

Look beyond dividend yields for better income and total returns

Stocks with higher dividend yields may look attractive to investors looking for income in the short term, but these stocks often do not provide higher income over time. First Sentier Investors' Equity Income team compare the income and growth of a typical income stock (Telstra), with a typical growth stock (Ramsay Health Care) – you may find the results surprising!

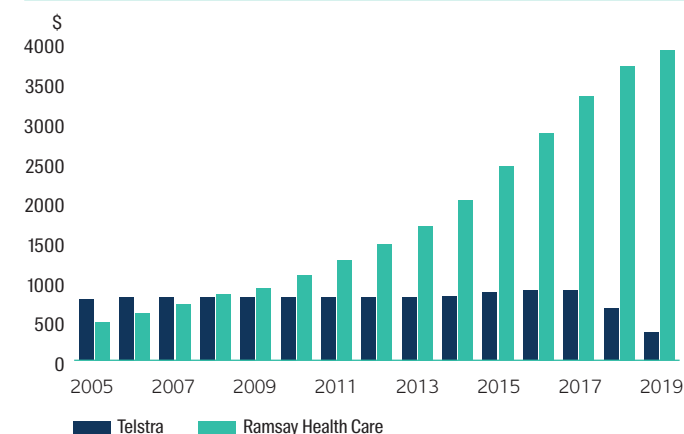
Growth of \$10,000 invested in June 2004

	Telstra Corporation	Ramsay Health Care
June 2004		
Stock price in 2004	\$5.03	\$5.36
Yield in 2004	7.67%	4.86%
Income generated over 2004-2005	\$767	\$486
June 2019		
Value of holding in 2019	\$7,654	\$134,826
Stock price in 2019	\$3.85	\$72.24
Yield in 2019	6.82%	3.88%
Income generated over 2018-2019	\$355	\$3,906
Total income generated over 2004-2019	\$11,559	\$27,268

In the early years, Telstra's higher yield results in higher income than Ramsay Health Care.

But in the long term, an investor in Ramsay Health Care would have received **\$15,709** more income, including franking credits, than an investor in Telstra!

Income generated per year



But look at the difference between yield and long term income!

Look beyond dividend yields for better income and total return

Below are the highest ranked stocks from the S&P/ASX 100 based on average gross dividend yield over a 15 year period. Higher dividend yields do not ensure higher levels of income will be generated over the long term – which can have an adverse impact on total wealth outcomes.

Income and growth of \$10,000 invested over 15 years

Top 15 dividend yield stocks	Sector	Average yield rank	Actual income generated rank	Actual total wealth rank
Tabcorp	Consumer Discretionary	1	22	51
Wesfarmers	Consumer Staple	2	15	37
National Australia Bank	Financials	3	33	53
Telstra	Telecommunication	4	39	60
Westpac Bank	Financials	5	17	41
Bendigo & Adelaide Bank	Financials	6	31	50
Bank of Queensland	Financials	7	28	52
ANZ Bank	Financials	8	24	43
Commonwealth Bank	Financials	9	13	26
Sydney Airport	Industrials	10	9	14
Suncorp Group	Financials	11	41	57
APA Group	Utilities	12	12	18
Insurance Australia Group	Financials	13	42	46
AMP	Financials	14	48	64
ASX	Financials	15	10	13

Source: 67 stocks from the current S&P/ASX100 have the required 15 year price and dividend history. First Sentier Investors, Factset, IRESS. Forecast yield data calculated from forward year dividend. Total income and capital over 15 years calculated assuming \$10,000 is invested in June 2004. Any fund or stock mentioned in this presentation does not constitute any offer or inducement to enter into any investment activity.

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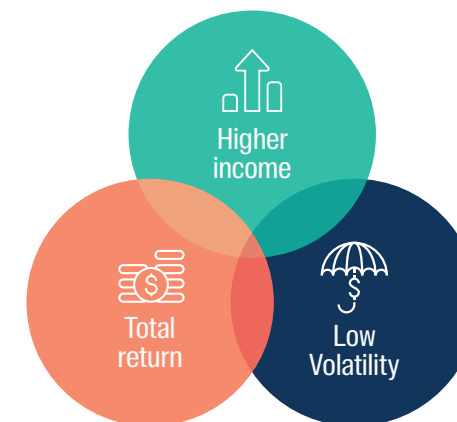
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But what if I want more income now?

There are investment strategies that seek to balance short term income needs with long term total returns – delivered with smoother returns through market cycles.



The First Sentier Equity Income Fund provides exposure to attractive stock ideas that are often overlooked by more conservative, income-seeking equity investors. This is combined with equity options that aim to deliver increased income and a more consistent return from Australian shares. Options are never used to provide leverage in the strategy.

Find out more at www.firstsentierinvestors.com.au