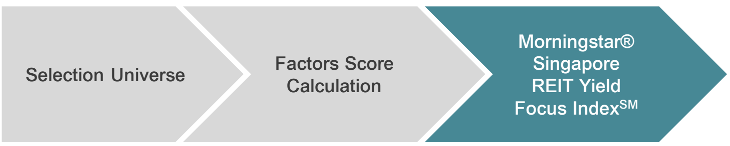
Lion-Phillip S-REIT ETF

Low cost, easy access to S-REITs[1]

Lion-Phillip S-REIT ETF is designed to provide investors with a low-cost access to 28[2] high-quality S-REITs that offers a sustainable income stream. It is passively managed to fully replicate the Morningstar® Singapore REIT Yield Focus Index℠ (Index).

Index Construction Methodology



Morningstar® Singapore REIT Yield Focus Index℠

Assign scores for the following factors:
- Quality
- Financial Health
- Dividend Yield

Portfolio weights based on factors score: Adjusted for liquidity of underlying REIT

The Index is designed to screen for high-yielding REITs with superior quality and financial health

KEY FACTS

Full replication of the Morningstar® Singapore REIT Yield Focus Index℠("Index")

28[2] high quality S-REITs

Latest distribution of S$0.0289 per unit on ex-date 31 January 2020^

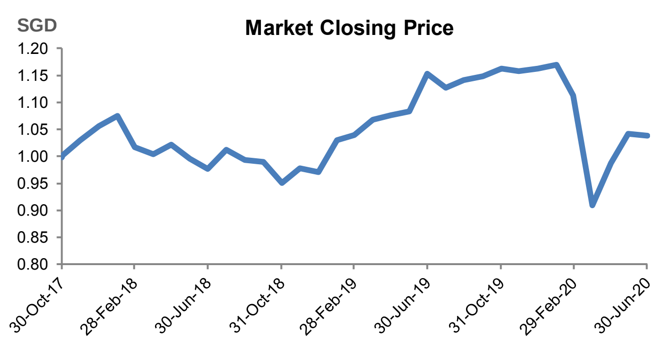
Gross current dividend yield of 5.0%[4]

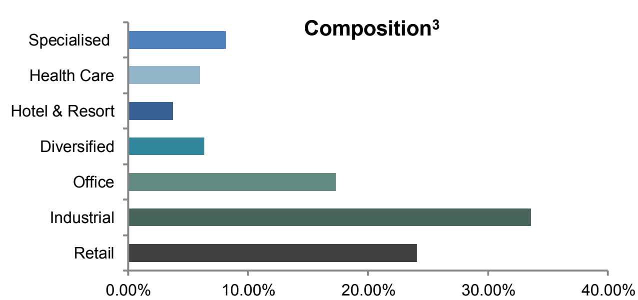
Total AUM: S$167.2million

Management fee: 0.50% p.a.

SGX stock code: CLR

Bloomberg ticker: SREIT SP





Source: Bloomberg, Lion Global Investors, as at 30 June 2020. ^Pay-date of 28 February 2020. Distribution is for the period from 1 July 2019 to 31 December 2019, and comprises of 100% distributable income[5] and 0% 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

Singapore REITs Outlook

Gradual recovery in Covid-19

2020 has been a challenging year for the Singapore REITs sector so far. The FTSE ST REIT Index fell as much as 38% in March 2020 largely due to investors' concerns of the impact of Covid-19. We note that the sell-down was broad-based, with the hospitality and retail segments underperforming as investors expect greater earnings disruption.

The sector saw a strong rebound in the second quarter, rising by 35.5%[6] from March's lows (as of 30 June 2020). We attribute this impressive recovery to the aggressive fiscal and monetary policies implemented by policy makers. Firstly, the Singapore government has committed almost S$100 billion or nearly 20% of the country's Gross Domestic Product through four different Budgets to help steer Singapore through this Covid-19 crisis. The main objective of the government's aggressive spending is to help businesses stay afloat, thereby keeping unemployment low. Furthermore, central banks globally, including the Federal Reserve, have also injected a lot of liquidity into the system. This has helped to keep interest rates, both on the long and short end, low. These supportive measures have been effective in helping equities markets globally to bounce back quickly.

Strong Government support keeping businesses buoyant amid troubling times

Phase 2 of Circuit Breaker (CB) – rays of hope sighted

Retail REITs – Challenging moments ahead

Looking ahead, we believe that the worst is over for the Singapore REITs sector. Singapore entered into Phase 2 of its reopening on 19 June 2020, as it attempts to reboot the economy after 2 months of CB. Under Phase 2, most retail businesses will be allowed to operate while dine-in at food and beverage outlets is also permitted. As such, most retail malls will be able to operate at about 70-90% normal capacity in Phase 2, thereby generating rental income for the retail REITs after more than 2 months of disruptions. While we expect retail REITs to report weak second quarter earnings due to the effects of the CB, we believe that this has been well reflected in their share prices.

Hospitality REITs – Weathering through the storm in 2020

We expect the hospitality sector to remain under pressure in the near term. While we are seeing gradual easing of travel restrictions globally, travels are restricted mainly to essential business trips. Furthermore, given the nature of the Covid-19 crisis, we believe that it will take a long time before leisure and even business travel revert back to normal. Hence, we remain cautious in this segment for now. We applaud the Singapore's government efforts to boost the sector through proposed 'travel bubbles' and 'green lanes', but we believe the positive effects are likely only to be seen in 2021.

Office REITs – Trending cautiously amid rising trend of working from home (WFH) against need for de-densification in implementing safety distance measures

The office segment is likely to remain stable despite the Covid-19 crisis. Given the aggressive fiscal spending by the Singapore government, we believe that many businesses will remain viable during this recession and as such, demand for office space is unlikely to fall drastically. Given the uncertainty in the global economy, we believe tenants will renew their leases in their existing premises, instead of shifting to a new location. This trend is likely to benefit the office REITs with good quality portfolio as they enjoy high occupancy of more than 90%. That said, we believe that rental reversion will likely be flattish as tenants become more price sensitive in times of recession.

Industrial REITs – Optimistic recovery ahead despite disruptions from Covid-19 on society's lifestyle

The industrial segment has turned out to be the silver lining for the real estate sector during this Covid-19 crisis. As cities enter into lockdown mode and most people working from home, demand for certain industrial real estate has increased during this period. With shops closed, most people have turned to online shopping to buy what they need. This has led to an increased in logistics demand as e-commerce operators take up more space to cope with the surge in business. Similarly, digital data consumption has increased during this period, creating additional demand for data centres. These structural trends are likely to continue beyond Covid-19, offering industrial REITs long term growth opportunities.

Interest Rates expected to remain low for times ahead

We reiterate that interest rates remain a key risk factor for the Singapore REITs sector. However, recent commentary by various central banks[7] has reaffirmed our view for lower interest rate outlook. As such, we believe that the current interest rate environment is supportive of Singapore REITs' valuation.

The road ahead remains unclear. While we look forward to the successful development of a vaccine, we remain vigilant on a potential second wave of Covid-19 infection, which might lead to another shutdown of the economy.

Most of the Singapore REITs are in a strong financial position to weather this COVID-19 storm

Notes

[1]S-REITs are securities constituting the Morningstar® Singapore REIT Yield Focus Index℠.

[2]As at 30 June 2020. The number of S-REITs which constitutes the Index may be changed by Morningstar Research Pte Ltd from time to time.

[3]Composition chart does not add up to 100%. Cash and cash equivalents as at 30 June 2020 was approximately 0.86%.

[4]Based on the weighted average 12-month trailing dividend yield of the underlying S-REITs as at 30 June 2020. 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]Based on BloomBerg **FSTREI Index a**s at 30 June 2020.

[7]https://www.nytimes.com/2020/03/03/business/economy/fed-rate-cut.html
https://www.straitstimes.com/business/banking/local-banks-cut-interest-rates-on-savings-accounts-amid-covid-19-outbreak

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.

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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.

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