HENDERSON GLOBAL DIVIDEND INDEX

Henderson
GLOBAL INVESTORS
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Edition 13
February 2017

#HGDI
#HGiPress
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Contents

Nothing in this document should be construed as advice.

* Please refer to the glossary of services found on page 14.

Introduction

Henderson Global Investors is an asset manager investing in global equity markets on behalf of its clients throughout the world for over 80 years.

What is the Henderson Global Dividend Index?

The Henderson Global Dividend Index (HGDI) is a long-term study into global dividend trends. It measures the progress global firms are making in paying their investors an income on their capital, using 2009 as a base year - index value 100. The index is calculated in US dollars, and can be broken down into regions, industries and sectors. It enables readers to easily compare the dividend performance of countries like the US, which provides a large proportion of global dividends, with smaller nations, such as the Netherlands.

The report aims to help readers better understand the world of income investing.

Executive summary – by region

Overview

- Global dividends were 0.1% higher on a headline basis in 2016, reaching $1.154 trillion
- Underlying growth* was 0.6%
- A slowdown in the US, lower special dividends*, a stronger dollar, and sharp falls in the UK and emerging markets explain the lack of growth
- A strong yen inflated the dollar value of Japanese payouts, while Europe and Asia Pacific ex Japan posted solid growth
- HGDI ended the year at 158.2** with the overall level of global dividends little changed in recent years

North America

- US growth slowed progressively during 2016
- Headline dividends* rose only 1.5% to $412.5bn, held back by lower special dividends
- Underlying growth was a more robust 4.1% but followed double-digit increases in 2014 and 2015
- Slower profit growth, and companies preserving cash to bolster balance sheets, helped explain the deceleration in dividend growth with the energy sector showing particular weakness
- Canadian dividends dropped to $31.1bn, a decline in headline terms, but a 0.5% increase on an underlying basis

Europe ex UK

- European dividends expanded a solid 4.3% on a headline basis to $219.6bn, with similar growth at the underlying level
- There was wide divergence in dividend growth across the continent
- France, the Netherlands, and Denmark saw strong dividend growth whilst Germany, Switzerland and Italy made only modest progress
- Spain saw a sharp decline owing to large cuts from a handful of big companies

UK

- UK dividends fell to their lowest level since 2012, down 3.5% on a headline basis to $92.9bn
- Cuts from some of the largest UK-listed companies, combined with the weak pound, wiped $7bn off the dollar total, although special dividends rose sharply
- In underlying terms, UK dividends fell 2.4%
- The UK is the world's second largest dividend payer after the US, so weakness here made a noticeable impact at the global level

* Please refer to the glossary of services found on page 14.

** This is a statistical measure of change of the Henderson Global Dividend Index.

Executive summary – by region (continued)

Asia Pacific ex Japan

- Dividends grew 4.8% on a headline basis, mainly thanks to large specials* in Hong Kong
- They fell 0.7% in underlying terms
- Australian payouts fell to lowest level since 2010, owing to steep cuts from mining and oil companies
- South Korea and Taiwan saw dividends soar by a fifth in underlying terms, while in Hong Kong they rose only 2.7% after large special dividends were taken into account

Japan

- A strong yen pushed the US dollar value of Japanese dividends sharply higher
- Headline growth was 24.4%, three-fifths of which was due to yen strength
- Dividends dipped marginally in underlying terms, down 0.2%, as company profits were impacted by the currency's strength

Emerging Markets

- Emerging market dividends fell to their lowest level since 2009
- At $87.6bn, they were down 14.7% in underlying terms and a fifth on a headline basis
- China, Russia and Brazil all saw lower payouts, but India enjoyed decent growth, becoming the second largest emerging market payer for the first time

Industries & Sectors

- Growth was strongest in utilities, healthcare and technology
- Energy and mining industries saw dividends fall, especially in emerging markets

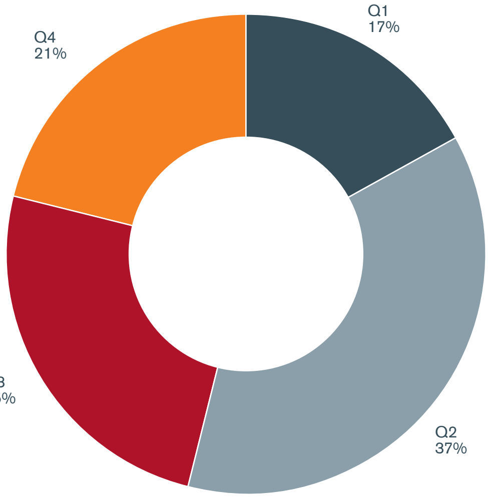
Outlook

- The global economic growth outlook for 2017 has improved and company profits should benefit
- This is good news for global dividends
- However, any further US dollar strength will hold back the translated value of payouts from other parts of the world
- We currently expect 3.2% underlying growth and 0.3% headline growth in 2017 with global dividends forecast to reach $1.158 trillion

* Please refer to the glossary of services found on page 14.

Global dividend growth disappoints in 2016

Quarterly distribution of dividends 2009-2016



Company profits were broadly flat on a global basis in 2016, so it was difficult for dividends to make much progress. They edged ahead 0.1% on a headline basis in 2016, compared to 2015, reaching a total of $1.154 trillion.

The US accounts for two-fifths of global payouts, and had been the key driver of growth in 2014 and 2015, but last year, a sharp deceleration in the US made it difficult for progress elsewhere to make an impact. In headline terms, growth was strong in Japan, though the dollar value was inflated by a rising yen, and was respectable in Asia-Pacific and in Europe. By contrast, the UK and emerging markets, which together make up a fifth of the global total, saw dividends fall, the latter very sharply.

By the end of the year, the HGDI hit 158.2, indicating dividends at a global level in US dollar terms have been broadly flat for most of the last three years.

Annual dividends by region in USD billions

Region	2013	% change	2014	% change	2015	% change	2016	% change	Q4 2015	Q4 2016	% change
Emerging Markets	$139.3	10.8%	$126.6	-9.1%	$112.2	-11.4%	$87.6	-21.9%	$15.6	$10.9	-30.3%
Europe ex UK	$206.1	4.9%	$234.5	13.8%	$210.5	-10.2%	$219.6	4.3%	$20.2	$20.8	3.0%
Japan	$47.0	-8.5%	$50.0	6.4%	$52.4	4.8%	$65.1	24.4%	$21.4	$25.3	18.2%
North America	$342.1	1.2%	$392.9	14.8%	$441.4	12.4%	$443.7	0.5%	$108.8	$110.5	1.6%
Asia Pacific ex Japan	$112.3	5.9%	$116.0	3.3%	$110.3	-5.0%	$115.5	4.8%	$19.5	$20.3	3.9%
UK	$93.3	1.4%	$123.3	32.2%	$96.2	-22.0%	$92.9	-3.5%	$17.2	$16.6	-3.9%
TOTAL	$940.0	3.4%	$1,043.3	11.0%	$1,022.9	-2.0%	$1,024.5	0.1%	$202.7	$204.3	0.8%
Divs outside top 1200	$119.3	3.4%	$129.4	8.5%	$129.8	0.3%	$130.0	0.1%	$25.7	$25.9	0.8%
GRAND TOTAL	$1,059.3	3.4%	$1,172.7	10.7%	$1,152.7	-1.7%	$1,154.5	0.1%	$228.4	$230.2	0.8%

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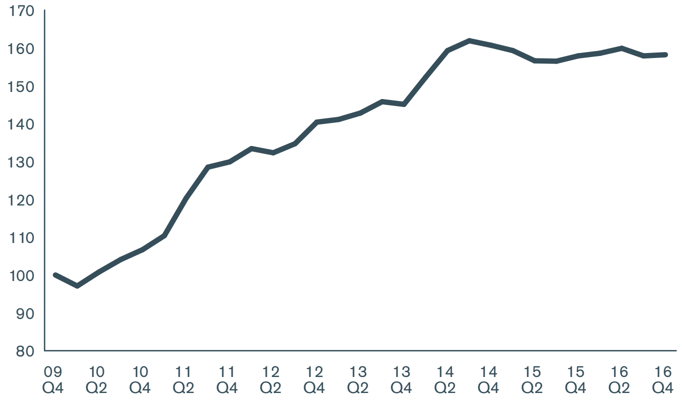
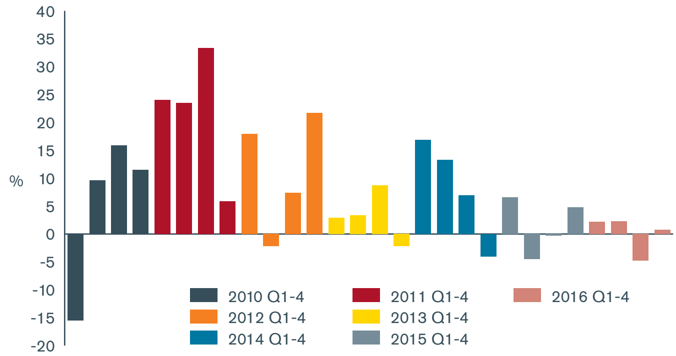
Global dividend growth disappoints in 2016

(continued)

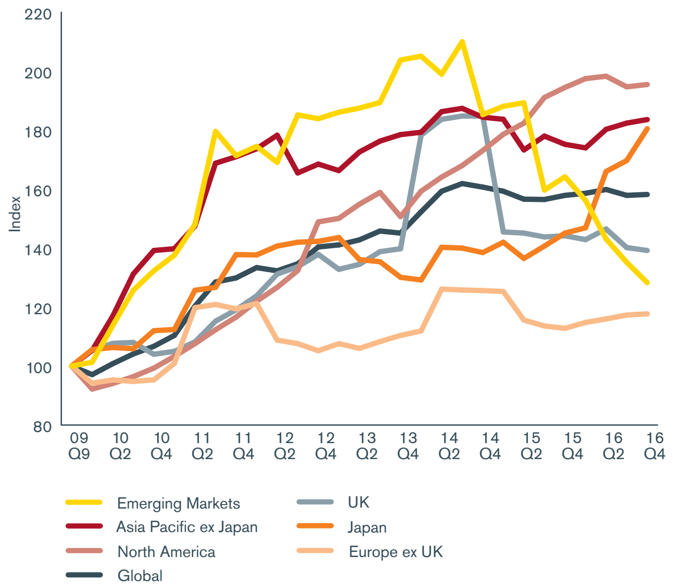
HGDI



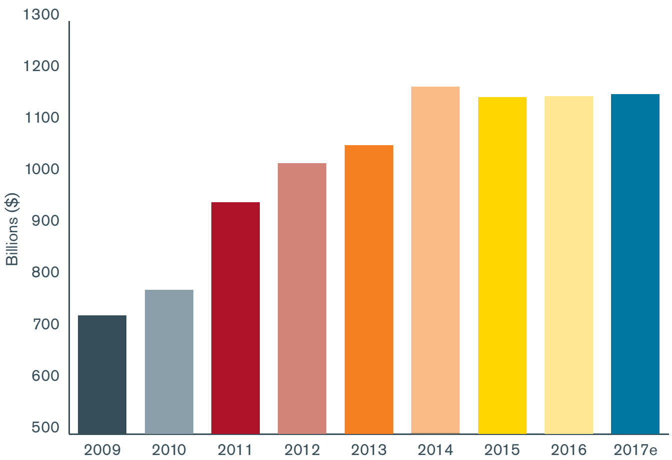
Total dividends, annual growth per quarter



HGDI – by region



Global dividends (US$)



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Underlying growth slightly outpaces weak headline figure

In underlying terms, growth of 0.6% in 2016 marginally outpaced the headline figure, once lower special dividends and a small foreign exchange loss were taken into account.

The headline growth rate shows the change in the value of dividends the world's companies actually paid, expressed in US dollars. The underlying growth rate shows the level of growth after allowing for four key factors that can impact apparent progress at the headline level. These are the unpredictability of special dividends, exchange rate movements, changes in the list of companies featuring in the global top 1,200, and changes in the timing of payments (when companies shift a dividend from one quarter to another).

These adjustments can be large in individual countries, but become smaller across regions, and globally. However, the difference between headline and underlying growth was actually very small in 2016. Special dividends were a little lower year-on-year, and the dollar was slightly stronger, with both acting as a drag on headline growth, deducting 0.3 percentage points each. Index and timing changes were both negligible on an annual basis at the global level.

Dividends in the final quarter rose 0.8% in headline terms, but dipped 0.4% on an underlying basis. Special dividends and some payments moving into the fourth quarter inflated the headline rate, while index changes, particularly reflecting some emerging market companies leaving the global top 1200, deducted half a percentage point.

Full year 2016 annual growth rate – adjustments from underlying to headline growth

Region	Underlying growth	Special dividends	Currency effects	Index changes	Timing effects*	Headline dividend growth
Emerging Markets	-14.7%	0.0%	-3.7%	-3.6%	0.0%	-21.9%
Europe ex UK	4.1%	-3.1%	0.6%	2.3%	0.4%	4.3%
Japan	-0.2%	0.1%	14.4%	10.2%	0.0%	24.4%
North America	3.9%	-1.4%	-0.3%	-1.8%	0.0%	0.5%
Asia Pacific ex Japan	-0.7%	4.5%	0.4%	0.3%	0.3%	4.8%
UK	-2.4%	5.0%	-7.3%	1.1%	0.0%	-3.5%
Global	**0.6%**	**-0.3%**	**-0.3%**	**0.0%**	**0.1%**	**0.1%**

Q4 2016 growth rate – adjustments from underlying to headline growth

Region	Underlying growth	Special dividends	Currency effects	Index changes	Timing effects*	Headline dividend growth
Emerging Markets	-22.8%	2.2%	-0.3%	-9.7%	0.3%	-30.3%
Europe ex UK	-0.4%	1.2%	-1.1%	-0.9%	4.2%	3.0%
Japan	-0.5%	-0.8%	9.3%	10.3%	0.0%	18.2%
North America	3.0%	0.5%	0.0%	-1.7%	-0.1%	1.6%
Asia Pacific ex Japan	-6.1%	5.1%	1.8%	1.3%	1.8%	3.9%
UK	5.5%	0.1%	-10.7%	1.2%	0.0%	-3.9%
Global	**-0.4%**	**1.0%**	**0.1%**	**-0.5%**	**0.6%**	**0.8%**

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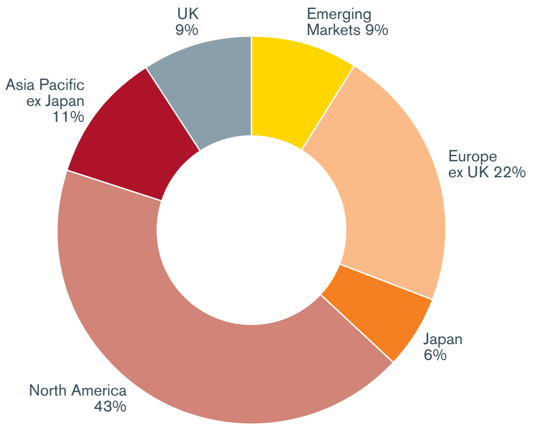
* Timing effects are not significant on an annual basis.

Regions and countries

2016 dividends by region



North America

North American dividends rose 0.5% on a headline basis to $443.7bn for the full year. Underlying growth was 3.9% once lower US special dividends and index changes, especially in Canada, were taken into account.

The slowdown in US dividend growth intensified as the year progressed, and is easiest to see in the underlying figures. Expansion of 6.9% in Q1 fell steadily to just 2.1% in the fourth quarter. It left the total up 4.1% at $412.5bn for the full year, contrasting with double digit increases in 2014 and 2015. The slower headline increase of 1.5% mainly reflects very large special dividends paid in 2015 that were not repeated. We also pointed out earlier this year how the loss of US dividend momentum has followed lacklustre profit growth, and a greater emphasis on preserving cash flow to ease balance sheet pressures. A lower but more sustainable growth rate is nothing to fear, but we would be disappointed if the modest 2.1% underlying Q4 rate were the new normal for US dividends, and did not exceed US inflation more convincingly.

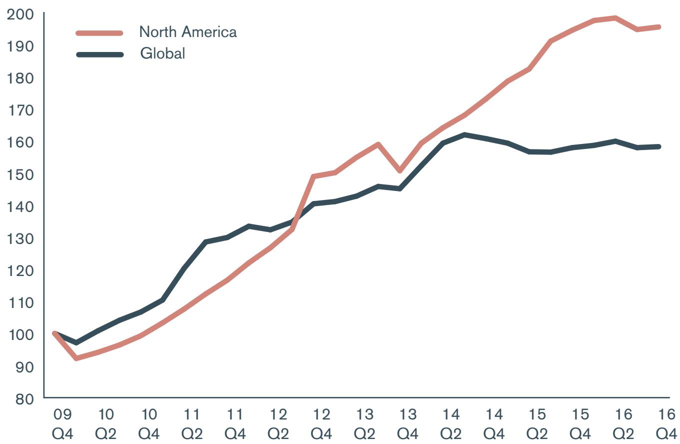
The biggest increases in the US came from Equity Residential Trust which returned an additional $4.0bn to shareholders in 2016, the largest ever real estate dividend, mainly in the form of special dividends following asset sales. Symantec followed suit, handing out $2.4bn more year-on-year, returning surplus capital on its disposal of Veritas.

Exxon and Apple just held on to the top spots as the largest US dividend payers, but AT&T overtook Microsoft to take third place, after its acquisition of DirecTV. Between them the top three paid $1 in every $9 in the US. Pharmaceuticals remained the largest-paying sector in 2016, and grew their distributions 8.2%. Meanwhile software overtook oil producers for the first time to take second place in the sector rankings, partly thanks to the Symantec special dividend.

The most notable decline came from the wider oil sector which includes the oil equipment and distributors, as well as the big producers. Dividends there fell for the second consecutive year, down 15.9%, a fall of $6.8bn year-on-year. A portion of this is due to companies leaving the index, but most is owing to companies cutting payouts, the largest being Conoco-Phillips and Kinder Morgan.

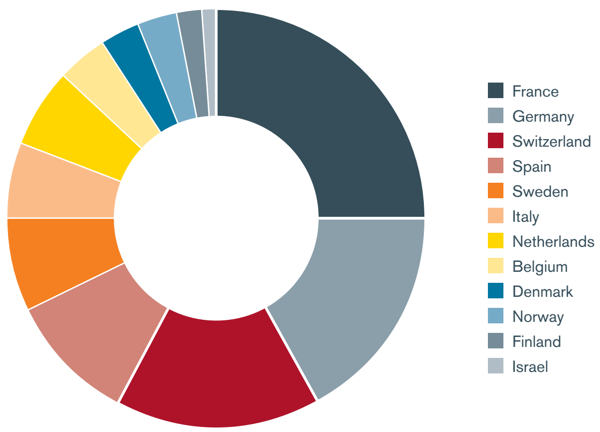
Canadian dividends fell 11.0% in 2016 to $31.1bn, though this was largely due to Canadian companies leaving our index, as well as weakness in the Canadian dollar. On an underlying basis they crept ahead 0.5%, a solid achievement given that the weighting of resources companies in Canada's total is twice that in the US. Dividends in these sectors were down sharply year-on-year.

HGDI – North America



Europe ex UK

Europe ex UK 2016



Across Europe, there was surprisingly wide divergence between different countries. Despite this, overall growth was a solid 4.3% on a headline basis (4.1% in underlying terms), reaching a total of $219.6bn.

France is comfortably the region's largest payer, and it was also one of the fastest growing. Dividends here rose 11.8% in headline terms to $54.3bn, equivalent to 9.4% on an underlying basis. This is impressive, especially since Total, which makes up $1 in every $8 distributed in France, left its dividend unchanged. The French banks, which have been returning to health, made the largest contribution, increasing payouts 53% compared to 2015, equivalent to an extra $2.8bn.

The Netherlands and Denmark also excelled. Dutch dividends rose 38.4% on a headline basis, boosted by a large special from Ahold on its merger with Delhaize, but even taking this into account, so, underlying

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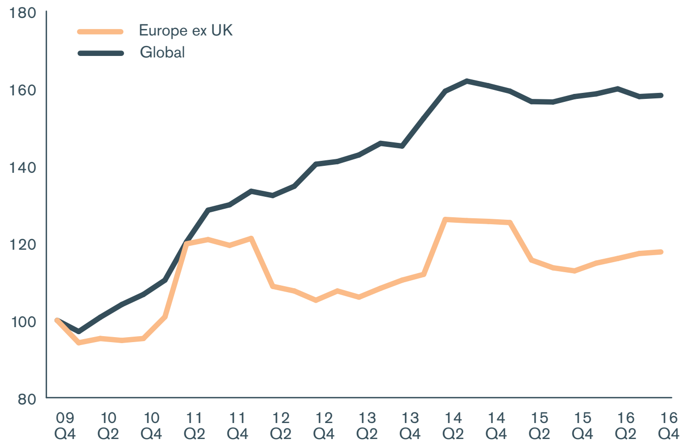
Regions and countries (continued)

expansion was still an impressive 18.5% with almost every company increasing its distribution. The top performer was ING, doubling its dividend, and overtaking Unilever to become the largest payer.

By contrast, Germany, Switzerland and Italy showed only modest growth. Germany avoided losing second place in the European rankings to its Swiss rival, but still only mustered growth of 2.6% on an underlying basis (headline growth was 6.4%). The 98% cut from Volkswagen following the emissions scandal, and Deutsche Bank's cancellation of its dividend as concerns mounted over its capital position, meant it was harder for impressive increases at BMW, Daimler, Allianz and Bayer to make an impact. Swiss payouts rose 2.9% on an underlying basis, reversing a 1.1% headline drop, once lower specials and a slightly weaker Swiss franc were accounted for. Four fifths of Italian companies raised payouts, and though in headline terms, growth was 8.2%, this was equivalent to only 1.4% on an underlying basis. Oil company ENI cut its payout, but the best performer was Intesa Sanpaolo, Italy's most valuable bank. It has so far navigated its way through the country's banking crisis and doubled its dividend in 2016.

The weakest performances came from Spain, Sweden, Belgium and Austria. Santander was easily the largest payer in Spain in 2015, but lost the top spot in the Spanish rankings to Telefonica in 2016. Santander halved its dividend, cutting by $2.8bn, and helping to pull the Spanish total down 6.7% in underlying terms; the headline decline was 1.1%. Oil firm Repsol also reduced its payout, but most other Spanish companies managed to distribute more year-on-year.

HGDI – Europe ex UK

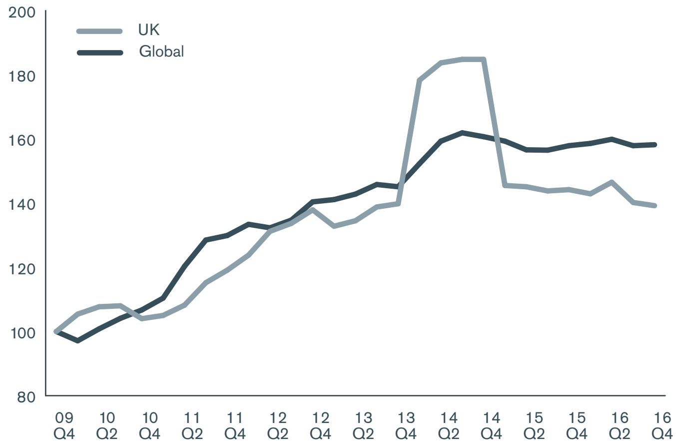


UK

UK dividends fell 3.5% in 2016 on a headline basis, dropping to $92.9bn, their lowest level since 2012. The devaluation of the pound, especially in the second half of the year post Brexit, reduced the value of UK payouts by $7.0bn although this was partially counterbalanced by unusually high special dividends. In underlying terms UK dividends also fell, however. The 2.4% drop came as dividend cuts from large mining companies listed in the UK, as well as some other well-known British names, took their toll. The fourth quarter looked a little better, owing to the disproportionately large number of companies that pay in dollars during the period – about two thirds of the total.

For the year as a whole, the UK was second only to Australia as the weakest performer among the large developed nations. The UK is comfortably the second largest payer of dividends in the world, so weakness here made a noticeable impact at the global level.

HGDI – UK



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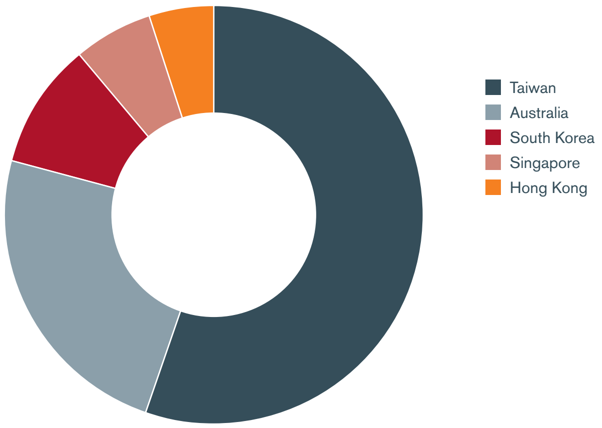
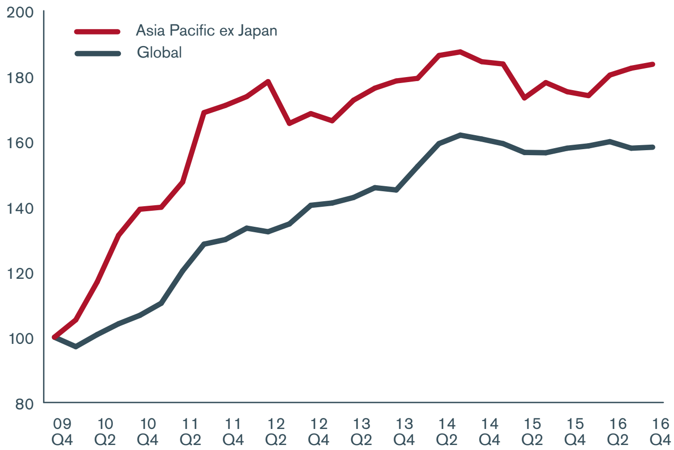
Regions and countries (continued)

Asia Pacific ex Japan

Asia-Pacific ex Japan 2016



HGDI – Asia Pacific ex Japan



At $115.5bn, the region's dividends were up 4.8% on a headline basis, mainly owing to large special dividends paid in Hong Kong, but were down 0.7% in underlying terms. Australia is the largest payer in Asia Pacific ex Japan, making up almost two-fifths of the total, and dividends there fell sharply in 2016, overshadowing very strong growth in Taiwan and South Korea.

Declines in the mining sector inflicted the most damage in Australia. They were down $4.5bn year-on-year, accounting for almost the entire 10.1% headline decline in the Australian total of $41.8bn, its lowest since 2010. After adjusting for a slightly stronger Australian dollar, the underlying fall was 12.2%. A big cut from troubled retailer Woolworths and oil producer Woodside Petroleum also took their toll. Australian shareholders remain highly dependent on the banking sector for their income. Together the banks account for half of the country's total dividends, while Commonwealth Bank alone is responsible for $1 in every $5 distributed. This means that Australian dividends are more reliant on the payments from just a few large stocks than any other developed country.

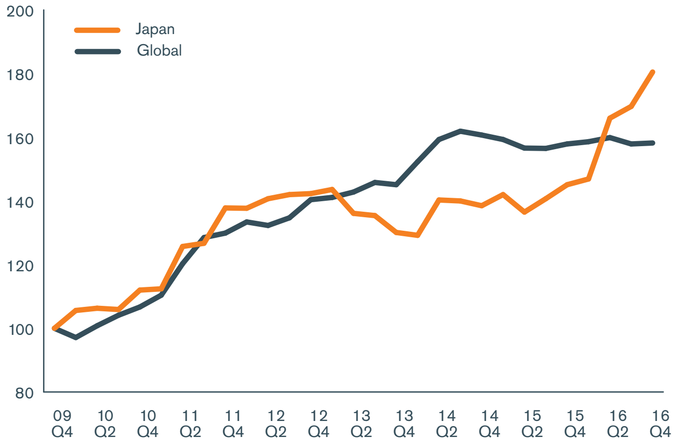
Hong Kong's 15.9% headline increase mainly reflected generous special dividends, with the largest paid by Cheung Kong Infrastructure and transport company MTR. On an underlying basis, they were only 2.7% higher, but the $39.9bn paid almost caught up with the Australian total for the first time.

South Korea and Taiwan both saw dividends soar by around a fifth in underlying terms, each of them to all-time records. In South Korea's case, almost all the growth was down to Korea Electric Power's fivefold increase to $1.8bn, while in Taiwan, Taiwan Semiconductor Manufacturing Company, the largest payer, added $1.1bn, and Formosa Petrochemical almost quadrupled its payout on sharply improved profits. Payouts in Singapore were almost unchanged year-on-year.

Japan

The much stronger yen propelled Japanese dividends sharply higher in dollar terms in 2016. At $65.1bn, they were up 24.4% on a headline basis with three-fifths of the increase entirely due to exchange rate movements, while the addition of more Japanese companies in the index made up much of the rest. On an underlying basis, Japanese companies paid out slightly less than in 2015, down 0.2% as the strong yen impacted company profits. Toyota Motor felt this pinch. Though it was easily the largest payer, distributing $6.3bn to its shareholders, this was 7% lower in yen terms owing to the yen's squeeze on its profits.

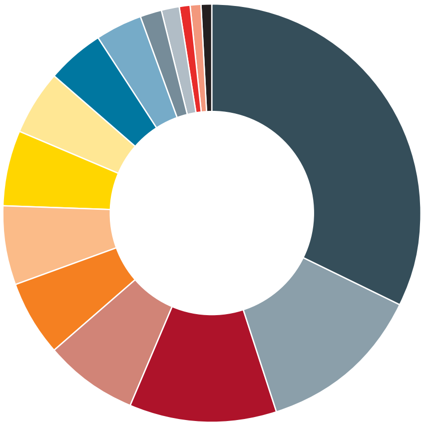
HGDI – Japan



Regions and countries (continued)

Emerging Markets

Emerging Markets 2016



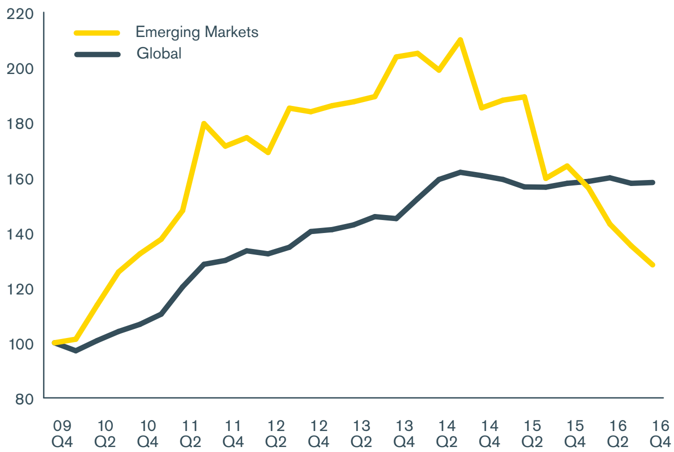
Emerging stock markets recovered some lost ground in 2016, but dividends continued to fall. They were down by over a fifth in headline terms to $87.6bn, the lowest total since 2009. This represented a 14.7% decline on an underlying basis once exchange rate and index changes were taken into account. Most countries in the group saw lower payouts year-on-year.

China accounts for a third of emerging market dividends, totalling $28.4bn. Payouts there declined for the second consecutive year, dropping 13.4% on a headline basis, or 18.7% in underlying terms, delivering the lowest Chinese total since 2011. Petrochina, China's second largest payer in 2015, made the biggest impact. It cut its payout by 75% as low oil prices hit profits, deducting $3.8bn. China Construction Bank, the country's largest payer, cut by almost a sixth and roughly half of Chinese companies reduced their dividends, a consequence of dividend policies that link payouts closely to profits, which have been under pressure.

Russian dividends fell sharply too, ending the year at less than half their 2013 peak, dragged lower by oil and resources companies, while in Brazil, they fell one sixth on an underlying basis.

India overtook Russia in 2016 to become the second largest payer in emerging markets. With 10.8% headline growth, and similar underlying performance, it was among the best performers in the world. Most Indian companies raised their payouts for the year, including a 20% increase from the largest payer, Coal India. However, the second half was weaker, following the imposition of a new dividend tax, so it remains to be seen whether this level of growth will be repeated in 2017.

HGDI – Emerging Markets



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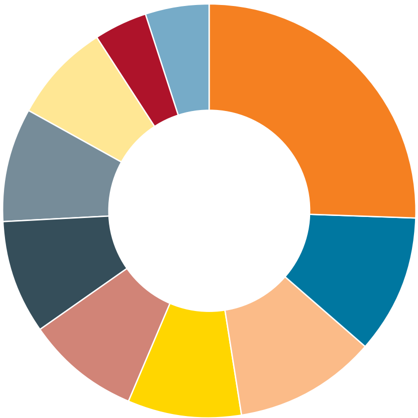
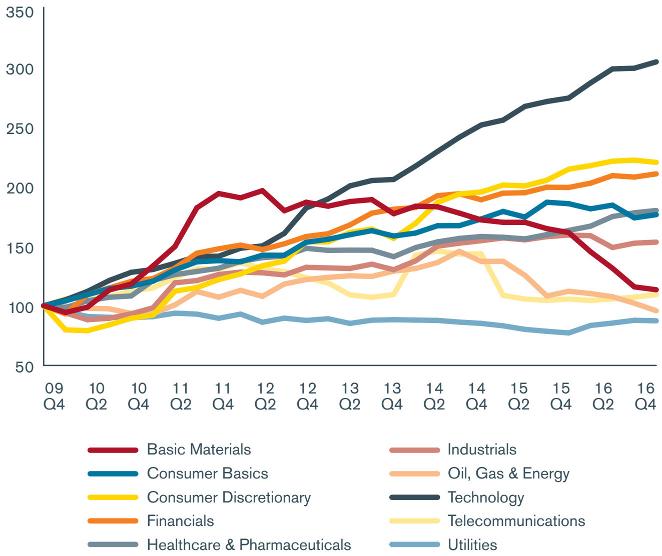
Industry and sectors

Global dividends by industry 2016



HGDI – Total dividends by industry



Sector performance diverged widely in 2016. Dividend growth was strongest in utilities, healthcare and technology, both on an underlying and headline basis. Korea Electric made the largest contribution to growth among utilities, increasing its payout five-fold in 2016. In the healthcare and technology industries there was broad-based growth from all regions of the world. By contrast the energy and mining industries saw dividends fall in 2016, with emerging markets showing particular weakness.

Top payers

World's biggest dividend payers

Rank	2010	2011	2012	2013	2014	2015	2016
1	Royal Dutch Shell Plc	PetroChina Co. Ltd.	Royal Dutch Shell Plc	Royal Dutch Shell Plc	Vodafone Group plc	Exxon Mobil Corp.	Royal Dutch Shell Plc
2	AT&T, Inc.	Royal Dutch Shell Plc	PetroChina Co. Ltd.	Exxon Mobil Corp.	Royal Dutch Shell Plc	Royal Dutch Shell Plc	Exxon Mobil Corp.
3	PetroChina Co. Ltd.	AT&T, Inc.	Vodafone Group Plc	Apple Inc.	China Construction Bank Corp.	China Construction Bank Corp.	Apple Inc.
4	Exxon Mobil Corp.	Telefonica	AT&T, Inc.	China Construction Bank Corp.	Exxon Mobil Corp.	Apple Inc.	AT&T, Inc.
5	Telefonica	Exxon Mobil Corp.	Exxon Mobil Corp.	PetroChina Co. Ltd.	Apple Inc.	Kraft Foods Group, Inc.	Microsoft Corp.
6	China Mobile Limited	China Mobile Limited	HSBC Holdings Plc	AT&T, Inc.	PetroChina Co. Ltd.	Microsoft Corp.	HSBC Holdings Plc
7	Total S.A.	China Construction Bank Corp.	China Construction Bank Corp.	China Mobile Limited	AT&T, Inc.	AT&T, Inc.	China Construction Bank Corp.
8	Vodafone Group Plc	Vodafone Group plc	China Mobile Limited	HSBC Holdings Plc	Microsoft Corp.	HSBC Holdings Plc	Verizon Communications Inc
9	China Construction Bank Corp.	Total S.A.	Commonwealth Bank of Australia	Banco Santander S.A.	Banco Santander S.A.	General Electric Co.	General Electric Co.
10	Banco Santander S.A.	Commonwealth Bank of Australia	Banco Santander S.A.	Westpac Banking Corp.	HSBC Holdings Plc	Verizon Communications Inc.	Johnson & Johnson
Subtotal $bn	**$80.4**	**$89.1**	**$95.0**	**$98.3**	**$124.6**	**$106.8**	**$109.6**
% of total	**10.3%**	**9.4%**	**9.3%**	**9.3%**	**10.6%**	**9.3%**	**9.5%**
11	HSBC Holdings Plc	Banco Santander S.A.	Westpac Banking Corp.	Microsoft Corp.	General Electric Co.	Johnson & Johnson	Chevron Corp.
12	Johnson & Johnson	Nestlé S.A.	General Electric Co.	Commonwealth Bank of Australia	China Mobile Limited	Chevron Corp.	Commonwealth Bank of Australia
13	Pfizer Inc.	Westpac Banking Corp	Total S.A.	General Electric Co.	Verizon Communications Inc.	China Mobile Limited	Wells Fargo & Co.
14	Chevron Corp.	HSBC Holdings plc	Gazprom	Vodafone Group plc	Chevron Corp.	Wells Fargo & Co.	Nestlé S.A.
15	Commonwealth Bank of Australia	Pfizer Inc.	Nestlé S.A.	Chevron Corp.	Nestlé S.A.	BP Plc	BP Plc
16	Westpac Banking Corp.	Novartis AG	Microsoft Corp.	Total S.A.	Johnson & Johnson	Nestlé S.A.	Pfizer Inc.
17	Nestlé S.A.	Chevron Corp.	Chevron Corp.	Johnson & Johnson	Total S.A.	Novartis AG	Novartis AG
18	Procter & Gamble Co.	General Electric Co.	Ecopetrol S.A.	Nestlé S.A.	Novartis AG	Procter & Gamble Co.	Procter & Gamble Co.
19	BP Plc	Johnson & Johnson	Novartis AG	BP plc	BP Plc	Commonwealth Bank of Australia	China Mobile Limited
20	Novartis AG	Procter & Gamble Co.	Wal-Mart Stores, Inc.	Pfizer Inc.	Wells Fargo & Co.	Pfizer Inc.	JPMorgan Chase & Co.
Subtotal $bn	**$55.9**	**$64.9**	**$70.0**	**$74.9**	**$78.3**	**$74.6**	**$74.0**
GRAND TOTAL $bn	**$136.3**	**$154.0**	**$165.0**	**$173.2**	**$202.9**	**$181.4**	**$183.6**
% of TOTAL	**17.5%**	**16.2%**	**16.1%**	**16.3%**	**17.3%**	**15.7%**	**15.9%**

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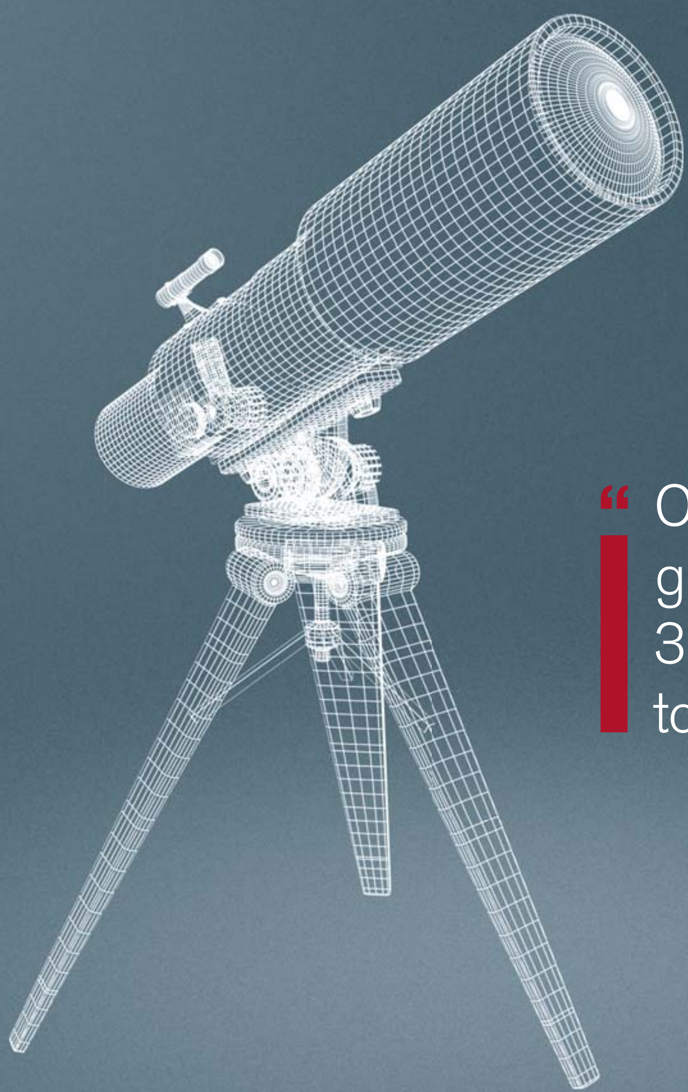
Conclusion and outlook

The outlook for global economic growth has improved for 2017. With a new administration in the White House promising greater spending and tax cuts for business, corporate earnings in the US should be well supported, even as they contend with the effects of the strong dollar. Meanwhile, higher prices for oil and other commodities will lift profits for these companies around the world.

In underlying terms, we expect dividend growth in the US to recover some of its lost momentum, and look forward to another good year in Europe. Emerging markets may take longer to bounce back, while we expect Japan and Asia-Pacific to achieve similar levels of growth in 2017 as they did in 2016. The UK should see an improvement as the big dividend cuts seen in 2016 are unlikely to be repeated on the same scale. Overall, we expect underlying global dividend growth of 3.2% in 2017 with the global total reaching $1.158 trillion.

However, any further dollar strength would provide a significant headwind for headline dividend growth. The dollar had a strong finish to 2016 and if this persists, it will act as a drag on the US dollar value of global dividends in the year ahead and, based on current exchange rates, we expect headline growth of just 0.3%.



"Overall, we expect underlying global dividend growth of 3.2% in 2017 with the global total reaching $1.158 trillion."

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Methodology

Each year Henderson analyse 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 pay-date (this is an approximation because companies in practice fix the exchange rate a little before the pay 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 1200 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 12.7% of total global dividends from the top 1,200, 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. All raw data was provided by Exchange Data International with analysis conducted by Henderson Global Investors.

Glossary

BRIC – A grouping acronym that refers to the countries of Brazil, Russia, India and China.

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.

Government bond yields – The rate of return derived from Government debt.

Headline dividends – The sum total of all dividends received.

Headline growth – Change in total gross dividends.

Percentage points – One percentage point equals 1/100.

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

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

Underlying dividend growth – Headline dividend growth adjusted for special dividends, change in currency, timing effects and index changes.

Underlying dividends – Headline dividends adjusted for special dividends, change in currency, timing effects and index changes.

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.

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* Please refer to the glossary of services above.

Appendices

Appendix 1: 2016 Index Changes

The HGDI examines in detail the dividends paid by the largest 1,200 companies in the world, measured by the stock market value at the end of each year. These companies account for about 90% of global market capitalisation and a similar share of dividends. To complete the picture we make assumptions about the dividends of the remaining ten per cent. Each year, we rebase the index to include those that have joined the global top 1,200, and to exclude those that have dropped down the rankings. At a global level this change makes little difference over the course of the year, but at a regional level, and particularly at a country level the changes are more noticeable. We adjust for this factor when we discuss the underlying growth rates.

For 2016, 145 companies have changed in the top 1,200. There are fewer in emerging markets and North America. There are more in all other regions, especially Japan, which saw the largest increase. The largest companies to join the index are Alibaba in China, and Japan Post Holdings. The largest to leave are Actavis in the US and BG Group in the UK.

Appendices (continued)

Appendix 2

Annual dividends by country in USD billions

Region	Country US$ bn	2010	2011	2012	2013	2014	2015	2016
Emerging Markets	Brazil	$17.6	$22.5	$18.1	$16.3	$16.8	$10.8	$6.5
	Chile	$1.9	$3.5	$3.0	$2.2	$2.7	$2.4	$1.5
	China	$23.5	$28.3	$30.2	$35.6	$38.4	$32.8	$28.4
	Colombia	$2.2	$3.5	$7.0	$5.9	$5.7	$4.0	$0.0
	Czech Republic	$2.4	$2.2	$1.2	$1.5	$1.0	$0.9	$0.9
	Egypt	$0.4	$0.4	$0.0	$0.0	$0.0	$0.0	$0.0
	Hungary	$0.0	$0.0	$0.2	$0.2	$0.0	$0.0	$0.0
	India	$10.4	$8.6	$9.9	$11.4	$11.3	$10.2	$11.3
	Indonesia	$2.7	$4.2	$4.3	$4.6	$3.4	$3.6	$3.9
	Malaysia	$3.8	$5.4	$7.2	$7.7	$7.0	$5.5	$5.1
	Mexico	$2.5	$3.7	$3.6	$9.0	$3.8	$4.9	$4.3
	Morocco	$1.1	$1.4	$1.1	$0.8	$0.0	$0.0	$0.0
	Peru	$0.1	$0.3	$0.4	$0.3	$0.2	$0.2	$0.0
	Philippines	$0.9	$1.0	$0.9	$1.2	$1.2	$1.5	$1.1
	Poland	$2.5	$3.7	$3.1	$2.3	$1.8	$1.8	$0.6
	Russia	$5.0	$9.6	$17.3	$21.1	$18.3	$14.5	$9.7
	South Africa	$6.3	$10.7	$11.2	$9.9	$8.6	$7.8	$5.4
	Thailand	$3.7	$3.8	$4.7	$5.9	$5.0	$4.7	$3.2
	Turkey	$3.4	$4.3	$2.1	$3.3	$1.3	$3.1	$0.7
Europe ex UK	Austria	$1.5	$1.1	$0.6	$1.1	$0.7	$0.5	$0.4
	Belgium	$3.5	$4.5	$4.8	$7.5	$8.1	$9.0	$9.4
	Denmark	$1.1	$2.0	$2.2	$2.8	$3.9	$9.5	$6.3
	Finland	$4.3	$5.7	$3.9	$3.3	$5.4	$3.6	$5.0
	France	$48.0	$62.1	$47.9	$52.1	$55.8	$48.6	$54.3
	Germany	$25.8	$37.3	$35.0	$36.4	$39.4	$34.2	$36.4
	Greece	$0.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
	Ireland	$1.2	$0.6	$1.2	$0.5	$0.7	$1.7	$0.7
	Israel	$2.8	$4.6	$2.0	$1.8	$2.1	$1.5	$1.4
	Italy	$15.7	$17.1	$12.3	$12.4	$13.0	$11.5	$12.5
	Luxembourg	$1.1	$0.8	$0.8	$0.6	$0.6	$0.5	$0.5
	Netherlands	$7.2	$8.6	$8.0	$7.3	$7.9	$9.6	$13.2
	Norway	$5.7	$9.4	$8.5	$8.7	$11.5	$5.8	$5.5
	Portugal	$3.2	$2.7	$1.7	$1.2	$1.4	$0.6	$1.0
	Spain	$25.8	$26.0	$24.7	$25.1	$31.6	$22.9	$22.7
	Sweden	$8.6	$15.6	$14.3	$15.9	$17.4	$15.6	$15.3
	Switzerland	$21.3	$24.9	$28.6	$29.2	$35.0	$35.6	$35.2
Japan	Japan	$40.4	$49.7	$51.3	$47.0	$50.0	$52.4	$65.1
North America	Canada	$27.2	$33.8	$37.1	$38.6	$37.5	$35.0	$31.1
	United States	$198.1	$230.9	$300.8	$303.5	$355.4	$406.4	$412.5
Asia Pacific ex Japan	Australia	$40.6	$48.6	$51.7	$55.2	$50.4	$46.5	$41.8
	Hong Kong	$23.7	$26.8	$29.4	$33.1	$40.3	$34.5	$39.9
	Singapore	$6.0	$9.9	$7.1	$8.0	$8.2	$7.6	$7.6
	South Korea	$5.7	$6.7	$6.4	$6.7	$6.6	$7.9	$9.9
	Taiwan	$11.7	$15.5	$11.4	$9.3	$10.6	$13.7	$16.3
UK	United Kingdom	$69.4	$79.5	$92.0	$93.3	$123.3	$96.2	$92.9
TOTAL		$691	$842	$909	$940	$1,043	$1,023	$1,024
Outside top 1,200		$88	$107	$115	$119	$129	$130	$130
Grand Total		$779	$948	$1,025	$1,059	$1,173	$1,153	$1,154

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Appendices (continued)

Annual dividends by industry in USD billions

Industry US$ bn	2010	2011	2012	2013	2014	2015	2016
Basic Materials	$38.9	$63.8	$61.4	$58.2	$56.5	$53.0	$37.3
Consumer Basics	$76.7	$90.8	$100.9	$104.4	$113.8	$122.3	$116.2
Consumer Discretionary	$39.4	$53.7	$67.6	$68.9	$85.9	$94.4	$96.9
Financials	$153.5	$188.2	$201.3	$230.5	$240.6	$253.7	$268.3
Healthcare & Pharmaceuticals	$54.0	$65.6	$73.9	$70.4	$78.8	$81.4	$89.7
Industrials	$54.4	$73.8	$77.3	$76.1	$90.3	$93.0	$89.6
Oil, Gas & Energy	$96.9	$111.0	$126.3	$133.7	$142.0	$116.1	$99.3
Technology	$39.1	$43.2	$55.5	$62.8	$76.8	$83.7	$92.9
Telecommunications	$83.7	$97.3	$92.1	$81.6	$107.0	$78.7	$81.5
Utilities	$54.4	$54.1	$53.0	$53.4	$51.5	$46.6	$52.8
TOTAL	**$691.0**	**$841.5**	**$909.3**	**$940.0**	**$1,043.3**	**$1,022.9**	**$1,024.5**
Outside Top 1,200	$88	$107	$115	$119	$129	$130	$130
GRAND TOTAL	**$779**	**$948**	**$1,025**	**$1,059**	**$1,173**	**$1,153**	**$1,154**

Annual dividends by sector in USD billions

Industry	Sector US$bn	2010	2011	2012	2013	2014	2015	2016
Basic Materials	Building Materials	$2.0	$1.9	$1.7	$1.7	$2.1	$2.1	$1.8
	Chemicals	$14.6	$22.7	$23.6	$22.5	$24.1	$22.3	$24.5
	Metals & Mining	$21.5	$37.5	$35.0	$32.9	$29.2	$27.5	$8.6
	Paper & Packaging	$0.7	$1.7	$1.1	$1.1	$1.1	$1.2	$2.4
Consumer Basics	Beverages	$15.1	$17.7	$19.1	$24.0	$26.7	$28.0	$27.9
	Food	$14.8	$17.6	$20.1	$21.7	$23.3	$28.5	$21.1
	Food & Drug Retail	$17.9	$22.0	$26.6	$22.5	$24.9	$23.3	$21.7
	Household & Personal Products	$13.0	$15.0	$15.7	$15.8	$16.5	$20.3	$21.4
	Tobacco	$16.0	$18.6	$19.4	$20.4	$22.4	$22.2	$24.1
Consumer Discretionary	Consumer Durables & Clothing	$5.0	$5.8	$6.7	$7.2	$10.5	$12.1	$12.7
	General Retail	$9.9	$13.2	$14.6	$14.0	$16.1	$17.7	$17.5
	Leisure	$6.3	$7.7	$13.0	$13.0	$16.6	$14.8	$15.5
	Media	$10.8	$12.1	$14.7	$12.2	$15.4	$19.0	$18.1
	Other Consumer Services	$0.2	$0.0	$0.0	$0.0	$0.0	$0.3	$0.0
	Vehicles & Parts	$7.3	$14.9	$18.6	$22.4	$27.4	$30.4	$33.2
Financials	Banks	$95.8	$121.8	$128.4	$151.1	$150.5	$153.0	$155.2
	General Financials	$13.4	$15.4	$17.2	$18.1	$22.9	$27.1	$26.2
	Insurance	$28.6	$31.2	$34.2	$33.8	$42.2	$43.3	$48.4
	Real Estate	$15.7	$19.7	$21.6	$27.6	$24.9	$30.2	$38.4
Healthcare & Pharmaceuticals	Health Care Equipment & Services	$4.7	$6.4	$10.4	$8.1	$10.8	$12.1	$13.3
	Pharmaceuticals & Biotech	$49.3	$59.2	$63.5	$62.2	$68.0	$69.3	$76.5
Industrials	Aerospace & Defence	$8.9	$9.5	$10.5	$11.6	$13.9	$14.7	$16.3
	Construction, Engineering & Materials	$9.1	$12.7	$13.2	$10.8	$12.2	$10.8	$11.4
	Electrical Equipment	$4.8	$6.4	$6.5	$6.9	$7.2	$6.7	$6.9
	General Industrials	$18.6	$27.8	$29.4	$29.7	$35.4	$32.1	$29.5
	Support Services	$2.6	$3.6	$3.6	$4.1	$4.7	$5.0	$5.2
	Transport	$10.3	$13.8	$14.1	$12.9	$16.9	$23.7	$20.4
Oil, Gas & Energy	Energy - non-oil	$0.7	$1.9	$3.0	$2.5	$3.5	$2.5	$2.8
	Oil & Gas Equipment & Distribution	$5.4	$6.4	$7.2	$10.5	$11.4	$15.2	$10.4
	Oil & Gas Producers	$90.8	$102.8	$116.1	$120.7	$127.1	$98.4	$86.1
Technology	IT Hardware & Electronics	$12.0	$14.7	$20.8	$24.9	$28.4	$32.7	$34.1
	Semiconductors & Equipment	$10.1	$10.4	$12.1	$14.7	$20.2	$19.0	$21.3
	Software & Services	$17.0	$18.1	$22.6	$23.3	$28.2	$32.0	$37.5
Telecommunications	Fixed Line Telecommunications	$57.8	$65.6	$55.7	$48.0	$52.7	$50.1	$55.1
	Mobile Telecommunications	$25.9	$31.7	$36.3	$33.6	$54.3	$28.7	$26.4
Utilities	Utilities	$54.4	$54.1	$53.0	$53.4	$51.5	$46.6	$52.8
TOTAL		**$691.0**	**$841.5**	**$909.3**	**$940.0**	**$1,043.3**	**$1,022.9**	**$1,024.5**
Outside Top 1,200		$88	$107	$115	$119	$129	$130	$130
GRAND TOTAL		**$779**	**$948**	**$1,025**	**$1,059**	**$1,173**	**$1,153**	**$1,154**

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Appendices (continued)

HGDI – by region

Region	10Q4	11Q4	12Q4	13Q4	14Q4	15Q4	16Q4
Emerging Markets	132.3	171.4	183.9	203.8	185.3	164.2	128.3
Europe ex UK	95.3	119.4	105.2	110.4	125.6	112.8	117.7
Japan	112.0	137.8	142.3	130.1	138.5	145.1	180.5
North America	99.3	116.6	148.9	150.7	173.1	194.5	195.5
Asia Pacific ex Japan	139.2	171.0	168.5	178.5	184.4	175.2	183.6
UK	104.0	119.1	137.9	139.8	184.8	144.2	139.2
GLOBAL TOTAL	**106.7**	**129.9**	**140.4**	**145.1**	**161.1**	**157.9**	**158.2**

HGDI – by industry

Industry	10Q4	11Q4	12Q4	13Q4	14Q4	15Q4	16Q4
Basic Materials	118.2	194.0	186.7	177.1	171.9	161.3	113.4
Consumer Basics	116.4	137.8	153.2	158.4	172.7	185.5	176.3
Consumer Discretionary	89.5	121.9	153.5	156.5	195.3	214.4	220.1
Financials	120.4	147.7	158.0	180.9	188.8	199.1	210.5
Healthcare & Pharmaceuticals	108.2	131.5	148.1	141.1	158.0	163.1	179.8
Industrials	93.2	126.2	132.2	130.2	154.5	159.2	153.3
Oil, Gas & Energy	93.6	107.2	121.9	129.0	137.1	112.1	95.8
Technology	128.0	141.5	181.9	205.8	251.4	274.0	304.3
Telecommunications	112.3	130.5	123.5	109.4	143.5	105.6	109.3
Utilities	90.0	89.5	87.7	88.3	85.2	77.2	87.4
TOTAL	**106.7**	**129.9**	**140.4**	**145.1**	**161.1**	**157.9**	**158.2**

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Appendices (continued)

Q4 Annual Growth Rate – adjustments from underlying to headline

Region	Country	Underlying growth	Special dividends	Currency	Index changes	Timing effects	Headline Growth
Emerging Markets	Brazil	-16.7%	-5%	-2%	-15%	-1%	-39.8%
	Chile	-20.5%	12%	-6%	-23%	0%	-37.6%
	China	-18.7%	0%	0%	6%	0%	-13.4%
	Colombia	-98.2%	0%	0%	-2%	0%	-100.0%
	Czech Republic	0.1%	0%	2%	0%	0%	2.0%
	India	10.2%	2%	-6%	4%	0%	10.8%
	Indonesia	-18.6%	25%	-2%	5%	0%	10.1%
	Malaysia	1.1%	-3%	-6%	-1%	0%	-8.0%
	Mexico	14.6%	-12%	-15%	0%	0%	-11.8%
	Philippines	1.8%	-14%	-2%	-10%	0%	-24.4%
	Poland	-4.9%	0%	-2%	-61%	0%	-67.6%
	Russia	-27.5%	0%	-8%	3%	0%	-32.6%
	South Africa	-2.3%	0%	-8%	-20%	0%	-30.7%
	Thailand	-2.7%	0%	-2%	-26%	0%	-31.3%
	Turkey	3.0%	0%	-2%	-80%	0%	-78.4%
	United Arab Emirates	-22.2%	0%	0%	59%	0%	36.4%
Europe ex UK	Austria	-21.6%	0%	2%	0%	0%	-20.0%
	Belgium	-8.5%	5%	1%	7%	0%	4.6%
	Denmark	18.1%	-56%	2%	2%	0%	-34.1%
	Finland	7.1%	6%	5%	20%	0%	37.9%
	France	9.4%	-1%	1%	0%	3%	11.8%
	Germany	2.6%	-1%	1%	3%	0%	6.4%
	Ireland	1.0%	-61%	0%	0%	0%	-59.4%
	Israel	6.5%	0%	0%	-13%	0%	-6.9%
	Italy	1.4%	0%	2%	5%	0%	8.2%
	Luxembourg	-33.3%	29%	0%	0%	0%	-4.4%
	Netherlands	18.5%	12%	1%	6%	0%	38.4%
	Norway	4.8%	0%	-4%	-5%	0%	-4.2%
	Portugal	-2.6%	0%	2%	61%	0%	59.9%
	Spain	-6.7%	0%	0%	4%	2%	-1.1%
	Sweden	-4.2%	0%	4%	-2%	0%	-1.8%
	Switzerland	2.9%	-4%	-2%	2%	0%	-1.1%
Japan	Japan	-0.2%	0%	14%	10%	0%	24.4%
North America	Canada	0.5%	0%	-3%	-9%	1%	-11.0%
	United States	4.1%	-1%	0%	-1%	0%	1.5%
Asia Pacific ex Japan	Australia	-12.2%	0%	2%	0%	0%	-10.1%
	Hong Kong	2.7%	14%	0%	0%	0%	15.9%
	Singapore	-0.2%	2%	0%	-2%	0%	0.0%
	South Korea	21.7%	0%	-6%	8%	0%	24.5%
	Taiwan	19.1%	0%	0%	-1%	0%	18.5%
UK	United Kingdom	-2.4%	5%	-7%	1%	0%	-3.5%

Frequently Asked Questions

What is the Henderson Global Dividend Index?

The Henderson Global Dividend Index (HGDI) is a long-term study into global dividend trends, and is the first of its kind. It is a measure of the progress global firms are making in paying their investors an income on their capital. It analyses dividends paid every quarter by the world's largest 1,200 firms by market capitalisation.

How many companies are analysed?

The world's largest 1,200 companies by market capitalisation are analysed in detail, representing 90% of global dividends paid. The next 1,800 only represent 10%, so due to their size, their effects on the results are negligible.

What information does HGDI provide?

The index breaks down global payouts by region, industry and sector. It enables readers to easily compare the dividend performance of countries like the US for example, that provide a large proportion of global dividends, alongside smaller nations such as the Netherlands. The report aims to explain the world of equity income investing.

What do the charts cover?

All charts and tables are based on the analysis of the top 1,200 companies. The charts are there to help illustrate the dividend performance, regional and sector pay outs.

Why is this piece of research produced?

The hunt for income remains a major investment theme for investors, and in response to client feedback Henderson has undertaken a long term study into global dividend trends with the launch of the Henderson Global Dividend Index.

How are the figures calculated?

Dividends are included in the model on the date they are paid. They are calculated gross, using the share count prevailing on the pay-date, and converted into US dollars using the prevailing exchange rate. Please see the methodology section in the HGDI report for a more detailed answer.

Why is the report based in dollars?

The report is produced in US dollars, since the US dollar is the global reserve currency, used as the standard measure for comparing cross border financial metrics.

Is the data in the report year on year or quarter on quarter?

The report is published on a quarterly basis. Given that this is a global study of dividend income, publishing the data on a quarterly basis provides best insight on which regions and sectors pay dividends in which quarter. In each edition the data is compared with the same quarter of the previous year e.g. Q1 2015 vs Q1 2014.

What is the difference between headline and underlying growth?

In the report we focus on headline growth which is how much was paid in USD in any quarter in relation to the same period in the previous year. Underlying growth is also calculated, but is an adjusted rate which takes currency movements, special dividends, timing changes and index changes into account.

Can you invest in the HGDI?

The HGDI is not an investable index like the S&P 500 or FTSE 100, but is a measure of the progress that global firms are making in paying their investors an income on their capital, taking 2009 as a base year (index value of 100).

Is the HGDI linked to any of Henderson's funds?

The index is not linked to any of Henderson's funds, however the report is headed by Alex Crooke, Head of Global Equity Income and supported by Ben Lofthouse and Andrew Jones co-managers of Henderson's Global Equity Income strategy.

Why should investors be interested in global dividend income?

Investing in companies that not only offer dividends, but increase them, has proven over time to provide both growing income and higher total return than companies that do not. Investing globally offers investors diversification across countries and sectors to reduce risk to income and capital.

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