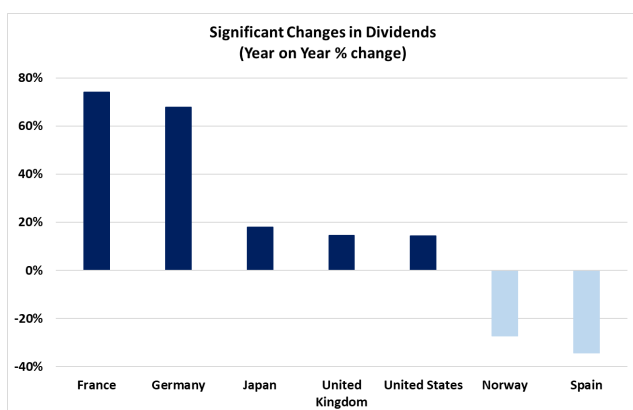
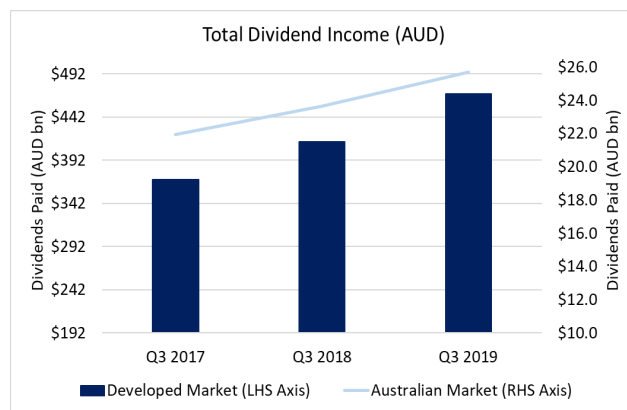


What are the major trends in global income?

- Global dividends grew +13.5% to \$A469B in Q3 2019 when compared to Q3 2018. This builds on a previous Q2 2019 growth of +7%
- All developed market regions had strong dividend growth (North America +13.9%, European Union +13.3%). The US and Japan, two traditionally low yielding countries, also demonstrated strong growth in this period. Examples of companies with strong dividend growth were Visa Inc (+19%), Sony Corporation (+33%) and Microsoft (+10%).
- Dividend growth remained consistently broad, with over 57% of dividend paying companies increasing or initiating dividends compared to the same quarter last year.



Source: Factset



Source: Factset

Which Countries are leading the charge?

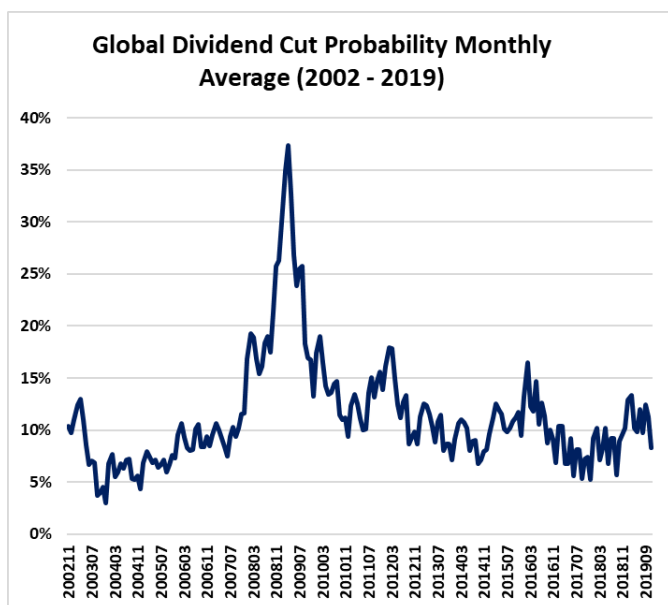
- Sweden (+200%), Finland (+101%) and France (+74%) had the strongest percentage increase in dividends (Q3 2019 v Q3 2018).
- Some large countries also had strong percentage increases (Japan +17.9%, UK +14.5%, USA +14.3%).
- Dividends rose across most developed market countries. However, there were again exceptions within Europe, this included Spain (-34.4%), Norway (-27.4%) and Austria (-11.3%).
- The currency effect was significant, a broadly weaker \$A explains 6% of the increase, meaning dividends in local currency terms increased 7.5%.
- Dividend growth was +8.7% in Australia. Examples of companies with strong dividend growth were Fortescue Metals Group (+100%), Santos (+86%) and Rio Tinto Ltd (+80%).

What happened in global sectors?

- All sectors showed a positive increase in dividends paid when comparing Q3 2019 to Q3 2018.
- In Q3 2019 Real Estate (+19.7%) and Materials (+17.3%) were the sectors with the most substantial year on year increase in dividends.
- Continuing from its strength in the previous two quarters, Materials continued to have strong dividend growth.
- The financials sector continued to be the largest dividend payer in AUD terms (93.1bn AUD), contributing approximately 20% of Q3 income.

Interesting facts in global income

- When incorporating dividend cuts and initiations, 3.8 companies increased or initiated dividends for every one company that reduced or completely cut dividends.
- The percentage of companies completely cutting dividends to zero fell marginally from the previous quarter, with 6.6% of companies omitting in Q3 2019.
- Roughly the same number of companies initiated (6.2%) a dividend in Q3 as cut to zero.
- 63% of US companies that pay dividends, increased or initiated them in Q3, versus only 9% that cut dividends. However, only 48% of US companies pay dividends, the lowest in the developed countries covered.
- 76% of non US companies pay dividends. At the country level Portugal (93%), Japan (89%) and the UK (76%) are strong dividend payers by number of companies.



Source: Plato Investment Management

What's the outlook for global income?

Plato's proprietary dividend cut model provides insights into future dividends. It represents Plato's macro view regarding the likelihood that global developed markets will cut their income.

As this chart illustrates, Plato's aggregated dividend cut model suggests only a small chance of dividend cuts at the moment (around 8%), much lower than the 35%+ number seen during the GFC. Even the recent increase in risk to global dividends has moderated over the recent quarter.

Methodology

1. Dividend paid (\$) for each stock in each calendar quarter is calculated as the shares outstanding as of quarter end multiplied by the total gross dividend per share (DPS) paid out in the calendar quarter. The DPS paid excludes spin offs but includes capital returns and special dividends. Conversion to AUD is done using the prevailing WM/Reuters London exchange rates at the time of dividend payment.
2. Full year dividend paid (\$) is the summation of dividend paid (\$) from Q1 to Q4 using the methodology (1).
3. DPS movement is based on total DPS paid out (in local currencies) over each calendar quarter. DPS movement from quarter to quarter is then categorised as initiating, increasing, unchanged, decreasing or cut to zero.

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