Watch the dividend

Dividend growth is slowing in the UK.

Shortly after the end of each quarter, Capita, one of the UK's largest share registrars, publishes a dividend monitor. This gives a useful snapshot of the dividend payments from UK-listed companies over the previous three months. The latest edition, covering the first quarter of 2016, makes interesting reading if you are an investor in UK equity income funds:

- Year-on-year dividends rose 6.4%, but this was largely due to some generous special (one-off) dividend payments. Strip these out and underlying dividends grew by just 1.3%, pretty much in line with RPI inflation.

- The small positive growth in dividends was entirely due to the weakness of sterling against the US dollar, which Capita reckons accounted for £350m of the quarter's £14,200m in dividend payments. Many of the FTSE 100's largest companies, such as Shell, HSBC and Astra Zeneca, use the dollar as their accounting (and dividend) currency.

- During the first three months of 2016 dividend cuts of £2,700m were announced, but most of these will not bite until later in the year.

- The top five dividend payers in the UK accounted for 53% of the total dividends paid in the first quarter.

- Following its takeover of BG Group, Shell will deliver over £10bn of dividends in 2016 – nearly 13% of the total payout projected by Capita.

The concentration of dividend payments, currency volatility and dividend cuts from major companies (eg Tesco, Rolls Royce) is making life hard for managers of UK equity income funds. If you have holdings in this popular sector, it makes sense to review them now.

The value of your investment can do down as well as up and you may not get back the full amount you invested. Past performance is not a reliable indicator of future performance. Investing in shares should be regarded as a long-term investment and should fit in with your overall attitude to risk and financial circumstances.