

# The Compelling Singapore REITs Story

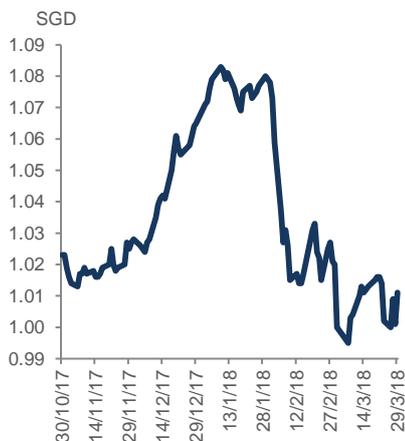
Quarterly Update: March 2018



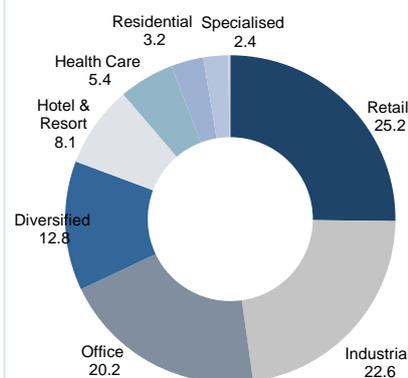
## LION-PHILLIP S-REIT ETF

Set Your Sights on a Sustainable Income Stream with High-Quality S-REITs<sup>1</sup>

### Market Closing Price



### Composition (in %)<sup>2</sup>



### Key Facts

- Replicates the Morningstar<sup>®</sup> Singapore REIT Yield Focus Index<sup>SM</sup> ("Index")
- 26<sup>3</sup> Real Estate Investment Trusts (REITs)
- Index gross current dividend yield of 5.7%<sup>4</sup>
- First distribution of S\$0.0168 per unit on ex-date 2 March 2018<sup>^</sup>
- Total AUM of S\$134.5m
- SGX stock code: CLR
- Bloomberg ticker: SREITS SP

Source: Bloomberg, Lion Global Investors, as at 29 March 2018; OCBC Investment Research, as at 2 April 2018.

<sup>^</sup> Pay-date of 16 March 2018. Distribution is for the period from inception (30 October 2017) to ex-date, and comprises only distributable income<sup>5</sup>.

For more information on the Lion-Phillip S-REIT ETF, please visit

<http://www.lionglobalinvestors.com/en/disclaimer-etf.html> or email us at [contactus@lionglobalinvestors.com](mailto:contactus@lionglobalinvestors.com).

# REIT in Focus:

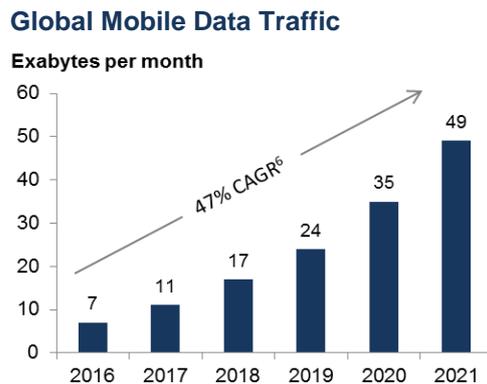
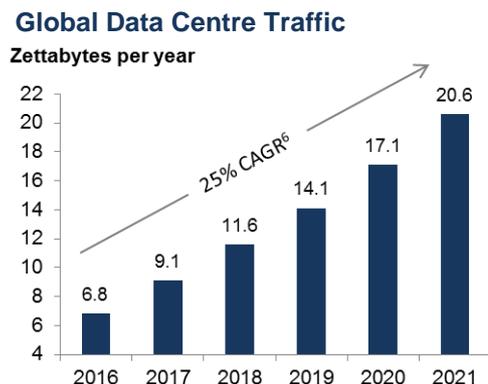
## Keppel DC REIT\*



Source: Keppel DC REIT, Bloomberg; as at 29 March 2018.

### Secular growth in data usage

Technological advancements and the rise of the digital economy are underpinning the growth in data creation and data usage, much of which could be linked to the increasing use of cloud computing. The proliferation of the internet and mobile connectivity in our daily lives are also contributing to this trend. We can see illustrations of this secular growth trend in the two charts below:



Source: Cisco Global Cloud Index, as at 1 February 2018; Cisco Visual Networking Index, as at 7 February 2017.

*Technology is driving the secular growth of data and demand for data centres*

This is in turn propelling global demand for data centres, as businesses look to outsource their storage needs. We highlight Keppel DC REIT (KDC) in this issue, a REIT that is well-positioned to benefit from this data-hungry trend.

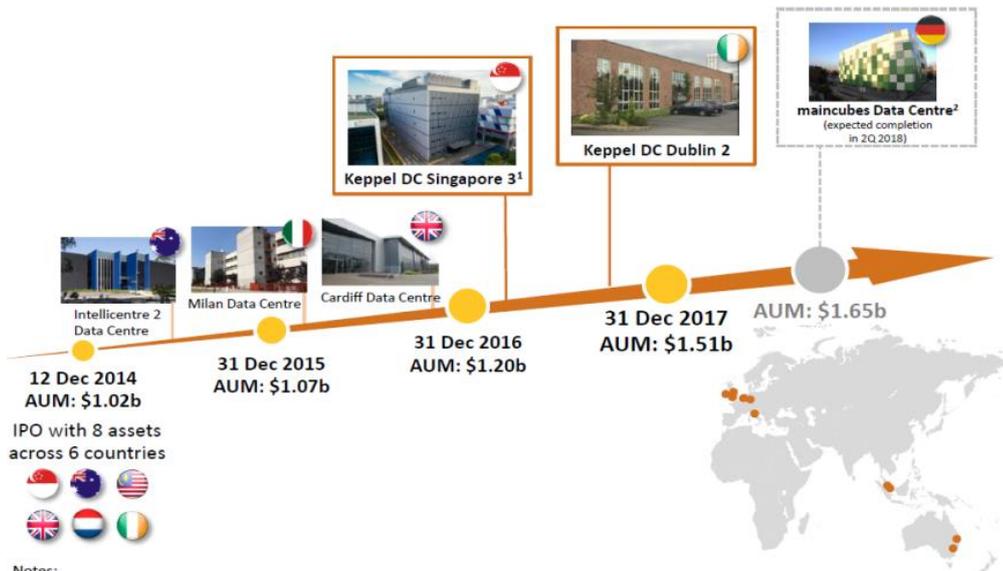
### Asia's first data centre REIT

Data centres are specialised facilities used to house mission-critical networking and computer equipment, providing a highly reliable and secure environment. The data centre sector typically has high barriers to entry, due to the prohibitive set-up costs and specialised technical knowledge.

Since its listing in December 2014, KDC has grown its portfolio steadily, as shown in the chart on the next page. Many of these data centres are located in key regional data centre hubs such as Singapore, Sydney, and Dublin. KDC has since built up a well-diversified portfolio, with good geographical diversification, and a healthy mix of established global clientele across trade sectors such as internet enterprises, telecommunications, information technology services, and financial services.

*KDC has built up a well-diversified portfolio of data centres in key regional hubs*

\* Lion-Phillip S-REIT ETF has a 2.4% exposure to Keppel DC REIT as at 29 March 2018.



Notes:

- (1) Acquisition of Keppel DC Singapore 3 was announced on 17 October 2016 and completed on 20 January 2017.
- (2) The forward purchase of maincubes Data Centre was announced on 28 October 2015 and legal completion is expected in 2Q 2018.

Source: Keppel DC REIT FY2017 Financial Results, 22 January 2018.

### Strong acquisition momentum

In recent years, KDC has been strengthening its presence in overseas markets through various acquisitions. These acquisitions, some of which are described below, have been a strong growth driver for KDC:

- In September 2017, KDC acquired Keppel DC Dublin 2, deepening its presence in Ireland. The data centre has a strong client profile and a long weighted average lease expiry of 10.7 years<sup>7</sup>.
- In March 2018, KDC announced the acquisition of the remainder of the 999-year leasehold interests in Keppel DC Dublin 1, allowing KDC to provide longer-term certainty to its clients<sup>8</sup>.
- The previously announced acquisition of maincubes Data Centre in Germany, KDC's first asset in the country, is expected to complete its development in Q2 2018<sup>9</sup>.

Together with the robust sector outlook, this acquisition momentum should bode well for KDC's growth going forward.

*KDC is well-positioned to benefit from the secular growth through its acquisitions*

## Trend in Focus:

### Evolution of Industrial REITs

Since the turn of the century, the Singapore government has sought to restructure its industrial landscape, amidst changing demographics and growing competition regionally and globally. The industrial sector no longer comprises only standard factories, warehouses, or petrochemical plants. Since the 1980s, science parks, and subsequently business parks and other specialised industrial parks, have been developed. These cater to the rising needs of research and development activities, as Singapore shifts its focus to knowledge-based industries, and the promotion of innovation and productivity.

This evolution is an ongoing one. The rise of disruptive technologies will continue to transform the industrial landscape, with more specialised clusters, as well as data centres, expected to be developed.

**From factories and petrochemical plants...**



Photo credit: Ascendas REIT, ST File.

**...to business parks and data centres.**



Photo credit: Ascendas REIT, Keppel DC REIT.

**Keeping up with Singapore's economic transformation**

A case in point is the growth of Singapore's biomedical sciences industry into a leading pillar of the economy. Owned by Ascendas REIT\*\*, Neuros & Immunos are a pair of multi-tenanted building which house a number of organisations conducting biomedical-related research and development work.

Singapore's push to become a financial hub has also greatly increased the demand for office space, and in turn driving up rental rates. Financial companies are consequently moving their non-client-facing operations out of the Central Business District. For example, Changi Business Park now houses the back office operations of major banks such as DBS, Citibank and Credit Suisse. DBS Asia Hub, another asset in Ascendas REIT's portfolio, is also where DBS works on fintech solutions to cater to changing consumer demand in this digital age.

*Financial companies and other niche sectors are increasingly utilising specialised hubs*



Neuros & Immunos; Photo credit: Ascendas REIT.



DBS Asia Hub; Photo credit: Ascendas REIT.

**Next phase – digital age**

Singapore is now embarking on the next phase of its economic transformation into the digital era, with industrial REITs again leading the way. Mapletree Industrial Trust (MINT)\*\* recently completed the redevelopment of a flatted factory cluster into a hi-tech purpose-built facility for Hewlett Packard, and is developing a new six-storey data centre in the west of Singapore, at an estimated cost of S\$76 million<sup>10</sup>.

As Singapore continues to transform in the years to come, we believe that industrial REITs will also continue to evolve and add value to the economy. This will help to create value for both their tenants and investors.

*Technology will again continue to shape the development of industrial REITs*

\*\* Lion-Phillip S-REIT ETF has a 9.7% exposure to Ascendas REIT, and a 6.0% exposure to Mapletree Industrial Trust, as at 29 March 2018.

## NOTES

<sup>1</sup> S-REITs are securities constituting the Morningstar<sup>®</sup> Singapore REIT Yield Focus Index<sup>SM</sup>.

<sup>2</sup> Composition chart does not add up to 100%. Cash and cash equivalents as at 29 March 2018 was approximately 0.2%.

<sup>3</sup> As at 29 March 2018. The number of S-REITs which constitutes the Index may be changed by Morningstar Research Pte Ltd from time to time.

<sup>4</sup> Based on weighted average of the 26 underlying constituents' current dividend yield as at 2 April 2018. Past payout yields and payments of the constituents of the Index do not represent future payout yields and payments.

<sup>5</sup> 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.

<sup>6</sup> Compound annual growth rate.

<sup>7</sup> Keppel DC REIT FY2017 Financial Results, 22 January 2018.

<sup>8</sup> <https://www.businesstimes.com.sg/companies-markets/keppel-dc-reit-to-acquire-long-leasehold-interest-in-dublin-property-for-30m-euros>

<sup>9</sup> Keppel DC REIT FY2017 Financial Results, 22 January 2018.

<sup>10</sup> Mapletree Industrial Trust Investor Presentation, SGX-REITAS Webinar, 9 February 2018.

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