FULLERTON FUND MANAGEMENT

Fullerton SGD Income Fund - Class B (SGD)

April 2023

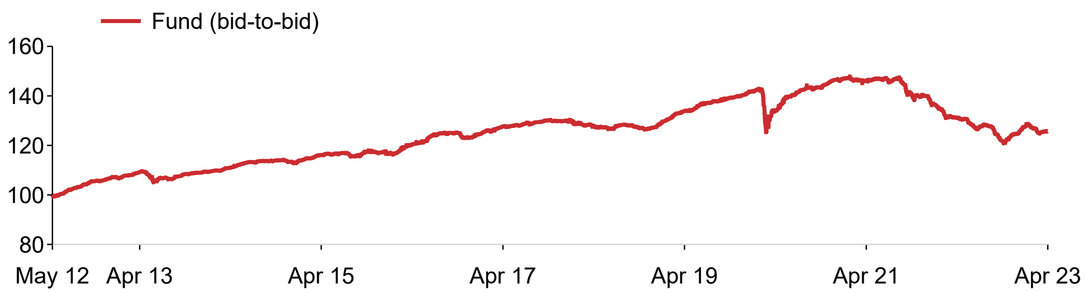
Investment Objective

The investment objective of the Fund is to generate long term capital appreciation and/or income for investors in SGD terms by investing primarily in fixed income or debt securities.

Investment Focus and Approach

The Managers seek to add value from interest rate accruals, selection of bonds and/or credits and duration management (optimisation of bond returns by selecting bonds with different terms to maturity).
The Fund will invest in a diversified portfolio of primarily investment grade fixed income or debt securities having a minimum long term credit rating of BBB- by Fitch, Baa3 by Moody's or BBB- by Standard & Poor's (or their respective equivalents) and cash.
The Fund may also invest in non-investment grade bonds (i.e. bonds with a long term credit rating of less than BBB- by Standard & Poor's, Baa3 by Moody's or BBB- by Fitch (or their respective equivalents)) of up to 30% of its Net Asset Value.
The Fund may invest in Singapore Dollar and foreign currency denominated bonds including but not limited to US Dollar, Euro, Japanese Yen and Australian Dollar. The foreign currency denominated bonds will be fully hedged back to the Singapore Dollar except for a 1% frictional currency limit.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	10 yrs	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	0.53	-1.57	3.32	-4.05	-2.13	-0.34	1.42	2.11	4.13
Fund (offer-to-bid)	-2.40	-4.44	0.32	-6.85	-3.09	-0.93	1.12	1.84	NA

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in SGD with net dividends and distributions (if any) reinvested. Offer-to-bid returns include an assumed preliminary charge of 3% which may or may not be charged to investors.
Source: Fullerton Fund Management Company Ltd.

Market Review

In Singapore, the Monetary Authority of Singapore (MAS), which uses the exchange rate as its main policy tool, maintained the slope, center and width of the currency band at the April MPC meeting, following five consecutive tightening moves since October 2021. The central bank noted that core inflation is expected to decrease materially in the second half of 2023, and it has cited "downside risks to inflation" for the first time. For the full year, MAS expects core inflation to average 3.5% to 4.5%, with headline inflation estimated to be between 5.5% and 6.5%. Singapore's central bank also said that the country's gross domestic product is expected to "moderate significantly" this year, and that prospects for growth this year have "dimmed." This comes as the economy grew 0.1% in the first quarter compared with a year ago, according to the Ministry of Trade and Industry's advance GDP estimates.

Across the Atlantic, US Treasury yields have traded at a tighter range over April following the large moves in March. Risk sentiment remains skittish amid fears of a tightening in US regional bank lending. Key US data prints have been mixed. Inflation and wage data remain reflective of sticky inflation while the US labour market remains tight. The US Treasury 10 year yield ended the month at 3.4%, 4bps below a month ago levels. SGS outperformed US Treasuries and declined across the curve, with the SGS 10 year yield ending the month at 2.8%, 18bps lower than a month earlier. Singapore non-government bonds also gained on average, according to the Markit iBoxx ALBI Singapore index data.

The rally in bonds was also evident in the Asian credit market, which advanced in April, according to the JP Morgan Asian Credit indices. The investment grade sector gained and outperformed the high yield sector. The relative overperformance was driven by tighter spreads in investment grade and wider spreads in the high yield market.

Inception date
14 May 2012

Fund size
SGD 1,319.60 million

Base Currency
SGD

Pricing Date
30 Apr 2023

NAV*
SGD 0.82

Management fee
1.0% p.a.

Expense Ratio
1.06% p.a. (For financial year ended 31 Mar 2022)

Distributions paid per unit [#]
Dec 2021: SGD 0.010
Mar 2022: SGD 0.010
Jun 2022: SGD 0.010
Sep 2022: SGD 0.009
Dec 2022: SGD 0.009
Mar 2023: SGD 0.008

Minimum Initial Investment
None

Minimum Subsequent Investment
None

Preliminary Charge
Up to 3%

Dealing day
Daily, up to 5pm (Singapore time)

Bloomberg Code
FULSGIB SP

ISIN Code
SG9999008932

The Fund is available for SRS subscription.

For additional information on Fullerton and its funds, please contact:
Fullerton Fund Management Company Ltd
3 Fraser Street
#09-28 DUO Tower
Singapore 189352
T +65 6808 4688
F +65 6820 6878
www.fullertonfund.com
UEN: 200312672W

* Figures have been truncated to 2 decimal places. The official price is published on Fullerton's website.
[#] Please refer to our website for more details.

Investment Strategy

The beginning of the year has surprisingly been more positive for the global economy than many had feared, with first-quarter GDP reports now validating this view. This is also consistent with the constructive signals coming from earnings announcements. Additionally, we currently see limited signs of significant credit tightening in business surveys or credit growth. That said, we do anticipate credit conditions to deteriorate as the year progresses—particularly in the US as smaller banks are likely to face greater regulatory and supervisory pressures. Likewise, we expect inflation to ease further over the course of this year, although the process appears to be grinding along more slowly than previously thought. With continued resilience on the growth front, central banks will keep their eyes on inflation while also being mindful of the lagged effect of monetary tightening.

The resurgence of China's economy has also contributed to the strong growth in Q1 2023. Looking ahead, we believe that the risk of an early policy exit away from an accommodative stance in China is low, based on our readings of the recent Politburo meeting. As a result, we expect policy support and economic recovery to continue in the current quarter. China’s pro-growth policy stance should have positive spillover effects for the rest of the Asian region, supporting continued economic expansion and providing new opportunities for investors.

Our portfolio retains a positive medium-term stance on duration, as downside risks to growth and inflation build. However, we recognise that bond yields could increase in the near term as markets currently price in significant easing starting this year. Therefore, we plan to take advantage of any back-up in bond yields to extend duration, anticipating our positive medium-term duration view. We believe that SGS could outperform US Treasuries in the near term due to ample domestic liquidity in Singapore and the possibility of US yields backing up in the near term. However, SGS may underperform over the medium term due to the supply overhang in the latter half of the year and markets pricing in an extended pause by the MAS. On the latter, the MAS decided to maintain its monetary policy settings in April, following five consecutive tightening moves since October 2021. We expect the central bank to stay on hold at the next policy meeting in October due to rising global growth risks and inflation retreating to historical averages once the impact of the GST hike is excluded.

Otherwise, our investment strategy remains focused on identifying opportunities to add investment-grade credits to our portfolios, with a particular emphasis on short-dated carry. Additionally, we are actively managing the credit risks, particularly in the high yield sector, to ensure that our portfolios remain well-balanced and aligned with our investment goals, which are to generate strong returns for our clients while managing risk effectively.

FULLERTON FUND MANAGEMENT

Geographical Breakdown

Australia	7.5%
China	12.0%
France	7.5%
Germany	1.9%
Hong Kong	11.0%
India	4.4%
Indonesia	2.2%
Japan	2.0%
Korea	3.5%
Malaysia	1.4%
Netherlands	1.7%
Philippines	1.1%
Singapore	31.5%
Switzerland	4.8%
UK	4.7%
Others	1.7%
Cash and cash equivalents	1.1%

Rating Breakdown

AAA	2.4%
AA	0.5%
A	10.7%
BBB	70.6%
BB	12.0%
B	1.7%
CCC	0.6%
C	0.3%
Cash and cash equivalents	1.1%

Top 5 Holdings

AIA Group Ltd 2.9% PERP	2.0%
SPH REIT 4.1% PERP	1.9%
Shangri-La Hotel Limited 4.5% Nov 2025	1.8%
Credit Agricole SA 3.8% Apr 2031	1.6%
Frasers Property Treasury Pte Ltd 4.25% Apr 2026	1.5%

Fund Characteristics

Average coupon	4.1%
Average credit rating	BBB
Number of holdings	284
Average duration (years)	3.5
Yield to Worst	5.8%

Credit Rating : Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.
Yield to Worst (YTW): Refers to YTW in base currency taking into account the hedging cost. Not guaranteed. Past performance is not necessarily indicative of future performance.