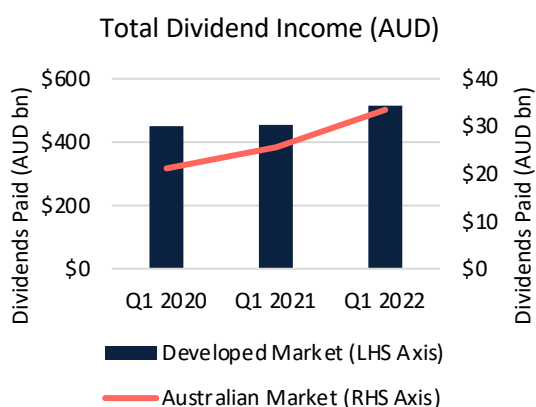
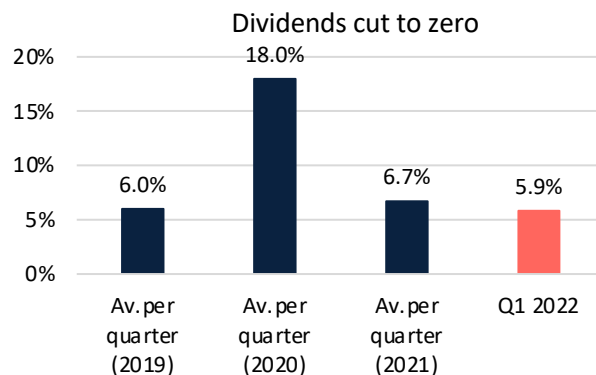


## What are the major trends in global income?

- In local currency terms, income continued to grow substantially (+11.6% v Q1 2021), albeit from a low base. Building on strong growth in preceding quarters, this reflects the continued economic and corporate improvement in 2022, and provides a welcome boost to retiree income.
- In AUD terms dividends grew an impressive +13.6% (Q1 2022 v Q1 2021). The effect of currency on dividends in Q4 was +2%, due to a slightly weaker \$A compared to Q1 last year. This currency effect increased dividends to Aussie investors.
- The number of companies cutting to zero in Q1 (5.9%) remains at pre pandemic levels. This supports our house view of growing dividends.
- The Plato Global Equity fund continues to distribute 6% p.a. yield since inception, despite lower index yield. This highlights the continued importance of active management in income generation and avoiding dividend traps.



Source: Factset



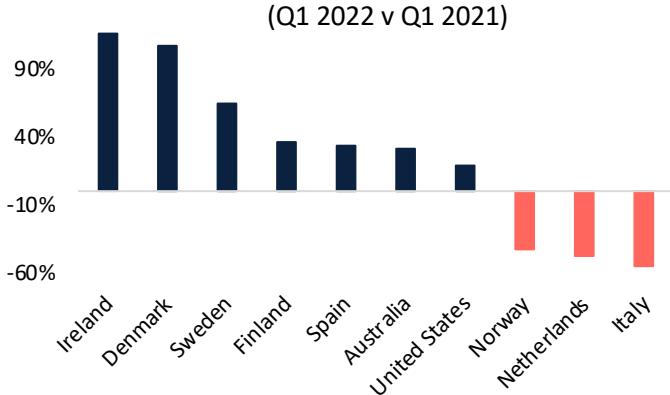
Source: Factset

- Pleasingly, 56% of dividend paying companies increased or initiated dividends compared to the same quarter last year. Additionally, the number of companies decreasing payouts remains low at 8.4%.
- We continue to see many companies that cancelled dividends in 2020 re-initiate payouts. A good example in this period is UK hotel company, InterContinental Hotels Group Plc. Special dividends have also been a post pandemic trend, for example UK retailer, Next Plc.
- In Q1 2022 all regions posted strong increases in income when compared to the previous corresponding period in 2021. (North America +18.7%, Europe +11.9%, Asia +6.3%)
- Global developed market companies started the new year on a strong note, paying out \$A516bn of dividends in Q1. North America paid out the largest dollar amount, at \$252bn AUD. This is just under 50% of total dollar income for the quarter.

## Which countries are leading the charge?

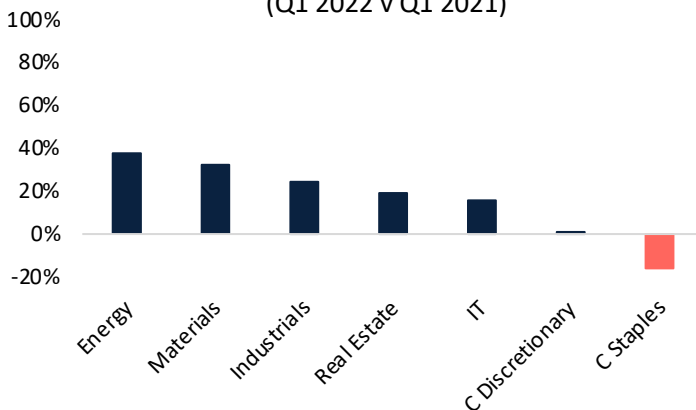
- When comparing Q1 2022 with Q1 2021 the majority of countries increased their payout. North America (+19%) increased substantially, whereas Japan (-1%) remained flat. European countries varied considerably (Italy -55%, Sweden +64%, Denmark +107%).
- Strong dollar payouts in the US, Japan, the UK and Australia were the driver of recent yield.
- Australian dividends grew +31.2%, when compared to Q1 last year. This builds on an impressive increase (80.6%) in the previous quarter. Financials were the driver in Q4, following the APRA announcements. In contrast, the large dollar increases in Q1 came from Energy and Materials companies. There were substantial increases from BHP group, Rio Tinto and Woodside Petroleum. This reflects the recent strength in commodity prices and consequent balance sheet strength in these sectors.

Dividend Change by Country  
(Q1 2022 v Q1 2021)



Source: Factset

Dividend Change by Sector  
(Q1 2022 v Q1 2021)



Source: Factset

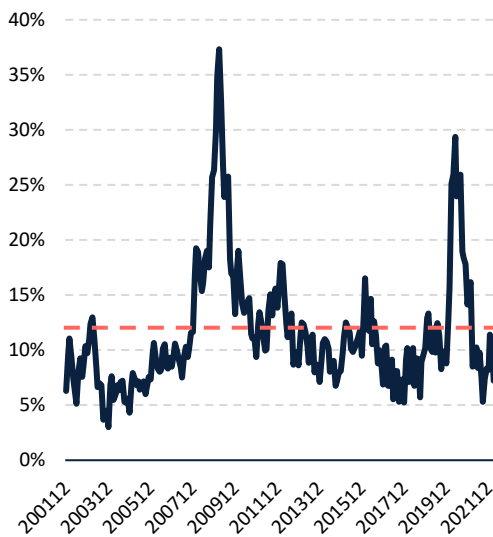
## What happened in global sectors through Q1?

- As the impact of covid 19 on dividends recedes, it was pleasing to see the majority of sectors were positive this quarter. The three largest increases in Q1 2022 were Energy +38%, Materials +32 % and Industrials +24%. Consumer Staples, -16%, was the only sector to decrease income in this period.
- Booming commodity prices continue to help strengthen balance sheets for Materials companies and resulted in another substantial increase in dividends. Examples of global companies, in this sector, that had large dollar increases were Anglo American and Nippon Steel corp. The largest changes in dollar terms came from Australian materials companies, BHP Group and Rio Tinto.
- Despite strong increases from some Consumer Staples companies, including Procter & Gamble, Coca Cola and Diageo, it was the only sector to decrease its payout versus Q1 last year. The biggest decrease was from Tesco PLC, who didn't pay a dividend in Q1 2022. However, this was not unexpected given the special dividend paid in the previous year was due to the divestment of their Asian operations.

## Interesting facts in global income

- When incorporating dividend cuts and initiations, 4.4 companies increased or initiated dividends for every one company that reduced or completely cut dividends versus the previous corresponding period. This is further proof of dividends continuing to strengthen.
- 51% of US companies paid a dividend in Q1. Well over half of these payers actually increased payout, including those that initiated dividends, when compared to Q1 2021.

Global Dividend Cut Probability Monthly



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.

Dividends continue to grow strongly after the pandemic driven cuts in 2020. Our model predicts another low quarterly chance of global developed market dividends being cut (7%). This remains well below the long term 12% average and indicates a positive outlook for retiree income.

The highest risk industry groups remain from Q4 2021, Telco's and Real Estate.

## In conclusion

- The dividend cut model has been very accurate in predicting the magnitude of dividend cuts. Pleasingly the low risk of cuts, from the Plato proprietary model, continues to signal a positive income outlook.
- Q1 continued on from a very strong 2021 for retiree income. This supports our positive dividend outlook, despite a heightened period of geopolitical risk and investor concern around pending central bank policies to address inflation.
- Looking at historical payouts is useful, but the current geopolitical and economic challenges make it imperative to look forwards. Stock selection, and avoiding dividend traps, remain key.

## Methodology

1. The methodology uses dividends paid, in AUD, however the ex dividend date is used to allocate the dividends in the relevant time period e.g. Q3 2020.
2. 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.
3. Full year dividend paid (\$) is the summation of dividend paid (\$) from Q1 to Q4 using the methodology (1).
4. 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.
5. Secondary issues are removed from the calculations to prevent double counting of income.

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