THE SMART INVESTOR

SPECIAL FREE REPORT

TOP 9 DIVIDEND STOCKS FOR 2022

(and 3 Tactical Shifts to Maximise Your Profits)

CONTENT PAGE

Introduction 3

Our Dividend Watchlist -
Three Tactical Shifts To Maximise Your Profits 4

Tactical Shift #1 - Safe-Harbour Stocks 6
- DBS Group (SGX: D05) 7
- Singapore Technologies Engineering Ltd (SGX: S63) 9
- Venture Corporation Limited (SGX: G13) 11
- Singapore Exchange Limited (SGX: S68) 13

Tactical Shift #2: Growth Accelerators 15
- Keppel DC REIT (SGX: AJBU) 16
- iFAST Corporation Limited (SGX: AIY) 18
- Micro-Mechanics (Holdings) Ltd (SGX: 5DD) 21

Tactical Shift #3: Pandemic Surprises 23
- PropNex Holdings Limited (SGX: OYY) 24
- Raffles Medical Group Ltd (SGX: BSL) 26

Get Smart: Dividends -
Compounding Your Income in 2022 and Beyond 28

INTRODUCTION

Dear Smart Investor,

Another New Year is almost upon us as 2021 draws to a close.

2022 is promising to be a year where dividends are set to increase as businesses shake off the worst of the downturn.

Income-seeking investors should certainly rejoice.

Next year could turn out to be a bumper year for dividends as companies that previously held back are now free to resume their payments.

As **Singapore Airlines Limited** (SGX: C6L) takes to the skies again with the reopening of borders, the world can look to a gradual, sustained recovery.

We believe the economic recovery brings new opportunities to invest in Singapore dividend stocks.

OUR DIVIDEND WATCHLIST

THREE TACTICAL SHIFTS TO MAXIMISE YOUR PROFITS

If 2020 was the year of COVID-19, then 2021 was the year of the vaccine.

Hopes ran high when the first batch of Pfizer-BioNTech COVID-19 vaccines touched down in Singapore in late December 2020.

But what began as optimism in 2021 has given way to pragmatism as the year comes to a close.

This year, we have also witnessed beaten-down businesses with the capacity to rebound.

With our experience from the past 2 years, we are now armed with the knowledge of which businesses can weather the storm better than others.

Even better, we are going into 2022 knowing what trends will endure and grow, and be on the lookout for companies who will profit from these trends.

As such, we believe that there are three tactical shifts that you can make for your stock portfolio to prepare yourself for 2022.

Safe-harbour stocks

The trough in 2020 has revealed a set of blue-chip companies that have been able to hold their own and deliver steady dividends. In some cases, dividends were increased.

Growth accelerators

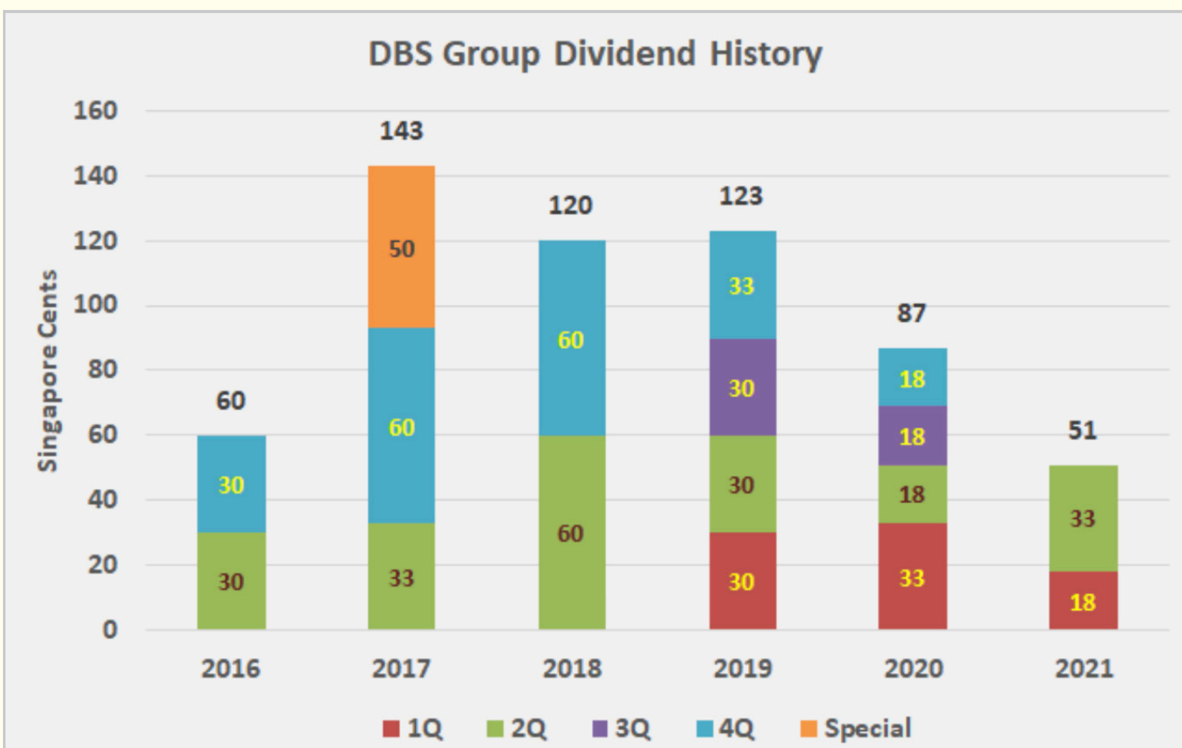
The shift online has also accelerated growth for a set of enterprising businesses that are poised to continue their growth.

Pandemic surprises

There were also some unexpected winners during the pandemic, often from businesses in industries that have been battered. Yet, this set of companies could surprise in the future.

TACTICAL SHIFT #1: ***SAFE-HARBOUR STOCKS***

1. DBS GROUP (SGX: D05)



SOURCE: DBS EARNINGS FILINGS; AUTHOR'S COMPILATION

Singapore banks had to lower their dividends in 2020 on MAS's request, but all three have since restored their dividends.

That's a show of resilience amid the city state's worst recession since its independence.

DBS GROUP (SGX: D05)

Of the nation's banking trio, DBS Group is the largest and most diverse, boasting a comprehensive range of banking services for both individuals and corporations.

The group has a presence in 18 markets and has been named as both the "World's Best Bank" and the "World's Best Digital Bank" by Euromoney.

The group is reporting healthy business recovery for its fiscal 2021 second quarter (2Q2021) and first half (1H2021).

1H2021 loan growth was 6% year on year, while fee income for 2Q2021 was the highest on record.

In light of the good results, the lender has upgraded its full-year loan growth forecast to a high single-digit, while its full-year fee income is set to increase by a mid-teen percentage year on year.

DBS has a number of growth initiatives in place to bring its business to the next level.

Singapore's largest bank is working with investment company Temasek Holdings to establish a growth debt financing platform for Asia's early-stage technology companies.

Meanwhile, on the acquisition front, DBS acquired Lakshmi Vilas Bank last November and followed this up with the purchase of a 13% stake in Shenzhen Rural Commercial Bank in April this year.

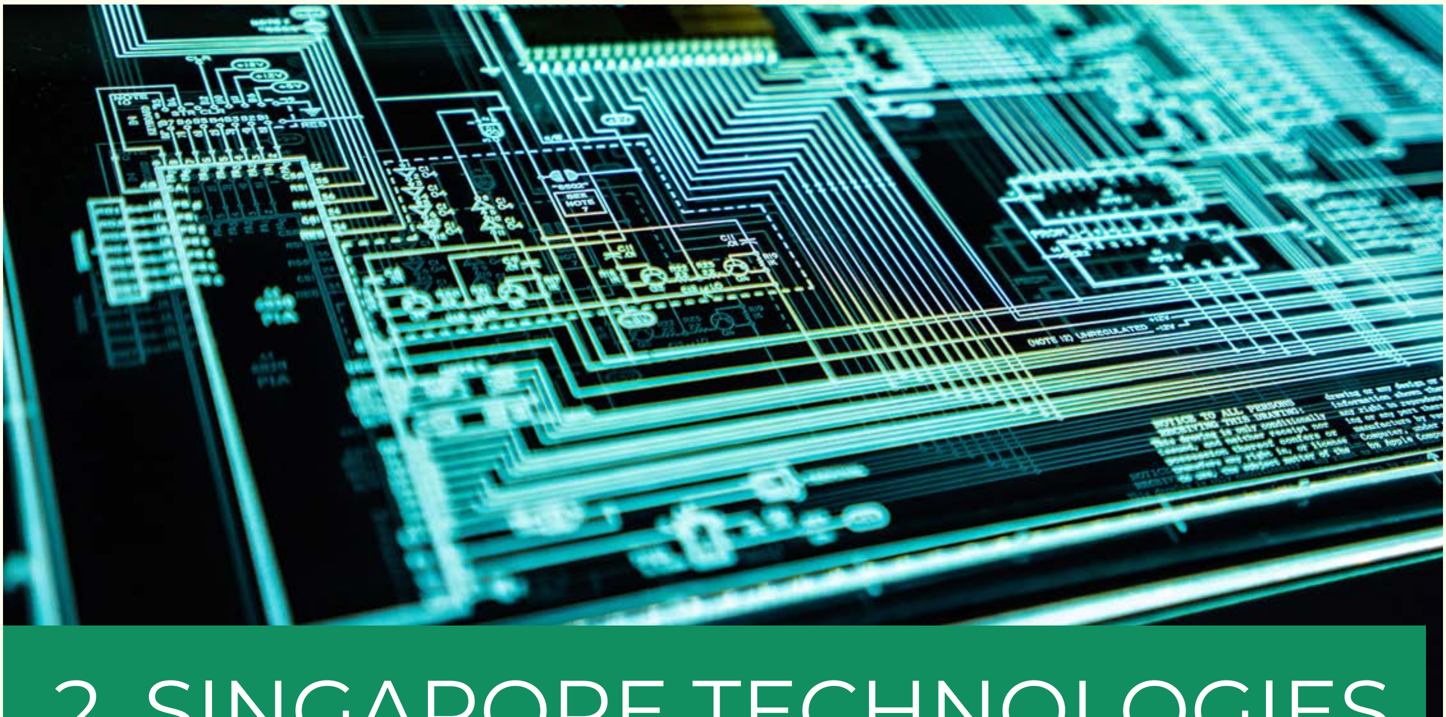
The two moves will help to accelerate its growth ambitions in India and China, respectively.

The graph above shows DBS' dividend payment history, which sees its dividend rising every year except for 2020 when Singapore's MAS put a cap on banks' dividend payments in light of the economic downturn.

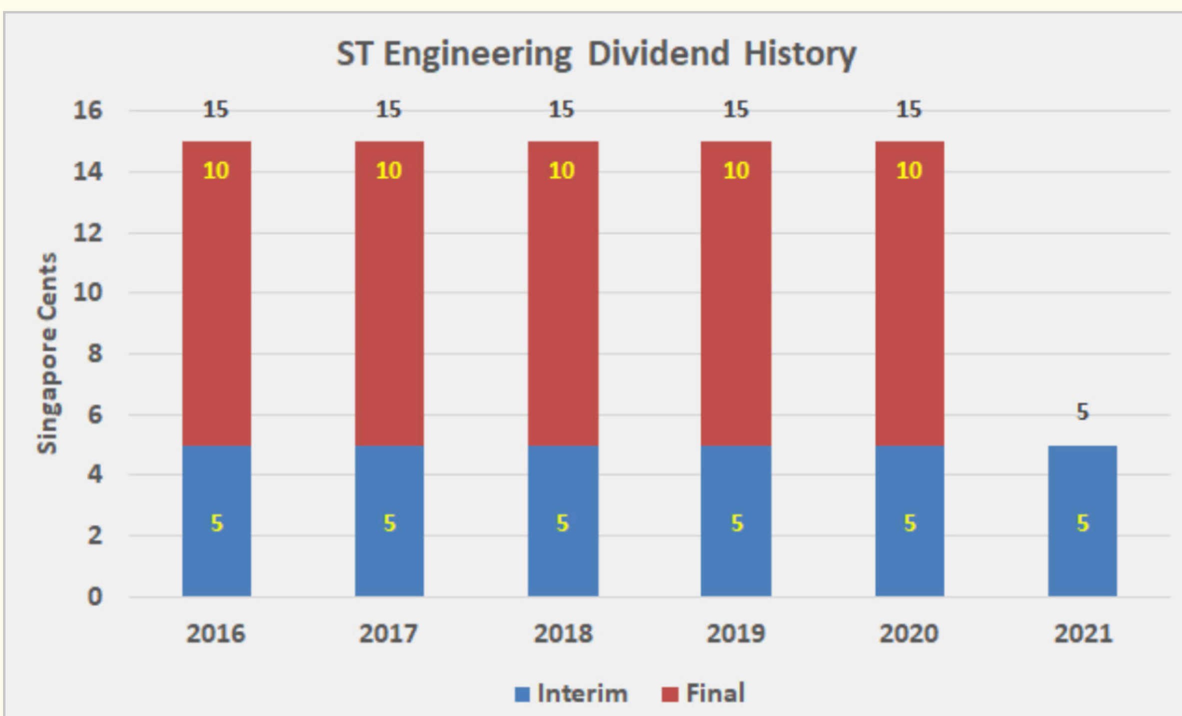
But there's good news for patient investors.

For 2Q2021, the bank has restored its quarterly dividend payment to S$0.33 per share after MAS lifted restrictions on dividend payments.

Moving forward, we believe the group can sustain its quarterly dividend at S$0.33 and may even increase it if earnings continue their upwards trajectory.



2. SINGAPORE TECHNOLOGIES ENGINEERING LTD (SGX: S63)



SOURCE: ST ENGINEERING EARNINGS FILINGS; AUTHOR'S COMPILATION

Conglomerates such as Singapore Technologies Engineering Ltd, or STE, are not built for speed but are prized for the diversity of business that they possess.

SINGAPORE TECHNOLOGIES ENGINEERING LTD (SGX: S63)

STE is a global technology, defence and engineering group that serves customers in more than 100 countries.

The conglomerate serves a wide range of customers in the aerospace, smart city, defence systems and marine segments.

Similar to DBS, the blue-chip engineering firm reported a robust set of earnings for 1H2021.

Revenue inched up 2% year on year to S$3.65 billion while operating profit climbed by 10% year on year to S$332.2 million.

Net profit jumped by 15% year on year to S$296.1 million.

The group declared an interim dividend of S$0.05, continuing its unbroken streak of S$0.05 interim dividend payments over the last six years.

STE has consistently paid out an annual dividend of S$0.15 (see graph above).

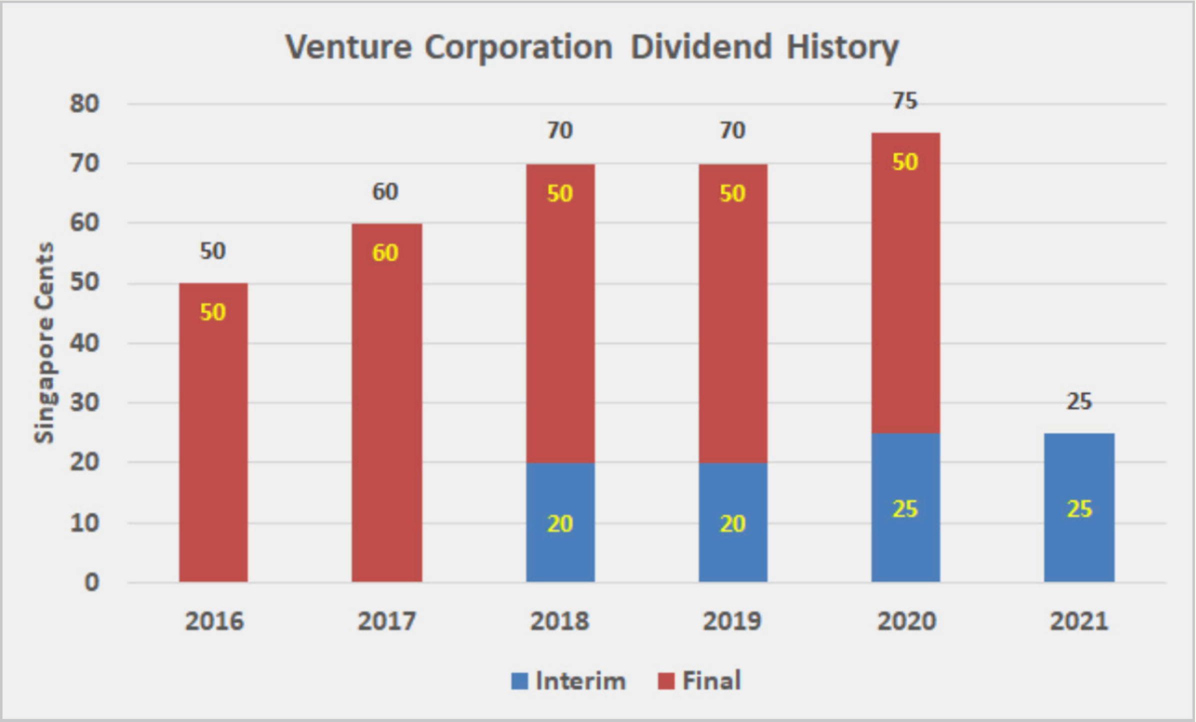
There is also positive news on the horizon.

Firstly, the conglomerate's order book has steadily grown to S$16.8 billion from S$15.3 billion 18 months ago.

At the same time, the group has also announced a US$2.7 billion acquisition of TransCore to boost its smart city division.

If the integration goes well, it could lead to higher earnings and allow STE to declare a higher annual dividend in the years to come.

3. VENTURE CORPORATION LIMITED (SGX: G13)



SOURCE: VENTURE CORPORATION EARNINGS FILINGS; AUTHOR'S COMPILATION

Meanwhile, the electronics sector was one of the few that has emerged from the pandemic relatively unscatched.

VENTURE CORPORATION LIMITED (SGX: G13)

Some, like Venture Corporation Limited, managed to increase its dividends against the odds.

Venture is a provider of technology products, services and solutions.

Over the years, the group has built up substantial know-how and expertise in key domains such as life sciences, genomics, lifestyle consumer products, and fintech, to name a few.

Venture's capabilities are demonstrated by its portfolio of more than 5,000 products and solutions.

Venture's 1H2021 saw revenue rise by 4.9% year on year to S$1.4 billion as business remained buoyant.

Net profit increased by 7.6% year on year to S$140.4 million.

The group declared an interim dividend of S$0.25, similar to what was declared in the prior year.

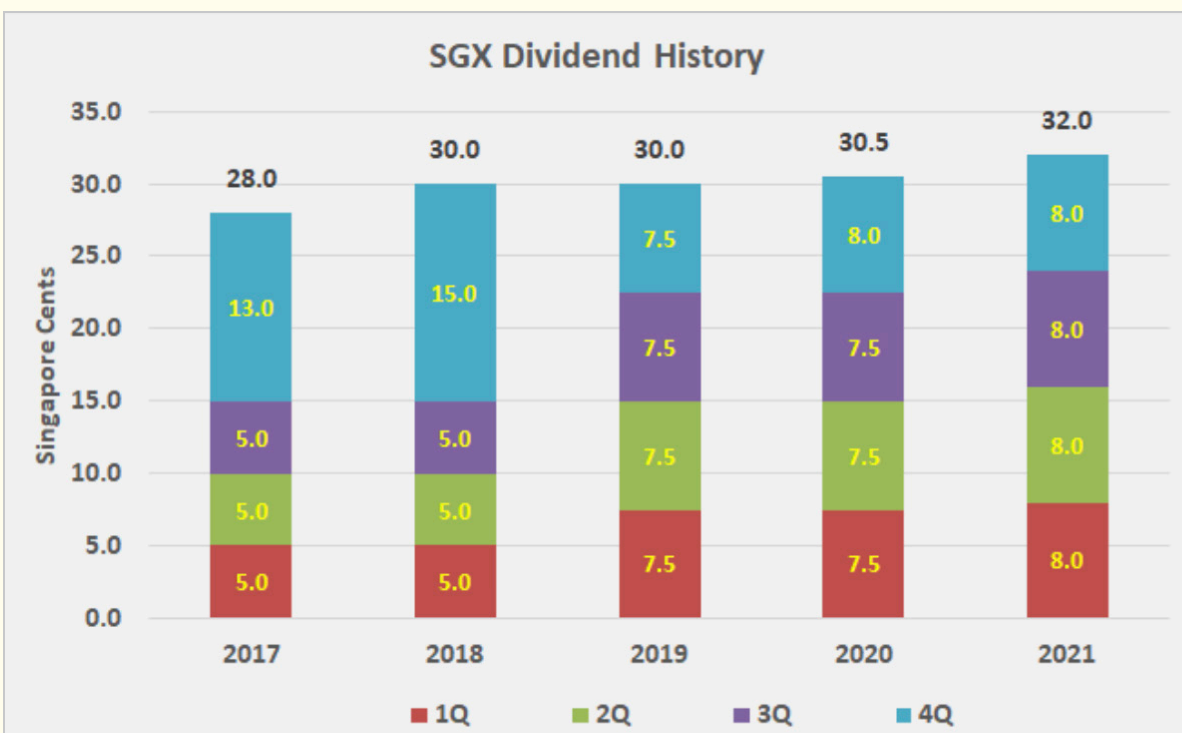
Venture has slowly but steadily increased its annual dividend since 2016 when it paid out just S$0.50.

By the fiscal year 2018 (FY2018), the group was paying out a twice-a-year dividend that amounted to S$0.70.

Last year, the dividend increased to S$0.75 and there is a good chance that the group can sustain it this year as well.

The demand outlook for Venture remains buoyant in the next 12 months and the group is planning to launch new platform products in the lifestyle consumer electronics sector in the second half of 2021.

4. SINGAPORE EXCHANGE LIMITED (SGX: S68)



SOURCE: SGX EARNINGS FILINGS; AUTHOR'S COMPILATION

We saved the best for last for the first tactical shift.

While most blue chip companies were forced to lower their dividends, Singapore Exchange or SGX, was one of the select few that actually increased its dividend payout amid the pandemic.

SGX, of course, needs no introduction as Singapore's sole stock exchange operator.

The group operates a platform for the buying and selling of securities such as equities, fixed income, currencies and commodities.

For its fiscal 2021 ended 30 June 2021, SGX reported flat revenue while net profit dipped by 6% year on year to S$445 million due to higher expenses arising from acquisitions.

The bourse operator, however, kept its final dividend constant at S$0.08, paying out a total of S$0.32 for FY2021, 4.9% higher year on year.

SGX has been paying out a consistent quarterly dividend over the last five fiscal years (as seen from the graph above).

The total annual dividend started at S$0.28 in FY2017 but has since climbed to S$0.32.

The group's recent acquisitions of BidFX and MaxxTrader will help it to enhance its foreign exchange (FX) capabilities and allow it to set up an integrated FX platform.

SGX's Analyst Day in June highlighted several key themes the group is working on to further grow its business, such as exchange-traded funds (ETFs) and the area of environmental, social and governance (ESG).

The exchange operator also intends to set up an over-the-counter FX Electronic Communication Network based in Singapore soon.

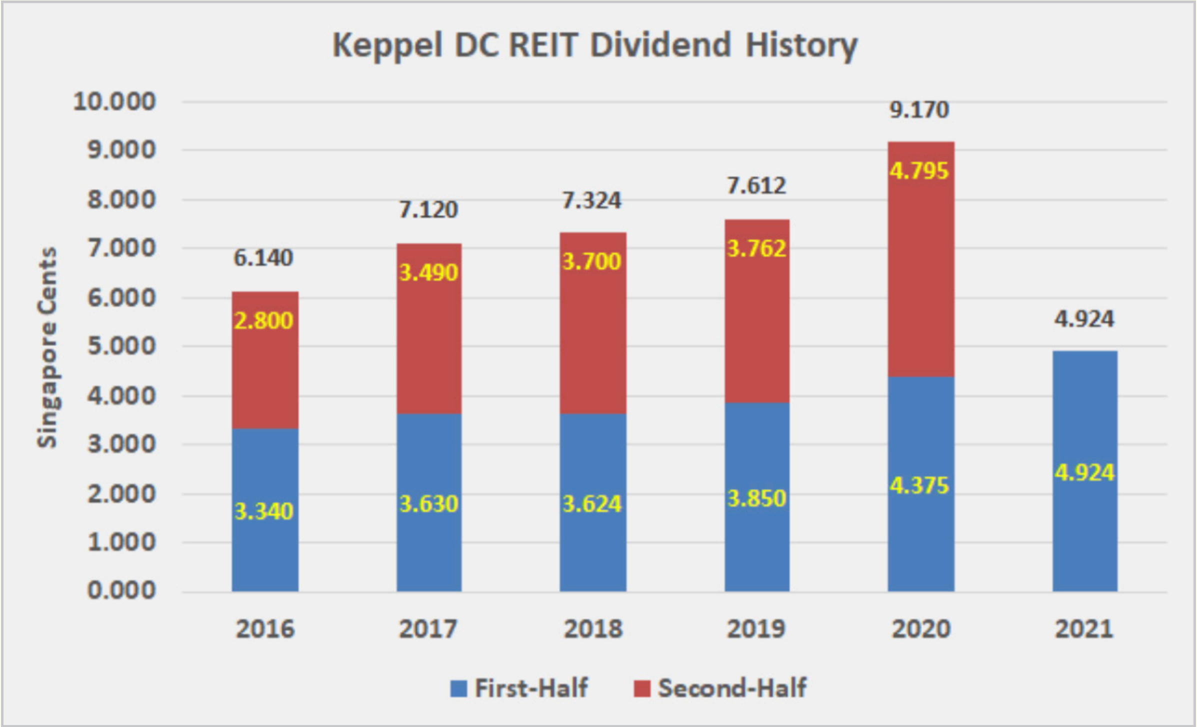
It will also continue to make opportunistic acquisitions to boost specific areas of its business.

SGX is also expecting its first special purpose acquisition company (SPAC) listing soon, which could provide a boost to stock market liquidity.

CEO Loh Boon Chye is determined to morph SGX into a successful multi-asset exchange, and investors who are in for the ride stand to benefit.

TACTICAL SHIFT #2: ***GROWTH ACCELERATORS***

5. KEPPEL DC REIT (SGX: AJBU)



SOURCE: KEPPEL DC REIT EARNINGS FILINGS; AUTHOR'S COMPILATION

As the world shifted online, demand for online services and subsequently, the data centres that support them, went through the roof.

That's good news for Keppel DC REIT which holds a portfolio of data centres in Singapore, the UK, and Europe.

As of 30 September 2021, its portfolio comprises 19 data centres across eight cities with assets under management (AUM) of around S$3.1 billion.

The REIT has consistently grown its distribution per unit (DPU) since 2016, starting at S$0.0614 back then and ending the year 2020 at S$0.0917.

For 1H2021, Keppel DC REIT declared an interim DPU of S$0.04924, up 12.5% year on year.

For context, its first-half distribution has jumped by 47% in the last five years.

The REIT's just-released 3Q2021 earnings shows consistent growth in DPU as it reports a 4.5% year on year increase to S$0.02462.

There's a lot for unitholders to look forward to for 2021 and beyond.

First off, the REIT has just signed an agreement with telecommunication company M1, where it will purchase S$88.7 million worth of bonds paying an annual coupon of 9.17%.

This deal is expected to boost its FY2020 DPU by 3.8% to S$0.09519 based on projections.

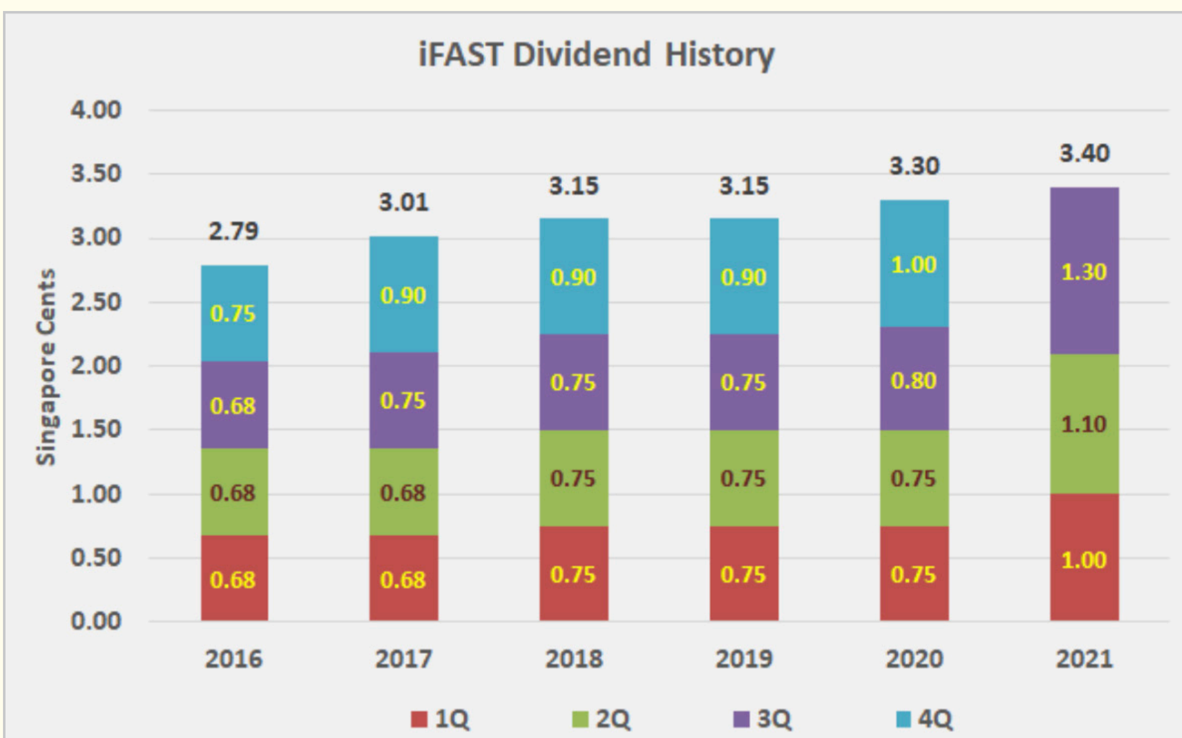
Keppel DC REIT has also made two other data centre acquisitions in the last three months -- its maiden data centre acquisition in Guangdong, China, and its third data centre in the Netherlands.

The REIT is enjoying sustained and robust demand for data centres as the pandemic pushes more people towards digital adoption.

As we move into 2022, there is little sign that digitalisation of businesses will slow down.

Demand for data centres will also grow in tandem with the advent of 5G, which is expected to account for 30% of mobile subscriptions by 2024 and 44% by 2026.

6. IFAST CORPORATION LIMITED (SGX: AIY)



SOURCE: IFAST EARNINGS FILINGS; AUTHOR'S COMPILATION

Fintech is another key sector that has caught its second wind as the world moved online.

iFAST Corporation Limited is a financial technology company that operates a platform for the buying and selling of unit trusts, equities, and bonds.

The fintech company has a presence in Singapore, Malaysia, Hong Kong, China, and India.

The group has reported rapid growth as more people hop onto its platform to look for suitable investment products.

As a result, its assets under administration (AUA) have grown by 46.1% year on year for the third quarter of 2021 (3Q2021) to hit S$18.38 billion.

Meanwhile, its wealth advisory arm, iFAST Global Markets, also recently reported that its AUA has crossed the S$1 billion milestone.

The group has been beefing up its capabilities over the last few years, including the launch of US and Hong Kong stockbroking services for its Malaysian arm in July.

iFAST also reported a stellar set of financial numbers.

For the first nine months of 2021 (9M2021), gross revenue rose by 38.1% year on year to S$161.7 million while operating profit surged by 59.2% year on year to S$27.8 million.

Net profit soared by 63.6% year on year to S$23.4 million.

iFAST raised its quarterly dividend by 62.5% year on year to S$0.013 from S$0.008 in the prior year.

For 9M2021, the group has paid out S$0.034, exceeding the dividends paid out for the whole of FY2020.

Several catalysts could see the group's business grow further.

iFAST has led a consortium to apply for a digital bank licence in Malaysia. If successful, iFAST will own 40% of the digital bank and it will help the group to capture more opportunities to expand its customer base.

Over in Hong Kong, the group has won the successful tender for the eMPF platform project along with partner **PCCW Limited** (SEHK: 0008).

This contract will add significantly to the group's Hong Kong division revenue, with target net revenue of HKD 800 million and HKD 1.2 billion by 2024 and 2025, respectively.

iFAST has estimated its profit before tax margin for 2024 and 2025 to be 15% and 33%, respectively, translating to projected profit before tax of HK$120 million and HK$396 million for each year.

Applying the current exchange rate for SGD:HKD, iFAST is expected to earn S$20.8 million for 2024 and S$68.6 million in pre-tax profit.

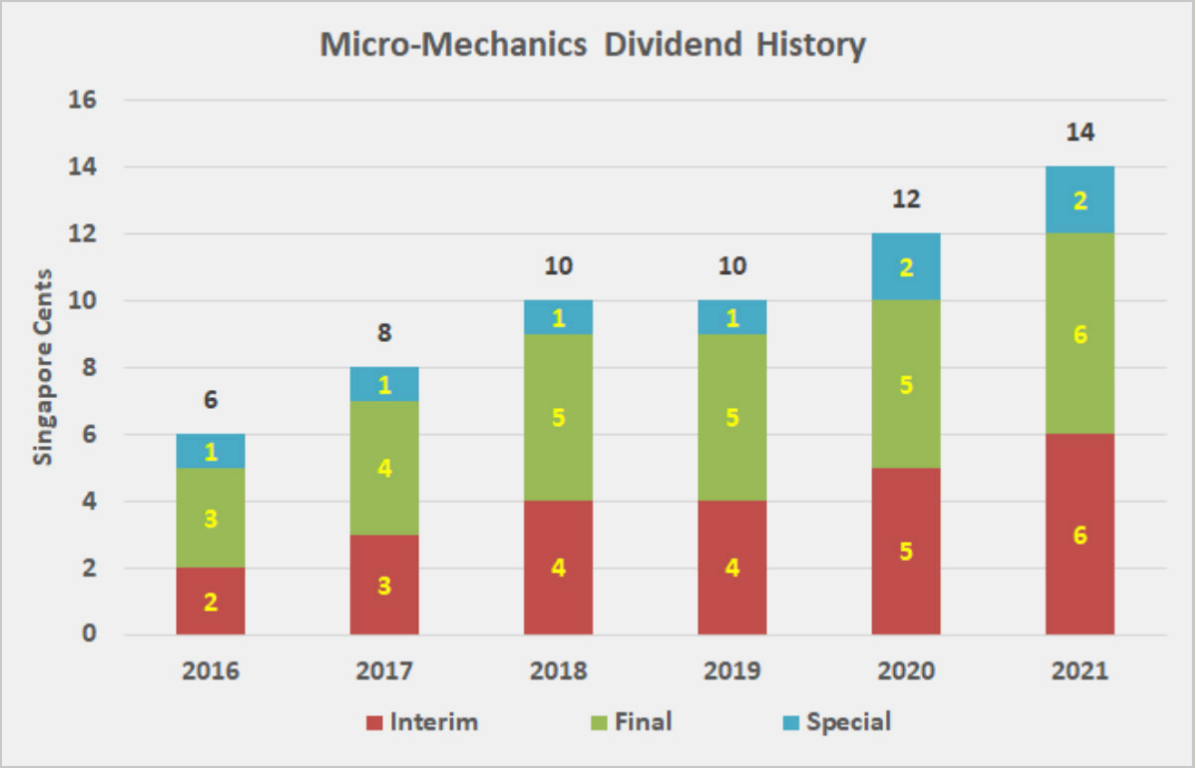
Hong Kong's corporate tax rate is currently 16.5%, which means the group could potentially recognise net profit after tax of S$17.4 million and S$57.3 million for 2024 and 2025, respectively.

As a comparison, the net profit after tax for its Hong Kong division for 9M2021 was just S$6.3 million.

Needless to say, the eMPF project will add a significant chunk of recurring revenue and profit for the group, thus greatly increasing the chances of iFAST raising its dividends in future years.

7. MICRO-MECHANICS (HOLDINGS) LTD (SGX: 5DD)

SOURCE: MICRO-MECHANICS (HOLDINGS) EARNINGS FILINGS; AUTHOR'S COMPILATION



As the world moves to working from home, there has been a rise in demand in personal computers and consumer electronics.

With it, demand for the semiconductors that power these devices has gone through the roof.

Micro-Mechanics (Holdings) Ltd, or MMH, is an indirect beneficiary of the increase in demand for semiconductors.

The company designs, manufactures and markets high precision tools and parts that are used in the manufacturing processes for the semiconductor industry.

The group has five production facilities located in Singapore, Malaysia, China, the Philippines and the USA.

MMH has been growing in tandem with the explosion in demand for devices such as laptops, smartphones and smartwatches.

For its fiscal year 2021 ended 30 June 2021 (FY2021), the group reported a record performance with revenue rising by 14.8% year on year to S$73.7 million.

Gross profit increased by 16.6% year on year to S$40 million while net profit climbed by 23.3% year on year to S$18.1 million.

MMH has been generous in increasing its dividends in line with the better results.

The graph above shows that annual dividends have more than doubled from S$0.06 to S$0.14 since FY2016.

CEO Chris Borch believes that the semiconductor industry is poised for a prolonged period of growth as more microchips become embedded in many devices around us.

The boom in industries such as cloud computing, artificial intelligence and self-driving cars will also require more chips, thus benefitting MMH's business in the years ahead.

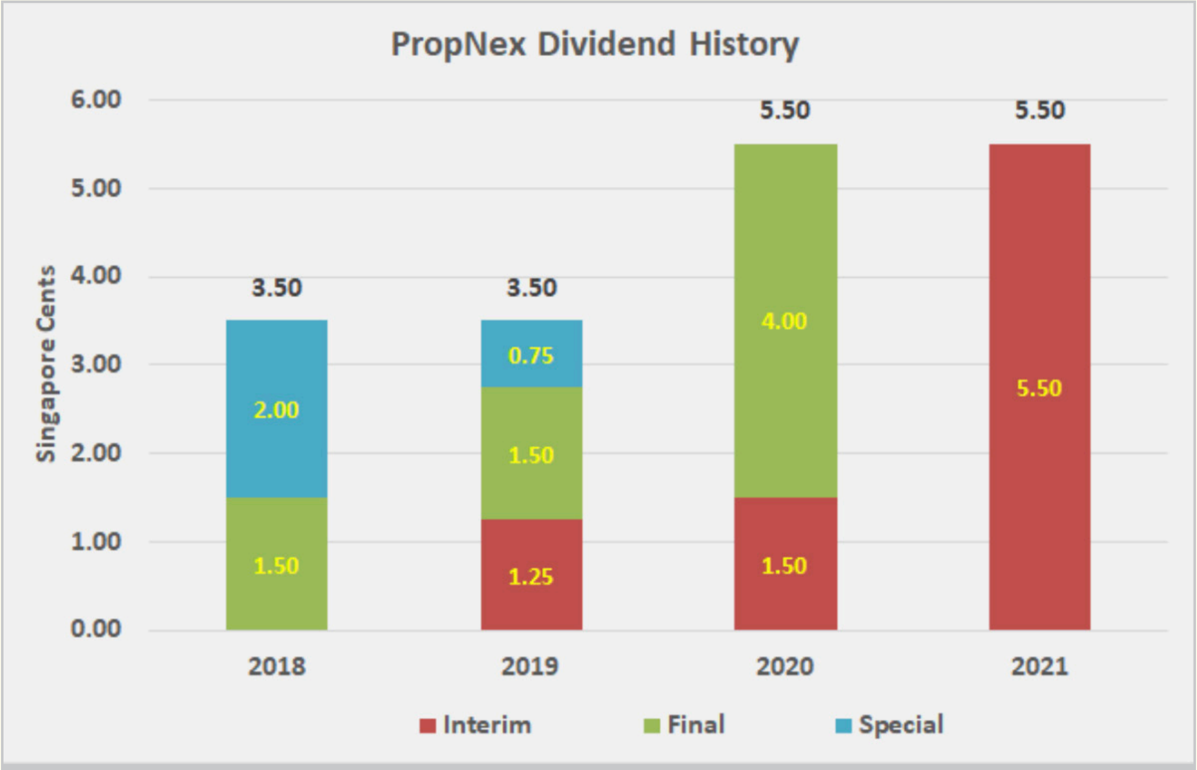
This year alone, the World Semiconductor Trade Statistics (WSTS) has already upgraded its 2021 semiconductor sales forecast for the third time.

It believes the market will grow to US$551 billion this year, for a 25.1% year on year growth rate.

Should MMH's business continue to boom, there's a high chance that dividends can continue their upward climb.

TACTICAL SHIFT #3: ***PANDEMIC SURPRISES***

8. PROPNEX HOLDINGS LIMITED (SGX: OYY)



SOURCE: PROPNEX EARNINGS FILINGS; AUTHOR'S COMPILATION

2020 was a tumultuous year when construction came to a halt.

But it was not all bad news for the property sector.

Singapore's recession drove the lowering of interest rates to near-zero.

With loans becoming cheaper, it became cheaper to buy property, and companies such as Propnex turned into one of the surprise winners in 2020.

PropNex is an integrated real estate services group that provides a range of services such as property brokerage, training and consultancy.

The group has 9,540 sales professionals as of 1 August 2021 and has a presence in Cambodia, Singapore, Indonesia, Malaysia, and Vietnam.

PropNex has seen its business grow strongly since its IPO in July 2018.

The group had bumped its total dividend up to S$0.055 in 2020 from S$0.035 in 2019 in line with a higher number of real estate transactions.

The momentum has continued into 1H2021 -- PropNex reported a year on year doubling of revenue S$481.1 million while net profit soared by 115% year on year to S$34.4 million.

Economic recovery and healthy real estate sentiment pushed up the prices of both private homes and HDB resale.

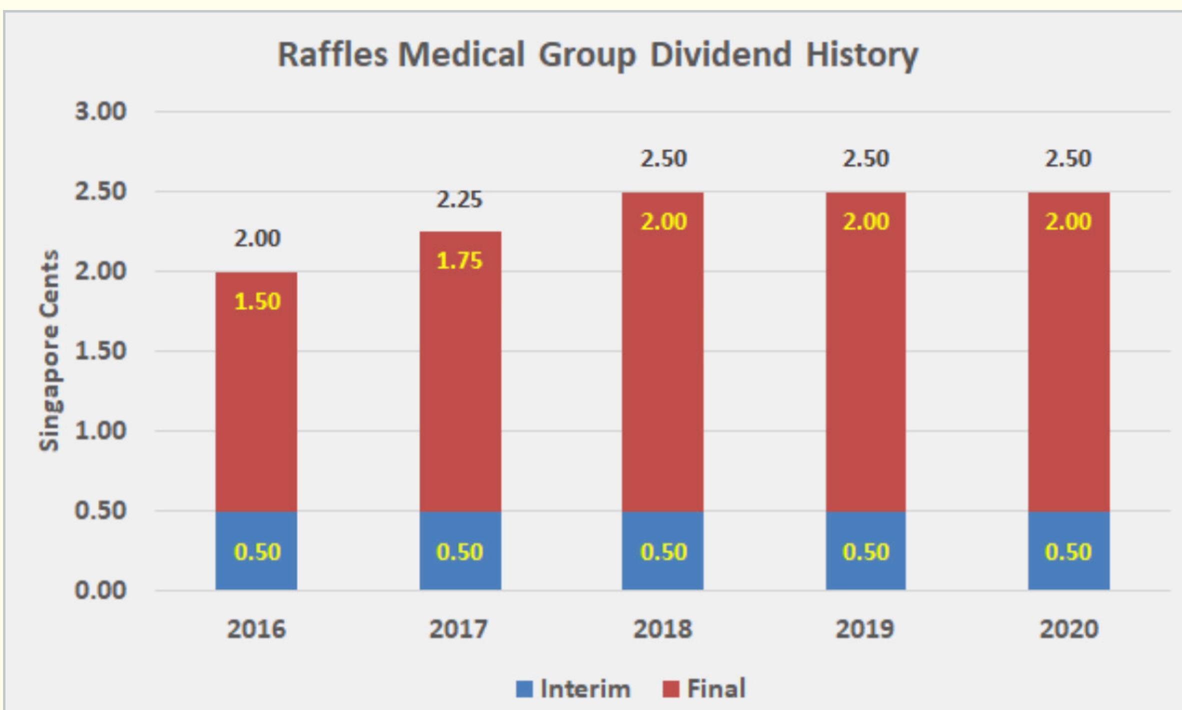
Investors perceived real estate to be a haven and, combined with low interest rates and ample liquidity, began pouring money into the sector.

These factors combined to create a buoyant real estate market that surged to new heights during the first half of 2021.

PropNex's interim dividend for 2021 is already the same quantum as the dividend paid for the whole of 2020, signalling that the group is able and willing to pay even more dividends.

The group recently announced that it has partnered with Tiger Brokers and SingCapital to enhance the competencies of its salesforce and bring the business to the next level.

9. RAFFLES MEDICAL GROUP LTD (SGX: BSL)



SOURCE: RAFFLES MEDICAL GROUP EARNINGS FILINGS; AUTHOR'S COMPILATION

The rise in COVID-19 cases and the closing of borders haves led to patients deferring their elective surgeries and medical tourism taking a hit.

But hospitals such as Raffles Medical Group, or RMG, have successfully pulled off a pivot.

RMG is a leading integrated healthcare services provider.

The group operates in 14 cities in five countries in Asia and also owns Raffles Hospital, its flagship hospital located in North Bridge Road, Singapore.

In addition, RMG also operates a network of clinics in Singapore providing health screening, medical services, and dental services.

The group recently opened two new hospitals in Chongqing and Shanghai, China, in 2019 and 2021, respectively.

RMG has managed to pivot its business successfully during the pandemic by assisting the Singapore government in conducting polymerase chain reaction (PCR) tests and pre-departure swabbing for cruise passengers.

Although medical tourism has taken a hit and many clients have postponed elective procedures, RMG still managed to report a 42.4% year on year jump in revenue to S$343.8 million for 1H2021.

Operating profit more than doubled year on year from S$24.3 million to S$56.1 million, while net profit soared by 128.7% year on year to S$39.4 million.

The group has also partnered with the Civil Aviation Authority of Singapore to conduct PCR tests for post-arrival travellers using vaccinated travel lanes (VTLs).

The group has been paying an annual dividend of S$0.025 since FY2018 but for FY2021, it has committed to a first and final dividend instead.

RMG has committed to an annual dividend of up to half of its average sustainable net profit and expects to pay a dividend of no less than S$0.025 for this year.

Both its China hospitals are also up and running and are seeing a healthy increase in patient loads, portending better numbers in the years ahead.

GET SMART:

DIVIDENDS - COMPOUNDING YOUR INCOME IN 2022 AND BEYOND

For investors, dividends signify a “real” return -- actual cash in your hands -- that is unrelated to the frequent ups and downs of share prices in the stock market.

With dividends in hand, investors like you and me, can choose to either spend the cash, keep it in your kitty to bolster your rainy-day emergency fund, or reinvest it into more dividend-paying stocks.

The last option can set off a positive feedback loop known as “compounding” that can accelerate the path towards a comfortable retirement and help you build a strong nest egg that you can fall back on.

Starting as early as possible is key to maximising your wealth from dividends

With compounding, you’ll end up with ever-increasing dividends as you continue to reinvest them, thereby turning an initial trickle of passive income into a large torrent.

Finding a good dividend stock is the first step to building that dividend income stream.

Taking action, buying the stocks at the right valuation, and putting together a reliable dividend portfolio are the next key steps in creating a stream of passive income that you and your family can rely on.

We hope that you’ve enjoyed this report and found it useful.

For more free content, do subscribe to our free investing newsletter and follow us on social media.

Disclaimer: Royston Yang owns shares of DBS Group, Keppel DC REIT, Singapore Exchange Limited, iFAST Corporation Limited, Raffles Medical Group and Micro-Mechanics (Holdings) Ltd.