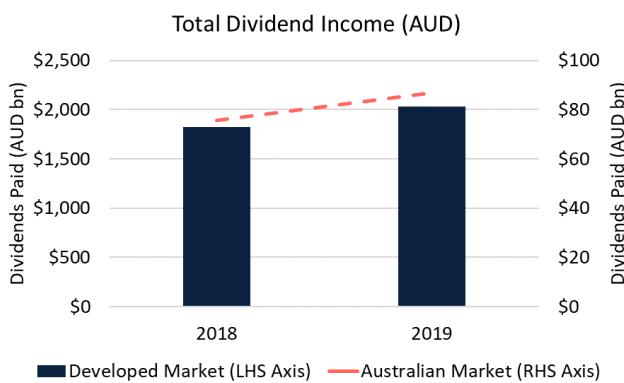
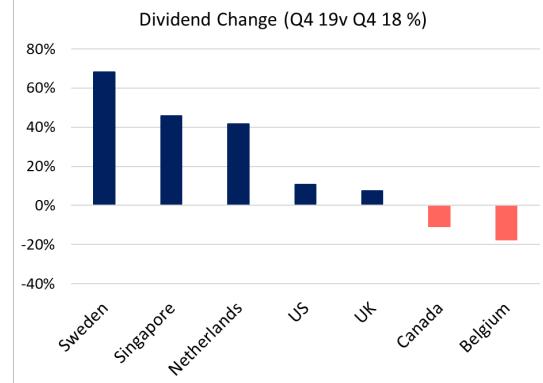


What are the major trends in global income?

- Global developed market companies paid out over \$A2tn in dividends in 2019. This is 11.4% more than dividends paid in 2018, building on the +12.6% growth seen in 2017-18. On a quarterly basis (Q4 2019 v Q4 2018) the growth rate was +7.5%.
- The effect of currency on dividends in 2019 was +5.6%, due to a broadly weaker \$A, highlighting a benefit from not hedging currency. This means dividends in local currency terms increased +5.8%.
- All developed market regions had strong dividend growth versus the previous corresponding quarter (North America +8.5%, Asia +4%). Europe was more mixed with weakness in some countries (Belgium -17.6%). Examples of companies with strong dividend growth were JPMorgan Chase & Co (+12.5%), Microsoft (+10.9%) and LVMH Moet Hennessy Louis Vuitton (+10%).
- Dividend growth remained consistently broad, with 64% 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?

- Finland (+106.4%), Switzerland (+104.2%) and Israel (+70.9%) had the strongest percentage increase in dividends in AUD terms (Q4 2019 v Q4 2018).
- Some large countries also had strong percentage increases (Japan +3%, UK +7.5%, USA +10.8%).
- Dividends rose across most developed market countries. However, there were again exceptions, this included Belgium (-17.6%) and Canada (-10.9%).
- The quarter on quarter currency effect was significant, a broadly weaker \$A explains 5% of the Q4 increase, meaning dividends in local currency terms increased +2.5%.
- Dividends contracted -4.1% in Australia. Examples of companies that decreased dividends were financials NAB and Westpac. Despite this the annual growth (+14.9% 2019v2018) was substantial, driven by energy and materials.

What happened in global sectors?

- All sectors, except IT (-0.1%) showed a positive increase in dividends paid when comparing Q4 2019 to Q4 2018.
- In Q4 2019 Industrials (+12.7%) and Financials (+12.2%) were the sectors with the most substantial year on year increase in dividends.
- Continuing from its strength in the previous two quarters, Materials (+5.6%) continued to have strong dividend growth.
- The financials sector continued to be the largest dividend payer in AUD terms (\$70.7bn AUD), contributing approximately 19% of Q4 income.

Interesting facts in global income

- When incorporating dividend cuts and initiations, 3.9 companies increased or initiated dividends for every one company that reduced or completely cut dividends versus the previous corresponding quarter.
- The percentage of companies completely cutting dividends to zero decreased versus the previous quarter. 6% of companies cancelled their dividend in Q4 2019.
- Roughly the same number of companies initiated (5%) a dividend in Q4 as cut to zero.
- 66% of US companies that pay dividends increased or initiated them in Q4, versus only 9.5% that cut or decreased dividends. However, only 48% of US companies pay dividends. This remains the lowest in the developed countries covered.
- 77% of non US companies paid dividends in 2019. At the country level Portugal (93%), Japan (89%) and Finland (82%) are strong dividend payers by number of companies.



Source: Plato Investment Management

Methodology

- 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.
- Full year dividend paid (\$) is the summation of dividend paid (\$) from Q1 to Q4 using the methodology (1).
- 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.

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 9%), much lower than the 35%+ number seen during the GFC. The recent increase in risk to global dividends moderated below the red long term average line as we moved through 2019.

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