UK Dividend Monitor

LINK Asset Services

Issue 37 | Q1 2019

Markets calmed significantly in the first quarter as central banks responded to weakening global economic growth by signalling that interest rates rises were on hold. The US Federal Reserve has also sharply reduced its plans to drain liquidity from the system – so called reverse-quantitative easing or quantitative tightening – and that has restored some confidence in financial markets too.

For UK dividends this year a big unknown is the outlook for sterling, which is obviously entangled in the torturous twists and turns of the Brexit process. At the time of writing, Parliament was still in deadlock and the pound range-bound. A fall in the pound from a 'no deal' exit will increase the value of dividends from the UK's biggest multinationals, most of which declare dividends in dollars. A rise in the pound from a satisfactorily negotiated outcome would reduce the total in sterling terms.

In the latest quarterly Link Asset Services UK Dividend Monitor, we consider the most recent trends in UK dividend payments, and the outlook for the rest of 2019.

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Executive Summary

Overview

- UK dividends rose 15.7% on a headline basis to a Q1 record of £19.7bn
- A huge special from BHP boosted the total
- Underlying growth of 5.5% was weaker than we expected from larger and smaller companies alike
- Exchange-rate effects boosted the growth rate by 3.7 percentage points

Sectors & Companies

- Oil and pharmaceutical dividends made up almost two-fifths of Q1 payouts – growth here was almost entirely due to exchange-rate effects
- Consumer dividends were boosted by tobacco, but held back by retail
- Telecom dividends fell year-on-year

Top 100 v Mid 250

- Mid-cap dividends fell 2.5% on underlying basis
- Top 100 payouts rose 6.3% on an underlying basis, mainly due to exchange-rate effects
- Top 100 headline dividends rose 17.5% owing to specials while mid-caps were flat

Yield

- UK shares collectively set to yield 4.6%, down slightly from 4.8% in January, but still extremely high by historic standards
- Top 100 set to yield 4.8% over the next 12 months; mid-caps 3.1%
- Other asset classes yield significantly less

Outlook

- Underlying dividend forecast for 2019 reduced a touch to £99.7bn, an increase of 3.9% year-on-year
- Headline dividend forecast increased to £106.1bn, up 6.3%, and a clear record
- Special dividends set to be very large in 2019, much higher than the long-run average – likely to be £6.4bn
- Exchange-rate effects are very unpredictable this year, as sterling is very sensitive to Brexit. At the current exchange rate, we expect a gain of £920m in 2019

Overview

UK dividends rose **15.7%** on a headline basis to a Q1 record of **£19.7bn**

A huge special from BHP boosted the total

Underlying growth of **5.5%** was weaker than we expected

UK dividends jumped 15.7% in Q1 2019 to £19.7bn, easily a first quarter record. The dramatic increase was mainly influenced by very large special dividends; underlying growth as actually slightly slower than we expected.

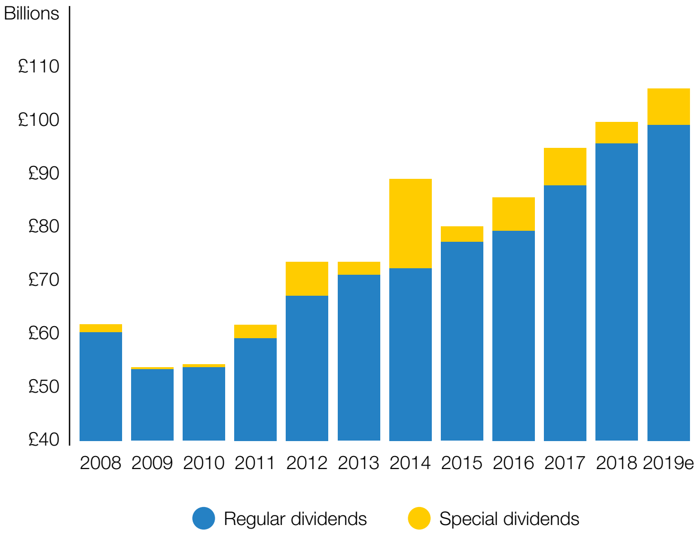
The biggest impact came from BHP. The global mining group paid a huge £1.7bn special dividend from the proceeds of the disposal of its US shale oil interests, on top of a healthy increase in its final dividend. Consequently, BHP was the second largest dividend payer in Q1. The first quarter normally marks the seasonal low point for dividends, but the big bump in specials this time round means Q1 payouts are likely to exceed Q4 in 2019.

Underlying dividends (which exclude specials) rose 5.5% to £17.6bn, approximately 1.5 percentage points slower than we expected, thanks in particular to weakness in telecoms and retail, but growth from top 100 and mid-cap companies alike was a little lower than we expected.

"The dramatic increase was mainly influenced by very large special dividends."

Dividends Paid £bn	Q1	Q2	Q3	Q4	Full Year
2007	£9.6	£20.5	£15.6	£12.0	£57.6
2008	£11.4	£20.6	£17.1	£12.8	£62.0
yoy	*19.8%*	*0.9%*	*9.5%*	*7.2%*	*7.7%*
2009	£12.7	£15.7	£15.7	£10.1	£54.1
yoy	*10.7%*	*-24.0%*	*-8.2%*	*-21.6%*	*-12.8%*
2010	£13.7	£14.4	£16.9	£9.4	£54.6
yoy	*8.4%*	*-8.0%*	*8.3%*	*-6.2%*	*0.9%*
2011	£14.2	£16.4	£19.5	£11.7	£61.8
yoy	*3.6%*	*13.4%*	*15.2%*	*24.4%*	*13.4%*
2012	£17.2	£21.6	£21.7	£13.4	£73.9
yoy	*20.9%*	*32.0%*	*11.1%*	*14.1%*	*19.5%*
2013	£12.8	£23.7	£23.0	£13.9	£73.4
yoy	*-25.4%*	*9.6%*	*6.0%*	*3.7%*	*-0.7%*
2014	£27.9	£23.7	£23.4	£13.9	£88.9
yoy	*117.7%*	*0.2%*	*1.7%*	*-0.3%*	*21.1%*
2015	£13.4	£27.0	£24.7	£15.0	£80.1
yoy	*-51.9%*	*13.8%*	*5.7%*	*8.1%*	*-9.9%*
2016	£14.3	£29.5	£26.7	£15.3	£85.8
yoy	*6.3%*	*9.1%*	*8.1%*	*2.2%*	*7.1%*
2017	£15.5	£33.4	£31.1	£15.0	£95.0
yoy	*8.8%*	*13.4%*	*16.3%*	*-2.1%*	*10.8%*
2018	£17.1	£33.1	£32.3	£17.3	£99.8
yoy	*9.9%*	*-0.9%*	*4.0%*	*15.6%*	*5.1%*
2019e	£19.7	£35.8	£33.0	£17.5	£106.1
yoy	*15.7%*	*8.2%*	*2.1%*	*1.1%*	*6.3%*

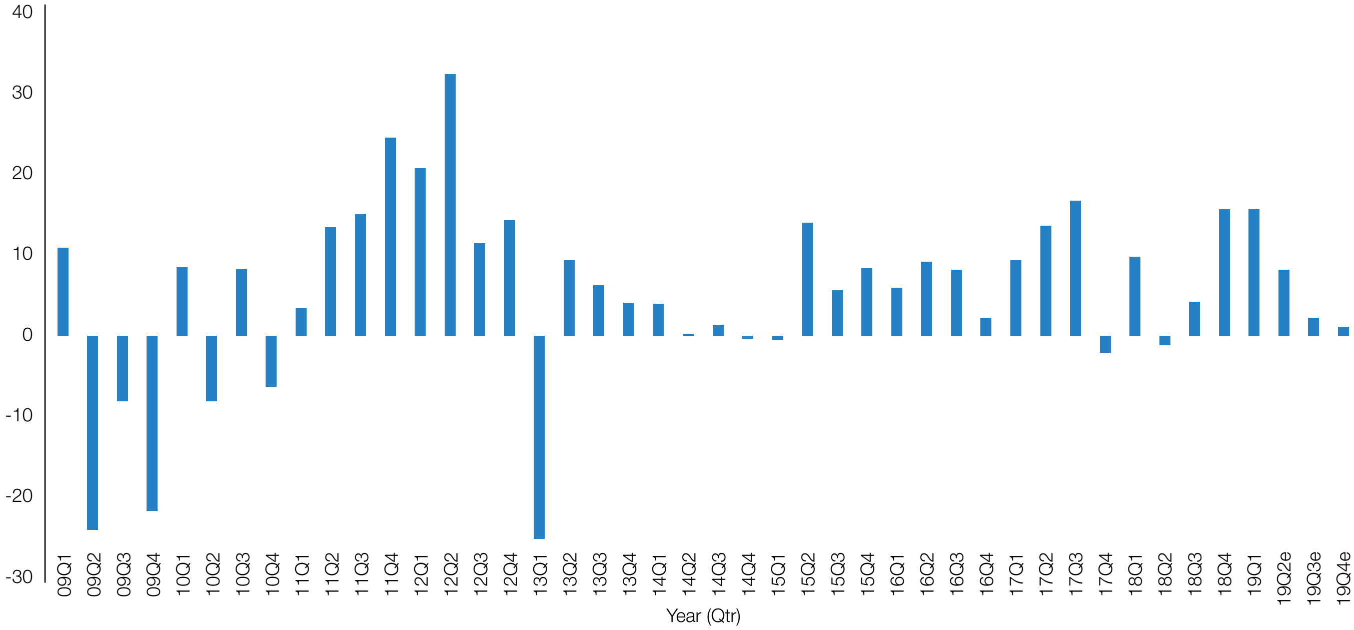
UK dividends (full-year basis)



Overview, continued

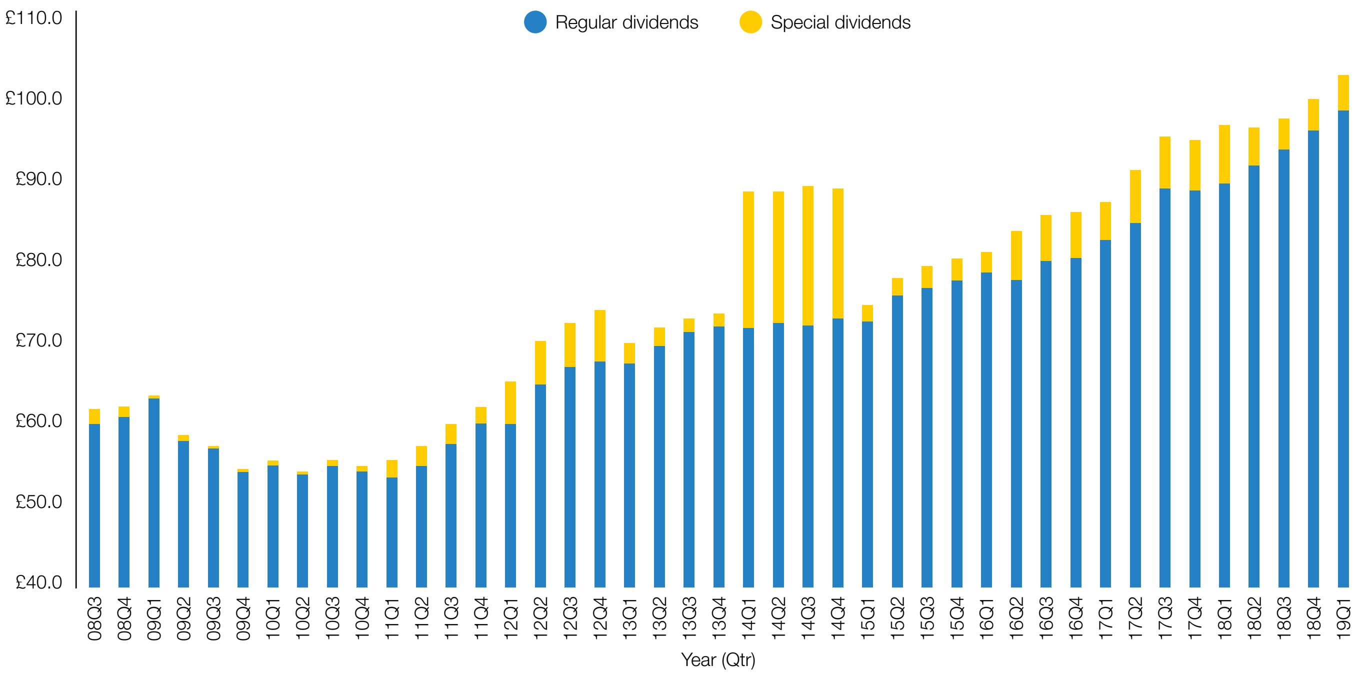
Growth in quarterly dividends, year on year

Percentage



Rolling 12-month dividends

Billions



Special Dividends & Exchange-Rate Factors

Despite recent rise in pound, exchange-rate effects boosted payouts by **£613m**

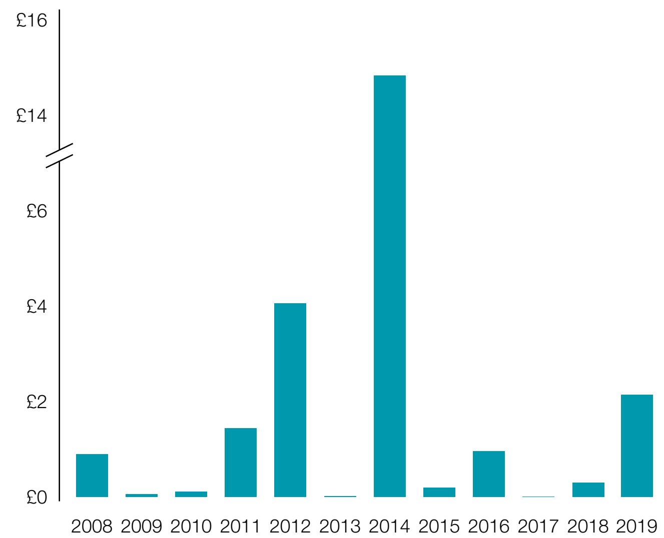
Special dividends are set for bumper 2019, following BHP's large payout in Q1

Sterling strengthened slightly in the first quarter as investors judged that the UK was moving towards a softer outcome for Brexit. It rose more against the euro as evidence mounted of the economic slowdown taking place across the continent. Time will tell whether this judgement was correct, but it nonetheless had an immediate effect on dividends paid in the first quarter. Despite the rise in the pound, the exchange rate was still some way below its level in Q1 2018 against the US dollar, meaning that dividends paid in dollars were worth more in sterling terms. It was a touch higher year-on-year against the euro, leading to a very small penalty on euro-denominated payments. The net effect was to boost the value of Q1 dividends by £613m, or 3.7 percentage points, and accounted for two thirds of the underlying growth rate.

BHP's enormous special dividend dwarfed others paid in the quarter, including £369m from Intercontinental Hotels, which would otherwise have stood out in its own right. BHP's special is, in our view, an example of best practice, using a special dividend to reflect a major change in the structure of its business, rather than simply because it was trading well. Rio Tinto is following suit in the second quarter, distributing proceeds from the sale of its Australian coal assets. It's clear that, far from reverting to mean in 2019 which is always our base-case expectation for unpredictable special dividends, they are instead set for a bumper year.

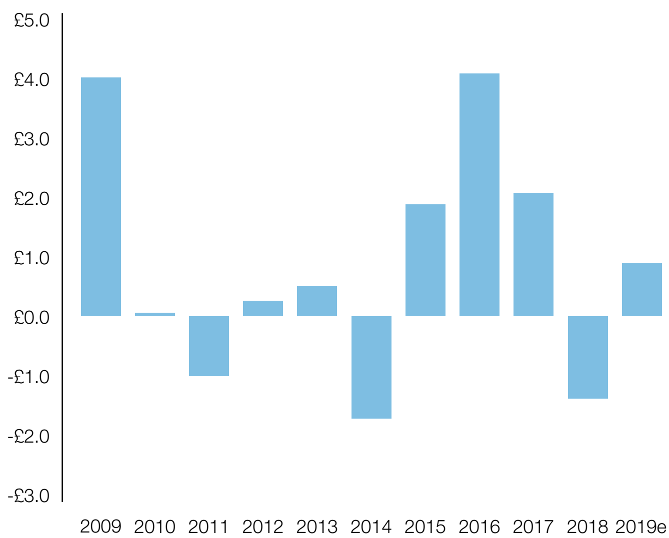
Q1 Special dividends

Billions



Exchange-rate boost/penalty (full-year basis)

Billions



Sectors & Companies

Oil and pharmaceutical dividends made up almost two-fifths of Q1 payouts, with growth due to exchange-rate effects

Consumer dividends were boosted by tobacco, but held back by retail

Telecom dividends fell year-on-year

Oil companies paid almost a quarter of the UK total in the first quarter. Oil payouts rose 5.4% year-on-year though most of this increase was down to the weakness of the pound compared to Q1 last year. Shell is the UK and the world's largest dividend payer, and it maintained the top spot in Q1. In dollar terms, however, the latest payout was the 20th consecutive distribution held steady at 47c per share.

Shell has a proud record of not having cuts its dividend since WW2, and even resorted to borrowing in recent years to maintain it when oil prices fell sharply. At present, the company is engaged in a modest buyback programme as an alternative way of returning capital to shareholders, rather than increasing its dividend and setting higher expectations for the future. It also cancelled its scrip dividend a year ago (which offered shares in lieu of cash) and is now paying all its dividends in cash.

BP, by contrast, raised its dividend last summer and so has been able to show year-on-year growth. BP continues to pay a scrip dividend however, though last year it introduced a share buy-back to offset the dilutive effect the new shares created each quarter.

Pharmaceutical companies accounted for £1 in every £7 paid in Q1. The 5.9% increase was almost entirely down to exchange-rate movements. AstraZeneca, the largest payer, held its dividend flat in US dollar terms, but this was translated to sterling at a more favourable rate year-on-year. Glaxosmithkline's dividend was also flat. The consumer goods and housebuilding sector was the third largest payer in Q1. The largest here are British American Tobacco and Imperial Brands, which raised their dividends by 12% and 10% respectively, as overseas earnings boosted sterling profits. Recent rapid growth in housebuilder dividends has now begun to slow, however.

The mining sector, of course, saw the fastest growth owing mainly to the big special dividend from BHP, and positive exchange-rate effects, but even without these two factors, growth was well ahead of most other sectors.

Weaker sectors include telecoms, where BT cut its payout and Vodafone's was flat in euro terms (slightly lower in sterling). Retail was also disappointing: most companies held payouts flat (eg Marks & Spencer). Some retailers cut their dividends in response to tough trading conditions: Dixons Carphone blamed a slower renewal cycle for handsets for its poor performance, while Debenhams cancelled its payout altogether as the company teetered on the brink of administration.

"Shell is the UK and the world's largest dividend payer, and it maintained the top spot in Q1. In dollar terms, however, the latest payout was the 20th consecutive distribution held steady at 47c per share."

Sectors & Companies, continued

Q1 Dividends - top companies

Rank	08Q1	09Q1	10Q1	11Q1	12Q1	13Q1
1	Vodafone Group plc	BP plc	BP plc	Astrazeneca plc	Vodafone Group plc	Royal Dutch Shell plc
2	BP plc	Royal Dutch Shell plc	Royal Dutch Shell plc	Royal Dutch Shell plc	Cairn Energy	Vodafone Group plc
3	Royal Dutch Shell plc	Astrazeneca plc	Astrazeneca plc	Vodafone Group plc	Royal Dutch Shell plc	Astrazeneca plc
4	HSBC Holdings plc	HSBC Holdings plc	Vodafone Group plc	International Power plc	Astrazeneca plc	BP plc
5	Astrazeneca plc	Vodafone Group plc	HSBC Holdings plc	HSBC Holdings plc	HSBC Holdings plc	Glaxosmithkline plc
Subtotal £bn	£5.7	£7.9	£7.0	£7.0	£9.8	£7.0
% of total dividends	50%	62%	51%	49%	73%	54%
6	Reed Elsevier plc	Glaxosmithkline plc	Glaxosmithkline plc	Glaxosmithkline plc	BP plc	BHP Billiton plc
7	Glaxosmithkline plc	BHP Billiton plc	BHP Billiton plc	BP plc	Glaxosmithkline plc	Imperial Tobacco Group plc
8	Imperial Tobacco Group plc	Imperial Tobacco Group plc	Imperial Tobacco Group plc	BHP Billiton plc	BHP Billiton plc	National Grid plc
9	BT Group	BT Group	National Grid plc	Imperial Tobacco Group plc	Imperial Tobacco Group plc	Barclays plc
10	BHP Billiton plc	National Grid plc	Unilever plc	Rio Tinto plc	National Grid plc	Unilever plc
11	National Grid plc	Scottish & Southern Energy plc	Scottish & Southern Energy plc	National Grid plc	Barclays plc	Compass Group
12	Scottish & Southern Energy plc	Compass Group	BT Group	Barclays plc	Unilever plc	SSE plc
13	Compass Group	Marks & Spencer Group	Compass Group	Compass Group	Compass Group	BT Group
14	Marks & Spencer Group	Associated British Foods plc	Barclays plc	Unilever plc	SSE plc	Associated British Foods plc
15	Premier Foods	British Land Co plc	Cadbury plc	Scottish & Southern Energy plc	BT Group	Rolls-Royce Holdings plc
Subtotal £bn	£3.7	£3.2	£3.3	£4.8	£5.0	£3.8
Top 15 Grand Total £bn	£9.4	£11.0	£10.3	£11.8	£14.8	£10.8
% of total dividends	82%	87%	75%	83%	86%	84%

Rank	14Q1	15Q1	16Q1	17Q1	18Q1	19Q1
1	Vodafone Group plc	Royal Dutch Shell plc	Royal Dutch Shell plc	Royal Dutch Shell plc	Royal Dutch Shell plc	Royal Dutch Shell plc
2	Royal Dutch Shell plc	Astrazeneca plc	Astrazeneca plc	Astrazeneca plc	Astrazeneca plc	BHP Group plc
3	Astrazeneca plc	BP plc	BP plc	BP plc	BP plc	Astrazeneca plc
4	BP plc	Vodafone Group plc	Vodafone Group plc	Vodafone Group plc	Vodafone Group plc	BP plc
5	Glaxosmithkline plc	Glaxosmithkline plc	Glaxosmithkline plc	Glaxosmithkline plc	British American Tobacco	Vodafone Group plc
Subtotal £bn	*£21.2*	*£6.6*	*£7.5*	*£8.7*	*£7.8*	*£10.1*
% of total dividends	*76%*	*50%*	*52%*	*56%*	*46%*	*51%*
6	Imperial Tobacco Group plc	BHP Billiton plc	National Grid plc	BHP Billiton plc	Glaxosmithkline plc	British American Tobacco plc
7	BHP Billiton plc	Imperial Tobacco Group plc	Imperial Brands plc	National Grid plc	BHP Billiton plc	Glaxosmithkline plc
8	Barclays plc	National Grid plc	Mediclinic International plc	Imperial Brands plc	Imperial Brands plc	Imperial Brands plc
9	National Grid plc	BT Group	BT Group	BT Group	National Grid plc	National Grid plc
10	Easyjet plc	Compass Group plc	Johnson Matthey plc	Unilever plc	BT Group	BT Group
11	Compass Group	Unilever plc	Compass Group plc	Compass Group plc	Unilever plc	Evraz plc
12	Unilever plc	SSE plc	Unilever plc	SSE plc	Persimmon plc	Compass Group plc
13	BT Group	Associated British Foods plc	SSE plc	Easyjet plc	Compass Group plc	Persimmon plc
14	SSE plc	Easyjet plc	BHP Billiton plc	Associated British Foods plc	Evraz plc	Unilever plc
15	Associated British Foods plc	Rolls-Royce Holdings plc	Easyjet plc	Aberdeen Asset Management	SSE plc	Intercontinental Hotels Group
Subtotal £bn	*£4.2*	*£4.0*	*£3.5*	*£3.8*	*£5.1*	*£5.7*
Top 15 Grand Total £bn	*£25.4*	*£10.6*	*£10.9*	*£12.5*	*£12.9*	*£15.8*
% of total dividends	*91%*	*79%*	*77%*	*80%*	*76%*	*80%*

Sectors & Companies, continued

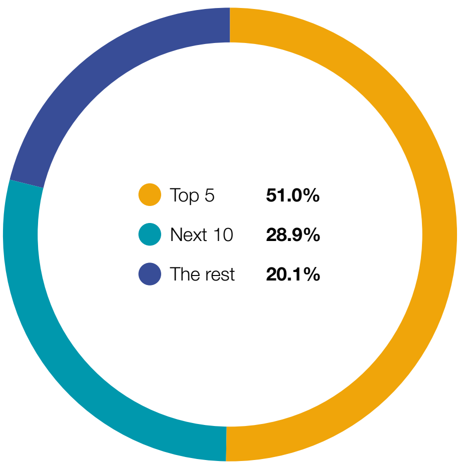
Dividends – by industry

Industry £m	Resources & Commodities	Consumer Goods & Housebuilding	Retail & Consumer Services	Banks & Financials	Healthcare & Pharmaceuticals	Industrials	Oil, Gas & Energy	Information Technology	Telecoms	Domestic Utilities	Total
07Q1	£335	£907	£943	£1,344	£1,541	£230	£2,039	£41	£1,689	£487	*£9,557*
08Q1	£447	£825	£1,944	£1,440	£1,679	£251	£2,407	£101	£1,810	£540	*£11,445*
yoy	*34%*	*-9%*	*106%*	*7%*	*9%*	*9%*	*18%*	*147%*	*7%*	*11%*	*20%*
09Q1	£707	£697	£788	£1,867	£2,257	£250	£3,564	£107	£1,846	£585	*£12,668*
yoy	*58%*	*-16%*	*-59%*	*30%*	*34%*	*0%*	*48%*	*6%*	*2%*	*9%*	*11%*
10Q1	£704	£1,091	£700	£2,813	£2,318	£294	£3,271	£122	£1,705	£714	*£13,732*
yoy	*0%*	*56%*	*-11%*	*51%*	*3%*	*18%*	*-8%*	*13%*	*-8%*	*22%*	*8%*
11Q1	£1,293	£1,091	£879	£1,618	£2,455	£382	£2,437	£92	£1,753	£2,221	*£14,220*
yoy	*84%*	*0%*	*26%*	*-42%*	*6%*	*30%*	*-26%*	*-24%*	*3%*	*211%*	*4%*
12Q1	£809	£1,180	£1,034	£1,857	£2,443	£417	£4,709	£110	£3,773	£864	*£17,197*
yoy	*-37%*	*8%*	*18%*	*15%*	*0%*	*9%*	*93%*	*20%*	*115%*	*-61%*	*21%*
13Q1	£995	£1,308	£940	£830	£2,387	£449	£3,023	£102	£1,869	£920	*£12,824*
yoy	*23%*	*11%*	*-9%*	*-55%*	*-2%*	*8%*	*-36%*	*-7%*	*-50%*	*6%*	*-25%*
14Q1	£835	£1,520	£1,270	£1,222	£2,401	£481	£2,802	£103	£16,332	£952	*£27,918*
yoy	*-16%*	*16%*	*35%*	*47%*	*1%*	*7%*	*-7%*	*1%*	*774%*	*4%*	*118%*
15Q1	£1,082	£1,636	£1,238	£712	£2,509	£585	£3,250	£119	£1,305	£986	*£13,422*
yoy	*30%*	*8%*	*-3%*	*-42%*	*5%*	*22%*	*16%*	*16%*	*-92%*	*3%*	*-52%*
16Q1	£619	£1,347	£1,404	£851	£2,983	£625	£3,962	£129	£1,355	£998	*£14,273*
yoy	*-43%*	*-18%*	*13%*	*20%*	*19%*	*7%*	*22%*	*8%*	*4%*	*1%*	*6%*
17Q1	£772	£1,499	£1,355	£913	£2,850	£612	£4,776	£168	£1,576	£1,015	*£15,535*
yoy	*25%*	*11%*	*-3%*	*7%*	*-4%*	*-2%*	*21%*	*29%*	*16%*	*2%*	*9%*
18Q1	£1,303	£2,994	£1,652	£755	£2,667	£693	£4,281	£115	£1,622	£986	*£17,068*
yoy	*69%*	*100%*	*22%*	*-17%*	*-6%*	*13%*	*-10%*	*-32%*	*3%*	*-3%*	*10%*
19Q1	£3,204	£3,186	£1,690	£923	£2,825	£631	£4,511	£145	£1,596	£1,031	*£19,739*
yoy	*146%*	*6%*	*2%*	*22%*	*5.9%*	*-9%*	*5%*	*26%*	*-2%*	*5%*	*16%*

Dividends – by sector

Sector £m	18Q1	19Q1	Headline change year on year	Underlying change year on year
Mining	£1,165	£3,046	161%	16%
Industrial Chemicals	£138	£158	14%	9%
Motor Manufacturing & Parts	£0	£0		
Beverage & Food Producers	£343	£397	16%	16%
Consumer Goods & Housebuilding	£2,651	£2,789	5%	5%
Media	£294	£111	-62%	-9%
Food & General Retailing	£546	£367	-33%	-23%
Airlines, Leisure & Travel	£812	£1,212	49%	4%
Banks	£9	£44	400%	400%
General Financials	£316	£401	27%	26%
General & Life Insurance	£39	£41	6%	6%
Property	£391	£437	12%	12%
Healthcare & Pharmaceuticals	£2,667	£2,825	6%	6.5%
Building Materials & Construction	£2	£2	-5%	-5%
Industrial Goods & Support	£691	£628	-9%	2%
Oil, Gas & Energy	£4,281	£4,511	5%	5%
Information Technology	£115	£145	26%	26%
Telecoms	£1,622	£1,596	-2%	-2%
Domestic Utilities	£986	£1,031	5%	5%

Concentration of dividend payments among UK companies – Q1 2019



Top 100 v Mid 250

Mid-cap dividends fell **2.5%** on underlying basis

Top 100 payouts rose **6.3%** on an underlying, mainly due to exchange-rate effects

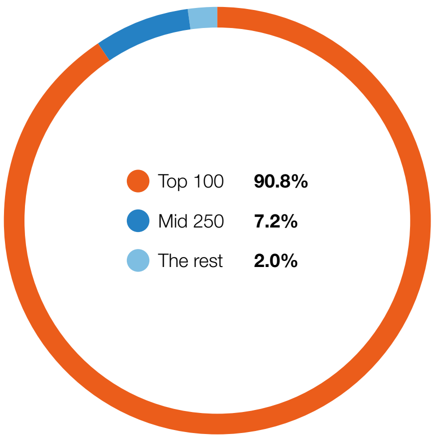
Top 100 headline dividends rose **17.5%** owing to specials while mid-caps were flat

Mid-cap dividends lagged the top 100, even after allowing for specials, and for the fact that the top 100 benefitted disproportionately from positive exchange-rate effects. The mid 250 saw payouts fall 2.5% on an underlying basis (ie excluding specials), compared to an increase of 6.3% for the top 100. Approximately two thirds of the underlying increase for the top 100 was down to exchange-rate effects. Earnings growth for companies outside the multinational superleague has slowed markedly recently and this seems to be showing up in their dividend payouts now too.

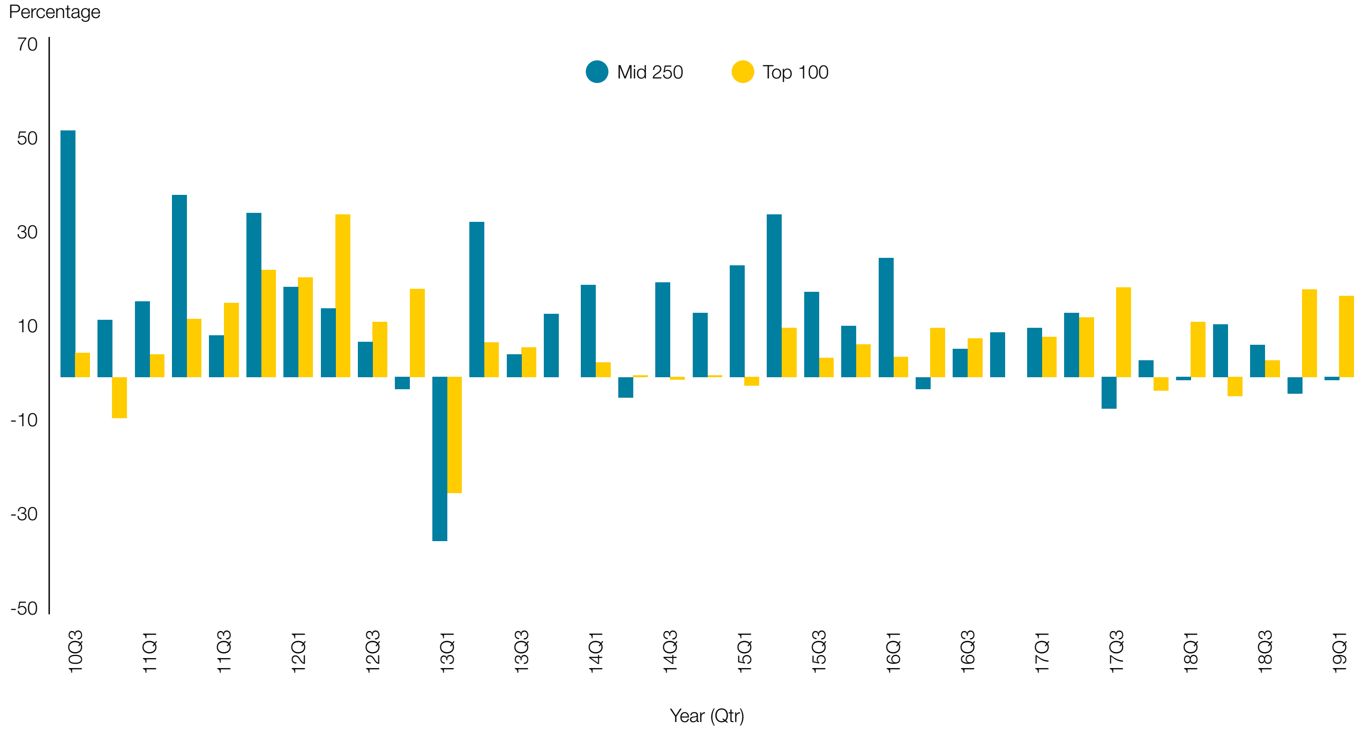
Headline growth was 17.5% for the top 100 thanks to the large haul of special dividends. The largest 100 companies paid a total of £17.9bn in Q1. Mid 250 dividends were flat in headline terms at £1.4bn, while small-cap payouts inched ahead 1.3% to £389m.

Mid-cap companies accounted for £1 in every £14 paid in Q1. Small caps were just £1 in every £50. The top 100 as ever dominated, contributing more than nine tenths of the total.

Q1 2019 share of UK dividends



Top 100 v Mid 250 – annual growth per quarter



> "Mid-cap dividends lagged the top 100, even after allowing for specials, and for the fact that the top 100 benefitted disproportionately from positive exchange-rate effects."

Yield

UK shares collectively set to yield **4.6%**, down slightly from **4.8%** in January, but still extremely high by historic standards

Top 100 set to yield **4.8%** over the next 12 months; mid-caps **3.1%**

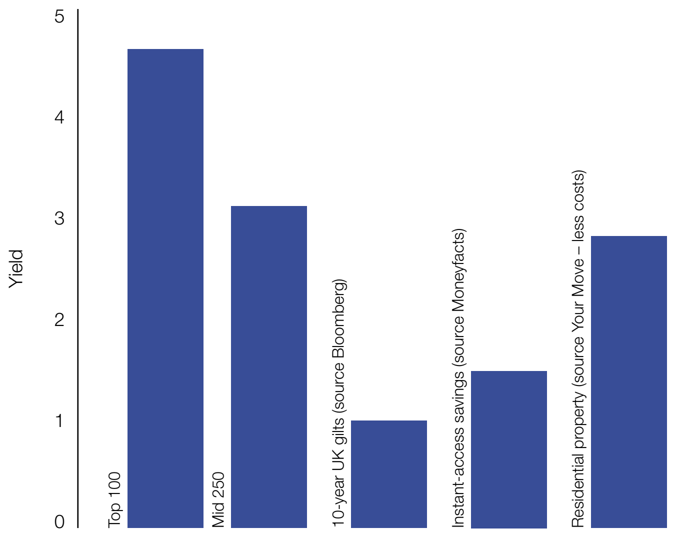
Other asset classes yield significantly less

Yield is the expected value of dividends divided by share prices and enables comparison between different asset classes. In our last report in January we revealed how the prospective 4.8% yield on UK equities equalled its highest level since the March 2009, when the UK stock market hit its low during the credit crunch and subsequent recession. We pointed out that this suggested a severe undervaluation of UK shares, which have been firmly out of favour with investors from around the world. Over the last three months, share prices have rebounded by around a tenth, but the yield remains very high and stocks continue to look cheap as a result. Excluding special dividends, the top 100 is set to yield 4.8% over the next 12 months, while the mid 250 will yield 3.1%. Collectively, UK shares will yield 4.6%.

Meanwhile, the yield on the UK 10 year gilt has fallen again, down to just 1.0%, while savings rates on instant access accounts are unchanged at 1.5%. Property yields are flat too. Equities, therefore, are providing far more income for every £1 invested than any other asset class. Of course this comes with risk to capital, but it also comes with the prospect of income growth over time, as the Dividend Monitor has repeatedly proved. In 2019, UK dividends will be 84% higher than they were at the peak of the pre-crisis boom in 2007, an increase almost 2.5x faster than inflation.

UK income

Percentage



Outlook

Underlying dividend forecast for 2019 reduced to **£99.7bn**, up **3.9%** year-on-year

Headline dividend forecast increased to **£106.1bn**, up **6.3%**, and a clear record

Special dividends set to be very large in 2019, likely to be **£6.4bn**

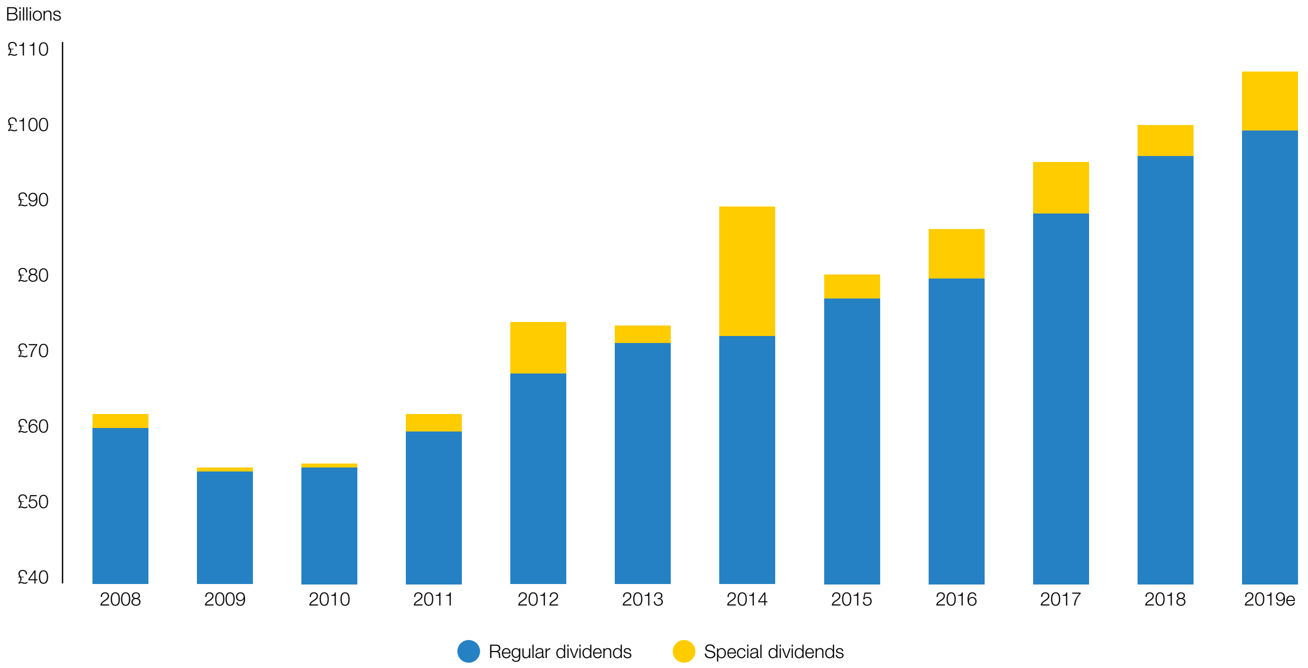
Uncertainty abounds in markets, about the world economy, and about the outlook for the UK in the light of the turmoil surrounding Brexit. For dividends, however, we are confident that 2019 will show good growth, even if the quality of that growth is relatively low: while the underlying dividend increase is likely to be relatively small, special dividends are going to boost the headline total markedly, with an additional fillip likely from exchange-rate effects.

Special dividends are by their nature very unpredictable. They are clearly going to be very large this year, and significantly higher than our initial estimate. We had assumed they would be similar to the long-run average (equivalent to £3.6bn for 2019), but they are now on track to be close to £6.5bn, thanks to the two enormous payments from BHP and Rio Tinto, and a third from RBS, set at close to £900m.

We do not attempt to forecast exchange rates themselves, but rather just assume they maintain the prevailing level for the rest of the year. At the time of writing, the pound is still weaker than the US dollar this time last year, so exchange-rate gains will continue on dollar dividends in Q2, but thereafter they will turn to small penalties. Against the euro, we expect modest exchange-rate penalties in each quarter. That means exchange rate gains for 2019 of £930m. Because the pound is has been rising against other currencies in the last three months, this total is £800m less than we pencilled in in January, when the pound was weaker than today. The pound could easily soar or collapse depending on what happens with Brexit, so the outlook is more than usually opaque.

Based on the slightly weaker-than-expected start to 2019, and slower growth in company earnings, we now expect underlying growth of 3.9% this year, down from 5.3% in January. We therefore expect underlying dividends (excluding specials) of £99.7bn, a comfortable record. (On a constant-currency basis, this means underlying growth of 2.9% down from an expected 3.6% in January). The big boost from special dividends takes headline dividends to a record £106.1bn, smashing through the £100bn mark for the first time and representing an increase of 6.3% year-on-year.

UK dividends (full-year basis)



Statistical Methodology

Link Asset Services analyses all the dividends paid out on the ordinary shares of companies listed on the UK Main Market. The research excludes investment companies such as listed investment trusts, whose dividends rely on income from equities and bonds. The Dividend Monitor takes no account of taxation on dividends, which varies according to investor circumstances. The raw dividend data was provided by Exchange Data International, and additional information is sourced directly from companies mentioned in the report.

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