

Fullerton Singapore Bond Fund – Class A (SGD)

July 2020

Investment Objective

The investment objective of the Fund is to generate long term capital appreciation for investors by investing primarily in fixed income or debt securities denominated in Singapore Dollars. These securities will primarily be issued by the Singapore government, government agencies, quasi-government institutions, statutory boards and corporations.

Investment Focus and Approach

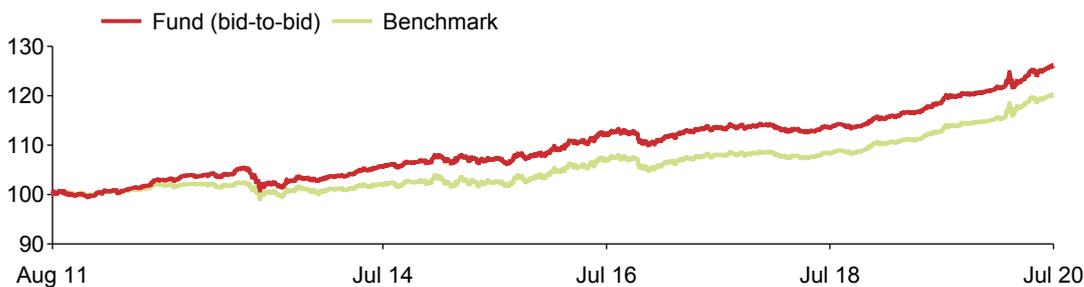
The Managers seek to add value from the following sources: interest rate accrual, credit selection and yield curve positioning (duration management).

The Managers' investment process is a combination of top-down macro research and bottom-up analysis. Economic research and monetary policy analysis is the basis for arriving at the interest rate outlook and bottom-up analysis forms the basis for credit selection and yield curve positioning. Within this framework, the Managers will evaluate fixed income and debt securities to determine their fair value and formulate the duration and credit strategies for the Fund.

The Fund will primarily invest in investment grade issues having a minimum long term credit rating of BBB- by Fitch, Baa3 by Moody's or BBB- by Standard & Poor's. However, non-rated SGD corporate issues are permitted if they meet the Managers' internal equivalent rating of investment grade.

The Managers may use Financial Derivative Instruments for hedging and efficient portfolio management purposes.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	0.82	1.86	3.72	6.37	3.57	3.34	2.63	1.97
Fund (offer-to-bid)	-2.11	-1.11	0.70	3.27	2.56	2.73	2.29	NA
Benchmark	0.69	1.42	4.08	6.57	3.64	3.27	2.08	1.80

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.

Benchmark: 50% Refinitiv/SGX Singapore Fixed Income Index and 50% Refinitiv/SGX Fixed Income 1-3Y Index.

With effect from 1 June 2017, the benchmark is a composite comprising 50% Refinitiv/SGX Singapore Fixed Income Index and 50% Refinitiv/SGX Fixed Income 1-3Y Index. Prior to 1 June 2017, the benchmark was 50% UOB SGS Bond All and 50% UOB SGS Bond Short index.

Source: Fullerton Fund Management Company Ltd and Bloomberg.

Market Review

Optimism over vaccine progress and an agreement by the European Union leaders on a landmark 750 billion euro stimulus package underpinned risk sentiments, despite deteriorating relations between Beijing and Washington and a resurgence of virus cases globally. US dollar weakened to a two-year low as the continuing spread of Covid-19 in the US threatens to dampen the economic recovery.

The poor performance of the greenback and record low US real yields also supported the rally in gold prices to a record high. The real yields on 10-year US Treasuries – which strip out expected consumer price changes from nominal bond yields – fell to -1%, a record low. The nominal US Treasury 10 year benchmark note also slid and ended the month at around 0.5%.

Asia continues to lead the growth recovery with most purchasing managers indexes (PMI) turning up across the board. Notably, China's economy returned to growth in the second quarter, in one of the world's earliest signs of recovery from the fallout of the pandemic. The country's gross domestic product grew 3.2 percent in the three months to the end of June, compared with the same period last year. Conversely, export-oriented economies such as Singapore suffered as the country entered into a technical recession for the first time since 2009, with two consecutive quarters of quarter-on-quarter

Inception date

16 Aug 2011

Fund size

SGD 252.67 million

Base Currency

SGD

Pricing Date

31 Jul 2020

NAV*

SGD 1.26

Management fee

Currently 0.3% p.a.
Maximum 0.5% p.a.

Expense Ratio

0.38% p.a. (For financial year ended 31 Mar 2020)

Minimum Initial Investment

SGD 50 million

Minimum Subsequent Investment

SGD10 million

Preliminary Charge

Up to 3%

Dealing day

Daily, up to 5pm (Singapore time)

Bloomberg Code

FSINGBA SP

ISIN Code

SG9999007785

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.

Market Review (Cont'd)

contraction. The construction sector was the worst hit as the circuit breaker halted most construction activities, and other measures such as movement restrictions at foreign worker dormitories brought about workforce disruptions. The service sectors also shrank as global travel curbs had severely affected tourism-related areas, while outward-oriented services sectors such as wholesale trade were also adversely hit by falling external demand.

Against this backdrop, Singapore's non-government bonds (represented by the Markit iBoxx ALBI Singapore Non-Government TRI index) posted 1.7% returns in SGD terms. Singapore government bonds (as represented by the Markit iBoxx ALBI Singapore Government TRI index), also rose in value to register a 1.3% return in SGD, led by the long end of the SGS curve, as the SGS yield curve bull flattened.

Investment Strategy

As we move through the second half of 2020, growth divergence between regions and countries as well as performance differentiation between the sector winners and losers, will emerge. These will provide significant investment opportunities for bond investors. In terms of fundamentals, China has recovered sooner than the rest of the global economy. The latest PMI data for the country points to further expansion, alongside a variety of other economic data that showed momentum of a robust economic rebound. While some risks of an outbreak resurgence have emerged, the Chinese authorities appear to have the situation mostly under control. Elsewhere, North Asian countries such as Korea and Taiwan are poised to benefit from the trend of technology export strength, induced by the pandemic. South Asian countries, such as India, Indonesia, and the Philippines, will lag as infection rates remain stubbornly sticky, and fiscal constraints hamper policy responses. That said, any rebound in developed market external demand could provide a strong tailwind for global trade and the region's exports. Overall, Asia is better poised to weather the economic and medical challenges spurred by the virus outbreak relative to other emerging market regions.

We expect Q2 to mark the trough in growth for Singapore. The country's economic recovery in the second half of this year is likely to be bumpy and uneven. Sectors such as construction, tourism, and retail are lagging while others such as pharmaceutical exports and segments of the financial services sector are experiencing a quicker rebound. The aggressive fiscal measures will aid the cyclical recovery, while monetary policy will play a supporting role. We expect Monetary Authority of Singapore (MAS) to stand pat at the next monetary policy committee (MPC) meeting in October and adopt a stable monetary policy, with no change to the Singapore dollar's nominal effective exchange rate (S\$ NEER) slope or band, barring any significant deterioration in economic conditions.

In terms of investment strategies, we remain positive on duration, with an overweight to the long-end of the SGS yield curve. Elsewhere, we are maintaining a good allocation to overall credit beta, focusing on short-dated papers offering attractive carry. In the same vein, the scarcity of new SGD credit issues will also be supportive of secondary prices.

Country Breakdown

Australia	1.2%
China	3.2%
France	2.2%
Hong Kong	2.2%
Malaysia	1.5%
Singapore	85.5%
Switzerland	1.0%
UK	1.3%
Others	1.8%
Cash and cash equivalents	0.0%

Rating Breakdown

AAA	54.2%
AA	0.6%
A	10.2%
BBB	33.1%
BB	1.7%
C	0.3%
Cash and cash equivalents	0.0%

Top 5 Holdings

Singapore Government 2.25% Jun 2021	5.4%
Singapore Government 2.75% Jul 2023	4.0%
Singapore Government 2.25% Aug 2036	4.0%
Singapore Government 1.25% Oct 2021	3.8%
Singapore Government 2.75% Mar 2046	3.7%

Fund Characteristics

Average duration (years)	5.4
Yield to Worst	1.8%
Yield to maturity	1.8%

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. Not guaranteed. Past performance is not necessarily indicative of future performance.

Disclaimer: This publication is for information only and your specific investment objectives, financial situation and needs are not considered here. The value of units in the Fund and any accruing income from the units may fall or rise. Any past performance, prediction or forecast is not indicative of future or likely performance. Any past payout yields and payments are not indicative of future payout yields and payments. Distributions (if any) may be declared at the absolute discretion of Fullerton Fund Management Company Ltd (UEN: 200312672W) ("Fullerton") and are not guaranteed. Distribution may be declared out of income and/or capital of the Fund, in accordance with the prospectus. Where distributions (if any) are declared in accordance with the prospectus, this may result in an immediate reduction of the net asset value per unit in the Fund. Applications must be made on the application form accompanying the prospectus, which can be obtained from Fullerton or its approved distributors. You should read the prospectus and seek advice from a financial adviser before investing. If you choose not to seek advice, you should consider whether the Fund is suitable for you. The Fund may use or invest in financial derivative instruments. Please refer to the prospectus of the Fund for more information.

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