

FORTHCOMING YIELDS

Covid-19 related volatility in markets has seen many investors increasingly focus on the effect being seen in dividends. Equity income managers across the board have seen cuts as many companies and indeed whole sectors have been forced to stop payments to shareholders, so why are Unicorn managers Fraser Mackersie & Simon Moon increasingly confident on the outlook for their Unicorn UK Income Fund?

Market Dividend Backdrop

- [45% of UK companies had already scrapped payouts by April 5th](#) with more cuts expected to come
- 50% of dividends were produced by just 10 stocks in 2019
- Of the £110bn dividends paid in the UK in 2019, the FTSE 100 accounted for £94bn of these dividends
- Companies with access to government backed loans are prohibited from paying dividends throughout the period in which the funds are available

Unicorn Portfolio

- Differentiated portfolio with 94% invested outside the FTSE 100
- Historic yield of 5.4%
- Only 37% of the portfolio have positions of net debt on the balance sheet - compared to 83% of the FTSE 100 (the average level of debt within this group is low at just 1.1x Net Debt / EBITDA)
- 6% of the portfolio (3 companies) have access to government backed loans
- 17% of the portfolio (10 companies) have furloughed staff during the last three months
- 37% of the portfolio have declared or paid dividends since the end of February
- Only 1 holding (in the banking sector) has cancelled a dividend due to regulatory pressure

Past performance is not a guide to future performance. The value of investments & the income from them may go down as well as up & investors may not get back the full amount of their original investment. All data Unicorn Asset Management 31/05/2020

Manager Comment



"What is increasingly clear is that whilst some companies viewed this as simply a prudent decision to retain cash within their businesses in the face of significant near term uncertainty, other companies have cut dividends that were already stretched and will use the crisis to re-base their future payments. This gives us increasing confidence that the longer term dividend outlook for Unicorn's Income funds remains favourable compared to the broader market.

For some time we have talked to investors about the over reliance on a few names and sectors for dividend income in the UK. In many of these companies high levels of debt and falling levels of dividend cover indicated that large dividend payments were not sustainable. The second quarter of 2020 will undoubtedly be tough for many investors - it is normally our biggest quarter for dividends received – but we remain confident that where dividends have been temporarily paused there is an appetite and ability to resume payments promptly when conditions start to normalise” - Fraser Mackersie

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