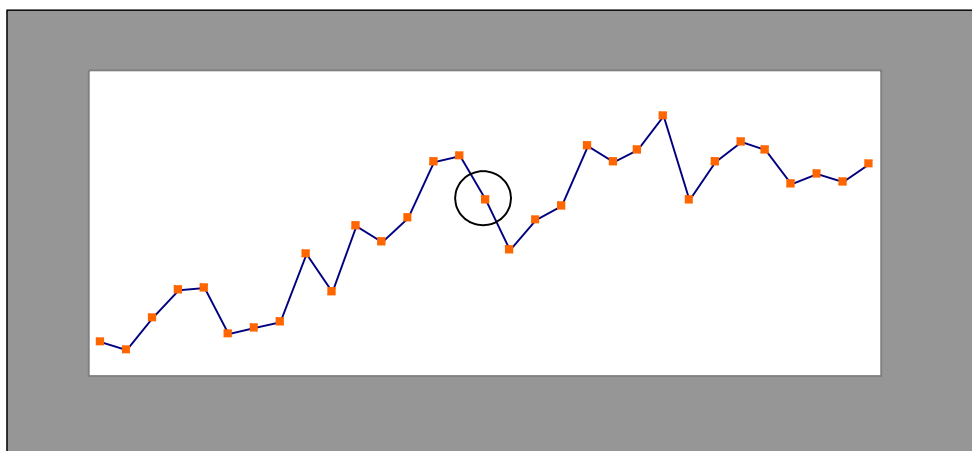


Scope of Work

To determine the right entry and exit point around dividend announcement and Ex-dividend date for the dividend capture strategy.

Fig 1: Stock price before and after Ex-dividend date



The point which is encircled here is the ex-dividend date for the stock. The left arrow could be the entry point and the right, the exit point. To determine these two points we first needed to decide upon the impact field of the dividend announcement / ex-dividend date.

Methodology

In case of ABC Ltd. (ABC) we observed that activity around the ex-dividend date is more significant and attempted to quantify the same. We set up an event study around ex-dividend date. This was done by adding period-dummy variables to the pricing model. We used dividend history of ABC for about five and half years beginning from September 2001 to April 2007. The data were sourced from Bloomberg.

With these dummies we established best entry and exit points for the dividend capture strategy.