LION GLOBAL INVESTORS

QUARTERLY UPDATE, DECEMBER 2019

THE COMPELLING SINGAPORE REITS STORY

A SUSTAINABLE INCOME STREAM FROM HIGH-QUALITY REITS

In This Issue

Lion-Phillip S-REIT ETF

Low Cost, easy access to Singapore REITs

Lion-Phillip S-REIT ETF is designed to provide investors with a low-cost access to 28 high-quality S-REITs[1] 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 Index Constituents

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[3] high quality REITs

Latest distribution of S$0.0281 per unit on ex-date 30 July 2019^

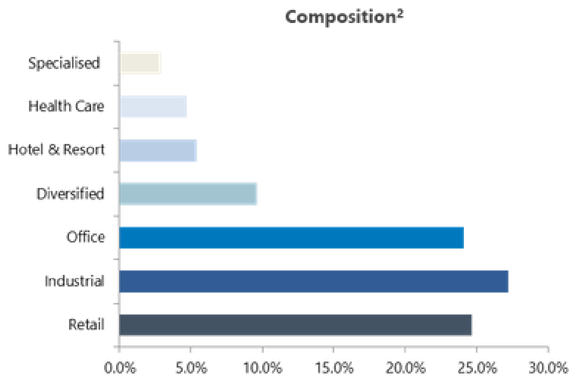
Gross current dividend yield of 4.9%[4]

Total AUM: S$155.6million

Management fee: 0.50% p.a.

SGX stock code: CLR

Bloomberg ticker: SREIT SP

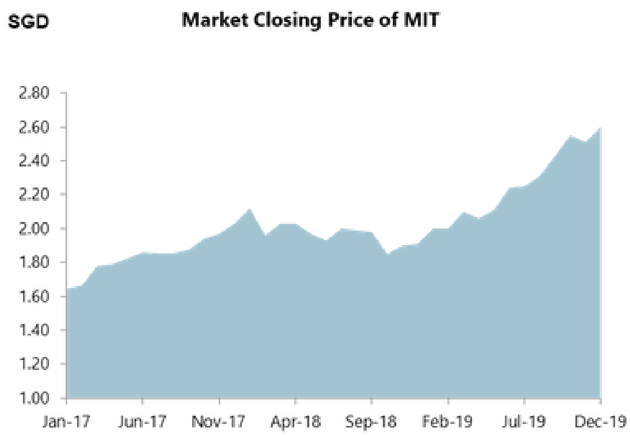


Source: Bloomberg, Lion Global Investors, as at 31 December 2019. ^Pay-date of 30 August 2019. Distribution is for the period from 1 January 2019 to 30 June 2019, and comprises of 100% distributable income[5] and 0% capital component. Past payout yields and payment do not represent future payout yields 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

REIT in Focus

Mapletree Industrial Trust*

In this issue, we highlight **Mapletree Industrial Trust** (MIT), a real estate investment trust ("REIT") with the principal strategy of investing in properties for industrial purposes, as well as primarily for data centres worldwide. MIT's global property portfolio comprises of 87 industrial properties in Singapore and 14 data centres in the United States.



Source: Bloomberg as at 31 December 2019

KEY FACTS

101 properties valued at approximately S$4.8billion as at 30 September 2019.

Diverse portfolio across various segment:
Flatted Factories, Business Park Buildings, Hi-tech Buildings, Stack-up/Ramp-up Buildings, Data Centres, Light Industrial Buildings.

In the last two years, MIT has been aggressively growing its portfolio through acquisitions and developments.

MIT is in the midst of making further acquisition of data centres in the North America. When the acquisition is completed, MIT's exposure to North Amercia data centres will increase from 9.2% to 24.3%.

Recent distribution of 0.0293 cents on ex-date 24 September 2019, with estimated gross dividend yield of 4.76%.

Source: MIT Investor Presentation, September 2019; Bloomberg as at 31 December 2019.

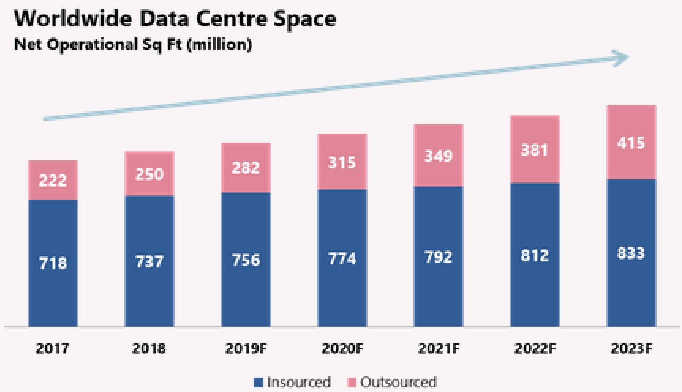
* Lion-Phillip S-REIT ETF has a 6.6% exposure to Mapletree Industrial Trust as at 31 December 2019

MIT is poised for growth by acquisitions and redevelopment

Acquisitions of data centres in North America

MIT is in a (50:50) joint venture with Mapletree Investments to acquire 10 powered shell data centres and co-invest in 3 turnkey data centres in North America. MIT's share of the purchase consideration amounted to US$683.9 million. The acquisition will be funded by a combination of debt as well as equity. MIT raised $400 million from a private placement of 176.6 million new units at $2.265 per unit in September 2019. The private placement was about 6.3 times covered with strong participation from a broad spectrum of investors.

The acquisition of the 3 turnkey data centres has just been completed and the acquisition of the 10 powered shell data centres will complete by early 2020.



Joint Venture with Mapletree Investments Presentation Slides, September 2019

With this acquisition, MIT is positioned to benefit from the growing global demand for data centre space.

Redevelopment of flatted factory cluster into high-tech industrial precinct

MIT is in the midst of redeveloping Kolam Ayer 2 Flatted Factory Cluster into a new high-tech industrial precinct at a total project cost of S$263 million, with target completion date in second half of 2022. After redevelopment, the new high tech industrial precinct will include a seven-storey Build-to-Suit (BTS) Facility for an anchor tenant. The BTS facility is 100% committed by the anchor tenant for lease term of 15 + 5 + 5 years with annual rental escalations.

Redevelopment of existing assets into High-Tech Buildings will help to unlock the value for the MIT portfolio.


Kolam Ayer 2 Cluster at Kallang Way


Artist's impression of MIT's new high-tech industrial precinct with BTS Facility on the left

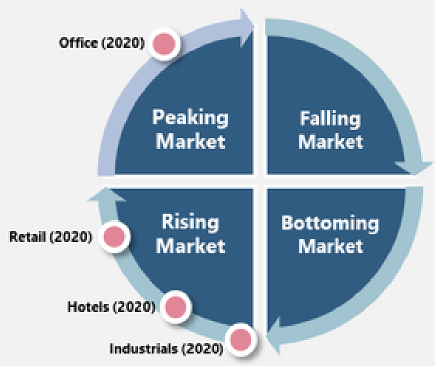
Singapore REITs Outlook

The Singapore REITs sector has enjoyed one of its best years in 2019, delivering a total return of more than 20%. This is mainly driven by bond yield compression and the sector offering above-average Distribution per Unit (DPU) growth.

Strong real estate fundamentals

In 2020, we expect the commercial real estate market to enter into its second year of recovery. The market benefitted in 2019 from favourable demand and supply dynamics and we believe this positive momentum to carry on into 2020. Spot rents are currently trending above passing rents; and we see a strong potential from Singapore REITs to deliver positive rental reversion and therefore higher DPU in 2020. In particular, we see higher earnings growth potential in industrial, retail and hospitality names. Office, which has had a stellar 2019, is likely to see slower growth in 2020.

Singapore Property Clock



Source: DBS Bank, Singapore REITs Focus, December 2019

Cheap cost of capital to fuel further acquisitive growth

With interest rates likely to remain lower for longer, Singapore REITs' cheap cost of funding will enable them to make more accretive acquisitions. The MAS is currently mulling to increase the gearing level to 50-55% from the current 45%. If passed, this will provide Singapore REITs more ammunition to bulk up their portfolios.

Furthermore, driven by the strong capital return in 2019, most Singapore REITs are now trading above their book value, thereby lowering their cost of equity. As such, we expect Singapore REITs to take full advantage of this attractive cost of funding (both debt and equity) and grow their portfolios and DPUs through more acquisitions in 2020.

We note that attractive commercial real estate assets are hard to come by in Singapore and hence, Singapore REITs are likely to make more acquisitions overseas. We think acquisitions in developed markets (US, Australia, Europe) will be more acceptable by investors given their lower volatility and hence more attractive risk profiles.

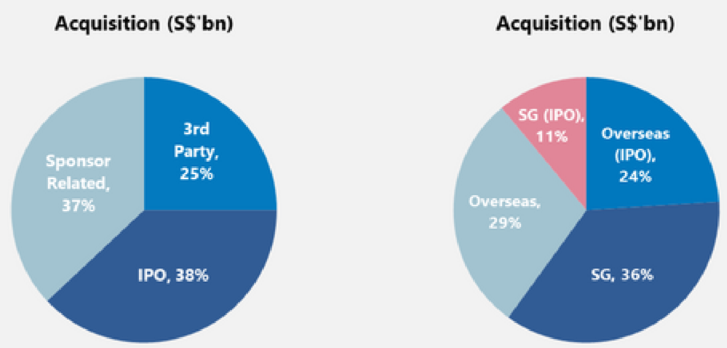
Bigger is better - Singapore REITs consolidation to continue in 2020

Apart from buying new assets to improve earnings growth, Singapore REITs have also consolidated and grew through M&A deals in 2019. Notable deals include the merger between Ascott REIT and Ascendas Hospitality Trust and OUE merging both of its REITs into a single vehicle. We believe that 2020 will see more such deals; already, Frasers Logistics and sister REIT Frasers Commercial are in the midst of getting shareholder approval for a merger.

We see a number of benefits for smaller REITs to merge. Firstly, Singapore REITs with bigger free-float market capitalizations are more likely to be included in market indices such as EPRA NAREIT, MSCI and STI. Entry into such indices will eventually lead to capital inflows (both active and passive) for these REITs and they could see a share price re-rating as a result.

This re-rating will help to lower the REIT's cost of capital and hence makes it easier for the REIT to raise funds to make more new accretive acquisitions.

S-REITs continue to acquire to bulk and grow



Source: CEIC, DBS Bank, Singapore REITs Focus, December 2019

Singapore REITs in total acquire close to S$14.5bn in assets from existing listed REITs and new listed Singapore REITs.

Interest rate volatility remains the key risk

We believe that interest rate volatility is the biggest risk for the sector. We see downside risks to REIT's valuation should the Fed change its tack and start to hike rates in 2020. Also, any sharp spike in the US 10 year Treasury yield would also cause the sector to underperform, in our view.

While we remain constructive on Singapore REITs in 2020, we expect the sector to offer a lower, but more normalized total return profile.

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 2019 was approximately 1.40%.

3 As at 31 December 2019. 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 2019. 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.

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.

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)