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 26[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).

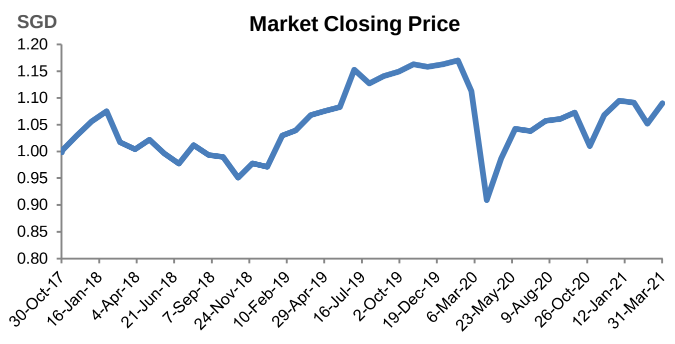
Index Construction Methodology

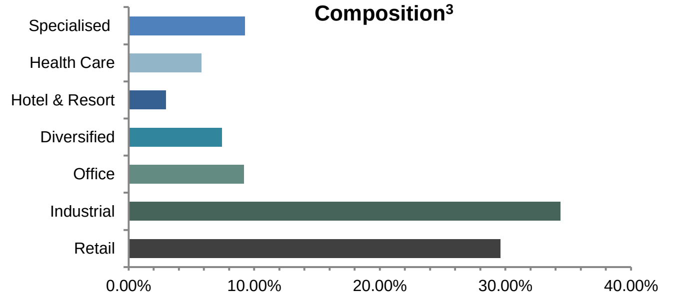
Selection Universe	Factors Score Calculation	Morningstar® Singapore REIT Yield Focus Index℠
Morningstar ® Singapore REIT Yield Focus Index℠	Assign scores for the following factors: • Quality • Financial Health • Dividend Yield	Portfolio weights based on factors score: Adjusted for liquidity of underlying 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. 26[2] high quality S-REITs
3. Latest distribution of S$0.0240 per unit on ex-date 28 January 2021^
4. Gross current dividend yield of 4.3%[4]
5. Total AUM: S$211.1million
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 2021. ^Pay-date of 26 February 2021. Distribution is for the period from 1 July 2020 to 31 December 2020, and comprises of 82% distributable income[5] and 18% 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

Risks of rising rates

It has been a lackluster start in 2021 for the Singapore REITs sector. The FTSE ST Real Estate Investment Trusts Index traded largely flat year-to-date, while the greater STI Index was up more than 11% as of 29 March 2021. We attribute this to a sharp increase in interest rates, especially at the longer end of the yield curve. With the US economy improving rapidly post last year's Covid-19 lows, there are concerns of rising inflation and this has caused a sharp sell-down in bonds leading to a significant rise in rates.

The US 10-year Treasuries have seen its yield go up from 0.91% at the start of the year to more than 1.66% as of 29 March 2021. As Singapore REITs have a strong correlation to bond yields, it is not surprising to see the sector underperform the general equity market.

Rates rise as a result of strong economic fundamentals

Despite this sharp increase in bond yields, we remain positive on the Singapore REITs sector in the long term. This is because unlike in a stagflation environment, this increase in bond yields is **backed by a strong global economic recovery post last year's pandemic.** While higher interest rates could put downward pressure on asset values, we believe that this could be mitigated by strong net property income growth, driven by rising rentals. With existing Covid-19 restrictions pushing back construction and hence delaying new supply of properties, we believe that competition will be moderate and leasing conditions will further improve in favor of the landlords.

Furthermore, despite seeing improvements in the US economy, **the Fed has reiterated its desire to keep short term interest rates low for the time being.** This means that borrowing cost for the Singapore REITs sector could remain low in the near term. This will create a favorable environment for the Singapore REITs to go into the market and make accretive acquisitions, thereby generating stronger earnings growth for investors.

Updates on Covid-19

Singapore moved into Phase 3 of its reopening on 28 December 2020 and the nationwide vaccination exercise also started at the end of last year. As of 23 March 2021, more than 1.1m doses of the vaccine have been administered[6].

The healthy ramp-up of vaccination, and the low community case count, has **given the government more confidence in opening up its economy**. On 24 March 2021, the government announced that more employees will be allowed to go back to their workplaces commencing from 5 April this year as the nation shifts from working from home as the default to a more flexible way of working. Up to 75 per cent of staff can return to the workplace at any one time, up from the current 50 per cent. Furthermore, the current restrictions requiring employees to work from home for at least half of their working time will also be lifted.

Anxiety subsides as the economy outlook brightens

We believe that this easing will be a positive for commercial landlords – both in the office and retail sectors. While work from home arrangement will be a mainstay in the post-pandemic world, the government's push for hybrid work arrangement will no doubt ease some fears of rapidly declining office demand.

In addition, we believe that the government's easing will boost footfall and sales for malls in and around the CBD area. These malls have underperformed suburban malls during the pandemic but we believe this trend will reverse as more people return to their workplaces.

With good progress and steady expansion of the Vaccination Programme in Singapore, we are optimistic the pandemic's impact on the Singapore REITs sector is soon to be over as the country steers towards recovery in 2021.

Notes

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

[2]As at 31 March 2021. 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 2021 was approximately 1.39%.

[4]Based on the weighted average 12-month trailing dividend yield of the underlying S-REITs as at 31 March 2021. 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.moh.gov.sg/news-highlights/details/expansion-of-vaccination-programme-further-easing-of-community-measures

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.

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