Fullerton Asia Income Return Fund - Class B (USD)

July 2020

Investment Objective

The investment objective of the Fund is to generate regular income and long term capital appreciation for investors by investing in equities, fixed income, cash and other permissible investments.

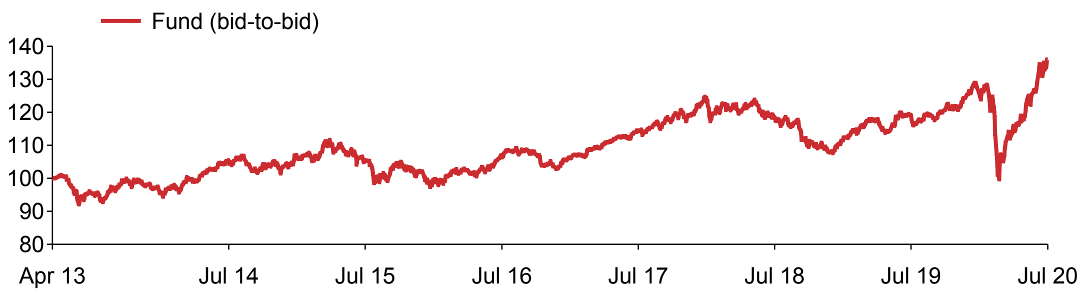
Investment Focus and Approach

The Fund may invest in collective investment schemes and other investment funds (including exchange traded funds ("ETFs")), securities and/or hold cash, in accordance with its investment objective and asset allocation strategy, as we deem appropriate.

We may use FDIs (including, without limitation, treasury, bond or equities futures, interest rate swaps and foreign exchange forwards) for hedging, efficient portfolio management, optimising returns or a combination of all three objectives.

The Fund may also invest in other Authorised Investments.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	7.10	17.37	8.90	14.39	5.95	5.21	4.31	9.50
Fund (offer-to-bid)	2.98	12.85	4.71	9.99	4.57	4.38	3.75	NA

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in USD with net dividends and distributions (if any) reinvested. Offer-to-bid returns include an assumed preliminary charge of 4% which may or may not be charged to investors.
Fullerton Total Return Fund (FTRF) updated its name to Fullerton Asia Income Return (FAIR) on 21 December 2017.
Source: Fullerton Fund Management Company Ltd.

Market Review

The DXY or US Dollar Index fell 4.2% in July, although this was largely concentrated against the euro and this was the main catalyst for a risk assets rally. Measured in dollars, the MSCI World Index rose 4.7% in the month, led by gains in emerging markets, while MSCI Asia ex-Japan Index rose 8.0% catalysed by strong performance from onshore Chinese equities at the start of the month. The S&P 500 Index, on the other hand, rose 5.5%. Global bond markets also held up well, as US Treasury yields remained anchored and Asian credit markets gained across both investment grade and high yield space by 2.1% and 2.4% respectively (JPMorgan Asia Credit Index, in US Dollars terms). The weakness in dollar catalysed strong gains in Gold, which rose 10.9% in July.

Inception date
15 Apr 2013

Fund size
USD 64.87 million

Base Currency
USD

Pricing Date
31 Jul 2020

NAV*
USD 1.02

Management fee
Currently 1.2% p.a.

Expense Ratio
1.57% p.a. (For financial year ended 31 Mar 2020)

Distributions paid per unit #
Feb 2020: USD 0.004
Mar 2020: USD 0.003
Apr 2020: USD 0.003
May 2020: USD 0.003
Jun 2020: USD 0.004
Jul 2020: USD 0.004

Minimum Initial Investment
None

Minimum Subsequent Investment
None

Preliminary Charge
Up to 4%

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

Bloomberg Code
FULFTRB SP

ISIN Code
SG9999010219

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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 Outlook

Despite elevated uncertainty over the re-emergence of COVID-19 clusters, financial markets have become less focussed on day to day case counts, pivoting towards the continuing recovery of pent-up demand and economic activity. Leading indicators in the last one month point towards a potential V-shaped recovery in global growth, as opposed to the more protracted and gradual stabilisation of growth expected by consensus. Also, broad measures of global goods consumption is showing signs of recovery. Global manufacturing has also stabilised, although the recovery has been relatively muted so far compared to the consumer.

The sharp rebound in financial market is due to the unprecedented and record pace of fiscal stimulus coupled with monetary expansion globally. Although the bulk of measures have been announced, the positive impact on global economic activities is likely to continue for the next few quarters. This is especially as central bankers remain steadfastly dovish in their rhetoric. This dynamic continues to anchor government bond yields at ultra-low or even negative levels despite the pick-up in economic sentiment and activity. We expect this to translate into a supportive environment for continued positive momentum in risk assets and supporting valuations. Moreover, global credit growth has also started to rise, indicative of the pass-through effect of quantitative easing to the real economy.

A key risk to the growth outlook is the potential for a rollback of easing lockdowns in response to higher COVID-19 infection rates. Our base case remains that policymakers will refrain from the sharp lockdowns we saw in late March/ early April, but instead adopt a more targeted approach to social distancing.

The weaker US dollar is an important dynamic that could catalyse a regional shift in the market leadership of risk assets. Our expectation is for the broadening out of US monetary stimulus to trigger more US dollar weakness, and encourage capital flow from the US dollar markets to Asian risk assets. Asian equity markets where earnings momentum is strong and economic growth has held up well are favoured.

Investment Strategy

In summary, we remain positive on risk assets, and increasingly tilt towards selective Asian equity markets and Asian High Yield credits. Global data continue to rebound, and still surprise market expectations positively. With central banks committing to an extended period of ultra-low or zero interest rate policy due to high unemployment rate and below target inflation rate, low interest rate volatility and an improving credit environment should continue. Notwithstanding our positive stance on risk assets, we are strongly focused on risk management. We continue to be selective in our equity market positioning, in terms of exposure to geographies, sectors and risk factors. We expect such diversification, in addition to investment in other asset classes, to offer additional downside risk protection for the Fund.

Sector Breakdown (Equities)

Communication Services	12.2%
Consumer Discretionary	16.5%
Consumer Staples	5.8%
Energy	1.8%
Financials	8.1%
Health Care	10.9%
Industrial	9.4%
Information Technology	31.8%
Materials	2.9%
Others	0.5%

Country Breakdown (Equities)

Asia ETF	6.6%
China	41.6%
DM	33.6%
India	2.0%
Korea	6.1%
Singapore	6.9%
Taiwan	8.3%
Others	-5.1%

Asset Allocation

Equities	68.0%
Fixed Income	14.6%
Cash and cash equivalents	10.0%
Commodities	7.3%

Ratings Breakdown (Fixed Income)

A	0.4%
BBB	6.2%
BB	40.2%
B	52.8%
CCC	0.3%

Country Breakdown (Fixed Income)

China	66.9%
Hong Kong	2.0%
India	10.0%
Indonesia	8.8%
Macau	1.9%
Mongolia	1.1%
Philippines	2.1%
Singapore	4.0%
Sri Lanka	3.2%

Top 5 Holdings (Equities, as % of NAV)

Kraneshares Csi China	6.9%
Lion-Phillip S-REIT ETF	4.6%
NikkoAM Straits Trading Asia Ex Japan REIT ETF	4.5%
Taiwan Semiconductor Manufacturing	2.8%
Vanguard Health Care	2.7%

Top 5 Holdings (Fixed Income, as % of NAV)

Lenovo Group Ltd 5.875% Apr 2025	0.3%
Yuzhou Properties Co Ltd 8.5% Feb 2024	0.3%
Yanlord Land Hk Co Ltd 6.75% Apr 2023	0.2%
Agile Group Holdings Ltd 8.375% Perp	0.2%
Ronshine China 10.5% Mar 2022	0.2%

Country breakdown (Equities) includes hedges implemented via index options.
Credit Rating : Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.