LION GLOBAL INVESTORS

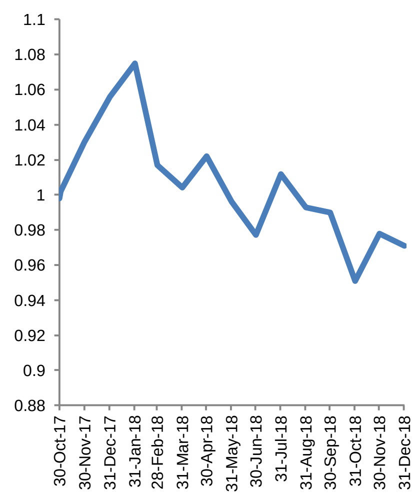
The Compelling Singapore REITs Story

Quarterly Update: December 2018

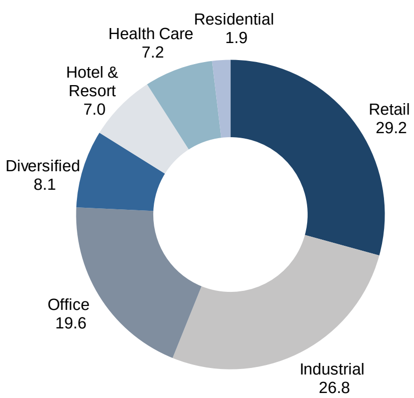
LION-PHILLIP S-REIT ETF

Set Your Sights on a Sustainable Income Stream with High-Quality S-REITs[1]

Market Closing Price



Composition (in %)[2]



Key Facts

- Replicates the Morningstar® Singapore REIT Yield Focus Index℠ (“Index”)
- 27[3] Real Estate Investment Trusts (REITs)
- Gross current dividend yield of 5.0%[4]
- Second distribution of S$0.018 per unit on ex-date 29 August 2018^
- Total AUM of S$137.5m
- SGX stock code: CLR
- Bloomberg ticker: SREITS SP

Source: Bloomberg, Lion Global Investors, as at 31 December 2018. ^ Pay-date of 28 September 2018. Distribution is for the period from 3 March 2018 to 31 July 2018, and comprises of 94.4% distributable income[5] and 5.6% 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:

Manulife US REIT*

- Market capitalisation of US$0.98 billion
- Portfolio consists of seven Trophy and Class A assets across the U.S. with a net lettable area of 3.7 million sq ft.
- Portfolio has an elevated committed occupancy of 96.5% and a long weighted average lease expiry of 6.0 years[6]
- Tenant base is well-diversified across multiple trade sectors with no single tenant contributing more than 7.5% of gross rental income[6]

Source: Bloomberg; as at 31 December 2018.

In this issue, we highlight Manulife US REIT (the "REIT"). Since its IPO in May 2016, the REIT has been making opportunistic acquisitions across U.S. to enhance portfolio value; the latest acquisitions in 2018 are discussed in greater detail below.

Trophy and Class A assets across the U.S

Source: Manulife US REIT[7] (14 November 2018)

Acquisition of Pennsylvania Avenue in Washington DC and the Phipps Tower in Buckhead, Atlanta

Manulife US REIT, the first pure-play U.S. office REIT listed in Asia, completed two major acquisitions at a total purchase price of US$387.0 million in June 2018. These two quality assets contributed strongly to the growth of net property income of the REIT, with a 3.4% increase in the REIT's adjusted distribution per unit (DPU) in its 3Q 2018 results[6]. The two newly acquired assets increased the REIT's exposure to key trade sectors of Public Administration (Government), Grant Giving and Retail Trade, and also improved the REIT's overall expiry profile as the leases in Penn and Phipps are long-tenured[8].

Opportunistic acquisitions in cities with high occupancies and Live, Work and Play environment

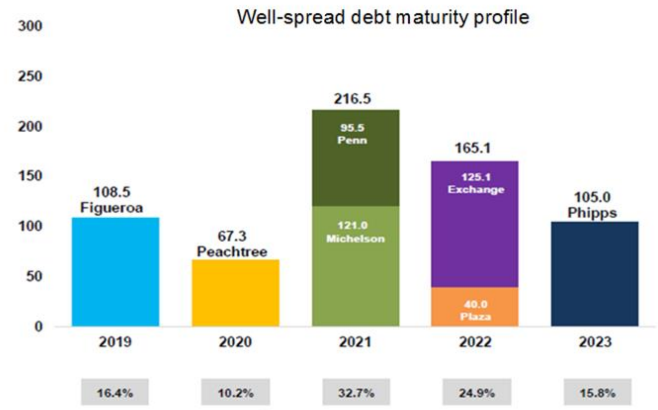
Phipps Tower[9]
Source: Manulife US REIT

Pennsylvania Avenue[10]

***Lion-Phillip S-REIT ETF has a 6.0% exposure to Manulife US REIT as at 31 December 2018.**

Capital Management Strategy

The Manager employs a disciplined and prudent capital management strategy to fund acquisitions. As at 30 September 2018, the REIT's gearing of 37.4% is well below the regulatory limit of 45.0%, while its weighted average debt maturity is 3.0 years with well-spread debt maturity profile. In addition, 100% of the REIT's debt is fixed rate loans which mitigate any near term rising interest rate on existing debt[6].



Source: Manulife US REIT [7] (14 November 2018)

Impact of rate hikes mitigated by fixed debt and rental escalations

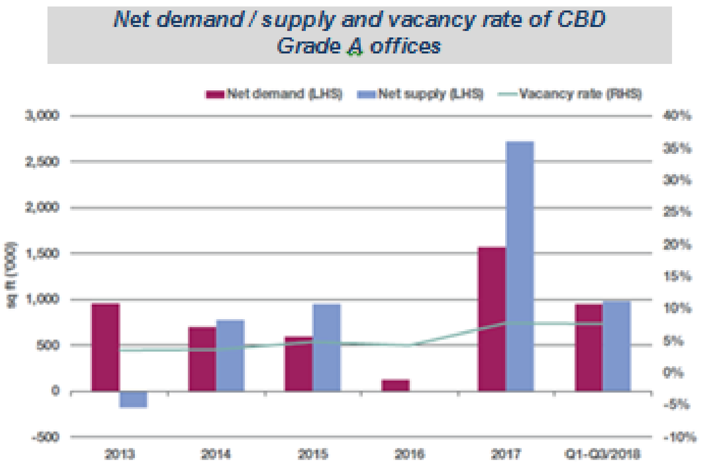
Office Outlook:

Office REITs account for a meaningful 19.5% of the ETF index. We analyze the 3 key markets that the Office REITs operate in – namely ***Singapore***, ***Australia*** and ***U.S.***

Singapore – positive momentum to continue into 2019

2018 has been a good year for the Singapore office sector, with rents growing by almost 13% year-over-year in 3Q 2018[11]. We attribute the strength of the office leasing market to a buoyant Singapore economy and higher demand from non-traditional tenants such as co-working operators.

Critically, we expect this positive momentum to continue as we enter into 2019, driven by a rare tightening supply situation. In 2019, Central Business District net supply is estimated to be at just 300 thousand square feet, significantly lower than the historical average net absorption of about 0.9million square feet a year. This low supply in 2019 is a result of fewer office completions and the withdrawal of space at Chevron House, which is up for refurbishment.



Source: Savills Research; as at 15 November 2018. [12]

While leasing demand could be slower than 2018 due to macroeconomics concerns, we remain hopeful that demand from non-traditional tenants (co-working operators, technology companies) will help to keep the leasing market active. As such, we expect CBD office rents to rise by another 8-10% next year.

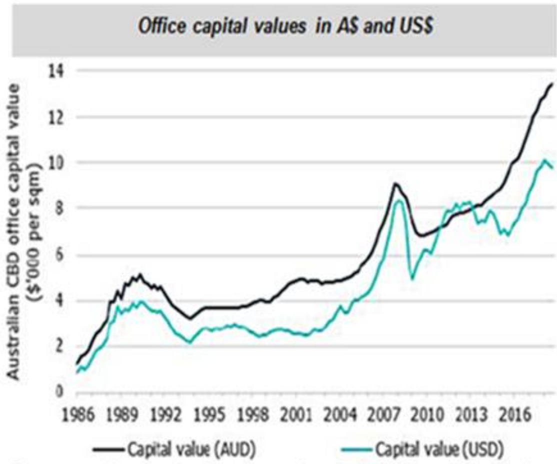
Office rental expect to rise in 2019 due to shortage of lettable space

Australia – steady as she goes

Like Singapore, the office sectors in key Australia gateway cities Sydney and Melbourne have enjoyed a strong 2018. This is again due to solid economic fundamentals and favorable demand and supply conditions.

Looking ahead, we remain sanguine on the Australia office sector. Notably, business sentiments remain firm in the country, with all its major capital cities experiencing white-collar employment expansion for the first time since 2012. Unsurprisingly, gateway cities Sydney and Melbourne lead the way. Buoyed by strong employment, we believe leasing demand for office space will remain firm in these 2 cities, with scope for rental escalation in 2019.

Positive outlook due to strong economic fundamentals coupled with elevated capital value

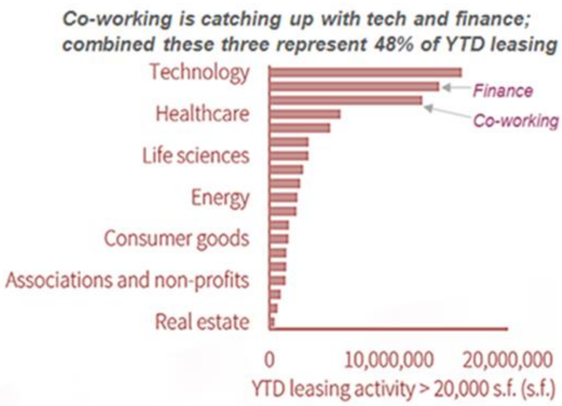


Source: Investa Research, Q4 Office Market Outlook as at November 2018.

Apart from rental growth, we are also positive on Australia office from a capital value point of view. Driven by capitalization rate compression and growth in rental rates, capital value of Australia offices have risen significantly since the global financial crisis. This elevated capital value offers REITs an opportunity to crystalize value for unitholders in the form of special dividend or share buyback if they opt to divest their Aussie assets at or above book value.

The U.S. – quality matters

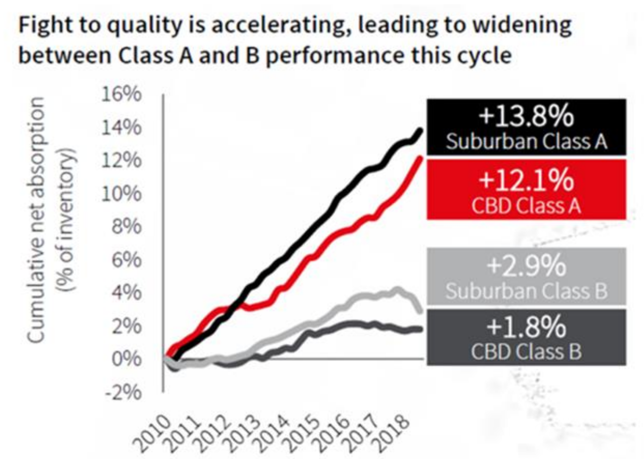
Leasing activity in 2018 has been strong in the US, as a strong economy has helped to promote higher business activity and hence strong office demand. Technology and finance continue to be key anchor sectors contributing to leasing demand. However, co-working demand continues to grow, thanks to aggressive expansion by the likes of WeWorks. Overall, technology, finance and co-working contribute to about 48% of leasing demand this year to date.



Source: JLL Research, Office Outlook; Q3 2018.

Technology and Finance to lead demand in leasing activity, with quality offices being in favor

We expect leasing momentum to slow in next year from 2018's high base. The US is facing a general shortage in labour and this will become a hindrance to companies' expansion plans. As the positive effects of 2018's tax cuts ease in 2019, we also believe that economic growth, while still healthy, will be slower than 2018. We expect 2019 rental growth to trend closer to US's GDP growth, at about 2-3%.



Source: JLL Research, Office Outlook; Q3 2018.

NOTES

[1]S-REITs are securities constituting the Morningstar® Singapore REIT Yield Focus Index℠.
[2]Composition chart does not add up to 100%. Cash and cash equivalents as at 31 December 2018 was approximately 0.33%.
[3]As at 31 December 2018. The number of S-REITs which constitutes the Index may be changed by Morningstar Research Pte Ltd from time to time.
[4]Based on the weighted average 12-month trailing dividend yield of the underlying S-REITs as at 31 December 2018. Past payout yields and payments of the underlying S-REITs do not represent future payout yields and payments.
[5]Distributable 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.
[6]http://investor.manulifeusreit.sg/newsroom/20181105_072228_BTOU_WAEC44ELV2MG9C27.3.pdf
[7]http://investor.manulifeusreit.sg/newsroom/20181114_172117_BTOU_XDVNLAORU1LVK7BZ.1.pdf
[8]http://investor.manulifeusreit.sg/newsroom/20180806_072850_BTOU_L6MEBD4Y57HLIX3Q.3.pdf
[9]http://www.manulifeusreit.sg/video/Phipps_Tower_Final.mp4

[10]http://www.manulifeusreit.sg/video/1750_Pennsylvania_Final.mp4

[11]https://www.jll.com.sg/en/newsroom/singapore-office-rents-post-sixth-consecutive-quarter-of-growth

[12]http://pdf.savills.asia/asia-pacific-research/singapore-research/singapore-office/singapore-office-briefing-q3-2018.pdf

Past performance is not necessarily indicative of future performance. References to specific corporations / companies and their trademarks are not intended as recommendations to purchase or sell investments in such corporations / companies nor do they directly or indirectly express or imply any sponsorship, affiliation, certification, association, approval, connection or endorsement between any of these corporations / companies and Lion Global Investors Limited or the products and services of Lion Global Investors Limited. Opinions and estimates constitute our judgment and along with other portfolio data, are subject to change without notice.

DISCLAIMER

This advertisement or publication has not been reviewed by the Monetary Authority of Singapore. It is for information only, and is not a recommendation, offer or solicitation to deal in any capital markets products or investments and does not have regard to your specific investment objectives, financial situation or particular needs. You should read the prospectus and Product Highlights Sheet for the Lion-Phillip S-REIT ETF ("ETF"), which is available and may be obtained from Lion Global Investors Limited or any of the appointed Participating Dealers ("PDs"), before deciding whether to purchase units in the ETF. Investments are subject to investment risks including the possible loss of the principal amount invested.

The performance of the ETF, the value of its units and any accruing income are not guaranteed and may rise or fall. Past performance, payout yields and payments and any prediction, projection, or forecast are not indicative of the future performance, payout yields and payments of the ETF. You should independently assess any information, opinion or estimates, graphs, charts, formulae or devices provided and seek professional advice on them. Any information, opinions, estimates, graphs, charts, formulae or devices provided are subject to change without notice and are not to be relied on as advice. The ETF may invest in financial derivative instruments for hedging or for efficient portfolio management.

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.

Any dividend distributions, which may be either out of income and/or capital, are not guaranteed and subject to the Manager's discretion. Any such dividend distributions will reduce the available capital for reinvestment and may result in an immediate decrease in the net asset value of the ETF.

Morningstar® Singapore REIT Yield Focus Index℠ is a service mark of Morningstar Research Pte. Ltd. and its affiliated companies (collectively, "Morningstar") and have been licensed for use for certain purposes to Lion Global Investors Limited. The ETF is not sponsored, endorsed, sold or promoted by Morningstar, and Morningstar makes no representation regarding the advisability of investing in the ETF.

Manager: Lion Global Investors Limited (Co. Reg. No. 198601745D)

Sub-Manager: Phillip Capital Management (S) Ltd (Co. Reg. No. 199905233W)