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LionGlobal Singapore Dividend Equity Fund: Stable Income In Volatile Markets

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Key points:

| | |
|-----------------------------|---|
| Above benchmark performance | Since inception, the Fund has outperformed the benchmark MSCI Singapore as at 31 January 2016 |
| Above benchmark yield | The LionGlobal Singapore Dividend Equity Fund has a portfolio dividend yield that is higher than the MSCI Singapore |
| Regular payouts | The Fund has made regular payouts since inception with a portfolio dividend yield above the potential payout |

While equities of Singapore have corrected with global markets, companies have maintained dividend payouts and unitholders of the LionGlobal Singapore Dividend Equity Fund have received regular payouts while riding out the volatility.

Launched in June 2015, the Fund has outperformed the benchmark MSCI Singapore since inception, with a Fund return of -16.0% against a benchmark return of -20.5% in SGD terms, as at 31 January 2016.

| As at 31 January 2016 | YTD | 3m | 6m | Since Inception |
|--|--------|--------|--------|-----------------|
| LionGlobal Singapore Dividend Equity Fund (BB) | -8.4% | -11.9% | -15.3% | -16.0% |
| MSCI Singapore | -8.7% | -11.9% | -16.6% | -20.5% |
| Excess | 0.3% | 0.0% | 1.3% | 4.5% |
| LionGlobal Singapore Dividend Equity Fund (OB) | -13.0% | -16.4% | -19.5% | -20.2% |

Source: Lion Global Investors, in SGD terms, based on bid-bid (BB) or offer-bid (OB) dividend reinvested returns, as at 31 January 2016. Past performance of the scheme is not necessarily indicative of future performance. Based on LionGlobal Singapore Dividend Equity Strategy Fund inception 2 June 2015. Benchmark: MSCI Singapore.

The Fund aims to provide investors with regular distributions* and long-term capital growth by investing primarily in high and/or sustainable dividend yielding equities of Singapore markets.

This article examines the yield presented by high dividend equities and the current low valuations of Singapore equities.

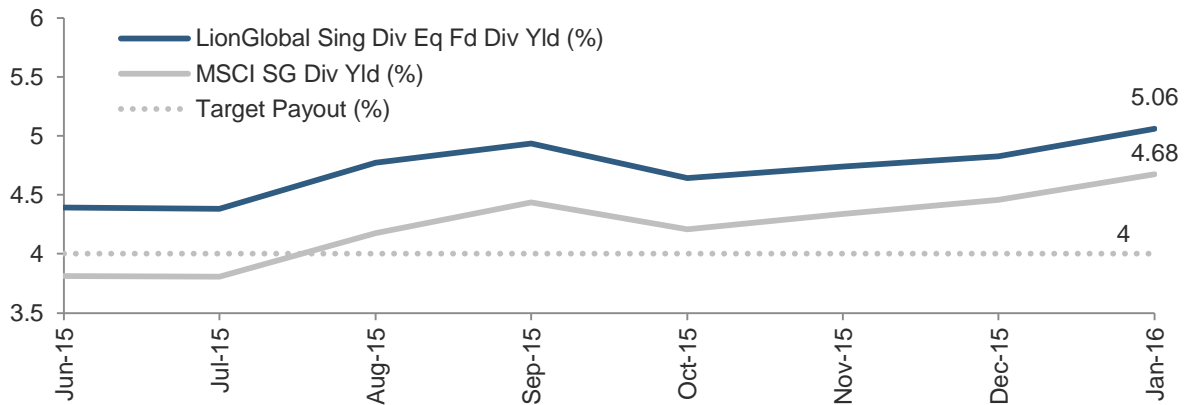
GENERATING INCOME

The LionGlobal Singapore Dividend Equity Fund has an annual potential payout* of 4%. This is paid out quarterly and will draw first from income and/or capital gains before drawing on capital.

If the Fund is able to maintain a sufficient level of income from yield, there is no need to draw on capital to sustain payouts. The current portfolio dividend yield is 5% (Chart 1), which indicates the portfolio can sustain a potential payout* of 4%. With the MSCI Singapore posting 2016 forward earnings per share of 5%[†], the market presents both the potential for dividends and capital appreciation.

* For the LionGlobal Singapore Dividend Equity Fund, the Managers currently intend to make a distribution at the end of every quarter, on or around 31 March, 30 June, 30 September and 31 December of every year. Distribution payments shall, at the sole discretion of the Managers, be made out of either (a) income; or (b) net capital gains; or (c) capital of the Sub-Funds or a combination of (a) and/or (b) and/or (c). Any distributions made out of capital will reduce the net asset value of the Sub-Funds.
[†] Source: Bloomberg, February 2016.

Chart 1: Keeping Dividend Yield Sustainable



Source: Lion Global Investors, StyleResearch, January 2016. Div Yld: Dividend Yield. 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 Singapore Dividend Equity Strategy Fund (LionGlobal Sing Div Eq Fd) inception 2 June 2015. Benchmark: MSCI Singapore.

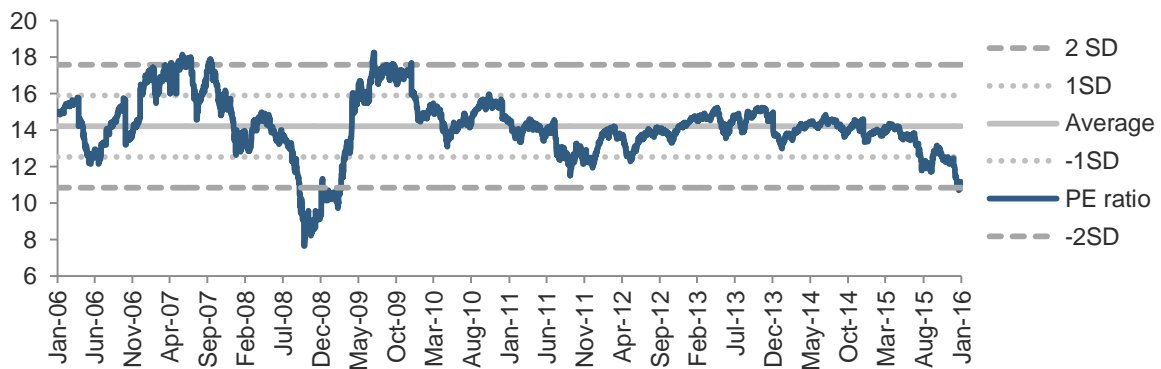
Distributions are currently declared around the end of each quarter. Since inception, the LionGlobal Singapore Dividend Equity Fund declared distributions in October 2015 and January 2016, in line with the 4% p.a. potential payout*.

Investors can receive a stable payout while staying invested for capital appreciation amid volatile markets – and recent markets have been undoubtedly volatile.

Opportunity Amid Volatile Markets

Amid the volatility, valuations of Singapore equities have declined to around 2 standard deviations below the historical average PE ratio as at 31 January 2016. With catalysts for potential upside, this presents an attractive entry point that presents a dividend-yielding market with potential capital gains trading at historically attractive valuations.

Chart 2: MSCI Singapore PE ratio



Source: Bloomberg, January 2016. PE: Price earnings ratio. SD: Standard deviation.

Accommodative central bank policy, seasonal improvement in crude oil prices, and the stabilisation of Chinese macro data are supportive for the Singapore equity market.

A dividend strategy with a sustainable level of payouts would be able to provide investors with better downside protection, income and participation in any potential market upside.

Investors seeking to participate in potential capital appreciation while receiving regular distributions may find a Singapore dividend equity strategy worth considering. The LionGlobal Singapore Dividend Equity Fund aims to provide investors with regular distributions* by investing in Singapore equities with a high and/or sustainable dividend yield.

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