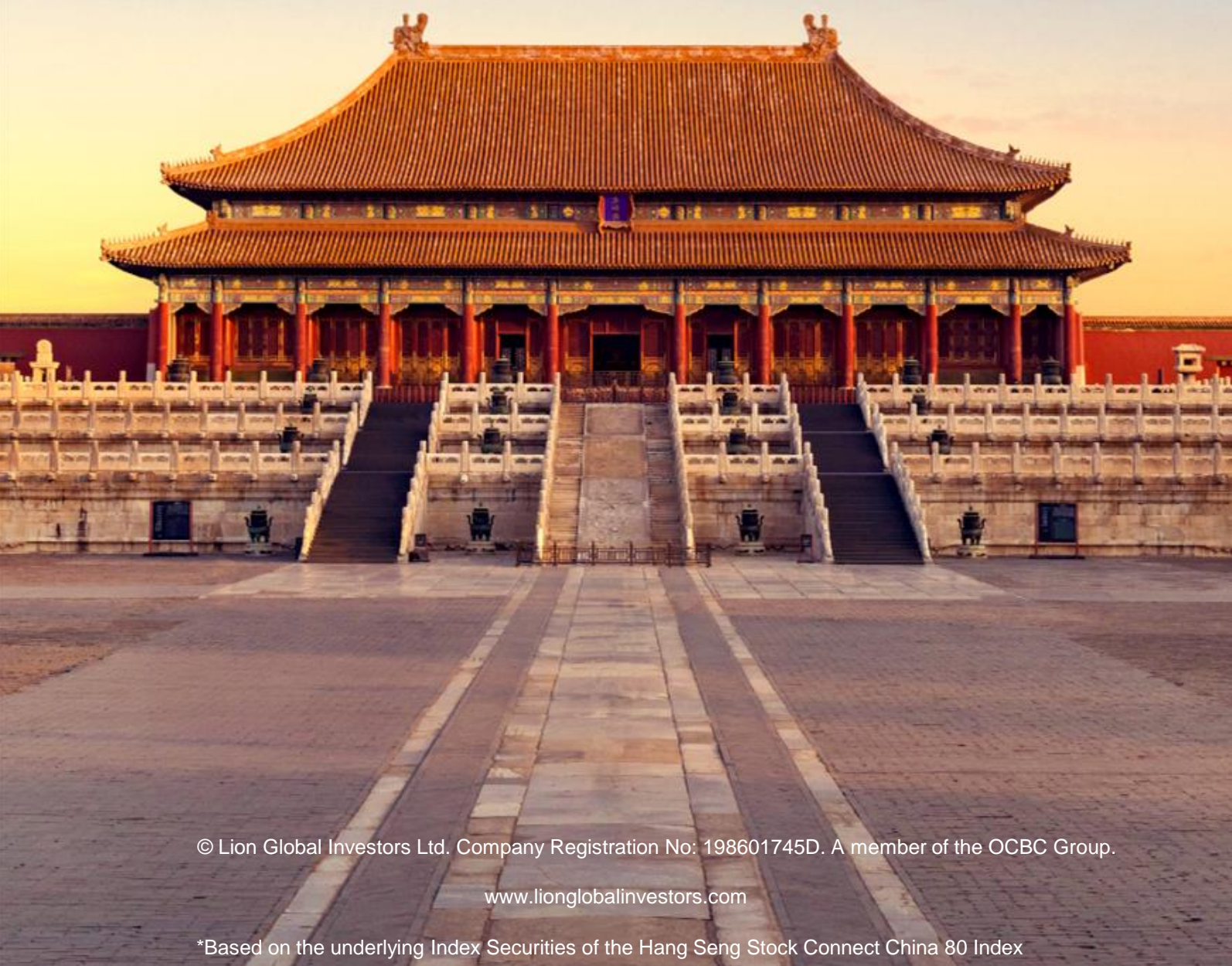


LION-OCBC SECURITIES
CHINA LEADERS ETF

Seize the opportunity with 80* China leaders.

Quarterly Newsletter

Q1 2022



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www.lionglobalinvestors.com

*Based on the underlying Index Securities of the Hang Seng Stock Connect China 80 Index

INTRODUCTION

- The Lion-OCBC Securities China Leaders ETF was listed in the Singapore stock market on 2 August 2021.
- This ETF is a well-diversified portfolio containing industry leaders across multiple sectors.
- It is passively managed to fully replicate the Hang Seng Stock Connect China 80 Index.

KEY FACTS

- Dual trading currencies: SGD and RMB
- Total AUM: SGD 81.4 million as of 31 March 2022
- Management fee: 0.45% p.a.
- Bloomberg ticker: YYY SP (S\$ counter), YYR SP (RMB counter)

KEY FEATURES



80 largest Chinese companies listed on HKEX, SZSE and SSE¹

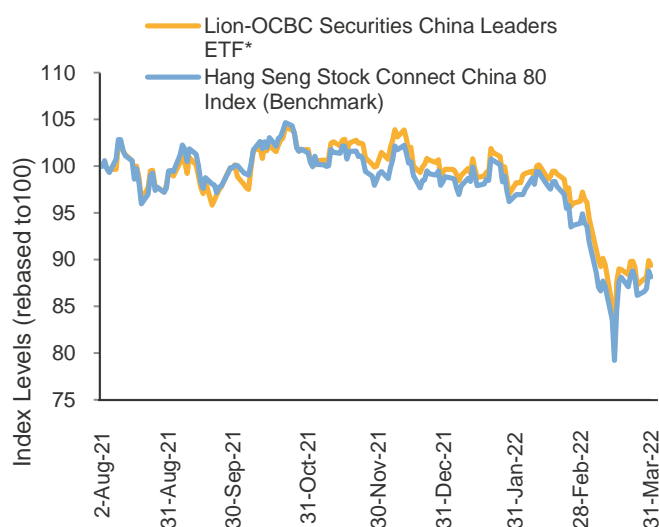


Capped at 8% and 40% weightage for individual stocks and sectors respectively during rebalancing²

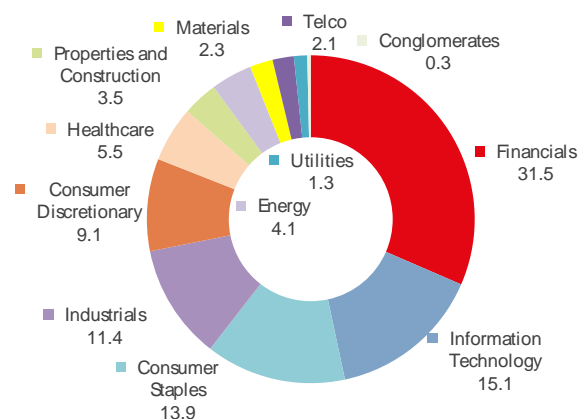


Rebalanced quarterly (every March, June, September and December)

Lion-OCBC Securities China Leaders ETF Performance³



Composition



Source: Lion Global Investors, 31 March 2022

* Returns are based on NAV-NAV basis in SGD and assuming all dividends are reinvested net of all charges payable upon reinvestment. Performance is calculated in the base currency of the Fund. The Lion-OCBC Securities China Leaders ETF was listed on 2 August 2021. Opinions and estimates constitute our judgment and along with other portfolio data, are subject to change without notice. Past performance, as well as any prediction, projection, or forecast are not necessarily indicative of future or likely performance

¹ Based on the underlying Index Securities of the Hang Seng Stock Connect China 80 Index.

² Weightage of individual stocks within the index will be reviewed semi-annually and rebalanced quarterly by the index provider (Hang Seng Indexes Co Ltd). The weights of each Index Security and industry might fluctuate above 8% and 40% respectively due to market movements in between the rebalancing period

³ Source: Bloomberg, Lion Global Investors, Hang Seng Indexes Company, 31 March 2022

WITH US INFLATION REACHING A 40-YEAR HIGH, HOW WILL CHINA BE AFFECTED?

In Q1 2022, we saw huge volatility in the Hong Kong and China equity markets. Thereafter on 16 March 2022, China's Vice Premier Liu He issued a strong promise⁴ in the Financial Stability and Development Committee (FSDC) meeting for policies to boost financial markets and stimulate economic growth. This was a statement that came before the US Federal Reserve approved a 25 basis points (bps) rate hike⁵ on the same day to tackle inflation that reached a 40-year high⁶ of 7.9%. In fact, the US Federal Reserve is expected to implement 6 more rate hikes in 2022 and 4 more rate hikes⁷ in 2023 until interest rates reach around 3%. In contrast, China is doing the contrarian opposite by loosening policies to drive economic growth.

In the past 3 decades, China has delivered almost all its economic growth targets⁸. To achieve its 5.5% economic growth target this year, we expect China to loosen its monetary policies⁹ such as cutting the reserve requirement ratio (RRR), 1-year loan prime rate (LPR) and 5-year LPR this year after Liu's strong pledge to support the economy.

As highlighted in our Q4 2021 newsletter, the RRR was already lowered¹⁰ once by 50 bps on 15 December 2021. The 1-year LPR was cut¹¹ from 3.85% to 3.8% for the first time in almost 2 years at December 2021 and then further cut¹² to 3.7% at January 2022. The 5-year LPR was also cut¹³ to 4.6% at January 2022.

We believe China's RRR and LPR cuts will continue the direction for policy loosening in 2022 while other countries such as the US focus on policy tightening to tackle inflationary fears. By providing exposure to 80 industry leaders across 12 sectors, the Lion-OCBC Securities China Leaders ETF is well-positioned to ride on this new wave of policy loosening.

⁴ Source: Bloomberg, March 2022

⁵ Source: US Federal Reserve, March 2022

⁶ Source: Bloomberg, March 2022

⁷ Source: Forbes, February 2022

⁸ Source: OCBC Treasury Research, Time to work harder, March 2022


⁹ Source: OCBC Treasury Research, Gearing up, March 2022

¹⁰ Source: Reuters, December 2021

¹¹ Source: CNBC, December 2021

¹² Source: CNBC, January 2022

¹³ Source: South China Morning Post, April 2022



We believe the RRR and LPR cuts will set the tone for continued policy loosening in 2022 while other countries such as the US focus on policy tightening to tackle inflationary fears.

HOW DOES THE BENCHMARK INDEX AND ETF COMPARE WITH ITS PEERS SINCE INCEPTION?

Despite the overall Chinese market volatility in Q1 2022, the Hang Seng Stock Connect China 80 Index (the Benchmark Index) had stable performance relative to its peers. Between 2 August 2021 (ETF's listing date) and 31 March 2022, the Index outperformed¹⁴ peer indices (Figure 1) such as the MSCI China Index, MSCI Emerging Markets Index and the Shanghai Shenzhen CSI 300 Index.

Between 2 August 2021 and 31 March 2022, the Lion-OCBC Securities China Leaders ETF also outperformed¹⁵ other China-focused ETFs listed in SGX (Figure 2), such as the Xtrackers MSCI China UCITS ETF, Lyxor China Enterprise UCITS ETF (USD) and NikkoAM-StraitsTrading MSCI China Electric Vehicles And Future Mobility ETF (listed on 20 January 2022). Such outperformance can be attributed to the Index's exclusion of American Depositary Receipts (ADRs). This helped reduce the Index's exposure to the foreign regulatory risks that adversely impacted US-listed Chinese companies when the US Securities and Exchange Commission (SEC) announced¹⁶ in 31 March 2022 to potentially delist 11 companies (including Baidu) that failed to comply with the Holding Foreign Companies Accountable Act (HFCAA).

However, the risk of ADR delisting has been reduced on 9 April 2022 after Yi Huiman (Chairman, China Securities Regulatory Commission) particularly reinforced¹⁷ that China will keep the overseas listing channel open and support companies seeking to utilise both domestic and foreign markets in compliance with existing laws and regulations. By providing diversified exposure to industry leaders listed in HKSE, SSE and SZSE, the Lion-OCBC Securities China Leaders ETF is nonetheless less vulnerable to such foreign regulatory risks and thus more cushioned against the broader market volatility.

Figure 1: Benchmark Index performance against peers

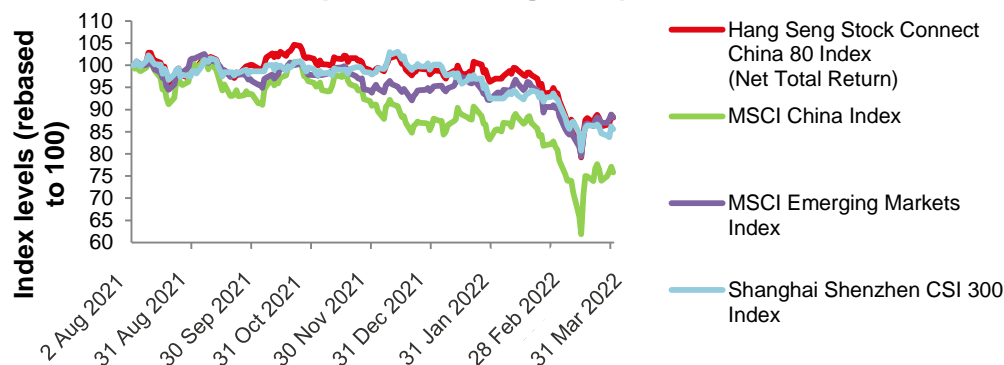
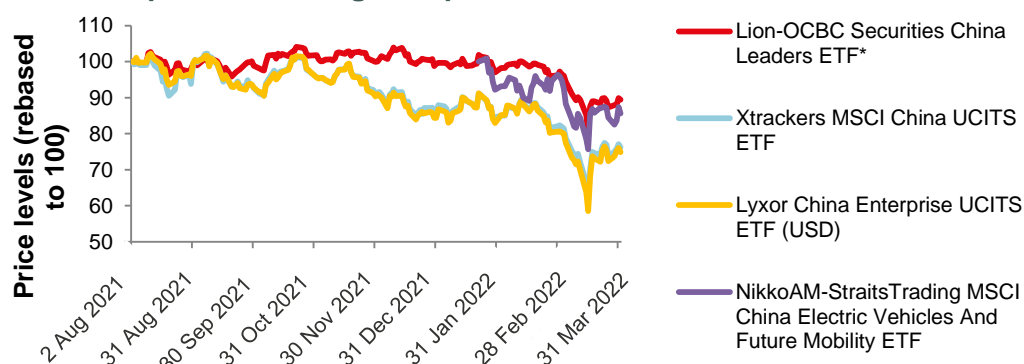


Figure 2: ETF performance against peers



* Returns are based on NAV-NAV basis in SGD and assuming all dividends are reinvested net of all charges payable upon reinvestment. Performance is calculated in the base currency of the Index. The Lion-OCBC Securities China Leaders ETF was listed on 2 August 2021

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^{14, 15} Source: Bloomberg, March 2022

¹⁶ Source: Bloomberg, March 2022

¹⁷ Source: The Business Times, April 2022

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