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“Investment Tuesday”
(for 14 November, 2006)

by Robert Baldwin

Last Tuesday I wrote about how people can make money on the stock market in Uganda, also known as the Uganda Securities Exchange (USE). One method is to buy shares at a low price and then sell when the price goes higher. The other method is through dividends which is when the board of directors decides to share company's profit with shareholders.

Once recent example of a Ugandan company offering dividends to shareholders is Uganda Clays Limited (UCL). The UCL Board of Directors announced in July that investors who bought UCL on or before November 6th would receive a dividend of 400 USH per share. So, if an investor owned 1000 shares of UCL before the cut-off date, he would receive: 1000 shares x 400 USH = 400,000 USH. Note that there is a withholding tax of 5% on dividends which in this case would be 5% of 400,000 USH or 20,000 USH.

However, when it comes to dividends, timing is everything! If an investor bought UCL shares after the November 6th cut-off date, he would not receive the dividends. The previous shareholder would get them. So if you decide to invest in shares of a company because of dividends, be sure to ask your broker about the dates that such dividends are expected to be paid.

Robert Baldwin is the CEO of Crested Stocks and Securities (www.crestedsecurities.com) a Ugandan based investment advisory and broker/dealer company.

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