

The case for Equity Yield

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Equities - Glass half full or half empty?

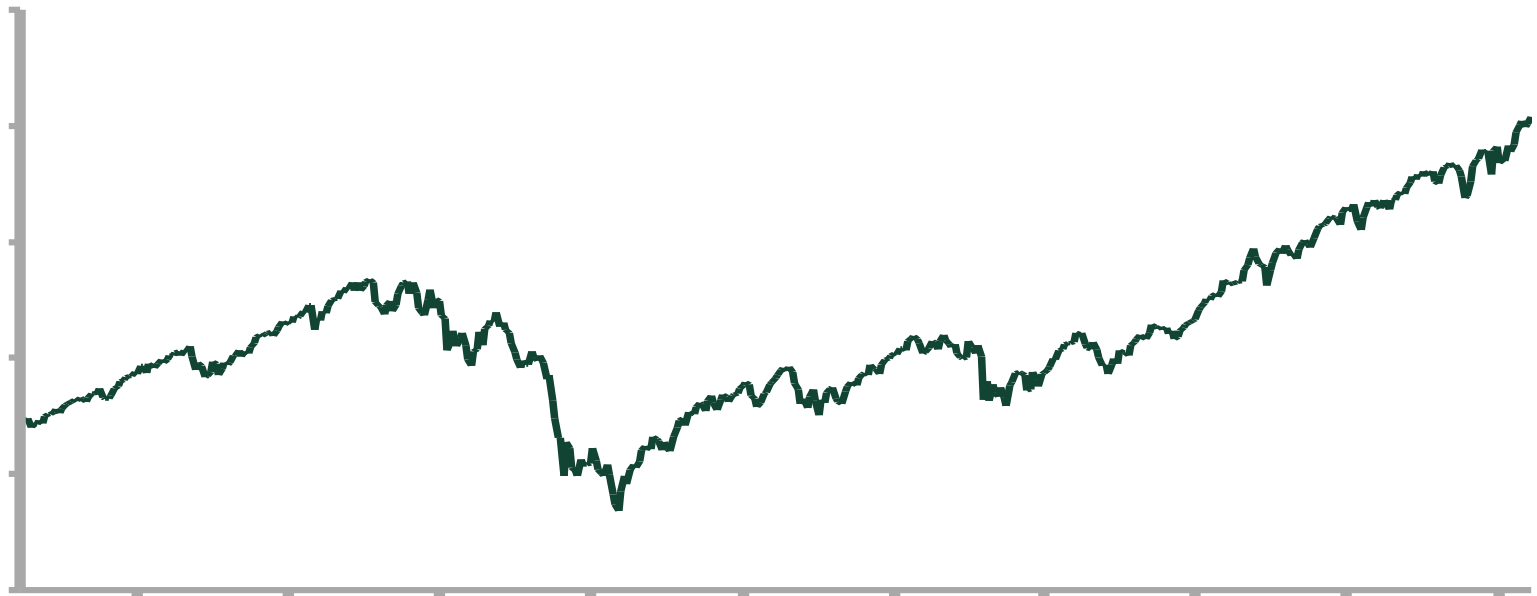
Why-Half full?

- In early stages of global economic recovery
- Valuation-relatively attractive 'real asset'
- Underpinned by central banks

Why not-Half empty?

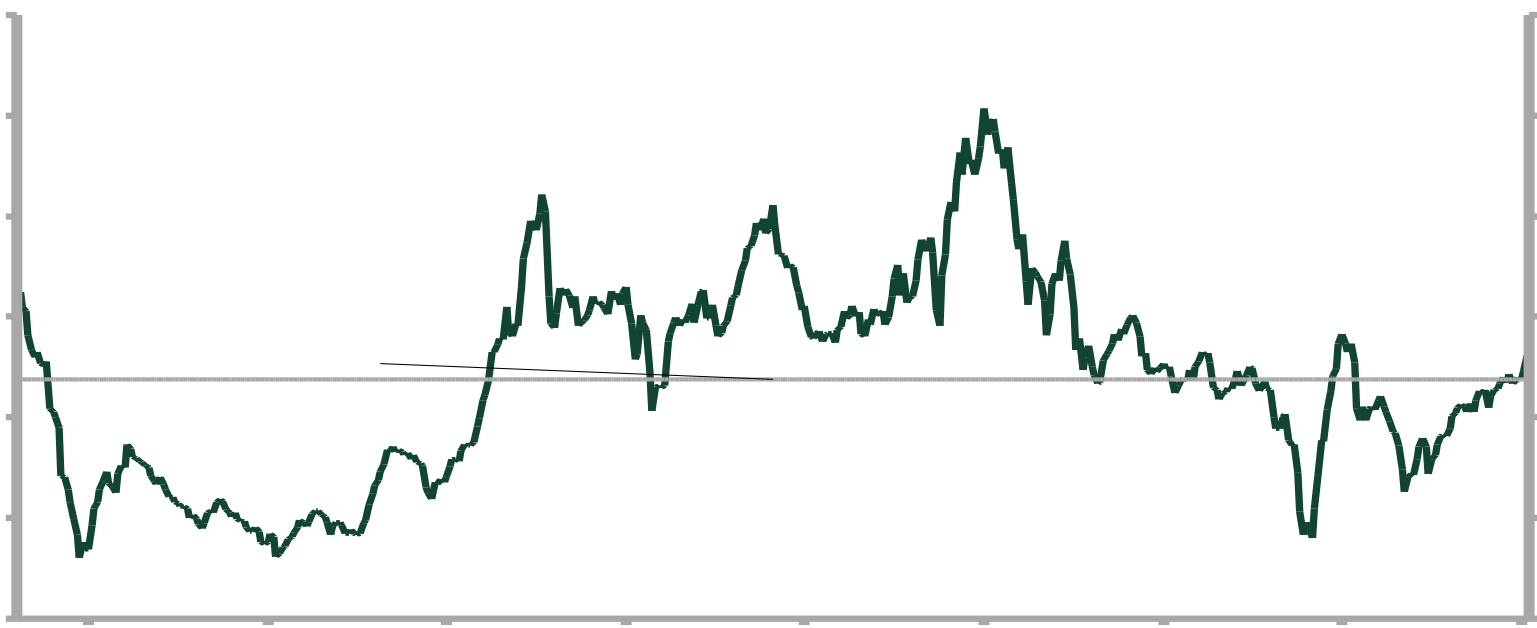
- Global deflation
- Bull market for 6 years
- Worries!

Equities have made strong gains



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Yet - Absolute valuations at Fair Value

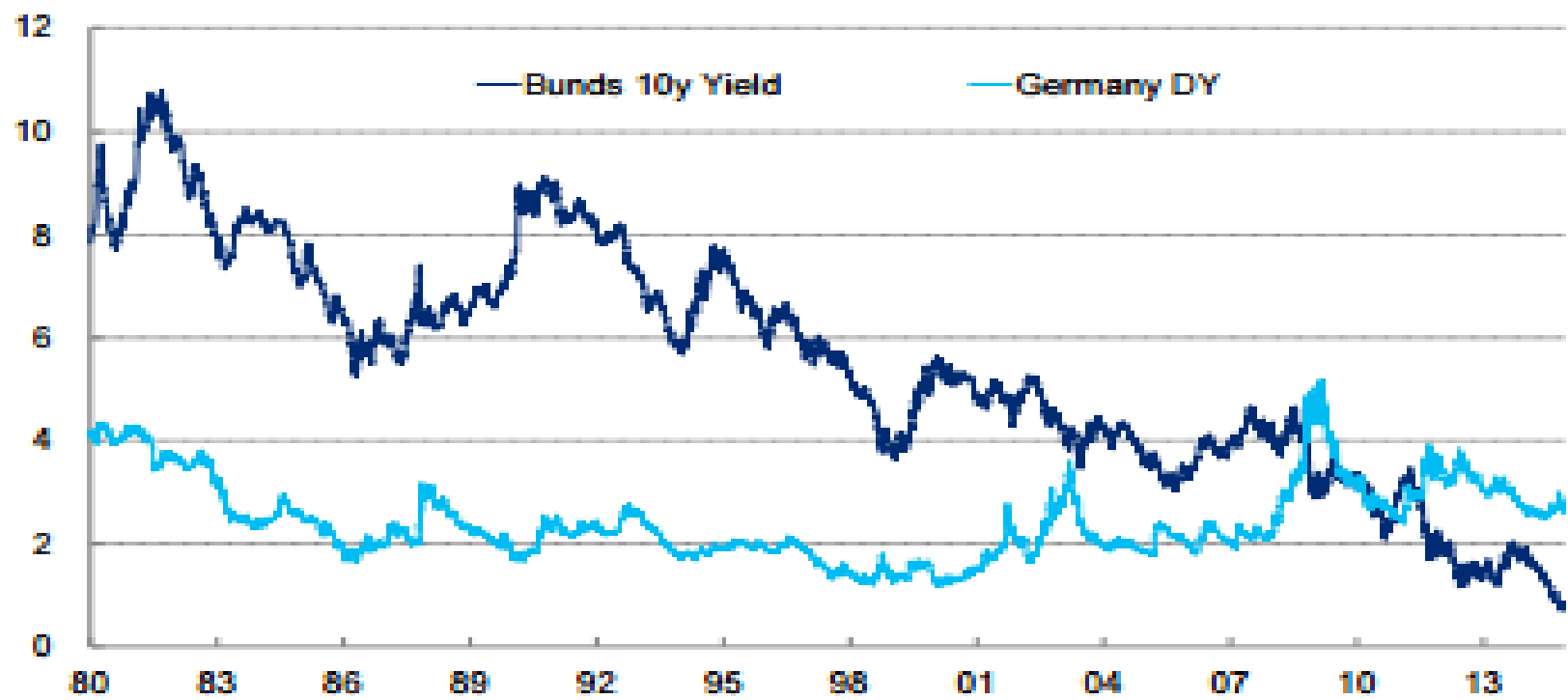


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Implications of Quantitative Easing (QE)

- QE to help confidence, GDP, inflation, earnings
- Abundant liquidity
- Supportive of global markets
- Progressively favours risk assets
- Extends the search for yield

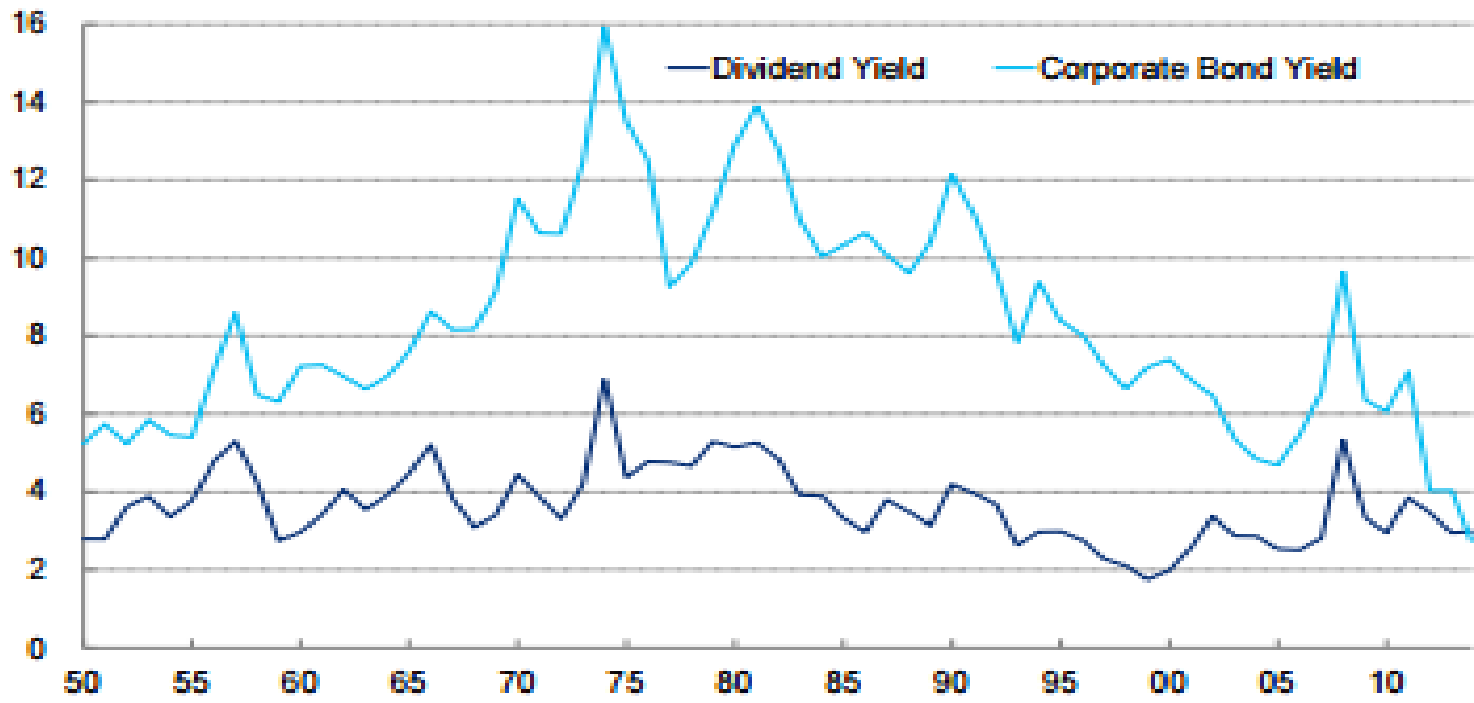
Equity dividend yields very attractive



Source : Datastream

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Equity dividend yield attractive vs equity debt yield



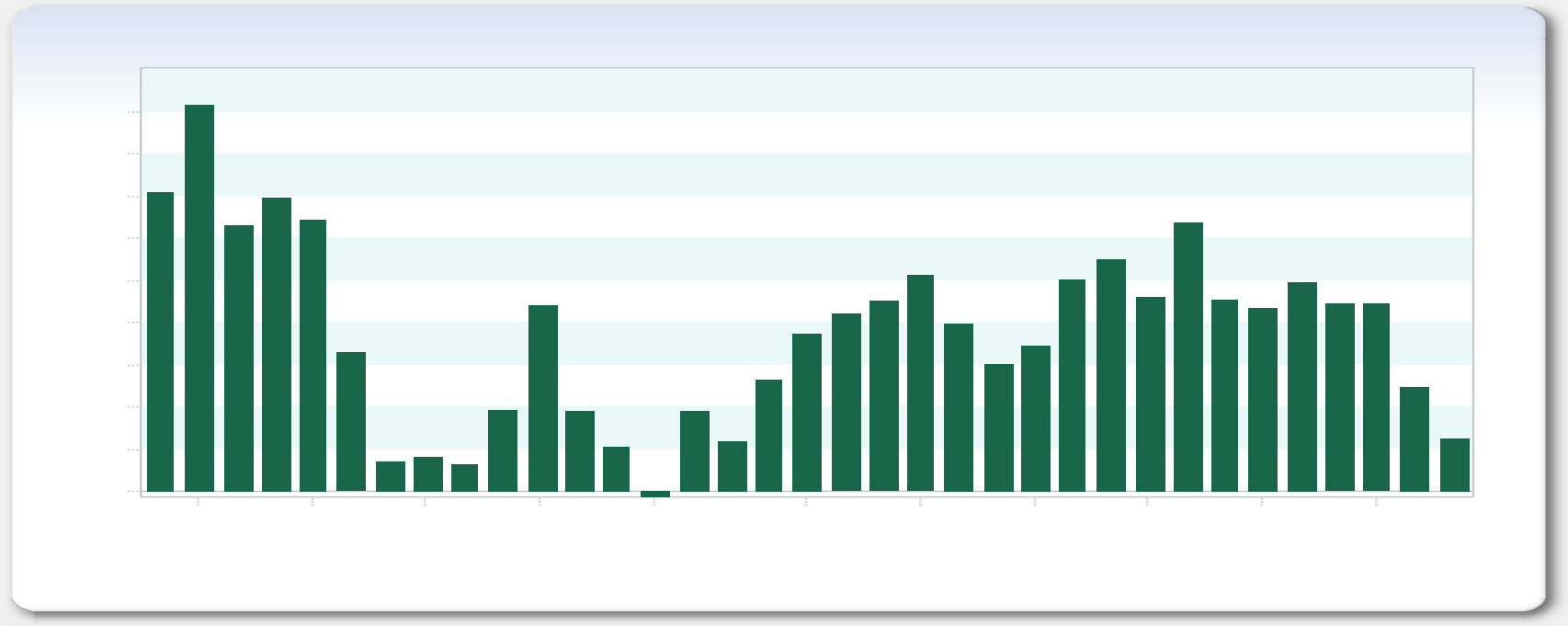
Source : Datastream

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However, beware the search for yield

- Don't overlook **Total Return** = Dividend Yield plus Dividend Growth plus Valuation Change
- Avoid unintended bets
- Diversify to dampen volatility and achieve downside protection

Yield should deliver consistency



Source: Kleinwort Benson Investors, Datastream as at 31st December, 2014 in EUR. Annualised excess return against the MSCI World Index.

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