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## Tracking down the top dividend payers

In spite of recent headlines about a faltering economy, the UK can still be referred to as 'the home of the dividend', with companies across a range of sectors providing investors with impressive dividend yields so far this year.

By Alan Price is sales director at Indxis | Published Oct 12, 2011 | 0 comments

Primary among these is National Grid, one of the highest yielding stocks from a list of the top 100 dividend-paying companies in the UK.

It returned an impressive yield of 7.2 per cent to the end of July and is therefore one of the shining lights of the UK Dividend Achievers index, composed of UK companies that have increased their annual regular cash dividends over the past five or more consecutive years.

Launched last year, the UK Dividend Achievers index has produced an annualised return of 12.59 in year to July 2011. This performance translates into an absolute return of £1,300 for those who invested £10,000 a year ago.

In such a tough economic environment, this should come as music to the ears of investors, who not only need to supplement their income, but do so with consistent stocks that are less likely to fall in value.

Consistent dividend payments reflect well on the financial stability and management capability of a company. National Grid is followed closely on the index by financial group Chesnara, which returned 6.6 per cent. Numis Corp and Interserve share third position, both paying dividends of 6.4 per cent. The latter also had the highest total return among all the stocks, returning an impressive 51.9 per cent to investors between January and July this year.

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Other top-performing stocks included RPC Group at 41.98 per cent and Northumbrian Water at 36.44 per cent, as well as household names such as Halfords Group and Vodafone, which made the top 10 with yields of 4.9 per cent and 4.8 per cent. Consumer staples and technology stocks featured prominently in the index, with a total return of 32.17 per cent and 14.43 per cent respectively.

In spite of the recession putting additional pressure on those operating in the financial services industry, providers were well represented in the top performers table. Financial groups such as Chesnara, Numis and Beazley appear after returning 6.6 per cent, 6.4 per cent and 6.2 per cent in dividends to their investors in the first half of the year.

Investors should always opt for such stable, profitable companies and investigate the caveats behind high dividend-paying stocks. In some instances, high dividend yields can reflect investors' negative views of a stock's present worth and future performance. High payments may also only be applicable in the short term, reflecting a company's offer to pay sizable compensation in the form of dividends, leading up to an anticipated share price tumble.

The latest UK Dividend Monitor from Capita Registrars shows dividend payments in the UK are on the increase, with 247 companies paying dividends in the second quarter, compared with 221 in the same period last year. However, investors need to seek out consistent dividend-paying companies, not just those making high, sporadic payments.

Research should be the watchword here, with the aid of tools that can carry out in-depth analysis of thousands of stocks. The payback for this diligence is a literal payback in the form of dividends – consistent, secure and offering peace of mind at a time when this is needed most.