THE FifthPerson

DIVIDEND KINGS

TOP 7 DIVIDEND STOCKS IN SINGAPORE TO BOOST YOUR DIVIDEND PORTFOLIO

2023 EDITION

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ABOUT THE FIFTH PERSON

The Fifth Person is an investment research and education company and we publish an online investment magazine at FifthPerson.com.

The Fifth Person is a two-time winner (2018, 2020) of the best independent investment website in the 'GoTo.com' category at the SGX Orb Awards organised by the Singapore Exchange (SGX). The award recognises the independent investment-related website or financial blog that most empowers investors to make educated decisions with their money.

OUR COLUMNIST

Victor Chng and Rusmin Ang are the co-founders of The Fifth Person.

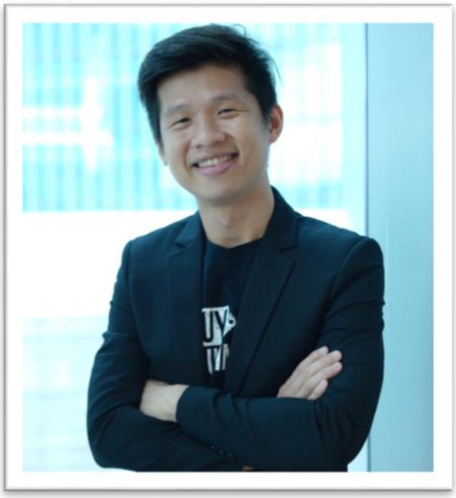
Their investment articles and commentary have been featured in the media including Channel NewsAsia, The Business Times, AsiaOne, Business Insider, NewsLoop, and on national radio on Money FM 89.3.

The Fifth Person was also featured on the CPF's lifetime retirement investment scheme video.

I'll let you find out more about us as we get to know each other better, so let's not waste any more time and let's get into the meat of this report.

Let's go!

Victor Chng



Rusmin Ang

THE DIVIDEND KINGS

Dividend investing is one of the easiest ways to add passive income to your life. It's essentially making money in your sleep. Investing in dividend-paying stocks is a way to add a regular source of income to your portfolio, which in the long term, seeks to replace your active income.

While there are plenty of companies that reward their shareholders with dividends, there's an elite list of companies, known as the 'Dividend Kings'.

These companies have a history of paying consistent dividends every year – even during an economic downturn. The best part about these companies is that they are also able to consistently increase their dividend per share and give you a 'pay raise'. In the long run, some income investors are able to bring home yield-on-cost of between 8% to 15% every year.

In this report, we discuss seven of the top Dividend Kings in Singapore and their outlook moving into 2023 and beyond.

DBS Group

Ticker: D05

Market Cap: $87.4 Billion

Payout Ratio: 45.2%

Dividend Growth (2012 – 2021): 8.84% CAGR

How can we not talk about DBS when it comes to dividend stocks? Valued at S$87 billion, DBS Bank is the largest company listed on the SGX. It is one of the top financial services groups in Asia with a presence in 18 markets worldwide.

Notes: DBS bank is one of the three bedrocks of the Singapore economy's backbone along with UOB and OCBC. One can even say that DBS is the 'national' bank of Singapore and will most likely 'not be allowed to fail'.

In addition, DBS's dividend has grown the fastest among the three banks, compounding at a CAGR of 8.84% since 2012.

With the rise of interest rates, we could very well see an improve in earnings for all the 3 banks moving forward.

Netlink Trust

Ticker: CJLU
Market Cap: $3.33 Billion
Payout Ratio: 108%
Dividend Growth (2018 – 2022): 4.36% CAGR

NetLink Trust builds, manages and operates the fibre network infrastructure - the foundation of Singapore's Next Generation Nationwide Broadband Network.

Netlink Trust is a monopoly with durable, recurrent streams of cash flow. The adoption of 5G will further complement organic growth with the increased need for bandwidth via of the use of Netlink's fibre infrastructure.

At around 6% in yield, Netlink is a passive investment suited for those looking for a mid to long-term dividend play.

Notes: **Residential connections is the largest contributor to Netlink's revenue at 63.8%.** Revenue from residential connections increased by S$2.8 million to S$240.7 million in FY22. Towards the tail end of FY22, construction activity has pickup since the government lifted restrictions and border controls. Constructions projects that have resumed would see a boost in residential connections in FY23.

NetLink has managed to garner a respectable 35% market share for Non-residential connections. This segment also saw a connection growth rate of 4.5% vs FY21

United Overseas Bank (UOB)

Ticker: U11

Market Cap: $45.6 Billion

Payout Ratio: 49.3%

Dividend Growth (2011 – 2022): 8.01% CAGR

As of 31 December 2021, UOB has total assets of S$432 billion, making it the third largest bank in Southeast Asia.

United Overseas Bank (UOB) has a global network of over 500 branches and offices in 19 countries and territories in Asia-Pacific, Europe, and North America.

Notes: UOB has delivered steady growth in earnings and dividends over the years, except for 2020 due to COVID-19. However, early shoots of recovery can be seen in 2021 and 2022. With the rise in interest rates, improve in earnings could very well carry into 2023 and beyond.

Income investors love UOB because they are the only bank to pay special dividends.

Oversea-Chinese Banking Corporation (OCBC)

Ticker: O39

Market Cap: $54.1 Billion

Payout Ratio: 49.5%

Dividend Growth (2012 – 2021): 5.41% CAGR

Oversea-Chinese Banking Corporation (OCBC) is the second largest financial institution in Southeast Asia with a market capitalization of over S$54.1 billion.

Over the years, OCBC has grown its international footprint and now comprises more than 570 branches and representative offices in 18 countries and regions.

Note: Just like the other two banks, OCBC has delivered steady growth in earnings and dividends over the years. Unlike the other 2, OCBC seemed to be the more conservative of the 3.

2020 was a difficult year because of the pandemic yet OCBC remained resilient and was named the 'Best Managed Bank' during COVID-19 by The Asian Banker.

2023 could prove interesting as it's very likely we'll see a spike in performance with the hike in interest rates.

Parkway Life REIT

Ticker: C2PU

Market Cap: $2.36 Billion

Payout Ratio: 90%

Dividend Growth (2012 – 2021): 3.52% CAGR

Parkway Life REIT (PLife REIT) is one of Asia's largest listed healthcare REITs and owns healthcare properties located in Singapore, Japan, and Malaysia.

As of 31 December 2021, the REIT owns a portfolio of 54 healthcare and aged care properties valued at approximately S$2.02 billion.

Notes: The most stable REIT among all healthcare REITs in Singapore, PLife REIT has an occupancy rate of 100% for its portfolio with a weighted average lease expiry (WALE) of 5.74 years. Ninety-five percent of the portfolio has downside protection which adds to PLife REIT's income stability in the immediate future.

In addition, strong demand for healthcare is expected to grow in Singapore and Japan. The proportion of the population aged 65 or older in Japan makes up approximately 29% of the total population and is estimated to reach 35% by 2040.

Singapore is also facing increasing life expectancy and low fertility rates, and its resident population aged 65 or older rose to 15.2% in 2020. The life expectancy of Singaporeans also increased over the last decade to approximately 84 years old.

Singapore Exchange (SGX)

Ticker: S68

Market Cap: $9.02 Billion

Payout Ratio: 81.3%

Dividend Growth (2013 – 2022): 8.01% CAGR

SGX is one of Singapore's most beloved blue-chip stocks and with a virtual monopoly on Singapore securities and derivatives trading. It's probably the only business in Singapore that's literally 'recession proof' – Investors buy / sell during bear and bull markets.

The dividend stocks in this report are all listed on the SGX, and Singapore imposes no withholding tax to income investors who own shares of local stocks.

Notes: SGX is a recession-proof company. In fact, they tend to do even better during an economic crisis when trading volumes are at their highest. In other words, it is likely the only company that won't cut its dividends during a market crash.

That said, however, SGX does face long-term challenges when it comes to sparking interest in Singapore's stock market due to the country's relatively subdued entrepreneurial scene and small domestic market.

Over the last two years, the company's pivot towards derivatives and being a multi-asset exchange has been successful thus far, and will be a main driver of growth for the SGX in the near to midterm.

Capitaland Integrated Commercial Trust (CICT)

Ticker: C38U

Market Cap: $12.5 Billion

Payout Ratio: 90%

Dividend Growth (2011 – 2021): 1.01% CAGR

CapitaLand Integrated Commercial Trust (CICT) owns and invests in assets primarily used for retail and office purposes. CICT's current portfolio comprises 22 properties in Singapore and two in Frankfurt, Germany.

CICT embarked on a new chapter following the recent merger of CapitaLand Mall Trust (CMT) and CapitaLand Commercial Trust (CCT) which took place via a trust scheme of arrangement on 21 October 2020.

Notes: With the recent merger, CICT has positioned itself as a proxy for Singapore real estate, enabling the REIT to leverage real estate trends and opportunities in retail, office, and integrated developments locally.

A REIT with plenty of prime A list properties is why we like this REIT a lot.

Then again, how well it can build upon its current position to harness synergies across its properties as well as events leading to the recovery of the Singapore economy — such as employees returning to the workplace and cross-border travel resuming — will play a large factor in CICT's performance moving ahead.