

# **SGX Analysts' Day 2021**

**11 June 2021**

**Singapore Exchange**

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# Agenda



## Session One | Strengthening the Core

9.00AM – 9.20AM	Taking Our Multi-Asset Business to the Next Level	Loh Boon Chye, CEO
9.20AM – 9.50AM	Growing Liquidity in Equities	Michael Syn, Head of Equities
9.50AM – 10.05AM	Enhancing Distribution and Listings	Chew Sutat, Head of GSO
10.05AM – 10.30AM	Question and Answer Session	All



## Session Two | Building for Growth

3.30PM – 4.00PM	Capitalising on Digitalisation - FX and Fixed Income	Lee Beng Hong, Head of FICC
4.00PM – 4.15PM	Our Sustainability Values and Priorities	Herry Cho, Head of SSF
4.15PM – 4.25PM	Solving for Climate Solutions – Scientific Beta	Ng Kin Yee, Head of DCI
4.25PM – 4.40PM	Financial Goals and Capital Management	Ng Yao Loong, CFO
4.40PM – 5.00PM	Question and Answer Session	All
	Closing	Loh Boon Chye, CEO

# Session One

# Taking Our Multi-Asset Business to the Next Level

Loh Boon Chye, Chief Executive Officer

# Evolution of SGX

Early days of developing Asia



International investors seeking Asian opportunities



Electronification of global markets, growth of passive investing



Asia leads in global growth, climate challenges brought to fore in a COVID-19 world

**MERGE** securities and derivatives business for scale



**FACILITATE** safe and efficient flow of global capital investing in Asia and vice versa



SGX Commodities  
SGX Derivatives  
SGX Fixed Income

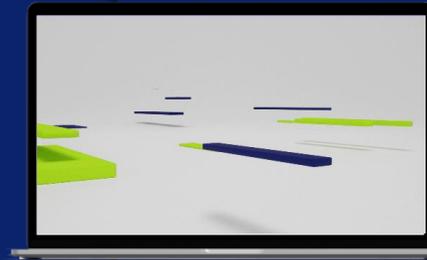


**DIVERSIFY** into new asset classes, serving clients end-to-end

SGX FX  
SGX Indices  
SGX Securities



**EXPAND** partnerships, clients, geographies and companies



**SGX Group**

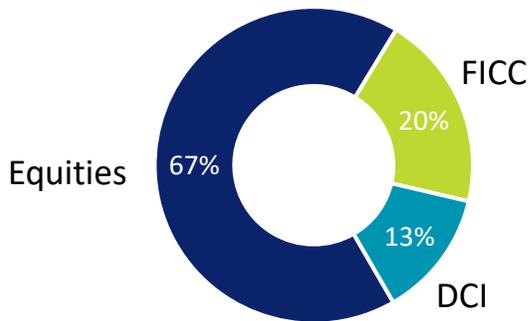
A sustainable ecosystem facilitating multiple points of access to growth



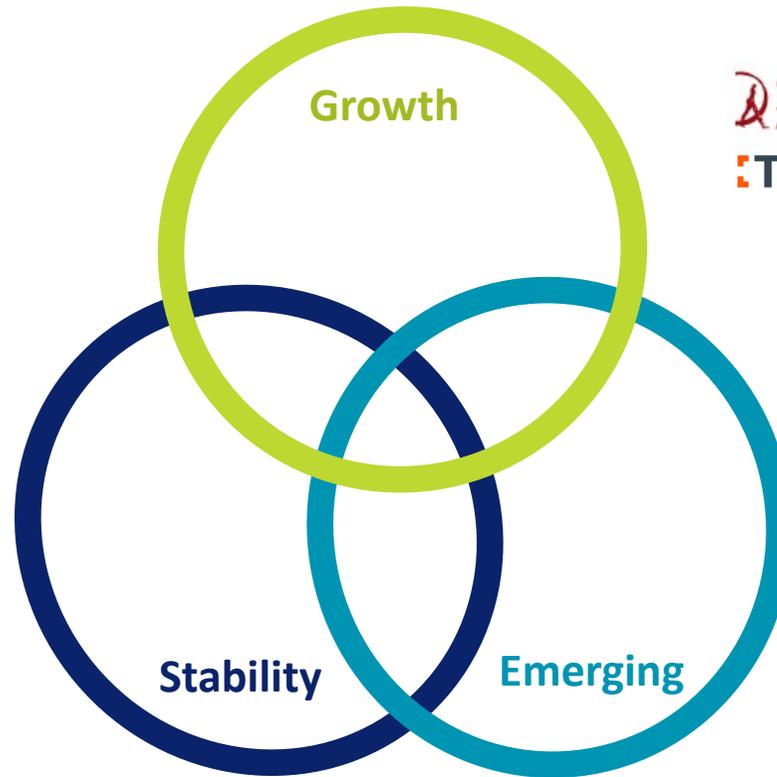
# SGX occupies an investment 'sweet spot'

Exposure to Asian opportunities combining solid core businesses, exciting growth engines and emerging opportunities.

1H FY2021 Revenue



FICC and DCI contributed to 33% of revenue in 1HFY2021, up from 20% in FY2015



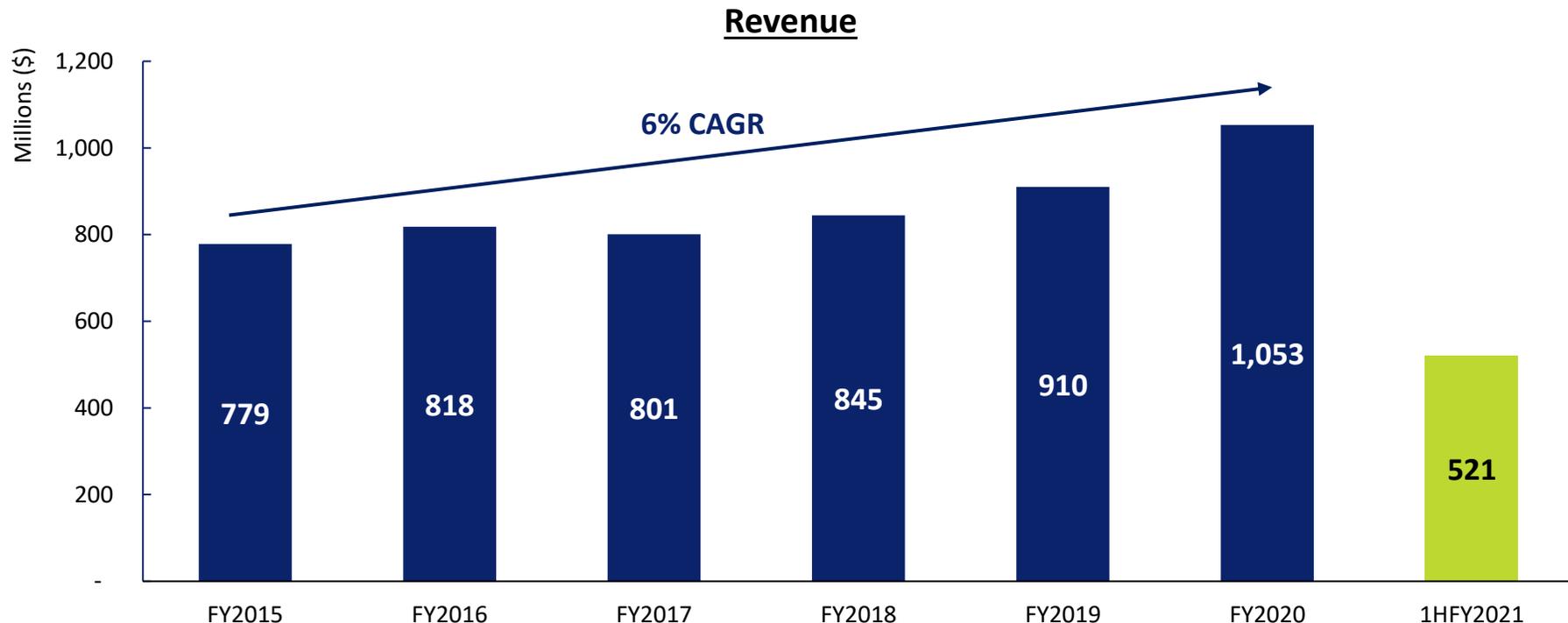
ScientificBeta  
An SGX and EDHEC Venture

TRUMID XT



# Creditable performance amid a challenging environment

- Revenues grew at a CAGR of ~6% from FY15-20
- Medium-term revenue CAGR is expected to rise to high single-digit
- Short-term margins could be lower as we invest, but will improve in the medium-term as we scale our businesses



# SGX's strategy captures opportunities from macro trends



Low interest rate environment



Inflation concerns



Sustainability and climate change



Electronification of OTC markets



Growth of passive investing



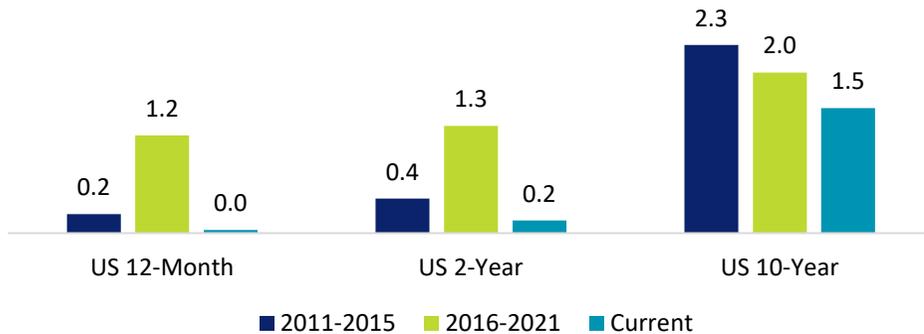
Asia leads in global growth

# Cyclical trends support multi-asset strategy



## Low interest rate environment if inflation remains below target

Average US government bond yields (%)



Source: Bloomberg



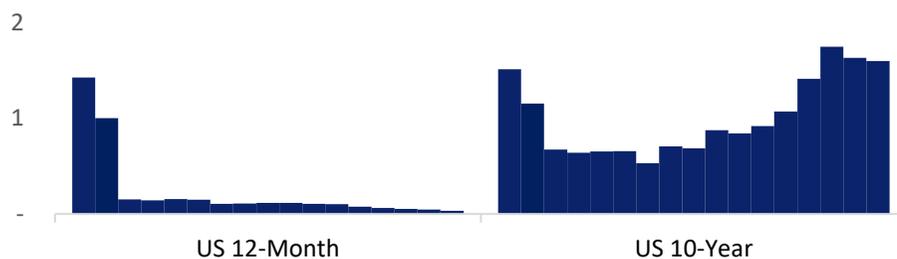
*Multi-asset exchange enables investors to seek incremental returns*

*Lower Treasury income*



## Inflation concerns as economies recover from COVID-19 recovery

Monthly US government bond yields (Jan 2020 – May 2021) (%)



Source: Bloomberg



*Volatility in markets*

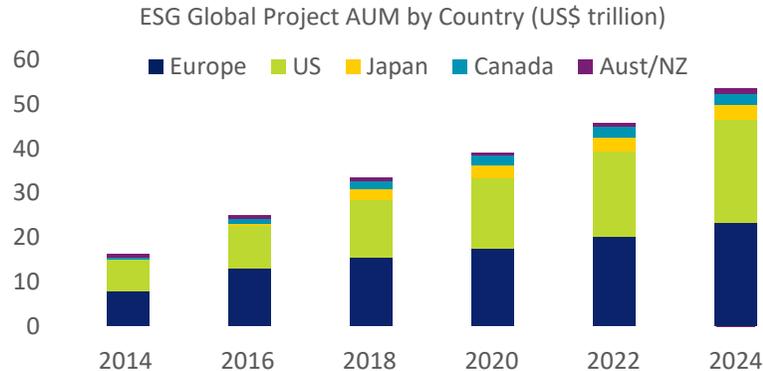
*Cyclical recovery for Treasury income*

*Potential risk-off in riskier assets*

# Secular trends driving partnerships and networks



## ESG AUM could reach 1/3 of global total by 2025



Source: ESG assets may hit \$53 trillion by 2025, a third of global AUM, 23 February 2021, Bloomberg

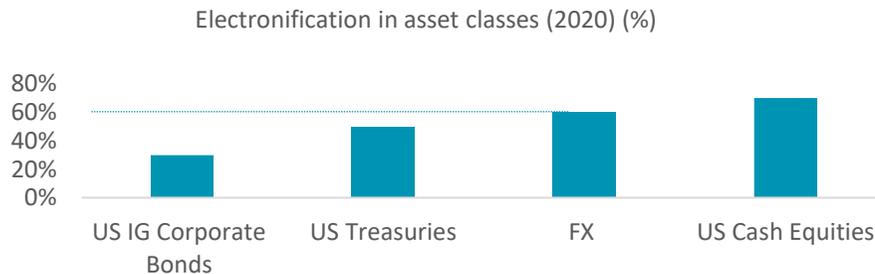


*Change is coming to Asia; next wave of growth expected to come from the region*

*ESG transition in Asia lags Europe and US, requires capacity and ecosystem building*



## Growing demand for digitalisation in trading and workflow solutions in OTC FX and Fixed Income



Source: Oliver Wyman



*Builds on SGX's position as largest Asia FX exchange and leading APAC bond listing venue*

*Competition from peers, slower than anticipated adoption*

# Secular trends driving partnerships and networks



## Passive investing trend to grow



Source: Global passive assets hit \$15tn as ETF boom heats up, 10 May 2021, Financial Times

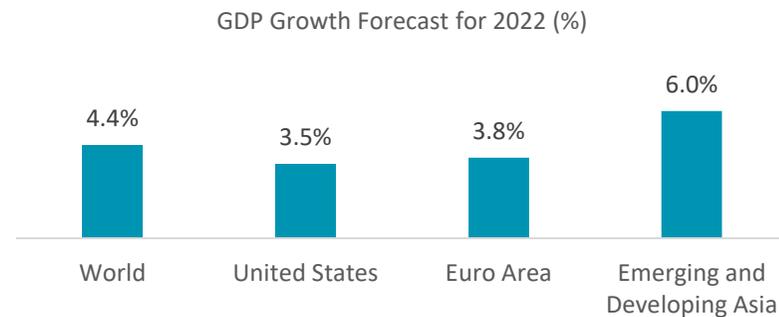


*Increased demand in index products for trading and benchmarking*

*Impact on Singapore equities market, with its smaller weight*



## Asia continues to lead global growth in COVID-19 recovery



Source: World Economic Outlook April 2021, IMF



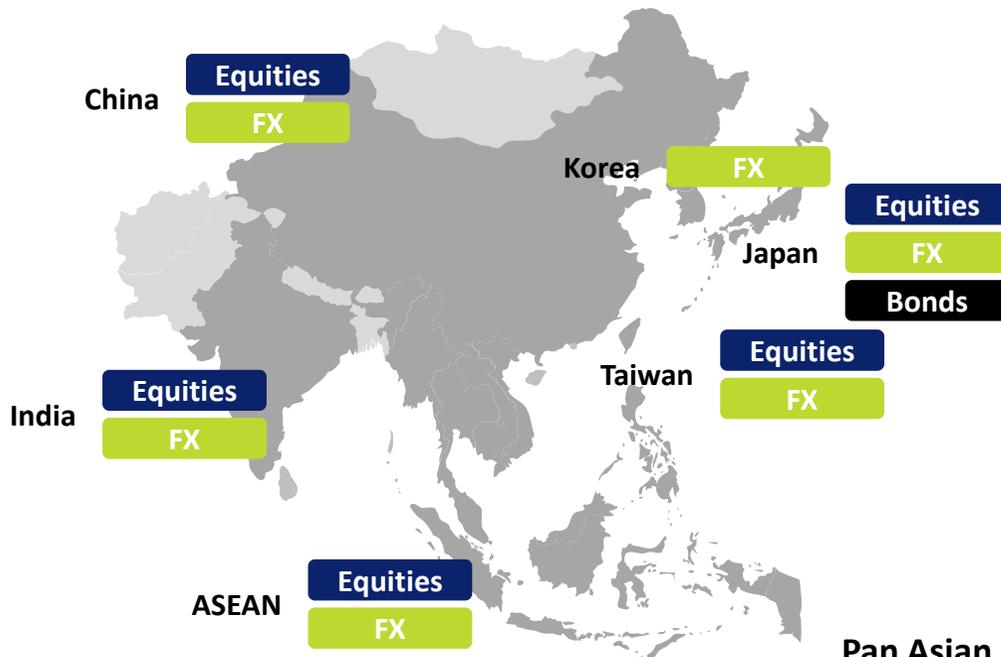
*Product suite covers close to 100% of Asia's GDP*

*Demonstrable strength of ecosystems and networks in Asia*

*Increased competition from peers seeking to provide Asian access*

# Asia is the new epicentre of international expansion

Broad waterfront covering close to 100% of Asia's GDP



Asia's most global and diversified listing venue

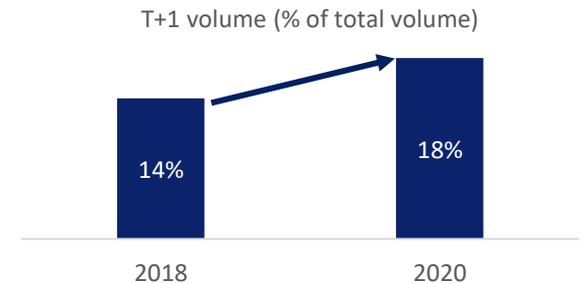
> 40% foreign listed companies

> 80% foreign listed bonds

Pan Asian Commodities

- Steel value chain
- Rubber
- Global Freight
- Petrochemicals

Widening global footprint



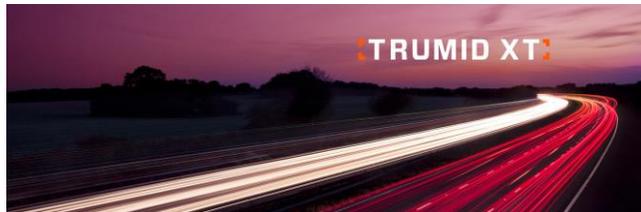
# SGX Group – Acquire, Partner, Build



*Independent index provider specialising in Smart Beta strategies and with a highly regarded research pedigree*



*Leading cloud-based Multi Dealer liquidity platform in G10 and non-G10 currencies*



*Pan-Asian electronic bond trading platform powered by advanced technology and rich analytics*



*OTC FX electronic communications network (ECN) anchored in Singapore towards an Integrated FX Offering combining FX Futures and OTC FX offering*



*Global carbon exchange and marketplace that aims to scale the voluntary carbon market*



*Asia Pacific's first exchange-led digital asset venture focused on capital markets workflows through smart contracts, ledger and tokenisation technologies*

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# Acquisition considerations and principles

## Considerations



### Strategic Fit

## General Guiding Principles

- Gain capabilities to augment current offering
- Expand and deepen client relationships
- Position SGX for fast growing business segments



### Financial Metrics

- 3-year pro forma revenue CAGR > 10%
- Cash EPS accretive within 3 years of acquisition
- IRR > SGX's WACC
- Key synergies to be fully realized within 3 years of acquisition



### Capital Structure

- Maintain SGX's strong implied investment grade rating



### Partnerships

- Majority stake preferred

# Growing Liquidity in Equities

Michael Syn, Head of Equities

# Equities platform

1

## Vertically and Horizontally Integrated

- Bind the Futures and Securities verticals
- Drive network effects and portfolio effects

2

## Stronger and Faster

- Quick time to market
- Strong ecosystem support, because of strong alignment of needs and purpose

3

## Platform strategy

- Covid drove B2C digitalisation
- Constantly make reinforcing choices for ecosystem

4

## Shelf strategy

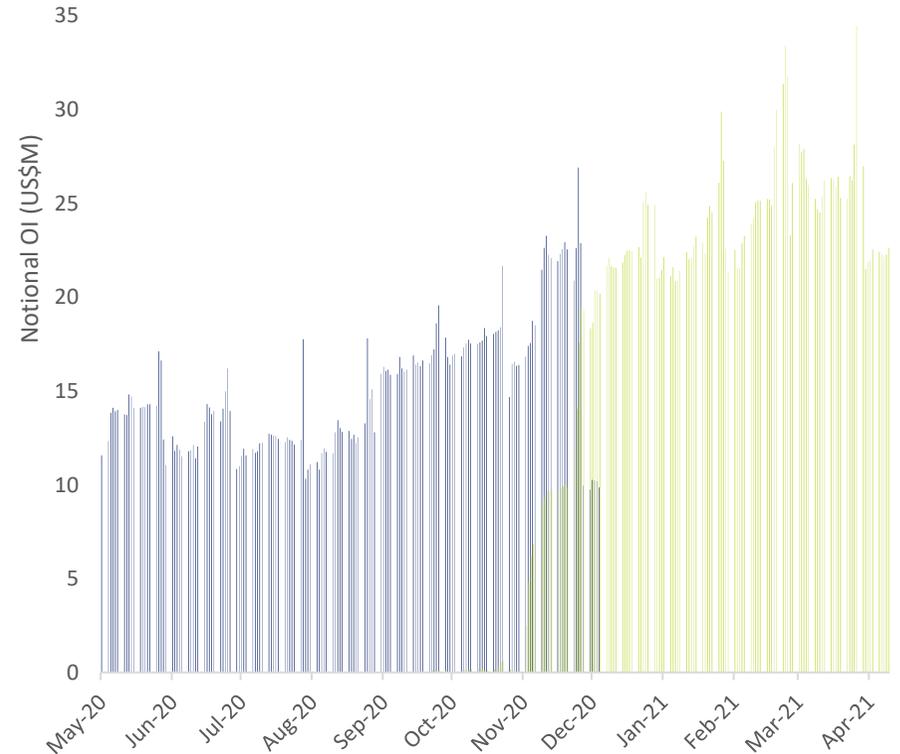
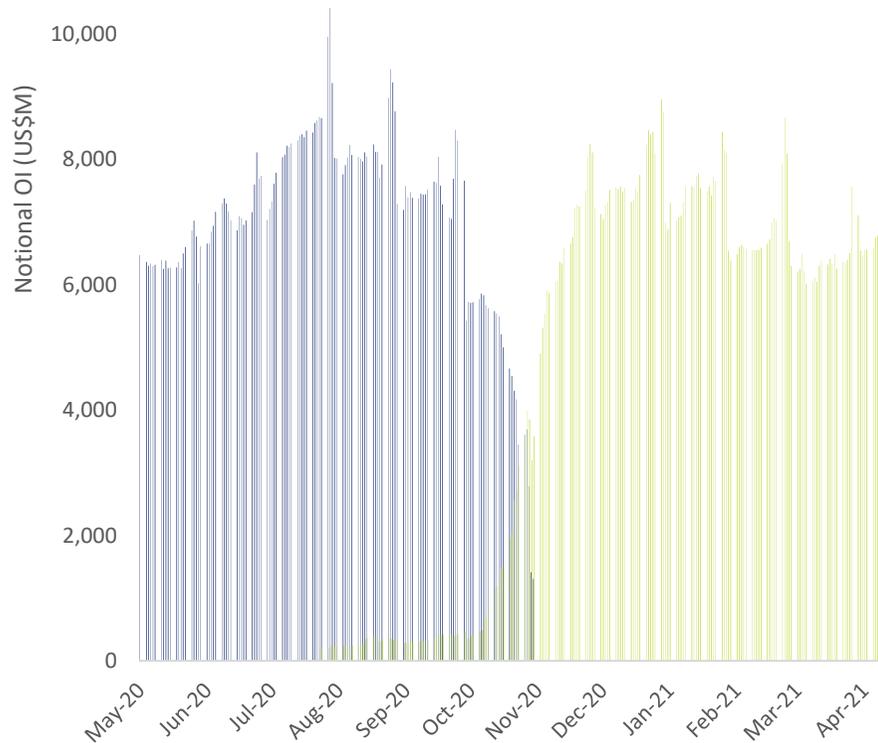
- First productise, then electronify
- Asian timezone price formation

## Spotlight today

- FTSE liquidity switch
- MSCI Singapore
- ETFs
- ESG shelf

# FTSE : Successful execution of the world's first liquidity switch

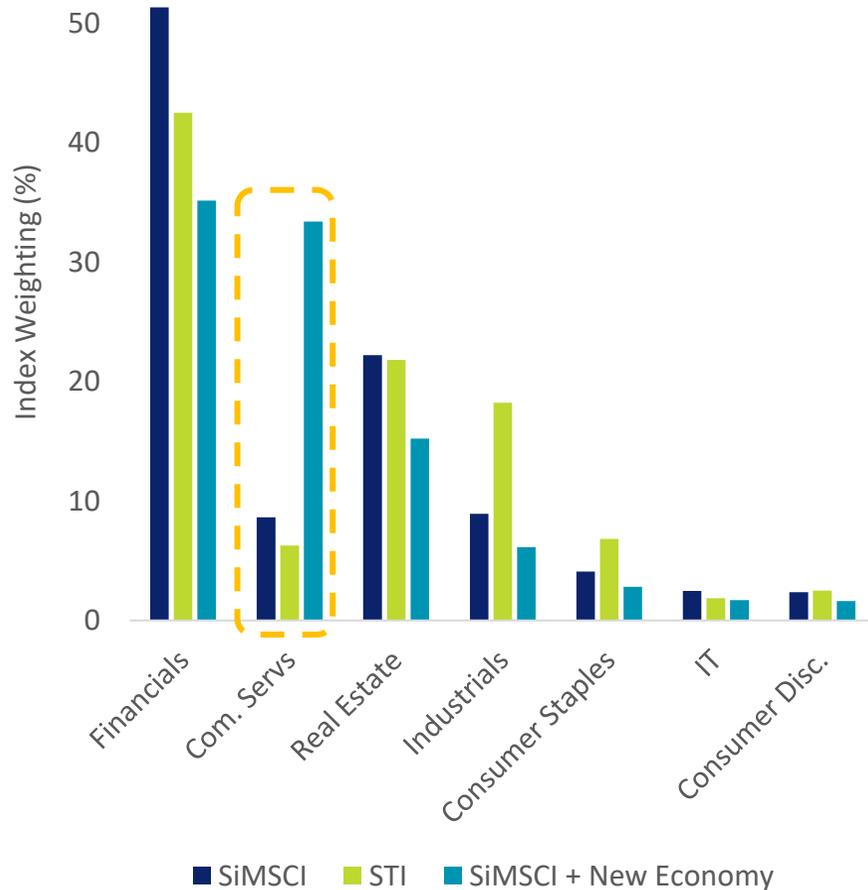
Powerful network effects and portfolio effects : SGX platform, clients and intermediaries



# Transformation of Singapore composites

Globally-listed Singaporean companies to be included in MSCI Singapore

New Economy will have major weight in MSCI Singapore



## ■ Collaboration with MSCI/FTSE

- Maximise runway and impact for the only liquid Asian MSCI derivatives
- Broad buy-side consultation for gradually paced inclusion
- STI and SiMSCI cover the bases

## ■ Following A-share inclusion path

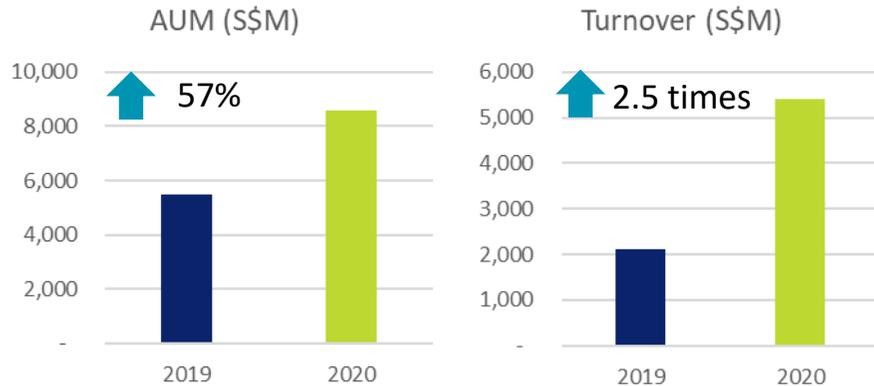
- Natural 'homecoming' for Asian price formation
- Singapore increases weight in Asia ex-Japan allocation

## ■ SiMSCI is liquid from Asia to US session

- Highly tradeable, ESG friendly, developed market
- Index will be higher volatility, growth oriented

# Record year for ETFs, with AUM crossing S\$8 Billion

## ETFs AUM surged to S\$8.6B, turnover jumped 2.5 times

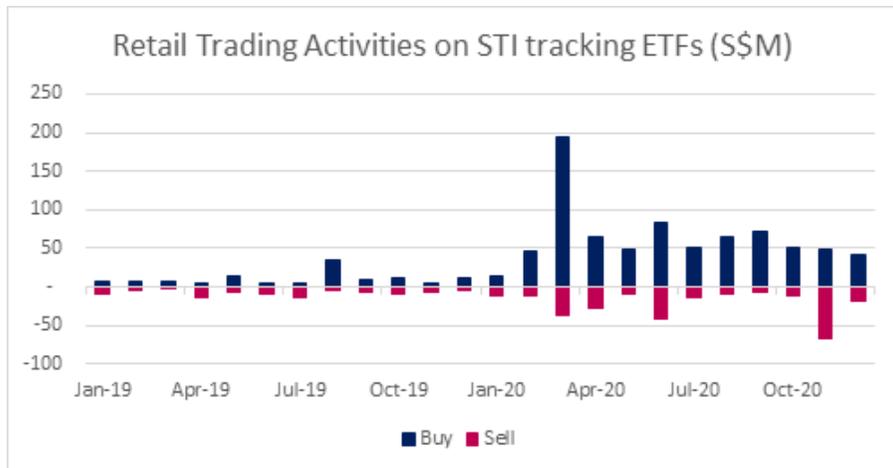


## Record growth in ETF holders in 2020

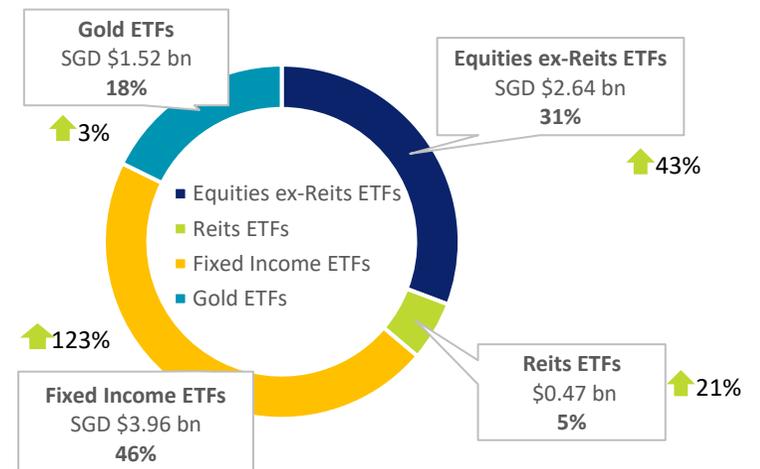


- New ETF listings
- Broker, wealth and robo-campaigns

## STI ETFs crossed S\$2 Billion, boosted by retail demand



## Fixed Income ETFs AUM doubled to S\$4 billion



# Risk-management solutions for ESG portfolios

Launch of 4 new ESG Equity Futures on 25 January 2021



## SGX Product Features

- Seamless integration into existing portfolios
- High correlation with Asian benchmark indices
- Improved ESG profile
- Backed by **top pension funds** and aligned with **UN Sustainable Development Goals**
- **Stock weights are tilted** in favour of companies that demonstrate strong ESG practices whilst decreasing exposure to companies that do not
- **Blossom Japan is a leadership product** that only include the highest rated ESG companies

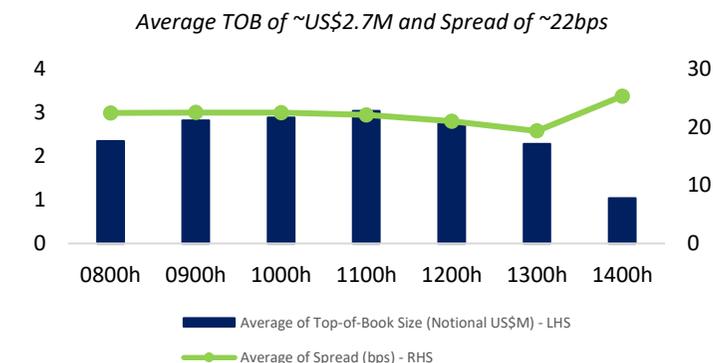
Correlation	'Blossom' Japan	FTSE Japan	Topix
FTSE Japan	99.6%		
Topix	99.3%	99.9%	
Nikkei	96.7%	96.6%	95.8%

~16% reduction in carbon emissions intensity versus FTSE Japan index

Correlation	FTSE EM ESG	FTSE EM
FTSE EM	99.8%	
MSCI EM	99.6%	99.6%

~19% reduction in carbon emissions intensity versus FTSE Emerging Markets Index

## Continuous screen prices for Blossom Japan Futures during the T session



# Enhancing Distribution and Listings

Chew Sutat, Head of Global Sales and Origination

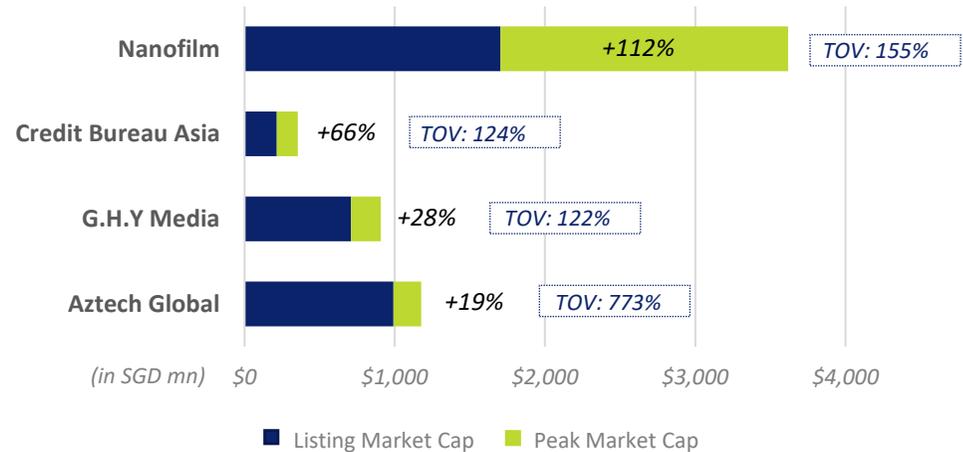
# An enduring capital market performance supports SDAV

- Primary and secondary fundraise grew \$6bn in FY19 to \$10bn in FY21 (CAGR~28%)
- Secondary fundraise from REITs posted a CAGR of 24% from \$4B in FY19 to \$6B in FY21 – 2X SDAV Impact vs Mkt Cap

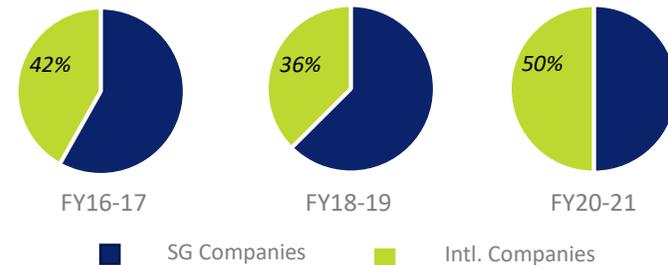
Attractive and Enduring Capital Raising Market



FY21 MB Post IPO Performance



Widening IPO Geographical Reach Over The Years



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# Capital raising activities - New growth drivers

## Recovery of Global REIT Market

- Improving and stabilising global REIT market. Healthy pipeline of potential listings across diverse sectors and global geography.
- Global REITs turned around an 8% median decline in 2020 to an 8% gain in 2021 (S-REITs at 6% median gains)

## Secondary Listings of Unicorns from the US

Global liquidity venue for Global Asian / South East Asian companies:

- Nasdaq partnership (including Regulatory), and Regulatory precedents established
- Cross border full fungibility with DTCC; support by market makers
- Market infrastructure and processes in place

## Asian SPACs venue for fund Raising

- Broaden alternative pathways in the public market and investor choices with SPACs gaining traction in major markets due to speed to market and ability to offer price certainty in valuing target companies
- ✓ *Engaged substantial numbers of Investors, Financial Institutions and asset owners (PEs and VCs) on the public consult*
- ✓ *Positive industry feedback; key to balance quality with market-friendly features tailored to the region*

# International distribution

Ten Offices in Singapore, New York, Chicago, San Francisco, London, Tokyo, Hong Kong, Beijing, Shanghai and Mumbai

- International HQ for Buy/Sell side institutional customers & Commodities / FX specialist trading firms
- Corporate access for SGX Listcos
- DCI sales and connectivity solutions
- Baltic, BidFX and Scientific Beta
- Remote Members



- Beijing: ECM/DCM origination
- Shanghai: commodities, FX and equity derivatives Corporate Access for Listcos
- Baltic

- Equity Commodities and FX Derivatives
- Corporate Access for SGX Listcos
- BidFX & Scientific Beta



- US HQ for PTG's, Banks Corporate access for SGX Listcos,
- DCM/ECM liaison support
- DCI sales and connectivity solutions
- BidFX and Scientific Beta

- Fixed income, cash equities & commodities
- Baltic



- Equity Derivatives & EX,
- Asian HQ for Bank Trading & Buy Side.
- Corporate Access for Listcos. Origination
- BidFX, XinTru
- Remote Members



- ECM & DCM, and Corporate Coverage Specialist teams
- Hub for rest of Asia (Taiwan, Australia, South East Asia, UAE, Israel)
- Global market maker & liquidity providers management
- Supports on-shoring of global clients acquired in the field

# Multi asset growth through international distribution



Build a multi-asset exchange



Grow international presence



Expand network and partnerships



- ✓ Acquire new clients in new markets
- ✓ Increase penetration by cross-selling new asset classes & products (including Cash market)
- ✓ International clients across all regions contributed to > **40 new products launches** and > **10 open interest and product reactivation/market structure improvement initiatives**
- ✓ Average number of products traded by our top 30 clients rose by more than 30% over a period of 5 years

## FTSE Taiwan Migration

- ✓ Successful migration of bulk of MSCI TW **benchmark** futures product to new FTSE TW index
- ✓ Dominant liquidity and open interest supported by international customers globally

## FTSE Vietnam Creation

- ✓ Supported TW Client Fubon to list a \$350mn Vietnam ETF
- ✓ Enabled five market makers providing liquidity for risk management for new FTSE Vietnam product
- ✓ Market ready for new international participants

## Iron Ore Financialisation

- ✓ Screen volumes average >12.5k lots/day and grew to 20% of total futures volumes in FY21
- ✓ Average daily notional traded value of \$1.5bn in FY21
- ✓ **Participant mix including China, UK, and US financial (non physical) clients**

## SGX Currencies

- ✓ **Dominant market share for flagship products + new client opportunities through Bid FX clients**
- ✓ Average daily volume for USD/CNH at US\$4bn, with market share at >80%. Month-end open interest at US\$9bn.
- ✓ Average daily volume for INR/USD at US\$2bn, with market share at >70%. Month-end open interest at US\$1bn.
- ✓ New currencies pairs enabled through onboarded market makers

# Increasing connectivity and flow from China

*Membership: 20 leading trading and clearing members to date. Increasing, Chinese asset management firms and financial services companies are setting up companies in Singapore as Asian/ASEAN Hub*

- 
- CGS-CIMB Securities (ST, CDP, DT and DC Membership)
    - Yongan International (DT Membership)
    - CICC (ST Membership) ) <sup>New</sup>
  - Haitong International (DC and CDP Membership) <sup>New</sup>
  - HGNH International Financial (DT and DC Membership)
  - Orient Futures International (DT and DC Membership)
  - Zhongda Futures (Remote DT Membership) <sup>New</sup>
  - TFI Securities and Futures (Remote DT Membership) <sup>New</sup>
  - Futu Securities International (ST and DT Membership)
  - GF Futures (DT Membership)
  - Citic Futures International (DT Membership)
  - China Xin Yongan Futures (DT Membership)
  - China Tonghai Securities (DT Membership)

## Fixed Income

Agricultural Development Bank of China and China Development Bank (CDB) listed offshore bonds in October 2020. CDB listed the first China onshore RMB bond worth US\$6.48bn on December 2020 and the first onshore green bond.

## Securities Trading

SGX markets added to Chinese Broker Apps. World's largest Chinese pure government bond ETF listed in Singapore in September 2020 (**WGBI Inclusion**)

## Equities

First VIE structure company, G.H.Y Culture & Media, listed on December 2020 adding to 74 Chinese Listcos

## MOU Partnerships

CICC, Citic Securities, Guangfa Securities, CFETS, China Central Depository and Clearing and Guotai Junan established, with BOC and ICBC as **settlement banks**

# Question and Answer Session

# Session Two

# Capitalising on Digitalisation - FX and Fixed Income

Lee Beng Hong, Head of Fixed Income, Currencies & Commodities

# FICC priorities aligns to trends transforming Asian capital markets

## Trends

Greater electronification,  
Digitalisation and use of DLT



Asia leads global growth;  
internationalisation of China



## Actions in FY21



TRUMID XT



## Continued focus on

Platforms

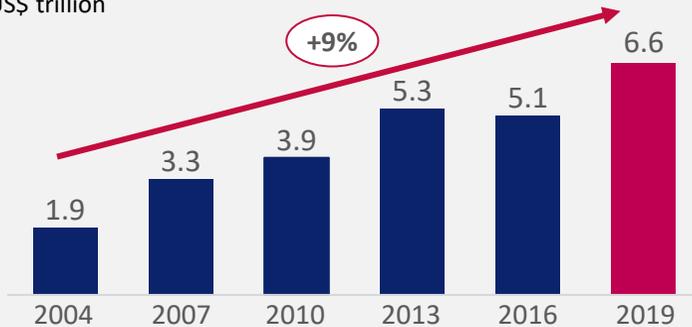
Strategic  
partnerships

# An Integrated FX Marketplace

# OTC FX is a fast growing and sizeable market; SG is leading Asian FX hub

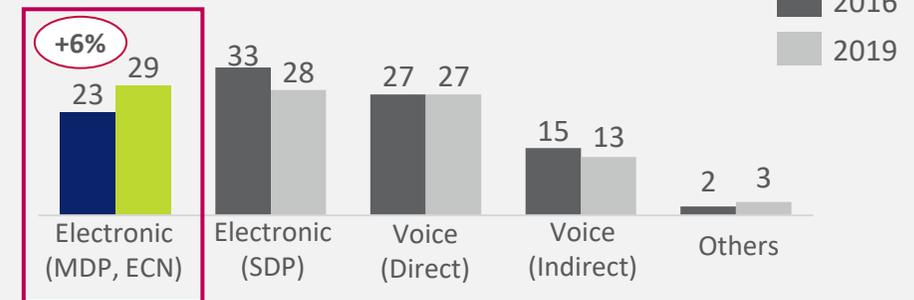
## Global OTC FX is fast growing and sizeable market

ADV, US\$ trillion

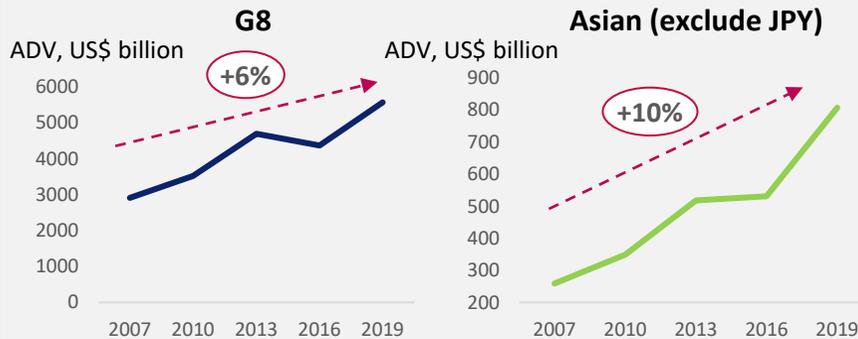


## 29% of Global FX market at \$1.8 trillion addressable for FX market infrastructures

Market share of FX trading – Electronic versus Voice, %

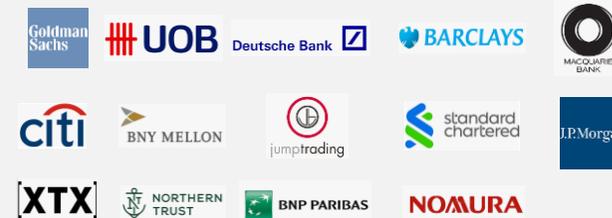


## Asian FX growing much faster Vs G8 currencies



## Singapore well - positioned as a leading Asian FX Hub

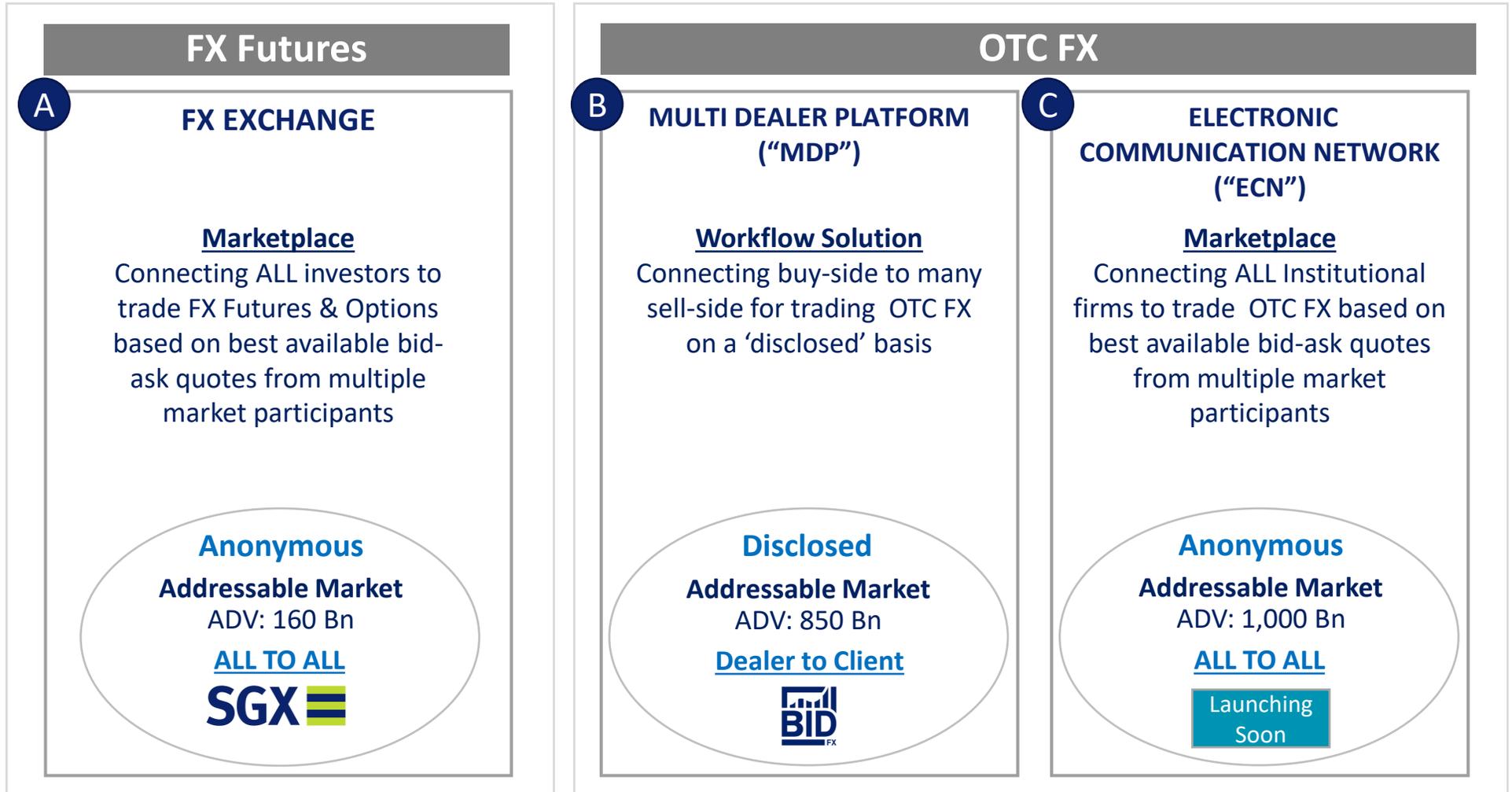
Major FX players to set up SG infrastructure - 14 leading Financial Institutions participated till date



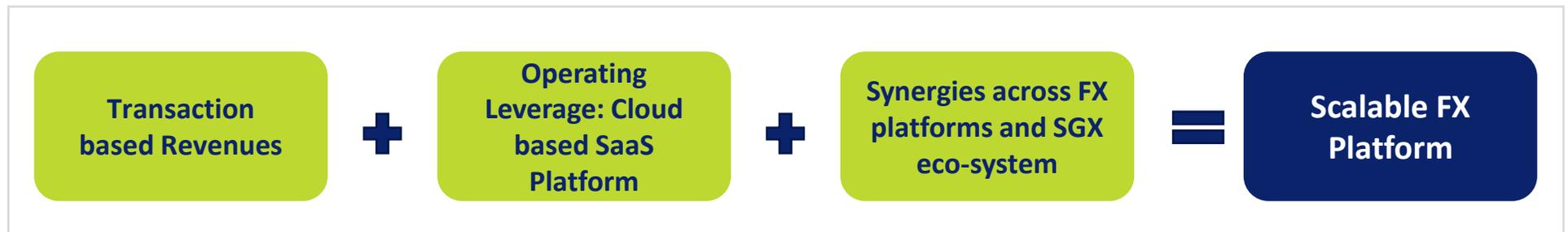
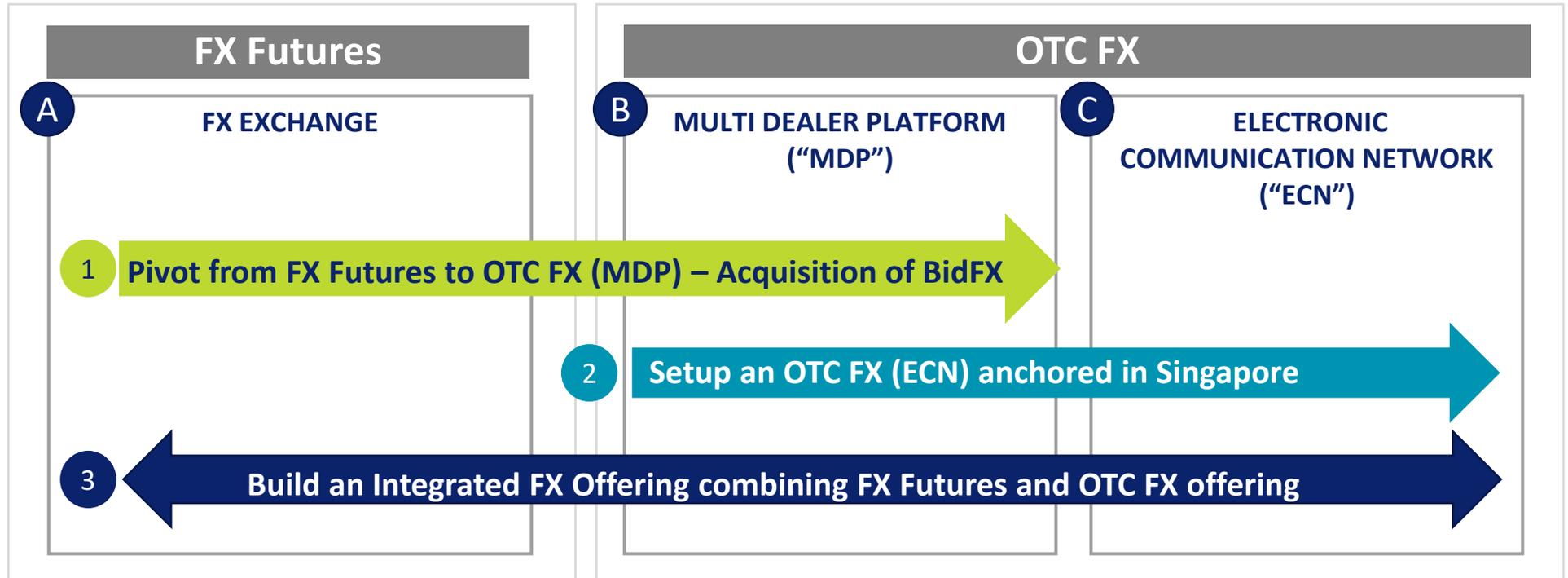
SG ranking as a FX Hub

- 1st in APAC
- 3rd in Global

# SGX is pursuing three distinct FX opportunities

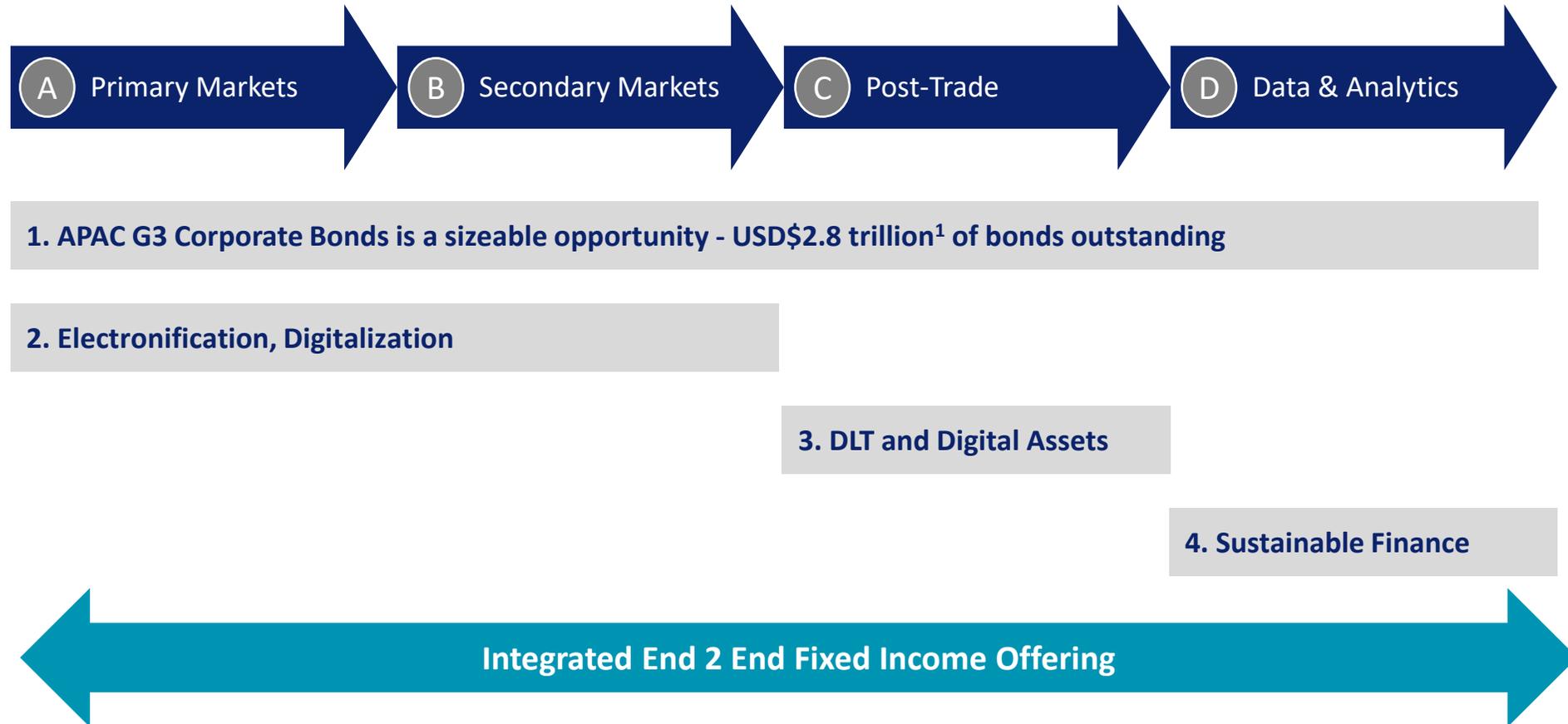


# Three-pronged strategy to build an integrated and scalable FX platform

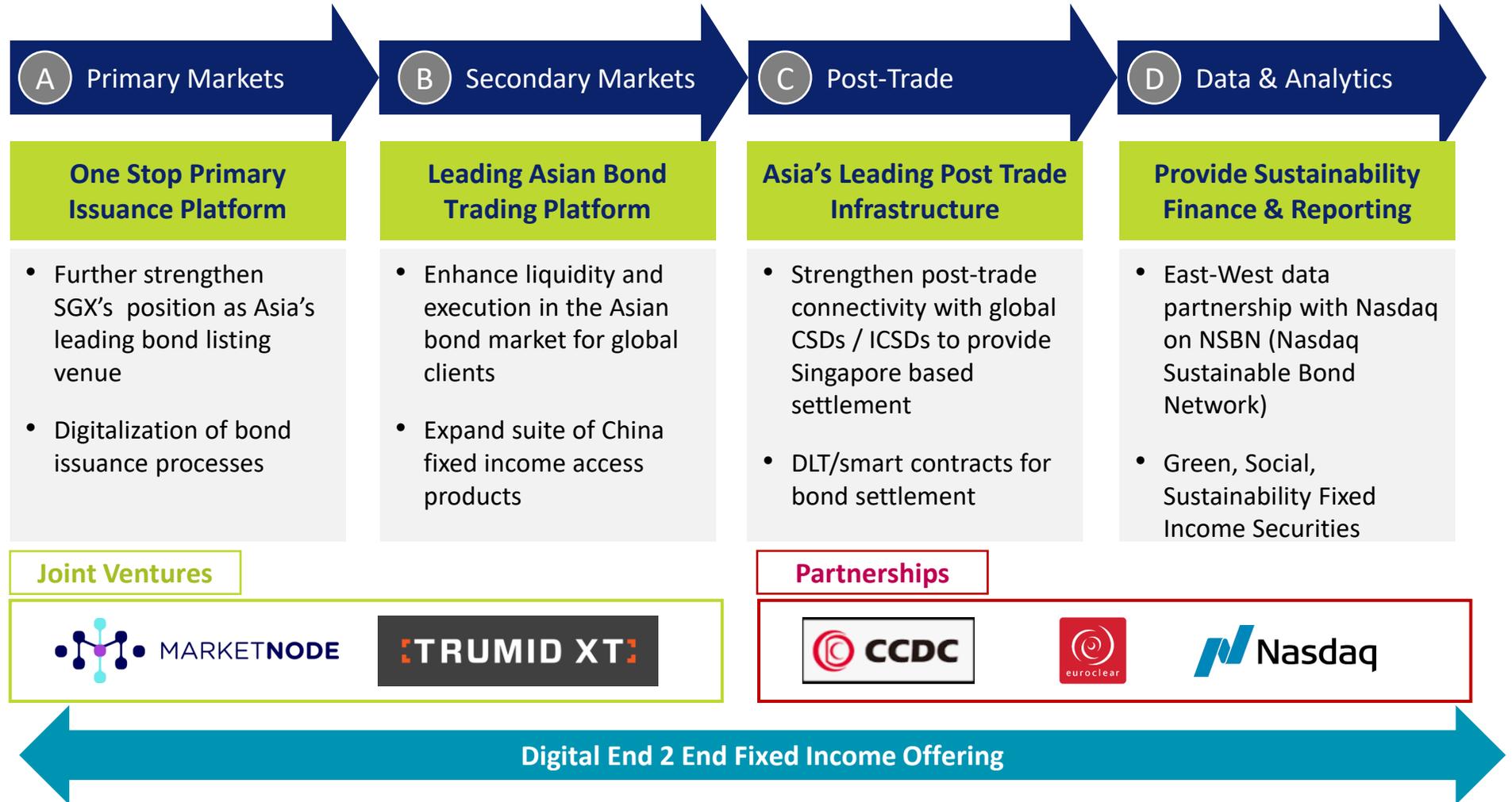


# Asia's Digital End-to-end Fixed Income Offering

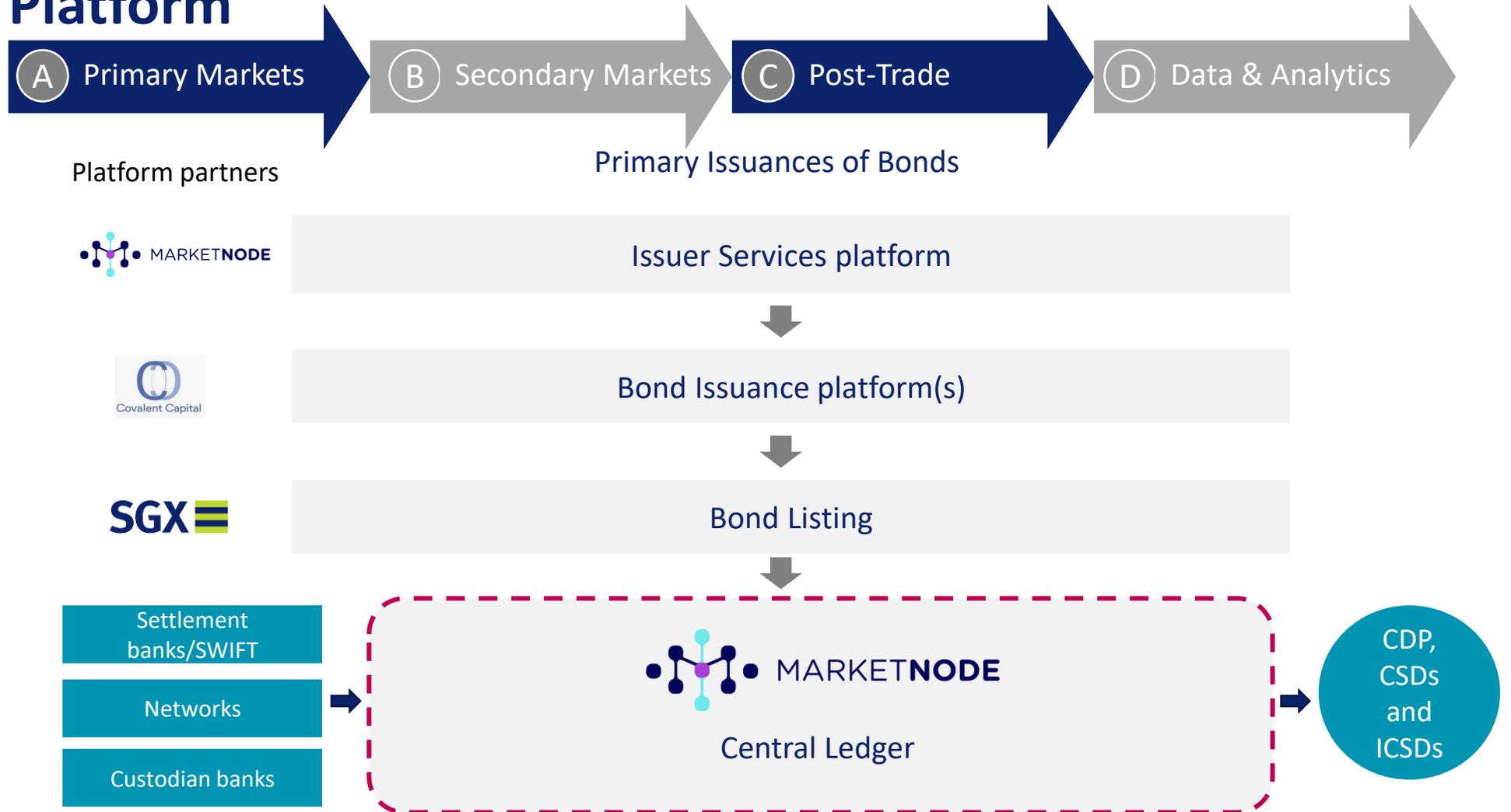
# Opportunities for market infrastructure to provide an Integrated E2E fixed income offering



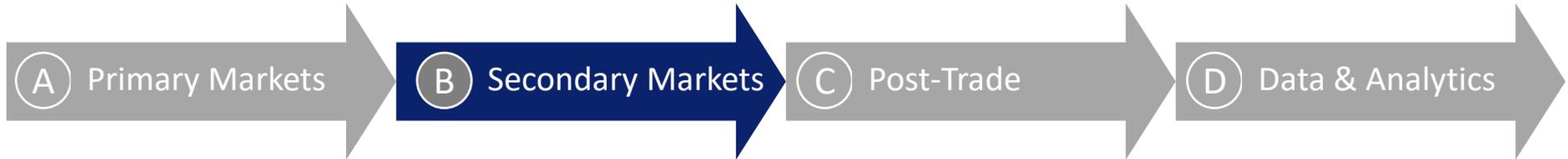
# SGX to capture these market opportunities by offering four key propositions



# MarketNode (JV with Temasek) – Primary Issuance Platform



# TrumidXT – Asian Bond Trading Platform



A Joint Venture between:

**TRUMID XT**

**SGX**

**TRUMID**



## 1. Why JV?

- Growth in Asian Fixed Income
- Internationalization of Bond markets in Asia
- Greater shift towards Electronification

## 2. Why will the JV succeed?

- Trumid's cutting edge technology
- Power network of combined client base and connectivity to eco-system
- Deep experience and proven track record

## 3. What is JV's vision?

- Asia's first regional bond trading platform anchored out of Singapore
- 'East-West' corridor giving global Institutional investors access to Asian bonds

# Summary

## Our Focus

- **Accelerate electronification/digitalization of Asian FX and Fixed Income market via**
  - Integrated FX markets across futures/OTC
  - End-to-End Digital Fixed Income service offering

## Key Success Factors

Leading & Trusted  
Market  
Infrastructure



Joint Ventures &  
Strategic  
partnerships



'One-stop' shop  
for all products &  
services



Synergies across  
portfolios



Multi-Asset  
Exchange



# Our Sustainability Values and Priorities

Herry Cho, Head of Sustainability and Sustainable Finance

# Our vision: A leading capital and trading hub enabling sustainable finance and credible transitions with end-to-end products, solutions and ecosystem



## In the Ecosystem

Be a positive influence and foster collaboration and partnerships to provide data, tools, resources and connecting stakeholders to drive industry discussions.



## As a Company

Demonstrate leadership in sustainability e.g. SGX as a company will adopt TCFD from FY2021 reporting, currently setting science based targets for GHG emissions.



## As a Business

Offer ESG solutions and support capitalizing on our assets, expertise and capabilities:

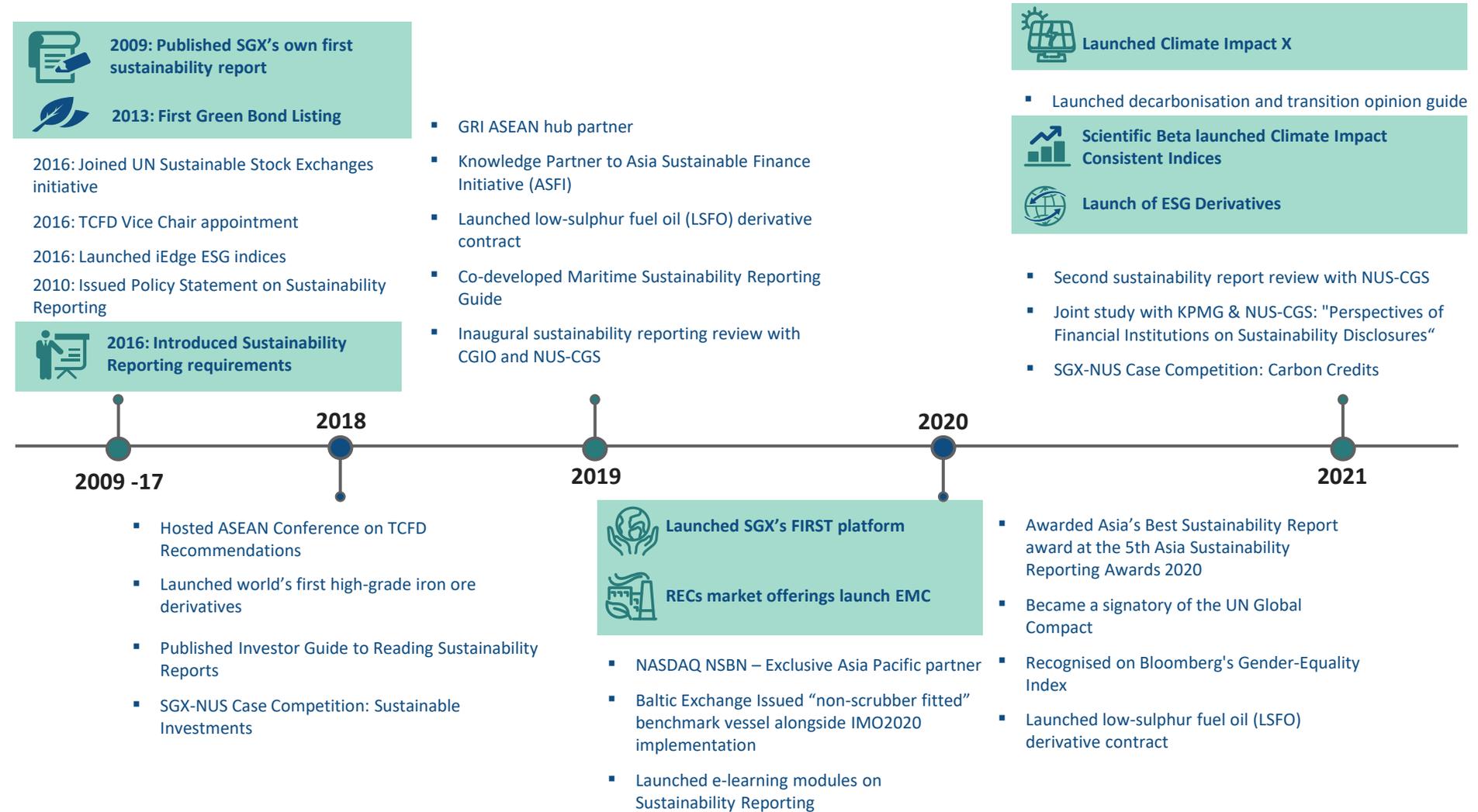
- Equity
- GSSS Bonds
- Indices (incl. Scientific Beta)
- Commodities (incl. Baltic Exchange, HeveaConnect)
- New horizon projects (Climate Impact X, new products)



## As a Regulator

Guide market on sustainability-related disclosures and ensure that all investors are able to access decision-relevant data.

# Where are we today? 10 years in the making



# Multi-pronged lead, futureproof and build with sustainable initiatives

## Example for climate action, a priority theme

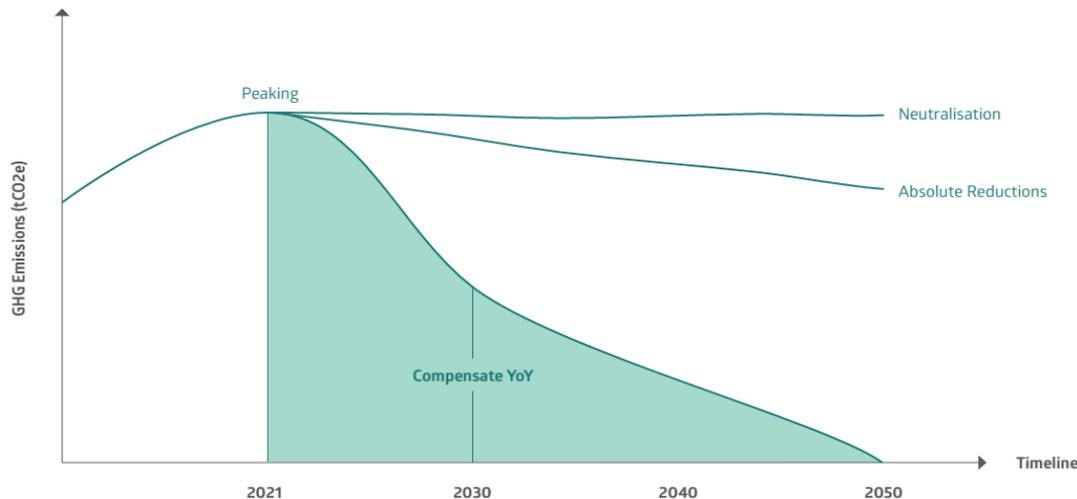


11 June 2021

### Credible decarbonisation and transition for corporates in Asia

Herry Cho, Managing Director and Head of Sustainability & Sustainable Finance, Singapore Exchange  
With support from Pratima Divgi, Director for Hong Kong, Southeast Asia, ANZ, CDP, Sean Kidney, CEO, Climate Bonds Initiative, Peter Zaman, Partner, HFW, Partner, Timothy Tan, Senior Associate, SGX

## Decarbonisation and transition journey



## 1. Holistic partner during every stage of transition

- Overarching guide for senior corporate leaders & corporate sustainability practitioners
- **FIRST platform:** Content & support for companies, investors e.g. courses and workshops, knowledge center

## 2. During rapid emissions reduction: financing

- Green, sustainability, transition, sustainability linked **bonds** to help finance capex e.g. more energy efficient facilities, renewable energy
- **Hedge** via ESG equity and greener commodities derivatives

# Multi-pronged lead, futureproof and build with sustainable initiatives (cont'd)

Example for climate action, a priority theme

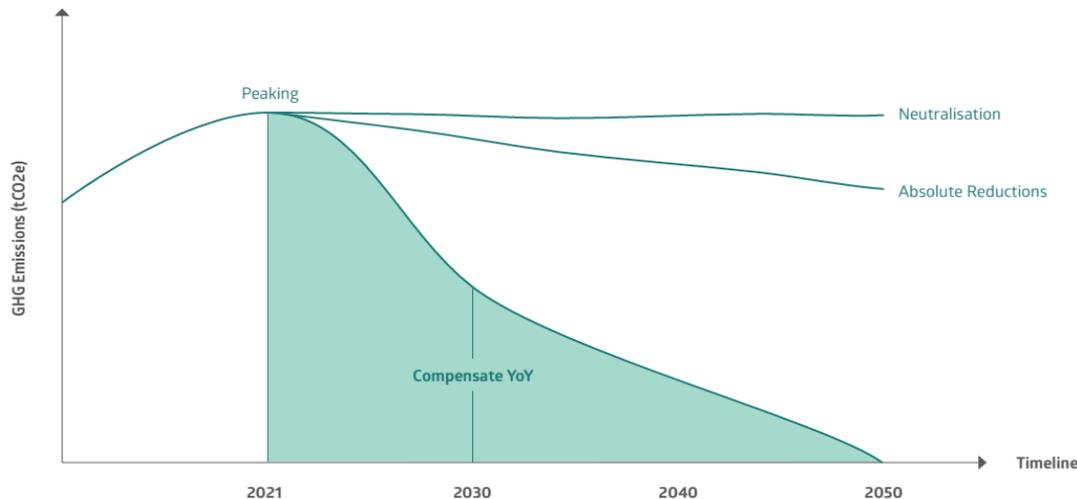


11 June 2021

## Credible decarbonisation and transition for corporates in Asia

Herry Cho, Managing Director and Head of Sustainability & Sustainable Finance, Singapore Exchange  
With support from Pratima Divgi, Director for Hong Kong, Southeast Asia, ANZ, CDP, Sean Kidney, CEO, Climate Bonds Initiative, Peter Zaman, Partner, HFW, Partner, Timothy Tan, Senior Associate, SGX

### Decarbonisation and transition journey



### 3. Compensating for remaining unabated emissions

- High quality carbon credits

### 4. Disclosure and transparency

- Disclosure standards for listcos, particular focus on climate
- Indices: **Scientific Beta's CICI offering**
- **ESG ratings** available on FIRST, WIP ESG data portal for equities and fixed income
- WIP: Green, climate alignment/resilience methodology, products and platforms

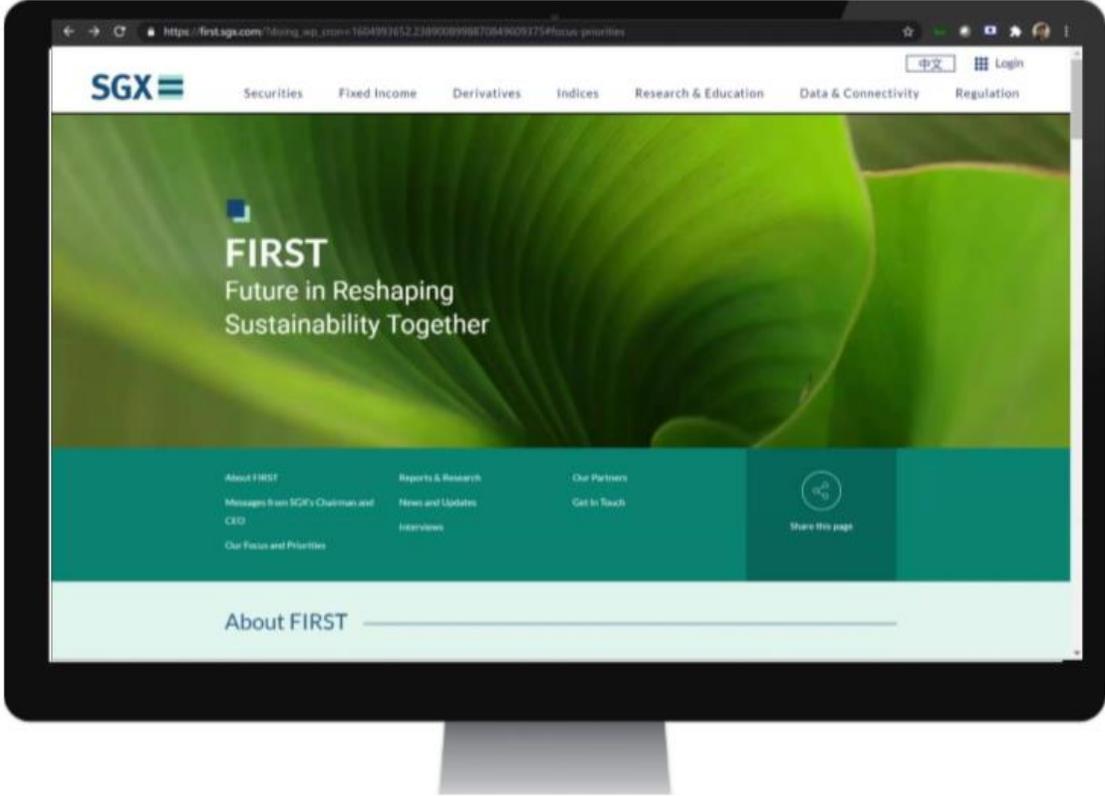
# Growing sustainable and credible transition products and solutions

## SGX FIRST: Future In Reshaping Sustainability Together

Fixed Income	Equities	Indices	Commodities	Equity derivatives
<ul style="list-style-type: none"> <li>▪ <b>#1 Green Bond Listing Venue in Asia</b> with <b>50% market share</b> of Asian Issuances in the last 12 months</li> <li>▪ <b>Top 5 Green Bonds marketplace globally</b> with <b>8% share market share</b></li> <li>▪ <b>WIP:</b> Database and digitalization, support for sustainability linked &amp; transition bonds</li> </ul> 	<ul style="list-style-type: none"> <li>▪ Provision of <b>ESG Ratings</b> of Listcos</li> <li>▪ Vice-Chair of <b>TCFD</b> &amp; future guidance</li> <li>▪ <b>WIP:</b> Key reporting indicators tool, further productisation on climate, green and ESG</li> </ul> 	<ul style="list-style-type: none"> <li>▪ Strong <b>thematic and proprietary capabilities</b></li> <li>▪ ESG screening and low carbon/ESG/climate risk filters               <ul style="list-style-type: none"> <li>- <b>Scientific Beta ESG &amp; Climate Impact Consistent Index (CICI)</b></li> <li>- <b>iEdge SG ESG Leaders Index</b></li> <li>- <b>iEdge SG ESG Transparency Index</b></li> </ul> </li> </ul> 	<ul style="list-style-type: none"> <li>▪ <b>Climate Impact X:</b> carbon exchange and market place</li> <li>▪ Greener commodities contracts – <b>65% Iron Ore futures</b>, IMO-compliant Low Sulphur Fuel Oil (LSFO) futures and Methanol derivatives</li> <li>▪ <b>RECs market offerings</b> as part of the PowerSelect platform</li> <li>▪ Baltic Exchange: <b>Low Sulphur</b> route pricing supporting IMO 2020 agenda</li> <li>▪ HeveaConnect</li> </ul> 	<ul style="list-style-type: none"> <li>▪ Complete <b>ESG Futures shelf</b> in regional derivatives               <ul style="list-style-type: none"> <li>- <b>SGX FTSE Emerging ESG Index Futures</b></li> <li>- <b>SGX FTSE Emerging Asia ESG Index Futures</b></li> <li>- <b>SGX FTSE Asia ex Japan ESG Index Futures</b></li> <li>- <b>SGX FTSE Blossom Japan Index Futures</b></li> </ul> </li> </ul> 

# FIRST: our platform to catalyse change

[sgx.com/first](https://sgx.com/first)



# Solving for Climate Solutions – Scientific Beta

Ng Kin Yee, Head of Data, Connectivity and Indices

# Scientific Beta's New Pillar of Growth

## Adding ESG/Climate solutions to Smart Beta Pillar

- Set up in 2012 to transfer the results of its research in the area of equity portfolio construction and risk control to the industry in the form of transparent and low-cost strategies.
- Developed two types of expertise that correspond to two major concerns for investors:
  - Smart beta, and more particularly factor investing.
  - ESG, and particularly climate investing.
- Since acquisition, accelerated investments in the area of climate investing as part of the SGX Sustainable Exchange strategy.
- Devoting more than 40% of its R&D investment to climate investing and more than 45% of its assets under replication refer to indices with an ESG or climate flavour.
- EDHEC and Scientific Beta have set up a EUR 1 million/year ESG Research Chair at EDHEC Business School.



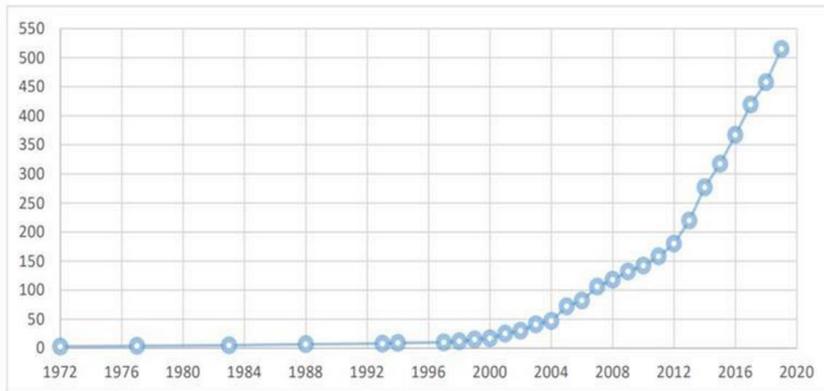
# Climate Investing

## Fast Growing industry that Is Evolving

- Greenwashing risks in current solutions
- Data quality challenges
- New private sector initiatives and regulations, e.g. taxonomy, disclosures, etc

### Cumulative number of policy interventions globally per year

Source: PRI responsible investment regulation database



## Scientific Beta is developing three types of expertise in the area of climate investing:



**Portfolio construction capabilities** that are genuinely consistent with the investor's climate objectives.



Expertise on the qualification and proper **usage of climate data**, which is a first-order subject for the relevance and prevention of the risks of greenwashing.



A **capacity to develop new sources of information** to improve climate investing (notably climate alignment and climate risk exposure data).

# Climate Solutions Need Evolution



## Key challenges with current benchmarks:

### Current practice

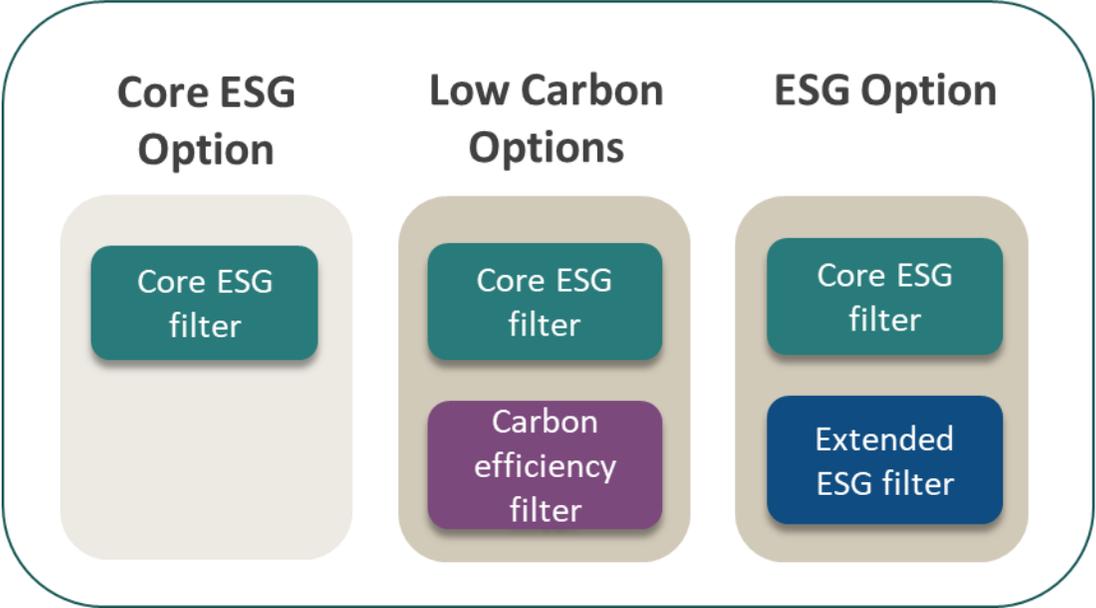
- 1 Mix financial metrics with climate considerations, leading to **misaligned stock weights**.
- 2 **Avoid sectors key to economic growth** and transition (e.g. electricity) due to their high carbon intensity.
- 3 Use **unverifiable Scope 3 emissions data**, where there is limited convergence amongst different data providers.

### Implications

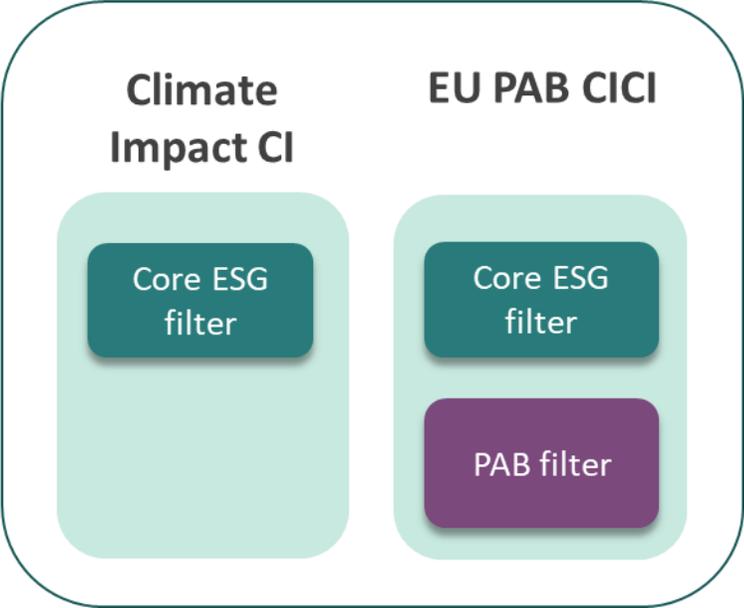
- *Companies with worsening rate of decarbonisation can have increased weights.*
- *Under-represented sectors will be under-funded for transition.*
- *Unreliable variances in stock-level data amalgamated at index level.*

# Scientific Beta ESG and Climate Solutions

Existing offerings for Multifactor indices



Launched April 2021



# Climate Impact Consistent Index

Delivering Asset Owners Net-Zero Goals



## Pure Climate Index

Stock weightage depends on climate performance

Does not mix financial and non-financial objectives



## Decarbonisation

7% carbon intensity annual self-reduction

Anti-greenwashing constraint:  
Decarbonisation consistent to stock level

Rewards SBTi and Green revenues



## Data

Appropriate use of data and metrics to guarantee the climate robustness of the portfolio



## Preserves key economic sectors

Real representation of all sectors in the economy and avoiding greenwashing by excluding critical sectors



## Investibility

Good level of Investibility, even though it is not anchored on cap weights

# Financial Goals and Capital Management

Ng Yao Loong, Chief Financial Officer

# CFO Priorities



## Operating leverage

Revenue Growth  
Cost Discipline



## Capital management

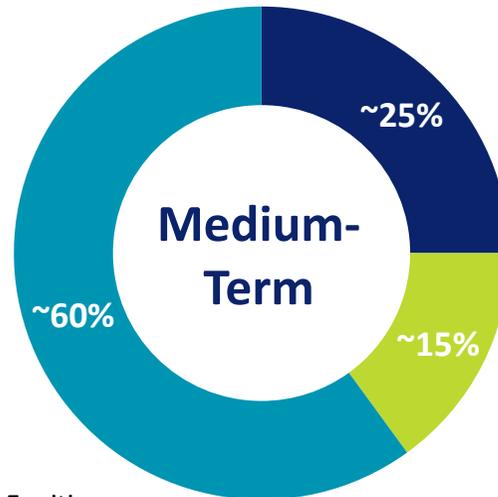
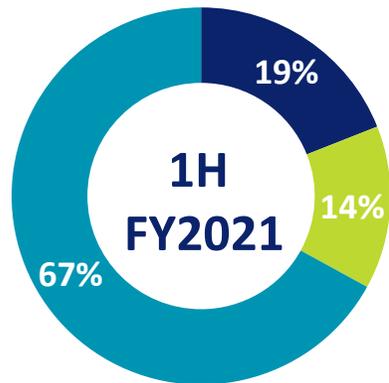
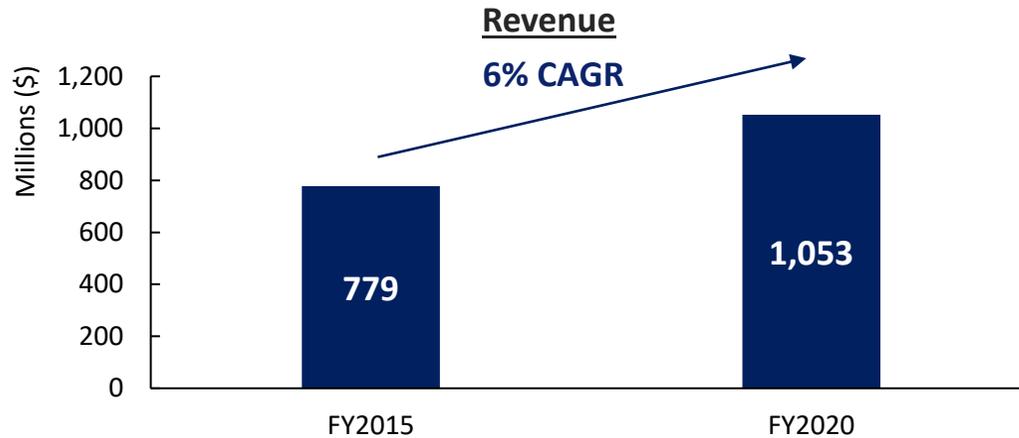
Balance Sheet  
Capital Allocation



## Shareholder returns

Sustainable Dividends  
Value Creation

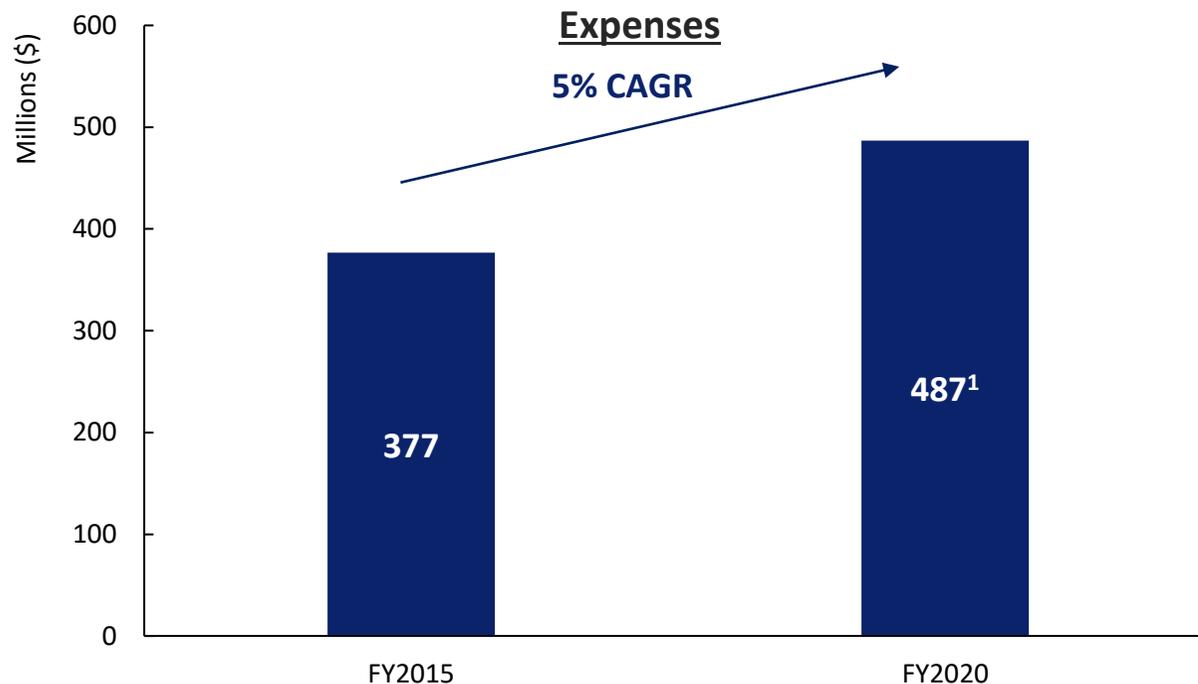
# Delivering Revenue Growth



■ FICC ■ DCI ■ Equities

- Revenue growth of 6% CAGR historically.
- Medium term Revenue CAGR<sup>1</sup> of high single-digit.
- In the medium term, our revenue mix is anticipated to be FICC 25%, Equities 60% and DCI 15%.
- Contribution from Scientific Beta and BidFX revenues will grow beyond their current 6%.

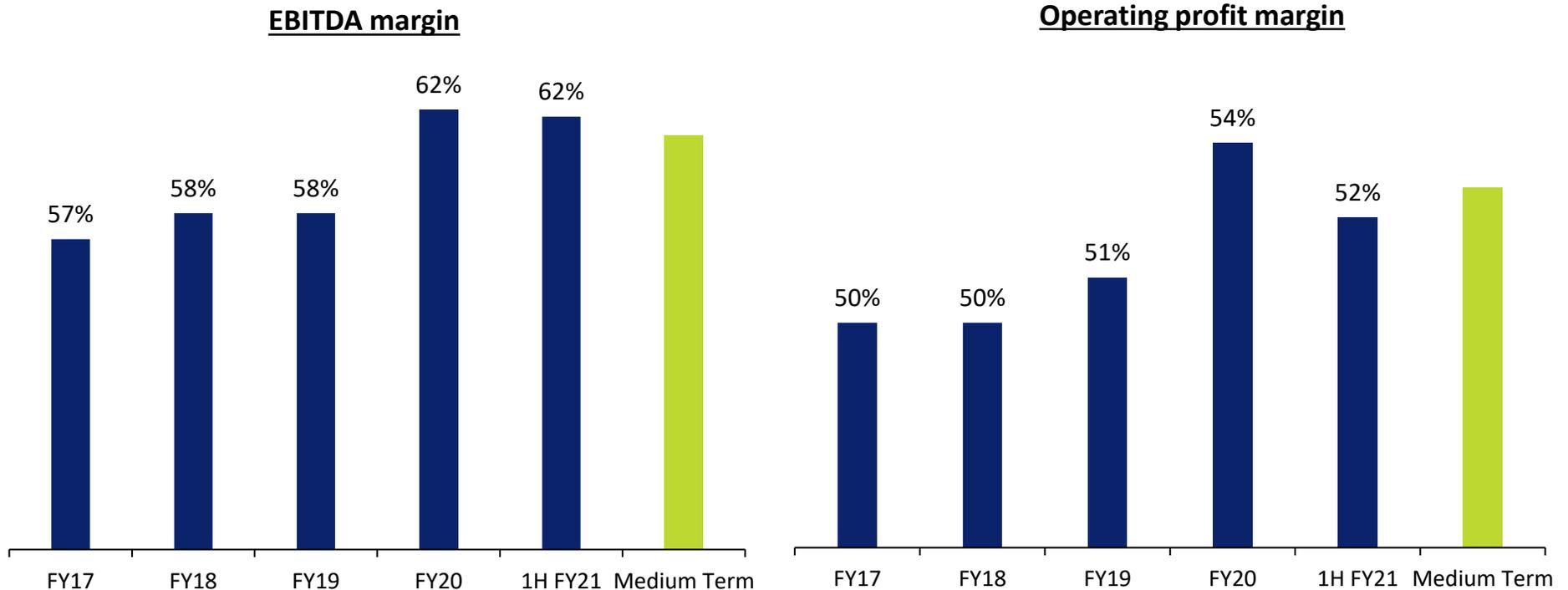
# Maintaining Cost Discipline



- Total expenses for current FY likely to be below our expense guidance of \$535M-545M.
- Expense growth of 5% CAGR historically.
- Investment in growth of our business may lead to higher expense growth in the short term.
- Medium term expense CAGR to be ~mid-single digit.

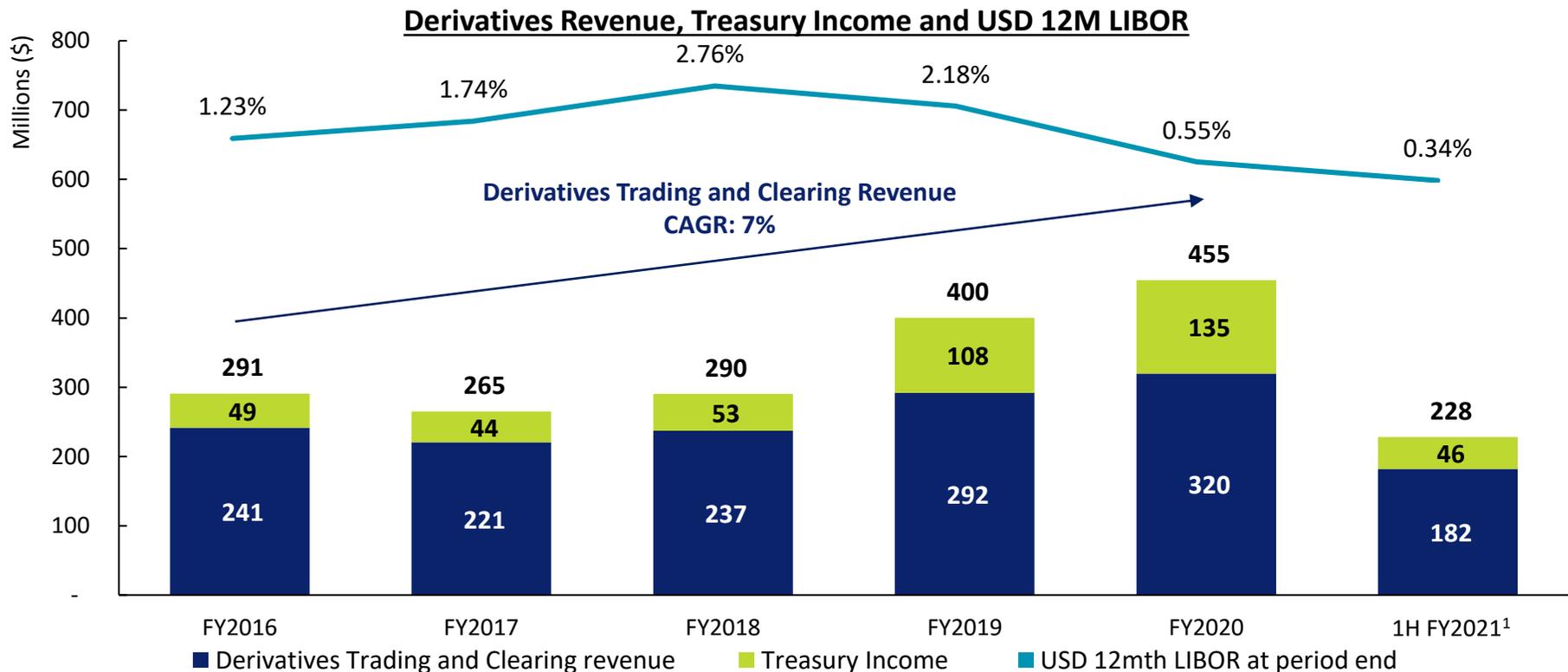
# Revenue Growth and Cost Discipline contributing to Operating Leverage

- Investment in faster-growing businesses may have an impact on our margins in the short term.
- In the medium term, EBITDA and Operating margins expected to be comparable to FY2020 levels, which were heightened by pandemic-related volatility and trading activity.



# Continued Growth in Derivatives Trading & Clearing Revenue

- Treasury income in FY2021 is expected to be lower y-o-y mainly due to a declining rate environment, which is cyclical.
- Continue to focus efforts on growing our core business and capturing exciting growth and emerging opportunities.
- Excluding Treasury Income, SGX's derivatives revenue has been growing at 7% CAGR in the last 5 years.



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# Capital Management – Our Framework

## Balance Sheet Management

- More efficient balance sheet management while maintaining financial flexibility

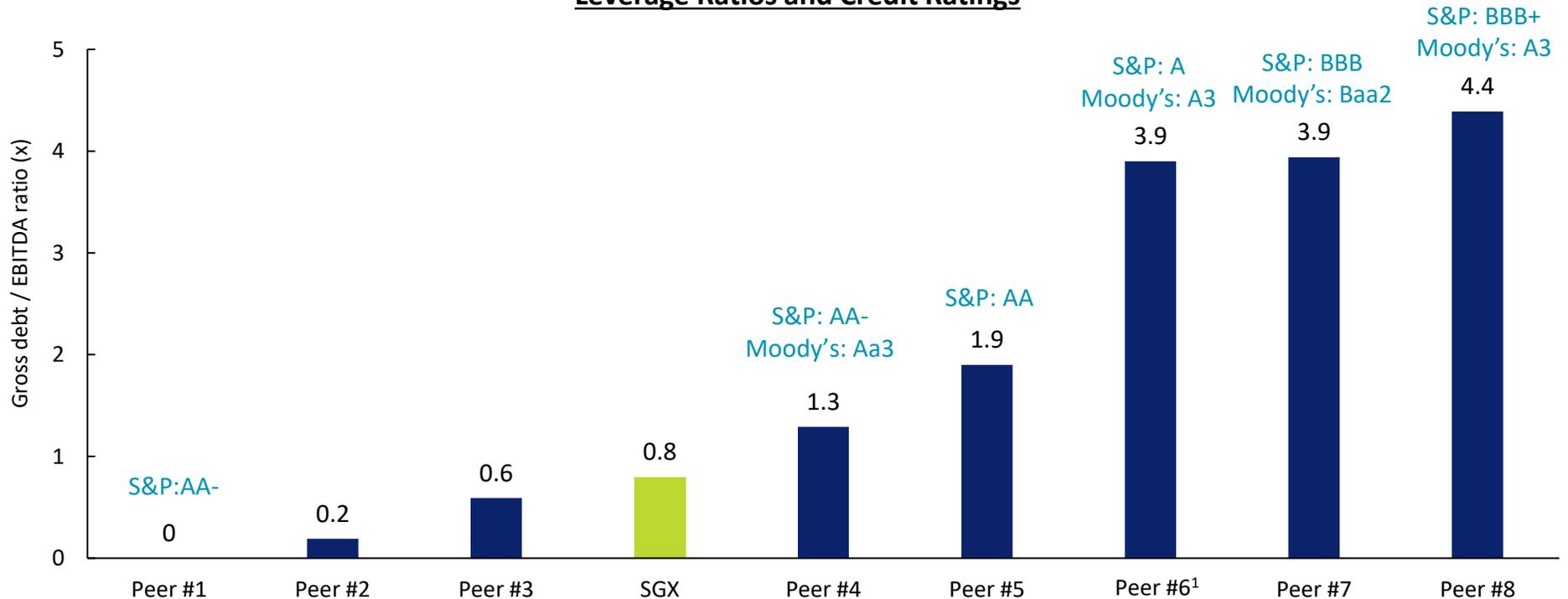
## Efficient Capital Allocation

- Deployment of free cash flow towards growth initiatives, investments and resilience

# Managing our Balance Sheet

- Strong balance sheet with capacity to leverage for acquisitions, while maintaining ratios equivalent to a strong implied investment grade rating.
- Available options to diversify capital sources and optimize cost of capital e.g. maiden EUR240M convertible bond issuance in Feb 2021.

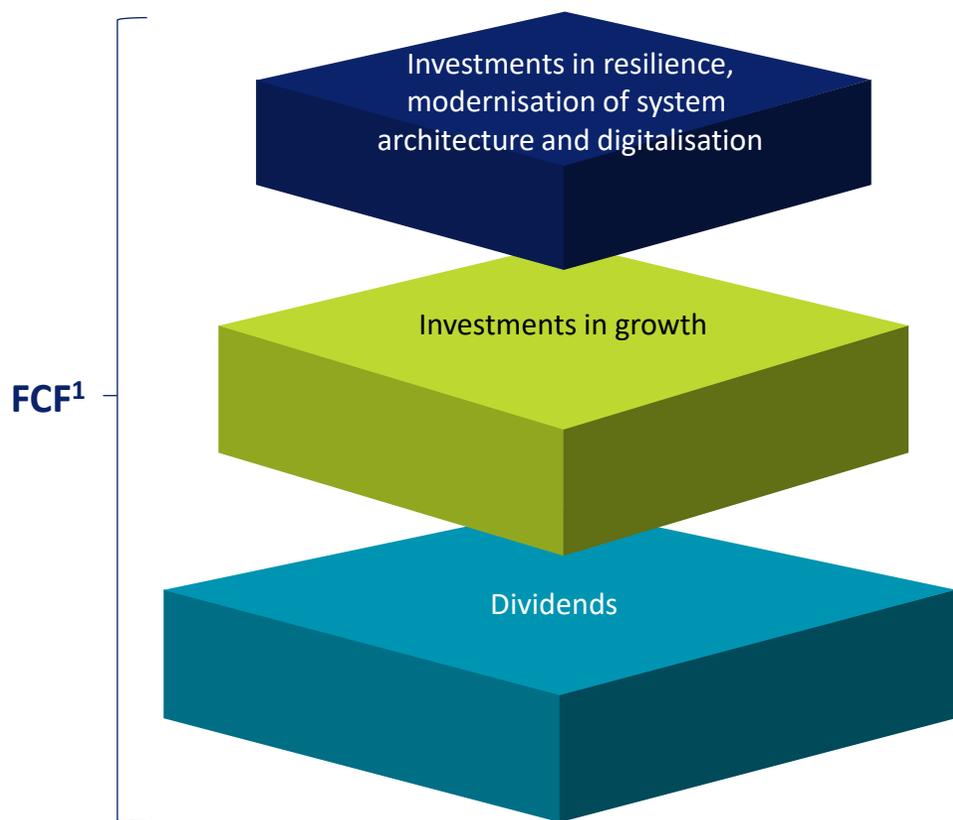
## Leverage Ratios and Credit Ratings



Source: Bloomberg, SGX

# Allocating our Capital

- We remain committed to rewarding our shareholders and investing in growth and resilience.
- Capital expenditure for FY2021 is expected to be just below our guidance of \$55M to \$60M.



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## Investments in resilience, modernisation of system architecture and digitalisation

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- Technology CAPEX for SGX core platforms

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## Investments in growth

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- Investments in our FX and FI businesses
- Partnerships and acquisitions

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## Dividends

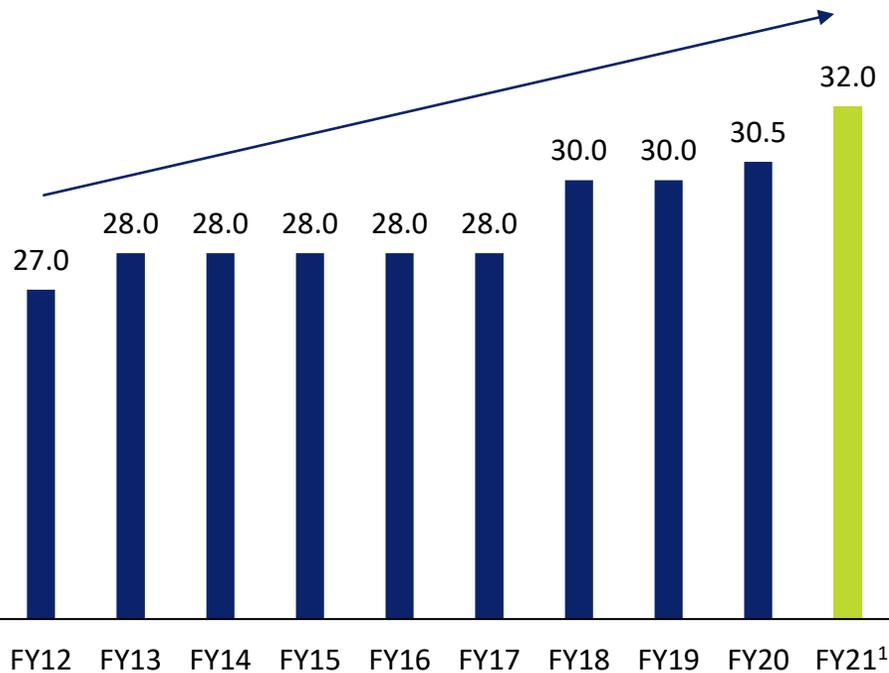
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- Continue to pay sustainable and growing dividends

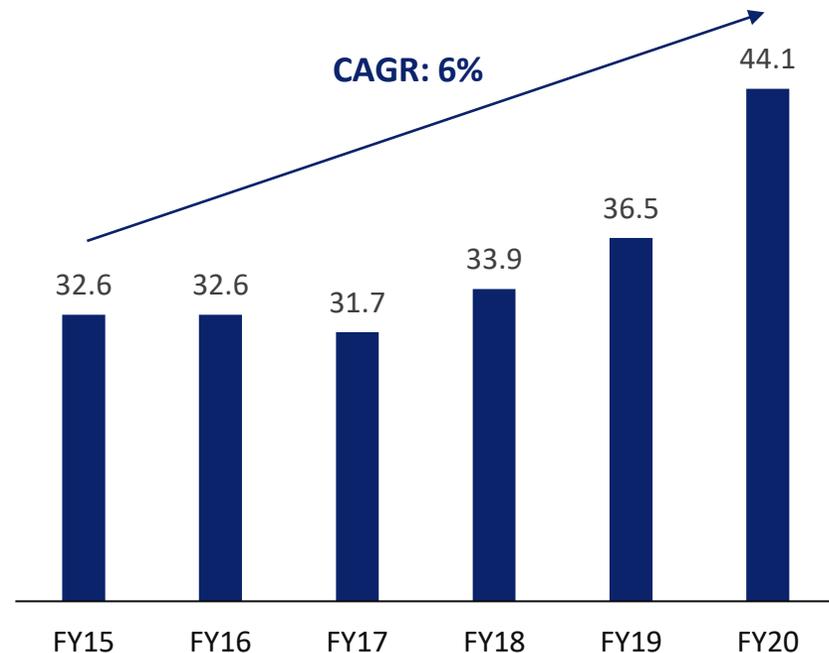
# Delivering Total Shareholder Returns

- SGX has returned over \$3B in dividends and raised dividends thrice over the past 10 years.
- EPS growth of 6% CAGR historically.

**Dividend per share (cents)**



**Earnings per share (cents)**



# Question and Answer Session

# Closing

Loh Boon Chye, Chief Executive Officer

# Thank You

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