FULLERTON FUND MANAGEMENT

Fullerton Asia Income Return Fund - Class B (USD)

February 2024

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.

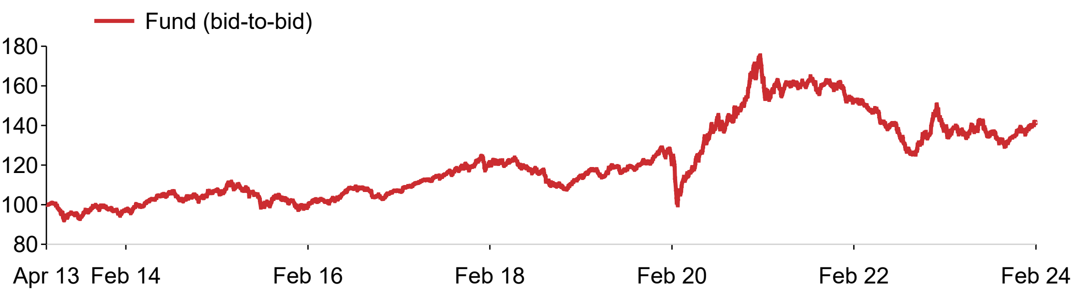
Investment Focus and Approach

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	10 yrs	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	2.62	5.40	3.80	3.12	-4.37	4.42	3.79	3.25	10.38
Fund (offer-to-bid)	-1.33	1.34	-0.19	-0.84	-5.62	3.61	3.39	2.88	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

February was an exceptional month for equities. Investors ignored the stubborn CPI inflation data from US and Europe. Instead the market chose to focus on resilient economic data from US and forward earnings guidance particularly from technology sector. In dollars, the S&P500 Index was 5.3% higher, whereas global equities (MSCI AC World Index) posted 4.3% gain.

Although parts of Europe are in a technical recession, this did not deter investors from buying, and MSCI Europe Index ended the month 1.6% higher in dollars. Japanese equities staged a strong run, with MSCI Japan Index returning 3.0% in dollars, ahead of economic recovery after the Bank of Japan kept its easy policy, at the expense of a weaker yen, after the earthquake in Noto. Asian equity indices also saw decent gains for a change, with the MSCI Asia ex-Japan Index up a significant 5.3%, led by MSCI China which was 8.4% stronger in dollars.

The strong economic numbers out of US also led market to reprice the extent of Federal Reserve's monetary policy easing over 2024. The dollar denominated JACI Investment Grade Index slipped -0.3% as carry from credit offset rising rates, whereas the longer duration global bonds (Bloomberg Global Aggregate Index) ended the month -1.3% lower. The Dollar Index was 0.9% higher over the month on higher rates.

Minutes of the Fed's January meeting acknowledged the declining inflation trend but cautioned further reduction in inflation to its targeted 2% could take longer than expected. Meanwhile, the People's Bank of China surprised market with a 25 bps cut, the largest single reduction, to the five-year loan prime rate (LPR). This move is likely aimed at supporting the recovery of the property market and could improve affordability for buyers by lowering mortgage rates.

Faced with headwind from higher rates, spot gold managed to eek out a modest 0.2% gain. Technical factors coupled with expectation of OPEC+ members extending their production cuts lifted Brent crude

Inception date
15 Apr 2013
Fund size
USD 329.18 million
Base Currency
USD
Pricing Date
29 Feb 2024
NAV*
USD 0.88
Management fee
Currently 1.2% p.a.
Expense Ratio
1.40% p.a. (For financial year ended 31 Mar 2023)
Distributions paid per unit #
Sep 2023: USD 0.004
Oct 2023: USD 0.003
Nov 2023: USD 0.004
Dec 2023: USD 0.004
Jan 2024: USD 0.004
Feb 2024: 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.

Market Review (Cont'd)

2.7%. However, the Bloomberg Commodity Index fell -1.5% on the month on weak performance especially from soft commodities.

Investment Outlook

Resilient US macro data indicates the economy remains robust, and hopes for a soft landing should increase over-time. Another 353,000 jobs were added in January's nonfarm payroll, accompanied by a positive revision to the previous two months' data. Separately, with new orders turning positive, the ISM manufacturing hit a 15-month high. Not surprisingly, stronger economic numbers also translated into an upside surprise on January's inflation, raising fears that the path back to target is likely to be slower. Given the pattern of recent data, slow-down in US growth to trend could be the most likely scenario. In which case, another leg of growth could come from private consumption when the Fed starts its easing cycle later this year.

In China, activities data over the Lunar New Year holiday period strengthened. At the same time, the central government announced a number of supportive initiatives, including the aforementioned cut to 5-year loan prime rate, curbs on short selling, and stock purchases by state-owned investment firms. Whether these initiatives could overturn the weak data remains to be seen. So far we only observed CPI deflation intensified in January on decline in food prices and PPI stayed in negative territory. Weak high-frequency data from property sector remains an ongoing concern.

Geopolitical tensions in the Middle-East and concerns associated with the Russo-Ukraine war can bring about a resurgence in inflation (surging commodity prices), recession (trade wars) and a breakdown of the financial system (confiscation of Russian foreign reserves) compel us to be nimble in managing the Fund.

Investment Strategy

Our assessment that US is transitioning to trend growth, coupled with stable to falling interest rates consistent with Fed's articulated policy guidance, will provide the necessary backdrop for continued positive return on global risk assets. This view is largely unchanged in the last few months. Among developed economies, we retain an overweight in US equities, where corporate growth prospects are clearer.

While easy monetary policy is lifting Japan, challenges in Europe – from high energy prices and stalling growth in a number of countries – will continue to raise doubts. Notwithstanding February's strong rebound in equities, we are underweight China until bolder government initiatives and conviction in underwriting systemic risks faced by the property sector are evident. Our exposure in emerging market is primarily outside of China.

We expect central banks to start cutting interest rates in mid-2024, providing a supportive environment for fixed income. The Fund has taken advantage of higher long end yield the last few weeks to extend duration of its fixed income portfolio. This should cushion the Fund from volatility in equities.

To manage the risk outcomes, diversification – by geography, sector and themes – is key.

Sector Breakdown (Equities)

Communication Services	4.7%
Consumer Discretionary	2.8%
Energy	1.3%
Financials	8.6%
Health Care	1.5%
Industrial	3.6%
Information Technology	11.9%
Real Estate	1.5%
Utilities	1.1%
Others	63.0%

Geographical Breakdown (Equities)

China	3.2%
Hong Kong	1.7%
India	10.5%
Indonesia	2.1%
Ireland	1.0%
Japan	13.2%
Korea	3.1%
Singapore	1.5%
Taiwan	4.0%
US	57.3%
Others	2.5%

Asset Allocation

Fixed Income	25.3%
Equities	71.0%
Cash and cash equivalents	3.6%

Ratings Breakdown (Fixed Income)	
AAA	9.3%
AA	2.4%
A	34.7%
BBB	44.8%
BB	2.6%
B	0.7%
NR	5.5%

Geographical Breakdown (Fixed Income)	
Australia	4.2%
China	17.1%
France	1.9%
Hong Kong	2.7%
India	5.1%
Indonesia	6.3%
Japan	7.4%
Korea	11.9%
Malaysia	1.8%
Philippines	4.0%
Singapore	17.8%
Switzerland	2.0%
UK	4.3%
US	11.5%
Others	2.1%

Top 5 Holdings (Equities, as % of NAV)	
Invesco QQQ Trust Series	9.5%
iShares MSCI India ETF	4.7%
Next Funds Topix Banks	3.7%
Taiwan Semiconductor Manufacturing	0.8%
Samsung Electronics	0.6%

Top 5 Holdings (Fixed Income, as % of NAV)	
Singapore Government 2.75% Mar 2046	1.9%
CSOP FTSE Chinese Government B	1.1%
Tencent Holdings Ltd 3.94% Apr 2061	0.4%
Standard Chartered Plc 6.296% Jul 2034	0.4%
Mizuho Financial Group 5.748% Jul 2034	0.4%

Country and Sector breakdown (Equities) does not include derivatives and Cash and Cash equivalents.
Country breakdown (Fixed Income) does not include derivatives and Cash and Cash equivalents.
Credit Rating : Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.