

# Lion-Phillip S-REIT ETF

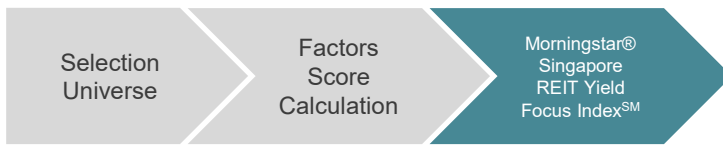


## Low cost, easy access to S-REITs<sup>1</sup>

The Lion-Phillip S-REIT ETF is designed to provide investors with a low-cost access to 21<sup>2</sup> high-quality S-REITs that offers a sustainable income stream. It is passively managed to fully replicate the Morningstar® Singapore REIT Yield Focus Index<sup>SM</sup> (Index).

Based on SGX ETF market highlights Q4 2023, this ETF achieved **top returns among Singapore equities ETFs on SGX in 2023**.

## Index Construction Methodology



Morningstar  
® Singapore  
REIT Yield  
Focus  
Index<sup>SM</sup>

Assign scores for the following factors:

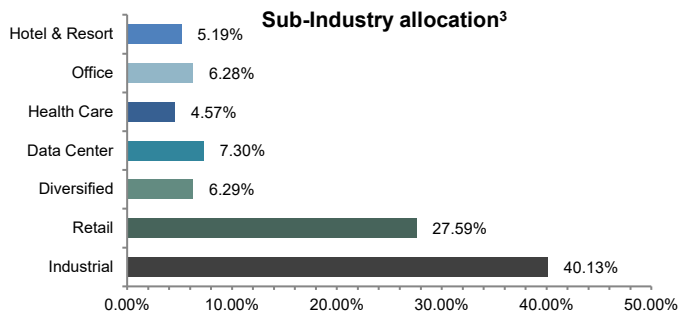
- Quality
- Financial Health
- Dividend Yield

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<sup>SM</sup> ("Index")
2. 21<sup>2</sup> high quality S-REITs
3. Latest distribution of S\$0.0215 per unit on ex-date 30 Jan 2024<sup>^</sup> (Note: Distributions are not guaranteed and may fluctuate)
4. Net current dividend yield of 5.84%<sup>4</sup> (excluding 0.60% total expense ratio)
5. Total Assets Under Management (AUM): S\$354.1 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 31 March 2024. <sup>^</sup>Pay-date of 28 February 2024. Distribution is for the period from 1 July 2023 to 31 December 2023, and comprises of 68.8% distributable income<sup>5</sup> and 31.2% 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 – Q1 2024 Review

Singapore REITs corrected in Q1 2024 due to market overoptimism that the US Federal Reserve would carry out the first rate cut in Mar 2024. However, given sticky inflation data and stronger than expected economic growth in the US, the Fed has pushed back expectation of the first cut till second half of this year while maintaining expectation of three cuts for the year. We maintain our view that Singapore REITs are nearing an inflection point. Compared to a year ago, there is a material shift in the conversations around the US interest rate environment. Investors have moved away from conversations over when interest rates would peak to when is the first interest rate cut and its magnitude after the US Federal Reserve hiked interest rates by 525 basis points (bps) since March 2022.

Historically, the pausing and cutting of interest rates are catalysts for strong Singapore REITs' outperformance. From Dec 2015 to Dec 2018, the Fed hiked interest rates by 225 bps.

## Singapore REITs continue exhibiting strong fundamentals in released 4QFY2023 results

While Singapore REITs reported broadly flat to slightly lower distributions per unit (DPU) on the back of higher interest expenses, there is broad consensus that the interest rates have peaked. Hence, we should see a smaller impact of rising interest rates as future interest costs of Singapore REITs are increasingly marked to market.

In addition, in recently concluded appraisal exercises, asset valuations of Singapore assets are stable, underscoring their resilience. Consequently, Singapore REITs reported sound financial metrics, and most Singapore REITs were able to stay within 2.5x for interest coverage and below 45% for gearing.

In terms of subsectors, we like Singapore REITs with structural demand able to withstand recessionary pressures. We like Singapore data centre REITs due to the structural growth in digitalization and generative AI demand. With the increasing popularity of co-pilot and similar products, we believe that this will lead to demand for more data centres, and data centres at key metros with limited power supply will be in high demand.

We continue to like industrial Singapore REITs given the structural tailwinds of growing e-commerce penetration and growing need for supply chain resilience. In conclusion, we encourage investors to look past the day-to-day volatility in Singapore REITs driven by changing market expectation in interest rates. We are starting to see value in many quality Singapore REITs trading at close to 6% yield today.

Through the Lion-Phillip S-REIT ETF, investors can gain low-cost access to a diversified portfolio of high-quality S-REITs that offer a sustainable income stream<sup>6</sup>. Investors who position their portfolios could benefit from lower rates when the next policy easing cycle starts.



**“ 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. ”**

Photo Credit: iStock

# Notes

<sup>1</sup> S-REITs are securities constituting the Morningstar® Singapore REIT Yield Focus Index<sup>SM</sup>.

<sup>2</sup> As at 31 March 2024. The number of S-REITs which constitutes the Index may be changed by Morningstar Research Pte Ltd from time to time.

<sup>3</sup> Composition chart does not add up to 100%. Cash and cash equivalents as at 31 March 2024 was approximately 2.7%.

<sup>4</sup> Source: Bloomberg as at 31 March 2024. 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.

<sup>5</sup> 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.

<sup>6</sup> Distributions are not guaranteed. Distributions may be made up of income, capital gains, and/or capital.

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](mailto:contactus@lionglobalinvestors.com).

All data are sourced from Lion Global Investors and Bloomberg as of 31 March 2024 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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