FULLERTON FUND MANAGEMENT

Fullerton MoneyOwl WiseIncome

August 2021

Investment Objective

The investment objective of FMWI is to generate regular income and long term capital appreciation for investors.

The Fund will invest primarily in a diversified portfolio of collective investment schemes, other investment funds, exchange traded funds ("ETFs"), securities, including but not limited to fixed income securities, equities, real estate investment trusts ("REITs"), money market instruments and cash as deemed appropriate by us in accordance with its investment objective.

Fund Information

Fund Size	SGD 42.73 million
Base Currency	SGD
Preliminary Charge	Currently 0%
Dealing Frequency	Every Business Day
Subscription Mode	Cash, SRS

Manager's Commentary

Market Review

Both the 10-year US Treasury and German Bund yield increased in August. In the case of US Treasury, the higher yield came after four consecutive months of lower yield. During the recent Jackson Hole Symposium, Chair Powell of the Federal Reserve indicated that tapering of its quantitative easing (QE) programme is likely to begin later this year. We believe the European Central Bank will follow suit in 2022. Given this backdrop, we expect yield of long end bonds to drift higher.

Both the dollar denominated JACI Asia Investment Grade Index and JACI Asian High Yield Index delivered positive returns in August, with High Yield outperforming Investment Grade. Despite the spread tightening in Asia High Yield in August, High Yield spreads remain wider than the 5Y historical average and this is caused by investors concern over regulatory controls in China as well as uncertainty revolving around Evergrande.

Both developed market and Asia equities delivered positive returns in August. Asia equities bounced back in August after 2 consecutive months of negative returns. In terms of relative valuation based on price earnings ratio, Asia equities are at deep discount to developed market equities, with Asia equities trading near levels that were reached during the Global Financial Crisis.

Investment Outlook

We maintain our positive views on the global economic recovery and risk assets. While global manufacturing PMI has moderated from elevated levels, it remains in the expansionary zone. Within Asia, we continue to see a divergence in the pace of economic growth. While China and ASEAN have slowed, there remain pockets of strength within Asia such as Taiwan, Korea and India, with their manufacturing sectors remaining in the expansionary territory. As such, in this environment, it is important to be selective in the Asia markets to be invested in.

We should not be surprised with a cyclical pullback after the sharp rebound in economic growth after the Covid-19 bottom where economies were shuttered. Drawing on the historical experience of Korea, in 2010, post the GFC bottom in 2009, we likewise saw retracements of exports growth in Korea from elevated levels, However, the key is that earnings growth in Korea continued to trend up, and equities market continued to grind up. Thus, while there is a lot of headlines of slowing macro economic growth, we remain focused on the direction of earning growth as there has a stronger impact on equity return rather than macroeconomic growth.

Since the Covid-19 bottom in March 2020, markets have rallied substantially on the premise of large scale monetary and fiscal stimulus. Thus, we are carefully watching the developments on the policy stance of the major central banks. On the Federal reserve, our expectation is that tapering of the bond purchases is likely to commence by the end of the year and the rate hike cycle would be further down the road in 2023. Insofar as the changes in the monetary policy stance are clearly communicated and consistent with the progress achieved by the economy, risk assets should be able to take the changes in its stride.

Investment Strategy

On investment strategy, we continue to tap on Tactical Asset Allocation to navigate volatility. Bottom-up, we remained focused on stocks and credits with good fundamentals.

Asset Allocation

Within equities, we favour growth and cyclicals due to broadening of the global recovery. In fixed income, we are constructive on corporate bonds as our assessment is that carry is attractive and default risks are idiosyncratic and should be contained.

Fixed Income

We remain negative on duration on expectations that US treasury yields will trend higher in the medium term due to stronger growth. On corporate bonds, we are cautiously optimistic with more clarity on China's policy directions. There could be pockets of opportunities emerging in certain property credits subject to ability to withstand volatility. There remain risks in the Asia fixed income landscape such as uncertainty revolving around Evergrande and we rely on bottom up security selection to navigate these challenging times.

SREITs

Year to date, Singapore REITs has demonstrated less volatility compared to Asia equities. The defensive characteristic of Singapore REITs was evident during the intra year drawdown experienced by Asia equities from February to August 2021 where Asia equities entered a correction but Singapore REITs return was relatively stable. Looking ahead, Singapore has one of the highest vaccination rates in the world and insofar as there is no significant surge in Covid cases that results in hospitalisation that overwhelm the healthcare system, the Singapore economy is poised to continue on its re-opening path. For the REITs sub-portfolio, we invest in REITs that have strong fundamentals coupled with attractive valuations, and favour the REITs that are expected to be winners in a post Covid world.

Equities

We remain positive on Equities and believe that the key is to be selective. We prefer Developed Market equities to Emerging market equities. Emerging market equities rebounded in August after the sell-off in July. We are monitoring the situation carefully. Our assessment is that while there could be a moderation in the pace of growth, we do not expect a sharp slowdown to the extent that Asian economies dip into a recession. This is because most of the Asian economies are still in the process of re-opening and early in the economic cycle. Thus, we see this bout of weakness as a buying opportunity and we are looking for good entry points. We are disciplined in adding risk to the portfolio and would take into account fundamental, valuation and technical considerations in our investment decisions.

Performance (%)

	1 mth	3 mths	6 mths	1 year	3 years	5 years	Since Inception
R-SGD (bid-to-bid)	-0.15	2.91	-	-	-	-	3.32
R1-SGD (bid-to-bid)	-0.15	2.91	-	-	-	-	3.32

Returns are calculated on a single pricing basis with net dividends and distributions (if any) reinvested. Returns more than a year are annualised. Preliminary charge is currently waived.

Asset Allocation (%)[1]

Equities	30.6
REITs	29.3
Fixed Income	35.7
Cash and cash equivalents	4.5

Regional Exposure (%)[1]

Singapore	42.0
Developed Markets	30.8
Emerging Markets	27.2

Fixed Income Sector Exposure (%)[1]

Government	24.1
Financials	21.4
Real Estate	20.0
Energy	8.6
Consumer Discretionary	5.6
Industrials	5.5
Materials	4.9
Utilities	4.1
Information Technology	2.7
Communication Services	2.3
Health Care	0.8
Consumer Staples	0.1

Top 5 Holdings (Equities, REITs, % of NAV)

Amundi Prime Global ETF	15.8
Vanguard FTSE Developed World ETF	12.1
Ascendas Real Estate Investment Trust	6.4
Frasers Logistics & Commercial Trust	3.7
Mapletree Industrial Trust	3.2

Top 5 Holdings (Fixed Income, % of NAV)

Singapore Government 2.875% Sep 2030	5.1
Singapore Government 2.875% Jul 2029	1.7
Singapore Government 2.625% May 2028	0.7
Sands China Ltd 5.4% Aug 2028	0.5
Shenhua Overseas Capital 3.875% Jan 2025	0.5

Fund Statistics

Fixed Income	
Duration	5.4 years
Average Credit Rating[2]	BBB+
Yield-to-Worst[3]	2.9%
S-REITs	
Dividend Yield	4.9%
Price to Book	1.2x
Price to Earnings	20.2x

Dividend History[4]

	Dividend / share	Record Date
Class R	SGD 0.0114	30 Jun 2021
Class R	-	-
Class R1	SGD 0.0202	30 Jun 2021
Class R1	-	-

Fund Details

	Class R (Distribution)	Class R1 (Distribution)
Inception Date	31 March 2021	31 March 2021
NAV per Unit[6]	SGD 1.02	SGD 1.01
Management Fee	Currently 0.40% p.a.	Currently 0.40% p.a.
Initial Investment	None	None
Subsequent Investment	None	None
ISIN Code	SGXZ55613715	SGXZ44316438
Bloomberg Code	FULFMWR SP	FULFMR1 SP

Note: All fund data are sourced from Fullerton, Bloomberg dated as at 31 August 2021, unless otherwise stated.

1. Numbers might not add due to rounding.
2. Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.
3. Refers to Yield-to-Worst in base currency, before hedging.
4. Dividends are declared on a quarterly basis (i.e. March, June, September, December). Please refer to our website for more details on the dividend payouts.
5. Figures are truncated to 2 decimal places. Please refer to Fullerton's website for official price.

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