

2013 INVESTORS GUIDE: EXPERT VIEW ON WHERE TO INVEST YOUR MONEY

By Juddie Wangari

The first quarter of every year is normally a year of self-beating, following a pocket busting holiday season. But it is also a time for planning for the rest of the year so that by the time December is due, there is reason to celebrate- an excuse for another wild spending season. To help you plan ahead and make those wise investment decisions, we talked to various people in different industries and here below we bring you a number of tips into which sectors you need to serious consider, if you are looking to multiplying your money.



The oil and gas industry is here and there is so much to get out of it directly and indirectly; it is an industry that if well used can benefit just about everyone. In this case, there are those direct opportunities in the areas, exploration, extraction, drilling and specialized construction but according to Dennis Owili, Stanbic Bank Head, Vehicle & Asset Finance, this area is more technical and requires years of experience.

"People should look at oil and gas from a different perspective and strategize properly to support this promising industry. There are areas where a number of Ugandan companies are suited to compete with all the other global suppliers like transport, food supply, etc," he says. Other than the oil industry Owili points out to agriculture as one of the other good options to invest in this year.

He says the world is in need of food and Ugandans should start investing in large scale farming. He adds that this is an initiative that is even being supported by the Bank of Uganda through the Agriculture Credit Fund in partnership with various commercial banks, Stanbic included.

"I urge the people to take advantage of such projects and create more revenue since the government and the banks are ready and willing to support them and there is ready demand across the country, the region and beyond," he says.

He advised that to maximize gains from agriculture, investments should be made into value addition so as to extend shelf life and earn more.

"If you are for example growing pineapples on a larger scale, you can be able to expand their shelf life by processing them into packed juice or drying them for export. What's better is that you can now take advantage of the various asset financing opportunities to acquire either cottage industry or large scale equipment to make this possible," he says.

Mr Kigozi Ssebagala, the Uganda Manufacturers Association, Executive director, also agrees with Mr Owili especially on agriculture. He too says there is great potential in the fruits sector.

"The beverage sector in Uganda is growing and it has the potential of flourishing, the only challenge is that there is no consistency from the farmers and the amount of fruits produced are not enough so, you find the manufacturers importing concentrates yet we have the capacity to grow these fruits, locally," he says. For investors with larger capital, he says there are huge opportunities in extracting iron ore to feed the bustling steel sector.

"According to Uganda Investment Authority, there are over 200

million tonnes of iron ore in Bushenyi, Mbarara, Kabale and Kisoro districts. With these huge findings, we should stop relying on imports of iron and steel and start mining our own," he says. Richard Byarugaba, NSSF Managing Director, says that given the slow economy, government securities and the stock exchange are other good investment options. He predicts that businesses involved in consumption and those with an element of consumer finance will do well. The real estate bubble, according to him will continue to come down and so he advises that it is better to hold on, for those planning to invest in this industry, until the property values reach bottom before investing.

Patrick Bitature, Chairman of Simba Group, Uganda Investment Authority and Umeme says that first of all there is need to sharpen focus at the individual investor level.

"Too many Ugandans believe they can do anything and everything. Human capital and the ability to run a business in specific field require an in-depth understanding of the sector. The size and the capacity of the investor has a major bearing on the investment opportunities available to the investor in terms of the access to human capital," he says adding: "If you are an investor with access to capital, with a view of making a large business investment, you can afford to be strategic in your investment choice selection

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process. When not constrained by capital to the extent a small business investor may be, the investor's investment horizons open up significantly as the investor can choose any market sector by buying the necessary expertise to set up the business and then hiring the requisite skill set to run and operate the business in a professional manner."

He advises small-scale investors to stay in areas they know best. "I strongly advise the small investor to 'stick to their knitting' and set up a business in which they have particular knowledge or skill set. This is ultimately the small business' competitive advantage," he says.

"To large investors who can afford to be strategic in their investment choice, I strongly believe in investing in the 'big macro' cycles that we are going to experience in the next few decades, predominantly driven by the demand that will be created from the rise of the middle class consumer in the developing world. These include food, retail (as in convenience large scale retail as opposed to the fragmented small retail businesses that dominate Uganda still today), energy including renewable energy, pharmaceuticals, education and electronics/white goods," he adds.

PERSPECTIVE

To him, these are all basic items that the populations in all growing economies will need to uplift themselves from poverty to prosperity in the next few decades. However, certain countries are more suited or better competitively equipped to manufacturing and providing these services and products and that Uganda has specific competitive advantage in its ability to produce food, energy and to a lesser extent education.

"The demand for food will continue to spiral for the foreseeable future and Uganda's competitive advantages in cheap land, fertile soils and cheap labor means it has the ability to become a bread basket for the region and beyond. In terms of energy, Uganda has large rivers and plentiful sunshine, making it a fantastic potential destination for renewable energy generation. The discovery of oil will also provide a myriad of non-clean energy production opportunities," he advises.

He also says that Uganda has in the past been able to build a reputation as a centre of excellence for education, attracting a lot of students from neighboring countries.

"The demand for education is insatiable, and Uganda has a unique opportunity to set itself up as an education destination for the region," he says.

Maggie Kigozi agrees with Bitature that shortage of food in the world has placed Uganda to be the best place for food production.

"We should grow as well as add value by processing food. We have a market in the East African region," she says adding: "I encourage Ugandans to invest in horticulture and planting trees. Not only is the price of wood and timber ever on the rise, but this is also good for the environment," she says.

Another area she sees potential in is in the Tourism sector. In 2012 Uganda had 1 million tourists; despite there being very few products for tourists to explore.

"We should invest in our culture, the kings, the presidents, the history, our story, our food and have more set ups like the Nderu center," she adds. She is proud of the two women that have put up a snake park on Entebbe road because this acts as a major attraction to tourists when they arrive in the country.

Like Stanbic's Owili, Dr Kigozi believes that Ugandans need to seriously think about the opportunities presented by the oil & gas industry, especially those that look at catering to the workers in the sector such as: housing, food, entertainment and so on.

She says that other opportunities lie in Business Processing Outsourcing, ICT, media and film industries as well as the creative arts industry, service industries such as health and education.

"At the end of the day everyone should ask themselves that hard question about what unique skills they have that they can package and trade to those who need them," she says.

She also calls for a serious reform in government procurement processes so as to reduce on the lead time needed to complete

critical infrastructure projects like transport and energy infrastructure.

"Procurement procedures are horrendous. Government procurement processes are complicated and need to be streamlined," she says.

Fred Muhumuza, adviser to the Finance Minister also believes that people should invest more in agriculture especially the fruits sector, "it's a shame that a country like Uganda which has perfect climate and soils imports juice concentrates, yet we can grow those fruits here. People should invest more in large scale farming," he says.

The other market he sees potential in is the stock market; he encourages people who have medium and big enterprises to list their companies in the markets. "This is one way of opening up the company and creating more wealth, the biggest challenge facing Google today is that they have more money and they don't know what to invest in because most of their shares are sold out, this is free money and companies in Uganda should look into this," he says.

Kim Kamarebe, the Managing Partner of Damascus Capital, Uganda's first resident Private Equity Investor, too agrees with Bitature on the presence of insatiable demand for consumer goods. She says that Uganda is dominated by growth capital investment opportunities, which will continue to be prevalent - driven by an exponentially growing consuming class with significant unmet demand for basic and affordable goods and services.

"Given the double digit growth in consumer spending, discretionary income and urbanization, and the recent discovery of commercial quantities of oil, our general investment themes encompass opportunities in basic and essential goods and services; products and services with limited scope for import substitution; opportunities with a sustainable competitive advantage; and products and services in the rapid growth industries," she says.

She says that Damascus Capital is looking to invest in primarily fast-moving consumer goods (food; beverages; personal and home care; retail), provision of essential services (financial; technology, communications and entertainment; healthcare; oil/mining), basic needs-related industrials (value-added processing; consumables; basic chemicals) and construction-linked and real estate related opportunities.

She however gives a disclaimer: "The key is to not take these investment sectors as blanket recommendations, but look for the sub-sectors and niches within these broad sectors that have an underserved market need and a sustainable competitive advantage."

Now you know, where the experts and the money magnates would put their money. Go ye forth and invest.

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