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℠

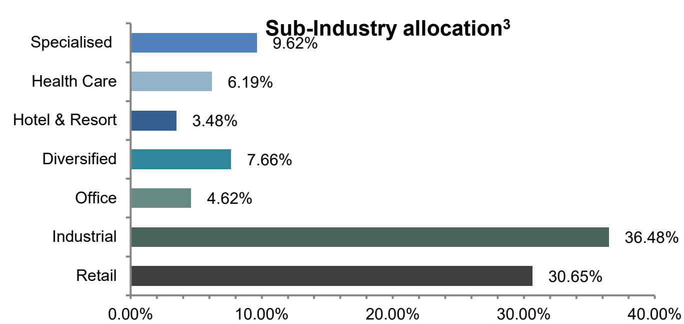
Assign scores for the following factors:
- Quality
- Financial Health
- Dividend Yield

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 31 Jan 2023^ (Note: Distributions are not guaranteed and may fluctuate)
4. Net current dividend yield of 5.01%[4] (excluding 0.60% total expense ratio)
5. Total Assets Under Management (AUM): S$307.4 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 March 2023. ^Pay-date of 28 February 2023. Distribution is for the period from 1 July 2022 to 31 December 2022, and comprises of 81.2% distributable income[5] and 18.8% 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 – Nexus of Peaking US Inflation, China Reopening

At the March Federal Reserve meeting, Chairman Jerome Powell signaled that “The Committee anticipates that some additional policy firming may be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2 percent over time”. That wording is a departure from previous statements which indicated “ongoing increases” would be appropriate to bring down inflation[6]. We continue to believe that the equity markets are shifting its narrative from inflation towards a global slowdown. As financial markets shift expectations towards a global slowdown, we can expect interest in the Singapore REIT space as a defensive asset class to resume. Singapore REITs are now looking attractive, especially for equity investors looking to reduce risk in preparation for a potential global economic slowdown.

In addition, whilst the US is bracing for an economic slowdown, China is likely to experience growth as the economy opens up with travel restrictions easing. China’s post-pandemic recovery in 2023 is a tailwind for Singapore, as spillover demand from business and consumer travel is likely to benefit the Singapore economy. Therefore, we believe that the Singapore REITs space is well placed for the whole of 2023 at the nexus of global financial flows seeking a defensive asset class as well as bottom-up fundamental improvement from China reopening demand.

Fundamental Recovery

Bottom-up fundamentals for the Singapore REIT sector are on the uptrend. The post-pandemic recovery in the Singapore economy has been translating into positive rental recoveries across the REIT space. Orchard prime retail rents grew by 4.2% Year-on-Year (YoY) in 2022 and are poised to grow 2.5% YoY growth in 2023, as Singapore’s tourism continues to recover. Supported by a return-to-office, other City Area rents are expected to increase by 1.5% YoY in 2023. Suburban prime retail spaces remain sought after by retailers and are supported by nearby residential catchments and hybrid work. This is reflected by tight vacancy rates (6.1% as of Q3 2022) in suburban retail areas. Suburban prime retail rents grew by 3.8% YoY in 2022 and are expected to grow a further 2.0% YoY in 2023, fueled by inflation and limited supply of prime retail space[7]. Therefore, such evidence of improving fundamentals contrast with increasing concerns of a global slowdown 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 armed conflicts and other geopolitical and social tensions. Singapore’s status as a safe haven has improved since the pandemic amidst the chaos and volatility around the world. Similarly, our approach in terms of REIT selection is to focus on investing in high quality, blue-chip REIT that can offer stable growth over time, such as those REITs managed by the CapitaLand, Frasers, Mapletree, and Keppel groups.

Photo Credit: iStock

Notes

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

[2] As at 31 March 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 March 2023 was approximately 1.3%.

[4] Source: Bloomberg as at 31 March 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.

[6] CNBC, "Fed hikes rates by a quarter percentage point, indicates increases are near an end", 22 March 2023

[7] Cushman and Wakefield, Singapore market outlook 2023

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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