October 2017

Lion-Phillip S-REIT ETF:
Frequently Asked Questions

Manager:

LION GLOBAL INVESTORS

Sub-manager:

Phillip Capital Management

EXCHANGE-TRADED FUNDS ("ETFs")

Q1: What is the difference between ETFs and the typical unit trusts?

A1: There are three key differences:

1. ETFs are open-ended investment funds listed and traded on the stock exchanges, while unit trusts can typically only be purchased through distributors or other platforms.
2. Most ETFs seek to track or replicate the performance of an index. On the other hand, unit trusts are typically actively managed, where the fund manager may either outperform or underperform the index instead of just replicating its performance.
3. ETFs generally charge lower management fees, thus lowering costs for investors.

Q2: What are the benefits of investing in ETFs?

A2: ETFs provide several benefits for investors, such as:

1. **Diversification** – Investors typically use ETFs to gain exposure to all the constituents of the index, thereby diversifying their portfolio without having to purchase individual assets underlying the index.
2. **Low costs** – As ETFs are typically passively managed, they typically have lower fees and charges than actively managed funds.
3. **Flexibility** – An ETF can be bought or sold at any time during the trading hours of the stock exchange, providing the same flexibility as any individual stock.
4. **Transparency** – The holdings of an ETF will generally be published on a daily basis, thus providing full transparency of the underlying exposure to investors.

Q3: What are the risks of investing in ETFs?

A3: As ETFs are listed on the stock exchanges, they are subject to risks similar to those of stocks. Investment returns will fluctuate and the values of the units in ETFs (and any income from them) are not guaranteed and may go down as well as up. In addition, ETFs are subject to tracking error risk, with factors such as fees and expenses of the ETFs potentially resulting in imperfect correlations between the ETFs and their respective indices. Details of the risks relating to the Lion-Phillip S-REIT ETF can be found in its prospectus.

Q4: Do ETFs in Singapore lack liquidity?

A4: While the common perception is that the liquidity is reflected by the on-screen average daily trading volume and bid/offer data, this is actually not representative of the true liquidity of ETFs. In fact, an ETF is as liquid as its underlying.

ETFs have three levels of liquidity across the primary and secondary markets:

1. Visible liquidity on the stock exchange, reflecting only the volume of trades executed in the secondary market exchanges;

2. Inventory held by the market makers on the secondary market provide additional liquidity. Large orders (e.g. from institutional investors) may be fulfilled by market makers off-screen at a tighter bid/offer spread; and

3. Creation and redemption of units in the ETF by the participating dealers, which is a huge determinant of ETF liquidity.

Please refer to the prospectus for details on liquidity risk.

REAL ESTATE INVESTMENT TRUSTS (“REITs”)

Q5: What are REITs?

A5: REITs are collective investment schemes that invest in a portfolio of income-generating real estate assets such as shopping malls, offices, hotels or serviced apartments, typically with a view to generate income for unitholders.

The first Singapore REIT was launched and listed on the Singapore Exchange in July 2002[1].

Q6: What are the benefits of including Singapore REITs in a portfolio?

A6: Key benefits include:

1. REITs allow individual investors to invest in large-scale, diversified portfolios of income-producing real estate assets in an efficient way. Due to the illiquid nature of real estate investments, physical real estate investment was inaccessible to most investors.

2. REITs are like a hybrid between bonds and listed equities, as they offer both potential long-term capital appreciation like equities, and a regular income stream like bonds. An important fact about Singapore REITs is that they are required to distribute at least 90% of its annual income to unitholders, which is why they can offer investors a sustainable income stream.

3. Singapore is the second-largest REIT market in Asia (behind Japan)[2] and is arguably the fastest-growing REIT market in the region. With the government’s strong support for growth in this sector, in terms of favourable tax policies and robust regulatory framework, Singapore REITs has the potential to grow further, and investors may ride on this growth.

4. Singapore REITs distribute their dividends to unitholders at least twice a year. Bloomberg consensus estimates forecast the yield of this sector to be 6% in 2017 – the highest within Asia Pacific’s largest REIT markets[3]. Singapore REITs’ yield also ranks the highest amongst other investments in Singapore, such as Singapore equities, Singapore government bonds and fixed deposits[4]. These make Singapore REITs an ideal investment for yield-seeking investors.

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[1] *Source: http://www.moneysense.gov.sg/understanding-financial-products/investments/types-of-investments/real-estate-investment-trusts.aspx*

[2] *http://www.todayonline.com/business/opportunities-amid-challenges-s-reit-sector*

[3] *Based on Bloomberg forecast as at August 2017. Representative indices used: Singapore REITs: FTSE ST REIT Index; Hong Kong REITs: Hang Seng REIT Index; Australia REITs: S&P/ASX 200 A-REIT Index; Japan REITs: Tokyo Stock Exchange REIT Index.*

[4] *Based on yields as at August 2017: FTSE ST REIT Index; FTSE Straits Times Index; 10-year Singapore Government Bond – Monetary Authority of Singapore Benchmark Government Bond Yield 10 Year. Yields are non-guaranteed. Past performance, as well as any prediction, projection, or forecast are not necessarily indicative of future or likely performance.*

LION-PHILLIP S-REIT ETF (the "Fund")

Q7: What is the rationale behind the partnership between Lion Global Investors and Phillip Capital Management?

A7: This collaboration provides the opportunity for two Singapore fund management firms to work together to launch a Singapore-focused investment product, and marks a new era to introduce innovative products to better serve the investment needs of investors.

Q8: Why did we choose to use the Morningstar® Singapore REIT Yield Focus Index℠ (the "Index")?

A8: Morningstar Indexes offer passive investment opportunities to deliver beta exposure, drawing on Morningstar's independent research, global data and deep indexing expertise. Most of the existing indices are weighted based on market capitalisation and/or tilted towards higher yielding REITs. We believe that besides yield, the quality and liquidity of REITs are just as important. As such, we have worked with Morningstar to create an index that focuses on quality, financial health and yield, with the weightings further adjusted to take into consideration the liquidity of the underlying REITs.

Q9: What is the Index methodology?

A9: The Index is compiled and calculated by Morningstar Research Pte. Ltd. and is designed to screen for high-yielding REITs with superior quality and financial health.

The Index aims to track the performance of Singapore REITs listed on the SGX using a broad-based quality income strategy with the following proprietary factors:

(a) Quality;

(b) Financial health; and

(c) Dividend yield.

The weightings are further adjusted to take into consideration the liquidity of the underlying REITs. The Index will be rebalanced semi-annually in June and December of each year, with the maximum weighting of each constituent security capped at 10% at each rebalancing.

Q10: Why are certain Singapore REITs with large market capitalisations not included in the Index, or make up only a small weighting in the Index?

A10: The Index follows Morningstar's strategic beta methodology, which typically aims to enhance returns or minimize risks relative to a traditional market-capitalisation-weighted benchmark. Strategic beta indexes represent a middle ground on the active-to-passive spectrum. Hence, the factors used by a strategic beta index determine the inclusion and weighting of the index constituents, rather than simply based on market capitalisation.

In the case of our Index, the factors used are quality, financial health and dividend yield, with the weightings further adjusted to take into consideration liquidity of the underlying REITs. As the objective is to screen for high-yielding REITs with superior quality and financial health, certain stocks with large market capitalisations may have a small weighting, or not be included at all, if they perform badly on the factors.

Q11: As an investor, how do I buy or sell units of the Fund?

A11: The Initial Offer Period will open at 9.00 a.m. on 2nd October 2017 and close at 11:00 a.m. on 20th October 2017. The Issue Price of each Unit during the Initial Offer Period is S$1.000.

During the Initial Offer Period, investors may only purchase units through the Participating Dealers in application unit size of 50,000 units or such higher number of units in multiples of 1,000 units. All purchases or sales of units through the Participating Dealers are subject to such terms and conditions as may be imposed by the relevant Participating Dealer. A lower minimum amount may be set by the Participating Dealers for retail investors. The Participating Dealers currently include Phillip Securities Pte Ltd, DBS Vickers Securities (Singapore) Pte Ltd, Commerzbank AG and UOB Kay Hian Pte Ltd. Investors may contact the participating dealers for more information.

After the Initial Offer Period, investors may purchase or sell Units either through the Participating Dealers or through the SGX-ST at a minimum trading board lot size of 100 units, during the trading day through a broker or any Trading Member of the SGX-ST, as one would in the case of a share listed on the SGX-ST, at any time after dealings in the units commence and for so long as the units are listed on the SGX-ST. The trading price of units may differ from the Net Asset Value per unit and there can be no assurance that a liquid secondary market will exist for the units of the Fund.

Please refer to the prospectus for the subscription details.

Q12: Is the Fund classified as an Excluded Investment Product ("EIP")?

A12: Yes, the Fund is classified as an EIP. Hence, investors can easily invest in the Fund just like ordinary stocks, i.e. without the need to complete a Customer Account Review or take the SGX Online Education Programme.

Q13: Can investors invest into the Fund via the Supplementary Retirement Scheme ("SRS")?

A13: Yes, investors can apply with their stock brokers or SRS operator to invest via SRS.

Q14: Is the Fund included under the CPF Investment Scheme ("CPFIS")?

A14: No, the Fund is currently not included under the CPFIS.

Q15: What is the distribution policy of the Fund?

A15: The Manager will declare semi-annual distributions in February and August of each year. However, investors should note that the distribution rates are not guaranteed and are subject at all times to the discretion of the Manager. Distributions will be paid in the base currency of the Fund (i.e. SGD). Distributions (whether out of income and/or capital) may have the effect of lowering the net asset value of the Fund.

Q16: What are the trading name and stock identifiers of the Fund?

A16:

SGX Trading Name	LION-PHILLIP S-REIT
SGX Stock Code[5]	CLR
ISIN Stock Code	SG1DJ3000008

[5] *The stock code for the Fund will be available on the SGX-ST website at http://www.sgx.com from the date of commencement of trading of the Units on the SGX-ST.*

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The units of the ETF are listed and traded on the Singapore Stock Exchange ("SGX"), and may be traded at prices different from its net asset value, suspended from trading, or delisted. Such listing does not guarantee a liquid market for the units. You cannot purchase or redeem units in the ETF directly with the managers of the ETF, but you may, subject to specific conditions, do so on the SGX or through the PDs.

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Manager: Lion Global Investors Limited (Co. Reg. No. 198601745D)
Sub-Manager: Phillip Capital Management (S) Ltd (Co. Reg. No. 199905233W)

LION GLOBAL INVESTORS

Phillip Capital Management