Henderson
GLOBAL INVESTORS
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HENDERSON GLOBAL DIVIDEND INDEX

Edition one

CONTENTS

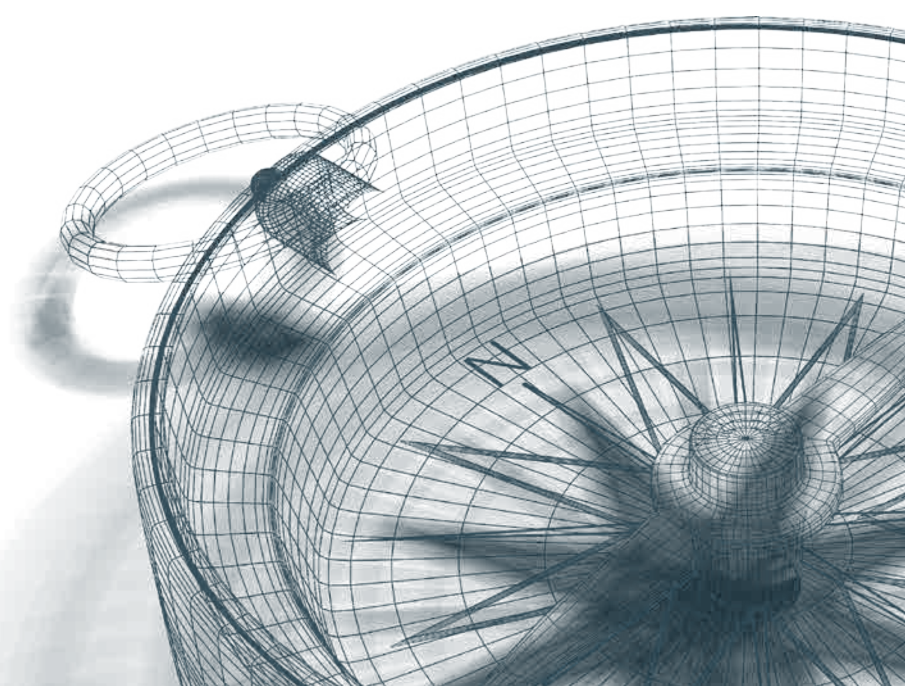
Introduction

We are living longer. For many, the savings burden is shifting from state to individual. Interest rates remain low, as do bond yields. Never has the need for income been greater. Indeed, it will remain one of the major investment themes for generations. In recent years, equities have become a much more important hunting ground for yield. This is not going to change.

The good news is that increasingly, the world over, companies recognise the need to provide investors with dividends. No longer is it the preserve of certain nations and regions. Henderson Global Investors is an asset manager that, over the last 80 years, has been investing in global markets on behalf of its clients throughout the world. Given dividends are a major source of investors' income, Henderson has begun a long-term study into global dividend trends with the launch of the **Henderson Global Dividend Index** (HGDI).

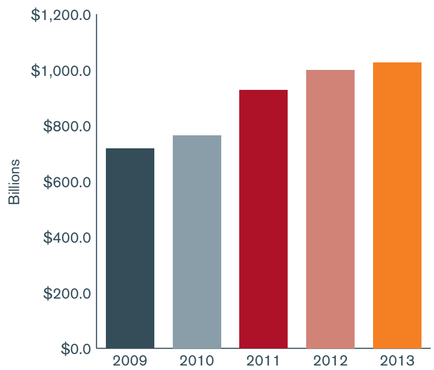
HGDI is the first study of its kind to measure and track the income that the world's listed companies are providing their investors, covering stocks from Austria to Australia, China to Chile, Hong Kong to Hungary and many more. This first edition reviews the last five years of global dividend trends. The HGDI and report will be published quarterly.

Over the five-year period, dividends provide a clear picture of the big global economic events and trends. The rise of emerging markets, the inflation and subsequent deflation of the commodity bubble, the Eurozone crisis, and the US resurgence are all there to be seen.

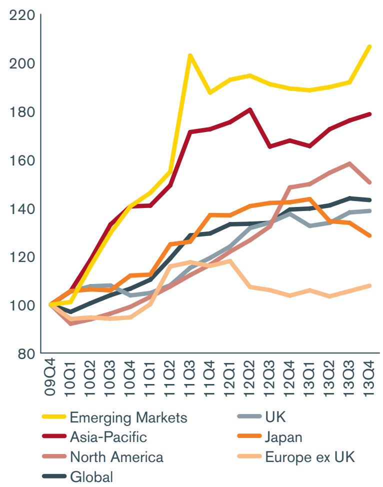


Executive summary

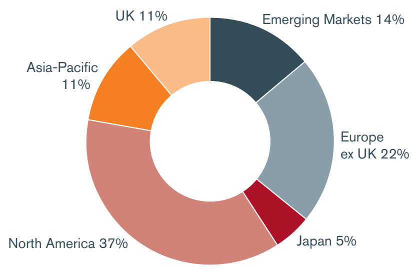
Annual dividends (US$)



HGDI - by region



2013 - regional dividend contribution



Global

- Global dividends reach $1.03 trillion in 2013, a record for equity income
- Dividend growth has been 43% since 2009, when payouts were $717bn
- Average annual dividend growth has been 9.4% over the last five years

Regional

- Emerging Markets grew at breakneck speed between 2009 and 2011
- Over the five years Emerging Markets grew 107%, and now make up $1 in every $7 of global payouts
- However, Emerging Market dividend growth slowed sharply in 2012 and 2013 as currencies declined against the US dollar and the commodity cycle ended
- BRIC (Brazil, Russia, India and China) countries contributed more than half the Emerging Markets' total and have grown significantly faster than their Emerging Markets peers
- Asia-Pacific posted 79% growth since 2009
- Europe ex UK contributed over a fifth of global dividends, but has grown the slowest, owing to the euro crisis, up just 8% to $199.8bn

Country

- Country performance in Europe diverged widely. Scandinavia and Germany performed best, while crisis-hit countries pay out materially less than 2009
- UK grows in line with global average, with dividends up 39%
- Japan is up 29%, though yen devaluation has pushed the 2013 total ($46.4bn) below the 2012 level
- The US has grown its payouts 49% over five years, and is by far the largest source of dividend income ($301.9bn), accounting for one third of the global payout

Sector

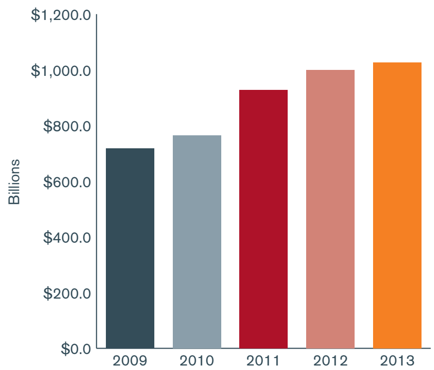
- From an industry perspective, technology came top, more than doubling since 2009 (109%), but is a small part of the global total
- Financials paid the most, $218bn in 2013, almost a quarter of the global pie (24%), up 76% since the post-crisis nadir
- Oils have grown steadily, if unspectacularly, but are important, providing $1 in every $7 of dividends in 2013
- Dividends from the mining sector, which doubled during the commodity boom, have slipped back over the last two years as that bubble deflated
- The top ten dividend payers, dominated by oil companies, banks and telcos, accounted for an astonishing $97.1bn in 2013, equivalent to $1 in every $11 (9.4%) of the global total

Overview

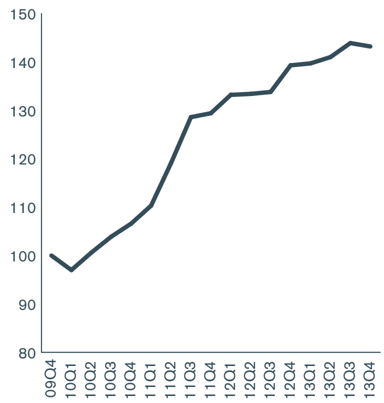
- 2013 saw global dividend growth slow to a crawl, up just 2.8% partly due to the strength of the US dollar
- In Q4 dividends fell year-on-year, dragged down by Japan, but also a drop in the US, where big special dividends were not repeated
- The Henderson Global Dividend Index peaked at 143.9 at the end of September 2013
- We expect to see dividend growth accelerate in 2014

Global dividends top $1trillion for the first time

Annual dividends (US$)

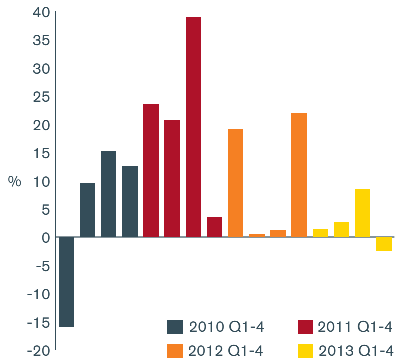


HGDI



Note: See page 13 for methodology.

Total dividends, annual growth by quarter



Global dividends rose above the $1 trillion mark for the first time ever in 2013. The world's listed companies delivered $1.027 trillion in dividends during the year, an increase of $310bn, or 43.2%, since 2009. In that year, which marked a post-financial crisis low point for equity income, companies around the world served up a combined $717bn in income to their shareholders.

This dramatic growth means the Henderson Global Dividend Index (HGDI) reached 143.2 by the end of 2013 (100 marks the beginning of the series at the end of 2009).

Despite the extent of the increase since 2009, the rate of growth in 2013 slowed. Total global dividends rose just 2.8% compared to 2012, the smallest increase since 2009, when the Henderson series of data begins. The end of 2013 marked a particularly soft patch for investors. In fact, the HGDI fell back in the fourth quarter from a record 143.9 at the end of September. This was the first such decline since Q1 2010, a time when payouts were still being affected by the main wave of the global economic downturn. A sharp drop in Q4 payments from the US was the main reason for the fall, as a slew of special dividends paid in Q4 2012 were not repeated, and there were some adverse timing changes as well as modest general declines across a range of sectors. However, for the full year, US dividends were slightly ahead of 2012.

Looking over the last five years, the global average annual growth rate has been 9.4% in USD terms, though it has been marked by significant volatility. Growth of 6.6% in 2010 accelerated to 21.4% in 2011 before slowing sharply in 2012 and 2013. The sections that follow explain what has been driving these trends.

Annual dividends

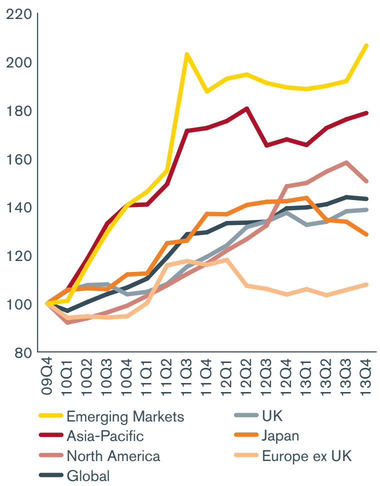
Region US$ bn	2009	2010	% change	2011	% change	2012	% change	2013	% change
Emerging Markets	60.9	85.6	40.6	114.3	33.4	115.3	0.9	125.9	9.1
Europe ex UK	185.4	175.6	-5.3	215.2	22.5	192.2	-10.7	199.8	3.9
Japan	36.1	40.4	12.0	49.5	22.3	51.3	3.8	46.4	-9.6
North America	226.2	224.3	-0.9	263.5	17.5	335.9	27.4	340.4	1.4
Asia-Pacific	54.2	76.1	40.6	93.4	22.7	90.9	-2.7	96.8	6.5
UK	73.6	76.4	3.8	87.8	14.9	101.2	15.3	102.1	0.9
TOTAL	**636.4**	**678.5**	6.6	**823.7**	21.4	**886.9**	7.7	**911.3**	2.8
Divs outside top 1200	80.8	86.1	6.6	104.6	21.4	112.6	7.7	115.7	2.8
GRAND TOTAL	**717.0**	**764.7**	6.6	**928.3**	21.4	**999.4**	7.7	**1,027.1**	2.8

Regions and countries

Regions

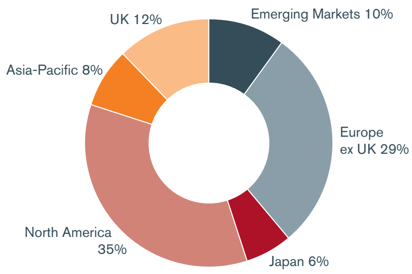
The contribution made by different parts of the world has changed markedly, even in the relatively short five year history covered by the Henderson Global Dividend Index.

HGDI - by region

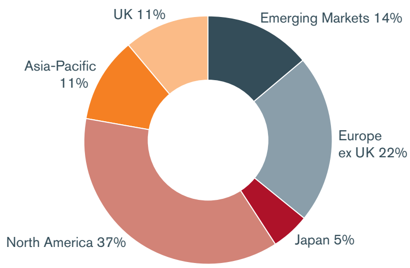


In 2009, Europe ex UK made up 29% of global dividend payouts, with North America (nine tenths of which is the US) at 35% and Emerging Markets at only 10%[1]. By the end of 2013, Emerging Markets were contributing 14% of the global payouts, with North America up to 37% and Europe sharply lower at 22%. Other markets changed less significantly.

2009



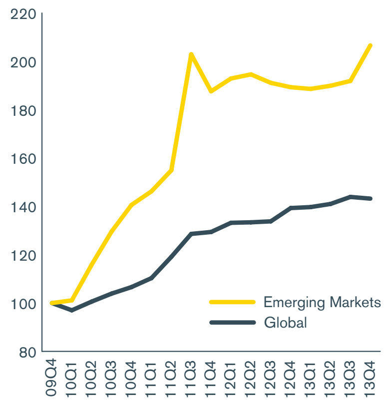
2013



The rise of Emerging Markets and Asia-Pacific

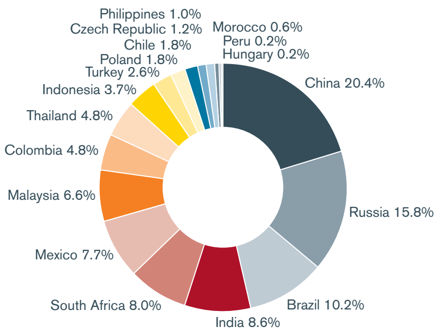
By far the fastest growth came from Emerging Markets. Collectively, dividends from these countries have risen 106.6% on a full-year basis since 2009, up from $60.9bn to $125.9bn, an average annual growth rate of almost 20%[2]. Most of this growth took place between 2009 and 2011, which coincided with the post-crisis global commodity boom, as mining and oil companies began to make huge payouts to their shareholders (see Industries & Sectors below). There was, however, also a boom in dividends from Emerging Market financial stocks in that period, as they made the most of huge increases in global liquidity caused by the US quantitative easing programme. In 2013, mining, oil and financials contributed 70% of Emerging Market dividends, much greater than their 44% global share.

HGDI - Emerging Markets



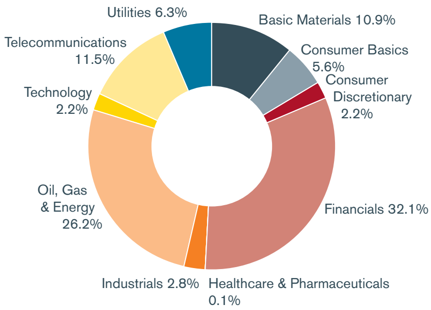
The largest contribution in Emerging Markets came from China, accounting for one fifth of 2013 payments. The BRIC countries made up 55% of all Emerging Market payouts and have collectively grown their dividends a third faster than their peers in the last five years.

Emerging Market dividends 2013 - by country



The Emerging Markets component of the dividend index first peaked at 202.9 in the third quarter of 2011, before dropping back as the commodity boom ended and, more recently, as some emerging market currencies began to fall. Brazil showed particular weakness. Its share of Emerging Market dividends almost halved between 2010 and 2013. Egypt, which had made a modest contribution to the HGDI between 2009 and 2011, dropped out of the index in 2012 as political unrest pushed Egyptian stocks out of the global top 1,200.

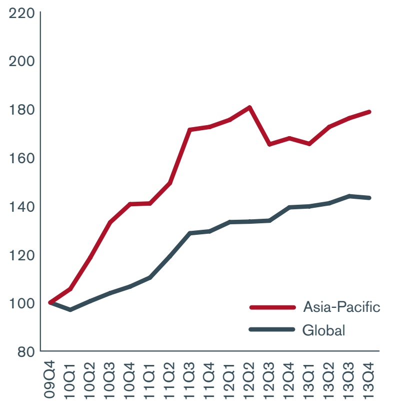
Emerging Market dividends 2013 - by industry



A good end to 2013, thanks to a very strong contribution from Mexico, in particular from its banks, beverages and industrial firms, has taken the Henderson Emerging Markets component of the index above its previous peak to a 206.7 record at the end of the year.

Asia-Pacific dividend payouts have also grown rapidly, rising 78.6% over the five year period. At $96.8bn in 2013, they are quickly catching up with the UK. Australia has significantly grown its payouts by 89.2% in US dollar terms, placing it in the top 15 fastest-growing countries in the world (reaching $40.3bn last year), with strength across a broad range of sectors, and not just from the mining firms feeding China's industrial growth. The weakness of the Australian dollar towards the end of 2013 began to slow Australia's dividend growth sharply in the final quarter.

HGDI - Asia-Pacific



Hong Kong was the second-largest player in the region, contributing $33bn in 2013, with dividends up by almost two thirds over five years, the same rate of growth as Singapore. Meanwhile, not many South Korean firms paid dividends in 2009, but 2013 saw them paying out $6.6bn.

The Asia-Pacific dividend index peaked in Q2 2012 at 180.5, before dropping back, but has since made up most of its lost ground, standing at 178.7 on December 31, 2013.

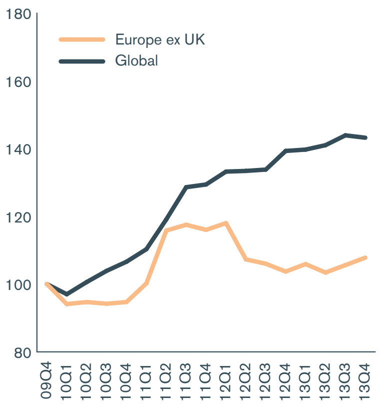
[1] Note the researchers do not adjust for free float because the index is examining the dividend paying capacity of the world's listed companies, regardless of their ownership structures. See Methodology.

[2] Part of this is because Emerging Markets companies were over 40% more likely to feature in the global top 1200 stocks by 2013 compared to 2009, but they feature more prominently because they have grown in value, have grown their earnings, and therefore their dividends too.

Regions and countries (continued)

Europe ex UK suffers from euro crisis

HGDI - Europe ex UK

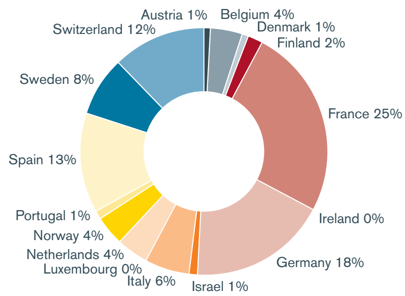


Europe ex UK is the second largest region in the world for dividends. However, in contrast to Emerging Markets and countries in the Far East, dividends from Europe ex UK have only inched ahead since 2009, reaching $199.8bn in 2013, up 7.8% from $185.4bn five years ago. The European component of the HGDI was 107.8 at the end of 2013. This has been the slowest growing region in the world, posting a 1.9% average annual growth rate. Nevertheless, it remains comfortably the second most important region in the world for income, after North America.

> "Europe remains comfortably the second most important region in the world for income."

The euro/US dollar exchange rate has been very volatile over the five year period. This has strongly influenced the dollar contribution the region makes to the global dividend pie. Naturally, the eurozone crisis is largely to blame. There was a brief period of exceptional euro strength, which boosted European dividends by 11% in 2011. This accounted for half of the USD growth in that year, pushing the HGDI Europe ex UK to a peak of 118.0 in Q1 2012. By 2013, for the crucial second quarter when Europe makes most of its payments, the euro was around 7% weaker than it was in 2009. Even adding that back to the region's 8% growth in USD terms, this still made it the slowest rate of dividend growth in the world thanks to this exceptional period of economic upheaval.

Europe ex UK dividends 2013



In addition to the strong currency effect in 2011, mistaken optimism in 2011 saw a whole range of companies across the continent making big increases after the caution during the preceding downturn. From German car and chemical companies, to French banks and Swedish retail, there was generosity across the board. It did not last, partly due to cultural factors. Where in the UK, cutting the dividend is a last resort for a finance director, and where sudden, huge increases are also quite unusual, it is more common in Europe ex UK.

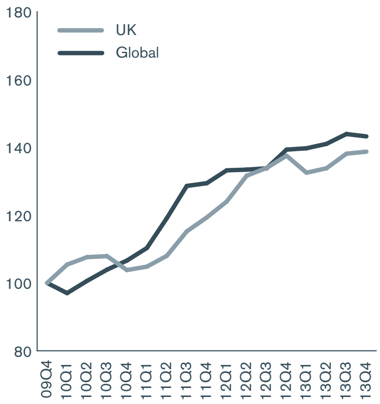
It is very important not to consider Europe ex UK as one amorphous region as the diverging performance from every corner of the continent shows. The Eurozone crisis is plain to see. Greece disappeared from the Henderson Global Dividend Index in 2011, both because its companies slashed dividends and also because they fell below the threshold to make it into the universe of top 1,200 stocks. Dividends from Spain and Italy are down by a quarter, and from Portugal by a third since 2009. Payouts from Ireland are down a sixth. As the crisis deepened in 2012, there was a spate of dividend cuts and cancellations with Italian and French financial firms knocking billions off the total. The damage spread to utilities, telcos and even food retailers. Spanish firms, in particular, also resorted to the use of scrip dividends, offering shares instead of cash as a way of protecting their balance sheets. It is quite likely many would not have been able to fund a cash dividend fully had shareholders opted for it. Between 2011 and 2012, European dividends plunged $22.7bn. An extra $4.7bn from Switzerland (due to the soaring value of the franc) saved the region from greater damage.

Collectively, peripheral European countries (Portugal, Ireland, Italy, Greece and Spain) countries paid $39.2bn in dividends in 2013 (compared to $54.7bn in 2009), but they do not come close to France. It is the region's largest dividend payer, distributing $50.5bn in 2013, 1.0% less than in 2009. This flat performance from France has therefore weighed on the region's overall performance over the last half decade.

Germany has done well compared to its European peers. It has raised its payouts 15.9% since 2009, reaching $36.4bn in 2013, though that is broadly flat over the last three years. At just over a third of the UK's total, Germany is a small contributor relative to its economic might, reflecting the much lesser use of equity markets for funding companies. The best performers in Europe have been in Scandinavia. Denmark, Norway and Sweden have all more than doubled their payouts (in part due to more companies joining the global top 1,200 but mainly due to strong organic dividend growth). Their neighbour, Finland, has seen payouts fall by almost a quarter.

This is not due to its participation in the euro, but because of the ill-fortune of Nokia, which eventually cancelled its dividend in 2013 altogether. Nokia has plunged over 600 places in the top 1,200 rankings as it has lost the smartphone race.

HGDI - UK



The UK, which has been through serious economic turmoil, and whose total payouts were temporarily hit by the effect of BP's dividend cancellation in 2010, has still put in a respectable 38.7% growth since 2009. This is only just below the global average of 43.2%, and is an average annual growth rate more than four times faster than Europe ex UK. The UK contributed one ninth of global payouts in 2013.

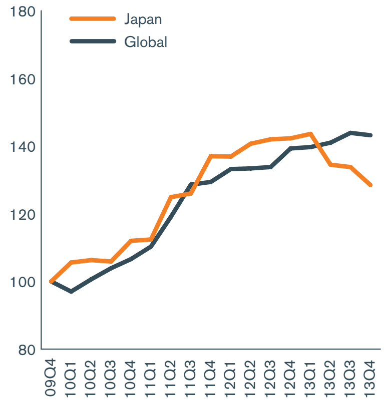
Japan holds its own

Japan contributed $46.4bn in 2013, equivalent to 5.1% of global dividends, less than half of the UK's share, despite Japan's larger economy. Japan's dividends rose a respectable 28.5% between 2009 and 2013, an average growth rate of 6.5%. The fastest growth was in 2011, when dividends rose 22.3%. One third of this increase was due to the weakness of the US dollar.

> "The Japanese component of the HGDI peaked at 143.6 in Q1 2013."

Performance was strong from a broad range of sectors in that year, with banks, industrials and pharmaceuticals all posting large increases. Utilities have bucked the trend, steadily reducing their payouts year by year. The largest payer, Tepco, cancelled its payouts after the Fukushima nuclear disaster and has yet to restart them.

HGDI - Japan



Overall, 2013 was a relatively weak year for Japan, with dividend payouts dropping 9.6%. This is entirely due to the sharp decline of the yen against the dollar. The currency effect wiped 22.5% off Japanese dividends last year, meaning that the country's companies did rather well in local currency terms - good news for Japanese investors, but not so much for those from overseas. The Japanese component of the HGDI peaked at 143.6 in Q1 2013 and ended the year at 128.5.

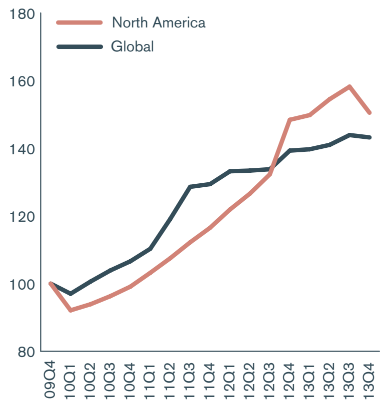
North America shows its economic might

North American firms made the largest contribution to global dividends; 37.3% in 2013. The US paid almost exactly one third of the world's total, with Canada making up the rest. Together they have raised their payouts an impressive 50.5% over the last five years, an average increase of 10.8% annually, with Canada outpacing its bigger neighbour somewhat.

US companies distributed $301.9bn in 2013, just 1.1% or $4.2bn more than 2012. 2012 was a big year for special dividends in the US, with $18.1bn paid (versus $2.4bn in 2013) mostly in the final quarter and from a wide range of companies from food retail (Costco) through to chemicals (LyondellBasel) and gaming (Las Vegas Sands). This accounts for the annual drop in Q4 2013. It is also the reason for the drop between 2009 and 2010. $12.5bn in special dividends were paid in 2009 compared to $2.0bn in 2010.

Even without these large special payments, 2012 was a significant growth year for the US with payouts up 23.6%. Generous increases came from all corners of US industry. Consumer firms (mainly food and drug retail), banks, real estate firms, media, leisure, healthcare and technology all played a big role in the growth. It was also the year of Apple's first payment, which at almost $5bn was tiny compared to its profits and barely registered against the firm's $150bn cash pile. Apple more than doubled its payout in 2013.

HGDI - North America

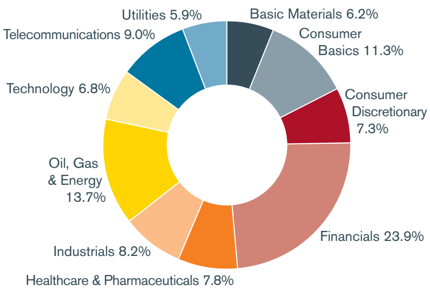


The speed of growth in 2013 was 6.8% (excluding special dividends). Some sectors saw modest declines, but there was nothing to particularly concern investors overall.

Industries and sectors

The major global economic themes of the last five years are clear in the amount different industries have paid their investors.

Global dividends 2013 - by industry



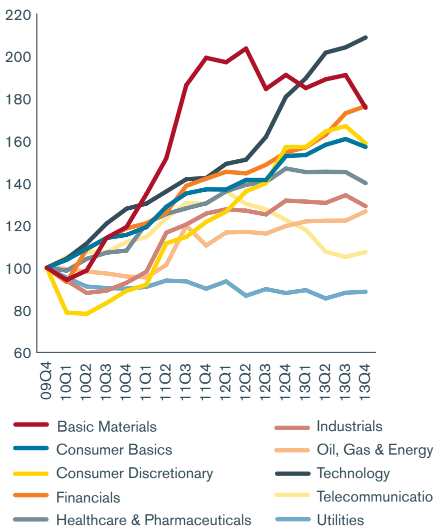
Financial firms delivered by far the largest share of global dividends, almost a quarter of the total last year (23.9%). They grew their dividends swiftly over the last five years, up 76.3% since 2009, and second only to the technology industry, which raced ahead in the last two years, particularly since Apple began its payments. The growth from financials partly reflects a bounce-back from the credit crunch, but growth was fastest where the crisis had the least effect. Emerging Market financials almost tripled their payouts, while the Asia-Pacific countries doubled theirs. Japan, North America and the UK are all up close to 60%. European financials, hard hit by the slow burn of the Eurozone's problems, languished far behind everyone else, increasing theirs by only just over a third in five years. Real estate firms grew fastest, while insurance companies saw the smallest dividend increases.

The oil industry was the second largest grouping, contributing almost $1 in every $7 of dividends paid around the world. It has been a relatively slow grower, however, expanding 26.5% since 2009. Payouts fell in 2010, largely due to the cancellation of BP's dividends following the Gulf of Mexico spill.

The commodity boom and subsequent deflation is also clear. Basic materials mainly comprise mining and chemicals firms, and contributed a relatively small 6.2% of global dividends last year. Basic Materials, peaked at 203.6 in Q2 2012, meaning payouts more than doubled since 2009, three times the growth rate of the wider market. Since then the index fell back to 175.6 (end 2013) as the boom drew to a close.

Firms that serve the consumer have also grown well, with consumer discretionary and consumer basics firms both growing their dividends by just under 60% over the five year period. Together, they make up almost $1 in every $5 paid out globally. They are naturally strongest in North America where the world's richest consumers can be found, but growth is greatest among Emerging Market firms in these industries (almost fourfold). The number of such firms from Emerging Markets in the top 1,200 rose from just 16 in 2009 to 44 in 2013. This partly explains the rise, but it is also due to substantial increases in the dividend payments themselves.

HGDI - by industry

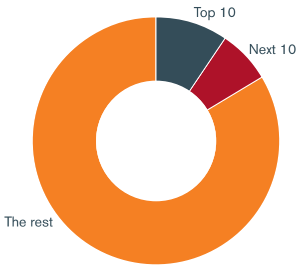


Global dividends by industry

Industry US$ bn	2009	2010	% change	2011	% change	2012	% change	2013	% change
Basic Materials	$32.1	$38.2	19.2	$63.9	67.1	$61.3	-4.1	$56.3	-8.1
Consumer Basics	$65.3	$75.4	15.5	$89.5	18.6	$99.7	11.5	$102.5	2.8
Consumer Discretionary	$41.9	$37.3	-10.9	$50.9	36.6	$65.8	29.1	$66.5	1.1
Financials	$123.4	$146.3	18.6	$175.3	19.8	$190.7	8.7	$217.6	14.2
Healthcare & Pharmaceuticals	$50.8	$55.0	8.1	$66.3	20.7	$74.7	12.6	$71.2	-4.7
Industrials	$57.6	$53.5	-7.1	$72.3	35.2	$75.8	4.9	$74.3	-2.0
Oil, Gas & Energy	$98.7	$94.6	-4.1	$109.1	15.3	$118.1	8.3	$124.9	5.8
Technology	$29.8	$38.1	27.9	$42.4	11.4	$53.9	26.9	$62.2	15.5
Telecommunications	$76.2	$85.4	12.1	$99.2	16.2	$93.4	-5.9	$81.8	-12.4
Utilities	$60.8	$54.8	-9.9	$54.8	0.0	$53.5	-2.3	$53.9	0.7
TOTAL	**$636.4**	**$678.5**	6.6	**$823.7**	21.4	**$886.9**	7.7	**$911.3**	2.8
Outside Top 1200	$80.8	$86.1		$104.6		$112.6		$115.7	
GRAND TOTAL	**$717.0**	**$765.0**	**6.6**	**$928.0**	**21.4**	**$999.0**	**7.7**	**$1,027.0**	**2.8**

Top companies

Dividend concentration - top stocks 2013



In 2013, the top ten largest payers accounted for almost $1 in every $10 of the global income pie (9.4%). The top 20 accounted for almost $1 in every $6 paid, a total distribution of $168.6bn. Though this appears concentrated, they nevertheless provide greater diversification by being spread across the world. Dependence on the biggest companies has decreased in recent years. In 2009, over one fifth of all dividends were paid by the top twenty companies. There has been a fairly steady decline in their dominance, indicating that there are some faster growing companies on the rise. Oil companies and banks dominate the top ten rankings with Shell, and Exxon Mobil representing the oil sector, and HSBC, China Construction Bank and Banco Santander representing the banks. Banco Santander only maintained a top ten position due to a reliance on scrip dividends. Telcos make up the rest of the top ten with AT&T, Vodafone and China Mobile.

Apple, which accumulated vast cash balances in recent years, came in at number three in 2013 with its second year of dividend payments. It is also interesting to see British multinationals showing such prominence in the super-league with three firms in the top ten.

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Rank	2009	2010	2011	2012	2013
1	BP plc	Royal Dutch Shell Plc	Vodafone Group plc	Royal Dutch Shell Plc	Royal Dutch Shell Plc
2	Royal Dutch Shell Plc	AT&T, Inc.	Royal Dutch Shell Plc	AT&T, Inc.	Exxon Mobil Corp.
3	AT&T, Inc.	Exxon Mobil Corp.	AT&T, Inc.	Exxon Mobil Corp.	Apple Inc
4	Time Warner Cable Inc	Telefonica	Telefonica	China Construction Bank Corp.	China Construction Bank Corp.
5	Ecopetrol SA	Vodafone Group plc	Exxon Mobil Corp.	China Mobile Limited	HSBC Holdings plc
6	Exxon Mobil Corp.	China Mobile Limited	China Mobile Limited	Vodafone Group plc	China Mobile Limited
7	Total S.A.	Total S.A.	China Construction Bank Corp.	HSBC Holdings plc	Vodafone Group plc
8	Vodafone Group plc	China Construction Bank Corp.	HSBC Holdings plc	Banco Santander S.A.	AT&T, Inc.
9	China Mobile Limited	Banco Santander S.A.	Total S.A.	General Electric Co.	Banco Santander S.A.
10	Banco Santander S.A.	HSBC Holdings plc	Banco Santander S.A.	Total S.A.	General Electric Co.
Subtotal $bn	$88.2	$79.1	$90.4	$88.3	$97.1
% of total	**12.3%**	**10.3%**	**9.7%**	**8.8%**	**9.4%**
11	Telefonica	BP plc	Nestle SA	Gazprom	Microsoft Corporation
12	GDF Suez	Johnson & Johnson	Gazprom	Nestle SA	BP plc
13	General Electric Co.	Pfizer Inc.	General Electric Co.	BP plc	Chevron Corp.
14	Eni Spa	Glaxosmithkline plc	Pfizer Inc.	Microsoft Corporation	Total S.A.
15	HSBC Holdings plc	Chevron Corp.	Glaxosmithkline plc	Chevron Corp.	Johnson & Johnson
16	Pfizer Inc.	Nestle SA	Novartis AG	Ecopetrol SA	Nestle SA
17	Glaxosmithkline plc	Procter & Gamble Co.	Chevron Corp.	Glaxosmithkline plc	Pfizer Inc.
18	Chevron Corp.	Novartis AG	Johnson & Johnson	Novartis AG	Novartis AG
19	Johnson & Johnson	Eni Spa	BP plc	Johnson & Johnson	Glaxosmithkline plc
20	Verizon Communications Inc	General Electric Co.	Procter & Gamble Co.	Pfizer Inc.	Procter & Gamble Co.
Subtotal $bn	$59.3	$54.9	$63.1	$68.8	$71.6
Grand Total $bn	**$147.5**	**$134.0**	**$153.5**	**$157.1**	**$168.6**
% of total	**20.6%**	**17.5%**	**16.5%**	**15.7%**	**16.4%**

Conclusions and outlook

In the past investors have tended to look close to home for income. This is changing. Asia and the Emerging Markets have asserted themselves as dividend payers and will continue to grow over the long term. This is not least because firms in these regions are maturing, and populations there will increasingly require domestic companies to pay them an income too. It also means income investors can diversify much better than in the past, meaning they are less exposed to the crises that crop up from time to time in different parts of the world.

However, free floats are still relatively small outside of the most developed markets, and it will take time before the majority owners (governments and entrepreneurs) seek to exit from their investments, making more stock available to outside investors. Furthermore, from a cyclical point of view, the outlook for Emerging Markets is clouded by growing economic imbalances and currency declines against the US dollar.

Developed markets look encouraging. We are currently in the midst of a synchronised, albeit modest, global economic expansion. Conditions are positive in the US, UK, and Japan, and Europe is certainly getting 'less worse', with a good outlook for corporate earnings. A strong US dollar may still make the translated value of dividend growth difficult, but we expect it to accelerate this year after a pause in 2013.

The detailed figures in the new HGDI highlights the vastly divergent fortunes of different countries and industries. We believe that this means a strong research-driven stock-picking approach to investing, such as Henderson's, adds real value.

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Appendices

Appendix 1

Dividend breakdown by country

Region	Country US$ bn	2009	2010	% change	2011	% change	2012	% change	2013	% change
Emerging Markets	Brazil	$9.9	$16.1	62.1	$20.9	30.2	$16.7	-20.1	$13.1	-21.6
	Chile	$1.5	$1.9	24.8	$3.5	89.4	$3.0	-14.4	$2.2	-25.9
	China	$9.9	$15.2	53.7	$18.1	19.0	$20.6	14.1	$25.3	22.6
	Colombia	$9.1	$2.2	-75.6	$3.5	59.1	$7.0	98.8	$5.9	-15.6
	Czech Republic	$2.3	$2.4	5.3	$2.2	-6.9	$1.2	-47.3	$1.5	32.3
	Egypt	$0.9	$0.4	-56.1	$0.4	6.1	$0.0	-100.0	$0.0	
	Hungary	$0.0	$0.0		$0.0		$0.2		$0.2	7.3
	India	$5.6	$10.4	86.8	$8.6	-17.2	$9.9	15.5	$11.4	15.0
	Indonesia	$1.6	$2.7	72.9	$4.2	54.0	$4.3	2.3	$4.6	7.7
	Malaysia	$2.2	$3.8	73.6	$5.4	43.8	$7.2	32.5	$7.7	6.7
	Mexico	$2.4	$2.5	7.2	$3.7	46.1	$3.6	-2.6	$9.0	147.3
	Morocco	$1.4	$1.1	-17.7	$1.4	18.7	$1.1	-17.6	$0.8	-32.9
	Peru	$0.1	$0.1	100.3	$0.3	178.8	$0.4	27.3	$0.3	-19.3
	Philippines	$0.8	$0.9	12.2	$1.0	6.9	$0.9	-1.7	$1.2	24.2
	Poland	$0.5	$2.5	360.0	$3.7	47.3	$3.1	-15.2	$2.3	-26.7
	Russia	$3.8	$10.0	164.8	$18.5	85.2	$18.0	-3.1	$21.2	17.9
	South Africa	$5.5	$6.3	14.7	$10.7	69.5	$11.2	5.2	$9.9	-11.4
	Thailand	$1.4	$3.7	165.0	$3.8	1.9	$4.7	23.3	$5.9	26.6
	Turkey	$2.2	$3.4	56.1	$4.3	27.9	$2.1	-52.0	$3.3	58.0
Europe ex UK	Austria	$1.9	$1.5	-21.3	$1.1	-26.1	$0.6	-48.1	$1.1	95.5
	Belgium	$3.5	$3.5	0.5	$4.5	27.1	$4.8	6.3	$7.5	57.2
	Denmark	$1.2	$1.1	-11.1	$2.0	83.0	$2.2	9.9	$2.8	31.0
	Finland	$4.2	$4.3	0.8	$5.7	33.1	$3.9	-31.6	$3.3	-14.6
	France	$51.0	$47.1	-7.6	$58.0	23.0	$46.2	-20.3	$50.5	9.2
	Germany	$31.4	$25.8	-17.9	$37.3	44.6	$35.0	-6.0	$36.4	3.8
	Greece	$1.5	$0.8	-45.4	$0.0	-100.0	$0.0		$0.0	
	Ireland	$0.6	$1.2	103.8	$0.6	-47.5	$1.2	86.9	$0.5	-58.6
	Israel	$1.6	$2.8	78.2	$4.6	60.6	$2.0	-56.4	$1.8	-7.5
	Italy	$16.6	$15.7	-5.5	$17.1	8.6	$12.3	-28.1	$12.4	0.8
	Luxembourg	$0.5	$1.1	120.8	$0.8	-27.0	$0.8	-2.6	$0.6	-29.5
	Netherlands	$7.0	$7.2	3.2	$8.8	22.3	$8.5	-4.0	$7.9	-6.4
	Norway	$4.2	$5.7	37.9	$9.4	64.3	$8.5	-10.3	$8.7	3.1
	Portugal	$1.8	$3.2	77.0	$2.7	-16.9	$1.7	-36.8	$1.2	-26.7
	Spain	$34.1	$25.8	-24.5	$26.0	0.7	$24.7	-4.9	$25.1	1.8
	Sweden	$7.2	$8.6	19.8	$15.6	80.9	$14.3	-8.6	$15.9	11.5
	Switzerland	$17.0	$20.0	17.4	$21.1	5.4	$25.7	22.2	$24.0	-6.9
Japan	Japan	$36.1	$40.4	12.0	$49.5	22.3	$51.3	3.8	$46.4	-9.6
North America	Canada	$24.3	$27.2	11.9	$33.8	24.5	$37.1	9.6	$38.5	3.7
	United States	$202.0	$197.1	-2.4	$229.8	16.5	$298.8	30.0	$301.9	1.1
Asia-Pacific	Australia	$21.3	$29.1	36.9	$34.5	18.4	$36.5	6.0	$40.3	10.2
	Hong Kong	$20.0	$23.7	18.3	$26.8	13.3	$29.4	9.6	$33.0	12.2
	Singapore	$4.9	$6.0	22.1	$9.9	66.4	$7.1	-28.3	$8.0	12.5
	South Korea	$0.3	$5.7	1668.3	$6.7	17.7	$6.4	-5.2	$6.7	4.3
	Taiwan	$7.7	$11.7	51.9	$15.5	32.6	$11.4	-26.0	$8.9	-22.5
UK	United Kingdom	$73.6	$76.4	3.8	$87.8	14.9	$101.2	15.3	$102.1	0.9
TOTAL	**Total**	**$636**	**$679**	6.6	**$824**	21.4	**$887**	7.7	**$911**	2.8
	Outside Top 1200	$80.8	$86.1		$104.6		$112.6		$115.7	
	GRAND TOTAL	**$717.2**	**$764.7**	**10.0**	**$928.3**	**20.0**	**$999.4**	**10.0**	**$1,027.1**	**0.0**

Appendices (continued)

Sector breakdown

Industry	Sector US$bn	2009	2010	% change	2011	% change	2012	% change	2013	% change
Basic Materials	Building Materials	$1.6	$2.0	26.9	$1.9	-6.0	$1.7	-9.6	$1.7	-0.3
	Chemicals	$13.5	$14.7	9.5	$22.8	54.9	$24.0	5.2	$22.2	-7.7
	Metals & Mining	$16.4	$20.7	26.5	$37.4	80.6	$34.5	-7.9	$31.1	-9.7
	Paper & Packaging	$0.6	$0.7	16.7	$1.7	136.9	$1.1	-37.7	$1.3	20.9
Consumer Basics	Beverages	$11.6	$13.8	19.2	$16.4	18.9	$18.1	10.2	$22.2	22.7
	Food	$13.4	$15.0	11.9	$17.8	18.7	$20.3	14.1	$22.0	8.3
	Food & Drug Retail	$15.0	$17.0	13.6	$20.9	22.8	$25.5	21.9	$21.4	-16.0
	Household & Personal Products	$11.7	$13.1	12.0	$15.2	16.2	$15.8	4.2	$16.0	1.0
	Tobacco	$13.6	$16.5	21.0	$19.2	16.0	$20.0	4.6	$21.0	4.7
Consumer Discretionary	Consumer Durables & Clothing	$4.2	$4.8	13.4	$5.5	15.4	$6.4	16.8	$6.7	3.6
	General Retail	$8.6	$9.9	15.7	$13.3	34.3	$14.7	10.0	$14.2	-3.5
	Leisure	$5.3	$6.3	19.0	$7.8	22.6	$12.8	65.2	$13.1	1.9
	Media	$17.8	$8.7	-50.8	$9.7	11.1	$13.2	36.1	$10.8	-18.6
	Other Consumer Services	$0.3	$0.2	-36.0	$0.0	-76.5	$0.0	-100.0	$0.0	
	Vehicles & Parts	$5.7	$7.3	28.9	$14.6	99.3	$18.6	27.8	$21.8	17.0
Financials	Banks	$73.7	$87.9	19.3	$110.4	25.7	$114.1	3.3	$135.6	18.9
	General Financials	$13.4	$14.6	9.4	$17.3	18.7	$21.2	22.1	$22.5	6.5
	Insurance	$24.4	$28.9	18.7	$31.6	9.3	$34.8	9.9	$33.0	-5.0
	Real Estate	$12.0	$14.9	24.2	$15.9	7.0	$20.7	29.9	$26.5	28.3
Healthcare & Pharmaceuticals	Health Care Equipment & Services	$4.4	$4.7	7.4	$6.1	30.1	$10.1	65.7	$7.9	-21.8
	Pharmaceuticals & Biotech	$46.5	$50.3	8.2	$60.2	19.8	$64.6	7.2	$63.3	-2.0
Industrials	Aerospace & Defence	$8.9	$9.0	1.3	$9.6	6.4	$10.7	11.3	$11.8	10.5
	Construction, Engineering & Materials	$9.1	$9.1	0.3	$12.7	38.7	$13.2	4.2	$10.8	-18.0
	Electrical Equipment	$3.8	$3.7	-3.5	$4.8	30.2	$4.8	0.0	$5.2	8.1
	General Industrials	$22.5	$18.6	-17.5	$27.8	49.4	$29.5	6.1	$29.5	0.3
	Support Services	$3.3	$2.7	-17.9	$3.7	36.5	$3.6	-1.6	$4.2	16.6
	Transport	$9.9	$10.3	4.1	$13.8	33.4	$14.1	2.0	$12.7	-9.5
Oil, Gas & Energy	Energy - non-oil	$0.5	$0.7	37.3	$1.9	149.5	$3.0	61.3	$2.5	-15.3
	Oil & Gas Equipment & Distribution	$5.0	$5.4	7.6	$6.4	18.7	$7.2	12.7	$10.5	44.8
	Oil & Gas Producers	$93.1	$88.4	-5.0	$100.8	14.0	$107.9	7.0	$111.9	3.8
Technology	IT Hardware & Electronics	$9.3	$12.0	29.3	$15.1	26.2	$21.2	40.3	$27.0	27.3
	Semiconductors & Equipment	$7.2	$10.1	40.7	$10.4	2.7	$12.1	16.5	$12.5	3.3
	Software & Services	$13.4	$16.0	20.0	$16.9	5.7	$20.6	21.4	$22.7	10.5
Telecommunications	Fixed Line Telecommunications	$55.4	$58.7	6.0	$66.7	13.6	$55.9	-16.2	$47.4	-15.2
	Mobile Telecommunications	$20.8	$26.7	28.5	$32.5	21.9	$37.5	15.4	$34.5	-8.1
Utilities	Utilities	$60.8	$54.8	-9.9	$54.8	0.0	$53.5	-2.3	$53.9	0.7
TOTAL	**TOTAL**	**$636.4**	**$678.5**	6.6	**$823.7**	21.4	**$886.9**	7.7	**$911.3**	2.8
	Outside Top 1200	$80.8	$86.1		$104.6		$112.6		$115.7	
	GRAND TOTAL	**$717.0**	**$765.0**	**6.6**	**$928.0**	**21.4**	**$999.0**	**7.7**	**$1,027.0**	**2.8**

Appendix 2: Why do dividends vary so much from one country to another?

There are clear differences in the way firms in certain markets choose to reward their shareholders. This relates to both the tax treatment of dividends over other forms of shareholders' remuneration, and also to cultural factors that have shaped the way investors and the companies they own interact. The US, for example, is a relatively low yielding market, where dividend policy is much less likely to be regular and progressive. Share buybacks in the US are a common way of returning cash, requiring investors to create their own income stream by selling their shares in proportion to the buyback programme. This can be awkward for investors to keep track of, but used to have the advantage in the US that capital gains were less heavily taxed than income. This is no longer the case in that market, but buybacks remain very popular. In the UK, dividends are slightly more heavily taxed than capital gains, but there is a distinct preference for them. Indeed, the UK is one of the highest yielding major markets in the world.

Two other key factors are the level of development and the ownership structure. Faster growing emerging markets usually have much lower yields as capital is retained for further investment and growth. Although where governments hold large shareholdings in big, established industries, there may be pressure for large payouts.

Currency movements naturally play a role in the USD translation of global payouts, but it is not simply a question of looking at the annual trends in the main currencies. For example, the second quarter is the biggest period for dividend payments, accounting for about two fifths of the annual pot, while the first quarter is just one sixth. This is mainly due to Europe ex UK, which makes over three fifths of its payments in Q2. This means that the euro to US dollar exchange rate in the second quarter is key. Emerging Markets are heavily skewed to Q3, but there is a greater mix of currencies in this category, meaning there is a lesser impact of any one currency.

Methodology

Each year analyses dividends paid by the 1,200 largest firms by market capitalisation (as at 31/12 before the start of each year). Dividends are included in the model on the date they are paid. Dividends are calculated gross, using the share count prevailing on the ex-date, and converted to USD using the prevailing exchange rate. Where a scrip dividend is offered, investors are assumed to opt 100% for cash. This will slightly overstate the cash paid out, but we believe this is the most proactive approach to treat scrip dividends. In most markets it makes no material difference, though in some, particularly European markets, the effect is greater. Spain is a particular case in point. The model takes no account of free floats since it is aiming to capture the dividend paying capacity of the world's largest listed companies, without regard for their shareholder base.

We have estimated dividends for stocks outside the top 1,200 using the average value of these payments compared to the large cap dividends over the five year period (sourced from quoted yield data). This means they are estimated at a fixed proportion of 11.3% of total global dividends, and therefore in our model grow at the same rate. This means we do not need to make unsubstantiated assumptions about the rate of growth of these smaller company dividends. The market capitalisation of stocks outside the top 1,200 was 12.9% in 2013.

All raw data was provided by Exchange Data International with analysis conducted by Henderson Global Investors.

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