

LionGlobal Korea Fund

The LionGlobal Korea Fund aims for medium to long-term capital appreciation by investing in Korean equities and equity-related instruments.

Fund Manager's Commentary

The Korea Composite Stock Price Index (KOSPI) inched up 1.6% in local currency terms in March 2021 as the traditional value sectors advanced on re-rating. Major market drivers during the month included continued rise in market interest rates, major infrastructure plan (USD 2 trillion) and accompanying corporate tax hike out from the US.

As the daily market turnover has decreased from the previous month, retail liquidity has been losing some momentum in the stock market against Bitcoin and other virtual derivatives gaining more interest. Korean National Pension Service, under heavy pressure by the public on its selling spree since the beginning of the year in 2021, held an investment committee meeting to increase its tactical asset allocation buffer for domestic stocks but the decision making was postponed to another meeting in April 2021.

During the official campaign period for mayoral elections in Seoul and Busan (held on April 7 2021), most surveys indicated that the approval rating for President Moon has fallen to around 32%, which is the lowest level ever since he took the office 4 years ago. As Korean voters identified the property policy as the biggest disappointment from the Moon Government, the construction sector has been highlighted as an incremental beneficiary from the potential policy improvement on redevelopment and reconstruction projects in metropolitan area. While contract Dynamic random access memory (DRAM) prices increased by a mid-single digit percentage in March 2021, Samsung reopened its Austin fab in the US after over a month of downtime.

On a sector basis, Financials, Industrials, and Healthcare outperformed the market, while Energy, IT, and Consumer Discretionary were relative underperformers. Korean won depreciated 0.8% against the US dollar during the month of March 2021. The selling pressures in Korean won continued from Korean retail investors that have been purchasing the US stocks.

While underweight positioning of Financials, Industrials, and Healthcare detracted from performance, overweight for major growth sectors such as Tech Hardware and Internet didn't generate greater alpha for the month of March 2021. In terms of individual stocks, top contributors included KB Financial, KH Vatec, SK BioScience, IntekPlus, and Eugene Technology. On the other hand, SK Hynix, SFA Engineering, POSCO, Celltrion, and LS Corp were among bottom contributors.

Market concerns for the US treasury yield hike have already been priced in to a great extent so far in our view. We expect the stock market will increasingly balance growth factors and valuations on a sustainable basis. Our conviction on Korea to outperform regional peers stays firm. In terms of growth, Korea will continue to benefit from the global tech industry's structural growth given Korea has broad-based relevant sectors already opportunistically aligned, which include well-built supply chains for Semiconductor, Electric Vehicle, Batteries, Organic Light-Emitting Diod (OLED) display, Bio healthcare, and media contents. Even after Financial Year 2020 earnings' outperformance, Corporate Korea's earnings growth should accelerate in 2021. Earnings revisions have been maintaining its uptrend since August 2020. On the other hand, the valuation of Korea market is incrementally appealing to investors. Based on the structural growth in major sectors and the improving capital reward, Korea should continue to decrease its valuation discount. We have been observing a number of meaningful signals about generational changes and major restructuring from large corporate groups, where Environmental, Social and Governance perspectives are increasingly highlighted.

Since the beginning of the year in 2021, Korea market has been observing significant price volatilities from major stocks amidst speedy sector rotations and re-ratings. We estimate temporary market corrections may repeat on the global market's volatilities. However, the strong domestic retail liquidity is expected to keep supporting the market given the structural upside for financial investment in terms of Korean household's asset portfolio.

We keep our strategy of optimizing positions of individual stocks in disequilibrium, which stems from exogenous noise and intra-sectoral bifurcation. Candidate areas include e-commerce platforms, electric-vehicle battery value chain, 5G innovation, digital contents globalization, tech materials localization, OLED form factor change, Fintech enablers, Industrial automation, innovative healthcare leaders and cyclical beneficiary with earnings leverage.

Performance (%)

		1-year	3- years p.a.	5- years p.a.	10- years p.a.	Since Inception p.a.
SGD Class ¹	NAV	75.8	5.4	9.3	4.3	10.4
	NAV ^A	67.0	3.6	8.2	3.8	10.2
	Benchmark [#]	78.8	10.4	14.7	6.7	14.0
USD Class ¹	NAV	86.4	4.6	9.3	3.6	8.7
	NAV ^A	77.1	2.8	8.2	3.1	8.4
	Benchmark [#]	89.5	9.5	14.8	6.0	10.4

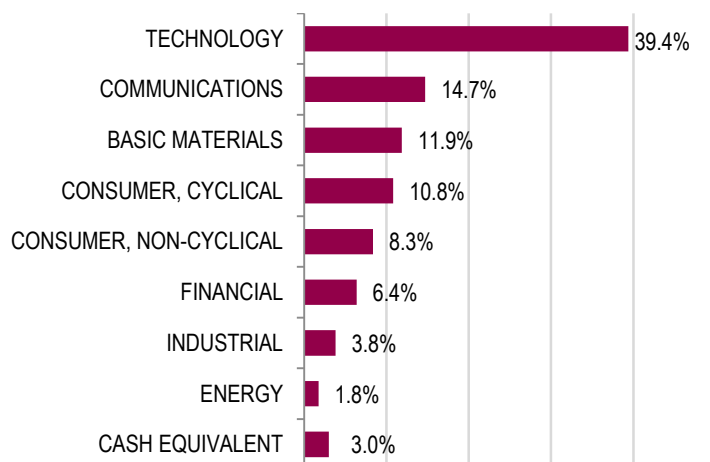
Past performance is not necessarily indicative of future performance

Source: Lion Global Investors Ltd / Morningstar

Fund Facts

Fund Inception Date:	SGD Class: 03 Jul 1998 USD Class: 16 Aug 2004
Subscription Mode:	Cash, SRS ²
Minimum Investment:	S\$ / US\$ 1,000
Initial Charge:	Currently 5% Maximum 5%
Management Fee:	Currently 1.25% p.a. Maximum 2.0% p.a.
Valuation Dealing:	Every dealing day
NAV Price ³ :	S\$1.491/US\$1.109
Fund Size:	S\$19.3 million

Sector Allocation (% of NAV)



Codes

SGD Class:	SG9999002356 OCBSKFI
USD Class:	SG9999002364 OCBKRUS

Benchmark:

Inception to 29 February 2004: MSCI Korea Index.
1 March 2004 to 30 April 2011: Korea Stock Exchange (SE)
Composite (Kospi Index).
From 1 May 2011: MSCI Korea Index. (in respective fund's
Currency)

^ NAV: Figures include Initial Charge.

¹ Returns are based on a single pricing basis. Return periods longer than 1 year are annualised. Dividends are reinvested net of all charges payable upon reinvestment and in respective share class currency terms.

² Supplementary Retirement Scheme ("SRS") monies may be used to purchase SGD Class Units only.

³ Price reflects 2 for 1 subdivision of units on 1 October 1999 and 3 for 1 subdivision of units on 1 June 2006. Distribution of income and capital will be at the Managers' sole discretion. Any distributions made out of capital will reduce the net asset value of the Fund.

The above is based on information available as of 31 March 2021, unless otherwise stated. Securities referenced are not intended as recommendations to buy or sell. Opinions and estimates constitute our judgment and along with other portfolio data, are subject to change without notice.

Top 10 Holdings (% of NAV)

SAMSUNG ELECTRONICS CO LTD	11.1
SAMSUNG ELECTRONICS CO LTD PREF	8.8
SK HYNIX INC	8.8
NAVER CORP	6.6
LG CHEMICAL LTD	5.1
KAKAO CORP	4.7
SAMSUNG SDI CO LTD	4.5
HYUNDAI MOTOR CO	3.7
HANSOL CHEMICAL CO LTD	3.1
KB FINANCIAL GROUP	3.1

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