PLATO AUSTRALIAN SHARES INCOME FUND

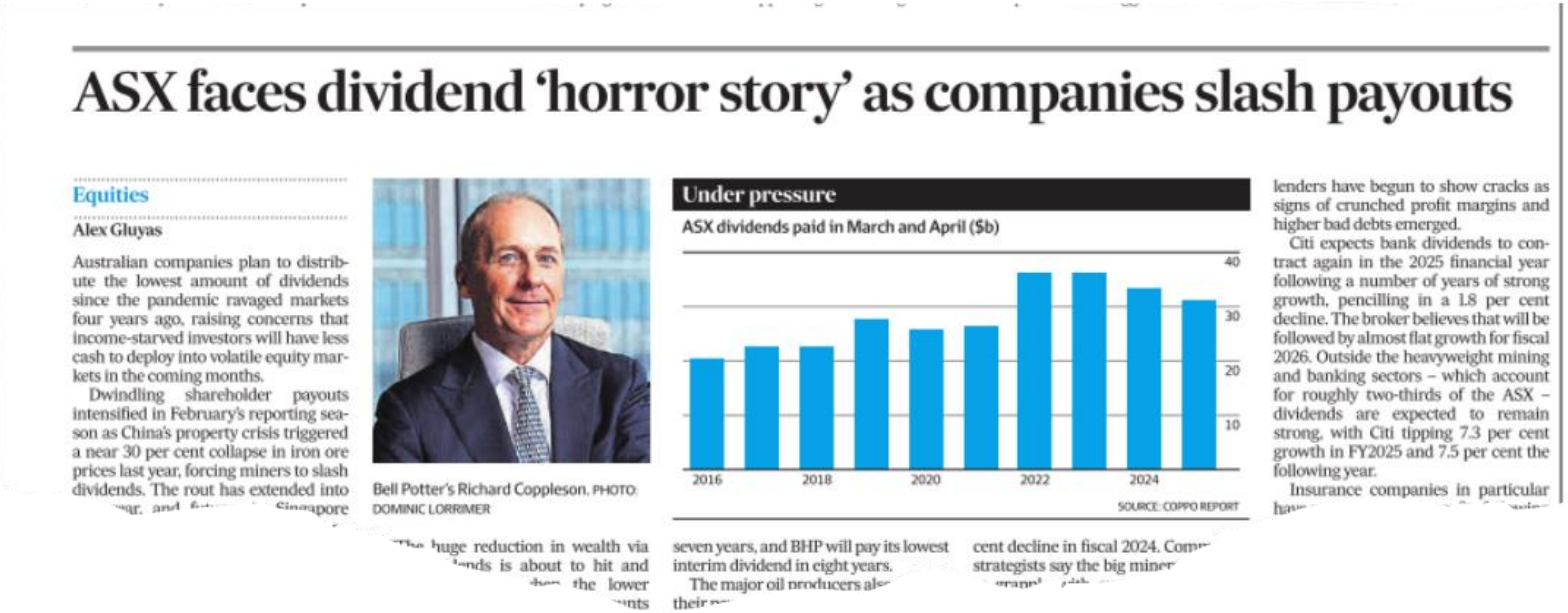
DIVIDENDS CAN SHINE AMID THE GLOOM

2025 Pinnacle Insights Series
Dr Don Hamson

Plato
INVESTMENT MANAGEMENT

AUF4

The Return of Dividend Gloom



ASX faces dividend 'horror story' as companies slash payouts

Equities

Alex Gluyas

Australian companies plan to distribute the lowest amount of dividends since the pandemic ravaged markets four years ago, raising concerns that income-starved investors will have less cash to deploy into volatile equity markets in the coming months.

Dwindling shareholder payouts intensified in February's reporting season as China's property crisis triggered a near 30 per cent collapse in iron ore prices last year, forcing miners to slash dividends. The rout has extended into

Bell Potter's Richard Coppleson. PHOTO: DOMINIC LORRIMER

Under pressure

ASX dividends paid in March and April ($b)

SOURCE: COPPO REPORT

lenders have begun to show cracks as signs of crunched profit margins and higher bad debts emerged.

Citi expects bank dividends to contract again in the 2025 financial year following a number of years of strong growth, pencilling in a 1.8 per cent decline. The broker believes that will be followed by almost flat growth for fiscal 2026. Outside the heavyweight mining and banking sectors – which account for roughly two-thirds of the ASX – dividends are expected to remain strong, with Citi tipping 7.3 per cent growth in FY2025 and 7.5 per cent the following year.

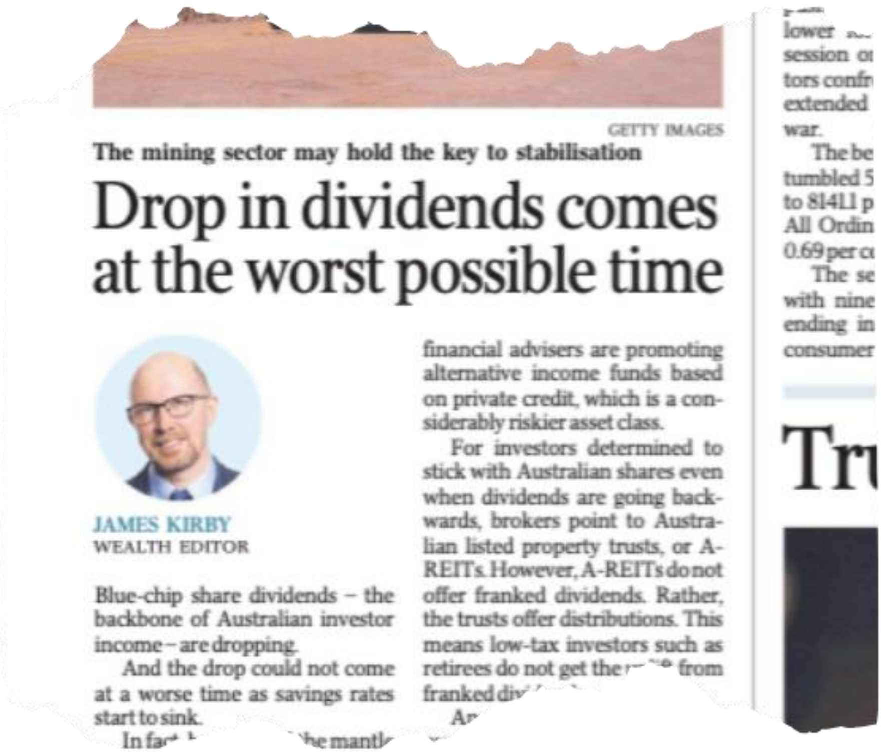
Insurance companies in particular

The huge reduction in wealth via dividends is about to hit and the lower

seven years, and BHP will pay its lowest interim dividend in eight years.

The major oil producers also

cent decline in fiscal 2024. Commodity strategists say the big miners



GETTY IMAGES

The mining sector may hold the key to stabilisation

Drop in dividends comes at the worst possible time

JAMES KIRBY
WEALTH EDITOR

Blue-chip share dividends – the backbone of Australian investor income – are dropping.

And the drop could not come at a worse time as savings rates start to sink.

financial advisers are promoting alternative income funds based on private credit, which is a considerably riskier asset class.

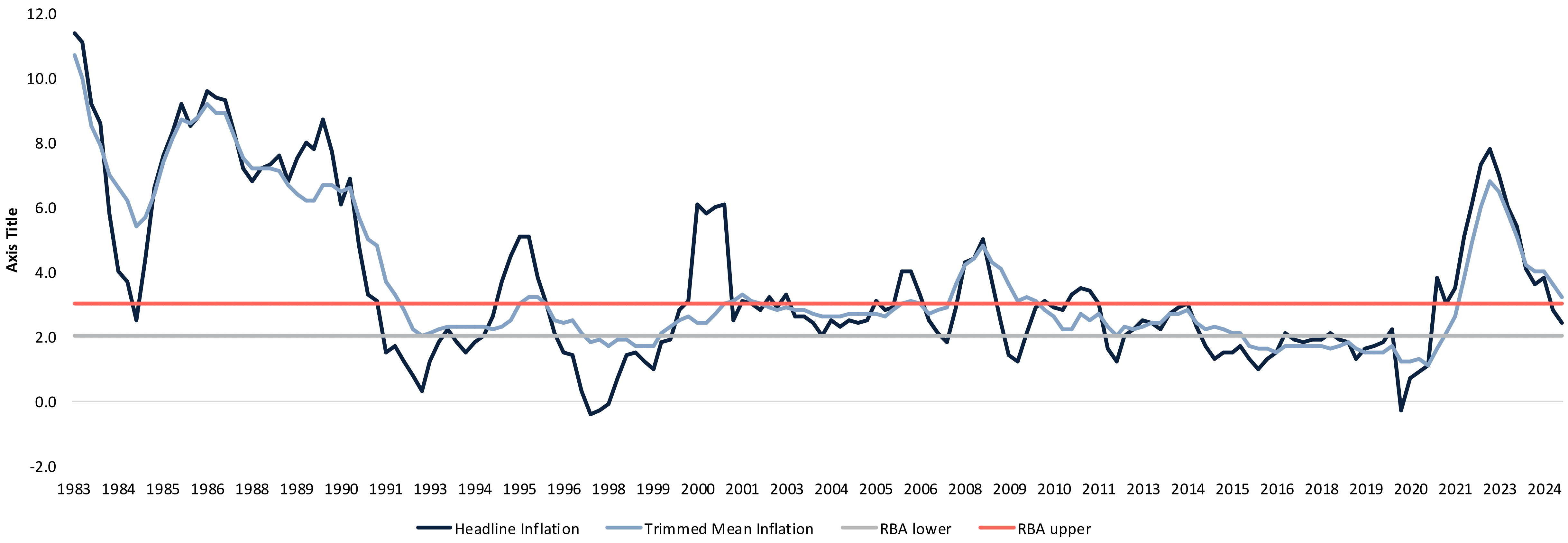
For investors determined to stick with Australian shares even when dividends are going backwards, brokers point to Australian listed property trusts, or A-REITs. However, A-REITs do not offer franked dividends. Rather, the trusts offer distributions. This means low-tax investors such as retirees do not get the from franked div

Here's why dividends and franking will continuing being a pillar of income strength…

Plato

Inflation is falling!

… THAT'S GOOD NEWS FOR EQUITIES

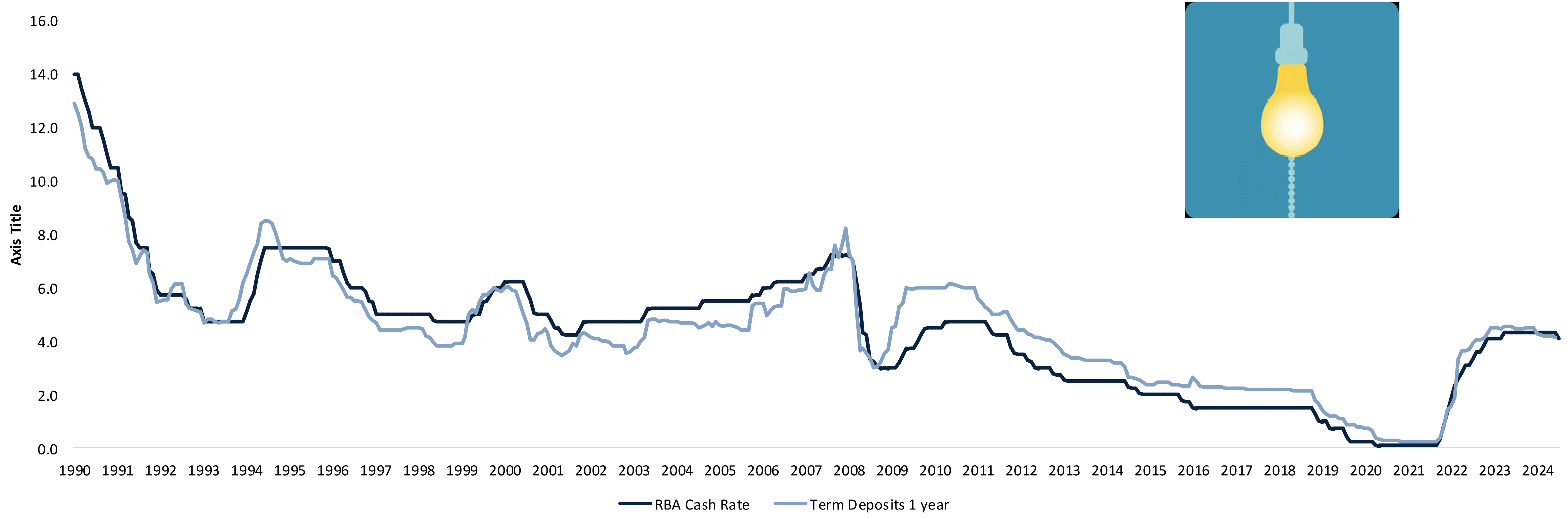


Headline within target, trimmed mean heading that way

Plato

Interest rate cycle has turned

… CASH & TERM DEPOSITS WON'T KEEP THE LIGHTS ON



0.25% cut from 4.35% = 5.7% cut in income

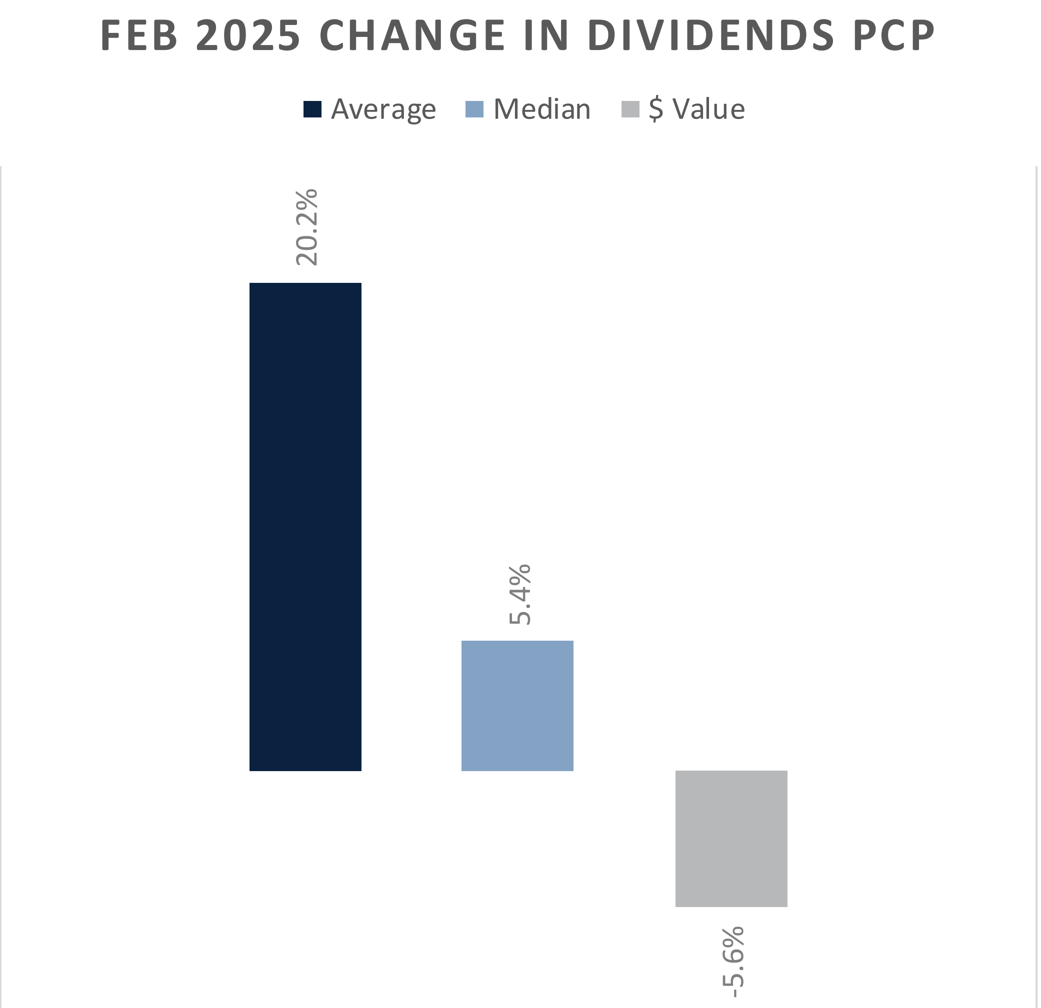
Results February 2025 - Dividends

DIVIDENDS FALLING IN RESOURCES BUT POSITIVE ELSEWHERE

- **Over $33bn in dividends have been declared.**
- **New dividends from Qantas, A2 Milk and Iress.**
- **Strong dividend increases:**
  - South32 (803%), Evolution (250%) and Yancoal (60%) in resources.
  - Brambles (35%), Seek (26%) and REA (26%)

- **2 companies in ASX200 (Independence Group and Westgold) omitted dividends.**
  - Dividend Cuts in Energy: Ampol (97%), Viva Energy (45%) and Santos (39%).
  - Other Cuts: Woolworths (17%), Endeavour Group (13%) and AMP (50%)

58% of companies increased dividends | 14% flat | 28% reduced



Plato estimates up to Feb 28, Bloomberg

Source: Plato, Bloomberg, S&P200

Reporting Season Analysis

CBA

- Decent result, 1H FY25 Cash NPAT of $5,132m, up 2% from PCP
- Interim Dividend 225c vs 215c last year, up 4.7%
- Bad debts of 7bps (fell from 8bps in 2H), home loan arrears staying stable at low levels
- But price has run ahead of earnings: PE 26.3x, cash yield 2.9%, gross yield 4.1%

CBA yields less than the market: no longer a cash cow!

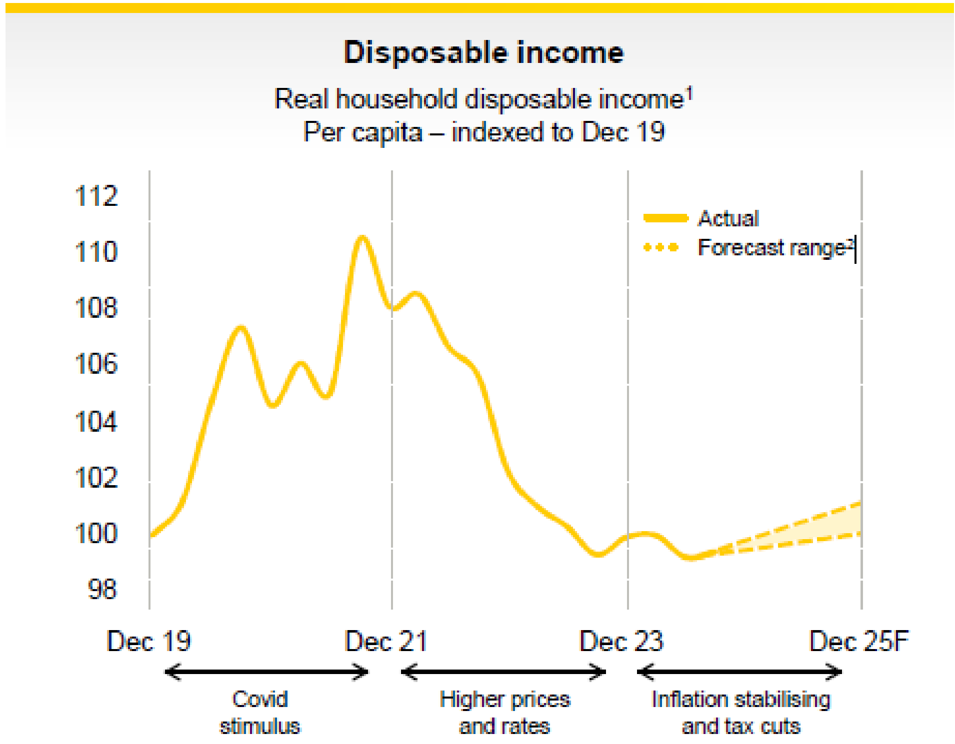
Source: Plato, Refinitiv 6 March 2025

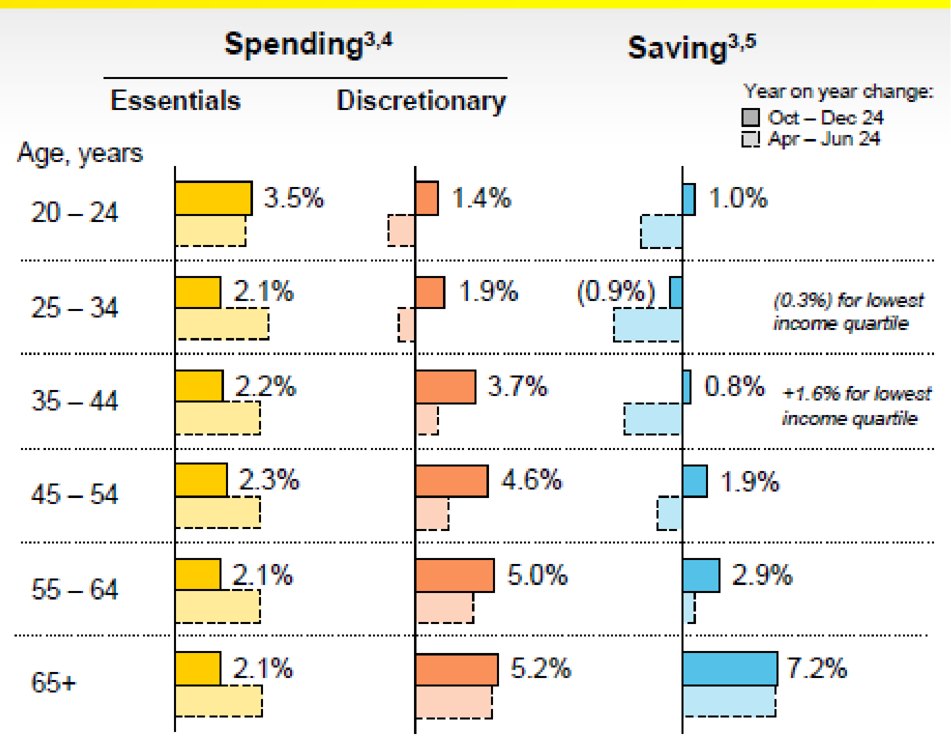
Reporting Season Analysis

CBA

Some relief for stretched households

Disposable income stabilised – consumption more evenly distributed





1. Sources: ABS and RBA. 2. Forecast based on RBA total real household disposable income growth projection and estimates for population growth. 3. Per customer. For spending 13 weeks to end of quarter, for saving the average balance as at end of quarter. Consistently active card customers and CBA branded products only. 4. Spending based on consumer debit and credit card transactions data (excluding StepPay). 5. Includes all forms of deposit accounts (transaction, savings and term) and home loan offset and redraw balances. Trimmed mean excluding top and bottom 5% of customers within each age band. Income quartile calculated across all ages based on customers with income payments to CBA accounts in the 13 weeks to 29 December 2024, considering salary, wages and government benefits.

7

Source: Plato

Reporting Season Analysis

JB HI-FI

- 1H FY25 sales up 9.8%, EPS up 8.0% and 3% above expectations.
- Final Dividend 170c vs 158c last year (up 7.6%).
- January sales grew strongly as consumer was strong in certain categories:
  - JB Aust: up 7.4% vs 1H FY24.
  - JB NZ: up 20.4% vs 1H FY24.
  - The Good Guys: up 6.4% vs 1H FY24.

Source: Plato

Plato

Reporting Season Analysis

INSURERS

- 1H FY25 Cash earnings* of $845m, up 73%, 10% above expectations due to benign period for natural hazards.
- Final dividend 41c up 20.6% vs 34c in pcp. Equates to 7.4% annual gross yield.
- ANZ takeover of bank was completed, allowing a 22c fully franked dividend and a capital return of $3.00 per share.
- Gross written premium guidance for FY25 unchanged at "mid to high single digits".

- Adj. Net Profit of $1,729m, up 27% on last year on improved claims ratio.
- Final dividend 63c up 31% on last year (20% franked). Equates to 4.5% annual gross yield.
- Premiums up 5.5% after 8% and 10% growth in FY22 and FY23. Guiding to "mid single digits" growth in GWP.
- Strategy to drive more consistent and better performance.

Source: Plato Refinitiv 6 March 2025

Reporting Season Analysis

IRON ORE MINERS

BHP	Rio Tinto	Fortescue
Underlying NPAT down 23%, 22% drop in realised prices	Underlying earnings down 8%.	Underlying NPAT down 33%, small miss on costs
Divd US$0.50 vs US$0.72 pcp (down 31%), 50% payout. 7.1% annual yield	Divd $3.55 vs $3.93 pcp (down 10%), 60% payout. 7.6% annual yield	Divd $0.50 vs $1.08 pcp (down 54%), 65% payout. 12.5% annual yield
40% of EBITDA from copper, 54% margin	Boosted by Aluminium exposure.	Reducing spend on green energy business.

Source: Plato 6 March 2025

TOP DIVIDEND TRAPS

BE CAREFUL LOOKING AT HISTORICAL YIELD

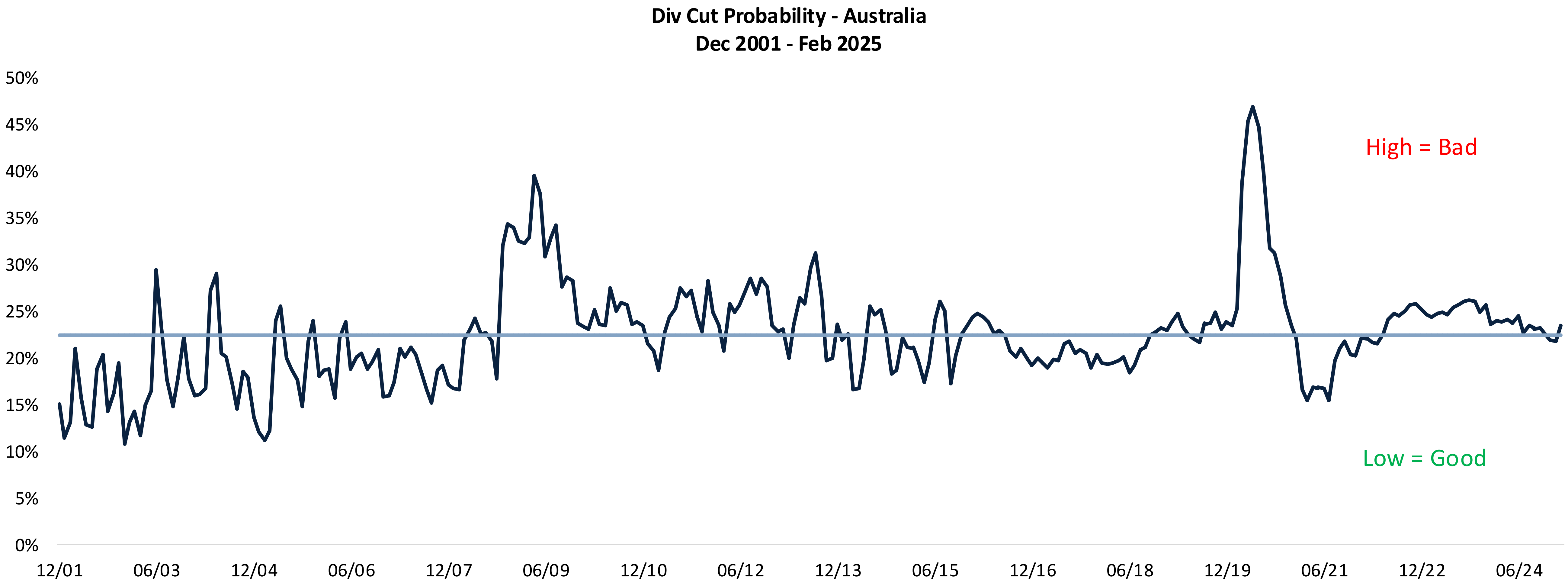
- Dividend Cuts:
  - Viva Energy - lower refining margins
  - Santos - lower oil/gas prices
  - Woolworths – supply chain disruption

STOCK	HIST. ANNUAL YIELD % (31 DEC 2024)	DIVIDEND CUT
VIVA Energy Australia	7.5%	45%
Santos We have the energy.	6.9%	39%
Woolworths	6.7%	17%

Source: Plato, Bloomberg

Dividend outlook is normal

AVERAGE % CHANCE OF DIVIDEND CUTS FOR AUSTRALIAN MARKET



Source: Plato, based on MSCI World IMI (Australian portion)

Plato

Plato Australian Shares Income Fund

RATINGS & AWARDS

Best Australian Shares Income Fund
Money Magazine
WINNER 2025
Best of the Best 2025

5
Highly Recommended
Genium

5
Highly Recommended
Lonsec Research

Zenith
RECOMMENDED

Think Income. Think Plato

Disclaimers

This documents is prepared by Plato Investment Management Limited ('Plato') (ABN 77 120 730 136, AFSL 504616) as the investment manager of the Plato Australian Shares Income Fund (ARSN 152 590 157) (the 'Fund'). Pinnacle Fund Services Limited ('PFSL') (ABN 29 082 494 362, AFSL 238371) is the product issuer of the Fund. PFSL is not licensed to provide financial product advice. PFSL is a wholly-owned subsidiary of the Pinnacle Investment Management Group Limited ('Pinnacle') (ABN 22 100 325 184). The information provided is of a general nature only and has been prepared without taking into account your objectives, financial situation or needs. Before making an investment decision in respect of the Fund, you should consider the current Product Disclosure Statement (PDS) and Target Market Determination ('TMD') of the Fund and the Fund's other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au, and assess whether the Fund is appropriate given your objectives, financial situation or needs. If you require advice that takes into account your personal circumstances, you should consult a licensed or authorised financial adviser. Neither PFSL nor Plato guarantees repayment of capital or any particular rate of return from the Fund. There can be no assurance that the Fund will achieve its investment objectives. The value of your units at any point in time may be worth less than your original investment even after taking into account the reinvestment of Fund distributions. Returns are not guaranteed, and you may lose some or all of your money. The specific risks associated with investing in the Fund, and the risks associated with the Fund's investments, are discussed in Section 4 of the Product Disclosure Statement. Neither PFSL nor Plato gives any representation or warranty as to the currency, reliability, completeness or accuracy of the information contained. All opinions and estimates included in this website constitute judgments of Plato as at the date of website creation and are subject to change without notice. Past performance is not a reliable indicator of future performance.

Ratings Disclaimers:

The Zenith Investment Partners (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned June 2024) referred to in this piece is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at Fund Research Regulatory Guidelines.

The Lonsec Rating (Plato Australian Shares Income Fund (Class A) assigned October 2024) presented in this document is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445. The Rating is limited to "General Advice" (as defined in the Corporations Act 2001 (Cth)) and based solely on consideration of the investment merits of the financial product(s). Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold Plato product(s), and you should seek independent financial advice before investing in this product(s). The Rating is subject to change without notice and Lonsec assumes no obligation to update the relevant document(s) following publication. Lonsec receives a fee from the Fund Manager for researching the product(s) using comprehensive and objective criteria. For further information regarding Lonsec's Ratings methodology, please refer to our website at: https://www.lonsec.com.au/fund-manager/investment-product-ratings.

The Genium rating (assigned August 2024) presented in this document is issued by Genium Investment Partners Pty Ltd ABN 13 165 099 785, which is a Corporate Authorised Representative of Genium Advisory Services Pty Ltd ABN 94 304 403 582, AFSL 246580. The Rating is limited to "General Advice" (s766B Corporations Act 2001 (Cth)) and has been prepared without taking into account the objectives, financial situation or needs of any individual, including target markets of financial products, where applicable, and is subject to change at any time without notice. Past performance information is for illustrative purposes only and is not indicative of future performance. It is not a recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision in relation to this financial product(s). Genium receives a fee from the Fund Manager for researching and rating the product(s). Visit Geniumip.com.au for information regarding Genium's Ratings methodology.