KGI High Dividend Watchlist

KGI Singapore High Dividend Watchlist (Ex-REITs)

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- Global growth is slowing. Trade-war is ongoing. Interest rates are rising. Bitcoin is crashing.
- Stocks have corrected 20-40% and it's a great time to be buying quality high-dividend stocks.
- In this report, we highlight our favourite high-dividend stocks in Singapore outside the REITs universe. For REITs, see our separate watchlist.
- These stocks offer higher growth compared to REITs but generally trade with greater volatility given their cyclical nature. However, they offer a good risk-reward return ahead of the G20 meeting, where a Trump-Xi trade ceasefire would provide a relief rally going into year-end.

Financials. Both UOB and DBS offer a 5.1% forward dividend yield, almost 1% point above OCBC. Banks are still offering earnings growth in 2019 and are trading at attractive price-to-book valuations. Silverlake Axis's 5.5% yield may be worth looking at following the 30% decline in its share price; the group provides core banking systems to financial institutions like UOB and OCBC. **KGI's favourites: DBS** and **Silverlake Axis**

Telcos. StarHub offers a 6.4% forward dividend yield but growth is uncertain given the disruption to both its mobile and cable TV businesses. SingTel offers a better diversified business across multiple geographies, and its 5.9% dividend yield may be more stable than StarHub's. However, NetLink NBN Trust is perhaps the most defensive among the three while still offering growth potential from StarHub's migration to fibre and participation in Singapore's Smart Nation initiatives. **KGI's favourites: NetLink NBN Trust** and **SingTel**

Transport. ComfortDelGro's share price has taken a hit once again with the impending entry of Go-Jek this week. However, we think the selloff may be overdone given its strong balance sheet and healthy recurring cash flows. Meanwhile, SATS has consistently increased its dividends every year since 2014 and is riding on long-term growth in air travel and cargo volumes. We would avoid SIA Engineering for now given the intense competition in its sector. **KGI's favourites: ComfortDelGro** and **SATS**

Industrials. ST Engineering's 4.5% is our top pick among industrials, backed by its diverse business segments spanning defence, aerospace, marine and electronics.

Small-Mid caps. There are attractive opportunities among small-mid caps but expect higher volatility in their share price compared to blue-chips.

Tech-manufacturers. Fu Yu and Valuetronics stand out with their 7-9% dividend yields, the highest in our list. Both are backed by solid balance sheets where net cash accounts for half of their current market capitalisation.

Figure 1: KGI High Dividend Watchlist

KGI HIGH DIVIDEND WATCHLIST (EX - REITS)	Bloomberg Ticker	Price (Lcl curr)	Mkt Cap (S$m)	Dvd Yld (%) Forecast
BLUE CHIPS				
UOB	UOB SP	24.82	41,369	5.1
DBS	DBS SP	23.87	60,907	5.1
NetLink NBN Trust	NETLINK SP	0.77	3,001	6.5
StarHub	STH SP	1.90	3,288	6.4
SingTel	ST SP	3.07	50,131	5.9
ComfortDelGro	CD SP	2.10	4,547	5.4
SIA Engineering	SIE SP	2.51	2,809	5.4
SPH	SPH SP	2.65	4,232	5.2
ST Engineering	STE SP	3.50	10,919	4.5
SGX	SGX SP	7.26	7,779	4.5
Keppel Corp	KEP SP	6.14	11,128	4.3
SATS	SATS SP	4.65	5,184	4.2
OCBC	OCBC SP	11.15	47,401	4.2
SMALL-MID CAPS				
Fu Yu Corp	FUYU SP	0.19	145	9.3
Valuetronics	VALUE SP	0.67	290	6.8
Silverlake Axis	SILV SP	0.42	1,099	5.5
Chip Eng Seng	CHIP SP	0.74	460	5.4
Geo Energy Resources	GERL SP	0.18	253	5.3
CSE Global	CSE SP	0.43	219	6.7
UMS Holdings	UMSH SP	0.62	333	5.3
Sunningdale Tech	SUNN SP	1.39	265	4.2
China Aviation Oil Singapore	CAO SP	1.22	1,049	4.1
SIMPLE AVERAGE				**5.4**

Source: Bloomberg, KGI Research. Dividend forecast is based on consensus estimates for the companies' next financial year.

Oil & Gas. CSE Global offers an attractive 6.7% dividend yield and is well diversified across its businesses in Singapore, Australia, and the US. It is a good proxy for investors wishing to also ride on the Oil & Gas industry recovery, which we expect to accelerate in 2019.

China Aviation Oil is a good opportunity to participate in the rapid growth of air travel in China and the region, being a key supplier of imported jet fuel in China. Its stock price has declined 29% from its 1-year high due to disappointing quarterly earnings. However, its long-term story remains intact and the share price weakness offers a good entry point. Overall a good combination of growth and 4.1% yield.

Commodities. Geo Energy's share price overreacted to the downside recently and now offers an attractive value proposition given its 5.3% dividend yield. Macquarie Bank recently took a 5% stake in the group at 29 cents, a 60% premium to Geo's current share price of 18 cents.

KGI's Ratings

Rating	Definition
	KGI Securities Research's recommendations are based on an Absolute Return rating system.
BUY	>10% total return over the next 12 months
HOLD	-10% to +10% total return over the next 12 months
SELL	<-10% total return over the next 12 months

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