

LION-OCBC SECURITIES

SINGAPORE LOW CARBON ETF

Do good. For your portfolio and our planet.

Quarterly Newsletter

Q3 2022

INTRODUCTION

- The Lion-OCBC Securities Singapore Low Carbon ETF was listed in the Singapore stock market on 28 April 2022.
- This ETF is Singapore's first low carbon ETF and pays semi-annual distributions¹.
- It is a 21st century and greener version of the Straits Times Index (STI), being Singapore centric and with a stronger focus on low carbon.
- The ETF is passively managed to fully replicate the iEdge-OCBC Singapore Low Carbon Select 50 Capped Index.

KEY FACTS

- Dual trading currencies: SGD and USD
- Total Assets Under Management (AUM): SGD 57.2 million as of 30 September 2022
- Management fee: 0.40% p.a.
- Bloomberg tickers: ESGSG SP (SGD counter), ESGUS SP (USD counter)

KEY FEATURES



50 Largest Singapore Companies by Free-Float Market Capitalisation²

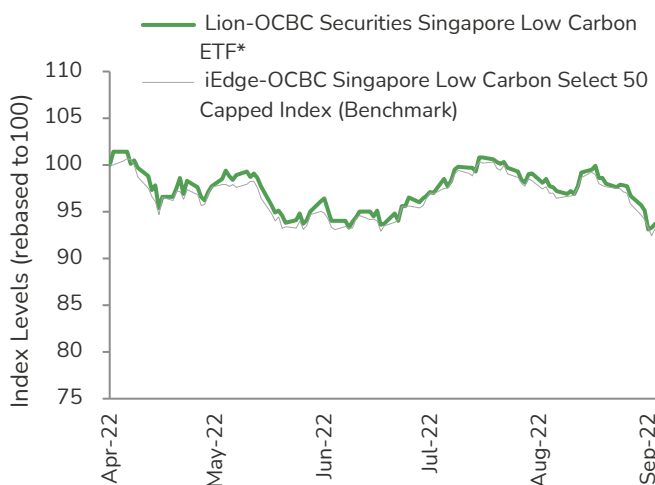


Capped at 7% if market capitalization <USD 200b & 10% if market capitalization >=USD 200b during rebalancing³

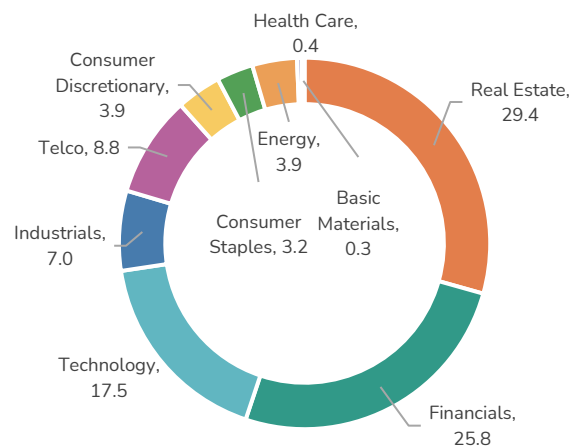


Rebalanced semi-annually (every March and September)

Lion-OCBC Securities Singapore Low Carbon ETF Performance⁴



Composition



Source: Lion Global Investors, 30 September 2022

* Returns are based on NAV-NAV basis in SGD and assuming all dividends are reinvested net of all charges payable upon reinvestment. The Lion-OCBC Securities Singapore Low Carbon ETF was listed on 28 April 2022. Opinions and estimates constitute our judgment and along with other portfolio data, are subject to change without notice. Past performance, as well as any prediction, projection, or forecast are not necessarily indicative of future or likely performance

¹ Semi-annual distributions are paid at the discretion of the Fund Manager

² Based on the underlying Index Securities of the iEdge-OCBC Singapore Low Carbon Select 50 Capped Index.

³ Weightage of individual stocks within the index will be reviewed and rebalanced semi-annually by the index provider (Singapore Exchange Limited). The weights of each Index Security might fluctuate above 7% and 10% respectively due to market movements in between the rebalancing period

⁴ Source: Bloomberg, Lion Global Investors, Singapore Exchange Limited, 30 September 2022

WHY INVEST IN SINGAPORE NOW?

In terms of historical performance, Singapore has done well in the past 5 years compared to the broader Asia and ASEAN regions. Between 31 December 2016 and 30 September 2022, the iEdge-OCBC Singapore Low Carbon Select 50 Capped Index (the Benchmark Index) cumulatively outperformed⁵ regional indices (Figure 1) such as the Straits Times Index (STI), MSCI AC Asia Pacific Index and MSCI AC ASEAN Index as of 30 September 2022. In 2022 thus far, we already seen the US Fed implementing 5 rate hikes. Despite the rate hikes, US inflation remained high at 8.3% in Aug 2022. From Jerome Powell's speech⁶ on 8 September 2022, the US Fed issued the strongest message to fight inflation until the job is done. US interest rates are already expected to rise beyond 4% in 2022 and more rate hikes are expected to come in 2023. While the US Federal Reserve is still expected to increase interest rates, a MAS quarterly study with private sector economists⁷ still expects Singapore to reach 3.5% economic growth in 2022.

While facing these global headwinds, Singapore's standing as a safe haven especially stands out. On 28 Jul 2022, Fitch Ratings⁸ affirmed Singapore's Long-Term Foreign-Currency Issuer Default Rating as AAA with a Stable Outlook. This positions Singapore favorably to attract financial flows seeking stability. As at Sep 2022, Singapore's market valuation also appears more discounted compared to US, Europe and Asia (Figure 2). Despite a discounted valuation, Singapore's earnings growth is still expected to be higher than US, Europe and Asia (Figure 2).

Greater volatility is expected to unfold in the coming months. To ride out this volatility, it is key to add an efficient building block in your portfolio. This building block should also be green since ESG⁹ and climate risks are here to stay. By providing access to 50 leading Singapore companies with lower carbon footprint, the Lion-OCBC Securities Singapore Low Carbon ETF helps you gain exposure to Singapore's growth while participating in its transition to a low-carbon economy.

Figure 1: Benchmark Index performance* against regional indices

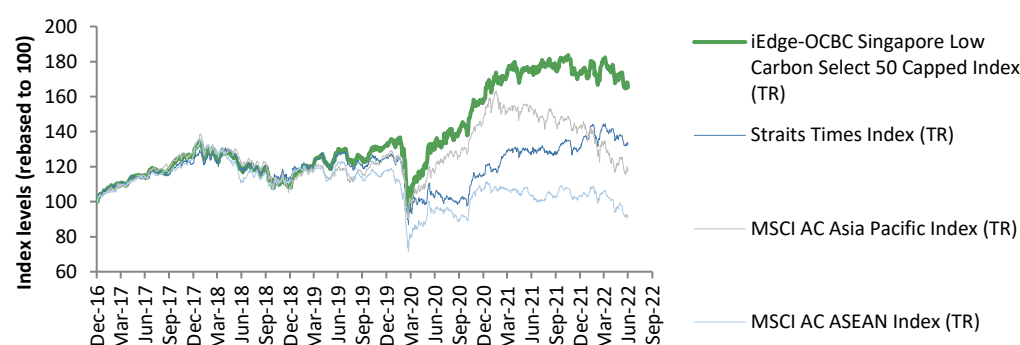


Figure 2: Comparison of 12-month forward P/E ratio and earnings growth**

Market	12-month forward P/E ratio			Earnings growth (%)		
	Current	10-year average	Premium	2021	2022F	2023F
US	17.7	17.2	3%	50.9	9.5	7.2
Europe	11.8	14.4	-18%	80.9	17.5	3.0
Asia Pacific ex Japan	12.3	13.1	-6%	40.6	8.7	7.5
Singapore	11.5	13.2	-13%	45.3	17.6	13.2

⁵ Source: Bloomberg, September 2022

⁶ Source: CNBC, September 2022

⁷ Source: Business Times, September 2022

⁸ Source: Fitch Ratings, July 2022

⁹ ESG stands for Environmental, Social, and Governance

* Returns are based on NAV-NAV basis in SGD and assuming all dividends are reinvested net of all charges payable upon reinvestment. Performance is calculated in SGD. All information for the iEdge-OCBC Singapore Low Carbon Select 50 Capped Index prior to its launch date is backtested. Backtested performance of the iEdge-OCBC Singapore Low Carbon Select 50 Capped Index reflects hypothetical historical performance of the Index. Past performance is not necessarily indicative of future performance. The iEdge-OCBC Singapore Low Carbon Select 50 Capped Index was launched on 14 March 2022.

** Source: Thomson Reuters, September 2022.

F, ex and P/E refer to Consensus Reuters, September 2022. F, ex and P/E refer to Consensus Reuters, September 2022.

HOW DOES THE BENCHMARK INDEX AND ETF COMPARE WITH OTHER SINGAPORE-FOCUSED ETFS AND INDICES SINCE INCEPTION?

Between 28 April 2022 (ETF’s listing date) and 30 September 2022, the Index demonstrated similar performance with the STI and cumulatively outperformed¹⁰ the MSCI Singapore Free Gross Return Index (Figure 3) as of 30 September 2022. In the same period, the Lion-OCBC Securities Singapore Low Carbon ETF demonstrated similar performance (Figure 4) with other Singapore-focused ETFs such as the SPDR STI ETF and Nikko AM Singapore STI ETF, while cumulatively outperforming¹¹ the Xtrackers MSCI Singapore UCITS ETF as of 30 September 2022. This suggests that you do not have to sacrifice returns in a low-carbon portfolio.

Being a little red dot, Singapore is especially sensitive to climate risks and our leaders recognize this. In an event speech¹² on 17 August 2022, Ravi Menon (Managing Director of the Monetary Authority of Singapore) mentioned that decarbonising the global economy may trigger inflation and a labour market reset. With higher investments in solar, wind power and electric vehicles, the decarbonization of energy production and consumption will induce a surge in demand for metals and minerals such as copper, aluminium, cobalt, lithium and nickel, which can translate into inflationary pressures. All these highlight how climate risks affect Singapore and the world, since these pressures can potentially impact investment returns.

By providing diversified exposure to 50 Singapore companies with lower carbon footprint, the Lion-OCBC Securities Singapore Low Carbon ETF is an efficient building block to hedge climate risks in your portfolio, while helping you do good for the planet.

Figure 3: Performance relative to other indices*

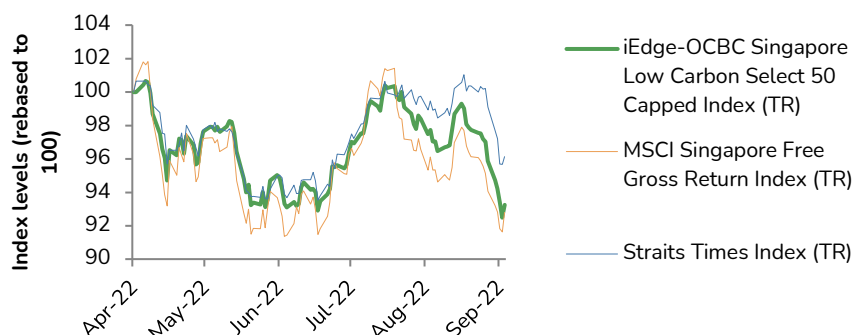
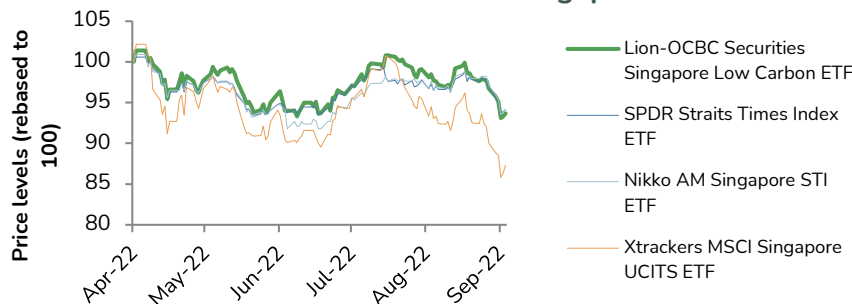


Figure 4: Performance relative to other Singapore-focused ETFS**



Similarity	The mentioned ETFS provide broad-based exposure to the Singapore market
Difference	The Lion-OCBC Securities Singapore Low Carbon ETF has a stronger tilt towards low carbon

* In this presentation, MSCI Singapore Free Gross Return Index’s weights are proxied through the holdings of iShares MSCI Singapore ETF where returns are based on NAV-NAV basis and assuming all dividends are reinvested net of all charges payable upon reinvestment. Past performance is not necessarily indicative of future performance. The iEdge-OCBC Singapore Low Carbon Select 50 Capped Index was launched on 14 March 2022.

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^{10, 11} Source: Bloomberg, September 2022

¹² Source: Business Times, August 2022

Disclaimer

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