

Build wealth while you sleep

Why you should invest in company shares

SHARES

DEOGRATIUS
WAMALA

When you buy a share, you own a slice of the enterprise itself. If the enterprise grows, your slice grows with it. The upside is not capped, as it is with interest.

There is a certain irony in the way most Ugandans relate to the country's largest companies.

They wake up and use MTN to send money. They bank with Stanbic. They smoke British American Tobacco cigarettes. They pay, consume, and move on.

Meanwhile, every transaction they make fattens a balance sheet, and the dividend that flows from that balance sheet lands in someone else's account.

That someone could be them. The mechanism exists. It is called the stock market. For reasons that have more to do with unfamiliarity than genuine inaccessibility, most Ugandans have never used it.

A share is a unit of ownership in a company. Not a loan. Not a promise. Ownership.

Buy shares in MTN Uganda, for instance, and you are a part-owner, entitled to a portion of whatever the company earns, entitled to vote on who runs it, entitled to show up at the Annual General Meeting and hold management to account.

Nicholas Kimuli Musaazi, an institutional trader at SBG Securities, a brokerage firm, explains: "When you are buying a share, you are buying into that company, you are becoming part owner of that company."

The distinction from a loan matters. When you deposit money in a bank or buy a government bond, you are a creditor because you lend money and receive interest, but you own nothing.

When you buy a share, you own a slice of the enterprise itself. If the enterprise grows, your slice grows with it. The upside is not capped, as it is with interest. That is the fundamental economic argument for shares over savings.

The companies listed on the Uganda Securities Exchange are not speculative ventures. They are vetted, regulated, and required to publish their finances.

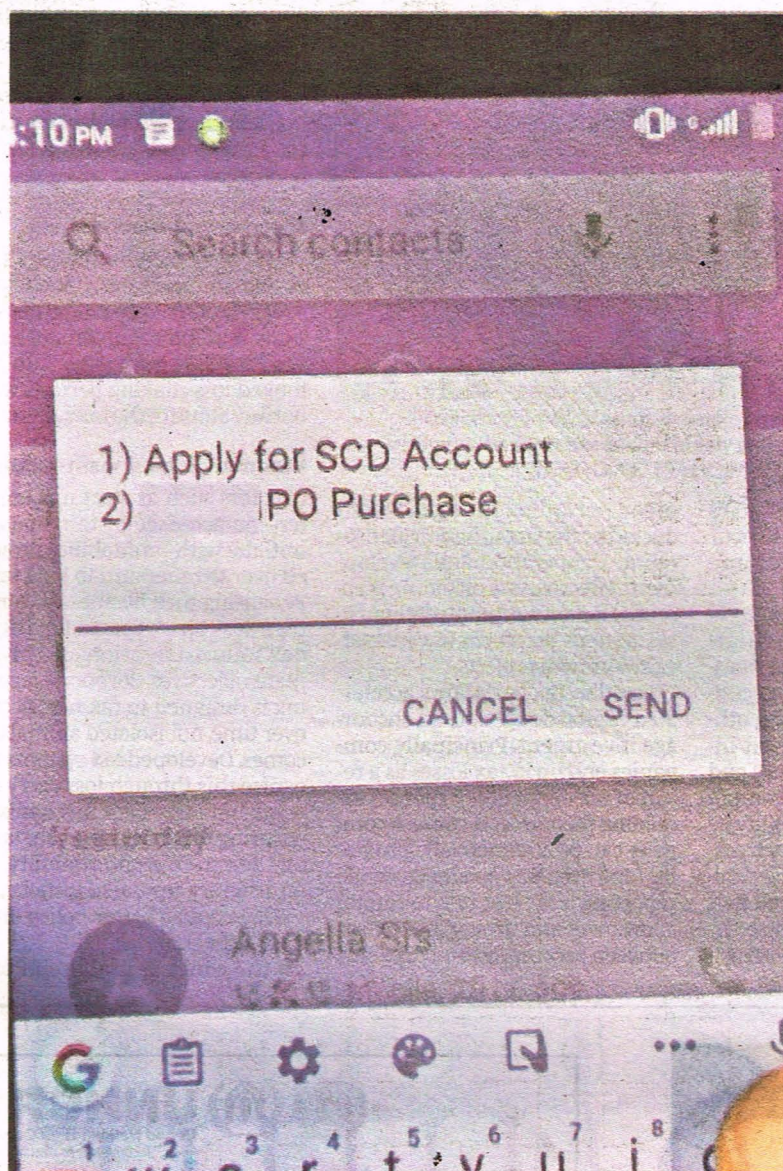
Kimuli notes, "Our regulators (Capital Markets Authority) make sure they don't bring dead stock or they don't bring a company that is closing tomorrow."

These are businesses that millions of Ugandans already trust with their money every single day. The only question is whether those Ugandans will also trust them with their investment.

Two ways to get paid

Owning shares rewards you in two distinct ways, and understanding both is essential.

The first is dividends. When a company earns a profit, revenue minus all its costs, taxes, and reinvestment, it has a choice: retain those earnings to fund future growth, or distribute them to



A Securities Central Depository account can be opened, shares bought, dividends received, and shares sold from a phone and from anywhere in the country. PHOTO/MICHAEL KAKUMIRIZI

shareholders.

Most well-run listed companies do both. The portion paid out is called a dividend. This is not a bonus or a lucky windfall. It is a contractual consequence of ownership, paid in proportion to the number of shares you hold.

MTN Uganda, for example, has paid dividends 13 times since its 2021 listing, with payments growing incrementally from Shs4.7 per share initially to Shs8.25 most recently.

From 2025, the company moved to quarterly payments; April, June, September, and December, meaning shareholders receive income four times a year without lifting a finger.

As Oscar Emasu Paul, MTN Uganda's manager of investor relations, ex-

plains: "That growth tracks the company's own earnings growth. When MTN does better, shareholders do better. The relationship is that direct."

The second reward is capital appreciation, which is the rise in the market price of your shares over time.

Share prices are set by supply and demand on the open market. When more people want to buy a company's shares than sell them, because the business is growing, profits are rising, or confidence in its future is high, the price rises.

That price increase is real, realisable wealth. Sell your shares above what you paid and the difference is yours. Buy low, sell high, as the oldest wisdom in investing goes. The discipline is in knowing which is which.

Shares

'If you don't let your money work for you, you will work until you die. When you have shares, the companies go and work for us.'

MTN's numbers illustrate both mechanisms in concrete terms, and MTN is used here as one example among several listed companies on the USE, which includes Stanbic Bank Uganda, British American Tobacco Uganda, Umeme, Airtel Uganda, and others.

The market is broader than any single name. But MTN's Initial Public Offering (IPO) in 2021 offers the clearest recent case study.

At IPO, shares were priced at Shs200. The company also issued bonus shares, a 10 percent addition to every allocation, bringing the effective price paid down to Shs180 per share.

Currently, MTN trades at roughly Shs420. A person who invested Shs1 million at IPO received 5,500 shares after the bonus. Those shares are worth about Shs2.31 million in market value alone. Add the Shs89 per share paid out in cumulative dividends; nearly Shs490,000 on 5,500 shares, and the total return on that original million exceeds 150 percent.

Christine Nkundizana, lead brokerage manager at Chipper Cash Technologies, another brokerage firm, offers a version of this story with a human face.

A former colleague resisted her entreaties to invest for years, demanding analysis after analysis and never acting. When MTN's IPO arrived, he finally committed Shs95 million.

"He sold early this year," Nkundizana recalls. "He got more than Shs215 million. He went and cleared" a debt that had weighed on him for years.

One further advantage that the taxman has, for now, overlooked: there is no Capital Gains Tax on shares in Uganda, meaning every shilling of profit from selling shares is yours, in full, minus only the standard broker commission of 2.1 percent.

The case against doing nothing

Most Ugandans who do not invest in shares are not idle with their money. They probably save through SACCOS. They join investment clubs. They participate in rotating savings circles.

These are sensible, disciplined habits and they deserve respect. But they are not the same thing as investing in shares. The difference matters.

SACCOS and investment clubs function as safety nets. They provide liquidity, access to credit, and the discipline of regular saving.

What they rarely provide is the kind of compounding, market-linked growth that shares can deliver.

Compounding is the process by which returns generate further returns over time.

A dividend reinvested buys more shares; those shares generate more dividends; those dividends buy yet more shares.

Over the years, the curve bends sharply upward. A fixed SACCO return does not bend. It simply adds. The logic of diversification reinforces this.

Diversification, spreading investments across different assets, is one of the few genuinely free lunches in finance. If the property sector slows, shares in a telecommunications company might rise.

If inflation erodes the purchasing power of cash saved in a fixed account, a company like Airtel will have adjusted its tariffs, passed costs on to consumers, and maintained or grown its margins, and your dividend will reflect that.

Takeaways

- A share is a unit of ownership in a company. Not a loan. Not a promise. Ownership.
- Owning shares rewards you in two distinct ways. The first is dividends. When a company earns a profit, revenue minus all its costs, taxes, and reinvestment, it has a choice: retain those earnings to fund future growth, or distribute them to shareholders. Most well-run listed companies do both. The portion paid out is called a dividend. This is not a bonus or a lucky windfall. It is a contractual consequence of ownership, paid in proportion to the number of shares you hold.

Kimuli notes: "As things go up, the taxi driver will increase the taxi fares, the food vendor will increase the prices. As an individual, what are you going to increase? If you buy shares in a company, be sure that the company will find a way of transferring the costs... your dividend will be adjusted."

Inflation, in other words, is a threat to money sitting still. It is considerably less threatening to money invested in companies that can price their way through it.

The risks

Shares are not a guaranteed return and it would be dishonest to present them as one. Prices fall as well as rise. A company can disappoint. A market can turn.

The most common error is timing. When prices are falling, ordinary investors panic and sell, locking in losses that might have been temporary.

When prices are rising, they rush to buy, acquiring shares at inflated prices just before corrections. This is the precise inverse of sound investing.

The time to buy is when a stock is undervalued and the underlying business remains healthy; when, as Kimuli puts it, paraphrasing Warren Buffett, "there's blood on the streets."

Buying at a peak and riding a decline is how investors lose money. Buying into a temporary dip in a fundamentally strong company is how they make it.

The second risk is ignorance, which is investing without understanding what you own or why. This is an argument for taking the time to understand what you are buying, which is precisely what licensed brokers do.

The regulated nature of Uganda's stock market provides a structural safeguard. There are five licensed brokers authorised to trade on the USE, all operating under the oversight of the Capital Markets Authority.

Starting is easier than you think

The minimum investment in the USE is 100 shares. For MTN at current prices of approximately Shs420 per share, that is Shs42,000, plus the 2.1 percent broker commission, bringing the total to roughly Shs43,000.

The barrier, in practical terms, is the first decision. Opening an account requires two things: a licensed stockbroker and a Securities Central Depository (SCD) account, the digital register where your shares are held and recorded. Think of it as the bank account for your shares.

Paper share certificates are a relic of another era. Everything today is electronic, traceable, and secure.

An SCD account can be opened, shares bought, dividends received, and shares sold from a phone and from anywhere in the country.