

LION-OCBC SECURITIES

SINGAPORE LOW CARBON ETF

Do good. For your portfolio and our planet.

Quarterly Newsletter

Q2 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 distributions<sup>1</sup>.
- It is a 21st century and greener version of the Straits Times Index (STI), being Singapore centric and with a strong ESG (low carbon) focus.
- 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 AUM: SGD 57.0 million as of 30 June 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 Capitalisation<sup>2</sup>

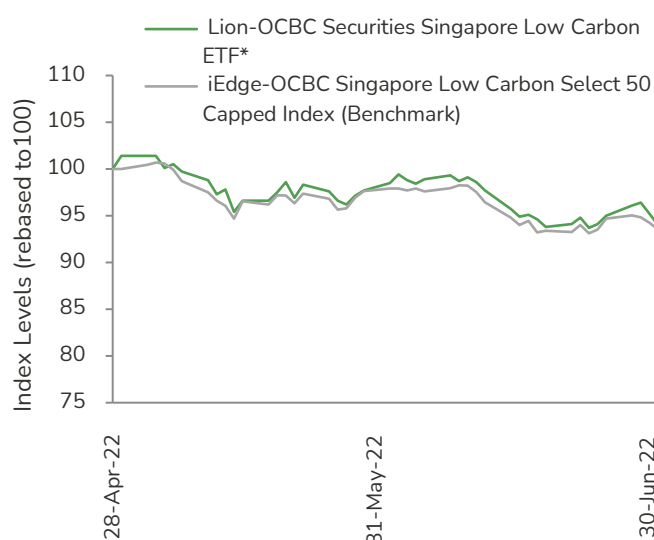


Capped at 7% if market capitalization <USD 200b & 10% if market capitalization >=USD 200b during rebalancing<sup>3</sup>

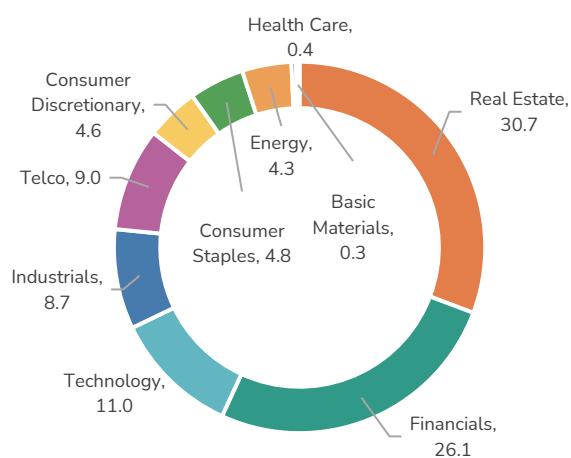


Rebalanced semi-annually (every March and September)

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



### Composition



Source: Lion Global Investors, 30 June 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

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

<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 June 2022

## WHY INVEST IN SINGAPORE NOW?

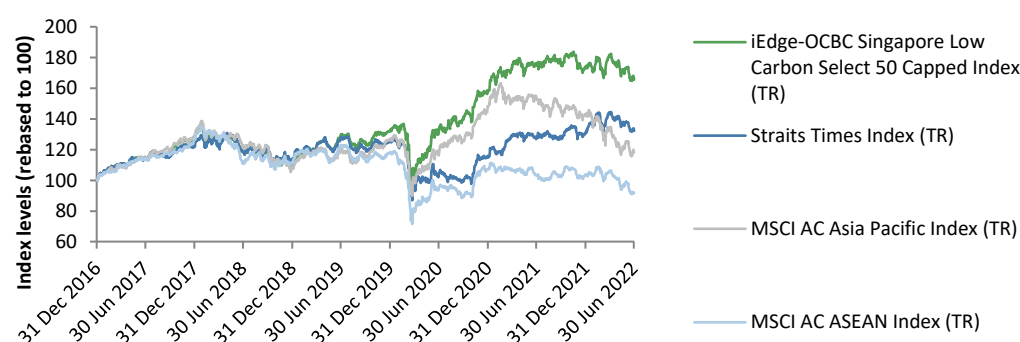
In terms of historical performance, Singapore has done well in the past 5 years compared to the broader Asia and ASEAN regions. Between 31 December 2016 and 30 June 2022, the iEdge-OCBC Singapore Low Carbon Select 50 Capped Index (the Benchmark Index) has outperformed<sup>5</sup> regional peer indices (Figure 1) such as the Straits Times Index (STI), MSCI AC Asia Pacific Index and MSCI AC ASEAN Index.

Looking beyond history, we are living in a world of increasing inflation and interest rates, where purchasing power is expected to erode at a faster pace. For instance, the US Federal Reserve (Fed) approved a 75-basis point (bp) rate hike<sup>6</sup> on 15 June 2022 to tackle inflation that reached a 41-year high of 8.6%. This was the biggest rate hike since 1994. This is also the third rate hike this year, with each rate hike being bigger than the previous. While facing these global headwinds of decelerating growth, rising interest rates, and increasing inflation, Singapore's standing as a safe haven stands out.

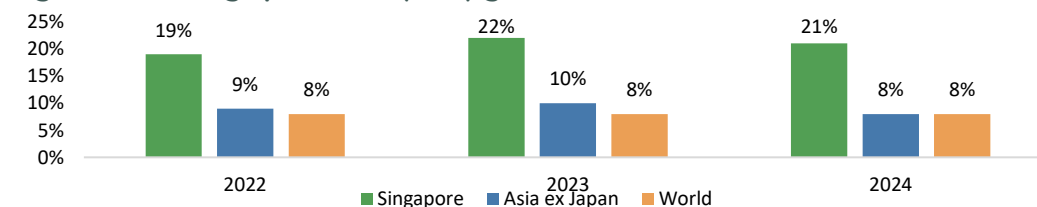
Despite the US Fed being expected to increase interest rates up to 3.4% in 2022, Singapore is still set for a second straight year of above-trend Gross Domestic Product (GDP) growth in 2022. The quarterly MAS study<sup>7</sup> on 8 June 2022 expects Singapore's GDP growth to be around 3.8% this year. This will be underpinned by recovery in the domestic-oriented and travel-related sectors as Covid-19 measures and border restrictions are lifted. Inflationary pressures on consumption may be also mitigated by steady gains in the labor market, together with MAS monetary policy resulting in a more moderate rise in interest rates compared to the US. With all these ongoing, Singapore equities are likely to sustain 20% annual earnings growth<sup>8</sup> through 2024 (Figure 2), exceeding many economies during this high-inflation environment.

To ride out volatility, it is key to add an efficient building block in your portfolio. This building block should also be green as ESG<sup>9</sup> 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 and partake in the transition to a low-carbon economy.

**Figure 1: Benchmark Index performance\* against regional peers**



**Figure 2: Earnings per share (EPS) growth of MSCI Indices**



<sup>5</sup> Source: Bloomberg, June 2022

<sup>6</sup> Source: BBC, June 2022

<sup>7</sup> Source: Refinitiv and Morgan Stanley Research, May 2022

<sup>8</sup> Source: Straits Times, June 2022

<sup>9</sup> ESG stands for Environmental, Social, and Governance

\*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.

## HOW DOES THE BENCHMARK INDEX AND ETF COMPARE WITH ITS PEERS SINCE INCEPTION?

Between 28 April 2022 (ETF's listing date) and 30 June 2022, the Index demonstrated similar performance with the STI and outperformed<sup>10</sup> the MSCI Singapore Free Gross Return Index (Figure 3). In the same period, the Lion-OCBC Securities Singapore Low Carbon ETF demonstrated similar performance (Figure 4) with SGX-listed peer ETFs such as the SPDR STI ETF and Nikko AM Singapore STI ETF, while outperforming<sup>11</sup> the Xtrackers MSCI Singapore UCITS ETF. This suggests that you do not have to sacrifice returns in a low-carbon portfolio.

Being a little red dot, Singapore is especially vulnerable to climate change and our leaders recognize this. On 6 June 2022 (last Monday), Temasek launched a new investment platform company<sup>12</sup> known as GenZero, aiming to accelerate decarbonisation globally. Temasek specifically committed S\$5 billion to establish GenZero, and investments have already been made in its key focus areas on carbon ecosystem enablers and nature-based solutions. During the Eco-sperity Week sustainability conference<sup>13</sup> on 7 June 2022, Senior Minister Teo Chee Hean specifically highlighted the need for companies to incorporate decarbonisation and climate risks into their business strategies or risk being written off. All these highlight the strategic importance of decarbonisation and climate risks for Singapore and the world, because climate change potentially impacts 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: Benchmark Index performance\* against peers**



**Figure 4: ETF performance against peers**



\* 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.

\*\* 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>10, 11</sup> Source: Bloomberg, June 2022

<sup>12, 13</sup> Source: Channel News Asia, June 2022

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