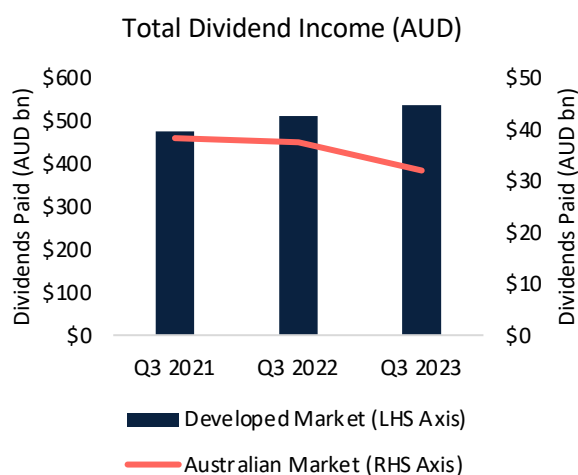
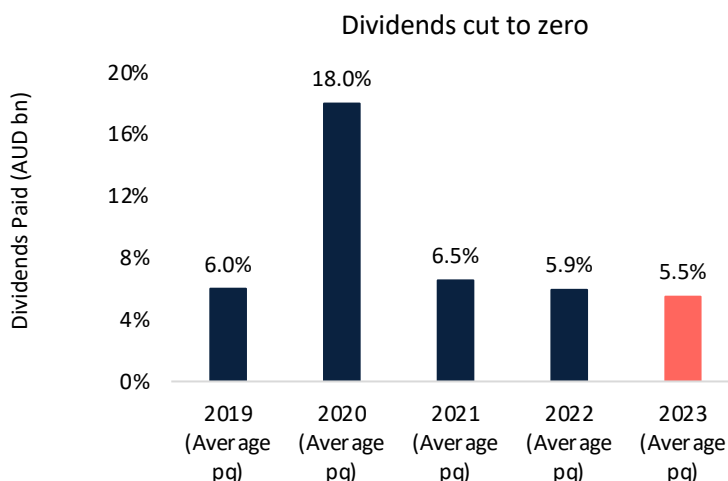


## What are the major trends in global income?

- In what is great news for retirees, the recent positive dividend growth continued into Q3 2023. The most recent quarter saw strong income growth in AUD terms (+5% v Q3 2022)
- Recently a weaker currency has benefited local investors, increasing both total returns and dividends from global markets, when translated to AUD. Although growth in local currency terms was positive (0.3%), the majority of the increase came from currency moves (4.7%).
- Global developed market companies had a strong quarter, paying out \$A536bn of dividends.
- Pleasingly, the small number of companies cutting to zero remained low in Q3 (5.2%). This supports our ongoing house view of continued dividend strength from global equities.
- The Plato Global Equity fund has consistently distributed 6% p.a. yield since inception, more than 4% p.a. above the index, highlighting the benefit of active management for income generation with a focus on avoiding dividend traps.



Source: Factset

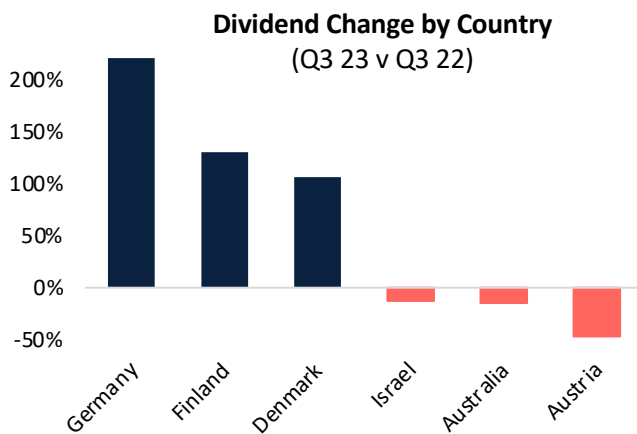


Source: Factset

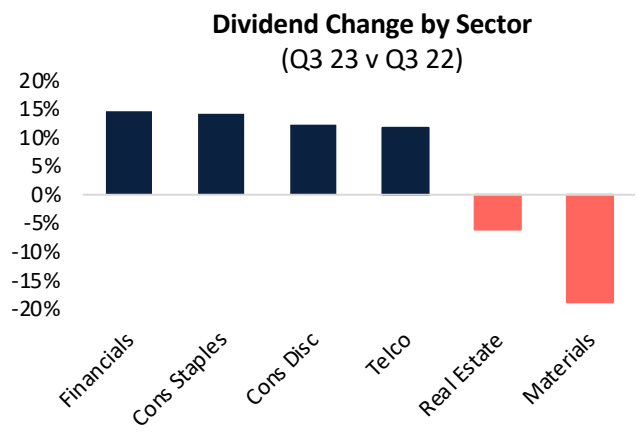
- Over half, 55%, of dividend paying companies increased or initiated dividends when compared to the same quarter last year. The number of companies decreasing payouts has fallen slightly, with respect to last quarter, to 10%.
- We continue to see some large companies, for example Microsoft, Exxon Mobil Corp and Visa Inc, significantly increase their dollar payouts. In addition, businesses that omitted dividends in the pandemic have paid special dividends, or now have the balance sheet confidence to return to regular dividends, for example HSBC and ING Groep NV.
- All three regions increased income, in AUD terms, when compared to the previous corresponding period in 2022. (North America +4%, Europe +13.2%, Asia +1.45%)

## Which countries are leading the charge?

- Europe stood out, with the largest dividend growth of the regions. This growth was driven by Germany (+221%), Finland (131%) and Denmark (+107%). This offset decreases in Austria and Israel. From a dollar perspective, the UK contributed 40% of Europe's quarterly payout.
- The US (+4%) posted relatively low growth, but still provided half (49%) of the total income paid out in the most recent quarter.
- Although still one of the higher paying countries, Australia paid out less than in the corresponding quarter last year (-14.7% v Q3 2022). Q3 dividend reductions were dominated by materials companies. There was large reductions in dollar dividends, versus Q3 last year, from BHP (-51%), Rio Tinto (-32%), South32 (-80%) and Fortescue Metals Group Ltd (-17%), reflecting a decline in commodity prices, primarily iron ore.



Source: Factset



Source: Factset

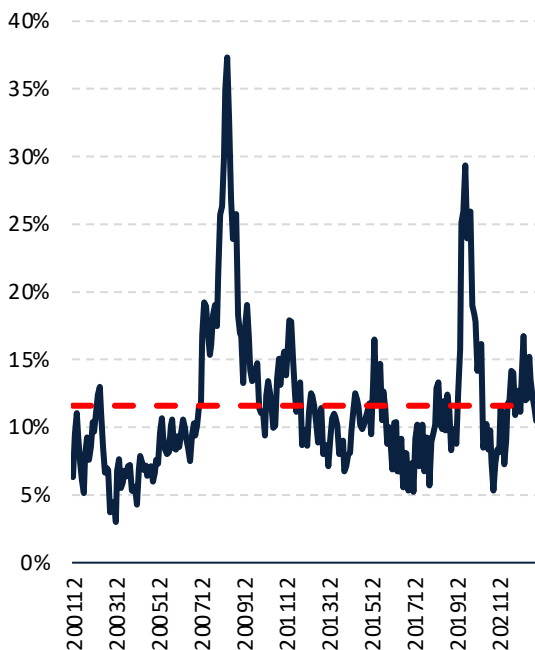
## What happened in global sectors?

- Financials (+15%) posted the highest growth, versus Q3 2022, followed by Consumer Staples (+14%) and Consumer Discretionary (+12%). Most sectors were positive, in contrast to Real Estate and Materials, that significantly decreased payouts.
- The Australian companies highlighted above dominated the dollar fall in the global materials sector.
- Consumer stocks continue to defy challenging economic times. Large dividends within Consumer Discretionary came from auto companies, including Toyota Motor Corp, Honda Motor Corp and Ford Motor Company. This was consolidated by substantial dividends from US retailer, Home Depot Inc and McDonald's Corp. Within Consumer Staples global alcohol businesses, Pernod Ricard and Diageo, posted strong growth in dividends.
- In the Financials' sector Dutch bank, ING Groep NV, and US payment company, American Express Co, demonstrated significant increases in income, supported by strong growth in Asian Financials, Overseas Chinese Banking Corp and United Overseas Bank.

## 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 period. This is further proof of dividends continuing to strengthen.
- 46% of US companies paid a dividend in Q3. Strong ratios were evident in Singapore (71%), Canada (68%) and New Zealand (68%).

**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.

Our model is now predicting a lower-than-average probability of dividend cuts in global developed markets. This is a positive sign, suggesting a moderation in concerns of an impending hard economic landing from rising inflation and interest rates. This continues to indicate a positive outlook for retiree income.

Real Estate and Materials/Energy are the highest risk industry groups and already cut in Q3. The former is driven by the risk from rising bond yields, while the latter reflects demand concerns and a revaluation of commodity prices.

## In conclusion

- Q3 reflects another quarter of positive dividend growth in AUD terms. However, clients need to be clear that the impact of a weaker domestic dollar has boosted payouts to Australian investors throughout recent times. This demonstrates the importance of active management when generating income from equity investments. For clients that wish to have access to growth markets, and income, avoiding dividend traps and being conscious of sector trends is key.
- The Plato model predicts a low probability of dividend cuts, which is a positive for retirees. However, the current macroeconomic backdrop highlights the need for caution.

## 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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