

The Compelling Singapore REITs Story

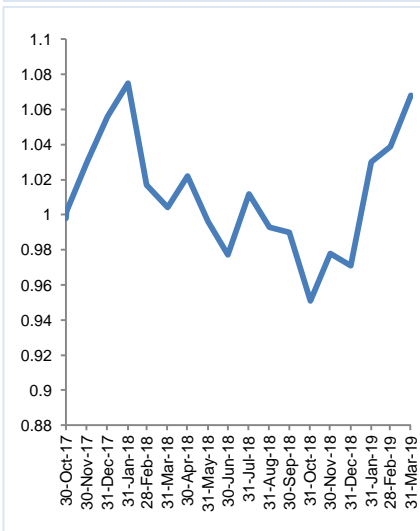
Quarterly Update: March 2019



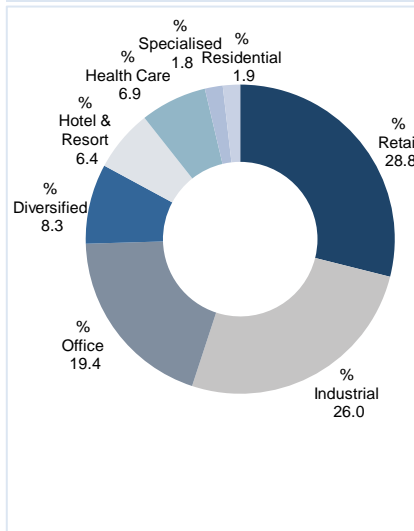
LION-PHILLIP S-REIT ETF

Set Your Sights on a Sustainable Income Stream with High-Quality S-REITs¹

Market Closing Price



Composition (in %)²



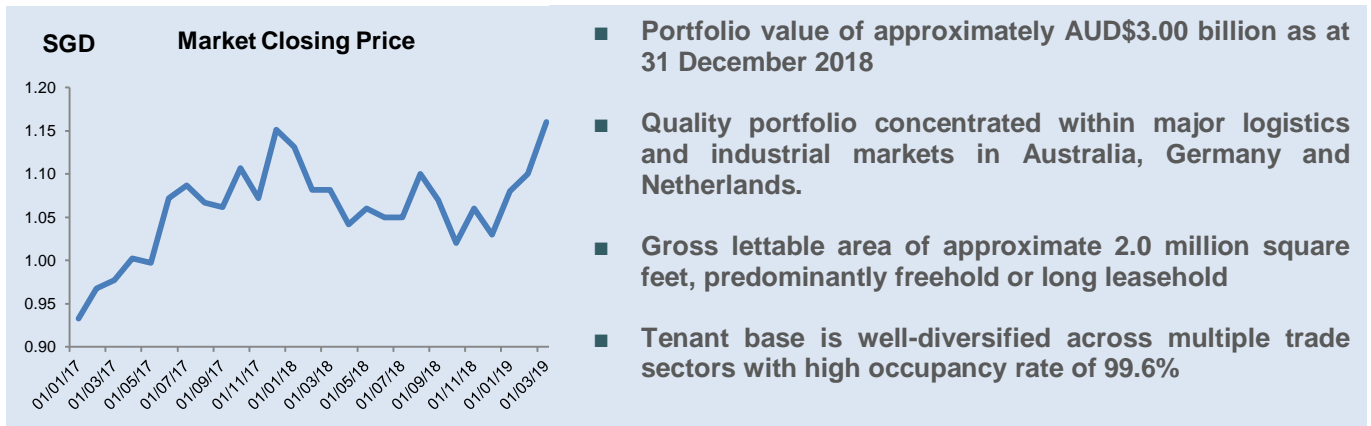
Key Facts

- Replicates the Morningstar[®] Singapore REIT Yield Focus IndexSM ("Index")
- 27³ Real Estate Investment Trusts (REITs)
- Gross current dividend yield of 5.4%⁴
- Third distribution of S\$0.0211 per unit on ex-date 30 January 2019[^]
- Total AUM of S\$134.9m
- SGX stock code: CLR
- Bloomberg ticker: SREITS SP

Source: Bloomberg, Lion Global Investors, as at 31 March 2019. [^]Pay-date of 4 March 2019. Distribution is for the period from 1 August 2018 to 31 December 2018, and comprises of 76.3% distributable income⁵ and 23.7% capital component. Past payout yields and payment do not represent future payout yields and payments. Distribution payments shall, at the sole discretion of the Manager, be paid out of either (a) income; or (b) net capital gains; or (c) capital of the fund or a combination of (a) and/or (b) and/or (c). The declaration and/or payment of distributions (whether out of income and/or capital) may have the effect of lowering the net asset value of the fund. For further detailed income statistics, please visit www.lionglobalinvestors.com

REIT in Focus:

Frasers Logistics & Industrial Trust*



Source: Bloomberg; as at 31 March 2019.

In this issue, we highlight Frasers Logistics & Industrial Trust (FLT), the first Singapore-listed real estate investment trust with an initial pure-play Australian industrial and logistics portfolio.

Strategic acquisition of prime industrial properties in Germany and Netherlands

Since its listing in June 2016, FLT has been executing a disciplined growth strategy, growing its portfolio value by over 80% while achieving geographical diversification.

<p>1</p> <p>Exercise of Call Options in Aug and Nov 16</p> <ul style="list-style-type: none"> • 3 Properties • Value: A\$127.4m • GLA: 71,126 sq m • Occupancy: 100% 	<p>2</p> <p>Announced portfolio acquisition in Australia in Jun 17</p> <ul style="list-style-type: none"> • 7 Properties • Value: A\$169.3m • GLA: 124,527 sq m • Occupancy: 100% 	<p>3</p> <p>Strategic entry into Germany and the Netherlands in Apr 18</p> <ul style="list-style-type: none"> • 21 Properties • Value: €596.8m • GLA: 594,931 sq m • Occupancy: 100% 	<p>4</p> <p>Divested non-core properties in Australia in Jul and Aug 18 at significant premium to book value:</p> <ul style="list-style-type: none"> • 2 Properties • Value: A\$99.3m 	<p>5</p> <p>Acquired two properties in Australia on 5 Sep 18</p> <ul style="list-style-type: none"> • 2 Properties • Value: A\$62.6m • GLA: 39,565 sq m • Occupancy: 100%
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Source: Frasers Logistics & Industrial Trust ⁶ (September 2018)

In a bold move marked as a strategic entry into the German and Dutch markets, FLT acquired a portfolio of 21 properties for approximately S\$972.8 million, of which 17 properties are in Germany and remaining 4 in the Netherlands. The new properties have 100% occupancy underpinned by quality tenants from primary industries, including logistics services, automotive, food logistics and industrial manufacturing of the resilient German and Dutch economies. Tenants include multinational corporations such as BMW Group, Constellation and Transgourmet.

Capital & risk management

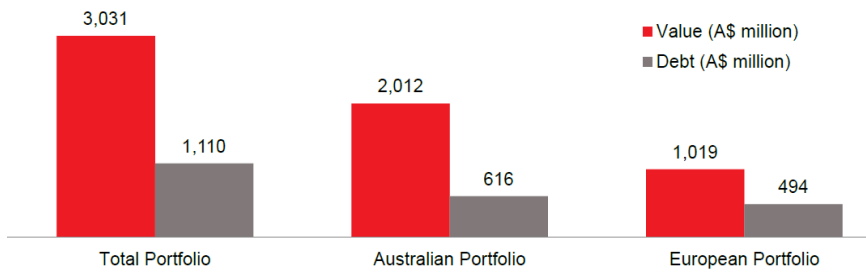
FLT exercises prudence in managing its capital mix when making acquisitions for growth. Following the latest acquisition in Europe, FLT has an aggregate leverage of 35.4%, much below the regulatory limit of 45%. To safeguard against rising interest rates, 79% of the aggregate debts are fixed rate loans.

Transformational acquisition of a prime portfolio of industrial properties in Germany and Netherlands to expand geographical diversification

*Lion-Phillip S-REIT ETF has a 2.5% exposure to Frasers Logistics & Industrial Trust as at 31 March 2019.

A breakdown of its investment properties and debt profile is as follows:

Investment Properties and Debt (As at 31 December 2018)



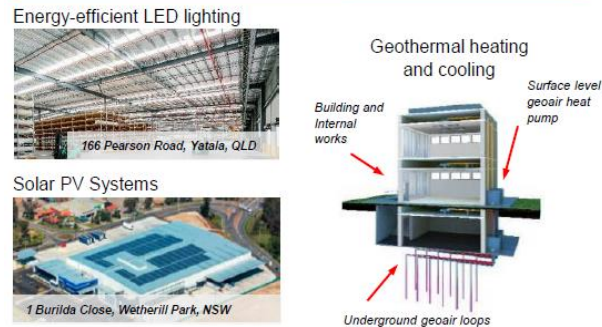
Source: Frasers Logistics & Industrial Trust⁷ (December 2018)

Awarded First Placing (Industrial) in the Global Real Estate Sustainability Benchmark (GRESB) 2018 Assessment⁸

FLT took great pride in its Green Credentials. FLT was ranked first among global participants by GRESB, the global environmental, social and governance (ESG) benchmark for real estate, in the 2018 Real Estate Assessment.

Potential sustainability benefits include reduction of ongoing occupancy costs as well as attraction of new tenants who emphasize on sustainability.

Sustainability Initiatives



Source: Frasers Logistics & Industrial Trust⁶ (September 2018)

Highest Green Star performance-rated portfolio in Australia, representing world leadership in sustainable design

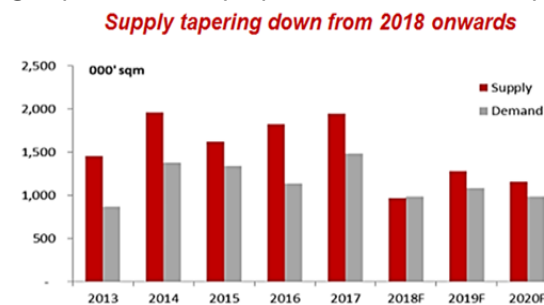
Industrial REITs Outlook

Industrial REITs include (without limitation) business parks, data centres, logistics facilities, multi-user factories, and/or science parks.

Singapore

In Singapore, we expect the overall Industrial REIT sector to have a gradual recovery with the overall supply tapering off from 2019 onwards. The industrial rental recovery is expected to be two-tiered with high-specifications properties and business park space to fare better due to higher demand and lower supply whereas rental for conventional factories would likely remain under pressure.

The global economic outlook is looking less bright, clouded by the uncertainties such as US-China trade war, Brexit, slowing down in growth in euro areas. Despite the uncertain economic outlook, there are a few bright spots for the industrial REITs.



Source: JTC, URA, DBS Bank Jan 2019⁹

The industrial property market reached a point of stabilization in 2018, with supply pressure being alleviated.

*Lion-Phillip S-REIT ETF has a 26.0% exposure to industrial REITs as at 31 March 2019.

Build-to-suit (BTS) facilities

In 2016 / 2017, Mapletree Industrial Trust redeveloped a flatted factory cluster in Depot Close into a purpose-built facility for Hewlett Packard (HP). The development cost S\$226million and is fully leased to HP for a lease term of 10.5 + 5 + 5 years.



Source: Mapletree Industrial Trust

BTS facilities have longer term lease and lease structure is negotiated upfront, providing greater rental certainty.



Source: Ascendas REIT (Artist's Impression)

Ascendas REIT is currently building a BTS facility at One-North, a S\$181.2 million development for Grab Holdings. This is expected to be completed in 3Q FY 20/21, and will be leased to Grab for 11 years.

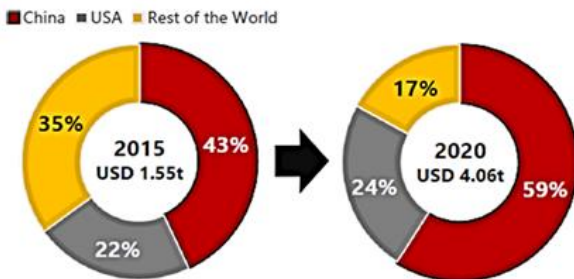
Increasing demand for Third Party Logistics (3PL) facilities

Consumer-driven E-commerce is pushing demand for modern logistics facilities in new locations around the world. This is transforming the industrial real estate market and increasing the global demand for Third Party Logistics (3PL) space.

The global E-commerce landscape is expected to grow exponentially from USD1.5 trillion in 2015 to USD4.06 trillion by 2020, with China dominating the global E-commerce sales.

Industrial REITs are best positioned to capitalize on changing consumer behavior and expectation, especially in the E-commerce, logistic facilities development

Global E-commerce Landscape

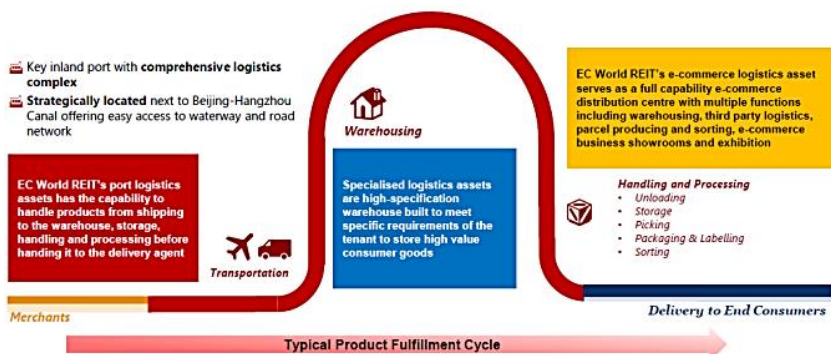


Source: EC World REIT March 2019¹⁰

The real crux of the challenge in E-commerce logistics is satisfying the varying needs of each unique operating environment or business model that E-commerce serves. It demands high utilization and coordination of a portfolio of logistics assets that, when assembled, are

considered as the backbone of the E-commerce driven supply chain.

EC World REIT is a specialized E-Commerce logistic platform operating in China. It currently has six high quality logistics assets in Hangzhou and one in Wuhan providing a full integration of physical warehousing and logistics facilities with advanced IT management system and data analytics.



Source: EC World REIT March 2019¹⁰

In 2018, Industrial REITs such as Ascendas REIT and Fraser Logistics & Industrial REIT made strategic acquisition of logistics facilities in gateway cities in United Kingdom (UK) and Europe respectively.

Ascendas REIT acquired 38 logistics facilities in key UK distribution centres for S\$0.8 billion. Fraser Logistics & Industrial Trust acquired 21 logistics properties in Germany and Netherland for about S\$0.97 billion.

Colocation Data centres

In today's digital world, data centres are becoming an essential aspect of any type of business. Demand for data centres, especially colocation data centres, is growing at about 15.7% annually according to a research by JLL.



Singapore REITs are making strategic entry into the data centres globally to ride the strong demand for colocation data centres

Source: JLL, *Data Centres: Powering Asia's Digital Boom (2018)*

There are REITs such as Keppel DC REIT that holds a portfolio of data centres across Asia Pacific and Europe. In 2017, Mapletree Industrial Trust co-invested with Mapletree Investments to acquire US\$750 million data centre portfolio in the United States.

In summary, Singapore Industrial REITs have been making yield accretive acquisitions overseas, especially in high growth areas such as logistics facilities and data centres, to deliver growth and geographical diversification.

NOTES

¹S-REITs are securities constituting the Morningstar® Singapore REIT Yield Focus IndexSM.

²Composition chart does not add up to 100%. Cash and cash equivalents as at 31 March 2019 was approximately 0.59%.

³As at 31 March 2019. The number of S-REITs which constitutes the Index may be changed by Morningstar Research Pte Ltd from time to time.

⁴Based on the weighted average 12-month trailing dividend yield of the underlying S-REITs as at 31 March 2019. Past payout yields and payments of the underlying S-REITs do not represent future payout yields and payments.

⁵Distributable income refers to the interest and dividend income, taking into consideration the net realised gains, a collective investment scheme receives from its portfolio holdings and are payable to its investors.

⁶https://flt.frasersproperty.com/newsroom/20181121_180924_NULL_RP9S4P3PXIT0P1NN.1.pdf

⁷https://flt.frasersproperty.com/newsroom/20190124_195108_NULL_1VFLP43JMH78F395.3.pdf

⁸https://flt.frasersproperty.com/newsroom/20180912_194957_NULL_ZFAMQC52LYO7K4WO.1.pdf

⁹https://www.dbs.com/aics/pdfController.page?pdfpath=/content/article/pdf/AIO/012019/190102_insights_singapore_reits_defensive_the_new_offensive.pdf

¹⁰http://ecwreit.listedcompany.com/misc/20190315_Investors-presentation_ENG-v4.pdf

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