

MEDIA RELEASE

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Dividend recovery poised for further upside: Ausbil

Share dividends are recovering strongly from pandemic lows, with the potential for further “upside surprise” in certain sectors and stocks, according to Ausbil Investment Management.

Michael Price, Portfolio Manager for the Ausbil Active Dividend Income Fund said the February interim reporting season was the best on record for dividend upgrades.

“Dividends from Australian shares set a long-term low in 2020, with a peak to trough fall of 33%.

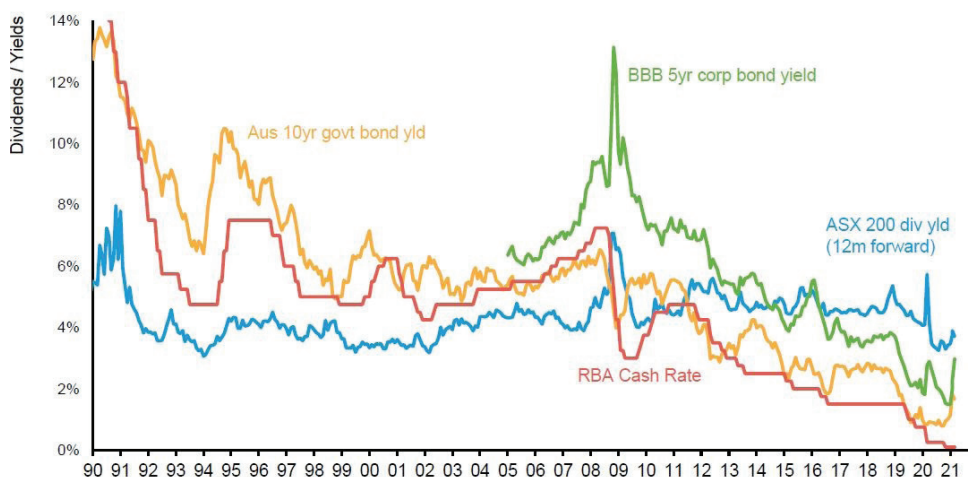
“The outlook for dividends is now showing a rebound towards previous levels, which we know will be welcome news to investors in a low-income environment.

“Looking forward, we expect equities to deliver attractive dividends, with yields outstripping those from alternative income sources,” he said.

About Ausbil Investment Management

Ausbil is a leading Australian based investment manager. Established in April 1997, Ausbil’s core business is the management of Australian and global equities for major superannuation funds, institutional investors, master trust and retail clients. Ausbil is owned by its employees and New York Life Investment Management a wholly- owned subsidiary of New York Life Insurance Company. As at 30 April 2021, Ausbil manage over \$14.9 billion in funds under management.

Fig 1: Dividend income attractive in a low return world



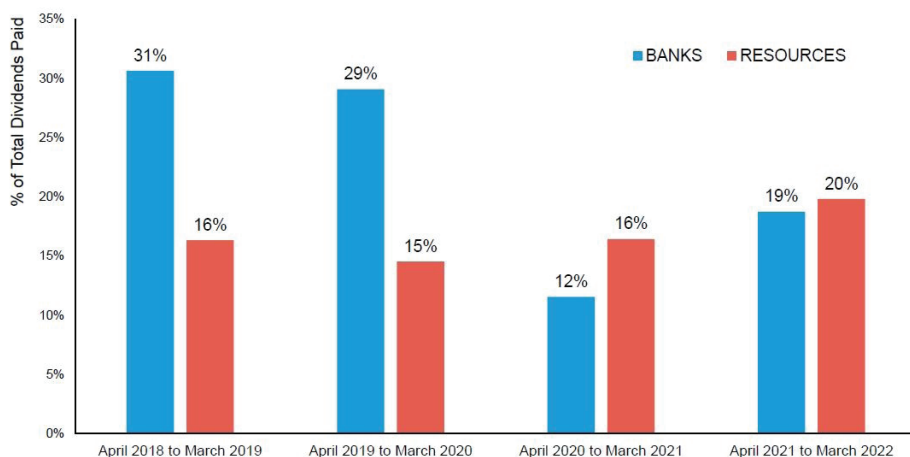
Source: Company data, Factset, Refinitiv, MST Marquee

All four major banks, which are among the most sought-after stocks for dividend investors, were forced to cut or suspend dividends in 2020.

“With growth in deposits, a buoyant mortgage lending market and strong balance sheets, we see further recovery in bank dividends occurring over the coming year, albeit with lower payout ratios than before the pandemic,” Mr Price said.

Ausbil data shows that since April 2020, iron ore companies such as BHP, Rio Tinto and Fortescue overtook the banks to become the leading dividend payers in Australia.

Fig 2: Iron ore companies became top dividend payers



Source: Ausbil

According to Australian Bureau of Statistics data, in 2020 iron ore brought in record annual export revenue of \$116 billion, up 20.8% on the \$96 billion earned in 2019, in a boom year for the resources sector¹.

“Looking forward, we believe there is potential for upside surprise from both the banking and resources sectors, with plenty of valuable franking credits to be had for investors.

“However, an active approach remains important in order to identify those companies that can produce sustainable and growing dividend income,” Mr Price concluded.

¹ ABS trade report, as at December 2020

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