

For the financial period from 30 October 2017
(date of inception) to 31 December 2018

ANNUAL REPORT LION-PHILLIP S-REIT ETF

**THE ASIAN
ASSET SPECIALIST**
lionglobalinvestors.com

Lion Global Investors Ltd
65 Chulia Street #18-01
OCBC Centre, Singapore 049513

T: +65 6417 6800

F: +65 6417 6806

Co Reg No:198601745D

For more information, visit: lionglobalinvestors.com
or email: ContactUs@lionglobalinvestors.com

© Lion Global Investors Limited. All rights reserved.

DIRECTORY

Manager

Lion Global Investors Limited
65 Chulia Street #18-01
OCBC Centre
Singapore 049513

Directors of Lion Global Investors Limited

Mr Khor Hock Seng (Chairman)
Mr Ching Wei Hong (Deputy Chairman)
Mr Gerard Lee How Cheng (CEO)
Mr Norman Ip Ka Cheung
Mr Tan Siew Peng
Mr Ronnie Tan Yew Chye
Ms Wee Ai Ning

Trustee/Registrar

HSBC Institutional Trust Services (Singapore) Limited
21 Collyer Quay
#13-02 HSBC Building
Singapore 049320

Custodian

The Hongkong and Shanghai Banking Corporation Limited
1 Queen's Road
Central, Hong Kong

Independent Auditor

PricewaterhouseCoopers LLP
7 Straits View, Marina One
East Tower, Level 12
Singapore 018936

PERFORMANCE OF THE FUND

For the financial period from 30 October 2017 (date of inception) to 31 December 2018

Past performance is not necessarily indicative of future performance. Cumulative returns for the Fund are calculated up to 31 December 2018 in SGD terms, based on single pricing, with dividends reinvested net of all charges payable upon reinvestment.

Time Period	LION-Phillip S-REIT ETF	Benchmark/ Index* Returns (%)
3 months	-1.9	-1.8
6 months	1.2	1.4
1 year	-4.8	-4.2
Since inception** (30 October 2017)	0.7	1.5

Source: Morningstar/Lion Global Investors Ltd

**Benchmark/ Index: Morningstar® Singapore REIT Yield Focus IndexSM*

*** Returns of more than 1 year are annualised.*

REVIEW

For the financial period ended 31 December 2018, the Fund returned -4.8% in SGD terms.

2018 was a challenging year for the Singapore Reits ("S-Reits") sector. We note that the sell-down was broad-based and was mainly driven by movements in interest rates. Both the Singapore and US 10 year bond yields (which have strong correlation with S-Reits' performance) saw sharp increases through 2018 and this put downward pricing pressures on the S-Reits.

Fundamentally, the S-Reit sector actually had a decent year. Driven by stable economic growth and benign demand and supply dynamics, most Reits recorded stable-to-slight rising distribution per unit (DPU). In addition, accretive acquisitions have also helped the sector to enhance its overall earnings growth profile.

STRATEGY AND OUTLOOK

Since the start of 2019, the Exchange-Traded Fund has performed admirably, rising by more than 5% (as of 14 Feb 2019). This was mainly due to declining bond yields in both US and Singapore – a mean reversion trend from last year. Looking ahead, we believe that the interest rate environment will be favorable to the S-Reit sector. With the US Federal Reserve looking to slow down its pace of rate hike and also possibly tweaking its quantitative tightening policy, we believe that we are unlikely to see sharp increases in interest rates like we experienced in 2018. We view a low rate environment as favorable to the S-Reit sector.

We remain bullish on the S-Reit sector's operating fundamentals. Favorable demand and supply dynamics should augur well for the sector's rental growth outlook this year. We believe that all 4 segments (retail, office, industrial and hospitality) will see CPI-like (or higher) rental growth over the next 12 months. This should lead to higher earnings and hence dividend for investors.

Apart from interest rate volatility, a big risk for the sector is a drastic slowdown in the global economy. A prolonged trade war or a hard landing for the China economy will put a dent on rental growth for the sector.

As at 27 February 2019

DISCLOSURES ON THE FUND ¹

For the financial period from 30 October 2017 (date of inception) to 31 December 2018

1. DISTRIBUTION OF INVESTMENTS AS AT 31 DECEMBER 2018

	Fair Value	Percentage of
	\$	total net assets
		attributable to
		unitholders
		%
a) <u>By Asset Class</u>		
Real Estate Investment Trust (REITS)	137,080,460	99.7
Cash and other net assets	418,562	0.3
Net assets attributable to unitholders	137,499,022	100.0

b) By Credit Rating of Debt Securities

Not applicable

c) By Derivative Type

The net realised gains from financial derivatives at the end of the period was \$18,391.

¹ As required by Code on Collective Investment Schemes

2. TOP 10 HOLDINGS**As at 31 December 2018**

	Fair Value	Percentage of
	\$	total net assets
		attributable to
		unitholders
		%
CapitaLand Mall Trust	13,725,317	10.0
CapitaLand Commercial Trust	13,567,846	9.9
Mapletree Commercial Trust	13,452,920	9.8
Ascendas Real Estate Investment Trust	11,323,962	8.2
Mapletree Industrial Trust	9,502,317	6.9
Manulife US Real Estate Investment Trust	8,231,187	6.0
Mapletree Logistics Trust	8,137,996	5.9
Parkway Life Real Estate Investment Trust	7,423,932	5.4
Mapletree North Asia Commercial Trust	6,626,192	4.8
OUE Hospitality Trust	5,172,210	3.8

3. GLOBAL EXPOSURE

The global exposure relating to derivative instruments is calculated using the commitment approach by converting the derivative positions into equivalent positions in the underlying assets embedded in those derivatives.

The global exposure of the Fund to financial derivative instruments or embedded financial derivative instruments will not exceed 100% of the net asset value of the Fund at any time.

4. COLLATERAL

Nil

5. SECURITIES LENDING OR PURCHASE TRANSACTIONS

Nil

6. INVESTMENT IN OTHER UNIT TRUSTS, MUTUAL FUNDS AND COLLECTIVE INVESTMENT SCHEMES

	Fair value at 31 December 2018 \$	Percentage of total net assets attributable to unitholders 31 December 2018 %
CapitaLand Mall Trust	13,725,317	10.0
CapitaLand Commercial Trust	13,567,846	9.9
Mapletree Commercial Trust	13,452,920	9.8
Ascendas Real Estate Investment Trust	11,323,962	8.2
Mapletree Industrial Trust	9,502,317	6.9
Manulife US Real Estate Investment Trust	8,231,187	6.0
Mapletree Logistics Trust	8,137,996	5.9
Parkway Life Real Estate Investment Trust	7,423,932	5.4
Mapletree North Asia Commercial Trust	6,626,192	4.8
OUE Hospitality Trust	5,172,210	3.8
Suntec Real Estate Investment Trust	4,515,572	3.3
Frasers Centrepoint Trust	4,465,270	3.2
SPH REIT	3,708,700	2.7
Frasers Logistics & Industrial Trust	3,391,651	2.5
Keppel REIT	2,756,438	2.0
Ascott Residence Trust	2,617,782	1.9
Keppel DC REIT	2,471,588	1.8
First Real Estate Investment Trust	2,408,209	1.7
Starhill Global REIT	2,398,334	1.7
CapitaLand Retail China Trust Management Limited	2,368,332	1.7
Frasers Commercial Trust	1,906,841	1.4
Frasers Hospitality Trust	1,742,784	1.3
CDL Hospitality Trusts	1,515,159	1.1
AIMS AMP Capital Industrial Trust	1,477,621	1.1
Far East Hospitality Trust	667,714	0.5
Ascendas Hospitality Trust	565,565	0.4
ESR REIT	507,909	0.4
OUE Commercial Real Estate Investment Trust	431,112	0.3

7. **BORROWINGS**

Nil

8. **SOFT DOLLAR COMMISSION RECEIVED BY THE MANAGERS**

The soft dollar commissions from various brokers for the period were utilised on research and advisory services, economic and political analyses, portfolio analyses, market analyses, data and quotation analyses and computer hardware and software used for and in support of the investment process of fund managers. Goods and services received were for the benefit of the scheme and there was no churning of trades. These brokers also execute trades for other funds managed by the managers. The trades are conducted on best available terms and in accordance with best practices.

9. **OTHER MATERIAL INFORMATION**

There is no other material information that will adversely impact the valuation of the Fund.

10. **SUPPLEMENTAL INFORMATION ON UNDERLYING SUB-FUNDS**

Not applicable

11. **COMPARATIVES**

The prior year comparatives are not presented as this is the first set of annual financial statements prepared since its date of commencement of operations.

REPORT OF THE TRUSTEE

For the financial period from 30 October 2017 (date of inception) to 31 December 2018

The Trustee is under a duty to take into custody and hold the assets of Lion-Phillip S-REIT ETF (the “Fund”) in trust for the unitholders. In accordance with the Securities and Futures Act (Cap. 289), its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of the Manager for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Fund during the financial period covered by these financial statements, set out on pages 14 to 34, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee
HSBC INSTITUTIONAL TRUST SERVICES (SINGAPORE) LIMITED

Authorised signatory

26 March 2019

STATEMENT BY THE MANAGER

For the financial period from 30 October 2017 (date of inception) to 31 December 2018

In the opinion of Lion Global Investors Limited, the accompanying financial statements set out on pages 14 to 34, comprising the Statement of Total Return, Statement of Financial Position, Statement of Movements of Unitholders' Funds, Statement of Portfolio and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position and the portfolio holdings of Lion-Phillip S-REIT ETF (the "Fund") as at 31 December 2018, and the financial performance and movements in unitholders' funds for the period then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants. At the date of this statement, there are reasonable grounds to believe that the Fund will be able to meet its financial obligations as and when they materialise.

For and on behalf of
LION GLOBAL INVESTORS LIMITED

GERARD LEE HOW CHENG
CEO

26 March 2019

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LION-PHILLIP S-REIT ETF

(Constituted under a Trust Deed in the Republic of Singapore)

Our Opinion

In our opinion, the accompanying financial statements of Lion-Phillip S-REIT ETF (the "Fund") are properly drawn up in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants, so as to present fairly, in all material respects, the financial position and portfolio holdings of the Fund as at 31 December 2018, and of the financial performance and movements of unitholders' funds for the financial period from 30 October 2017 (date of inception) to 31 December 2018.

What we have audited

The financial statements of the Fund comprise:

- the Statement of Total Return For the financial period from 30 October 2017 (date of inception) to 31 December 2018;
- the Statement of Financial Position as at 31 December 2018;
- the Statement of Movements of Unitholders' Funds for the financial period from 30 October 2017 (date of inception) to 31 December 2018;
- the Statement of Portfolio as at 31 December 2018; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Fund in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
LION-PHILLIP S-REIT ETF**

(Constituted under a Trust Deed in the Republic of Singapore)

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Other Information

The Fund's Manager (the "Manager") is responsible for the other information. The other information comprises all sections of the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Fund or to cease the Fund's operations, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Fund's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF
LION-PHILLIP S-REIT ETF**

(Constituted under a Trust Deed in the Republic of Singapore)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF LION-PHILLIP S-REIT ETF

(Constituted under a Trust Deed in the Republic of Singapore)

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lim Kheng Wah.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 26 March 2019

STATEMENT OF TOTAL RETURN

For the financial period from 30 October 2017 (date of inception) to 31 December 2018

		For the financial period from 30 October 2017 (date of inception) to 31 December 2018
	Note	\$
Income		
Dividends		7,868,537
Interest on cash and bank balances		47
		<u>7,868,584</u>
Less: Expenses		
Audit fee		17,000
Custodian fees	11	82,324
Management fee	11	624,824
Less: Management fee rebate	11	(110,000)
Professional fees		60,239
Registration fee	11	21,081
Trustee fee	11	62,936
Valuation and administration fees	11	62,936
Preliminary expenses		15,816
Transaction costs		183,947
Miscellaneous expenses		113,742
		<u>1,134,845</u>
Net income		<u>6,733,739</u>
Net gains or losses on value of investments and financial derivatives		
Net losses on investments		(5,821,479)
Net gains on foreign exchange spot contracts		18,914
Net losses on foreign exchange forward contracts		(523)
Net foreign exchange losses		(17,884)
		<u>(5,820,972)</u>
Total return for the financial period before income tax		912,767
Less: Income tax	3	(624,505)
Total return for the financial period		<u>288,262</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION*As at 31 December 2018*

	Note	2018 \$
ASSETS		
Portfolio of investments		137,080,460
Receivables	5	183,222
Due from brokers	6	669,776
Cash and bank balances	7	219,914
Total assets		<u>138,153,372</u>
LIABILITIES		
Payables	8	131,379
Due to brokers	6	522,971
Total liabilities		<u>654,350</u>
EQUITY		
Net assets attributable to unitholders	9	<u>137,499,022</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF MOVEMENTS OF UNITHOLDERS' FUNDS

For the financial period from 30 October 2017 (date of inception) to 31 December 2018

	Note	For the financial period from 30 October 2017 (date of inception) to 31 December 2018 \$
Net assets attributable to unitholders at the beginning of financial period		-
Operations		
Change in net assets attributable to unitholders resulting from operations		288,262
Unitholders' contributions/(withdrawals)		
Creation of units		142,561,200
Cancellation of units		(681,287)
Change in net assets attributable to unitholders resulting from net creation and cancellation of units		141,879,913
Distributions	4	(4,669,153)
Total increase in net assets attributable to unitholders		137,499,022
Net assets attributable to unitholders at the end of financial period	9	<u>137,499,022</u>

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PORTFOLIO

As at 31 December 2018

	Holdings at 31 December 2018	Fair value at 31 December 2018 \$	Percentage of total net assets attributable to unitholders at 31 December 2018 %
By Industry (Primary)			
QUOTED			
REAL ESTATE			
CapitaLand Mall Trust	6,073,149	13,725,317	10.0
CapitaLand Commercial Trust	7,753,055	13,567,846	9.9
Mapletree Commercial Trust	8,153,285	13,452,920	9.8
Ascendas Real Estate Investment Trust	4,406,211	11,323,962	8.2
Mapletree Industrial Trust	4,975,035	9,502,317	6.9
Manulife US Real Estate Investment Trust	7,842,886	8,231,187	6.0
Mapletree Logistics Trust	6,458,727	8,137,996	5.9
Parkway Life Real Estate Investment Trust	2,822,788	7,423,932	5.4
Mapletree North Asia Commercial Trust	5,812,449	6,626,192	4.8
OUE Hospitality Trust	7,719,717	5,172,210	3.8
Suntec Real Estate Investment Trust	2,536,838	4,515,572	3.3
Frasers Centrepoint Trust	2,057,728	4,465,270	3.2
SPH REIT	3,708,700	3,708,700	2.7
Frasers Logistics & Industrial Trust	3,292,865	3,391,651	2.5
Keppel REIT	2,417,928	2,756,438	2.0
Ascott Residence Trust	2,423,872	2,617,782	1.9
Keppel DC REIT	1,830,806	2,471,588	1.8
First Real Estate Investment Trust	2,444,882	2,408,209	1.7
Starhill Global REIT	3,526,962	2,398,334	1.7
CapitaLand Retail China Trust Management Limited	1,741,421	2,368,332	1.7
Frasers Commercial Trust	1,391,855	1,906,841	1.4
Frasers Hospitality Trust	2,489,691	1,742,784	1.3
CDL Hospitality Trusts	1,037,780	1,515,159	1.1
AIMS AMP Capital Industrial Trust	1,110,993	1,477,621	1.1

The accompanying notes form an integral part of these financial statements.

	Holdings at 31 December 2018	Fair value at 31 December 2018 \$	Percentage of total net assets attributable to unitholders at 31 December 2018 %
By Industry (Primary) (continued)			
QUOTED (continued)			
REAL ESTATE (continued)			
Far East Hospitality Trust	1,103,659	667,714	0.5
Ascendas Hospitality Trust	734,500	565,565	0.4
ESR REIT	995,900	507,909	0.4
OUE Commercial Real Estate Investment Trust	937,200	431,112	0.3
		<u>137,080,460</u>	<u>99.7</u>
Portfolio of investments		137,080,460	99.7
Other net assets		418,562	0.3
Net assets attributable to unitholders		<u>137,499,022</u>	<u>100.0</u>

The accompanying notes form an integral part of these financial statements.

**Percentage of
total net assets
attributable to
unitholders at
31 December
2018
%**

By Industry (Summary)

Real Estate	99.7
Portfolio of investments	99.7
Other net assets	0.3
Net assets attributable to unitholders	100.0

The accompanying notes form an integral part of these financial statements.

	Fair value at 31 December 2018 \$	Percentage of total net assets attributable to unitholders at 31 December 2018 %
By Geography (Secondary)		
Singapore	137,080,460	99.7
Portfolio of investments	137,080,460	99.7
Other net assets	418,562	0.3
Net assets attributable to unitholders	137,499,022	100.0

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial period from 30 October 2017 (date of inception) to 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

Lion-Phillip S-REIT ETF (the “Fund”) is a unit trust constituted by a Deed of Trust dated 28 September 2017 together with its Supplemental Deeds (thereafter referred to as “Trust Deed”). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee of the Fund is HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”). The Manager and Sub-Manager of the Fund are Lion Global Investors Limited (the “Manager”) and Phillip Capital Management (S) Ltd. (the “Sub-Manager”) respectively.

The investment objective of the Fund is to replicate as closely as possible, before expenses, the performance of the Morningstar® Singapore REIT Yield Focus IndexSM (the “Index”).

During the financial period, the Manager has at its own discretion, chosen to rebate to the Fund a management fee rebate.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and in accordance with the recommendations of Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts” (“RAP 7”) issued by the Institute of Singapore Chartered Accountants.

(b) Recognition of income

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time proportion basis using the effective interest method.

(c) Financial derivatives

Financial derivatives are entered into for the purposes of efficient portfolio management, tactical asset allocation or specific hedging of financial assets held as determined by the Manager and in accordance with the provisions of the Trust Deed.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)(c) Financial derivatives (continued)

Financial derivatives outstanding at the end of the financial year are measured at their fair values using the marked-to-market method, and the resultant gains and losses are taken up in the Statement of Total Return.

(d) Distributions

The Manager has the absolute discretion to determine whether a distribution is to be made. In such an event, an appropriate amount will be transferred to a distribution account to be paid out on the distribution date. The amount shall not be treated as part of the property of the Fund. Distributions are accrued for at the reporting date if the necessary approvals have been obtained and a legal or constructive obligation has been created.

(e) Investments

Investments are classified as financial assets at fair value through profit or loss.

(i) Initial recognition

Purchases of investments are recognised on the trade date. Investments are recorded at fair value on initial recognition.

(ii) Subsequent measurement

Investments are subsequently carried at fair value. Net change in the fair value of investments are included in the Statement of Total Return in the year in which they arise.

(iii) Derecognition

Investments are derecognised on the trade date of disposal. The resultant realised gains and losses on the sales of investments are computed on the basis of the difference between the weighted average cost and selling price gross of transaction costs, and are taken up in the Statement of Total Return.

(f) Basis of valuation of investments

The fair value of financial assets and liabilities traded in active markets is based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market price for both financial assets and financial liabilities where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is most representative of fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)(g) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Receivables are initially recognised at their fair value and subsequently carried at amortised cost using the effective interest method, less accumulated impairment losses.

(h) Due from and due to brokers

Sales and purchases awaiting settlement represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost.

(i) Cash and bank balances

Cash and bank balances comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

(j) Payables

Payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

(k) Foreign currencies

(i) Functional and presentation currency

The Fund qualifies as an authorised scheme under the Securities and Futures Act ("SFA") of Singapore and is offered to retail investors in Singapore. The Fund's activities are substantially based in Singapore, with subscriptions and redemptions of the units in the Fund denominated in Singapore Dollar.

The performance of the Fund is measured and reported to the investors in Singapore Dollar. The Manager considers the Singapore Dollar as the currency which most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's functional and presentation currency is the Singapore Dollar.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)(k) Foreign currencies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the Statement of Total Return. Translation differences on non-monetary financial assets and liabilities such as equities are also recognised in the Statement of Total Return within the net gain or loss on investments.

3. INCOME TAX

The Fund has been approved by the Monetary Authority of Singapore under the Enhanced-Tier Fund Scheme (Section 13X of the Income Tax Act and the relevant regulations). Subject to certain conditions being met on an annual basis, the Fund may enjoy Singapore corporate tax exemption on “specified income” derived from “designated investments” for the life of the Fund. The tax exemption does not apply in the year when the relevant conditions are not met. Losses from “designated investments” are correspondingly disregarded, with certain exceptions.

The Fund is also approved for tax transparency treatment under Section 43(2) of the Income Tax Act. Subject to meeting the terms and conditions of the tax transparency treatment, the Fund may not be taxed on the distributions received which are made out of the qualifying income of REITs listed on the Singapore Exchange (“S- REIT”).

**For the financial
period from
30 October 2017
(date of inception) to
31 December 2018**
\$

Singapore income tax

624,505

The Singapore income tax represents tax deducted at source for Singapore sourced dividends.

4. DISTRIBUTIONS

**For the financial
period from
30 October 2017
(date of inception) to
31 December 2018
\$**

Distribution of \$1.68 per 100 units on 16 March 2018 to unitholders as at 2 March 2018	2,121,991
Distribution of \$1.80 per 100 units on 28 September 2018 to unitholders as at 29 August 2018	2,547,162
	<hr/> 4,669,153 <hr/>

5. RECEIVABLES

**2018
\$**

Management fee rebate receivable	110,000
Other receivables	73,222
	<hr/> 183,222 <hr/>

6. DUE FROM/(TO) BROKERS

**2018
\$**

Sales awaiting settlement	<hr/> 669,776
Purchases awaiting settlement	<hr/> (522,971) <hr/>

7. CASH AND BANK BALANCES

The cash and bank balances are placed with a financial institution which is a related company of the Trustee.

8. PAYABLES

	2018
	\$
Amount due to the Manager	47,122
Amount due to the Trustee	4,712
Amount due to the Custodian	2,121
Amount due to the Registrar	4,644
Other payables	72,780
	<u>131,379</u>

9. UNITS IN ISSUE

	For the financial period from 30 October 2017 (date of inception) to 31 December 2018 Units
Units at beginning of the period	-
Units created	142,159,000
Units cancelled	(650,000)
Units at end of the period	<u>141,509,000</u>

	For the financial period from 30 October 2017 (date of inception) to 31 December 2018 \$
Net assets attributable to unitholders	137,499,022
Net asset value per unit	<u>0.971</u>

There was no difference between the net assets attributable to unitholders per financial statements and the net assets attributable to unitholders for issuing/redeeming units at the reporting date.

10. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Fund's overall risk management programme seeks to minimise potential adverse effects on the Fund's financial performance. The Manager is responsible for the implementation of overall risk management programme, which seeks to minimise potential adverse effects on the Fund's financial performance. Specific guidelines on exposures to individual securities and certain industries are in place for the Fund at any time as part of the overall financial risk management to reduce the Fund's risk exposures.

The Fund's assets principally consist of investments in Index Securities in substantially the same weightings as reflected in the Index. Index Security weighting is capped at 10% and liquidity based adjustments are made to the weights. The Manager will rebalance the Fund's portfolio of investments from time to time to reflect any changes to the composition of, or weighting of Index Securities to minimise tracking error of the Fund's overall returns relating to the performance of the Index. The financial instruments are held in accordance with the published investment policies of the Fund and managed accordingly to achieve their investment objectives.

The following is a summary of the main risks and risk management policies:

(a) Market risk

Market risk is the risk of loss to the value of financial investments because of changes in market conditions like interest and currency rate movements and volatility in security prices. External factors such as changes in economic environment, consumption patterns and investor's expectation contribute to market risk which may have a significant impact on the asset's value.

The Fund's investments are substantially dependent on changes in market prices. The Manager monitors the Fund's investments closely so as to assess changes in fundamentals and valuation. However, events beyond reasonable control of the Manager could affect the prices of the underlying investments and hence the asset value of the Fund.

The Fund's market risk is affected primarily by changes in three components: changes in actual market prices, interest rate volatilities and foreign exchange movements.

10. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)(i) Price risk

Price risk is the risk of potential adverse changes to the value of financial investments because of changes in market conditions and volatility in security prices. The Fund is designated to track the performance of the Index, therefore the exposure to price risk in the Fund will be substantially the same as the Index. As an exchange traded fund, the Manager manages the Fund's exposure to price risk by ensuring the key characteristics of the portfolio, such as security weight, is closely aligned to the characteristics of the Index.

The table below summarises the impact of increases/decreases from the Fund's underlying investments in equities on the Fund's net assets attributable to the unitholders as at 31 December 2018. The analysis was based on the assumptions that the index components within the benchmark index increased/decreased by a reasonable possible shift, with all variables held constant and that the fair value of the Fund's investments moved according to the beta.

2018

Fund	Benchmark	Beta	Reasonable possible change %	Impact of reasonable possible change on net asset attributable to unitholders \$
Lion-Phillip S-REIT ETF	Morningstar® Singapore REIT Yield Focus Index SM	0.98	8.60	11,553,141

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Investment funds that invest in equity securities may be subject to interest rate risk as any interest rate change may affect the equity risk premium though at varying degrees. To manage this risk, the Manager analyses how interest rate changes may affect different industries and securities and then seeks to adjust the Fund's portfolio investments accordingly. However, the effects of changes in interest rates on the Fund's portfolio may not be quantified as the relationship between interest rates and the value of the equity securities is indirect. Hence, no separate sensitivity analysis has been presented.

10. FINANCIAL RISK MANAGEMENT (continued)

- (a) Market risk (continued)
- (iii) Currency risk

The Fund has monetary financial assets/liabilities denominated in currencies other than Singapore Dollar and the Fund may be affected favourably or unfavourably by exchange rate regulations or changes in the exchange rates between the Singapore Dollar and such other currencies. The Fund may enter into foreign currency contracts designed to either hedge some or all of this exposure, or alternatively increase exposure to preferred foreign currencies.

The table below summarises the Fund's exposure to key currencies at the end of the financial period. Monetary and non-monetary items have been taken into account for the analysis.

As at 31 December 2018	USD	SGD	Total
	\$	\$	\$
Assets			
Portfolio of investments	8,231,187	128,849,273	137,080,460
Receivables	12,293	170,929	183,222
Due from brokers	-	669,776	669,776
Cash and bank balances	24,613	195,301	219,914
Total assets	8,268,093	129,885,279	138,153,372
Liabilities			
Payables	1,411	129,968	131,379
Due to brokers	-	522,971	522,971
Total liabilities	1,411	652,939	654,350
Net financial assets	8,266,682	129,232,340	
Net currency exposure	8,266,682	129,232,340	

Equity investments are non-monetary financial assets and are exposed to both currency risk and price risk. As these financial assets are non-monetary, no separate sensitivity analysis has been performed to analyse currency risk. The impact of currency risk arising from these financial assets on the Fund's net asset value has been included in the price risk sensitivity analysis.

The Fund's monetary assets/liabilities are measured for their sensitivity to exchange rate movements based on the balance of the monetary assets/liabilities, forecasted exchange rate movements and the net asset value of the Fund.

As of 31 December 2018, the Fund's exposure to foreign currency fluctuations with respect to the monetary assets/liabilities is not considered to be significant and hence no sensitivity analysis on foreign currency risk has been presented.

10. FINANCIAL RISK MANAGEMENT (continued)(b) Liquidity risk

Liquidity risk is the risk of loss arising from the inability of the Fund to meet its obligation as and when they fall due without incurring unacceptable cost or losses.

The Fund is exposed to daily redemption of units from unitholders. The Manager therefore ensures that the Fund maintains sufficient cash and cash equivalents that it is able to obtain cash from the sale of investments held to meet its liquidity requirements. Reasonable efforts will be taken to invest in investments that are traded in an active market and can be readily disposed of.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

As at 31 December 2018	Less than 3 months \$	3 months- 1 year \$	1-5 years \$	Above 5 years \$
Due to brokers	522,971	-	-	-
Payables	131,379	-	-	-

(c) Credit risk

Credit risk is the risk that counterparty will fail to perform contractual obligations, either in whole or in part, under a contract.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved,
- ensuring that transactions are undertaken with a large number of counterparties, and
- ensuring that the majority of transactions are undertaken on recognised exchanges.

10. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

All transactions in listed securities are settled/paid upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Credit risk also arises from cash and cash equivalents and assets held with financial institutions.

The Fund may also enter into derivatives to manage its exposures to currency risk and price risk, including foreign exchange forward contracts and options. Hence, the Fund is also exposed to the risk that its derivatives held with counterparties may not be recoverable in the event of any default by the parties concerned. The Manager minimises the Fund's credit risk by undertaking transactions with banks that are part of banking groups with good credit-ratings assigned by Standard and Poor's ("S&P") or Moody's.

The table below summarises the credit rating of banks and custodian in which the Fund's assets are held as at 31 December 2018.

	Credit rating^{##}	Source of credit rating
As at 31 December 2018		
<u>Custodian</u>		
The Hongkong and Shanghai Banking Corporation Limited	AA-	S&P
<u>Bank</u>		
The Hongkong and Shanghai Banking Corporation Limited	AA-	S&P

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

The credit ratings are based on the Long-Term Issuer Ratings published by the rating agency.

^{##} *Group credit ratings are presented for unrated subsidiaries.*

10. FINANCIAL RISK MANAGEMENT (continued)(d) Capital management

The Fund's capital is represented by the net assets attributable to unitholders. The Fund strives to invest the subscriptions of redeemable participating units in investments that meet the Fund's investment objectives while maintaining sufficient liquidity to meet unitholders' redemptions.

(e) Fair value estimation

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following tables analyse within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value at 31 December 2018:

As at 31 December 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Portfolio of investments				
- Quoted real estate investment trusts	137,080,460	-	-	137,080,460

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, comprise active listed equities and exchange-traded fund. The Fund does not adjust the quoted price for these instruments.

Except for cash and bank balances which are classified as Level 1, the Fund's assets and liabilities not measured at fair value at 31 December 2018 and have been classified as Level 2. The carrying amounts of these assets and liabilities approximate their fair values as at the reporting date.

11. RELATED PARTY TRANSACTIONS

Management fees are paid to the Manager, while trustee fee is paid to the Trustee. These fees paid or payable by the Fund shown in the Statement of Total Return and in the respective notes to the financial statements are on terms set out in the Trust Deed.

In addition to the related party information shown elsewhere in the financial statements, the following significant transactions took place during the financial period between the Fund and related parties at terms agreed between the parties and within the provisions of the Trust Deed:

	For the financial period from 30 October 2017 (date of inception) to 31 December 2018
	\$
Interest expenses incurred with a bank which is a related company of the Trustee	5
Transaction fees charged by the Trustee	28,439
Registration fee charged by a related company of the Trustee	21,081
Valuation and administration fees charged by the Trustee	62,936
Custodian fees charged by a related company of the Trustee	82,324
Bank service fees charged by a bank which is a related company of the Trustee	1,273
Cash transfer fees charged by a related company of the Trustee	254

12. FINANCIAL RATIOS

**For the financial
period from
30 October 2017
(date of inception) to
31 December 2018
%**

Expense ratio ¹ (excluding preliminary expenses) ^(annualised)	0.59
Expense ratio ¹ (including preliminary expenses) ^(annualised)	0.60
Portfolio turnover ratio ²	42

¹ The expense ratio has been computed based on the guidelines laid down by the Investment Management Association of Singapore ("IMAS"). The calculation of the expense ratio at 31 December 2018 was based on total operating expenses of \$927,982 divided by the average net asset value of \$132,819,033 for the period. The total operating expenses do not include (where applicable) brokerage and other transactions costs, performance fee, interest expense, distribution paid out to unitholders, foreign exchange gains/losses, front or back end loads arising from the purchase or sale of other funds and tax deducted at source or arising out of income received. The Fund does not pay any performance fee. The average net asset value is based on the daily balances.

² The portfolio turnover ratio is calculated in accordance with the formula stated in the Code on Collective Investment Schemes. The calculation of the portfolio turnover ratio was based on the lower of the total value of purchases or sales of the underlying investments, being sales of \$56,268,392 divided by the weighted average daily net asset value of \$132,819,033.

13. COMPARATIVES

The prior year comparatives are not presented for the Fund as this is the first set of annual financial statements prepared since its date of inception.

DISCLAIMER

This publication is for information only. It is not a recommendation, offer or solicitation for the purchase or sale of any securities or investments and does not have regard to your specific investment objectives, financial situation, tax position or needs. Applications for units in our funds must be made on forms accompanying the prospectus. You should read the prospectus and Product Highlights Sheet which is available and may be obtained from Lion Global Investors Limited ("LGI") or any of its distributors, consider if a fund is suitable for you and seek such advice from a financial adviser if necessary, before deciding whether to invest in the fund. Investments in our funds are not obligations of, deposits in, guaranteed or insured by LGI or any of its affiliates and are subject to investment risks including the possible loss of the principal amount invested. The performance of a fund is not guaranteed and the value of units in a fund and the income accruing to the units, if any, may rise or fall. Past performance, as well as any predictions, projections, or forecasts are not necessarily indicative of the future or likely performance of a fund. Dividend distributions, which may be either out of income and/or capital, are not guaranteed and subject to LGI'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 fund. Any information (which includes opinions and estimates) is subject to change or correction at any time without notice and is not to be relied on as advice. You are advised to conduct your own independent assessment and investigation of the relevance, accuracy, adequacy and reliability of any information contained herein and no warranty is given and no liability is accepted for any loss arising directly or indirectly as a result of you acting on such information. The fund may, where permitted by the prospectus, invest in financial derivative instruments for hedging purposes or for the purpose of efficient portfolio management. LGI, its related companies, their directors and/or employees may hold units of a fund and be engaged in purchasing or selling units of a fund for themselves or their clients. Lion Global Investors® Limited (UEN/ Registration No. 198601745D) is a Singapore incorporated company, and is not related to any asset or fund management entity that is domiciled in Europe or the United States.

This publication may be translated into the Chinese language. In the event of any ambiguity, discrepancy or omission between the English and Chinese versions, the English version shall apply and prevail. In the event of any ambiguity, discrepancy or omission between this publication and the prospectus, the contents of the prospectus shall apply and prevail.



Lion Global Investors Ltd

65 Chulia Street #18-01

OCBC Centre, Singapore 049513

For more information, visit: lionglobalinvestors.com or email: ContactUs@lionglobalinvestors.com

Co Reg No:198601745D