HENDERSON FAR EAST INCOME LIMITED

Janus Henderson
KNOWLEDGE. SHARED

Asia Pacific (ex. Japan) Dividend Index

For promotional purposes

Contents

Foreword

Henderson Far East Income Limited is an investment company which aims to provide a high level of dividend, as well as capital appreciation from a diversified portfolio of investments traded across Asia-Pacific excluding Japan*. The company includes investments in countries as diverse as Australia and Indonesia, but which are united by their common role in Asia-Pacific's economic growth story.

Henderson Far East Income Limited has increased the dividend each year since its Jersey incorporation in 2007, and, as at 31 May 2019, the ordinary shares yielded 6.3%.

The latest edition of the Henderson Far East Income Index is the second annual report tracking the trends in dividends paid by companies listed across this fast-growing part of the world. The index is calculated in sterling – with a base year of 2009 – and can be broken down into individual countries and sectors[1]. This enables investors to identify where growth in dividend payments has been fastest.

[1] Full breakdown available from 2013 – see methodology page 13
* References to Asia Pacific throughout this report refer to the region of Asia Pacific excluding Japan

Overview

Dividends from Asia-Pacific excl. Japan grew rapidly in the twelve months to the end of April 2019 as the region proved resilient in the face of slowing global economic growth. On a headline basis, they rose 8.3% to a record £229.7bn, in line with the £230.4bn forecast we made this time last year.

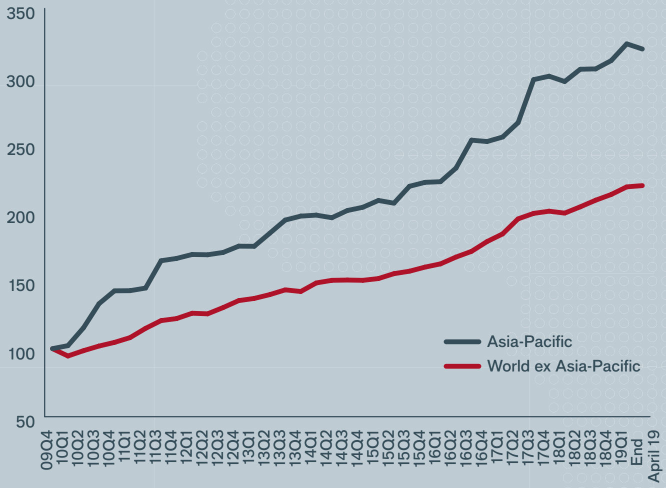
The headline rate of increase was a touch below the 9.6% achieved in the rest of the world, but this is mainly because one-off special dividends* were much lower year-on-year, particularly in China and Hong Kong. There was also a small exchange-rate effect, mainly owing to weakness in the Australian dollar against sterling. On an underlying basis, which adjusts for these factors, dividends in Asia-Pacific grew 11.3%, a touch ahead of our forecast, and beating the rest of the world by around three percentage points*.

Over the last year, South Korea, China, and Singapore have shown the fastest underlying growth, while Malaysia and New Zealand have each seen lower total dividend payouts, the only countries to do so. The biggest contribution to growth on an underlying basis came from China. The region has seen further diversification of the dividends paid, with less dependence on the biggest companies, the biggest sector (banks), and the traditionally largest paying countries, like Australia.

The region's strong performance continued the trend from the last few years, which has seen much faster dividend growth than the rest of the world. Since 2009, total dividend payouts in Asia-Pacific have more than tripled, rising 220.8% by the end of April. Dividends outside the region have also done very well, more than doubling over the period (up 119.8%), but clearly have not been able to match the Asian advance.

Over the next year, corporate profits across the region are expected to grow 6-7%, but dividend growth can be faster than this, because there is so much room for payout ratios* to expand. Therefore, dividends are expected to grow 7.5% on an underlying basis. Special dividends are likely to revert to more typical levels, thereby acting as a drag on headline growth* which will only be partially offset by positive exchange-rate effects. Headline forecast therefore sees total dividend payouts rising 6.1% to a total of £243.7bn by the end of April 2020.

Dividend growth – indexed



Source: Janus Henderson, 2019

*** Please refer to glossary of terms on page 13**
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HEADLINE FORECAST SEES TOTAL DIVIDEND PAYOUTS

rising 6%

TO AROUND £243BN BY THE END OF APRIL 2020

BETWEEN 2009 AND APRIL 2019, ASIA-PACIFIC'S (EXCL. JAPAN) COMPANIES PAID THEIR SHAREHOLDERS

£1.5trillion

ON AN UNDERLYING BASIS, DIVIDENDS IN ASIA-PACIFIC (EXCL. JAPAN)

grew just over 11%,

BEATING THE REST OF THE WORLD BY AROUND THREE PERCENTAGE POINTS

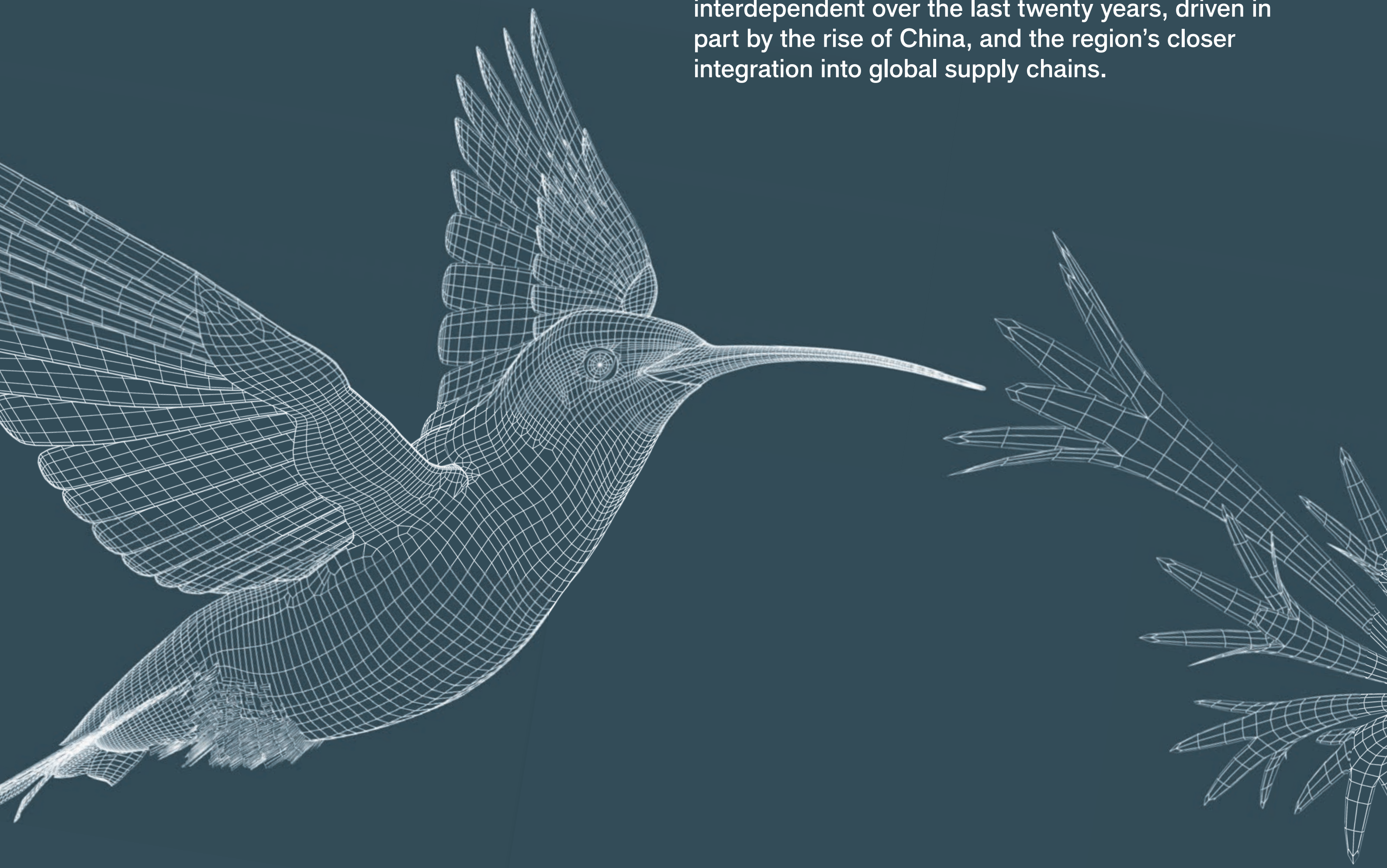
OVER THE LAST YEAR,

South Korea, China, and Singapore

HAVE SHOWN THE FASTEST UNDERLYING GROWTH

Asia-Pacific in the global context

Asia-Pacific's economies have become increasingly interdependent over the last twenty years, driven in part by the rise of China, and the region's closer integration into global supply chains.



	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020e
Asia-Pacific - Annual Dividends £bn	£144.9	£153.0	£162.3	£189.4	£212.0	£229.7	£243.7
Headline growth year-on-year	12.6%	5.6%	6.1%	16.7%	12.0%	8.3%	6.1%
Underlying growth year-on-year	n/a	10.4%	5.2%	3.4%	6.2%	11.3%	7.5%

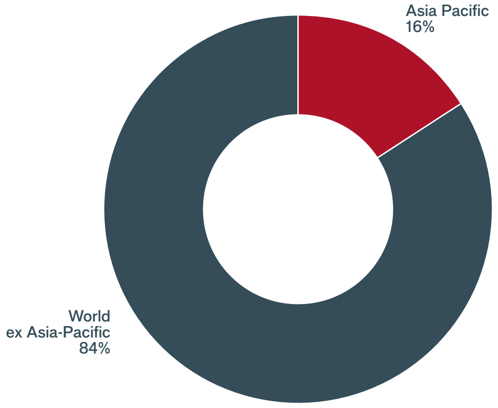
(underlying growth excludes the effect of special dividends and exchange rates)

Source: Janus Henderson, 2019.

Expanding financial markets have enticed foreign investors to finance companies keen to exploit the new opportunities. And as profits have grown, and the region's leading firms have begun to mature, so they have begun to return capital to their shareholders by way of dividends. The less developed markets, like South Korea, have begun to catch up with the most developed like Australia, where a culture of dividend-paying is well entrenched. In 2018, Asia-Pacific's share of global dividends rose to £1 in every £6, up from £1 in £9 in 2009. UK dividends accounted for just under a tenth of global payouts a decade ago, but now they make up one thirteenth[2].

Between 2009 and April 2019, Asia-Pacific's companies paid their shareholders £1.5trillion, of which £229.7bn was distributed in the twelve months to the end of April 2019 alone, more than double the £94.8bn[3] paid by companies in the UK. A decade ago, dividends from the region were just £57.6bn, only a touch larger than the UK's £50.1bn[4].

2018 dividends



Source: Janus Henderson, 2019.

[2]UK excluding HSBC; Asia-Pacific including HSBC

[3]Source – Link UK Dividend Monitor, less HSBC

[4]Source – Link UK Dividend Monitor, less HSBC

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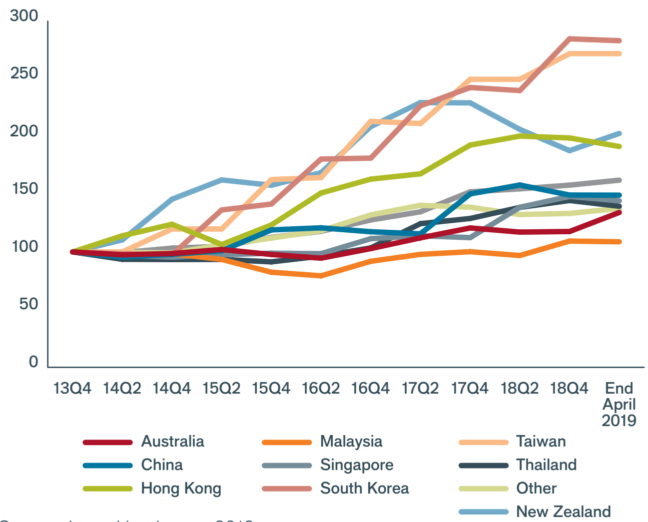
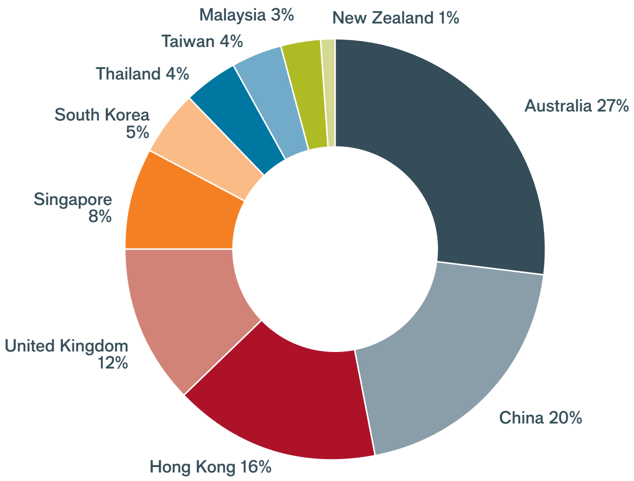
Broad-based growth from around Asia-Pacific over the last year

Dividend growth - indexed



Source: Janus Henderson, 2019.

2018-19 Asia-Pacific (excl. Japan) dividend contribution



Source: Janus Henderson, 2019.

Chinese companies paid one fifth of all Asia-Pacific's dividends in 2018-19, a proportion that has changed little over the last five years. Total dividend payouts bounced back 19.4% on an underlying basis in 2018-19, after a lacklustre performance over the previous two years. The headline total was flat year-on-year, however, mainly because a very large one-off special dividend paid by China Mobile in 2017-18 was not repeated. The biggest contribution to the underlying improvement came thanks to higher oil prices, which enabled a 70% increase in dividend payouts from the sector.

Insurers and real estate companies made similar increases, while the dominant banking sector made up for ground lost in 2016-18 when dividends were hit by a period of poor profit performance linked to bad loans and over investment. Despite the rebound in banking and oil dividends, these sectors, along with telecoms now only make up two thirds of total Chinese payouts down from 85% five years ago. Media and general industrials are among those to have made large increases in their contribution. Although it made no contribution to headline dividend* growth from Asia-Pacific in 2018-19, on an underlying basis, China accounted for over a third of the increase year-on-year. Since 2013, Chinese dividends have risen 49.2%, below the 62.2% average for the region.

Australia contributed more than a quarter of the region's total payouts in 2018-19, its headline total inflated by two very large special dividends from BHP and Rio Tinto, the global mining conglomerates. Underlying growth in Australia was much slower, however, up 4.9% year-on-year. Half of Australian dividends are paid by the country's large banks, but weak profitability, combined with already high payout ratios (the relationship between profits and dividends), means it is difficult for them to distribute more. Cuts from Telstra and QBE insurance were, however, more than offset by improved total dividend payouts from the mining sector and Woodside Petroleum. Even so, over the last five years, Australian dividends have lagged both the rest of Asia-Pacific and the wider world.

Hong Kong, the third largest payer in the region accounted for one sixth of total payouts in 2018-19, and has seen its dividends almost double (+91.4%) since 2013, well above average for the region. Over the last year, like China, headline dividends were flat owing to sharply lower special dividends, but they were 10.2% higher on an underlying basis, and contributed more than one seventh of the underlying increase from the region. Real estate firms and general financials made the biggest contribution to growth, among the latter notably Hong Exchanges and Clearing.

* Please refer to glossary of terms on page 13

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Taiwan has almost doubled its share of the region's dividends since 2013, up from £1 in every £14 to almost £1 in every £7. Its growth rate is second only to South Korea's over the last five years, with total dividend payouts up by 172%, but its larger size combined with its rapid development means it has contributed more to the increase in Asia-Pacific's dividends than any other country. Over the last year, Taiwanese dividends have risen 10.0% on an underlying basis, slightly faster than the headline rate. Taiwan's total would have been higher still if electronics group Hon Hai had not temporarily diverted half its dividend to fund a share buyback. Taiwan Semiconductor is the country's largest contributor; it paid £5.2bn last year, making its dividend one of the largest 25 in the world. Five years ago it ranked 82nd.

South Korea has seen the fastest growth of all in the region, with total payouts up 183% since 2013; they jumped by a third in 2018-19. This is mainly thanks to Samsung Electronics, which has more than tripled its total dividend payout in four years. It made up over a third of the South Korean total in the last year, and was the 11th largest payer in the world. In 2014, it did not even feature in the top 100. Without the Samsung effect, South Korea's dividends would have doubled in the last five years, rather than almost tripled. Despite this one company's dominance, there has been good growth from elsewhere in the Korean market too, driven by rising payout ratios, but the fortunes of dividends from that country are now highly dependent on Samsung, highlighting the benefits of diversifying across the wider region.

Singapore's total was boosted by large special dividends, especially from banking group DBS, which was able to release surplus capital on its balance sheet, as well as paying a large regular dividend. Singapore saw 17.9% underlying growth in 2018-19. Malaysian payouts fell slightly, and those in Thailand were flat.

Asia-Pacific's dividends are becoming less dependent on a few big companies

Top Dividend Payers in Asia-Pacific

Rank	2013-2014		2018-2019	
1	HSBC Holdings plc	United Kingdom	China Construction Bank Corp.	China
2	China Construction Bank Corp.	China	HSBC Holdings plc	United Kingdom
3	China Mobile Limited	China	BHP Group Limited	Australia
4	Commonwealth Bank of Australia	Australia	China Mobile Limited	China
5	Westpac Banking Corp	Australia	Samsung Electronics	South Korea
6	Australia & New Zealand Banking Group Ltd.	Australia	Commonwealth Bank of Australia	Australia
7	National Australia Bank Limited	Australia	Taiwan Semiconductor Manufacturing	Taiwan
8	BHP Group Limited	Australia	Westpac Banking Corp	Australia
9	Telstra Corporation	Australia	National Australia Bank Limited	Australia
10	Industrial & Commercial Bank of China Ltd.	China	Australia & New Zealand Banking Group Ltd.	Australia
	Total dividends £bn	**£46.2**		**£61.0**
	% of Asia-Pacific Total	**31.9%**		**26.5%**
11	Cnooc Ltd.	China	Wesfarmers Limited	Australia
12	Woodside Petroleum	Australia	Cnooc Ltd.	China
13	Taiwan Semiconductor Manufacturing	Taiwan	Industrial & Commercial Bank of China Ltd.	China
14	Wesfarmers Limited	Australia	DBS Group Holdings Ltd	Singapore
15	Bank of China Ltd.	China	RIO Tinto Ltd.	Australia
16	Sands China Ltd	Hong Kong	Telstra Corporation	Australia
17	Woolworths Group Limited	Australia	Bank of China Ltd.	China
18	Singapore Telecommunications Limited	Singapore	Singapore Telecommunications Limited	Singapore
19	Samsung Electronics	South Korea	China Evergrande Group	Hong Kong
20	BOC Hong Kong(Hldgs)	Hong Kong	Ping AN Insurance (Group) Co. of China, Ltd.	China
	Total dividends £bn	**£15.3**		**£21.0**
	% of Asia-Pacific Total	**10.6%**		**9.1%**

Source: Janus Henderson, 2019.

The top ten payers in Asia-Pacific distributed £61bn in the year to the end of April, a third more than 2013-14.

They also feature companies from five countries, up from three five years before, as slower growth, more mature Australian companies have been replaced by newcomers from Taiwan and South Korea.

Together they made up a little over a quarter of all the dividends paid in the region, down from almost a third five years ago. The reducing dependence on a few large payers is a function of the faster dividend growth being delivered by companies outside the super league. This is beneficial for investors, not just because there is rapid growth to be enjoyed, but also because Asia-Pacific's dividends are being paid by an increasingly diverse mix of companies, sectors, and countries. This reduces the risk to investors' income.

*** Please refer to glossary of terms on page 13**

Increasing diversification away from dominant financials

From a sector perspective, Asia-Pacific's dividends are certainly becoming more broadly diversified, but as with almost all parts of the world, there is less sector diversification at this regional level than there is at the global.

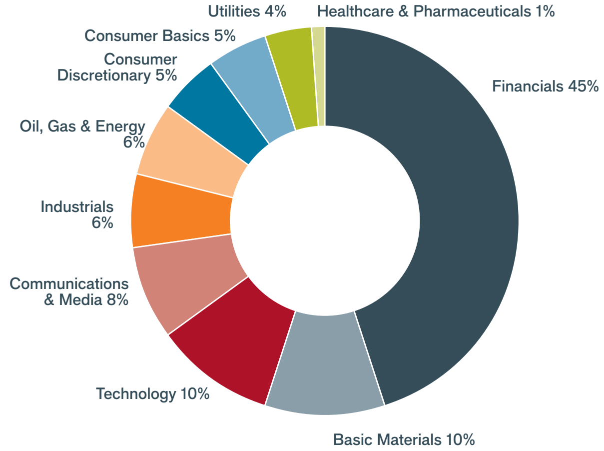
Financials, for example, made up 45% of all Asia-Pacific's dividends in the last year, though their share has dropped from 49% five years ago, owing to faster growth coming from other sectors. Australian and Chinese banks make by far the largest contribution. Outside Asia-Pacific, financials only account for a quarter of the total.

This is where an active approach to fund management can help. The Australian banks make up the largest share of the region's financial dividends, but they are not growing. Neither do they form part of the region's investment case, which is to capture the economic development of the dynamic Asian economies. By contrast, the Australian banks service a mature domestic financial services market. An active approach, like that employed by Henderson Far East Income, allows fund managers to focus on the more interesting growth opportunities.

Technology dividends, for example, now account for one tenth of the region's total dividend payouts, slightly more than the rest of the world, and up from one twentieth five years ago. They are growing more than three times faster than the region's dividends overall.

Other sectors rising up the rankings include industrials, utilities, basic materials and healthcare, though the last of these makes up a tiny 1% of the regional total, compared with 9.4% in the rest of the world. Telecoms and oil & gas have lagged furthest behind.

2018-19 Asia Pacific dividends by sector



Source: Janus Henderson, 2019.

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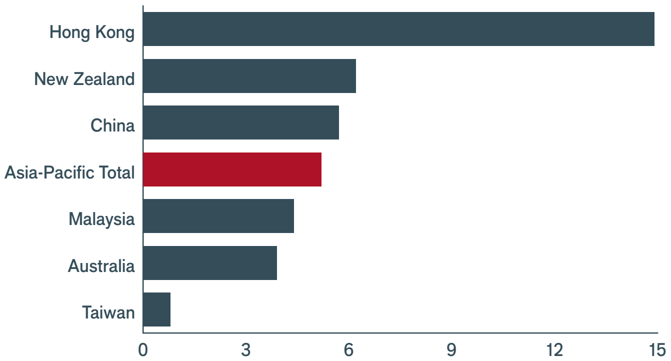
Underlying growth v headline – the effect of one-off special dividends and exchange rates

	Underlying growth	Special dividends	Exchange Rates	Headline growth
Australia	4.9%	13.4%	-3.8%	14.5%
China	19.4%	-19.1%	-0.9%	-0.6%
Hong Kong	10.2%	-11.0%	0.0%	-0.8%
Malaysia	-3.5%	2.1%	3.1%	1.7%
Singapore	17.9%	8.7%	0.2%	26.8%
South Korea	31.9%	0.0%	1.1%	33.0%
Taiwan	10.0%	0.0%	-1.1%	8.9%
Thailand	0.4%	0.5%	4.0%	4.8%
New Zealand	6.8%	-4.0%	-4.3%	-1.6%
TOTAL	**11.3%**	**-2.0%**	**-0.9%**	**8.3%**

Source: Janus Henderson, 2019

Special dividends 2013-2018 as % of total

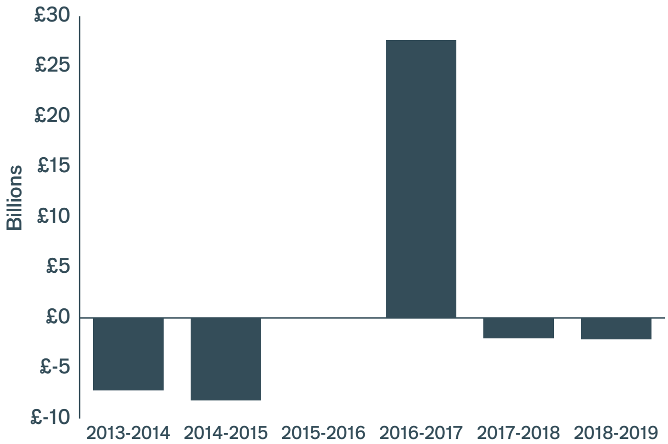


Source: Janus Henderson, 2019.

Special dividends are used more widely by companies in Asia-Pacific than they are elsewhere in the world. On average over the last decade, special dividends have contributed £1 in every £20 paid in the region, whereas elsewhere in the world this has averaged £1 in every £30. Hong Kong and Chinese companies have paid the most in special dividends, with China Mobile and Power Assets Holdings particularly standing out. This can add an element of unpredictability to total dividend payouts, and accounts for most of the volatility* in the headline growth rate from year to year. Special dividends in the younger markets partly reflect relatively low payout ratios leading to an accumulation of cash on the balance sheet. Companies can then pay this out as a one-off, rather than setting an expectation for a longer-term dividend policy. Payout ratios have been rising more recently so we may see special dividends fade a touch over the medium term as companies mature. The prevalence of specials is in part because share buy-backs are relatively rarely used as a means of returning surplus capital to shareholders in comparison to the US, for example, where buy-backs are very common.

Australia has typically been a market with special dividends well below the global average, partly because its banks dominate the dividend scene with very large, steady payouts. A huge one-off from BHP Group in January, followed by another from Rio Tinto in April, each distributing the proceeds from the sale of non-core businesses, mean that specials made up £1 in every £8 paid to investors in Australian equities in the year to the end of April. This big boost helped offset much lower specials in both Hong Kong and China year-on-year.

Exchange-rate effect



Source: Janus Henderson, 2019

The chart above shows how exchange rates impacted the value of sterling dividends paid in Asia-Pacific each year since 2013 to 2014.

Although in any individual year, movements in exchange rates can make a significant impact on the sterling value of dividends paid in Asia-Pacific, the cumulative effect over the long term is very small as gains one year are balanced by losses in another. For example, the devaluation of the pound following the UK's vote to leave the EU explains the big swing from an £8.2bn drag in 2014-2015 to a £31m gain in 2015-16. Since 2013, currency movements have added just 0.8% to the growth rate of the region's dividends in sterling terms, equivalent to an average of merely 0.15% each year. The Janus Henderson Global Dividend Index shows similar findings for the rest of the world. This is thought provoking for investors who want to think internationally, as it means exchange rates could pose less of a major risk factor over the long term.

In the year to the end of April, sterling was stronger against the Australian, New Zealand and Taiwanese dollars, and the Chinese renminbi, but lost ground against other currencies in the region. The biggest effect came from the fall in the Australian dollar. Overall, exchange rate movements deducted £2.1bn, or 0.9% of the total paid.

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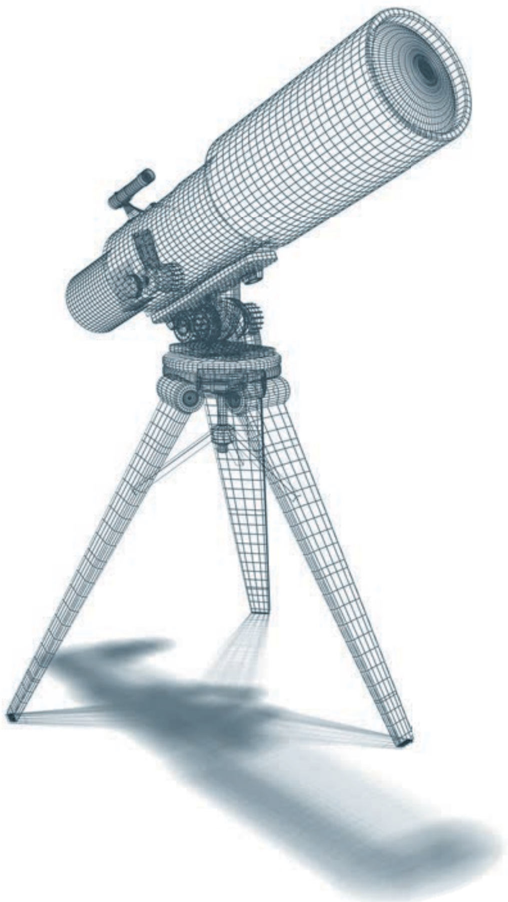
Mike Kerley
viewpoint and outlook

Asia-Pacific has a happy combination of relatively high yields and low payout ratios, because equity valuations themselves are low compared to other parts of the world. Rapid dividend growth comes on top as companies across Asia-Pacific are increasingly adopting a culture of dividend paying.

This is partly because many companies are becoming very large and ever more mature, both features which tend to lead to higher dividend payments anyway as operations become strongly cash generative. And it partly reflects a changing corporate attitude that increasingly recognises the importance of returning capital to shareholders. A strong and growing income stream not only provides a helpful basis for valuing a company's share price, but there is less risk for shareholders if they see a steady flow of dividends, rather than watching cash pile up on a company's balance sheet.

Trade tensions loom large in the headlines, and in reality they are likely to drag on for some time yet. Although the US's target is mainly China, the implications spread across the region. Companies in Taiwan, for example, are being affected because they have built production in mainland China. China's exporters and technology companies may suffer, but the government is likely to implement policies to mitigate the worst effects, for example, by increasing infrastructure investment, or seeking to boost consumer spending.

Over the next year, Henderson Far East Income expects corporate profits across the region to grow 6-7%, but expects dividend growth to be faster than this, because there is so much room for payout ratios to expand. Henderson Far East Income therefore expects dividends to grow 7.5% on an underlying basis. Special dividends are unlikely to beat the total paid in 2018-19, so we assume they will revert to more typical levels. That will act as a drag on headline growth which will only be partially offset by positive exchange-rate effects, based on the current weaker level of sterling against currencies in the region. Our headline forecast therefore sees total dividend payouts rising 6.1% to a total of £243.7bn by the end of April 2020.



Mike Kerley
Fund Manager,
Henderson Far East
Income Limited

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Appendix

Dividends by country (£ billion)

Country	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Australia	£40.3	£41.9	£38.5	£45.8	£47.9	£54.9
China	£26.3	£25.9	£31.3	£31.0	£39.5	£39.3
Hong Kong	£16.8	£21.5	£21.5	£27.0	£31.5	£31.3
Malaysia	£7.6	£6.9	£5.7	£6.5	£7.4	£7.6
Singapore	£6.8	£6.5	£6.9	£7.7	£7.8	£9.9
South Korea	£6.2	£7.9	£10.4	£13.0	£12.3	£16.4
Taiwan	£9.3	£11.1	£15.1	£19.8	£23.1	£25.2
Thailand	£4.2	£4.3	£4.0	£4.6	£5.9	£6.2
United Kingdom	£7.8	£6.0	£6.7	£8.0	£7.5	£7.8
New Zealand	£0.7	£1.0	£1.0	£1.4	£1.3	£1.3
TOTAL	**£126.0**	**£133.0**	**£141.1**	**£164.7**	**£184.4**	**£199.7**
Dividends outside top 500	**£18.9**	**£20.0**	**£21.2**	**£24.7**	**£27.7**	**£30.0**
GRAND TOTAL	**£144.9**	**£153.0**	**£162.3**	**£189.4**	**£212.0**	**£229.7**

Source: Janus Henderson, 2019.

Dividends by sector (£ billion)

Sector	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
Basic Materials	£8.3	£8.9	£7.8	£9.5	£13.2	£20.5
Consumer Basics	£6.2	£6.5	£8.1	£6.5	£7.4	£9.2
Consumer Discretionary	£6.8	£8.0	£7.2	£8.8	£9.7	£10.1
Financials	£61.2	£61.7	£67.6	£78.9	£81.2	£89.2
Healthcare & Pharmaceuticals	£1.1	£1.2	£1.4	£1.9	£2.0	£2.3
Industrials	£7.5	£10.9	£8.0	£12.0	£13.0	£12.9
Oil, Gas & Energy	£8.6	£8.4	£6.9	£6.5	£9.8	£11.7
Technology	£6.4	£7.9	£11.1	£14.2	£15.4	£19.7
Communications & Media	£16.3	£14.5	£15.3	£17.7	£22.4	£16.9
Utilities	£3.6	£5.1	£7.7	£8.7	£10.3	£7.3
TOTAL	**£126.0**	**£133.0**	**£141.1**	**£164.7**	**£184.4**	**£199.7**
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Methodology

The Henderson Far East Income Index analyses dividends paid by the 500 largest firms by market capitalisation (as at 30/04/19) in the countries included in the index, excluding Japan. Detailed data is included from 2013 onwards. The index pre-2013 is calculated using data from the Janus Henderson Global Dividend Index, which has fewer companies from Asia-Pacific, but which is nevertheless detailed enough to allow the historic trend to be derived. In addition, some of the countries included in Asia-Pacific in this index are counted as emerging markets in the Janus Henderson Global Dividend Index. Dividends are counted on the date they are paid. Dividends are calculated gross, using the share count prevailing on the pay-date (this is an approximation because companies in practice fix the exchange rate a little before the pay date), and converted to GBP 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 practical approach to treat scrip dividends since detailed data on scrips is only issued many months later. In most markets it makes no material difference. The model takes no account of free floats* since it is aiming to capture the dividend paying capacity of Asia-Pacific's largest listed companies, without regard for their shareholder base. We have estimated dividends for stocks outside the top 500 at a fixed proportion of 15% of total dividends from the top 500, and therefore in our model these grow at the same rate. All raw data is provided by Exchange Data International with analysis conducted by Janus Henderson Investors.

* Please refer to the glossary of terms

Glossary

Equity dividend yields – A financial ratio that shows how much a company pays out in dividends each year relative to its share price.

Free floats – A method by which the market capitalization of an index's underlying companies is calculated. Free float refers to available shares outside connected parties.

Headline dividends – The sum total of all dividends received.

Headline growth – Change in total gross dividends.

Payout ratio – The proportion of earnings paid out as dividends to shareholders.

Percentage point – One percentage point equals 1/100.

Scrip dividend – An issue of additional shares to investors in proportion to the shares already held, in lieu of a dividend.

Special dividends – Typically, one-off payouts made by companies to shareholders that are declared to be separate from their regular dividend cycle.

Volatility – The rate and extent at which the price of a security or market index, for example, 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. Used as a measure of risk.

Janus Henderson
—KNOWLEDGE. SHARED—

Important Information

The information in the document is not intended or should not be construed as investment advice. Past performance is no guarantee of future results. International investing involves certain risks and increased volatility not associated with investing solely in the UK. These risks included currency fluctuations, economic or financial instability, and lack of timely or reliable financial information or unfavorable political or legal developments. The value of your investment and the income from it can fall as well as rise and you may not get back the amount originally invested. If a trust's portfolio is concentrated towards a particular country or geographical region, the investment carries greater risk than a portfolio diversified across more countries. The return on your investment is directly related to the prevailing market price of the trust's shares, which will trade at a varying discount (or premium) relative to the value of the underlying assets of the trust. As a result losses (or gains) may be higher or lower than those of the trust's assets. The trust has significant exposure to Emerging Markets, which tend to be less stable than more established markets and can be affected by local political and economic conditions, reliability of trading systems, buying and selling practices and financial reporting standards. Where the trust invests in assets which are denominated in currencies other than the base currency then currency exchange rate movements may cause the value of investments to fall as well as rise. The trust may use gearing as part of its investment strategy. If the trust utilises its ability to gear, the profits and losses incurred by the trust can be greater than those of a trust that does not use gearing. All or part of the trust's management fee is taken from its capital. While this allows more income to be paid, it may also restrict capital growth or even result in capital erosion over time. The portfolio allows the manager to use options for revenue enhancement purposes. Options can be volatile and may result in a capital loss.

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