THE SMART INVESTOR

SPECIAL FREE REPORT

Retire Early with Dividends

Building a Passive Income Portfolio in Singapore for 2025 and Beyond

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Overview

In this report, we explore how you can build a stream of dividend income to help you to retire earlier so that you can spend time with your loved ones.
June 30, 2025

Introduction

Is Early Retirement a Pipe Dream for Singaporeans?
Not If You Know This Secret.

For most Singaporeans, the idea of an early retirement may feel like a distant fantasy.

A recent Singlife poll of 3,000 Singaporeans revealed a sobering statistic: four out of every 10 residents believe they will never achieve financial freedom.

But what if there was a path to early retirement that's more attainable than you think?

The key lies in harnessing the power of dividends.

In particular, income from Singapore stocks.

Imagine a steady stream of passive income flowing into your bank account, easing your transition into retirement.

With the right knowledge and mindset, you can begin to construct a portfolio of dividend-paying stocks designed to do just that.

It all begins with your very first dollar invested in promising companies that consistently dish out dependable dividends.

These aren't just any stocks; they could be resilient Real Estate Investment Trusts (REITs), established blue-chip companies, or mid-sized firms with a proven track record of returning value to shareholders.

As you consistently allocate more capital to these income-generating assets, you'll steadily build a robust portfolio capable of supporting an early retirement.

Ready to discover which stocks can form the bedrock of this all-weather passive income portfolio?

We've identified five Singapore companies that we believe are great starting points for your journey.

DBS Group (SGX: D05)

DBS needs no introduction, being Singapore's largest bank.

How big, you ask?

In June 2025, DBS became the first Singapore-listed company to top US$100 billion in market capitalisation.

How did the local bank achieve this feat?

Well, let's start with loans.

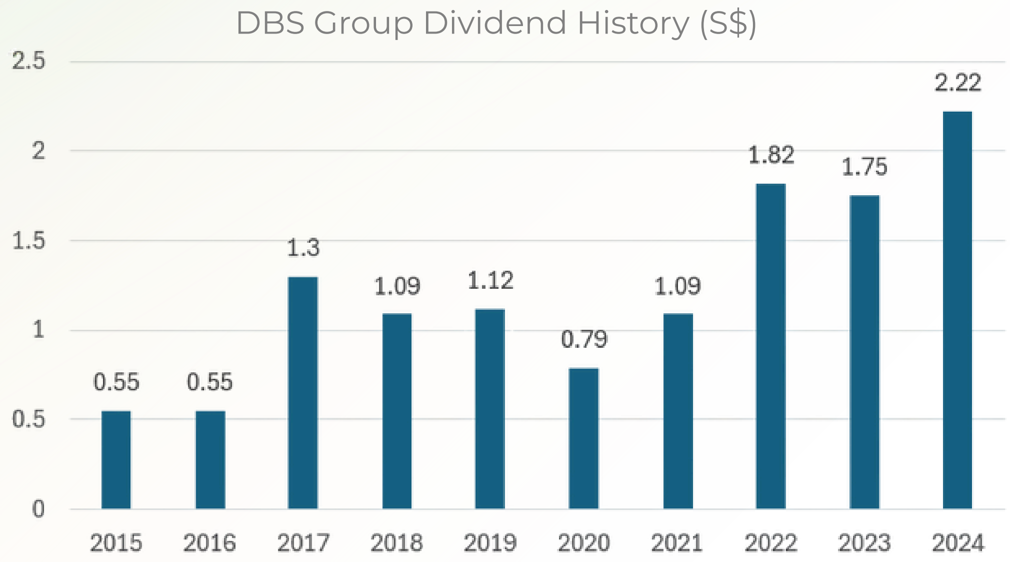
The blue-chip group makes the bulk of its money by accepting deposits and then lending this money out to individuals and corporations.

The difference between what the bank charges its customers and what it pays its depositors is known as the net interest income.

Here's the kicker: DBS has seen its net interest income increase on the back of surging interest rates, allowing the bank to post record net profits for 2024.

Apart from net interest income, the lender also earns fee income from dishing out trade loans, managing wealth, and credit card spending.

More importantly, DBS has also paid increasing dividends over the years, backed by higher profits.



Source: DBS website and annual reports

DBS has been consistently growing its dividend per share apart from 2020.

That's when Singapore's central bank called on local banks to limit their dividends payout to 60% of their prior year's dividends.

For 2025, the momentum has carried on, with the bank increasing its quarterly core dividend to S$0.60 per share, a healthy 11% year-on-year increase from the S$0.54 paid out a year ago.

In addition, DBS has also declared a capital return dividend of S$0.15 per share per quarter to pay out its excess capital.

Are there risks to consider?

For instance, investors should watch out for possible bad loans should the macroeconomic outlook darken further.

Loan growth could also be negatively impacted if organisations hold back from expanding and hunker down for a possible long winter.

And what about Trump's tariffs?

Interestingly, DBS is confident that it can find opportunities amid the turmoil.

The local bank continues to see wealth inflows and will look for new growth corridors and sectors to offset the negative impact of these tariffs.

As a result, it is possible that the bank can continue to pay out increasing dividends despite the tough macroeconomic conditions.

CapitaLand Integrated Commercial Trust (SGX: C38U)

When it comes to REITs, there are few larger than CapitaLand Integrated Commercial Trust or CICT.

The REIT has a portfolio of 26 retail and commercial properties.

The assets are well spread out too.

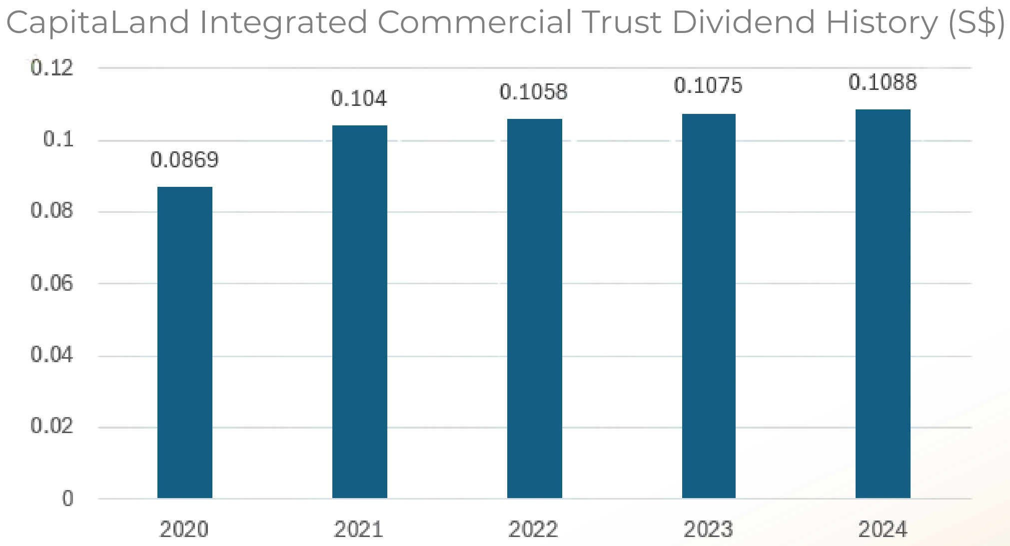
For context, CICT owns 21 properties in Singapore, two in Germany, and three in Australia, valued at S$26 billion as of 31 December 2024.

There should be no surprise on how the REIT earns its keep.

CICT collects steady rental income from its tenants and by law, it will pay out 90% or more of its earnings as distributions to gain tax benefits.

Such an attribute makes REITs a potential candidate for a passive income portfolio.

Here's the important part: CICT has demonstrated not just solid operating metrics but has also displayed steady growth in its distribution per unit (DPU) over the years, as shown below.



Source: CICT Annual Reports

Here’s what most investors miss: the increase in DPU above was achieved despite rising interest rates and soaring inflation.

Both headwinds have generally impacted the REIT sector, but CICT was one of the standout performers as the retail and commercial REIT posted an unbroken streak of year-on-year DPU increases.

For the latest quarter ending 31 March 2025, CICT enjoyed a high portfolio occupancy rate of 96.4%.

Rental reversions also came in positive at 10.4% for the retail segment and 5.4% for its office segment.

The retail division saw healthy growth in both shopper traffic and tenant sales, posting year-on-year increases of 23% and 17.5%, respectively.

CICT shows signs of being able to sustain this upward momentum.

The REIT recently completed its purchase of a 50% stake in ION Orchard Mall in October 2024, and will recognise a full year of rental income from this iconic mall in 2025.

On top of that, there will also be progressive contributions from the completion of asset enhancement initiatives for both IMM Building in Singapore and Gallileo in Germany.

However, Gallileo will only contribute more meaningfully from 2026.

Don’t count on the REIT stopping here.

CICT is planning its next AEI for Tampines Mallin line with the Urban Redevelopment Authority’s broader plans for Tampines Regional Centre.

This AEI is slated to begin in the fourth quarter of 2025.

Sheng Siong (SGX: OV8)

If the cost of groceries is a concern, then why not turn the equation on its head and invest in a supermarket operator instead?

Sheng Siong is one of Singapore's largest supermarket operators with 77 stores spread across the island.

The retailer supplies a wide variety of fresh and chilled produce, including seafood, meat, and vegetables.

The grocery provider also has a slate of 25 house brands covering a range of essential items, necessities, toiletries, and basic household products.

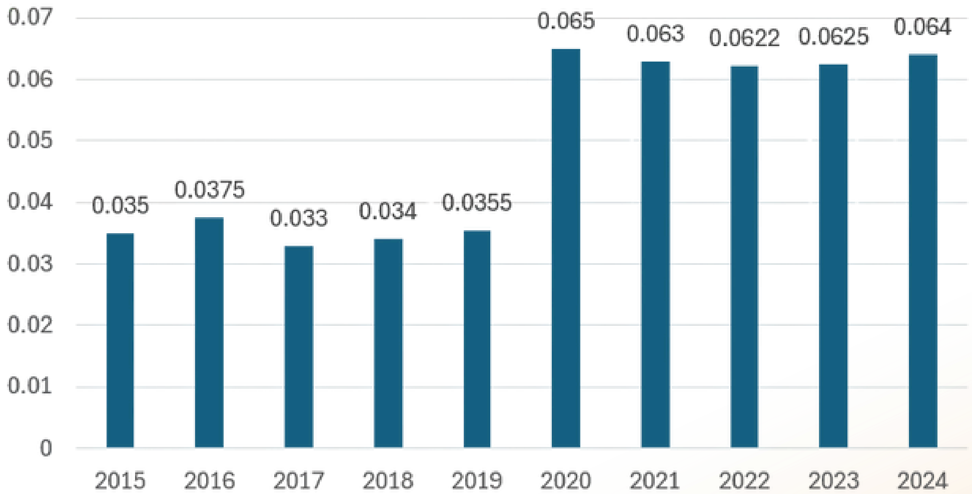
But here's the real difference: Sheng Siong is an efficiently run supermarket operator that has seen continued increases in its revenue, net profit, and free cash flow over the past decade.

During this time, revenue rose from around S$765 million in 2015 to over S$1.4 billion in 2024, while net profit more than doubled from about S$57 million to S$137.5 million over the same period.

Free cash flow generation also ballooned, going from about S$43 million in 2015 to more than S$200 million by 2024.

Here's what you don't want to miss: in line with its business growth, its dividend per share has also risen in tandem, as shown in the chart below.

Sheng Siong Dividend History (S$)



Source: Sheng Siong's Annual Reports

How did Sheng Siong grow?

Here's a hint: over the years, the supermarket operator has steadily increased its store count.

The number of stores went from 39 in 2015 to 75 by the end of last year (2024).

At the end of the first quarter of 2025, Sheng Siong opened two more, bringing the total up to 77 stores.

Looking ahead, management aims to open at least three new stores per year.

In addition, a total of six new locations have been secured, which will progressively open by the third quarter of this year.

There could be more to come.

Sheng Siong is also awaiting the tender results for four more locations.

With the Singapore government looking to build more flats in new and mature HDB estates in the coming years, Sheng Siong should have ample opportunities to increase its store presence in Singapore.

If history is any guide, as its store count increases, the supermarket operator should also see its revenue and net profit increase in tandem.

Hence, investors should also expect higher dividends moving forward if Sheng Siong's net profit continues to trend higher.

Singapore Technologies Engineering (SGX: S63)

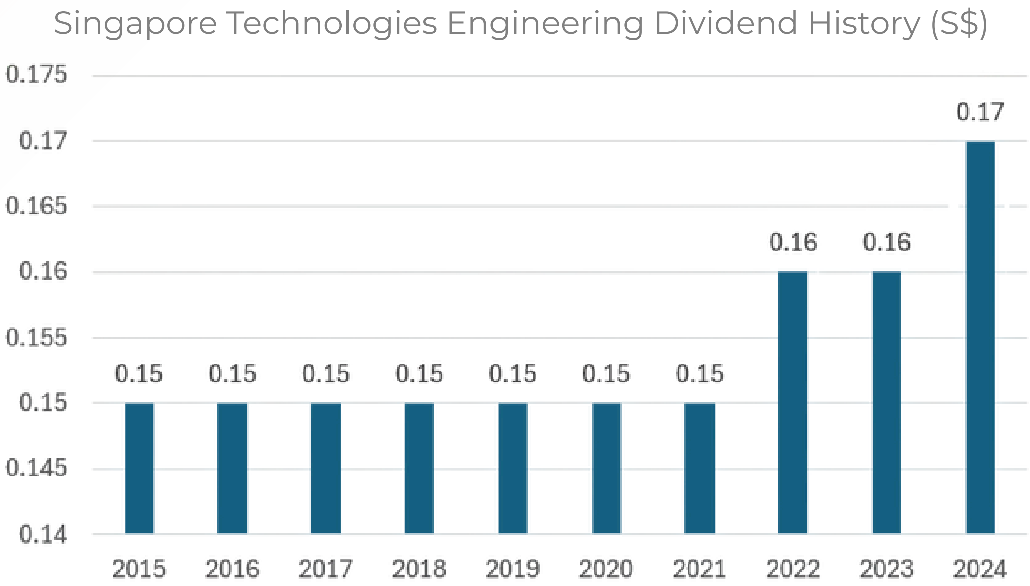
If defence is what you are looking for, then Singapore Technologies Engineering or STE fits the bill.

The conglomerate is an engineering and technology group that serves customers in the aerospace, smart city, defence, and public security sectors.

STE has posted steadfast growth in revenue and net profit over the years and demonstrated resilience in the face of macroeconomic challenges.

In addition, the company maintains a healthy order book, which has also grown steadily over the years.

The group has dished out consistent dividends over the years, as shown in the graph below.



Source: ST Engineering Annual Reports

The payouts have become regular too.

By 2022, STE was paying out a quarterly dividend of S$0.04 each, and this feat was repeated once again in 2023.

For 2024, management declared a higher final dividend of S$0.05, taking the year's total dividend to S$0.17.

The higher dividends were supported by a strong set of earnings for 2024, with revenue rising 11.6% year on year to S$11.3 billion and net profit jumping nearly 20% year on year to over S$702 million.

Meanwhile, STE continued to post higher revenue for the first quarter of 2025 (1Q 2025).

Total revenue increased 8% year on year to S$2.9 billion as all three of the group's divisions posted year-on-year revenue increases.

In addition, STE reported an order book of S$29.8 billion at the end of March 2025.

During 2025 Investor Day, management announced that the group is well on track to meet its 2026 targets, which were announced during 2021's Investor Day.

But what about its future?

Well, new five-year targets were set with the base year being 2024.

Group revenue is targeted to grow at 2.5 times the global GDP growth rate to S$17 billion.

With operating leverage, the group's net profit growth rate will exceed its revenue growth by up to five percentage points.

STE also announced a progressive dividend policy.

From 2026, the group plans to increase the total dividend to S$0.18 per share, comprising three quarters of S$0.04 each and a final dividend of S$0.06.

In addition, from 2027 onwards, should STE achieve higher full-year net profit, it will pay out about one-third of its year-on-year increase in net profit as an incremental dividend.

Singapore Exchange Limited (SGX: S68)

If you are looking for a business as old as Singapore's stock market, look no further than Singapore Exchange Limited or SGX.

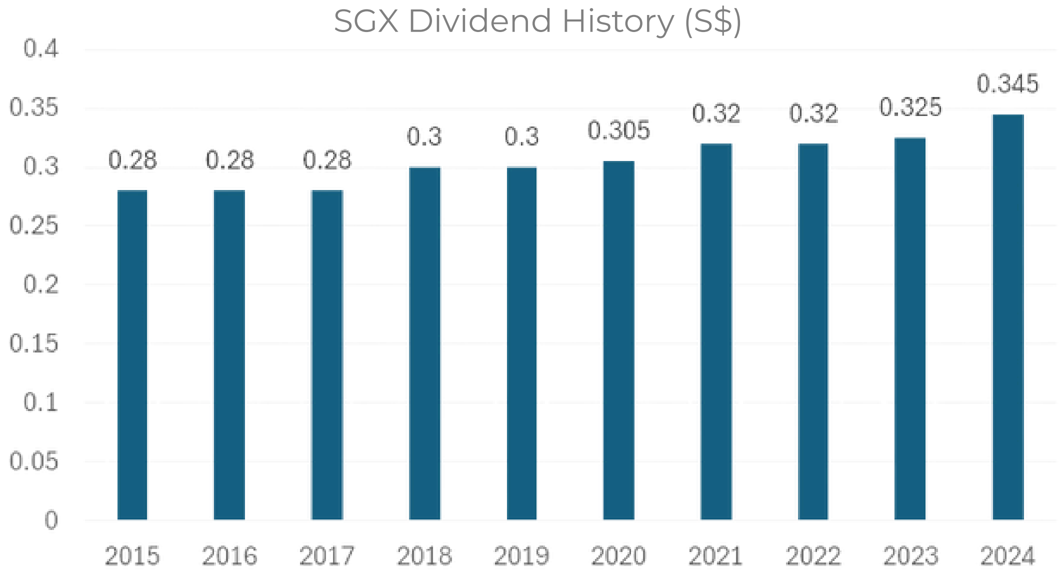
The bourse operator is Singapore's sole stock exchange operator.

SGX operates a platform for the buying and selling of a wide variety of securities such as equities, exchange-traded funds (ETFs), bonds, derivatives, and currency options.

The group earns its revenue from fees charged for each transaction, as well as clearing and settlement fees.

SGX has a long track record of paying dividends since its IPO in 2000.

The last decade has seen the group steadily increasing its dividends as its financial performance improves, as shown below.



Source: SGX Investor Relations website

It's impressive to note that SGX has not decreased its dividend in any year during its last 10 fiscal years.

Instead, it has increased its dividend through the pandemic (fiscal 2020 to 2021).

What about its recent results?

SGX reported strong earnings for its fiscal 2024 ending 30 June 2024, with net profit (excluding one-offs) rising 4.5% year on year on the back of a 3.1% year-on-year increase in revenue.

The strong performance continued in the first half of fiscal 2025 ending 31 December 2024.

Net revenue climbed 15.6% year on year to S$646.4 million while net profit (excluding one-off items) surged 27.3% year on year to over S$320 million.

The better results were attributed to a broader slate of multi-asset offerings coupled with an expanded product suite and customer base.

And there's more good news.

In recent times, the initial public offering (IPO) space is also seeing signs of life, with Info-Tech Systems launching at IPO at S$0.87 apiece, marking SGX's first mainboard listing in two years.

Singapore also snagged its largest REIT IPO in a decade when Japanese telco NTT filed to list a data centre REIT here.

Other listing aspirants include Centurion Corporation (SGX: OU8), which has submitted a proposal to list a REIT on SGX, and Lum Chang Creations, a spin-off from mainboard-listed Lum Chang Holdings (SGX: L19).

Elsewhere, SGX also introduced 11 Hong Kong Singapore Depository Receipts (SDRs) and 10 Thai SDRs that cover a broad swath of each country's list of major businesses.

These initiatives bode well for its future and it shows.

SGX is optimistic about growing its revenue by 6% to 8% per year in the medium term.

The stock's dividend is expected to grow in tandem, with the dividend per share targeted to grow at mid-single-digit % per year.

Get Smart:
The Magic of Compounding

The five stocks above have demonstrated their ability to pay out consistent and rising dividends.

But to build up a passive income portfolio, it's not enough to just purchase a stock and wait to receive its dividend.

You need to do more, and this is where the magic of compounding comes in.

Compounding involves reinvesting the dividends you receive to purchase shares in the companies that paid out these dividends.

By doing so, you can accelerate the buildup of your dividend income stream.

That means more money in your pocket in the future.

And as the stocks within your portfolio pay out higher dividends, this will help to further grow your passive income stream to better prepare you for your retirement.

If you do it well, early retirement may not be a pipe dream after all.

Disclosure: Royston Yang owns shares of DBS Group and Singapore Exchange Limited.

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