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

Selection Universe → Factors Score Calculation → Morningstar® Singapore REIT Yield Focus Index℠

Selection Universe: Morningstar® Singapore REIT Yield Focus Index℠

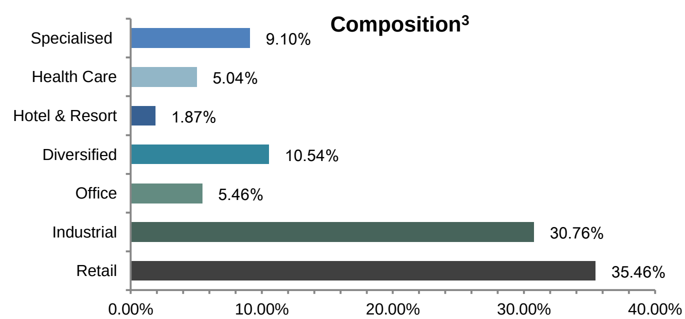
Factors Score Calculation: Assign scores for the following factors:
- Quality
- Financial Health
- Dividend Yield

Morningstar® Singapore REIT Yield Focus Index℠: 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$0.0260 per unit on ex-date 27 January 2022^
4. Gross current dividend yield of 4.88%[4]
5. Total AUM: S$283.2 million
6. Management fee: 0.50% p.a.
7. SGX stock code: CLR
8. Bloomberg ticker: SREITS SP



Source: Bloomberg, Lion Global Investors, as at 31 March 2022. ^Pay-date of 28 February 2022. Distribution is for the period from 1 July 2021 to 31 December 2021, 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

Singapore REITs – Resilient amidst challenges

The Singapore REITs sector has performed relatively well, trading flat year to date. This is despite a couple of headwinds in the sector and the overall equity market in general. The armed conflict between Russia and Ukraine has caused a sharp spike to the already elevated oil prices. This inflationary pressure is likely to put some pressure on the sector's profitability due to higher operational costs. We estimate that maintenance and utilities costs account for about 6-10% of revenue and each 5% hike in maintenance cost and 50% increase in utilities charges will cause a 0.9-3.4% decline in distributable income[6]. However, we believe that the full impact will not be seen immediately as most Singapore REITs have rolling contracts that will provide some relief over time.

More importantly, this cost inflation pressure will likely motivate more Singapore REITs to pay more attention to energy saving and adopt greener policies in managing their portfolios. We welcome this move as it will improve the sector's overall ESG standing. On a related note, the inflationary pressure is forcing central banks around the world to turn more hawkish on the interest rate front. In the middle of March 2022, the US Federal Reserve announced its first rate hike since 2018 and the dot plot suggests that we will see 6 more hikes before the end of the year[7].

We estimate that for every 100 basis points increase in debt costs, the Singapore REITs sector will see a small earnings decline of 1-2%[8]. Notably, since the Global Financial Crisis, Singapore REITs have done a good job spreading out its debt repayment schedule to reduce concentration risks. This will ensure that any sharp increase in rates will not affect the sustainability of the sector's earnings. Furthermore, the sector's gearing is healthy at about 38%[9], well below the MAS gearing limit of 50%.

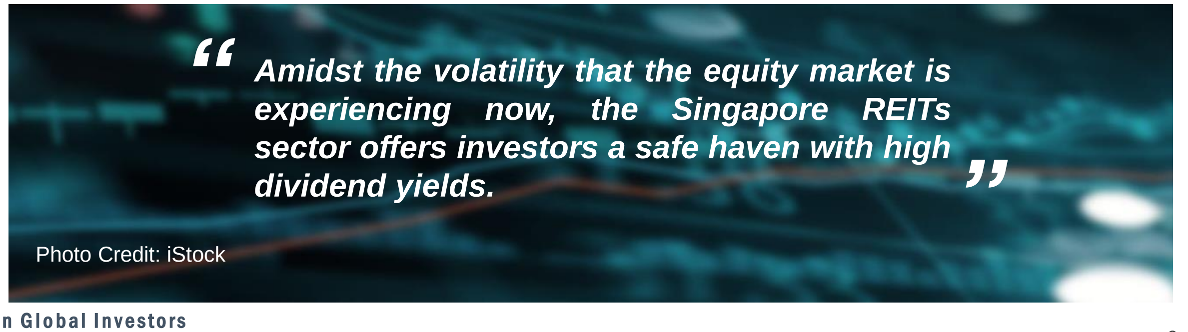
Looking ahead

Despite the headwinds listed above, the Singapore REITs have been resilient year to date. We attribute this to 2 key factors:

Firstly, the sector is widely regarded as defensive given its highly visible earnings profile. Amidst the volatility that the equity market is experiencing now, the Singapore REITs sector offers investors a safe haven with high dividend yields. In addition, the Monetary Authority of Singapore (MAS) has been allowing the Singapore dollar to appreciate to combat rising inflation. The strength of the Singapore dollar makes the Singapore REITs sector attractive in the eyes of foreign investors.

Furthermore, Singapore is making good progress in our fight against Covid-19. On 15 March 2022, we eased more social distancing measures as we move further towards an endemic nation. With restrictions easing and life moving back to normal, we expect the office and retail REITs to see meaningful earnings growth in FY22. Moreover, Singapore is committed to reopen its borders to more vaccinated travelers. For example, we have extended the Formula 1 race by another 7 years to 2028 as we look to welcome more tourists to our shores. This will be a major boost for the hotel sector.

We believe that the continual reopening of Singapore will provide strong earnings growth for the Singapore REITs sector, thereby mitigating some of the challenges mentioned above.



Notes

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

[2]As at 31 March 2022. 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 31 March 2022 was approximately 1.77%.

[4]Based on the weighted average 12-month trailing dividend yield of the underlying S-REITs as at 31 March 2022. 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]LGI estimates

[7]https://www.cnbc.com/2022/03/16/federal-reserve-meeting.html

[8]LGI estimates

[9]LGI estimates

For more information on the Lion-Phillip S-REIT ETF, please visit:
https://www.lionglobalinvestors.com/en/fund-lion-phillip-s-reit-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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