

# The Daily Telegraph

The Daily Telegraph Saturday 23 May 2020

## FUND OF THE WEEK

### 'None of our stocks have cut their dividends during the crisis'

*With payouts hard to come by Harry Brennan spoke to the managers who are sustaining income during the pandemic*

**T**he coronavirus crisis and economic freeze has caused scores of businesses, either from lack of cash or out of prudence, to cut or suspend shareholder payouts.

Even Shell was forced to slash its dividend for the first time since the Second World War and forecasts suggest more than half of shareholder payouts across the London market could disappear this year.

It will have a dramatic effect on investors' incomes and overall returns, but the £946m Guinness Global Equity Income Fund has managed to escape the worst of the cuts so far. Returns are down 3.7pc since January

but peers have lost 11pc on average. None of the holdings in the portfolio have cut or stopped paying dividends. *Telegraph Money* spoke to the managers about shielding investors' income and how they are planning to maintain the fund's historic 3pc yield.

#### WHO IS THE FUND FOR?

Matthew Page (MP): It is designed to provide dividend income at all times by investing in companies that can afford to keep paying out. Our investors are looking for income but some also want dividend income to be reinvested to grow their savings.

#### HOW HAVE YOU AVOIDED DIVI CUTS?

Ian Mortimer (IM): Firms are cutting payouts for a number of reasons. The banks, for instance, have been forced to by the Government so they can focus on lending to struggling businesses and individuals. Others have had to due to the financial pressures of the virus and to shore up

cash – the airlines, for example, which have been particularly badly hit. In our portfolio though, we tend to only buy firms with enough cash to be in the best position to be able to pay. As a result we have avoided investing in things like hotels, airlines and we have never owned a bank stock, as they do not meet our criteria.

So none of our companies have had to cut their payouts so far and indeed we are seeing some growth in the dividends of some of our consumer and healthcare stocks.

#### WHAT HAVE YOU CHANGED?

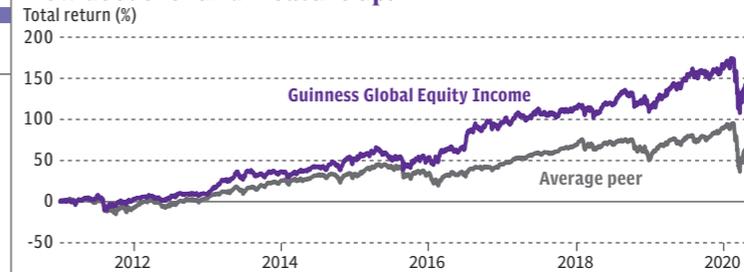
IM: In February we sold our positions in media firm WPP and in oil giant Royal Dutch Shell. After this the oil price collapsed and Shell cut its dividend. With WPP we sold as they had weak results and we did not want to own it in the changing environment. After we sold it the firm also cut its payout, so we got out at a good time with both. In March we also sold Randstad, the Dutch recruitment company, which again subsequently slashed its shareholder payout. It will be a tough time for recruiters during a recession with more people out of work or less willing to leave the security of a long-held role. We sold all these firms as the virus spread from China and we started to realise it was going to be a significant world event.

But we have bought some new shares too: PepsiCo, the drinks brand, which we have held before; Medtronic, an American healthcare firm; and Otis, a spin-out business of United Technologies, which we already owned. It makes things like elevators and lifts and you might think industrials are in for a tough time, but

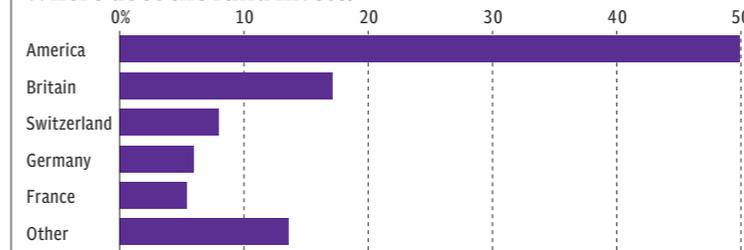
## GUINNESS GLOBAL EQUITY INCOME FUND



### How does the fund measure up?



### Where does the fund invest?



SOURCE: FE FUNDINFO

### Key facts

Launch date	Dec 2010
Return since manager start (2010)	149.6pc
Total return year to date	-4.6pc
Yield	2.61pc
Annual charge	0.88pc

### Top 10 holdings (as of 30/04/2020)

1. Reckitt Benckiser	3.3pc
2. Deutsche Boerse	3.2pc
3=. Otis Worldwide	3.1pc
3=. Procter & Gamble	3.1pc
5=. Anta Sports Products	3pc
5=. AbbVie	3pc
5=. Taiwan Semiconductor	3pc
8=. Illinois Tool Works	2.9pc
8=. Unilever	2.9pc
8=. Microsoft	2.9pc

## IAN MORTIMER AND MATT PAGE IN FOCUS: JOHNSON & JOHNSON

It has a "AAA" credit rating – as robust a balance sheet as you can hope to get.

As a healthcare firm, it is well placed in the current environment and has seen a sharp increase in sales in the 2020 for over the counter

products. It has a very long history of growing its dividend. Over the past five years it has averaged growing its payout by about 6.5pc each year.

It is truly a dividend aristocrat and one of the best.



the business makes a lot of money from servicing, which provides a reliable income stream.

#### WHERE WILL THE BEST DIVIDENDS COME FROM NOW?

MP: Historically America has had a lower dividend yield compared with Britain and Europe but that is because US firms tend to split payouts with share buy-backs. But when the economy turns, as today or in the financial crisis, American firms normally stop the buy-backs but maintain their dividends better than in other markets.

So while the American dividend

yield tends to be lower, companies have this added cushion which allows them to keep paying.

#### CAN YOU KEEP PAYING A 3PC YIELD?

MP: It's what we have paid historically and we think we will be able to maintain it this year, although it is unlikely we will be able to grow it.

#### WHAT HAVE BEEN YOUR BEST AND WORST INVESTMENTS?

MP: The best would be Microsoft. We bought it at the launch of the fund in 2010 and it has made us a return of 726pc since then.

IM: The worst would be Telefonica. We bought at launch but later sold at a 30pc loss. It had a high yield but not enough cash to maintain dividends.

#### DO YOU BOTH HAVE MONEY IN THE FUND?

IM: Yes in our pensions and Isas.

#### WHAT IS YOUR INCENTIVE?

MP: We get a salary and a bonus based on the value of assets under management.

#### WHAT WOULD YOU HAVE BEEN IF NOT MONEY MANAGERS?

MP: An astronaut.  
IM: A physicist.

£1,000 invested at launch would be worth £2,496 today

## QUESTOR THIS WEEK

**SUNDAY SHARE TIP**  
*Imperial Brands Hold at £16.28*  
Good yield even with a divi cut

**TUESDAY SHARE TIP**  
*ContourGlobal Buy at 162p*  
Utilities carry on during a recession

**WEDNESDAY**  
**FOLLOW THE MONEY**  
*Nippon Telegraph & Telephone Buy at 2,421yen*

**THURSDAY**  
**INVESTMENT TRUST BARGAIN**  
*Ground Rents Income Buy at 75.75p*

**FRIDAY**  
**QUESTOR INCOME PORTFOLIO**  
*Next Sell at £46.47*

Read Questor at [telegraph.co.uk/questor](http://telegraph.co.uk/questor) or sign up to our Whatsapp group at [telegraph.co.uk/go/questorwhatsapp](http://telegraph.co.uk/go/questorwhatsapp)