

WHY YOU SHOULD INVEST IN SHARES TODAY

What are Shares?

A share represents ownership in a company. In other words, if you own one share of Company A, you own a percentage of the company. Companies raise capitalization, by selling equity (ownership) in the company. Shareholders in companies may also sell off a portion of their shares by offering shares to new investors through an Initial Public Offer or IPO which is a highly-regulated process under which shares are sold to members of the public.

ADVANTAGES OF OWNING SHARES

1. Dividends: When a company makes a profit, the Board of Directors may pay out a percentage of the retained earnings to its shareholders and this is known as a dividend. In other cases, the Board of Directors can propose to retain the profits in the company to increase its capital and this is known as retained earnings.
2. Capital Gains: When shares are sold at a price that is higher than the price at which they were purchased, this represents a profit. This profit is called a Capital Gain.
3. Voting Rights: Shares give a shareholder the right to attend and vote on important company policies at the Company's Annual General Meetings including making a choice on the Directors of the Company.
4. Collateral: Shares are one's assets and maybe accepted as collateral (for example security for a loan).
5. Transferability: Shares can be transferred between Father to Child, Mother to Child, Child to Parent, Husband to Wife or Wife to Husband. One can inherit shares if the deceased passed rights to them or to an appointed administrator if there is no will.

REALITIES OF OWNING SHARES

1. Share prices can go down as well as up, depending on a number of factors such as the performance of the company, the economy, demand, and supply factors.
2. Companies share profits through dividends to shareholders based on factors such as profitability and planned capital investments. Dividends are therefore not guaranteed and may change from year to year.
3. If the share price falls, the share value lessens and if the company collapses or becomes insolvent, the shares become worthless. If the company goes into liquidation, ordinary shareholders are the last to be paid after all other creditors.

What are Capital Markets?

Capital markets are markets where securities such as shares, treasury bills and Bonds among others are traded. Just like your ordinary market like Nakasero which sells fruits, here shares are sold from one party to another at an agreed price. You need a stockbroker to help you buy and sell shares on the Uganda Securities Exchange. For those buying or selling shares, the stockbroker takes a standard fee of 1.7% and statutory fees for the CMA, USE, SCD, and investor protection fund combined for 0.4% for a total of 2.1% of the amount to be invested.

WHAT IS THE DIFFERENCE BETWEEN CAPITAL MARKETS AUTHORITY (CMA) AND UGANDA SECURITIES EXCHANGE (USE)?

Capital Markets Authority (CMA) is the regulatory body that oversees the Capital Markets industry in Uganda, whereas the Uganda Securities Exchange (USE) is the actual market where the Capital Market products are traded.

The USE is licensed and regulated by the CMA. In its role as a regulator, the CMA is mandated to oversee the activities of the Uganda Securities Exchange (USE) licensed intermediaries such as Stockbrokers/Dealers and Investment Advisors as well as approval of the prospectus of company that's selling shares.

Who are Stockbrokers/Dealers?

These are professionals licensed by CMA to buy and sell shares on behalf of clients or on their own behalf. They are the only ones authorized to trade in securities on the USE trading floor. They also provide professional advice on selection and management of investments. A list of licensed Stockbrokers/Dealers can be obtained from this link <https://www.use.or.ug/content/trading-participants> The Stockbroker charges you a commission for helping you trade in shares - a fixed commission of 2.1% of the total value of your transaction.

How do I open a Security Central Depository (SCD) Account?

For one to become a shareholder, you will need a Securities Central Depository (SCD) Account. It's on this Account that shares are maintained in the name of the shareholder. Anyone who wants to buy shares must have an SCD Account because shares in a listed company cannot be held in a physical share certificate. You can open up an SCD Account free of charge using your Airtel number by dialing *185*85# and following the prompts, using the My Airtel App or via Uganda Securities Exchange Easy Portal - <https://scd.use.or.ug>. Once the application is successful, you will receive a notification (via SMS) with your SCD Account details.

Who do I contact for more information?

For more information, call Airtel customer care toll free on 100 or reach out to Crested Capital a leading stockbroker via: +256 758 230900