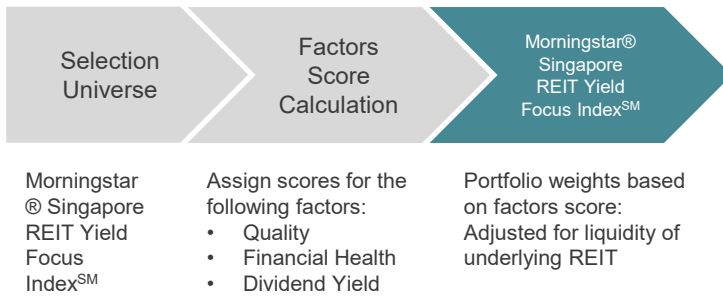


Lion-Phillip S-REIT ETF

Low cost, easy access to S-REITs¹

Lion-Phillip S-REIT ETF is designed to provide investors with a low-cost access to 21² high-quality S-REITs that offers a sustainable income stream. It is passively managed to fully replicate the Morningstar® Singapore REIT Yield Focus IndexSM (Index).

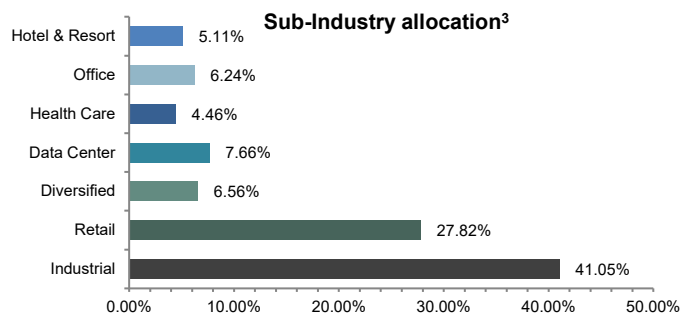
Index Construction Methodology



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 IndexSM ("Index")
2. 21² high quality S-REITs
3. Latest distribution of S\$0.0267 per unit on ex-date 28 Jul 2023[^] (Note: Distributions are not guaranteed and may fluctuate)
4. Net current dividend yield of 5.10%⁴ (excluding 0.60% total expense ratio)
5. Total Assets Under Management (AUM): S\$369.0 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 31 December 2023. [^]Pay-date of 28 August 2023. Distribution is for the period from 1 January 2023 to 30 June 2023, and comprises of 87.3% distributable income⁵ and 12.7% capital component. Distributions are not guaranteed and may fluctuate. Past distributions are not necessarily indicative of future payments. Distribution payouts and its frequency might be changed at the Manager's discretion and can be made out of income, capital or both. Any payment of distributions by the fund may result in an immediate reduction of the net asset value per share/unit. Please refer to LGI website for more information on the income disclosures

Singapore REITs Outlook

Singapore REITs – Q4 2023 Outlook: Preparing for the Fed Pivot

During the Federal Open Market Committee (FOMC) meeting in December 2023, Chairman Powell kept interest rate unchanged at the current 5.25% to 5.50%, but the latest updated quarterly projections signaled that there could be a rate cut of 75 basis points (bps) in 2024. Markets rallied higher given the latest change that the long-awaited pivot is coming, and that the Fed has won its battle against inflation with a Goldilocks soft landing scenario. That said, more back and forth is to be expected with Fed speakers sounding more hawkish to dial back market expectations. Our read is that this is to increase policy room for Fed to maneuver in case economic and inflation data are stronger than expected as we enter 2024.

From the perspective of Singapore REITs, we have been more constructive on Singapore REITs given their strong fundamentals vis a vis some market participants flip-flopping with the latest interpretation of the Fed's intentions. Our perspective remains that the next big trade is to trade on interest rate cuts. In terms of positioning, our preference is to add to subsectors that have been hurt harder by the interest rate hikes, or alternatively, add on more risk to Singapore REITs given that generalists would look to increase their real estate exposure given a more benign interest rate outlook going forward.

Position for rally of Singapore REITs in 2024

The Lion-Phillip S-REIT ETF has rallied 12% from its Oct 2023 lows and we believe there is more room to go given that are still at early innings. In terms of subsectors, industrial REITs continue to be defensive with capital recycling take place and leverage ratio among blue chip industrial REITs (i.e. CapitaLand Ascendas REIT, Mapletree Logistics Trust) comfortably below 40%. In the same vein, retail REITs have also been resilient with positive rental reversion supported by a strong economy and tourist arrivals into Singapore. Selected industrial and retail REITs are also likely to benefit from a lower interest rate environment to carry out M&A activities.

We are turning more constructive on the office sector. A global rally in office REITs in Nov to Dec 2023 gave confirmation that most negatives are priced in and that selective opportunities are emerging for oversold names. Increasingly, more corporates are taking a forceful approach to make sure that their staff return to office as hybrid work arrangements become the norm, and greater ESG demand for quality office space remains a structural trend. Office occupancies in Singapore are in the high 90% and while office rental reversion is softening, a hard landing economic scenario is likely to be off the table for now.

Within the space of Singapore REITs, there are also selected names with strong fundamentals but have stretched balance sheets or are not well hedged. These selected names have been unduly punished by the market in 2023 and are set to re-rate sharply higher in a more favorable interest rate environment. Given a more favorable interest rate environment, Singapore REITs should be better placed in 2024 and the Nov to Dec 2023 rally give us more confidence in our outlook.

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We believe our ETF's approach of investing in quality Singapore REITs with superior sound financial health will continue to help investors access sustainable income.

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Photo Credit: iStock

Notes

¹ S-REITs are securities constituting the Morningstar® Singapore REIT Yield Focus IndexSM.

² As at 31 December 2023. 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 December 2023 was approximately 1.1%.

⁴ Source: Bloomberg as at 31 December 2023. Based on the weighted average 12-month trailing dividend yield of the underlying S-REITs and excluding the ETF's 0.60% total expense ratio. 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.

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.

All data are sourced from Lion Global Investors and Bloomberg as of 31 December 2023 unless otherwise stated.

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The units of the ETF are listed and traded on the Singapore Exchange Securities Trading Limited (“SGX-ST”), 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 manager of the ETF, but you may, subject to specific conditions, do so on the SGX-ST or through the PDs.

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