

# Why Dividends Matter in a Portfolio

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Dividends may not be as flashy as eye-watering returns that you get from tech stocks or cryptocurrency, but they are a dependable and reliable partner you can count on in good times and bad.

By providing a cushion against market volatility and a steady source of income, the importance of dividends are manifold. In our latest Fundamental Flash, we will explore the power of dividends and why they should be a part of any investor's toolkit.

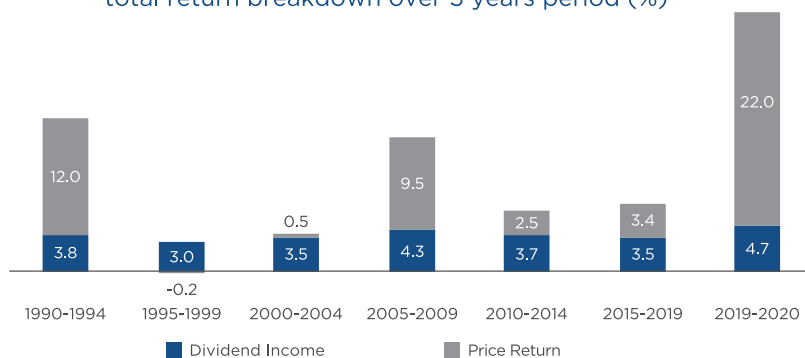
## 01

### Income Generation

Dividends are a form of regular income that an investor receives from their investment in a company. Depending on the company's dividend policy, the payout which comes from the company's profit reserves may be declared annually or more.

As markets ebb and flow, dividends can be invaluable to help buttress an investor's portfolio through a consistent source of income even if the stock price falls.

MSCI AC Asia Pacific ex Japan Index total return breakdown over 5 years period (%)



Source: Bloomberg as at 30 September 2021.

## 02

## Lower Volatility

Dividend stocks tend to be more resilient in a market downturn, providing investors a cushion during periods of extreme volatility.

This is because companies that pay regular dividends tend to have stable cashflows and recurring income streams such as through rental or subscription revenues. Some examples include utility companies as well as REITs that pay consistent and reliable dividends due to their income-generation attributes which are more predictable in nature.

Risk averse investors who are looking for more defensive asset classes or who are nearing retirement can consider employing a dividend strategy in their portfolio to minimise risk, while still earning attractive returns over time.

## 03

## Potential for Growth

Companies that consistently pay dividends often have a solid financial position and a history of stable earnings growth. This can be an indication that the company is well-managed and has a strong business moat that can fend off competition and maintain pricing power.

As such dividend investors can enjoy the potential for both capital appreciation and regular income, making them a valuable addition to any portfolio.

## 04

## Compound Returns

Dividends are also a great way for investors to compound their returns by reinvesting them back to purchase additional units of the dividend fund or shares. Over time, investors would be able to reap the power of compounding as reinvested dividends are again reinvested to amplify returns.

Investors in Asia are particularly well positioned to benefit from this secular trend as companies in the fast-growing region continually increases its dividend payouts.

Dividend Annual Growth Rate  
(2010-2020)

China	21.6%
South Korea	14.0%
Thailand	12.3%
Indonesia	10.9%
Philippines	9.8%
Malaysia	9.5%
Singapore	5.4%

Source: Factset as at 11 August 2020.

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Whether you're a seasoned investor or just starting out, all investors can benefit by allocating a portion of their investments into dividend funds to generate a consistent stream of income particularly during bouts of volatility.

By investing in a basket of stable dividend players and secular growth stocks, the AHAM Select Asia Pacific ex-Japan Dividend Fund (formerly known as Affin Hwang Select Asia Pacific (ex Japan) Dividend Fund) provides investors access to dividend yielding equities and future dividend leaders in the region.

Learn more by booking an appointment with us via the link below or scan the QR code.

<https://aham.com.my/get-in-touch/book-an-appointment>



**Warning Statement:** A copy of Prospectus and Product Highlights Sheet ("PHS") can be obtained at AHAM Asset Management Berhad's ("AHAM Capital") sales offices or at [www.aham.com.my](http://www.aham.com.my). Investors are advised to read and understand the contents of AHAM Select Asia Pacific ex-Japan Dividend Fund (formerly known as Affin Hwang Select Asia Pacific (ex Japan) Dividend Fund) (or the "Fund") Prospectus dated 30 December 2022 and the corresponding PHS before investing. There are fees and charges involved when investing in the Fund. Investors are advised to consider and compare the fees and charges as well as the risks carefully before investing. Investors should make their own assessment of the risks involved in investing and should seek professional advice, where necessary. The price of units and distribution payable, if any, may go down as well as up and the past performance of the Fund should not be taken as indicative of its future performance. The Securities Commission Malaysia has not reviewed this marketing/promotional material and takes no responsibilities for the contents of this marketing/promotional material and expressly disclaims all liability, however arising from this marketing/promotional material.