- Provide a certified copy (double-sided) of his/her Identity Card
- Provide a certified copy of a proof of his/her residential address (e.g. a utility bill); and
- Provide a certified copy of his/her Mauritian bank statement.

### **For non-individuals**

Authorized signatories of the entity will have to complete the application form

***Note: For non-individuals the list of CDD documents is available on the attached "KYC\_CDD Checklist"***

## AFRICA EUROBOND

### What are Eurobonds?

- Eurobonds, or external bonds, are international bonds that are denominated in a currency other than that of the issuer (primarily USD or EUR or JPY).
- Fixed-income debt instruments allow the issuer to raise funds in a foreign (hard) currency. Coupons/interest can be fixed or floating and are paid in foreign currency:
- Bonds are exchange-listed and liquid – Settle via Clearstream / Euroclear on T/T+1.
- Benefits to issuers include the ability to borrow at low-interest rates, over long maturity periods, e.g. Ghana 40 Year Bonds, Israel 100 Year Bonds.

## Eurobonds in Africa

- The stock of African Eurobonds reached \$140 billion in 2021, having provided governments with a financial boost to their investment in infrastructure, technology, and skills.
- 21 Sub-Saharan countries now hold one or more outstanding Eurobonds, while the market has been accessed by large African corporates such as Ecobank and MTN Group.
- All or most African countries accessing Eurobonds have been building repayment track records. Many bonds have been repaid in full at maturity, while others have been repurchased ahead of time.

## Why invest in Africa Eurobonds?

- Attractive fixed USD or EUR returns.
- Large pool of quality African governments and corporate bonds to select from.
- Coupon payments are paid net of all taxes.
- Relatively low fees compared to other products (brokerage commission and low safekeeping fees).
- The bonds are traded in large, international markets, which provide liquidity.

Security, Coupon, Maturity	Bid	ASK	Bid YTM	ASK YTM	NT Change	Amount Outstanding
<b>ANGOLA</b>						
ANGOL 9.5   11/12/25	107.75	108.75	7.07	6.77	-0.11	1.5 MMM
ANGOL 8.25   05/09/28	101.13	102.00	8.01	7.83	-0.11	1.75 MMM
ANGOL 8   11/26/29	99.88	101.00	8.02	7.82	-0.06	1.75 MMM
ANGOL 9.375   05/08/48	96.75	96.75	9.72	9.61	0.16	1.75 MMM
ANGOL 9.125   11/26/46	95.25	95.25	9.62	9.51	0.11	1.25 MMM
<b>ANGOLA</b>						
BENIN 5.75   03/26/26	107.75	108.75	7.07	6.77	-0.11	1.5 MMM
BENIN 4.875   01/19/32	101.13	102.00	8.01	7.83	-0.11	1.75 MMM
BENIN 6.875   01/19/52	99.88	101.00	8.02	7.82	-0.06	1.75 MMM
<b>ANGOLA</b>						
REPCOM 6   06/30/29	80.00	84.00	9.90	9.03	-0.015	281.418 MM
<b>CAMEROON</b>						
REPCAM 9.5   11/19/25	104.00	107.00	8.22	7.30	0.113	750 MM
€ REPCAM 5.95   07/07/32	88	88.25	7.66	7.63	-0.085	685 MM
<b>ETHIOPIA</b>						
ETHIOPIA 6.625   12/11/24	72.00	77.00	20.32	17.43	-0.476	1 MMM

## GHANA

GHANA 9.25   09/15/22	0.00	0.00	15.33	10.33	10.23	47.979 MM
GHANA 7.875   08/07/23	96.50	101.00	10.58	7.12	0.038	253.353MM
GHANA 0   04/07/25	58.00	60.13	19.17	17.89	0.00	525 MM
GHANA 8.125   01/18/26	78.00	79.50	15.95	15.33	-0.504	1MMM
GHANA 6.375   02/11/27	70.50	72.00	15.05	14.51	-0.676	1.25 MMM
GHANA 7.875   03/26/27	71.75	73.25	16.27	15.73	-0.219	750 MM
GHANA 7.75   04/07/29	67.75	68.63	15.37	15.10	-0.59	1 MMM
GHANA 7.625   05/16/30	96.75	98.50	11.35	11.02	-0.134	1 MMM
GHANA 8.125   03/26/32	66.00	68.50	14.60	14.07	-0.363	1.25 MMM
GHANA 8.625   04/07/34	66.50	68.00	14.94	14.42	-0.25	1MMM
GHANA 7.875   02/11/35	64.50	66.13	13.84	13.47	-0.839	1 MMM
GHANA 8.875   05/07/42	64.38	66.25	14.30	13.89	-0.30	500 MM
GHANA 8.627   06/16/42	64.38	66.25	14.30	13.38	-0.251	1 MMM
GHANA 8.95   03/26/51	65.00	66.50	13.92	13.61	-0.292	1MMM

# FEES SCHEDULE AND REQUIREMENT

## FEES

- Transaction Fee: 0.35%
- Custody Fee: 10bps or 0.10% per annum of Asset under custody (subject to negotiation)
- Transaction Fee (settlement of foreigndenominated securities only): \$50 per transaction
- Cancellation fee (settlement of foreign denominated securities only)  
: \$30 per transaction
- Statement Charge: Waived

## Below are the check list requirements for clients that would like to invest in Eurobond

### INDIVIDUAL

- Valid means of identification
- Most recent utility bill
- BVN (Bank verification number)  
(optional)

### CORPORATE ENTITY

- Certificate of incorporation
- Memorandum & Articles of Association
- Particulars of Directors and shareholding of the company (or the equivalent)

