Fullerton Fund Management

Fullerton SGD Income Fund - Class B (SGD)

January 2025

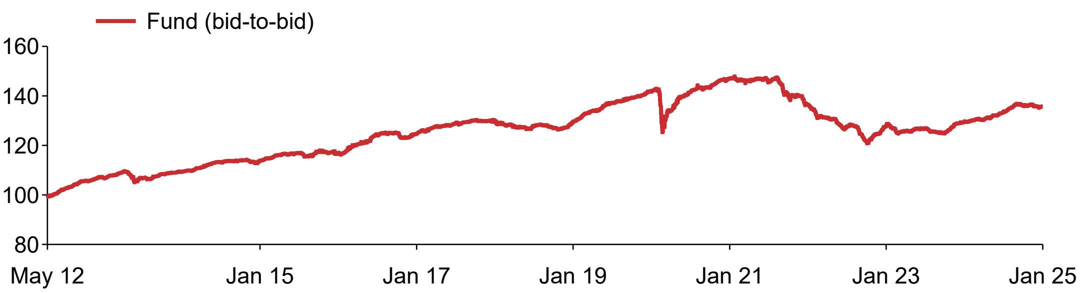
Investment Objective

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 5% 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)	-0.04	-0.27	1.80	4.76	-0.15	-0.86	1.78	2.43	3.94
Fund (offer-to-bid)	-2.95	-3.17	-1.17	1.71	-1.13	-1.45	1.48	2.20	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

The Monetary Authority of Singapore (MAS) eased policy for the first time in nearly five years, slightly reducing the SGD Nominal Effective Exchange Rate (S$NEER) slope amid expectations of slower growth and moderating inflation. Core inflation, which excludes private transport and accommodation costs, is now projected to average 1.0% to 2.0% in 2025, down from 1.5% to 2.5%, following a faster-than-expected decline to 1.8% in December 2024. Headline inflation remains forecasted at 1.5% to 2.5%, while GDP growth is expected to slow to 1.0% to 3.0% in 2025 from 4.0% in 2024. MAS highlighted that external uncertainties continue to shape Singapore's economic outlook.

In the US, the Federal Reserve (Fed) maintained its policy stance, keeping interest rates unchanged. US Treasury yields were volatile, with the 10-year yield peaking at 4.8% before ending January at 4.5%, initially rising on strong data before reversing on softer core CPI. Geopolitical risks, including new US tariffs on Canada, Mexico, and China, added to the volatility. Meanwhile, Singapore Government Securities (SGS) underperformed US Treasuries, with yields rising across the curve. The 10-year SGS yield ended January at 2.9%, up 6bps over the month. In contrast, non-Singapore government credit delivered flat returns, outperforming the SGS peers, according to the Markit iBoxx ALBI Singapore indices.

The Asian credit market ended January on a modestly positive note, with both investment-grade (IG) and high-yield (HY) credits delivering gains, though IG outperformed. Investment-grade credits saw stronger performance, benefiting from duration-related gains and tighter credit spreads. In contrast, high-yield credits experienced mixed performance, with some segments facing spread widening, leading to more muted returns.

Inception date
14 May 2012

Fund size
SGD 936.35 million

Base Currency
SGD

Pricing Date
31 Jan 2025

NAV*
SGD 0.81

Management fee
1.0% p.a.

Expense Ratio
1.09% p.a. (For financial year ended 31 Mar 2024)

Distributions paid per unit #
Sep 2023: SGD 0.010
Dec 2023: SGD 0.010
Mar 2024: SGD 0.010
Jun 2024: SGD 0.010
Sep 2024: SGD 0.010
Dec 2024: SGD 0.010

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.

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* 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

Looking ahead, carry strategies are expected to offer more clarity than duration calls in 2025, given the greater rate volatility expected amid policy uncertainty under the Trump administration. The Fed's initial response to tariff hikes is likely to be one of caution, as it assesses the relative impact on growth and inflation. Overall, the Fed is likely to keep rates on hold for longer if inflation remains firm rather than follow a gradual easing path. That said, the Fed stands ready to ease should labour market conditions deteriorate meaningfully.

In Singapore, GDP growth is expected to expand by 1-3% in 2025, supported by a recovery in the tech cycle, fiscal stimulus, and easing global rates. The output gap is projected to remain slightly positive, while labour market conditions have softened with wage growth moderating. Inflation pressures are easing, with core CPI revised lower to 1-2% for the year and headline CPI forecasted at 1.5-2.5%. Given this backdrop, we expect the MAS to keep policy steady for the rest of the year, with the bias tilted toward easing should trade tensions escalate further, and adversely affect growth.

Credit markets remain well-supported, with stable spreads underpinned by improving credit fundamentals and strong technicals, driven by attractive all-in yields. High-yield bonds remain preferable to investment grade, as stable credit fundamentals and favourable market technicals continue to justify a move down the credit curve to enhance yields. Default and downgrade risks remain manageable, further supporting selective positioning in higher-beta credits. We continue to seek suitable opportunities to increase high-yield exposure and selectively participate in the new issue market when valuations are compelling, while keeping duration at around current levels.

Elsewhere, in China, investment-grade credit valuations appear expensive relative to history and do not fully account for potential tariff risks. Structural headwinds, including a domestic supply-demand imbalance, lingering deflationary pressures, and weak nominal GDP growth, remain key challenges. Given this backdrop, we are approaching our China credits exposure with caution, favouring selected opportunities where risk-adjusted returns are attractive.

Geographical Breakdown

Australia	6.5%
China	8.9%
France	10.9%
Germany	4.6%
Hong Kong	11.4%
India	3.7%
Indonesia	4.0%
Japan	3.8%
Netherlands	2.8%
Romania	1.2%
Singapore	21.6%
Spain	1.3%
Switzerland	4.1%
Taiwan	1.1%
UK	7.5%
Others	3.8%
Cash and cash equivalents	2.8%

Rating Breakdown

AAA	0.8%
AA	1.5%
A	13.4%
BBB	61.3%
BB	17.9%
B	1.9%
C	0.4%
Cash and cash equivalents	2.8%

Top 5 Holdings

Credit Agricole SA 3.8% Apr 2031	2.0%
AIA Group Ltd 2.9% PERP	2.0%
ABN AMRO BANK NV 5.5% Oct 2032	1.8%
Deutsche Bank Ag 4.4% Apr 2028	1.6%
Shangri-La Hotel Limited 4.5% Nov 2025	1.6%

Fund Characteristics

Average coupon	4.6%
Average credit rating	BBB
Number of holdings	196
Average duration (years)	4.3
Yield to Worst	5.7%

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. The YTW remained unchanged as of January month-end due to price distortion affecting a legacy bond.