



# CSOP Asset Management

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*Leading ETF Issuer In Asia*

*Riding the global recovery with  
Singapore REITs*

September 2022

# Key Theme

## Turning to Singapore REITs for Growth

Singapore's reopening, along with major countries, is the key to returning to growth, while the western countries are fighting with elevated inflation and face recession risks.



Part  
01

### Market Outlook

**Marco environment**  
Elevated Inflation, Monetary Tightening,  
Recession?

Part  
02

### CSOP S-REITs Leaders Index

Performance Review

Part  
03

### CSOP S-REITs Leaders Index ETF

Easy Access to Quality Real Estate Market

01

## Market Outlook

### Macro Environment

*Elevated Inflation,  
Monetary Tightening,  
Recession Risk*

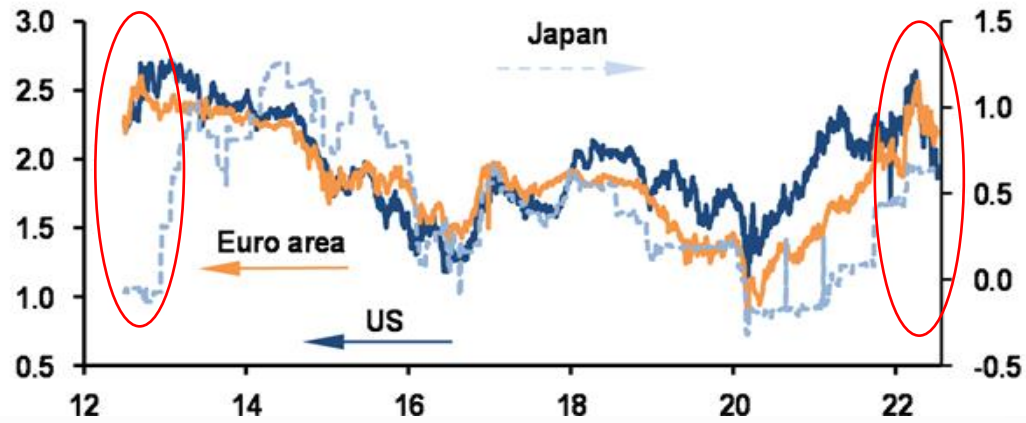




# Inflation Expectations Are Moderating

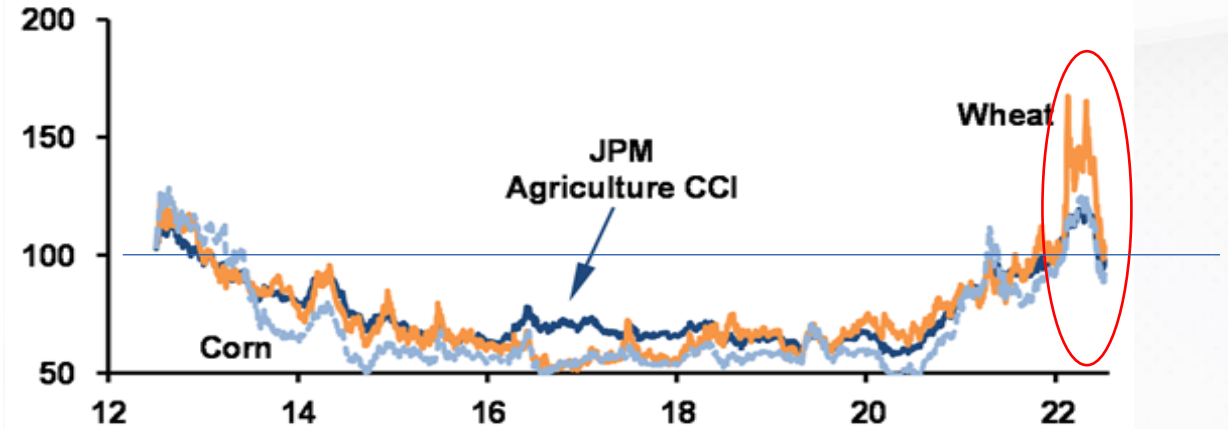
## Derived 5y/5y forward inflation expectations

% p.a., both scales; based on inflation swaps



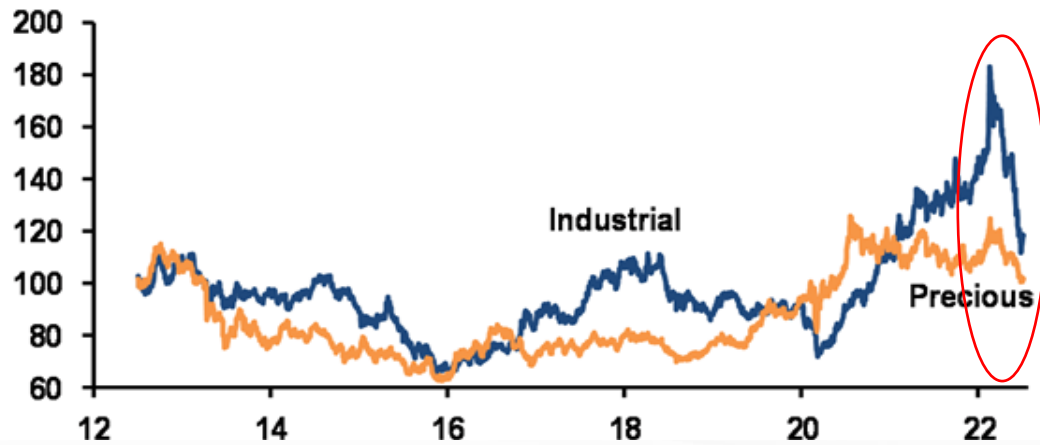
## Agriculture price indexes

Jul 2, 2012 = 100



## J.P. Morgan metals price indexes

Jul 2, 2012 = 100



## Crude oil price

\$/bbl

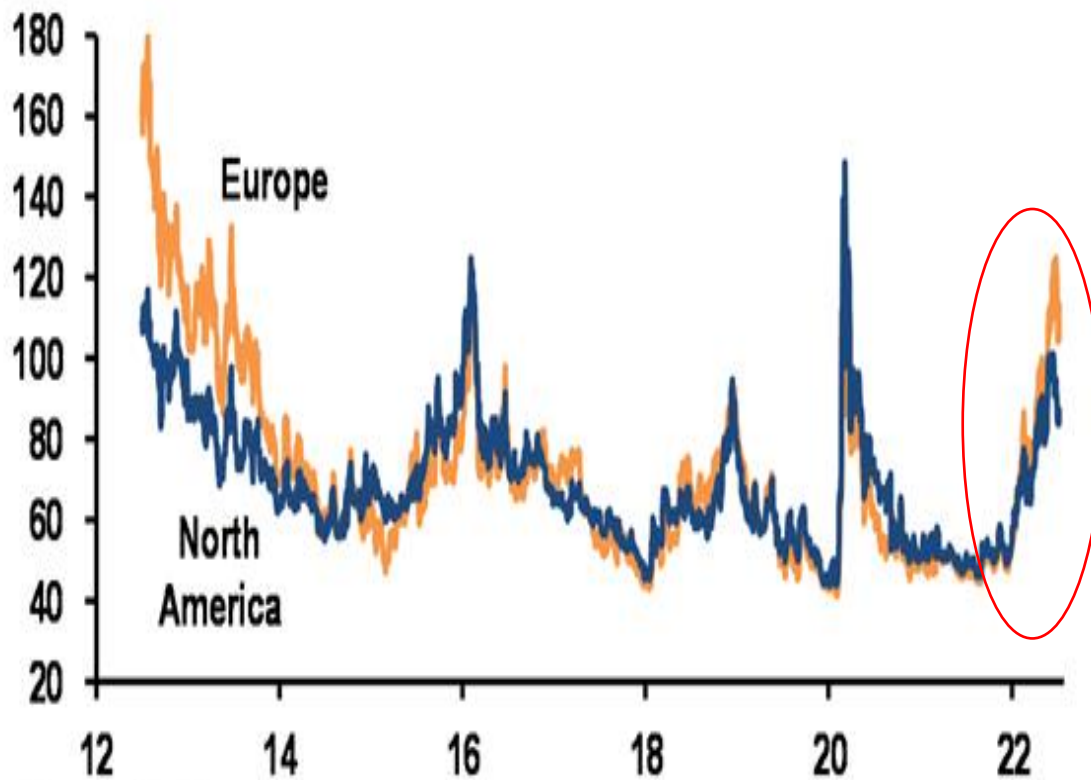


Source: Bloomberg Finance, J.P Morgan, as of 1<sup>st</sup> August 2022

# Credit Spreads May Have Peaked, Reducing Risk of Credit Concerns

## Credit default swaps, investment grade

bps, spread; 5yr on-the-run



## Investment grade corporate bonds: spreads to swaps

Basis points, all maturities, US spread to LIBOR



Source: J.P Morgan, as of 1<sup>st</sup> August 2022

# Higher Rates Likely Impact REIT Ability To Grow Through Acquisitions & Distributions

- Higher Interest costs will impact ability to acquired. As an example, Mapletree Logistics Trust borrowing costs is now 4.8-5% (AUD); 3.7-4% (SGD) and 4.4-4.5% (KRW)
- REITs have **hedged** their debt between **50-80%**, limiting the impact on REIT distributions over the next **1-2 years** with c.**1-3%** DPU impact.
- lesser concerns of downside risks arising from these inflation and interest rates, given proactive steps undertaken by S-REIT managers to mitigate these impacts\*.

## Policy interest rate changes

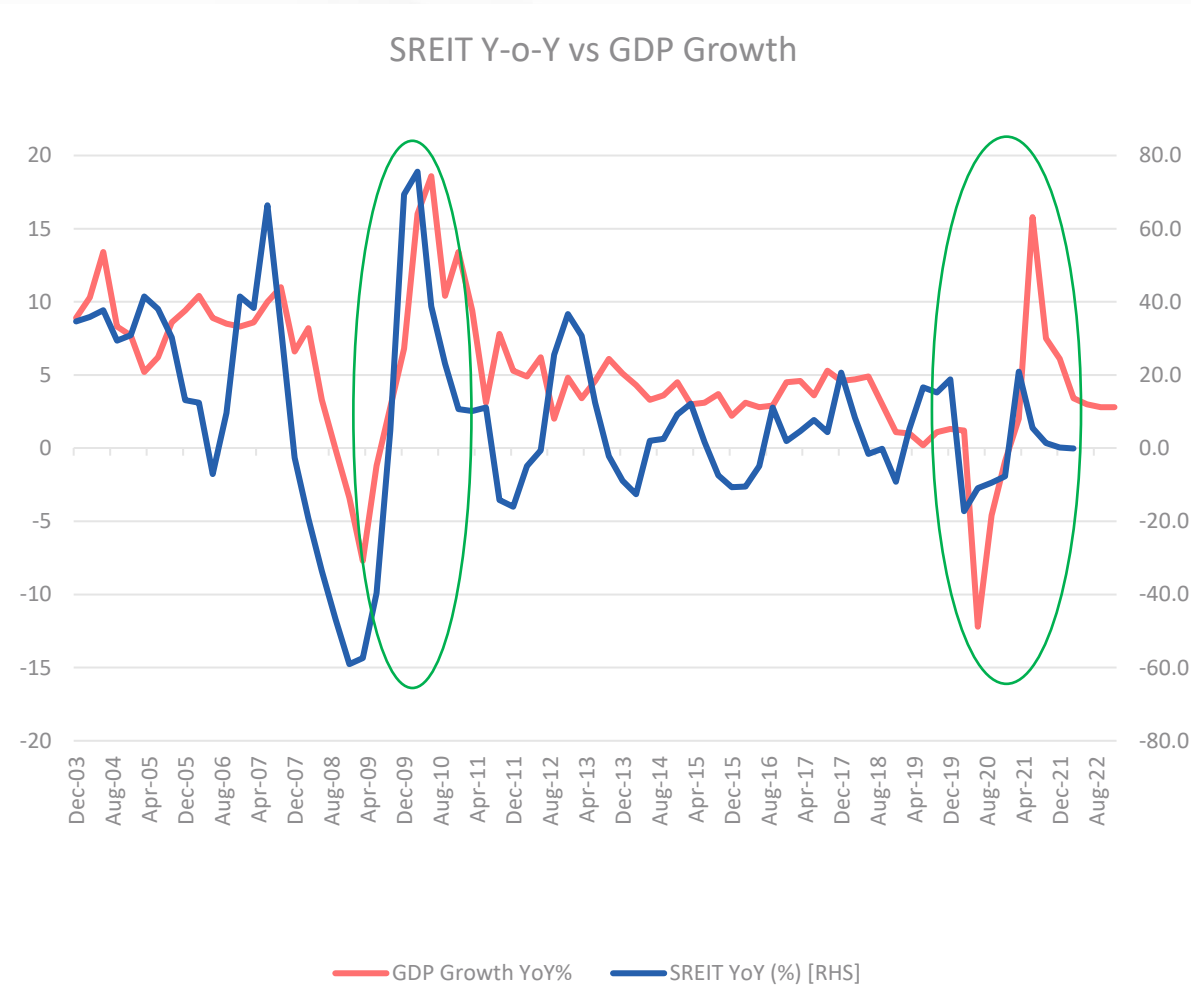
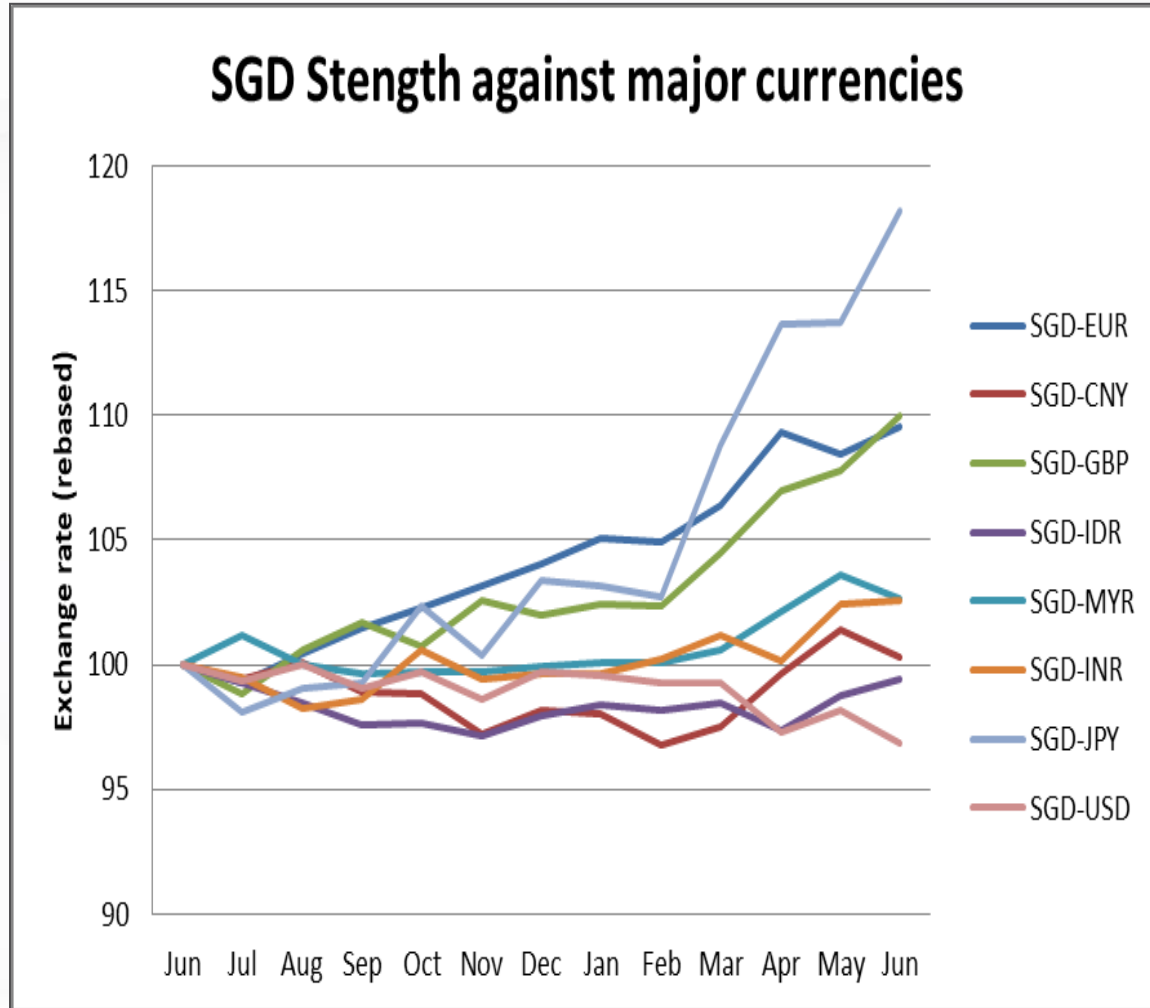
Market	Rate	As of July 2022	
		(%)	YTD change
India	Repo Rate	4.90	90 bps
Mainland China	1-yr Loan Prime Rate	3.70	0 bps
Indonesia	7-day Repo Rate	3.50	0 bps
Vietnam	Discount Rate	2.50	0 bps
Philippines	Reverse Repo Rate	3.25	+125 bps
Thailand	1-day Repo Rate	0.5	0 bps
Malaysia	Overnight policy rate	2.25	+50 bps
Singapore	3M SIBOR	1.91	+148 bps
New Zealand	Official Cash Rate	2.00	+125 bps
Korea	Base Rate	1.75	+75 bps
Hong Kong SAR	3M HIBOR	1.73	+147 bps
Taiwan	Discount Rate	1.50	+37.5 bps
Australia	Cash Rate	1.35	+125 bps
Japan	Call Rate	-0.10	0 bps

Source: Central Banks, CBRE Research July 2022

Source: JLP Asset Management, as of 1<sup>st</sup> August 2022. \* DBS Bank as of 25<sup>th</sup> August 2022

For illustration purpose only. Not to be construed as a recommendation to buy/sell in the securities of the above-mentioned countries.

# Strength of Singapore Dollar, Higher Demand for S\$ assets



Source: Bloomberg, as of 1<sup>st</sup> August 2022

02

# CSOP S-REITs LEADERS Index

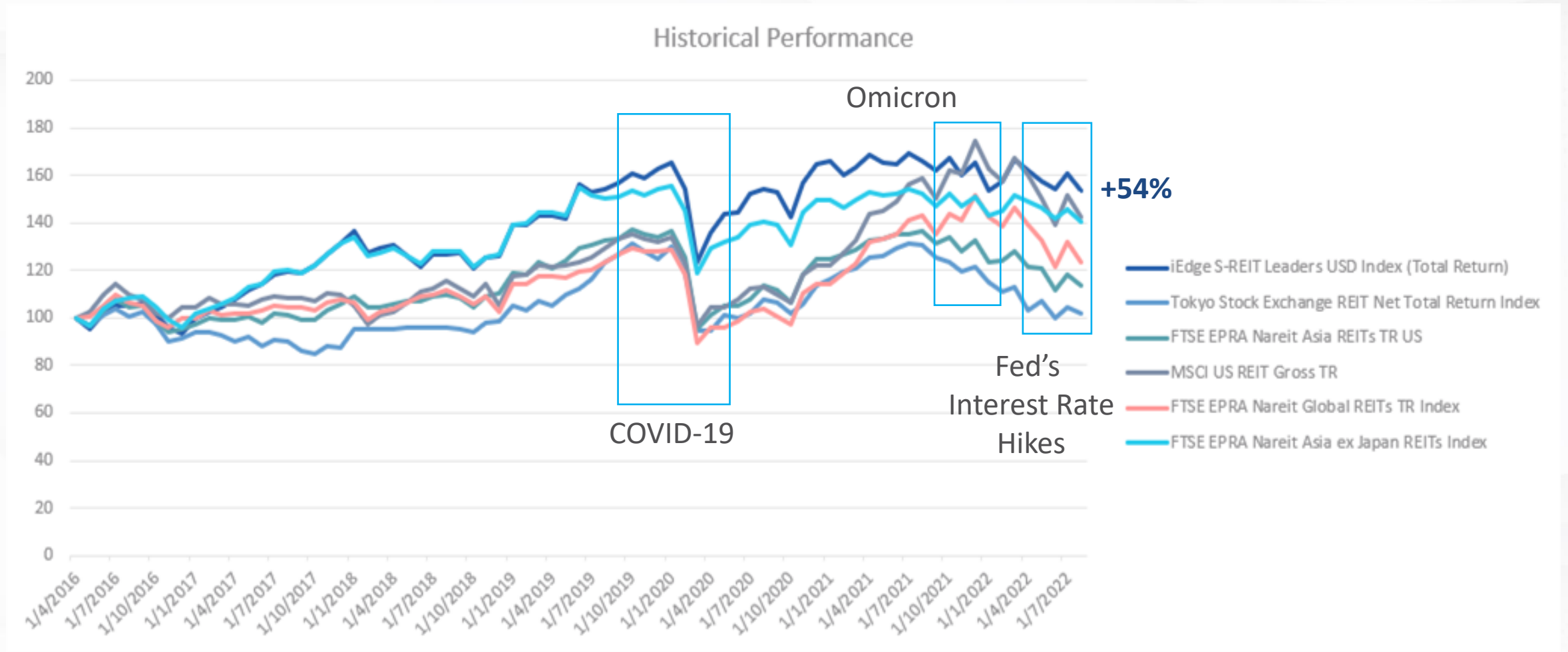
Performance Review





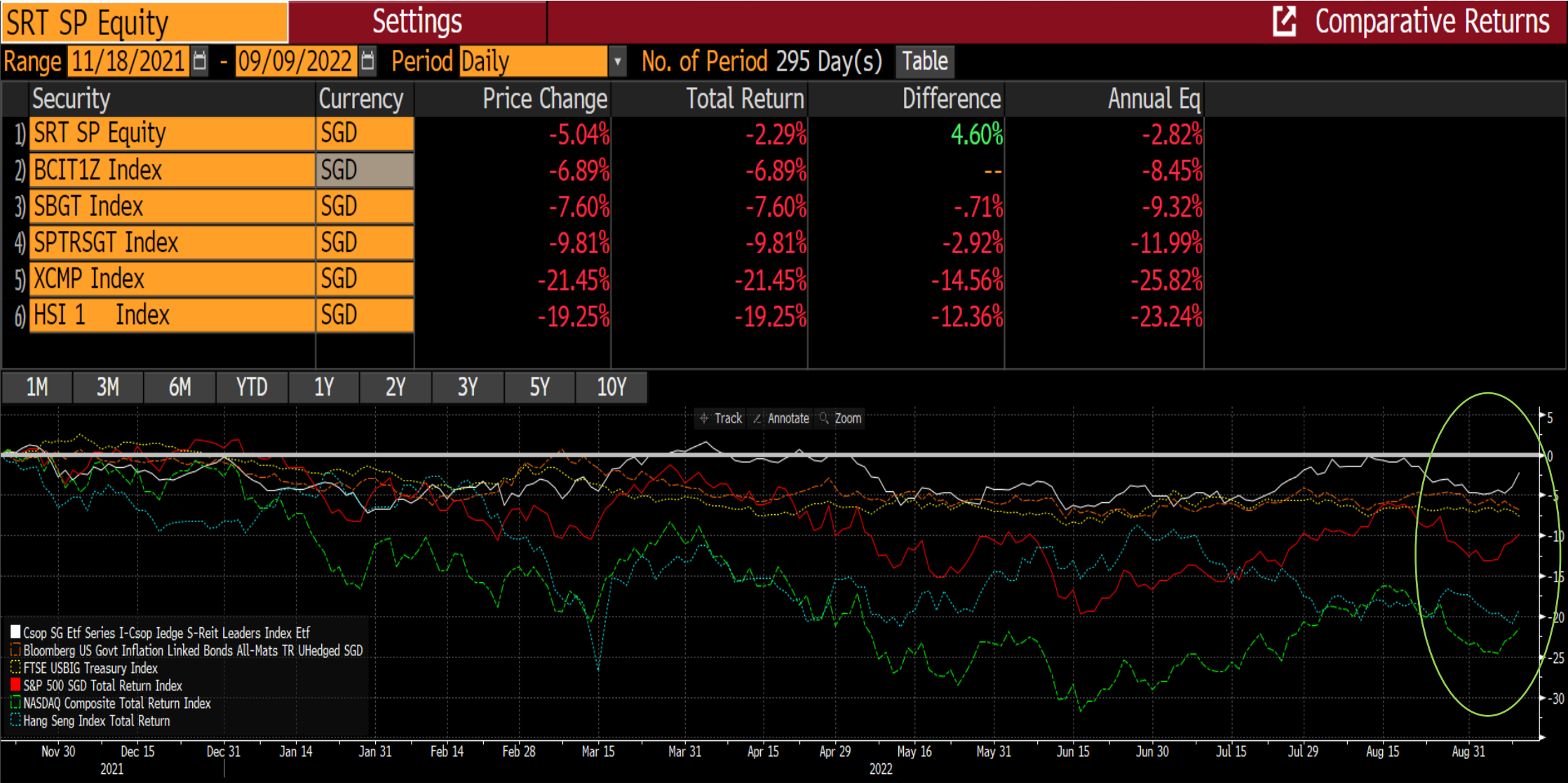
# Singapore REITs Leaders : Resilient and Stable

From April 2016 to August 2022, S-REITs Leaders averaged an **annualized total return of 7.8%** ^ and **90-day volatility of 11.5%** ^, outperforming global major REITs indexes. Over the past 10 years, S-REITs leaders had **annualized total return at 8.3%** ^



Source: Bloomberg. As of 31 August 2022, all in USD terms. ^Proxied by iEdge S-REIT Leaders SGD Index (Total Return).

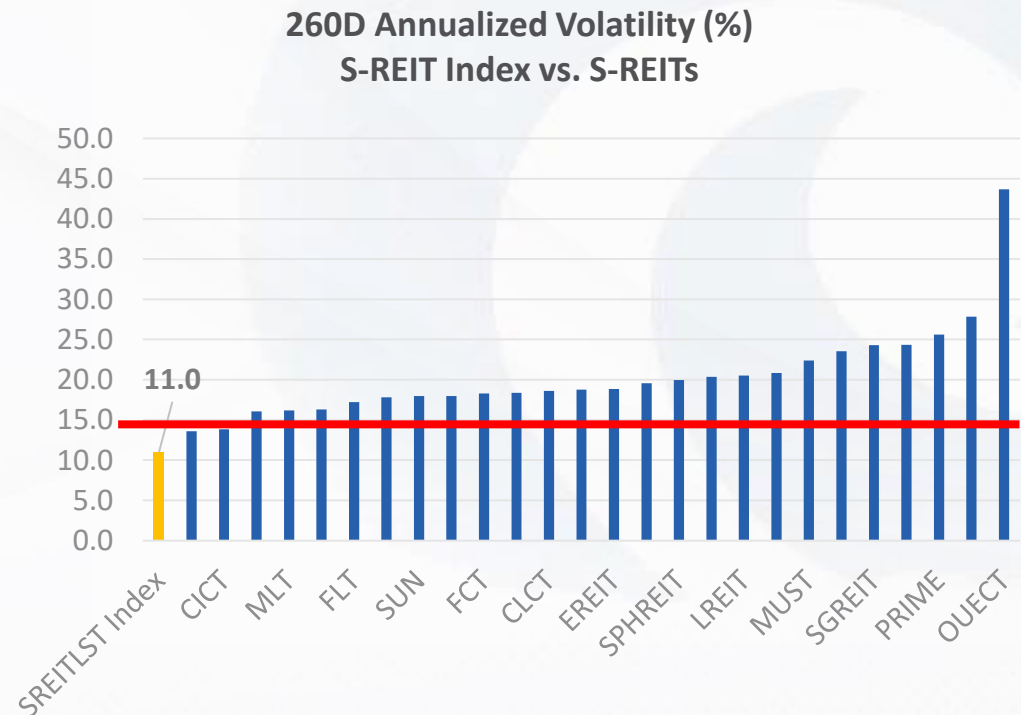
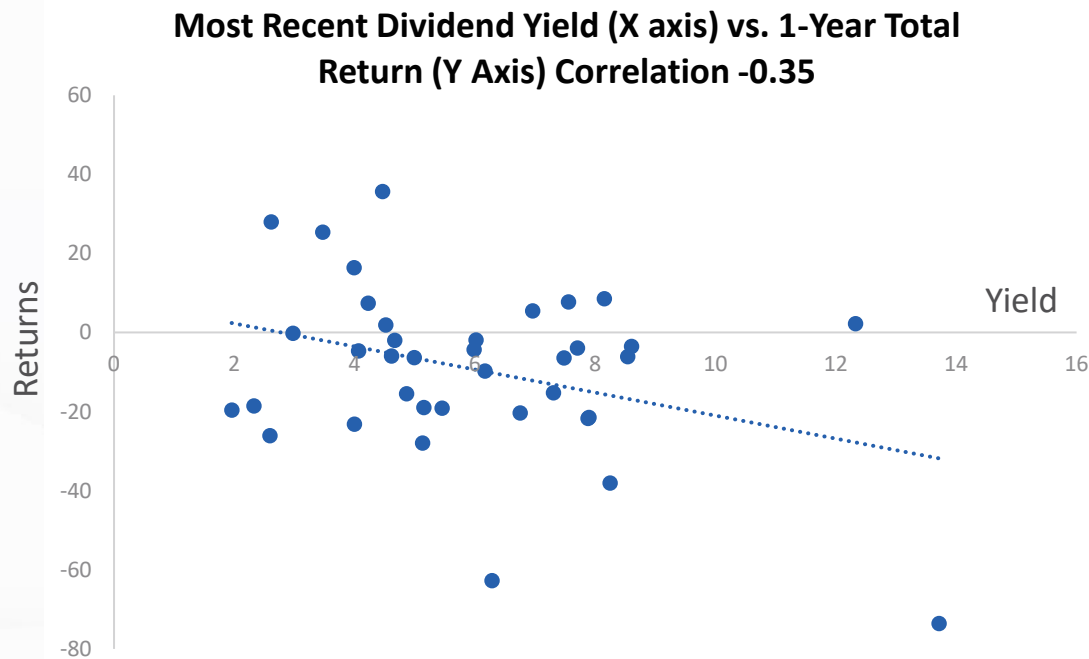
# Outperformance: US Treasuries, TIPS, US/HK Stocks



Source: Bloomberg as of 29 July 2022

# Individual REITs or ETF: Lower Return Divergence and Volatility

- Individual REIT total return divergence can be significant, as each individual REIT is subject to different specific circumstances.
- A **negative correlation between Dividend Yield and Returns**, showing REITs which paid the highest dividend yield were not necessarily the outperformers the same time (higher dividend yield is perhaps just a result of lower price).
- The volatility of individual REITs are also consistently high across the universe with **most above 15%** and the highest more than 40%.

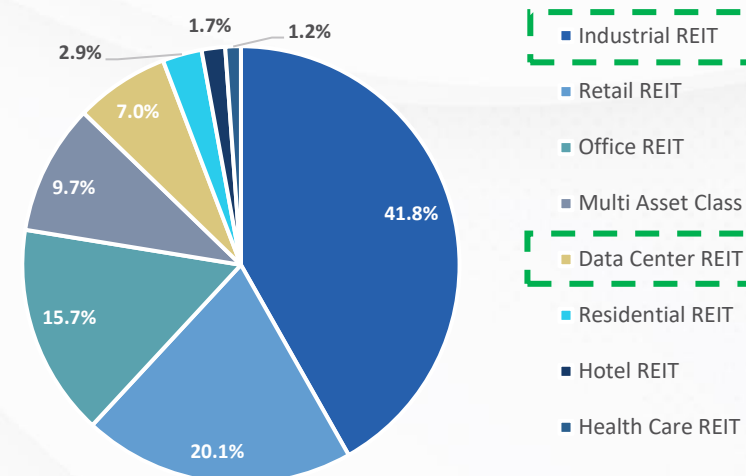


# iEdge S-REIT Leaders Index

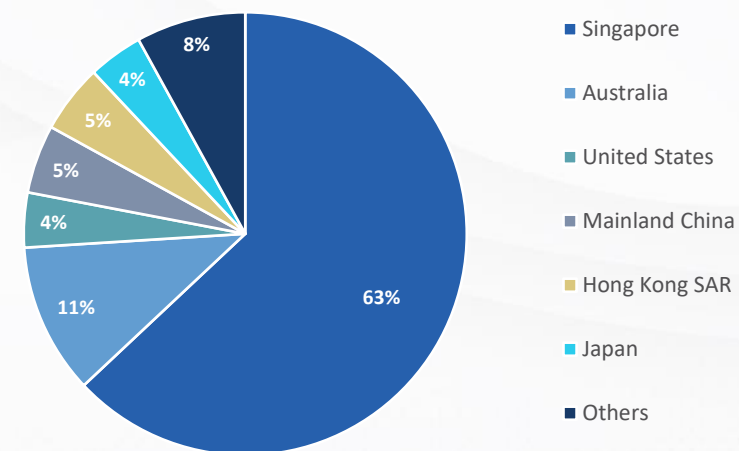
## iEdge S-REIT Leaders Index ("The Index")

<b>Launch Date</b>	24 March 2014		
<b>Base Date and Value</b>	<ul style="list-style-type: none"> <li>• USD: 1,000 on 24 March 2014</li> <li>• SGD: 1,000 on 30 September 2010</li> </ul>		
<b>Market Capitalization</b>	US\$50.15 billion/ S\$68.03 billion on 31 March 2022		
<b>Number of Securities</b>	<b>26</b> , as of 29 July 2022		
<b>Methodology</b>	<ul style="list-style-type: none"> <li>➤ <b>Universe:</b> Listed in SGX &amp; classified as "Real Estate Investment Trust" as defined by the Factset Revere Business Industry Classification System (RBICs).</li> <li>➤ <b>Liquidity Criteria:</b></li> </ul>		
		<b>New Constituents</b>	<b>Existing Constituents</b>
	<b>Average Daily Traded Value</b>	≥USD 500K	≥USD 400K
	<b>Daily Traded Velocity</b>	≥ <b>0.10%</b>	≥0.08%
<b>Methodology</b>	<ul style="list-style-type: none"> <li>➤ <b>Free Float Criteria:</b> New Constituents: ≥ 20%; Existing Constituents: ≥ 15%</li> <li>➤ <b>Free Float Market Capitalization Criteria:</b> New Constituents: ≥ SGD 500M; Existing Constituents: ≥ SGD 400M</li> </ul>		
	<b>Weighting</b>	<b>Liquidity-Adjusted</b> Free-Float Market Capitalization Weighted	
<b>Capping</b>	<b>10%</b> for each security		
<b>Currency</b>	USD & SGD		
<b>Rebalancing Frequency</b>	<b>Semi-annually</b> (March & September)		

## The Index Sector Allocation<sup>^</sup>



## The Index Geographical Allocation<sup>\*</sup>



Source: SGX, as of 31<sup>st</sup> March 2022. <sup>^</sup>BICS4. As of 29 July 2022. The above is for illustration purposes only and does not constitute a recommendation to buy/sell in the above-mentioned sector or jurisdictions.

<sup>\*</sup>SGX. As of 31<sup>st</sup> March 2022. It is breakdown by the geographical revenue.



# Liquidity Adjustment Benefits the REIT

- Contrary to many traditional indices where larger market capitalized constituents are assigned with higher weights, the **iEdge S-REITs Leaders Index** allocates and **rebalances its constituents based on the Averaged Daily Traded Velocity (DTV)** calculated over the last 6 months.
- Higher DTV REITs are assigned a higher weighting while lower liquid REITs are assigned a lower weighting factor.
- **Such a unique feature made the Index and the ETF more robust and smarter as it captures investors' high interest in the underlying REITs and reflects trending sector rotation.**
- helps investors to gain exposure to **relevant sectors in that better represent market conditions.**

## Liquidity-adjusted Free Float Market Capitalization Weighted Index<sup>^</sup>

Quartile	Adjustment Factor
First (Bottom 25%)	0.25
Second	0.50
Third	0.75
Fourth (Top 25%)	<b>1.00</b>

least  
↓  
most

## The Liquidity Enhancement Examples in the Last Rebalancing of September 2021<sup>^^</sup>

	Underlying REITs	Velocity	Velocity Quartile	Weights by Free-float Market Cap (a)	Liquidity Weight Adjustment (b)	Final Weights (c = a + b)
5 Most Liquid Constituents	SUN	0.89%	Fourth	2.88%	+1.35%	4.23%
	CICT	0.48%	Fourth	10%	-.#	10%
	KDCREIT	0.43%	Fourth	5.10%	+2.38%	7.48%
	MLT	0.38%	Fourth	8.82%	+1.18%	10%
	KREIT	0.38%	Fourth	3.34%	+1.56%	4.89%
5 Least Liquid Constituents	MUST	0.13%	First	2.12%	-1.34%	0.78%
	FEHT	0.12%	First	0.81%	-0.51%	0.30%
	OUECT	0.11%	First	0.89%	-0.57%	0.33%
	PRIME	0.11%	First	0.97%	-0.62%	0.36%
	CERT	0.10%	First	2.70%	-1.71%	0.99%

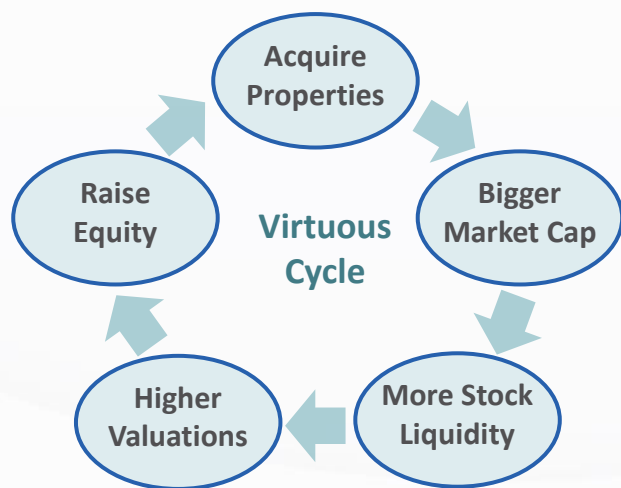
Source: <sup>^</sup>SGX, as of 2021/09/30. <sup>^^</sup>SGX, as of 2021/09/24. #CICT's weight did not change due to the weighting capping of 10% for single security.

# Concentration in Large & Mid-Cap REITS is Advantageous

**Factor back-testing shows large and mid-cap S-REITs outperform the market greatly:** The Index covers the largest S-REITs, which have relatively new and well-located property assets. And these large S-REITs are rushing for overseas acquisition growth to further consolidate their scale advantage.

**Meanwhile, the leverage ratio is controllable:** Despite the active acquisition, the gearing ratio is controllable as **MAS has restricted the gearing ratio of REITs to only 45% and up to 50%** to reduce the risks of over-leverage. As of September 2022, the **AVERAGED** gearing of The Index is only **36.9%\***.

## Importance of Scaling Up\*



## Large and mid-cap S-REITs (Qt1) have Better Risk-Return Profile<sup>^</sup>

	Qt1	Qt2	Qt3	Qt4
Historical Return	96.0%	81.4%	86.1%	17.9%
Annualized Return	9.4%	8.3%	8.6%	2.2%
Volatility	14.3%	14.3%	13.7%	13.7%
Average Turnover	7.6%	18.4%	23.8%	13.7%
Max Drawdown	-36.8%	-42.1%	-35.5%	-47.3%

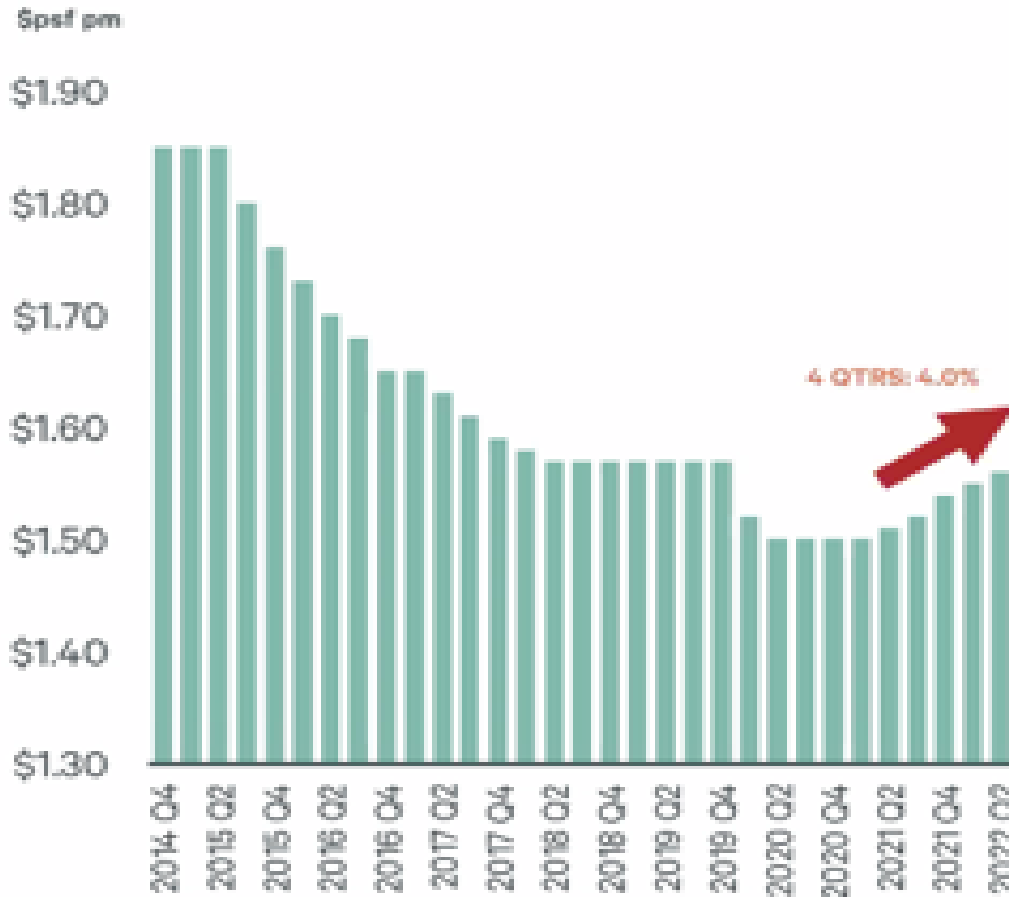
For the period between 24 March 2014 - 24 September 2021.  
S-REITs are sorted by market capitalization into quartiles which are rebalanced semi-annually.  
Returns are calculated by equal weighting SREITs in each quartile in each period

Source: \*Morgan Stanley. <sup>^</sup>Backtest period: 2016/9/15 – 2021/9/15. The sample is 46 S-REITs listed on SGX.

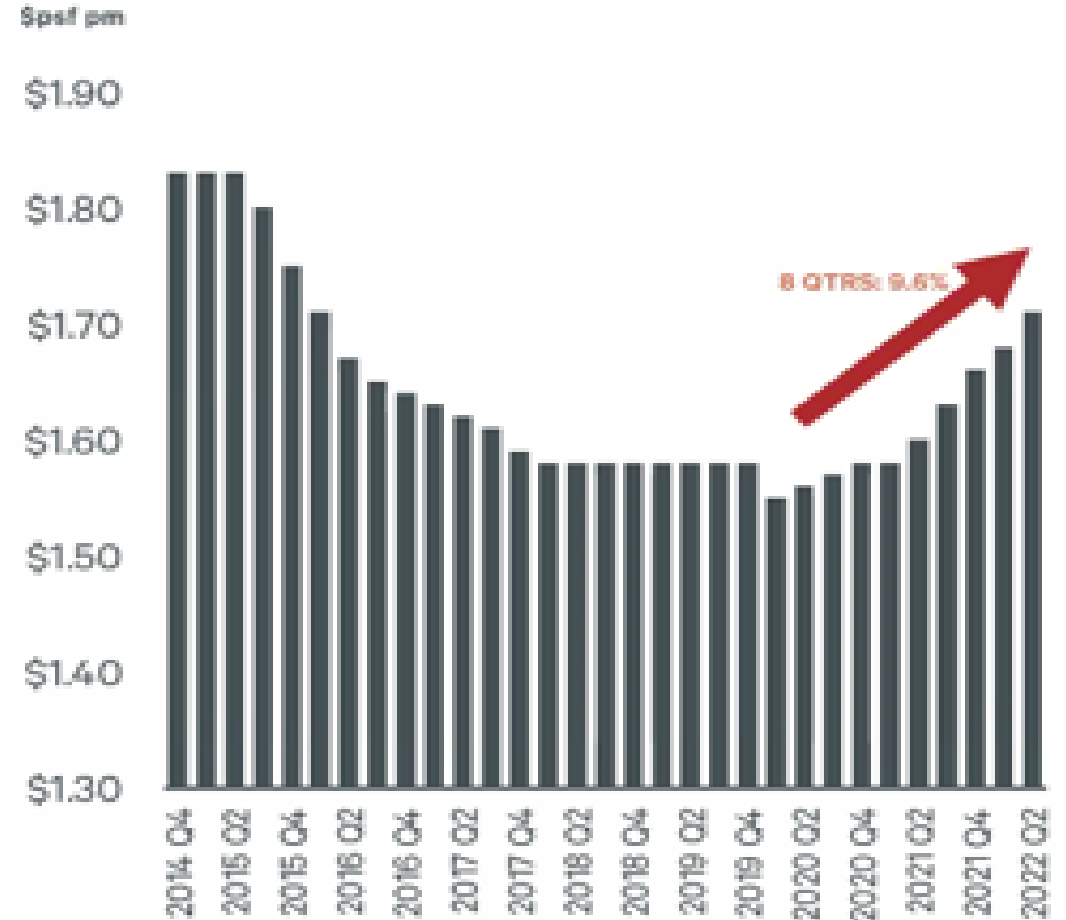
# Industrial REITs

## Factory & Warehouse Rents recovering steadily

### CBRE's Factory Rents



### CBRE's Warehouse Rents

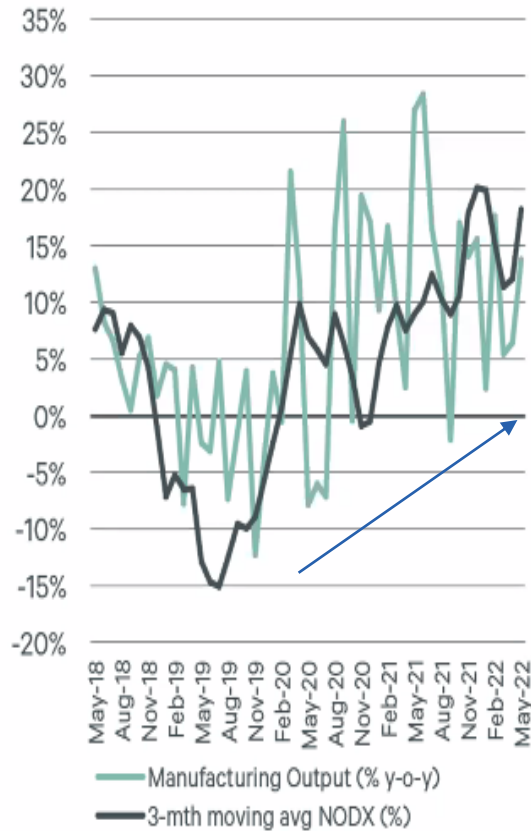


Source: CBRE Research, as of 1<sup>st</sup> August 2022

# Industrial REITs

## Healthy Manufacturing Demand Supportive of Industrial Rents

Manufacturing Output & NODX



Singapore Purchasing Managers' Index



## Industrial Demand and Limited Warehouse Supply to see strong Growth in Rents

Prime Logistics Rents



Source: Department of Statistics Singapore, Singapore Institute of Purchasing and Material Management, CBRE Research, as of 1<sup>st</sup> August 2022

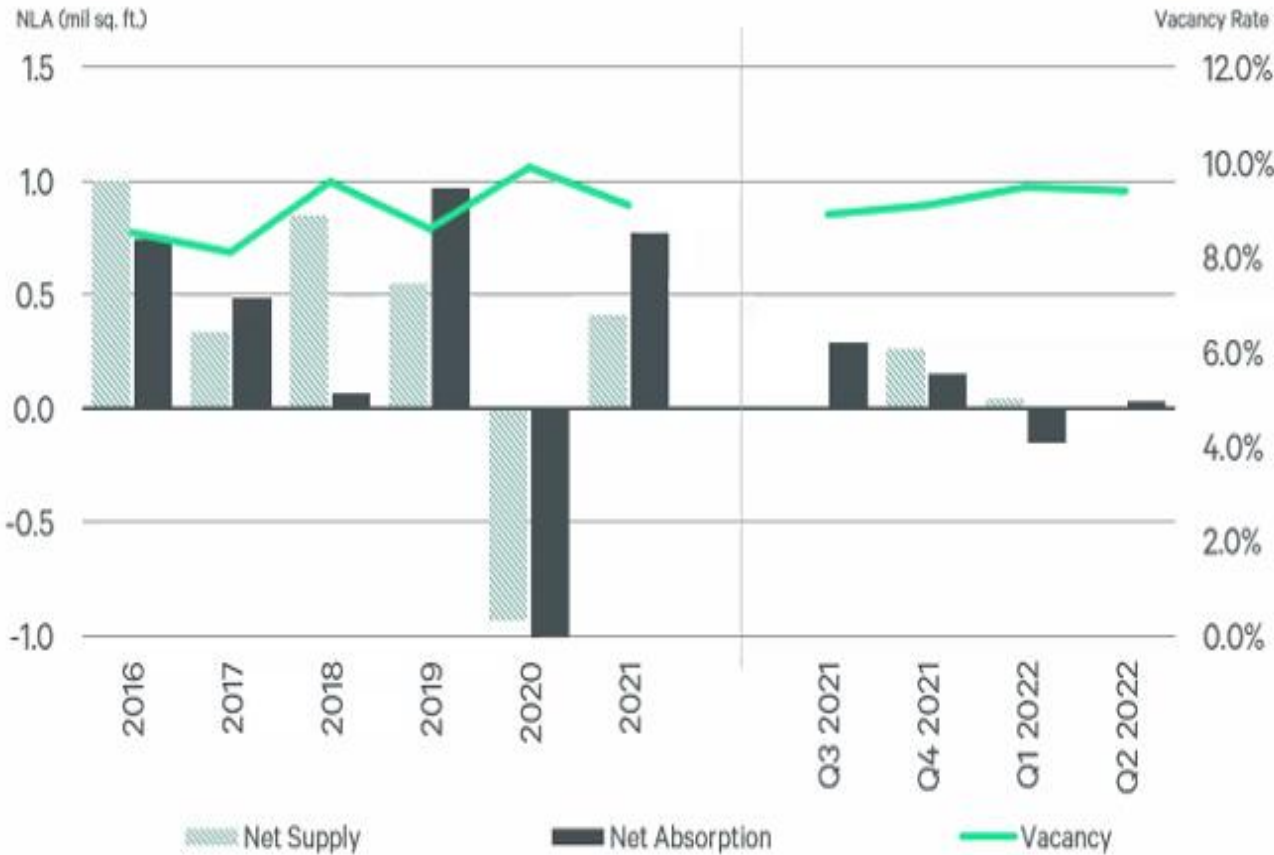
Source: CBRE Research, as of 1<sup>st</sup> August 2022



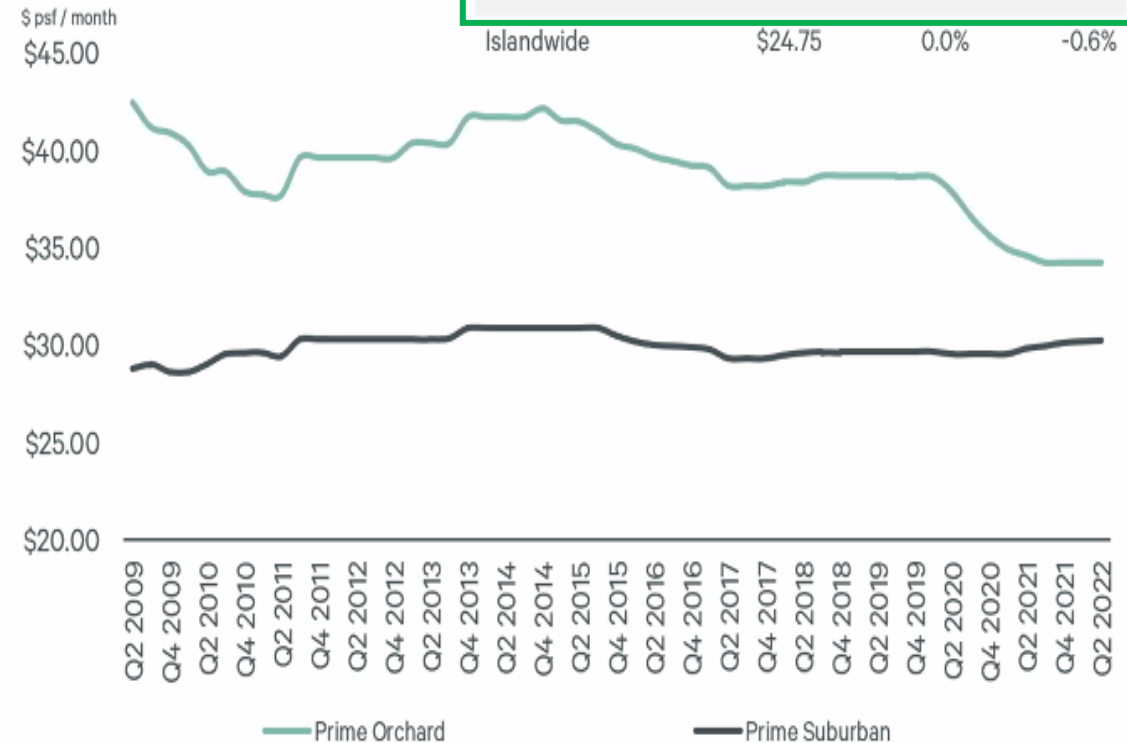
# Retail REITs

## Retail Rents Bottoming as Demand & Supply gets into balance

### Private, Islandwide



### Prime rents by submarket



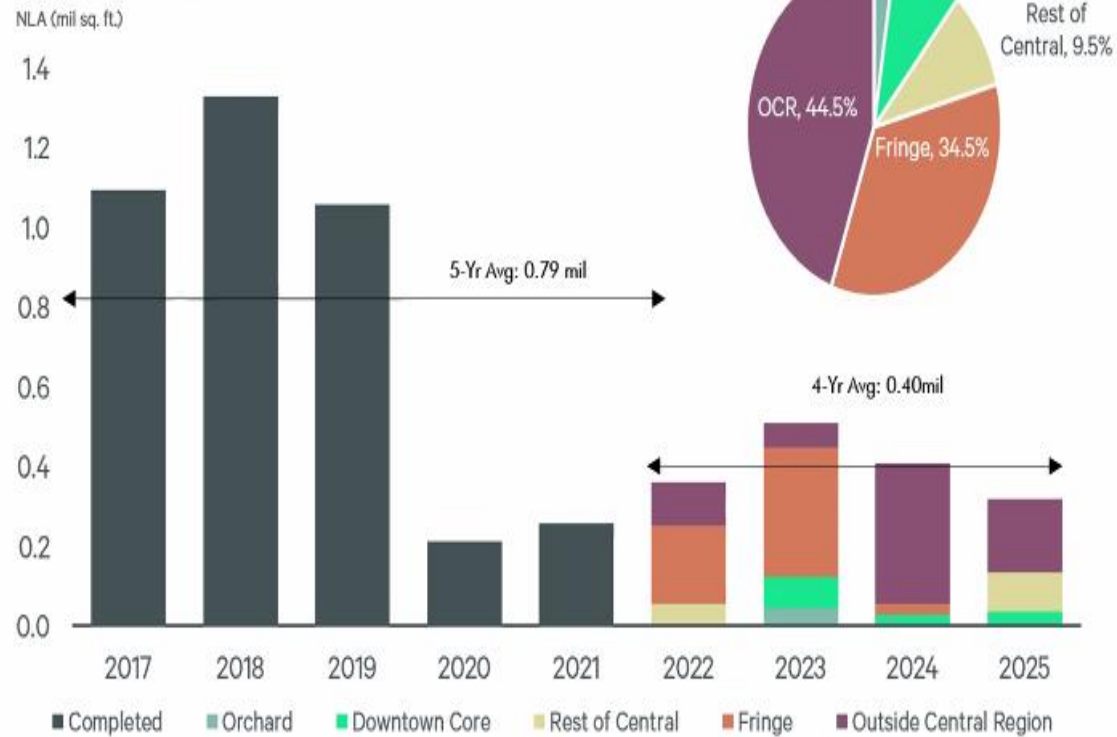
Source: URA, CBRE Research, as of 1<sup>st</sup> August 2022

# Retail REITs

## Limited New Supply and Return of Tourist Will Drive Rents Higher

% Breakdown of Future Supply (H2 2022 – 2025)

Future supply islandwide



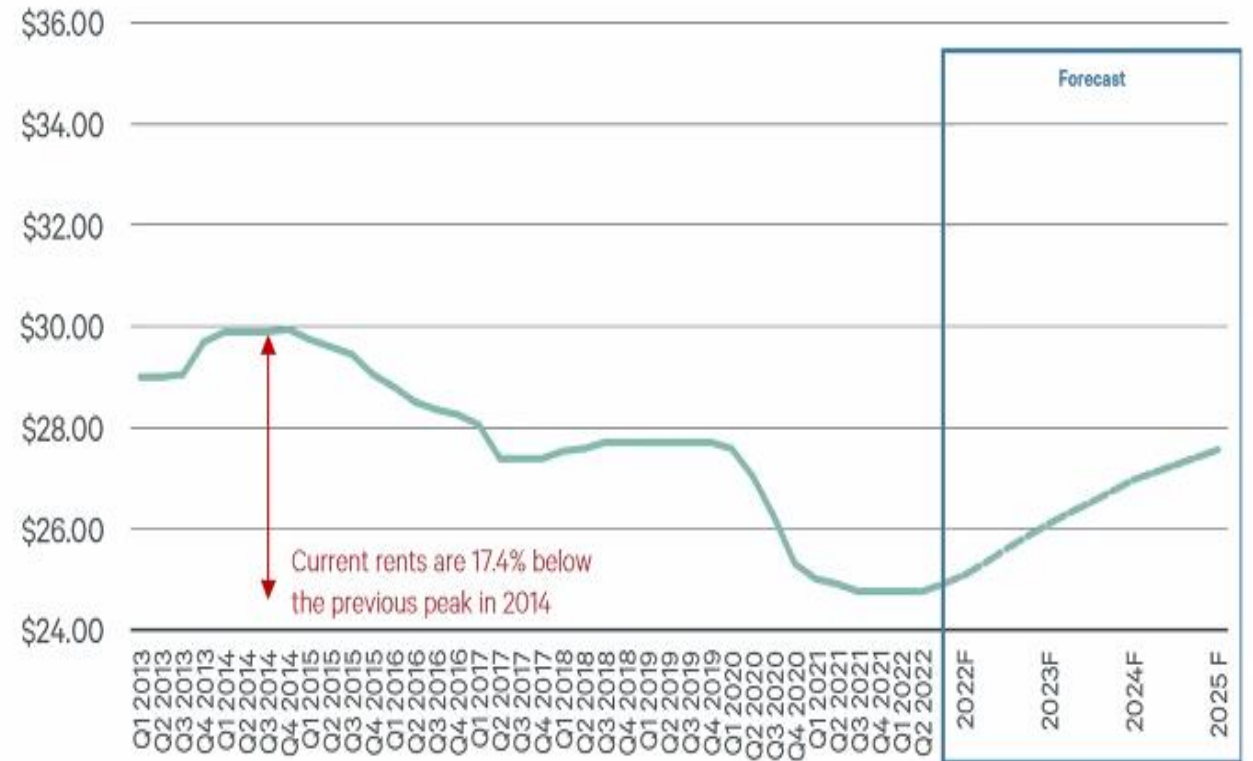
Note: Numbers include additional space carved out during AEI and if the development is closed entirely the total new NLA of enhanced asset is included.

Future supply tracks projects with NLA of 20,000 sf and more.

Source: URA, CBRE Research, as of 1<sup>st</sup> August 2022

Prime Rental Projection - Islandwide

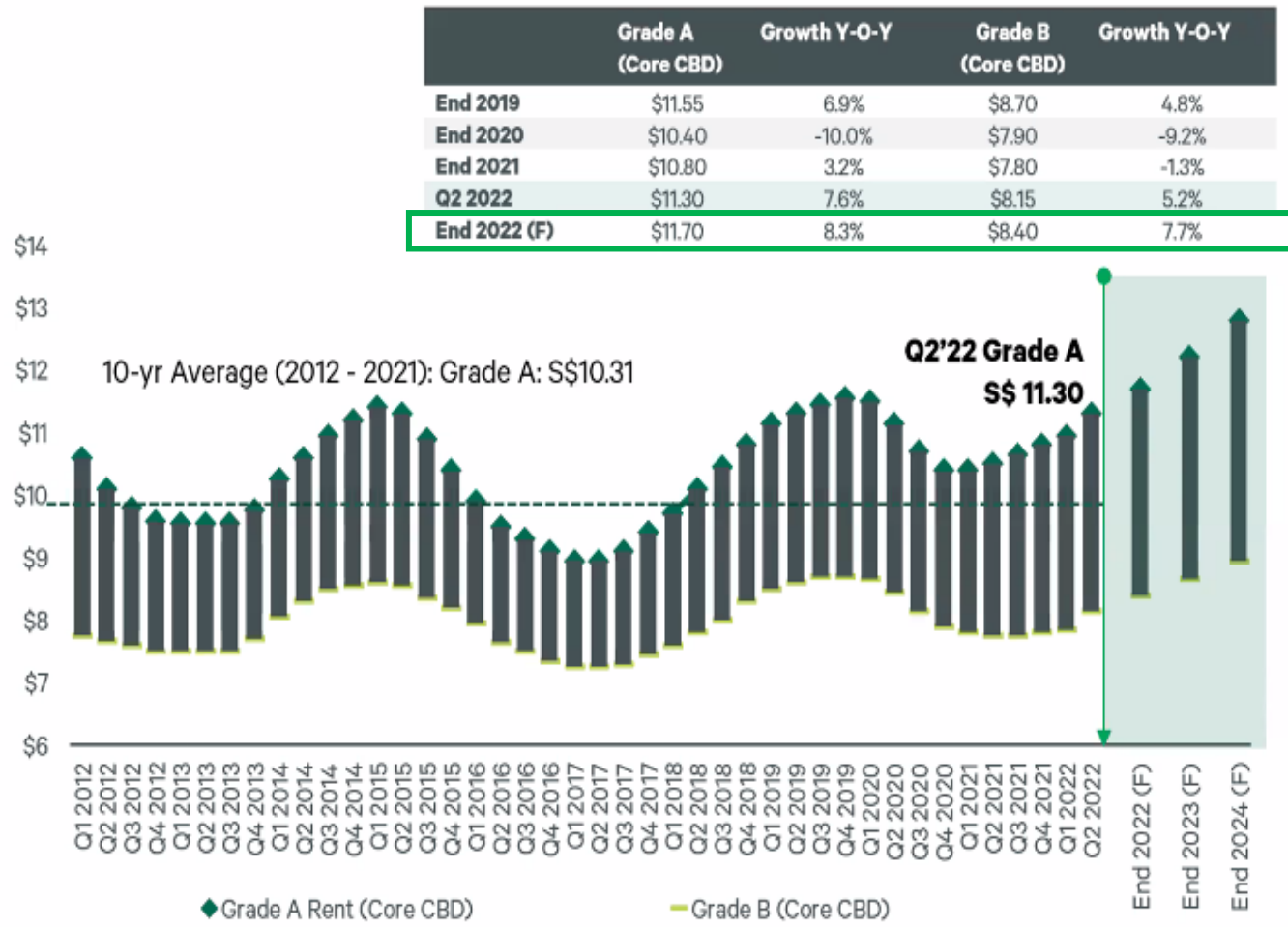
\$ psf / month



	Islandwide rents	Growth Y-O-Y
Q1 2022	\$24.75	-1.0%
Q2 2022	\$24.75	-0.6%
End 2022 (F)	\$25.09	1.4%

# Office REITs

Grade A Rents to grow >8% for 2022 and continue their growth in next 2 years

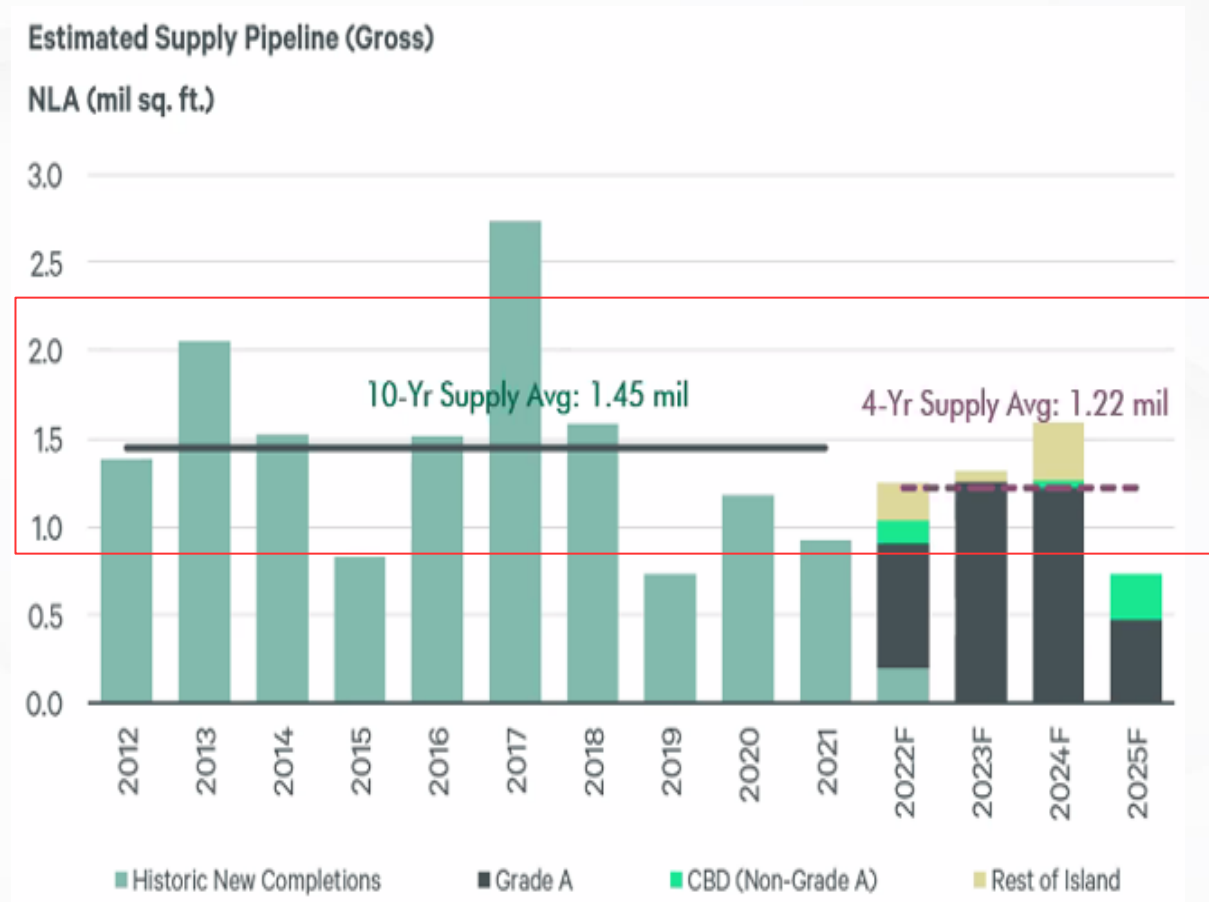


Source: CBRE Research, as of 1<sup>st</sup> August 2022

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# Office REITs

## Office Supply Pipeline less than last 10 year average



## Office Physical Occupancy Returning To Pre-covid levels



**Note:** Google's mobility index extracted from Google's COVID-19 Community Mobility Reports, as of monthly average. The baseline is the median value for the corresponding day of the week during the 5 week period Jan 3-Feb 6, 2020. **Source:** CBRE Research, Google. Jan 2020 up to Jun 2022.

Source: CBRE Research, as of 1<sup>st</sup> August 2022

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03

# Market Outlook

## Macro Environment

*Elevated Inflation,  
Monetary Tightening,  
Recession Risk*



# CSOP iEdge S-REIT Leaders Index ETF (SRT/SRU)



Product	CSOP iEdge S-REIT Leaders Index ETF
Fund Manager	CSOP Asset Management Pte. Ltd.
Short Name	CSOP IEDGE SRETF
Investment Objective	To replicate as closely as possible, before fees and expenses, the performance of the iEdge S-REIT Leaders Index
Investment Strategy	Replication Strategy
Exchange Listing	SGX-ST – Main Board
SGX Counter Name /Code	Primary Currency: CSOP IEDGE SRL ETF S\$ /SRT Secondary Currency: CSOP IEDGE SRL ETF US\$ /SRU
SGX-ST Listing Date	18 November 2021
Base Currency	SGD
Trading Currencies	Primary Market Creation / Redemption: SGD Secondary Market Trading: SGD and USD
Board Lot Size	1 Unit
Creation / Redemption Size	Application Unit size of 50,000 Units (only applicable to Participating Dealers)
Distribution Policy	Semi-annually. Distributions in respect of each counter will be made in SGD only.
Benchmark	iEdge S-REIT Leaders Index
Excluded/Specified Investment Product	EIP
Management Fee / Total Expense Ratio	Currently 0.50% per annum of the NAV / 0.6% capped
Custodian	The Hongkong and Shanghai Bank Corporation Limited
Investment Advisor	JLP Asset Management

Source: CSOP,SGX. As of 25 October 2021



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