

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

KOSPI closed 1% up in April 2023 in local currency terms, as its rally moderated since the mid part of the month. Electric Vehicle (EV) battery sectors that had led strong performance of the index started slowing down towards the end of April 2023. The first quarter's earnings events were featured with Samsung Electronics' official production cut announcement after significant semiconductor earnings decrease and Hyundai Kia Motor Group's strong earnings beat due to greater-than-expected operating leverage from still-extending post-COVID-19 car sales. President Yoon's official visit to the U.S. reminded market investors of defence and content industries, as his schedule included meetings with key US defence agencies and Netflix CEO, respectively. Highlighting BTS and BlackPink, President Yoon elaborated about cultural alliance between Korea and the US during his speech at Capitol Hill. Meanwhile, the US' stance on Inflation Reduction Act and chips security remains as importance issue for Korea's key industries including semiconductor, batteries, and EV.

On a sector basis, Healthcare, Financials, Industrials, Utilities, Consumer Discretionary, and Materials performed well, while Energy, Communication Services, Consumer Staples, and Technology performed poorly. Korean won has depreciated 2.4% during the month, largely due to the market's risk-off sentiment. The Fund's performance slowed down during the month largely because of unfavourable stock selection effect. The portfolio was underweight Technology which the performance wasn't good and also overweight Materials that performed relatively well. However, the stocks owned in the portfolio didn't do well relative to benchmark names.

In terms of individual stocks, top contributors included Hyundai Fire Marine, Hyundai Motor(Pref), Samsung Heavy Industry, L&F, and Hanwha Solution. On the other hand, Nanotim, Golfzon, Hansol Chem, Samsung SDI, and Ecopro BM were among bottom contributors.

We keep our market view that the Korea market index move sideways amid active sector rations moderation. Leading sectors including EV batteries should continue to have corrections, major index components including the semiconductor are expected to gradually outperform given cyclical negatives are largely already priced in and signals have been improving in terms of forward-looking supply demand dynamics.

In terms of fundamentals, Korea has proven its resilient economy through COVID-19 and Russia-Ukraine war. While highly diversified industry structure fared well, some sectors such as healthcare and defense took advantage of the global disruption in gaining global market share substantially. Outlook of memory semiconductor, Korea's major export driver has been meaningfully improving since 4th quarter of 2022 on the back of wafer-in capacity decrease as well as Capital Expenditure cuts executed. While inventory adjustment is ongoing, additional supply decrease impacts are expected from the US government's ban on equipment export to China. Major structural growth sectors like EV Batteries, defense, and shipbuilding are contributing to solid export growth, on the back of global competitiveness established on technology leadership, persistent Research & Development investments, and proven track records. We also believe that there have been positive developments in qualitative catalysts. In politics, we have been observing the President Yoon's approval ratings have improved since dealing the trucking union's strike in November 2022, which heavily affected Korea's nationwide logistics system. Notably, Yoon's administration just embarked on major system reforms including labour, which has been one of Korea's major discount factors. We view that the recent drop in approval ratings post Korea-Japan summit should be temporary. On policy front, Korean government remains proactive to support growth based on pro-business stance. Notably, multi-ministerial projects addressing Korean market's valuation discount issue and MSCI Developed Market upgrade are on track. Lastly, corporate governance has had major improvement recently, as local activists have been driving changes for undervalued and mismanaged companies to appreciate minority's interest. Major institutional investors including National Pension Service should be increasingly pressured to take more active actions, in our view. Korea's valuation discount should continue to narrow, largely driven by structural growth drivers in major sectors and dividend pay out improvements.

We keep our strategy of optimizing positions of individual stocks in disequilibrium, which stems from exogenous noise and intra-sectoral bifurcation. Candidate areas include, EV battery value chain including battery re-cycling, defense globalization, shipbuilding, China re-opening beneficiaries, e-commerce platforms, entertainment globalization, tech materials localization, fintech & zero carbon enablers, industrial automation, innovative healthcare leaders, and sector leaders in deep value.

All data are sourced from Lion Global Investors and Bloomberg as at 30 April 2023 unless otherwise stated.

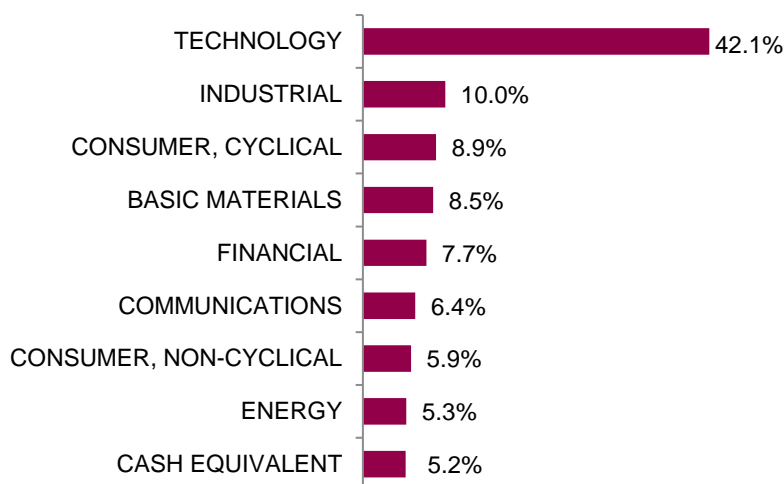
Performance (%)

		1- year	3- years p.a.	5- years p.a.	10- years p.a.	Since Inception p.a.
SGD Class¹	NAV	-6.5	6.7	-3.1	3.6	8.3
	NAV [^]	-11.1	4.9	-4.1	3.1	8.1
	Benchmark [#]	-12.5	4.7	-2.3	3.7	11.1
USD Class¹	NAV	-3.2	8.8	-3.2	2.8	6.2
	NAV [^]	-8.0	7.0	-4.2	2.3	5.9
	Benchmark [#]	-9.5	6.6	-2.4	2.8	7.0

Past performance is not necessarily indicative of future performance

Source: Lion Global Investors Ltd / Morningstar

Sector Allocation (% of NAV)



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.

The above is based on information available as of 30 April 2023, 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. For explanation of additional technical terms, please visit www.lionglobalinvestors.com

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\$1.129/US\$0.846
Fund Size:	S\$13.5 million

Codes

SGD Class:	SG9999002356 OCBSKFI
USD Class:	SG9999002364 OCBKRUS

Top 10 Holdings (% of NAV)

SAMSUNG ELECTRONICS CO LTD	9.2
SAMSUNG ELECTRONICS CO LTD PREF	8.5
SK HYNIX INC	7.1
SAMSUNG SDI CO LTD	7.0
HYUNDAI MARINE & FIRE INSURANCE CO LTD	4.6
SAMSUNG ELECTRO MECHANICS CO LTD	3.8
LG ENERGY SOLUTION	3.7
LG CHEMICAL LTD	3.2
POSCO HOLDINGS	3.0
SAMSUNG HEAVY INDUSTRIES	3.0

For further information or to
obtain a copy of the prospectus:

Funds Hotline | +65 6417 6900
Facsimile | +65 6417 6806
www.lionglobalinvestors.com

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

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