July 2023

Henderson International Income Trust plc

2023 Global Dividend Cover Report

Marketing Communication

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MANAGED BY
Janus Henderson
INVESTORS

Contents

Introduction

The objective of Henderson International Income Trust (HINT) is to provide a high and rising level of dividends as well as capital appreciation over the long term from a focused and internationally diversified portfolio of securities outside the UK.

The ex-UK aspect of the portfolio allows investors to be confident of true stock specific diversification as many UK investors' income portfolios are often overweight the UK FTSE dividend payers. In other words, investors can flexibly choose how much international exposure they wish to add to their holdings, to meet their own investment objectives.

We are always focused on dividend sustainability. Dividend cover is a vital measure that describes the relationship between profits and dividends. The higher dividend cover is, the safer that dividend will typically be in tougher times. In our fourth annual Global Dividend Cover report, we include an analysis of dividend cover including share buybacks to present a clearer international and cross-sector comparison of how well supported returns of capital to shareholders have been by profits and cash flow.

Executive summary

Record Profits

- Global profits rose 5.8% to a record £3.06 trillion[1] in 2022, 49% above pre-pandemic levels
- Oil companies were by far the biggest driver of 2022's growth
- Asia Pacific, emerging markets and the UK saw the fastest profit growth in 2022 – long-term profit growth has been almost 2x faster outside the UK, however
- **Profit Forecast:** Global profit expected to be flat in 2023

Record Dividends & Share Buybacks

- Global dividends jumped 20.1% to a record £1.26 trillion[2] in 2022
- Dividends and share buybacks together totalled a record £2.29 trillion, up 25.4%
- **Dividend Forecast:** global dividends to rise 5.1% for 2023, taking the total to a record £1.33 trillion

There is no guarantee that past trends will continue or forecasts will be realised.

Dividend and Share Buyback Cover

- Dividends and share buybacks grew 4x faster than profits and 6x faster than cash flow in 2022
- Profits covered dividends and share buybacks 1.33x in 2022, down from record 2021 but in line with the long-run average
- Every industry grouping and every region saw lower cover year-on-year
- UK cover of 1.09x was below the global average and reflects the UK stock market's particular sector mix. UK cover is the third lowest in the world among similar countries as a result. The two lowest cover regions are the US and Switzerland [y]
- **Forecast for 2023:** Flat profit and modestly higher payouts mean a slight decline in dividend and buyback cover for 2023, but remaining in line with long run average

Viewpoint by Ben Lofthouse

- Sustainable, growing dividends are a crucial driver of long-term returns
- Companies will protect their dividend – buybacks typically bear the brunt of cash-preserving measures in a downturn
- Dividend cover is the comfort blanket. As profits grow, companies can increase the cash they hand back to shareholders

[1] Top 1,200 companies by market capitalisation.
[2] Top 1,200 companies by market capitalisation.

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Record profits

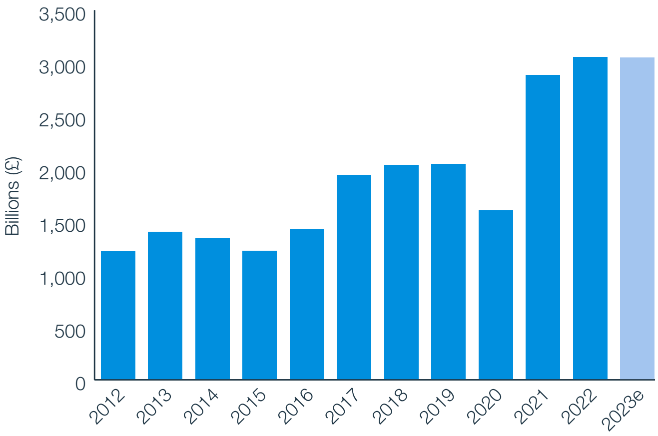
Global Profit, top 1,200 companies, by region – £bn

	2015	2016	2017	2018	2019	2020	2021	2022	2023e
North America	£539	£641	£779	£874	£959	£699	£1,321	£1,364	£1,364
Emerging Markets	£247	£287	£359	£387	£417	£425	£528	£600	£588
UK	£31	£36	£115	£91	£70	£16	£104	£132	£121
Europe ex UK	£180	£228	£328	£334	£302	£195	£483	£476	£481
Asia Pacific ex Japan	£140	£139	£209	£211	£186	£154	£262	£299	£299
Japan	£85	£96	£153	£137	£113	£118	£190	£185	£198
GLOBAL Top 1,200	**£1,222**	**£1,428**	**£1,943**	**£2,035**	**£2,047**	**£1,607**	**£2,888**	**£3,057**	**£3,052**
World ex UK	**£1,191**	**£1,392**	**£1,828**	**£1,944**	**£1,976**	**£1,590**	**£2,784**	**£2,925**	**£2,930**

Source: Janus Henderson & Factset, June 2023

Global profits rose to a new record in 2022, but growth has slowed markedly after the post-pandemic recovery

Global profit, top 1,200 companies



Source: Janus Henderson & Factset, June 2023

Having rebounded dramatically in 2021, global profits rose again in 2022, reaching a record £3.06 trillion 2022[3] after tax, and finishing the year an astonishing 49% higher than pre-pandemic levels three years earlier. 2022's 5.8% increase was, however, a touch below market expectations at the time of our last report as higher interest rates began to take effect on global growth. Growth was also less broad-based from a sector perspective. Moreover, just under three fifths (58%) of companies grew their profits year-on-year, a little below the long-run average (62%).

Oil producers were by far the biggest driver of higher profits

Oil producers made the largest contribution to global growth, with profits more than doubling[4] year-on-year to £383bn. Indeed, without them, global profits would have been flat year-on-year. Technology, beverage producers and transport companies were nevertheless also key positive drivers, as were banks which are benefiting from higher interest rates. But the rest of the financial sector, which includes insurance companies, investment firms and property groups saw sharply lower profits mainly owing to lower asset prices.

The analysis illustrates the fact that in recent years UK listed company profits have been highly cyclical reflecting the UK stock market sector mix, rather than the UK economy. Rapid 2022 growth reflected a handful of companies

Henderson International Income Trust (HINT) focuses on companies outside the UK, to offer its investors the benefits of diversification and long-term growth. Crucially, over the longer term, profits from companies listed outside the UK have grown almost twice as fast as UK plc and with less annual variability.[5] It is worth noting that this is not necessarily a result of the strength of the UK economy itself. The variability in UK profits is a feature of the mix of companies on the stock market, rather than the UK economy. Oil and mining companies are especially cyclical, as are banks, and these make up a significant proportion of the largest companies that this research covers.

At 27.2% UK profit growth was however higher in 2022 than it was in the rest of the world (+5.0%), mainly due to booming energy profits. Indeed, without the positive impact from Shell and Glencore (a large coal miner), UK profits would have been unchanged year-on-year.[6]

[3] Top 1,200 companies by market capitalisation.
[4] +122%.
[5] 2012-2022 UK net profit +29%, ROW 51%.
[6] 39 UK companies are members of the global top 1,200, of which 29 are not in the financial sector.

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Record profits (continued)

Global Profit, top 1,200 companies, by industry – £bn

	2015	2016	2017	2018	2019	2020	2021	2022
Technology	£149	£159	£204	£242	£259	£273	£374	£407
Consumer Discretionary	£122	£139	£194	£174	£181	£169	£284	£269
Communications & Media	£99	£115	£180	£161	£162	£142	£224	£191
Financials	£507	£532	£626	£689	£728	£604	£898	£835
Healthcare & Pharmaceuticals	£113	£127	£121	£146	£173	£143	£235	£236
Industrials	£110	£135	£179	£176	£173	£109	£246	£272
Oil, Gas & Energy	-£14	£18	£109	£161	£111	-£108	£197	£421
Consumer Basics	£108	£121	£179	£145	£147	£147	£169	£189
Basic Materials	-£2	£48	£89	£89	£57	£73	£191	£181
Utilities	£29	£34	£63	£52	£56	£56	£70	£54

Source: Janus Henderson & Factset, June 2023

Asia-Pacific ex Japan and emerging markets saw strong growth, but US was subdued

Elsewhere, 2022 profits rose fastest in Asia-Pacific ex Japan and emerging markets; along with North America they have delivered the fastest profit growth over the last ten years too. Last year North America looked different, however. Although Canada's energy companies and banks ensured a strong profit performance in 2022, the US was notably weaker, eking out just 1% growth. Moreover, US profits and cash flow would have fallen year-on-year without the positive impact of the energy sector – discretionary consumer, media, telecoms and financials were notable weak spots. In Europe in 2022, profit growth was held back by financials and utilities, in particular EDF, the part-nationalised French generator, that made losses selling power at below cost. Outside these sectors the region had a very good year, with profits up by one sixth.

Forecast:

Global profit growth set to stall in 2023

For 2023, analyst earnings estimates have been coming down, affecting over half of companies globally compared to three months ago.

Consensus forecasts now suggest that global profits will not grow at all this year. This is a realistic prospect as higher interest rates and inflation take their toll around the world. After their strong 2022, oil and mining companies around the world will see profits fall, which will bring down the average growth for the UK. Emerging market profits are expected to decline modestly too as they are also more heavily influenced by these sectors. Analysts expect US profits to be flat and those in Europe to grow very slightly. Japan is on track to come out ahead of the rest.

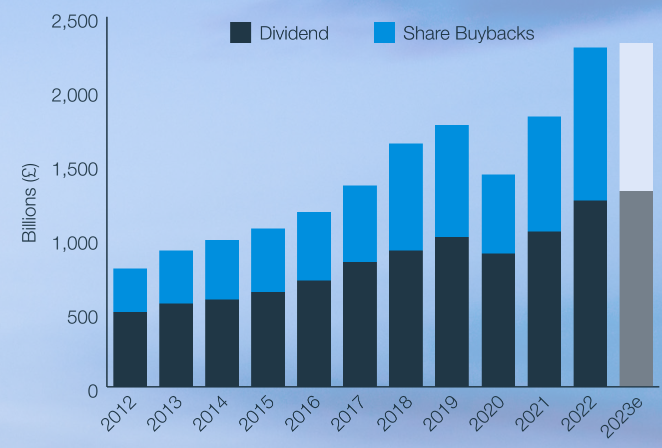
All this means global earnings are expected to hold steady at £3.05 trillion in 2023.

Record dividends and share buybacks

Record global dividends jumped by a fifth in 2022

Global dividend growth was very rapid in 2022, up 20.1% to a record £1.26 trillion[7,8], beating our forecast by just under 1%. Oil companies contributed one third of the increase, with banks accounting for one tenth. Oil dividends obviously benefited from high energy prices, while banking payouts reflected both the positive impact of higher interest rates on bank margins and in many cases the tail-end of post-pandemic dividend restorations. Notably, freight companies, mainly in Asia and Europe handed out double their average of recent years as supply-chain snarl-ups delivered record profits and make a significant contribution to growth too. More than nine-tenths of companies globally raised payouts, far more than saw higher profits or cash flow. From a sector perspective, there were only a handful of weak spots, for example in telecoms.

Global Dividends & Buybacks, top 1,200 companies



Source: Janus Henderson & Factset, June 2023

[7] World's largest 1,200 companies.

[8] Note that figures differ slightly to the Janus Henderson Global Dividend Index because that index captures dividends when they are paid and this study captures them according to each company's financial year in order to line them up directly with the profits and cash flows that fund them.

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Record dividends and share buybacks (continued)

Forecast:

Slower dividend growth for 2023

We expect significantly slower dividend growth in 2023. The year has started strongly, boosted by large one-off payouts in the automotive sector and by ongoing strength in the banking and oil sectors. The second quarter has also seen large European companies declare higher dividends than we expected earlier in the year on the back of their very strong 2022 profit performance. But as the year rolls on, we expect progress to slow. This expected slow down is partly due to the fact that dividend cover has normalised. Effectively companies that saw their earning recover post Covid more quickly than expected in 2021 have gradually raised their dividends over the last two years, with the result that for many of them dividends grew more quickly than earnings. This catch up period is now over. From a sector perspective over the rest of 2023, mining dividends will create the biggest drag on global dividend growth, affecting Australia, emerging markets and the UK in particular. We are forecasting dividend growth of 5.1% for the year, taking the total to a record £1.33 trillion for the global top 1,200 companies.

Dividends & Share Buybacks, by region – £bn

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
North America	£408.5	£486.8	£543.1	£596.8	£681.7	£765.9	£966.0	£1,038.2	£836.7	£1,020.7	£1,307.9
Emerging Markets	£84.3	£106.1	£101.1	£97.1	£100.4	£122.7	£140.7	£155.6	£158.4	£215.1	£261.5
Uk	£57.0	£61.8	£58.3	£52.2	£61.8	£75.7	£103.7	£98.2	£63.6	£71.9	£120.9
Europe ex UK	£159.7	£175.9	£193.6	£195.1	£202.9	£223.7	£262.7	£273.0	£186.9	£316.5	£347.6
Asia Pacific ex Japan	£52.5	£56.4	£58.9	£79.0	£80.7	£99.4	£105.2	£121.9	£99.5	£119.6	£167.6
Japan	£37.1	£34.0	£35.2	£48.9	£52.4	£72.0	£64.4	£81.7	£89.1	£82.8	£84.9
GLOBAL Top 1,200	**£799.1**	**£921.0**	**£990.1**	**£1,069.1**	**£1,180.0**	**£1,359.4**	**£1,642.9**	**£1,768.7**	**£1,434.2**	**£1,826.6**	**£2,290.4**
World ex UK	**£742.1**	**£859.2**	**£931.8**	**£1,016.9**	**£1,118.2**	**£1,283.8**	**£1,539.1**	**£1,670.4**	**£1,370.6**	**£1,754.7**	**£2,169.5**

Source: Janus Henderson & Factset, June 2023

Dividends & Share Buybacks, by industry – £bn

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Technology	£67.4	£100.4	£130.1	£137.0	£152.2	£167.6	£272.3	£292.2	£252.7	£290.9	£338.8
Consumer Discretionary	£50.5	£58.8	£68.9	£75.3	£99.6	£109.9	£118.8	£136.1	£91.2	£98.5	£189.8
Communications & Media	£78.3	£77.7	£67.0	£78.6	£81.5	£106.4	£105.5	£121.4	£148.6	£182.1	£181.4
Financials	£203.6	£239.1	£248.3	£311.6	£353.5	£410.0	£466.2	£517.7	£349.8	£538.6	£558.1
Healthcare & Pharmaceuticals	£92.5	£92.6	£91.5	£105.1	£119.2	£131.1	£154.9	£157.3	£139.6	£165.1	£196.3
Industrials	£66.0	£82.8	£95.9	£118.5	£128.3	£117.8	£143.8	£139.2	£110.3	£132.4	£188.2
Oil, Gas & Energy	£89.9	£103.3	£102.0	£73.3	£62.3	£91.8	£123.8	£134.3	£95.0	£120.0	£279.4
Consumer Basics	£82.9	£97.0	£99.4	£97.3	£115.7	£135.4	£136.5	£142.1	£136.8	£143.3	£169.2
Basic Materials	£36.3	£34.9	£42.2	£39.4	£30.8	£46.1	£74.3	£80.6	£55.0	£103.4	£133.8
Utilities	£31.7	£34.3	£44.8	£33.1	£36.9	£43.3	£46.7	£47.9	£55.1	£52.5	£55.2

Source: Janus Henderson & Factset, June 2023

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Share buybacks

Dividends and share buybacks surged by a quarter in 2022

Dividends are not the only means by which companies return cash to shareholders. In 2022, the world's top 1,200 companies bought back a record £1.03 trillion[9] of their own shares, one third more in sterling terms than in 2021 and more than three times as much a decade ago. Three quarters of the £253bn increase came from US companies, but share buybacks were larger all over the world and in most sectors.

Buybacks are concentrated. A little over half as many companies in the top 1,200 bought back shares than paid dividends. Whereas the top ten dividend payers contributed just over a tenth of the global total paid, the ten largest buyers of shares accounted for almost a quarter; only one of these, Shell from the UK, was outside the US.

Adding buybacks and dividends together, the so-called total shareholder yield, significantly reduces the difference between countries and sectors where dividends are traditionally thought to be low, like the US or the technology sector, and those where they are thought to be high, like Europe or the utilities sector.

Together with dividends share buybacks totalled £2.29 trillion in 2022, up 25.4% year-on-year. All of this had to be funded. So how well covered was this record return of capital to shareholders by the amount of money companies made?

[9] Source: Janus Henderson Global Dividend Index special supplement, April 2023, figures converted to GBP.

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Dividend and share buyback cover

Profits rose much more slowly than dividends in 2022 and buybacks so cover has fallen

In 2022, dividends and share buybacks together grew more than four times faster than profits and six times faster than cash flow, in contrast to the pattern of the previous year. But profits were so high that cover of dividends and share buybacks only dropped back to 1.33x, in line with its average level of the last decade. Moreover, the decline came from a record high the year before - cover in 2021 was 1.58x.

The simple measure of dividend cover – which just compares profits and dividends – was 2.43x in 2022. It was lower than the year before (2.76x) but this was an exceptionally high level that was distorted by the pandemic. Companies therefore entered 2023 with their dividends at their second highest level compared to profits since 2014, and above the long-run average.

Every industry grouping and every region saw lower cover year-on-year

Cover differs significantly around the world and between different sectors. Each major industry grouping saw dividend and buyback cover shrink year-on-year, but in every case this was from unusually elevated levels in 2021.

Utilities stand out. Profits (for many, squeezed by the energy crisis) did not cover dividends and share buybacks, and heavy investment spending meant the sector borrowed to fund shareholder payouts. Sectors with very high simple dividend cover (ie not taking account of share buybacks), such as media, software and IT hardware manufacturers, all had cover levels below average once very large (mainly US) share buybacks were included.

The biggest year-on-year decline in cover came from consumer discretionary companie s. Profits rose but the sector spent three times as much on buybacks year-on-year – Home Depot, Alibaba and Toyota Motor were among those to spend billions purchasing their own shares. Mining companies also saw a big fall in dividend and buyback cover thanks to sharply lower commodity prices though at 1.46x, the level remained above the ten-year average. Consumer basics saw the smallest decline in cover during the year (down from 1.18x to 1.12x) mainly because they are relatively low growth industries that already hand out almost everything they earn to shareholders each year.

Oil producers, whose 2022 dividends and share buybacks together were almost double their 2018 previous record, nevertheless maintained among the highest cover ratios – 1.54x. In this highly cyclical industry, the ratio was strongly negative as recently as 2020 as they battled pandemic-depressed oil prices. Oil companies prudently opted to allow cover to rise at this high point of the cycle to give them greater flexibility if and when energy prices turn against them.

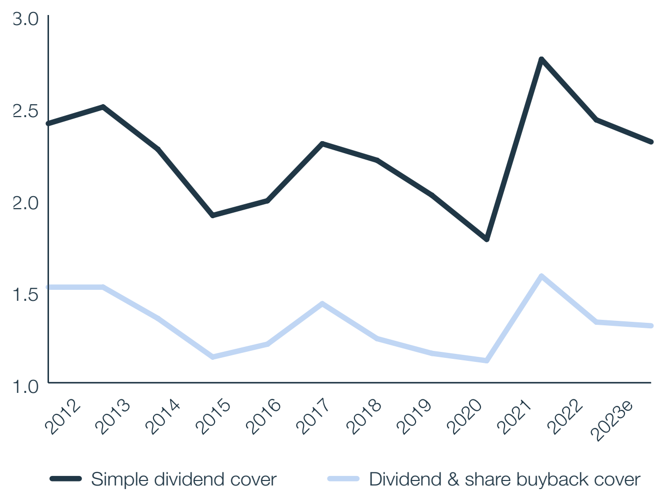
Sector factors mean UK dividend and buyback cover fell sharply and is below the global average

The UK's dividend and share buyback cover ratio declined sharply in 2022, from 1.44x in 2021 to just 1.09x in 2022, as dividends and share repurchases surged 68%, led by banks and oil companies. These cash returns rose more than twice as fast as profits because the energy sector in particular generated far more cash than it needed to cover its investment programmes.

Simple dividend cover in the US is significantly higher than in the UK, but only because some very large companies pay no dividends but do buy back a lot of their shares. The bigger picture shows that US dividend and share buyback cover was just 1.03x in 2022, down from 1.28x in 2021. The UK has the third lowest dividend and share buyback cover of any comparable nation after the US and Switzerland. Canada and Australia are also in the bottom five.

Emerging markets, Japan and Asia retained the highest cover ratios last year, though every region of the world saw them fall.

Global cover



Source: Janus Henderson & Factset, June 2023

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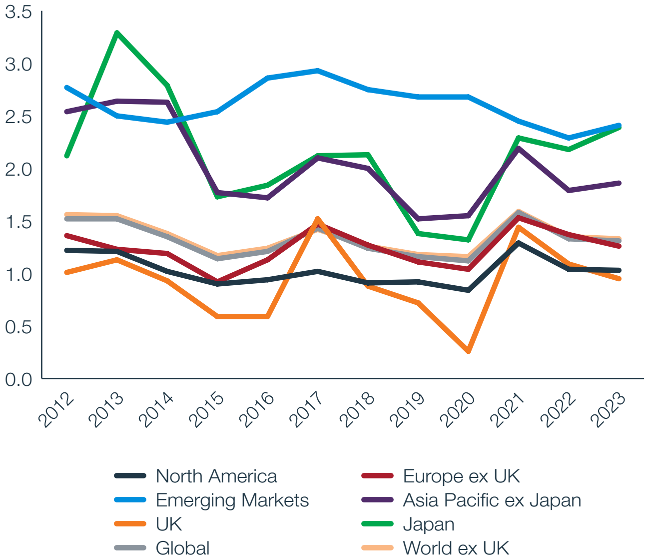
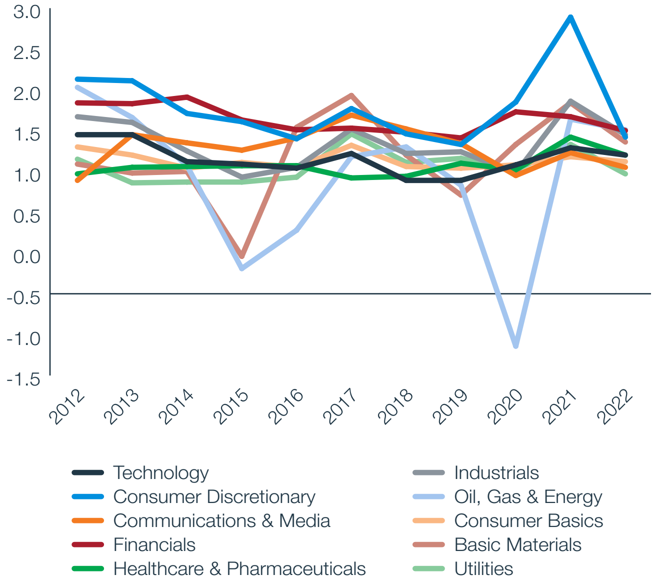
Dividend and share buyback cover (continued)

Dividend and Share buyback cover by region



Source: Janus Henderson & Factset, June 2023

Dividend and Share buyback cover by industry



Dividend and Share buyback cover by region

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e
North America	1.22	1.21	1.02	0.90	0.94	1.02	0.91	0.92	0.84	1.29	1.04	1.03
Emerging Markets	2.77	2.50	2.44	2.54	2.86	2.93	2.75	2.68	2.68	2.45	2.29	2.41
UK	1.01	1.13	0.93	0.59	0.59	1.52	0.88	0.72	0.26	1.44	1.09	0.95
Europe ex UK	1.36	1.23	1.19	0.92	1.13	1.47	1.27	1.11	1.04	1.53	1.37	1.26
Asia Pacific ex Japan	2.54	2.64	2.63	1.77	1.72	2.10	2.00	1.52	1.55	2.19	1.79	1.86
Japan	2.12	3.29	2.79	1.73	1.84	2.12	2.13	1.38	1.32	2.29	2.18	2.39
GLOBAL	**1.52**	**1.52**	**1.35**	**1.14**	**1.21**	**1.43**	**1.24**	**1.16**	**1.12**	**1.58**	**1.33**	**1.31**
World ex UK	**1.56**	**1.55**	**1.38**	**1.17**	**1.24**	**1.42**	**1.26**	**1.18**	**1.16**	**1.59**	**1.35**	**1.33**

Source: Janus Henderson & Factset, June 2023

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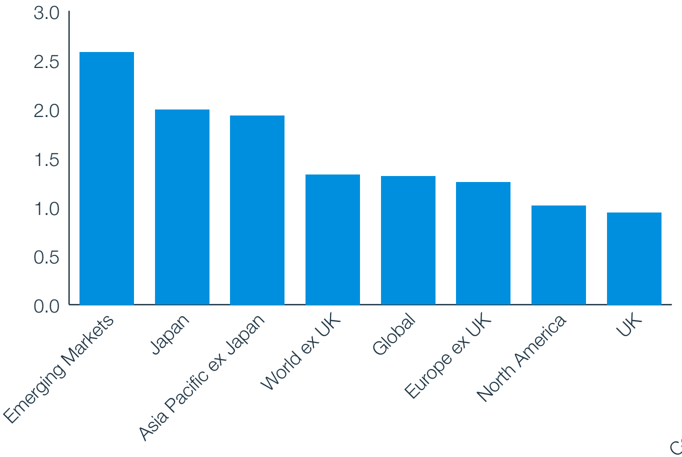
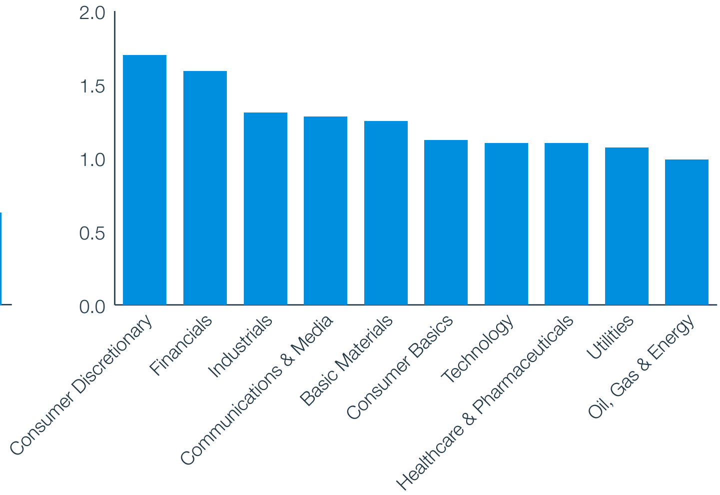
Dividend and share buyback cover (continued)

Dividend and Share buyback cover by region



Dividend and Share buyback cover by industry



Source: Janus Henderson & Factset, June 2023

Forecast:

2023 Global cover set for a modest decline, but remaining in line with the long-run average

Based on consensus forecasts for profits being flat in 2023 and our expectations that dividends will grow modestly, simple dividend cover will tick down very slightly this year. But since the ratio is coming off such a high base, this still implies very strong dividend cover this year too – currently expected to be 2.31x, down from 2.43 in 2022 but above the long-run average. It will fall more in the UK than elsewhere, though at 1.68x it will also remain comfortably above the UK's 1.39 historic average.

In terms of total shareholder returns, dividends and buybacks, the picture is less clear. Companies often exercise significant discretion year on year over share buybacks than they do dividends. This was clear in 2020 when buybacks fell much more sharply than dividends. Moreover, some companies, particularly in the US, have used cheap borrowing to fund share buybacks in recent years. Higher interest rates are likely to curb this behaviour now. Lower energy prices will reduce the significant amounts of cash available in that sector too. It follows therefore that buybacks are likely to be lower this year, though since the biggest cash-rich US companies dominate the buyback tables and are relatively unaffected by these factors, the extent of any decline is unlikely to be dramatic. This all suggests dividend and share buyback cover dipping very slightly to 1.31x this year, exactly in line with the 10-year average.

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Viewpoint

Ben Lofthouse
Fund Manager of Henderson International Income Trust plc and Head of Global Equity Income at Janus Henderson Investors

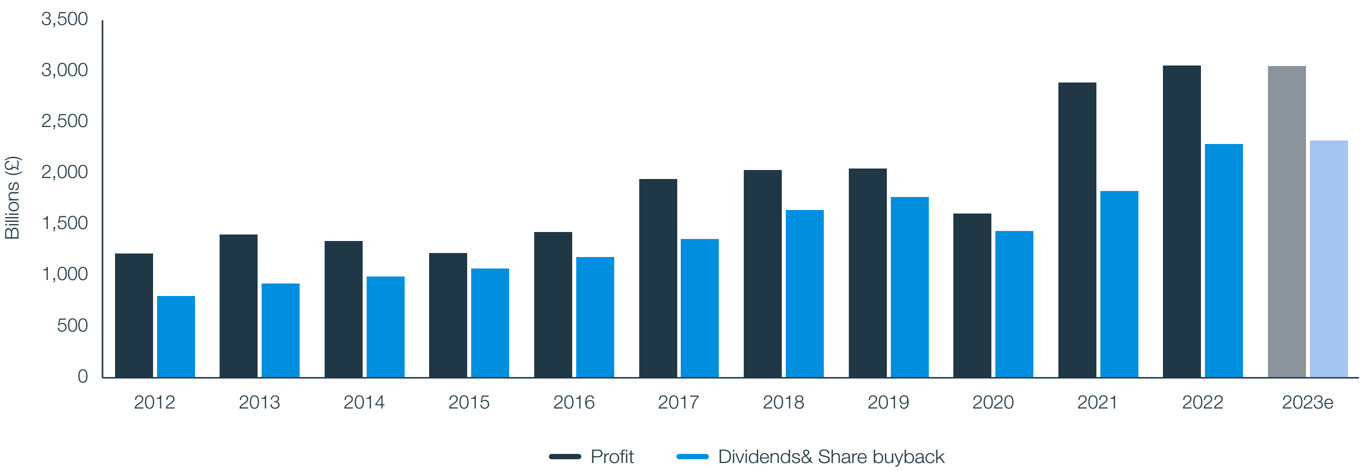
Cash returns to shareholders are a good indicator of corporate health, whether they are via dividends or share buybacks. This is also why a focus on cash flow is so important. Profit is more widely reported, but it is a slippery concept that is easy to manipulate, whereas cash flow is real and ultimately determines how much capital can sustainably be funnelled to shareholders. The figures in this report show that the earnings recovery post covid has been supported strong cash generation, and that this is true across a wide range of sectors and regions.

And it is important that companies return surplus cash to investors – if they do not, they weaken the returns on capital they can generate (either by hoarding cash or by potentially destructive acquisitions) and in extreme cases lower the productive potential of the wider economy by hindering the recycling of capital. There is little evidence, however, that large dividends or share buybacks can mask a weak investment case. This is why we look for companies that can deliver a sustainable and growing income to their shareholders, avoiding obvious yield traps.

Cash returns to investors are also important because dividends make up a very significant portion of equity returns over time, especially if they are reinvested. The rapid growth in buybacks in the last three years in particular reflects strong profit and free cash flow performance and a willingness to reward shareholders without setting unintended expectations for dividends. The increasing importance of buybacks in regions like Europe and the UK also reflects a frustration among management teams at the low valuation of their shares relative to their US counterparts. But we are not seeing a wholesale shift away from dividends, as buybacks remain highly concentrated in a few large companies. It is important to note that buybacks cannot always be relied on to enhance shareholder returns, they are often carried out cyclically buying when valuations are expensive and stopping when they are cheap. Some shareholders who depend on an income stream from their investments often prefer dividends. Whilst differences in regional trends can be cultural they can also be driven by other factors. The tax treatment of capital gains (which buybacks aim to generate) and income (dividends) for example varies widely around the world, and for different kinds of shareholders, which influence behaviour.

With dividends and share buybacks at record levels, it is encouraging that cover levels are so comfortable in most parts of the world. Corporate profits are under more pressure this year than last, but dividends in particular are very well supported as evidenced by strong cover ratios. This is a comfortable position to be in when facing a downturn. Companies are likely to cut their buyback programmes before they cut their dividends. Over the long-term dividends from equity markets have grown, and have generally grown faster than inflation. The healthy levels of dividend cover reported on give us hope that whilst inflation has picked up equities are well positioned to continue to provide investors with a valuable inflation protected income stream in the coming years.

Profits v Dividends – global top 1,200



Source: Janus Henderson & Factset, June 2023

There is no guarantee that past trends will continue or forecasts will be realised.

Appendices

Appendix 1: Key Data

Net profit (£bn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
North America	£497	£588	£555	£539	£641	£779	£874	£959	£699	£1,321	£1,364
Emerging Markets	£234	£265	£247	£247	£287	£359	£387	£417	£425	£528	£600
UK	£58	£70	£54	£31	£36	£115	£91	£70	£16	£104	£132
Europe ex UK	£217	£217	£230	£180	£228	£328	£334	£302	£195	£483	£476
Asia Pacific ex Japan	£133	£149	£155	£140	£139	£209	£211	£186	£154	£262	£299
Japan	£79	£112	£98	£85	£96	£153	£137	£113	£118	£190	£185
Global	**£1,217**	**£1,400**	**£1,339**	**£1,222**	**£1,428**	**£1,943**	**£2,035**	**£2,047**	**£1,607**	**£2,888**	**£3,057**
World ex UK	**£1,160**	**£1,331**	**£1,284**	**£1,191**	**£1,392**	**£1,828**	**£1,944**	**£1,976**	**£1,590**	**£2,784**	**£2,925**

Dividends (£bn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
North America	£193	£213	£225	£269	£313	£363	£388	£430	£427	£442	£520
Emerging Markets	£82	£96	£98	£94	£96	£117	£131	£143	£145	£188	£241
UK	£42	£45	£44	£46	£51	£61	£67	£71	£53	£53	£64
Europe ex UK	£116	£126	£139	£136	£154	£171	£195	£206	£133	£199	£230
Asia Pacific ex Japan	£48	£52	£55	£65	£70	£88	£92	£110	£94	£110	£151
Japan	£26	£28	£28	£31	£32	£44	£48	£51	£50	£57	£54
Global	**£506**	**£561**	**£590**	**£640**	**£717**	**£844**	**£921**	**£1,011**	**£902**	**£1,048**	**£1,259**
World ex UK	**£465**	**£516**	**£546**	**£594**	**£666**	**£783**	**£854**	**£940**	**£849**	**£995**	**£1,196**

Share Buybacks (£bn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
North America	£216	£273	£318	£328	£368	£403	£578	£608	£410	£579	£788
Emerging Markets	£2	£10	£3	£3	£4	£6	£10	£12	£14	£27	£21
UK	£15	£17	£14	£6	£11	£15	£37	£27	£10	£19	£57
Europe ex UK	£44	£50	£55	£59	£48	£53	£68	£67	£54	£117	£118
Asia Pacific ex Japan	£5	£5	£4	£14	£11	£11	£13	£12	£6	£10	£16
Japan	£11	£6	£7	£18	£20	£28	£16	£30	£39	£26	£30
Global	**£293**	**£360**	**£400**	**£429**	**£463**	**£516**	**£722**	**£757**	**£532**	**£778**	**£1,031**
World ex UK	**£277**	**£343**	**£386**	**£423**	**£452**	**£501**	**£685**	**£731**	**£522**	**£760**	**£974**

Dividends & Share Buybacks (£bn)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
North America	£408	£487	£543	£597	£682	£766	£966	£1,038	£837	£1,021	£1,308
Emerging Markets	£84	£106	£101	£97	£100	£123	£141	£156	£158	£215	£262
UK	£57	£62	£58	£52	£62	£76	£104	£98	£64	£72	£121
Europe ex UK	£160	£176	£194	£195	£203	£224	£263	£273	£187	£317	£348
Asia Pacific ex Japan	£53	£56	£59	£79	£81	£99	£105	£122	£100	£120	£168
Japan	£37	£34	£35	£49	£52	£72	£64	£82	£89	£83	£85
Global	**£799**	**£921**	**£990**	**£1,069**	**£1,180**	**£1,359**	**£1,643**	**£1,769**	**£1,434**	**£1,827**	**£2,290**
World ex UK	**£742**	**£859**	**£932**	**£1,017**	**£1,118**	**£1,284**	**£1,539**	**£1,670**	**£1,371**	**£1,755**	**£2,169**

Source: Janus Henderson & Factset, June 2023

Appendices (continued)

Dividend & Share Buyback Cover – Profit/Dividend & ShareBuyback

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
North America	1.22	1.21	1.02	0.90	0.94	1.02	0.91	0.92	0.84	1.29	1.04
Emerging Markets	2.77	2.50	2.44	2.54	2.86	2.93	2.75	2.68	2.68	2.45	2.29
UK	1.01	1.13	0.93	0.59	0.59	1.52	0.88	0.72	0.26	1.44	1.09
Europe ex UK	1.36	1.23	1.19	0.92	1.13	1.47	1.27	1.11	1.04	1.53	1.37
Asia Pacific ex Japan	2.54	2.64	2.63	1.77	1.72	2.10	2.00	1.52	1.55	2.19	1.79
Japan	2.12	3.29	2.79	1.73	1.84	2.12	2.13	1.38	1.32	2.29	2.18
Global	**1.52**	**1.52**	**1.35**	**1.14**	**1.21**	**1.43**	**1.24**	**1.16**	**1.12**	**1.58**	**1.33**
World ex UK	**1.56**	**1.55**	**1.38**	**1.17**	**1.24**	**1.42**	**1.26**	**1.18**	**1.16**	**1.59**	**1.35**

Simple Dividend Cover (Profit/Dividend)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
North America	2.58	2.75	2.46	2.01	2.05	2.15	2.25	2.23	1.64	2.99	2.62
Emerging Markets	2.84	2.75	2.52	2.63	2.98	3.08	2.97	2.92	2.93	2.81	2.49
UK	1.39	1.54	1.22	0.67	0.72	1.89	1.36	0.99	0.31	1.95	2.07
Europe ex UK	1.87	1.72	1.66	1.33	1.48	1.92	1.71	1.47	1.47	2.43	2.07
Asia Pacific ex Japan	2.78	2.88	2.80	2.15	1.98	2.37	2.29	1.69	1.64	2.39	1.98
Japan	3.03	3.98	3.48	2.76	3.00	3.48	2.85	2.20	2.33	3.35	3.41
Global	**2.41**	**2.50**	**2.27**	**1.91**	**1.99**	**2.30**	**2.21**	**2.02**	**1.78**	**2.76**	**2.43**
World ex UK	**2.50**	**2.58**	**2.35**	**2.00**	**2.09**	**2.34**	**2.28**	**2.10**	**1.87**	**2.80**	**2.45**

Dividend & Share Buyback Cover – Profit/Dividend & ShareBuyback

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Technology	1.45	1.45	1.12	1.09	1.04	1.22	0.89	0.89	1.08	1.29	1.20
Consumer Discretionary	2.13	2.11	1.71	1.61	1.40	1.77	1.46	1.33	1.85	2.89	1.42
Communications & Media	0.89	1.45	1.35	1.26	1.41	1.69	1.52	1.34	0.95	1.23	1.05
Financials	1.84	1.83	1.91	1.63	1.51	1.53	1.48	1.41	1.73	1.67	1.50
Healthcare & Pharmaceuticals	0.97	1.05	1.06	1.07	1.07	0.92	0.94	1.10	1.02	1.42	1.20
Industrials	1.67	1.60	1.25	0.93	1.05	1.52	1.22	1.24	0.98	1.86	1.45
Oil, Gas & Energy	2.03	1.66	1.07	-0.19	0.28	1.18	1.30	0.83	-1.14	1.64	1.51
Consumer Basics	1.30	1.20	1.04	1.11	1.05	1.32	1.06	1.04	1.08	1.18	1.12
Basic Materials	1.09	0.98	1.00	-0.04	1.54	1.93	1.20	0.71	1.33	1.84	1.36
Utilities	1.15	0.86	0.87	0.87	0.93	1.46	1.11	1.16	1.02	1.33	0.97

Source: Janus Henderson & Factset, June 2023

Appendices (continued)

Appendix 2: The importance of dividends

Investors earn their return from shares in two ways. Through capital gains and through the regular income, or dividends, most companies pay to their shareholders from the profits they make. A company that is growing over time can also grow its dividend, usually faster than inflation. This sets income from shares apart from government bonds and cash, where inflation often eats away at the purchasing power of your income. Growing dividends are usually associated with rising share prices over the long term, so they go hand-in-hand with capital gains.

What's more, reinvesting dividends can significantly enhance investor's return over the long term, thanks to the miracle of compounding.

Appendix 3: What is dividend cover

Dividend sustainability is crucial. Dividend cover is a simple ratio that compares the dividend paid to the profit generated. A ratio of more than one means profits are greater than dividends and suggests companies are prudently retaining cash for future investment in growth. A ratio persistently less than one means a company is overdistributing and may have to cut its dividend at some point.

Profits can be very volatile because they are affected by discretionary, non-cash items like provisions and asset write-downs. When analysing a company's financial health, it is important to take these factors into consideration. In some cases, these non-cash items are indicative of an underlying problem with the business, in others they do not impact dividend paying capacity of the company. It is impractical for us to adjust for one-off items for all the 1,200 companies in our report, but a glance at the median, or typical, dividend cover will usually help reveal the underlying picture in periods of upheaval, like 2020.

Appendix 4: Methodology

Henderson International Income Trust (HINT) analysed 15 years of dividends and profits from the world's largest 1,200 companies, all of which were constituents of the 2021 Janus Henderson Global Dividend Index (JHGDI). It also converted Share Buyback data prepared by the JHGDI to sterling. These companies collectively represent around 85% of the profits made and dividends paid by the world's publicly listed companies, and an even larger proportion of share buybacks. Profits and dividends were converted to sterling. These companies are categorised by their country of domicile and follow JHGDI sector and industry classifications. Rio Tinto was assumed to be a fully Australian company for the purposes of this exercise. Australian dividends are included on an unfranked basis. The JHGDI includes them on a fully franked basis. Dividends are calculated according to each company's respective financial year, in order that they correspond directly to the profits on which they are declared. This is vital for the accurate calculation of dividend cover. In the JHGDI, dividends are calculated when they are paid. This will give rise to differences between the two reports, both in the amounts attributed to a given year and to the percentage changes between individual years. This is merely a technical timing factor and does not impact the longer-term trends. Raw data was sourced from Factset, Bloomberg and the Q2 Janus Henderson Global Dividend Index and all analysis was conducted by HINT. The outlook for 2023 profits was compiled using a combination of external analyst research, IBES estimates, Factset compilation of analyst forecasts and HINT's analysis.

Appendix 5: Glossary

Cyclical Stocks:
Companies that sell discretionary consumer items, such as cars, or industries highly sensitive to changes in the economy, such as miners. The prices of equities and bonds issued by cyclical companies tend to be strongly affected by ups and downs in the overall economy, when compared to non-cyclical companies.

Diversification:
A way of spreading risk by mixing different types of assets/asset classes in a portfolio. It is based on the assumption that the prices of the different assets will behave differently in a given scenario. Assets with low correlation should provide the most diversification.

Free Cash Flow:
Cash that a company generates after allowing for day-to-day running expenses and capital expenditure. It can then use the cash to make purchases, pay dividends or reduce debt.

Volatility:
The rate and extent at which the price of a portfolio, security or index, moves up and down. If the price swings up and down with large movements, it has high volatility. If the price moves more slowly and to a lesser extent, it has lower volatility. Higher volatility means the higher the risk of the investment.

Yield:
The level of income on a security, typically expressed as a percentage rate. For equities, a common measure is the dividend yield, which divides recent dividend payments for each share by the share price. For a bond, this is calculated as the coupon payment divided by the current bond price.

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H051781/0623