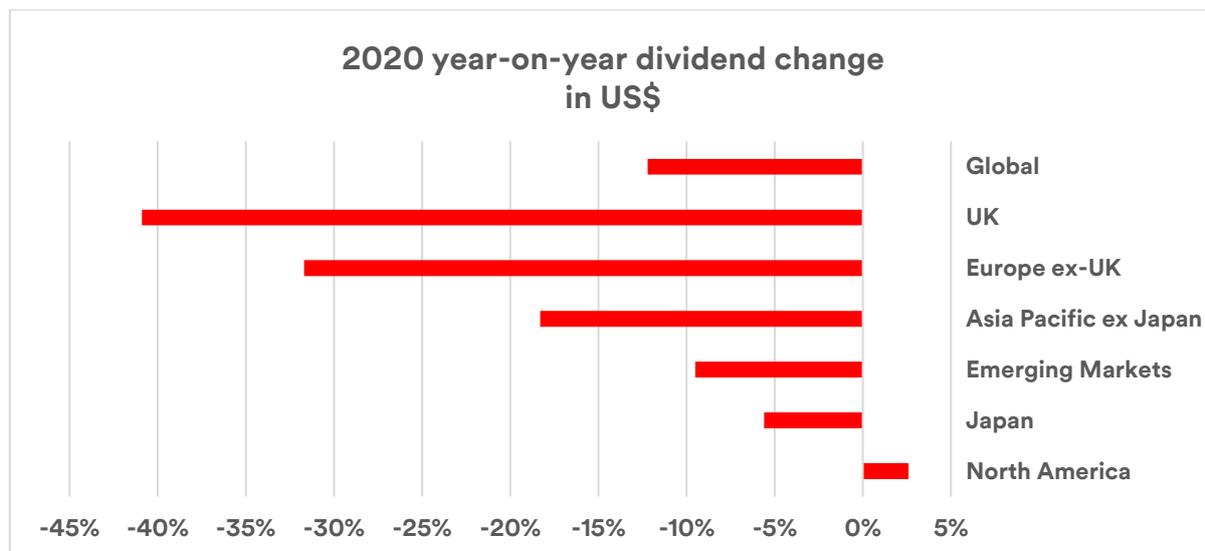


# Global dividends in 2020

A recent report showed that global dividend payments held up much better than those in the UK in 2020.



Source: Janus Henderson

For investors in UK shares and funds investing in UK companies, 2020 was a grim year when it came to dividends. The pandemic cast a long shadow over the pay outs to investors:

- Early on, the Bank of England effectively stopped all the major UK banks, including those mainly focused overseas, from paying dividends. The timing of the Bank's decision meant that the first dividends to disappear were final dividends, usually the largest of the year.
- Later, with oil prices having hit new lows, the UK 's two largest oil multinationals, Royal Dutch Shell and BP, both dramatically cut their quarterly dividends. The pair were in the top three of dividend payers by overall value between 2016 and 2019, so their decision hit many income funds hard.
- The economic uncertainty created by the pandemic encouraged many companies to cut or suspend dividends to preserve their cash holdings.
- More than a few companies took advantage of conditions to make cuts to dividend payments that had been looming for some time, but which had been sitting in the 'too difficult' tray.

The picture outside the UK was recently brought into focus in the latest edition of Janus Henderson's Global Dividend Index, which covered the final quarter of 2020 and the year as a whole. It showed that:

- Globally, between the second and fourth quarters of 2020, 12% of companies cancelled their dividends while 22% cut them. The corresponding figures for the UK were 32% and 23%. The much higher cancellation figure explains why the UK's relative performance looks so disappointing.
- The global sector with the largest overall dividends reductions, amounting to \$70bn, was banking, which accounted for a third of total dividend reductions. This total was more than three times that of the next sector, oil and gas. Both sectors are major parts of the UK market.

The Global Dividend Index demonstrates that globally diversified investment can produce different returns from an investment portfolio focused on the UK, despite the UK's many multinational companies. By the

end of 2020, the long-standing reign of 'UK All-Companies' as the largest investment fund sector had been ended by the 'Global' sector.

*The value of your investment and the income from it can go down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance.*

*Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.*

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