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## LionGlobal Asia Bond Fund: Are Payouts Sustainable?

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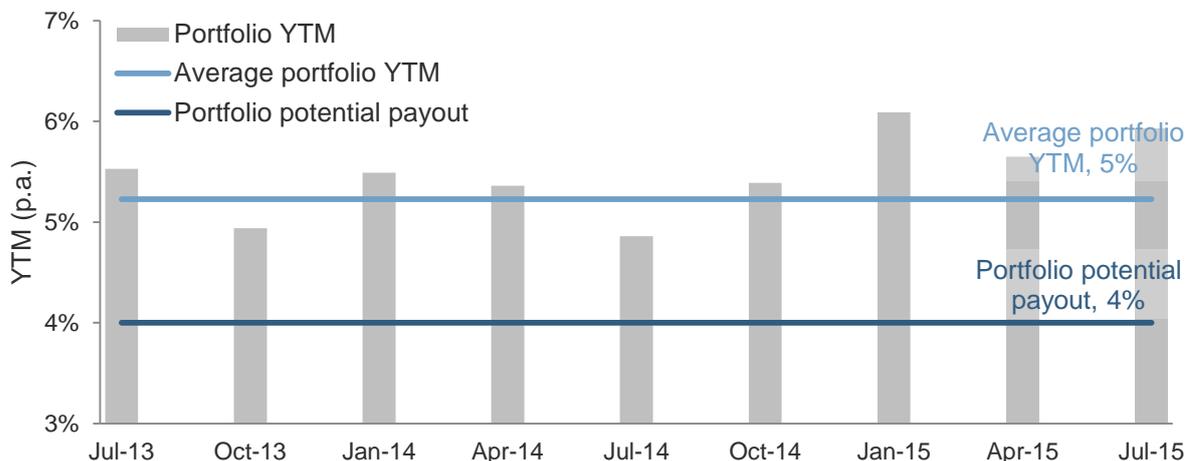
## LionGlobal Asia Bond Fund: Are Payouts Sustainable?

While many investors would welcome a steady stream of payouts in volatile markets, equally important is the question of sustainability – more relevantly, how sustainable are the payouts of the LionGlobal Asia Bond Fund?

One indication of sustainability is the weighted average yield-to-maturity (YTM) of the portfolio. The YTM of a bond is the yield of a bond assuming the bond is held to maturity and all coupon payments are reinvested. In other words, the YTM is the total return (including coupons reinvested) from the bond if held to the end of its lifetime. The YTM of a portfolio is the average YTM of all bonds in a portfolio based on their weight in the portfolio.

Based on end-September 2015 data, the YTM of LionGlobal Asia Bond Fund is 7% p.a., which is higher than the portfolio potential payout\* of 4% p.a. and hence within the ability of the portfolio to maintain. Historically, the portfolio has been able to maintain an average portfolio YTM higher than the potential payout of 4% p.a. since July 2013 (Chart 1).

Chart 1: Average portfolio YTM higher than portfolio potential payout

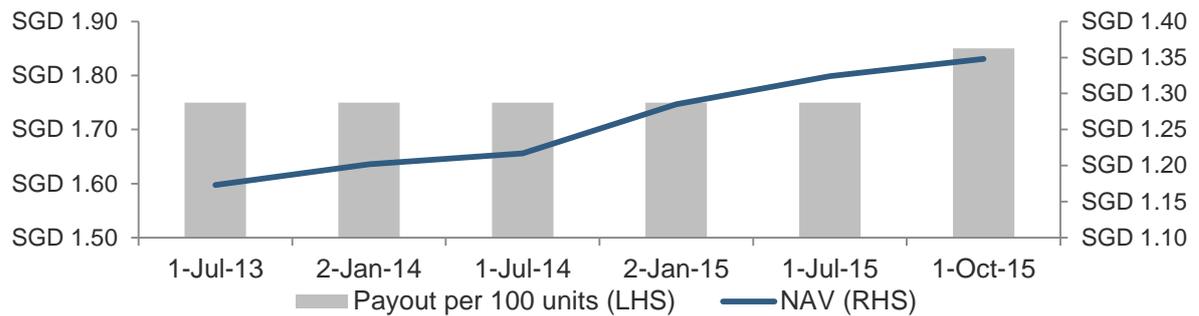


Source: Lion Global Investors, as at 31 July 2015. YTM: Yield-to-maturity. Past performance is not necessarily indicative of future performance. Dividend payouts are made at the sole discretion of the fund manager and are not guaranteed. Any distributions made may reduce the net asset value of the Fund. Based on LionGlobal Asia Bond Fund SGD Class inception 1 December 2009.

Another indication of sustainability is to examine the Fund's NAV. If NAV rises amid steady payouts, then the total return generated by the portfolio is sufficient to deliver capital appreciation while generating income. Since July 2013, the LionGlobal Asia Bond Fund has generated steady payouts and capital appreciation, as shown in Chart 2.

\* Past performance is not necessarily indicative of future performance; payouts are made at the sole discretion of the manager and are not guaranteed. Any distributions made may reduce the net asset value of the Fund.

Chart 2: Rising NAV, Steady Payouts



Source: Lion Global Investors, as at 1 October 2015. YTM: Yield-to-maturity. Past performance is not necessarily indicative of future performance. Dividend payouts are made at the sole discretion of the fund manager and are not guaranteed. Any distributions made may reduce the net asset value of the Fund. Based on LionGlobal Asia Bond Fund SGD Class inception 1 December 2009.

The Fund's dividend frequency was adjusted from semi-annual to quarterly with the first quarterly dividend paid out in 1 October 2015. When markets are volatile, an investment that can generate a regular stream of payouts can help provide income for investors. In other words, investors get paid while riding out market volatility.

Recent months have seen Chinese currency and equity turbulence affect risk sentiment, while investor concerns over Fed rate normalisation and China's slowing economy continue. Against this challenging backdrop, LionGlobal Asia Bond Fund has posted an average YTM above 4% p.a. since July 2013 and has generated NAV appreciation and regular payouts\* (as at 1 October 2015). Investors seeking exposure to Asian bonds may find LionGlobal Asia Bond Fund a sensible investment.

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