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 25[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℠

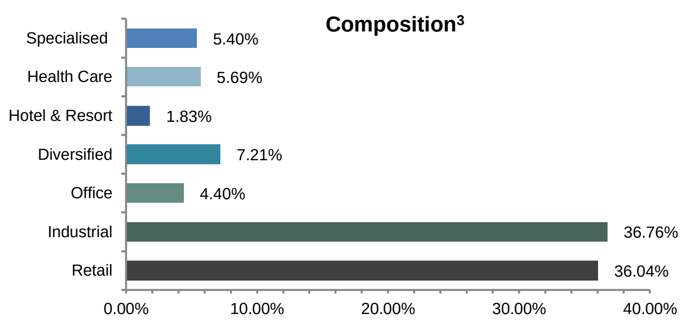
Assign scores for the following factors:
- Quality
- Financial Health
- Dividend Yield

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. 25[2] high quality S-REITs
3. Latest distribution of S$0.0240 per unit on ex-date 28 July 2022^ (Note: Distributions are not guaranteed and may fluctuate)
4. Gross current dividend yield of 5.62%[4]
5. Total Assets Under Management (AUM): S$285.1 million
6. Management fee: 0.50% per annum (p.a.)
7. SGX stock code: CLR
8. Bloomberg ticker: SREITS SP



Source: Bloomberg, Lion Global Investors, as at 30 September 2022. ^Pay-date of 29 August 2022. Distribution is for the period from 1 January 2022 to 30 June 2022, and comprises of 59% distributable income[5] and 41% capital component. Past payout yields and payment do not represent future payout yields and payments. Distributions are not guaranteed and may fluctuate. 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 – Attractive in anticipation of peaking inflation

Driven by continued inflationary pressure, the US Federal Reserve has continued to adopt a hawkish stance on its monetary policy. As a result, the US 2-year Treasury yield rose to 4.22% on 30 September 2022, its highest level since 2007[6].

Nevertheless, we believe the high inflation narrative is at its last legs. There are a couple of reasons for this. Firstly, oil prices, a key driver of global inflation, have fallen by about 30% since its peak in March 2022 during the start of the war in Ukraine[7]. Lower oil prices should gradually feed into the real economy as we move into 2023. Secondly, China is on the path towards fully reopening its economy in 2023, as it gradually eases out of its self-imposed COVID restrictions. This would alleviate inflationary pressures caused by supply-chain bottlenecks. Therefore, as financial markets start to look ahead and price forward into 2023, we can anticipate the easing of global inflation, enabling the Singapore REIT space to continue attracting investment.

Fundamental Recovery

The post-pandemic recovery in the Singapore economy has been translating into positive rental recoveries across the REIT space. With supply remaining tight, commercial landlords are in a good position to raise rents. In the Office space, the outlook remains firm, with a pick-up in leasing demand and pre-commitment rates driving up grade A rents up 3.2% quarter-on quarter (QoQ) to S$11.30 monthly per square foot (psf) in the second quarter of 2022. The gradual reopening of the economy is also supporting retail mall rents, with tenant sales now 10% to 20% above pre-Covid levels. Meanwhile, the all-industrial rental index grew 1% QoQ, the first increase since 2014, reflecting a favorable supply situation[8]. Therefore, such evidence of improving fundamentals contrast with increasing concerns of a global recession and strengthens the Singapore REIT sector as a steady and defensive asset class.

Apart from rising inflation and interest rates, the world is facing other challenges such as the pandemic, armed conflicts and other geopolitical and social tensions. Amidst the chaos and volatility around the world, Singapore's safe-haven status has improved since the pandemic. The Singapore dollar's strength in 2022 year to date is a strong testament of investors' confidence in our social stability and economic growth prospects. This inflow from foreign investors will help support the Singapore REIT sector's valuation.

Photo Credit: iStock

Notes

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

[2] As at 30 September 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 30 September 2022 was approximately 2.67%.

[4] Based on the weighted average 12-month trailing dividend yield of the underlying S-REITs as at 30 September 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] https://www.cnbc.com/2022/09/15/us-bonds-treasury-yields-in-focus-ahead-of-fed-meeting.html

[7] Bloomberg, as at 30 September 2022.

[8] CLSA, Singapore REITs sector outlook, 1 September 2022.

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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