

LION-OCBC SECURITIES

SINGAPORE LOW CARBON ETF

Do good. For your portfolio and our planet.

Quarterly Newsletter

Q3 2024

## INTRODUCTION

- The Lion-OCBC Securities Singapore Low Carbon ETF was listed on the Singapore stock market on 28 April 2022.
- This ETF is Singapore’s first low carbon ETF and pays semi-annual distributions<sup>1</sup>.
- Based on SGX ETF market highlights Q4 2023, this ETF achieved **top returns among Singapore equities ETFs on SGX in 2023**.
- The ETF is passively managed to fully replicate the iEdge-OCBC Singapore Low Carbon Select 50 Capped Index.



## KEY FACTS

- Trading currencies: SGD and USD
- Total Assets Under Management (AUM): SGD 65.7 million as of 30 September 2024
- Management fee: 0.40% p.a.
- SGX tickers: ESG (SGD), ESU (USD)
- On 24 September 2024, we announced a special distribution of S\$0.03 per unit (with payment on 14 October 2024) to help investors lock in capital gains. This is on top of the semi-annual distributions<sup>1</sup>.

## KEY FEATURES



50 Largest Singapore Companies by Free-Float Market Capitalisation<sup>2</sup>

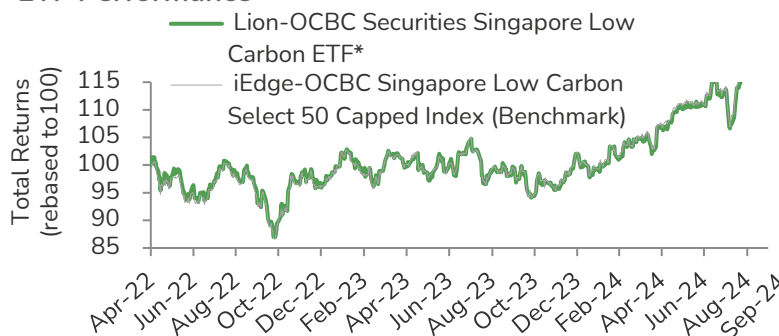


Capped at 7% if market capitalization <USD 200b & 10% if market capitalization ≥USD 200b during rebalancing<sup>3</sup>

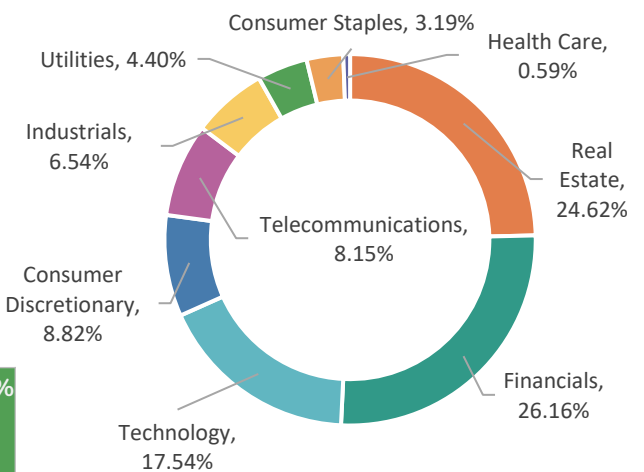


Rebalanced semi-annually (every March and September)

### Lion-OCBC Securities Singapore Low Carbon ETF Performance<sup>4</sup>



### Sector Breakdown



Source: Lion Global Investors, 30 September 2024

| From Bloomberg as of 30 September 2024        | 2024 YTD return | 2023 return | Annualized % return since Fund's inception* |
|---|-----------------|-------------|---|
| Lion-OCBC Securities Singapore Low Carbon ETF | 20.6%           | 5.3%        | 8.7%  |
| Benchmark Index                               | 21.0%           | 6.0%        | 9.2%  |

\*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.

<sup>1</sup>Semi-annual distributions are paid at the discretion of the Fund Manager. 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..

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

<sup>3</sup> 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.

<sup>4</sup> Source: Bloomberg, Lion Global Investors, Singapore Exchange Limited, 30 September 2024



## WHY INVEST IN SINGAPORE NOW?

During the Federal Reserve meeting in September, the US Federal Reserve (Fed) enacted its first interest rate cut since the early days of the Covid pandemic, reducing benchmark rates by half a percentage point to counter a slowdown in the labor market. The Fed's decision to ease monetary policy is likely to support growth and stabilize the labor market, as Fed Chairman Jerome Powell emphasized that inflation is "much closer" to its 2% target and the labor market is "less tight" than it was pre-pandemic in 2019.

The shift towards lower global interest rates is positive for the Singapore equity market. The ability of Singapore-listed companies to increase dividends above pre-pandemic levels places the Singapore equity market in a stronger position amidst global uncertainty. The market's growth can be supported by improving fund flows into the banking system, the deepening of technology into industrial applications, and its relative performance as a safe haven within Asia.

We expect geopolitical tension and protectionism to characterize this decade, accelerating the need for energy and supply chain security. This would require higher levels of global capital expenditure. Industrial companies in Singapore, such as those in the aviation, marine, and utilities sectors, are well-positioned in the global supply chain to meet the demands of this increase in global capital expenditure, while Singapore's safe haven status can bear greater significance amidst geopolitical uncertainty.

**Figure 1: Valuation and consensus earnings forecast**

| Market           | 12-month Forward P/E ratio |                 |            | Earnings growth (%) |            |
|------------------|----------------------------|-----------------|------------|---------------------|------------|
|                  | Current                    | 10-year average | Premium    | 2023 Actual         | 2024F      |
| US               | 21.1                       | 18.2            | 16%        | 2.5                 | 9.8        |
| <b>Singapore</b> | <b>11.3</b>                | <b>12.5</b>     | <b>-9%</b> | <b>14.2</b>         | <b>7.4</b> |
| China            | 8.7                        | 11.5            | -24%       | 11.4                | 14.7       |
| Japan            | 13.1                       | 13.9            | -6%        | 0.0                 | 18.1       |

Source: Thomson Reuters, as of September 2024. The respective benchmark indices are S&P 500 (US), Straits Times Index (Singapore), MSCI China Index (China), and TOPIX (Japan).

Note: F – Consensus Forecast, ex – excluding, P/E – Price to Earnings  
All data are sourced from Lion Global Investors and Bloomberg as of 30 September 2024 unless otherwise stated

Greater volatility is expected to unfold in the coming months. Against the volatile macro backdrop, investors should stay defensive and diversified, while taking into consideration their risk appetite and time horizon.

The Lion-OCBC Securities Singapore Low Carbon ETF provides easy access to 50 leading Singapore companies with lower carbon footprint. It is suitable for investors who wish to stay defensive and diversified, while also supporting a lower carbon Singapore economy.

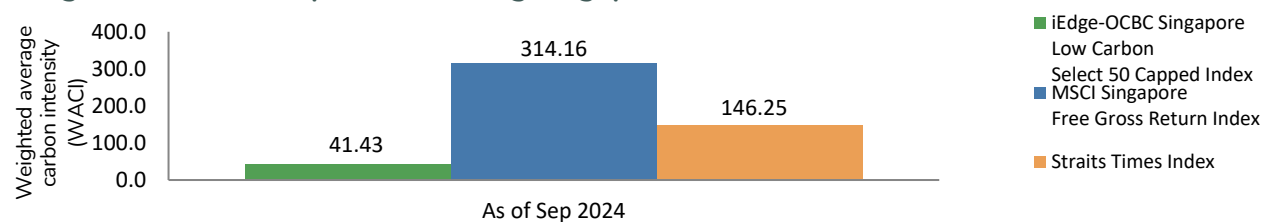
## HOW DOES THIS ETF COMPARE WITH OTHER SINGAPORE-FOCUSED ETFs?

The Lion-OCBC Securities Singapore Low Carbon ETF tracks the iEdge-OCBC Singapore Low Carbon Select 50 Capped Index (“the Index”), which aims to track performance of the top 50 companies by free-float market capitalisation that are representative of Singapore’s real and financial economy, with a focus on index decarbonisation through reduction of the Index’s Weighted Average Carbon Intensity (WACI). As shown in Figure 2, the Index has a much lower WACI compared with other Singapore benchmarks.

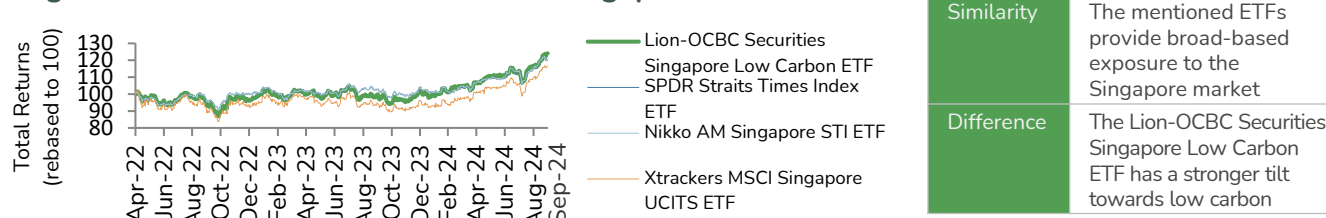
Between 28 April 2022 (ETF’s listing date) and 30 September 2024, the Lion-OCBC Securities Singapore Low Carbon ETF cumulatively outperformed<sup>5</sup> other Singapore-focused ETFs (Figure 3) such as the SPDR STI ETF, Nikko AM Singapore STI ETF and the Xtrackers MSCI Singapore UCITS ETF as of 30 September 2024.

Based on [SGX ETF market highlights Q4 2023](#), this ETF achieved **top returns among Singapore equities ETFs on SGX in 2023**. Between 1 January 2023 and 30 September 2024, the ETF’s inclusion of US-listed constituents such as Sea Ltd and Flex Ltd helped boost its performance compared to Singapore-focused ETFs such as the SPDR STI ETF and Nikko AM Singapore STI ETF (Figure 4). Through greater geographical and sector diversification, the Lion-OCBC Securities Singapore Low Carbon ETF offers investors comparable performance but with a much lower carbon footprint. Do good. For your portfolio and our planet.

**Figure 2: WACI comparisons among Singapore benchmarks<sup>6</sup>**



**Figure 3: Performance relative to other Singapore-focused ETFs<sup>7</sup>**



|            |  |
|------------|--|
| 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 |

| From Bloomberg as of 30 September 2024        | 2024 YTD return | 2023 return | Annualized % return since Fund's inception* |
|---|-----------------|-------------|---|
| Lion-OCBC Securities Singapore Low Carbon ETF | 20.6%           | 5.3%        | 8.7%  |
| SPDR Straits Times Index ETF                  | 15.5%           | 4.4%        | 8.0%  |
| Nikko AM STI ETF                              | 15.6%           | 4.9%        | 8.1%  |
| Xtrackers MSCI Singapore UCITS ETF            | 21.3%           | 3.5%        | 6.8%  |

**Figure 4: Performance of the ETF's top constituents<sup>8</sup>**

| Constituent                      | In the Straits Times Index? | Country of listing | % weight in ETF portfolio | 2024 YTD return |
|----------------------------------|-----------------------------|--------------------|---------------------------|-----------------|
| Sea Ltd                          | No                          | US                 | 7.9%                      | 126.4%          |
| DBS Group Holdings Ltd           | Yes                         | Singapore          | 7.0%                      | 31.1%           |
| Oversea-Chinese Banking Corp Ltd | Yes                         | Singapore          | 6.9%                      | 23.5%           |
| Singapore Telecommunications Ltd | Yes                         | Singapore          | 6.9%                      | 34.7%           |
| United Overseas Bank Ltd         | Yes                         | Singapore          | 6.8%                      | 19.7%           |
| Flex Ltd                         | No                          | US                 | 6.2%                      | 46.8%           |

<sup>5</sup> Source: Bloomberg, as of 30 September 2024.

<sup>6</sup> Source: SGX Index Edge, as of 30 September 2024.

<sup>7</sup> Source: Bloomberg, as of 30 September 2024. Securities referenced are not intended as recommendations to buy or sell securities.

\* 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. Past performance, as well as any prediction, projection, or forecast are not necessarily indicative of future or likely performance. Opinions and estimates constitute our judgment and along with other portfolio data, are subject to change without notice. Each ETF currently adopts a direct replication strategy in tracking their respective indices. The SPDR Straits Times Index ETF and Nikko AM Singapore STI ETF track the Straits Times Index while the Xtrackers MSCI Singapore UCITS ETF tracks the MSCI Singapore Investable Market Total Return Net Index.

<sup>8</sup> Source: Bloomberg, as of 30 September 2024.

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# Disclaimer

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