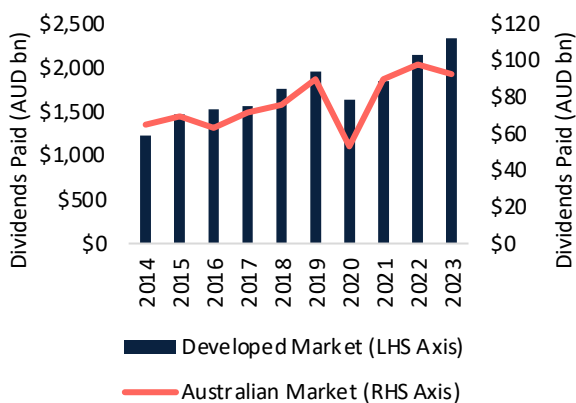


**What are the major trends in global income?**

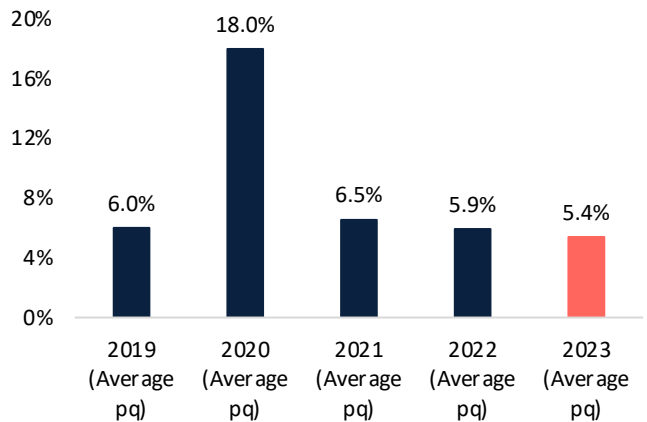
- In what is great news for retirees invested globally for income, 2023 ended strongly with a +23.2% (MSCI World in AUD) total return and +8.9% (in AUD terms) growth in dividends. Quarterly dividend growth of 6.2% (v Q4 2022 in AUD), contributed to strong 2023 numbers
- When comparing 2023 to 2022, dividends grew 4.1% in local currency terms, increasing to +8.9% in AUD. In this period, a weaker domestic currency has benefited local investors, increasing both total returns and dividends when translated to AUD.
- Global developed market companies had a strong quarter, paying out A\$447bn of dividends.
- The number of companies cutting to zero remained low in Q4 (5.2%). This supports our ongoing house view of continued dividend strength from global equities.
- The Plato Global Equity fund has consistently distributed almost 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.

**Total Dividend Income (AUD)**



Source: Factset

**Dividends cut to zero**

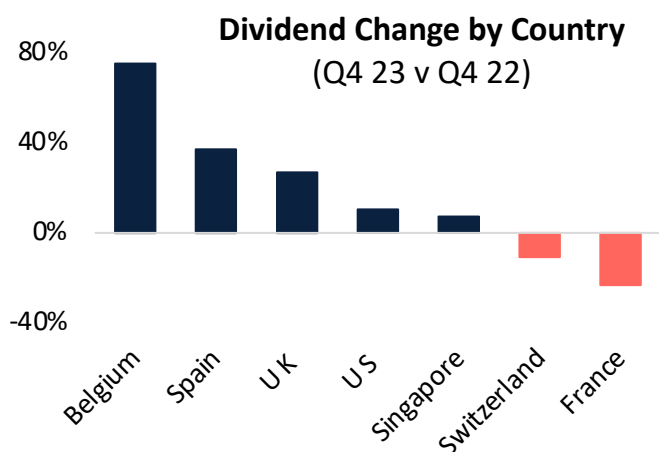


Source: Factset

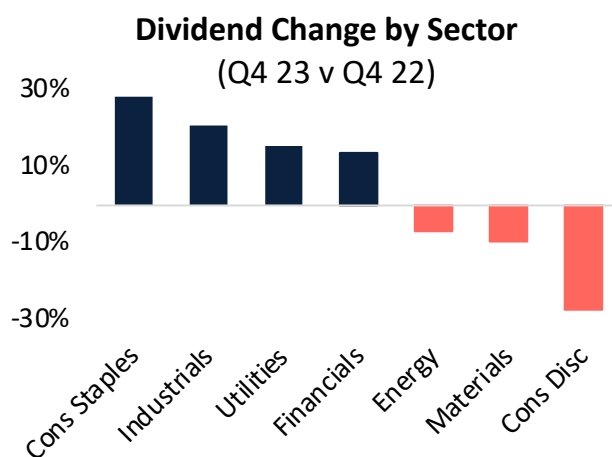
- Over half, 54.8%, of dividend paying companies increased or initiated dividends when compared to the same quarter last year. The number of companies decreasing payouts remained constant, with respect to last quarter, at 10%.
- We continue to see some large companies, for example Shell, Microsoft and LVMH Moët Hennessy Louis Vuitton, 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 Walt Disney and Southwest Airlines.
- Two of the three regions increased income, in AUD terms, when comparing Q4 to the previous corresponding period in 2022. (North America +9.2%, Europe -2.3%, Asia +2.1%)

## Which countries are leading the charge?

- The majority of countries increased dividends in 2023, versus 2022. Australia was one of the only countries to decrease payouts, although it doesn't benefit from the currency effect (US +8.1%, Spain +33.2%, Denmark +53%, Australia -5.4%).
- After a strong Q3, Europe contracted in Q4. The underlying countries varied widely, from strong growth in Belgium (+75%) and Spain (+37%) to falling yield in France (-23%) and Switzerland (-11%). The UK grew strongly, +26.8% and from a dollar perspective contributing 36% of European Q4 yield.
- The US (+10.4%) posted strong Q4 growth and contributed two thirds of overall global income
- After annual growth of 9% in 2022, in Australia, dividends contracted in 2023. Despite this Australia was still the 5<sup>th</sup> highest paying country in Q4, a quarter with 1.8% growth in yield. Large Q4 dollar increases came from the banking sector, with ANZ, Westpac and NAB raising this dividends per share.



Source: Factset



Source: Factset

## What happened in global sectors?

- Comparing calendar years, 2023 to 2022, all sectors except for materials (-11.5%) posted growth. Significant increases came from consumer staples (+16.9%) and Utilities (+15.7%).
- As the chart shows, Q4 yield was driven by Consumer Staples (+28.4%), offset by a fall in Consumer Discretionary (-27.2%) payouts.
- Energy companies were the standout in Q4 2022, when the commodity rally fortified balance sheets and the sector returned 60% over the year. As returns fell in 2023, reflecting the revaluation in commodity prices, Q4 payouts fell versus Q4 2022. There were significant dollar decreases from Energy companies, which included ConocoPhillips.
- After strong 2022 household balance sheets, cost of living pressures and weak consumer sentiment dominated 2023. This was reflected in falling Discretionary yields, i.e. Volkswagen.
- Consumer Staples companies were more resilient to the environment, and despite weaker stock market returns, dividend payouts from businesses including Costco and PepsiCo grew considerably.

## 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 versus the previous corresponding period. This is further proof of dividends continuing to strengthen.
- 48% of US companies paid a dividend in Q4. Although Canada (65%) also had a strong ratio, generally the percentage of payers was low.

**Global Dividend Cut  
Probability Monthly**



## In conclusion

- 2023 was another year of positive returns and dividend growth for investors allocating to global equities. In addition, the benefit of currency exposure was evidenced by its boost to payouts. The disparity between yields from different sectors continued to demonstrate the importance of active management for income investors.
- The Plato model predicts a low probability of dividend cuts, which is a positive for retirees. However, as we look to 2024 there are a number of potential challenges for global markets, proving the need for strong risk management and a diversified investment approach.

## 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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