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Low interest rates to intensify search for returns

Stimulus should continue to support financial markets as low interest rates encourage investors to look for opportunities across asset classes

Singapore, 26 August 2020 – The recent global pandemic has prompted policymakers to deliver unprecedented fiscal and monetary stimulus, edging already low interest rates even lower. This low interest rate environment should continue to support financial markets though investors should keep an eye on rising debt levels, concludes Fullerton Fund Management in a report in collaboration with the Economist Intelligence Unit*.

The report looks at how low interest rates across much of the developed world are becoming an entrenched norm. It examines the impact of low rates on portfolio allocation, the changing economic backdrop, and the risks and opportunities for investors.

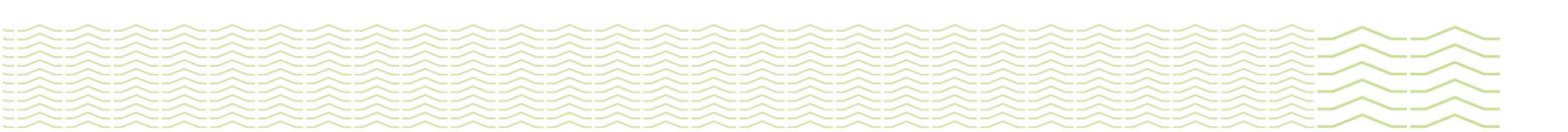
Negative interest rates and quantitative easing are the biggest monetary experiments of modern times. The dynamics of quantitative easing favours debtors over savers, the asset-rich over the asset-poor, and big economies over smaller ones.

According to the report, abundant central bank liquidity has buoyed asset prices and generated above-average portfolio returns over the past decade. This has significant implications on valuation metrics such as price to earnings multiples for stocks with different characteristics within the broad market. Within equities, attractive investment themes are e-commerce, technology, healthcare, mass and premium consumption, infrastructure and the hunt for yield. Stock selection will remain paramount in a low interest rate environment as economy-wide growth will not likely be sufficient to lift all boats, leading to a wider difference between stock market winners and losers.

A low interest rate environment also enhances the appeal of alternative assets, such as private debt, infrastructure, real estate and private equity, which typically require long-term commitments. The broadening sector can offer investors flexibility in risk-return profiles, as they look beyond traditional investments for returns.

Jenny Sofian, Fullerton Fund Management's CEO notes the report offers timely and relevant insights and strategies for investors: "The current environment has led investors to rethink their investment strategies. There are several implications of a continued low interest rate environment on equities, bonds and alternatives, and amidst all of that, there are also opportunities. Investors need to take a more active approach to their portfolios to navigate this environment."

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Note to Editor:**About the Report***

Below Zero: How Low Rates Are Reshaping the Investment Landscape is a report by the Economist Intelligence Unit commissioned by Fullerton Fund Management.

This report examines the impact of low rates on portfolio allocation, the changing economic backdrop and the risks and opportunities for investors in a world where monetary stimulus is being pushed to its limits.

The study is based on wide-ranging desk research as well as in-depth interviews with economists and investment managers, from established institutions such as the International Monetary Fund and London School of Economics.

The full report is available on Fullerton Fund Management's website and can be accessed via this [link](#).

About Fullerton

Fullerton Fund Management Company Ltd ("Fullerton") is an Asia based investment specialist, with capabilities that span equities, fixed income, multi-asset and alternatives, including private equity. The firm was incorporated in Singapore in 2003 and is a subsidiary of Temasek Holdings, a global investment company headquartered in Singapore. NTUC Income, a leading Singapore insurer, became our minority shareholder in 2018.

Fullerton provides investment solutions for institutions such as government agencies, pension plans, insurance companies, endowments and sovereign wealth, as well as for private wealth and the retail segment. With 17 years of experience in Asian financial markets, Fullerton builds on its heritage to provide clients with investment solutions that are long term, research-based and conviction-led.

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