LION GLOBAL INVESTORS

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℠

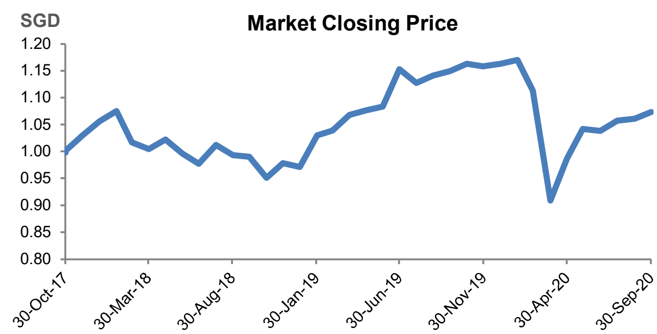
Assign scores for the following factors:
- Quality
- Financial Health
- Dividend Yield

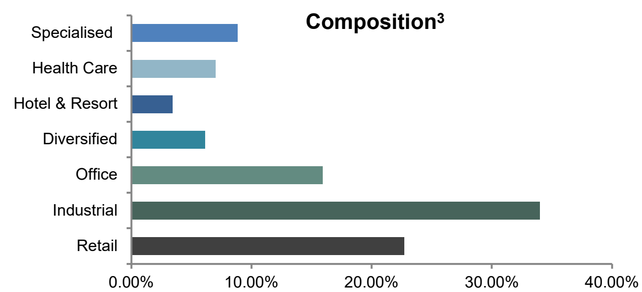
Portfolio weights based on factors score: Adjusted for liquidity of underlying REIT

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

KEY FACTS

1. Full replication of the Morningstar® Singapore REIT Yield Focus Index℠("Index")
2. 28[2] high quality S-REITs
3. Latest distribution of S$0.0210 per unit on ex-date 30 July 2020^
4. Gross current dividend yield of 4.6%[4]
5. Total AUM: S$176.4million
6. Management fee: 0.50% p.a.
7. SGX stock code: CLR
8. Bloomberg ticker: SREITS SP





Source: Bloomberg, Lion Global Investors, as at 30 September 2020. ^Pay-date of 31 August 2020. Distribution is for the period from 1 January 2020 to 30 June 2020, and comprises of 70% distributable income[5] and 30% 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

Moments of Respite in Covid-19

The Singapore REITs sector has enjoyed a period of relative stability in 3Q20, with the FTSE ST REIT Index rising by 3.6% quarter to date (as of 23 September 2020). This is a sharp contrast to the volatile conditions in first half of 2020 which saw the Index fell by 22.8% in the first quarter, and a subsequent rebound by 14.6% in the following quarter.

In our view, the worst impact of Covid-19 is over for the Singapore REITs and investors are keen to focus on fundamentals as the sector adapts to the 'new normal'.

Office REITs – Embarking on Road to Steady Recovery

As the number of Covid-19 community infection cases has remained low, the government has decided to further loosen the restrictions under Phase Two of the reopening. On 23 September 2020, the government announced that it will allow more people to return to the workplace from 28 September 2020, subject to capacity and working time limits.

We view this new loosening as a strong positive for the office sector. While many have grown used to working from home during the course of this pandemic, it is hard to dispute that an office environment remains critical for most corporates. Apart from having a physical place for people to work, the office environment is also one that helps to cultivate corporate culture and build rapport among co-workers; this is hard to replicate in a pure online environment. As such, we believe the risk of a significant decline in office demand on the back of this work-from-home trend is over-stated.

Furthermore, the sector has also received strong tailwinds in recent times. China internet companies [6] Bytedance, Alibaba and Tencent [7] have all chosen to set up regional offices here in Singapore. We believe this will lead to a meaningful increase in demand for office leasing here in Singapore, not just from these 3 Internet giants, but also other smaller enterprises looking to supporting them. With office supply conditions relatively benign over the next few years, we are positive on the outlook of the office sector.

Retail REITs – Beneficiary of Government's easing measures

The government's move to allow more people to go back to their workplace will also be a positive for the retail sector, especially those malls that are located in the city-centre. Post the end of the Circuit Breaker in June 2020, footfalls at suburban malls have steadily recovered as people opt to shop near their homes. With more people going back to their offices, we expect malls that are located near offices (for example Suntec City, Raffles City and VivoCity) to enjoy higher footfall and sales going forward. We are hopeful that this gradual reopening of the economy will lift some pessimism in the retail market.

During the press briefing on 23 September 2020, the government also mentioned that it is planning for Phase 3 of the re-opening of Singapore and this will include the easing of border control measures and the size limits on social gatherings. We believe that this will further improve the operating conditions of both the retail and hospitality REITs.

Hospitality REITs – Holding It Out Till Clarity In Phase 3 of Singapore's Re-Opening

The hotel sector remains in the doldrums for now, as tight travel restrictions globally have really put a dent on hotel bookings. While locals are encourage to take up 'staycations' to help the ailing industry, this is unlikely to fully replace the demand from overseas tourists. As such, we remain cautious on the hotel sector, until Singapore reaches Phase 3 and beyond.

Industrial REITs – Staying Firm and Steady For the Long Run

While the hotel, office and retail sectors are affected by Covid-19, it is more or less business as usual for the industrial sectors. This is especially true for the logistics and data centres segments, which are buoyed by structural tailwinds – namely rising ecommerce demand and higher data consumption respectively. We expect this sector to remain defensive over the long term.

With day-to-day operations starting to move back to normal, Singapore REITs have also regained their appetite for acquisitions. During the quarter, a number of REITs (including Frasers Centrepoint Trust, Mapletree Industrial Trust, Keppel REIT and Ascendas REIT)[7] have announced acquisitions that were well received by the market. We see this as a sign of investors' confidence regaining after a difficult first half of the year.

We reiterate that interest rates remain a key risk factor for the Singapore REITs sector. However, recent commentary by various central banks has reaffirmed our view on lower interest rate outlook. As such, we believe that the current interest rate environment is supportive of S-REITs valuation. We continue to remain vigilant on a potential second wave of Covid-19 infection that might be already happening in foreign countries, and which might lead to another shutdown of the economy.

Promising signs of vitality in most of the Singapore REITs Sector show encouraging recovery out of COVID-19 storm.

Notes

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

[2]As at 30 September 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 September 2020 was approximately 1.96%.

[4]Based on the weighted average 12-month trailing dividend yield of the underlying S-REITs as at 30 September 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]https://www.straitstimes.com/business/singapore-continues-to-draw-investments-from-global-players

https://www.straitstimes.com/business/companies-markets/tencent-setting-up-regional-hub-in-spore

[7]The references to any particular company is intended for illustration purposes only and is not indicative of Lion Global Investors Limited's intention to invest in such company or a recommendation to invest in the securities of such company or its products or services.

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.

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)