

# Fullerton SGD Heritage Balanced

May 2022

## Investment Objective

The investment objective of the Fund 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, 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. In normal market conditions, the Fund aims to invest around 50% of the Fund’s NAV in Singapore securities (defined by country of risk) and/or SGD denominated securities, cash and cash equivalents, and/or non-SGD fixed income securities hedged back to SGD. The Fund may also invest in developed market equities (ex-Asia) for diversification reason.

## Fund Information

<b>Fund Size</b>	SGD 185.30 million
<b>Base Currency</b>	SGD
<b>Preliminary Charge</b>	Currently up to 3%
<b>Dealing Frequency</b>	Every Business Day
<b>Subscription Mode</b>	Cash, SRS

## Manager’s Commentary

### Market Review

Weakness in equity markets after a bounce in March resumed in April and into May before market technicals prompted a short cover rally. MSCI AC World and S&P 500 indices managed to close the month flat while MSCI Asia and MSCI Europe recovered from short term oversold positions to return 0.5% and 0.8% respectively in USD terms. The ascend of DXY, the dollar index, may have paused after a 17% rally since May 2020.

Monetary policy tightening by global central banks is likely to weigh on equity markets as inflation remains the key focus. Fed fund futures one year forward has priced in another 2 percentage points rate hikes to 3% and ECB President Lagarde has backed calls for policy normalisation. This is taken to mean two 25 bps hikes to its deposit facility rate, bringing it to zero later this year. Central banks now see the urgency to tighten policy to curb excess demand amid rising prices. CPI inflation in the US remains above 8% and the Fed’s preferred measure, the PCE inflation rate, has averaged 5% since December 2021. In Europe, despite an unemployment rate of just under 7%, the higher energy cost has pushed CPI inflation to above 8% in May.

The peak in inflation this cycle appears within reach but it would be difficult to push it back to the pre-COVID level of 2%. For the time being, central banks’ rhetoric remain hawkish, which is why we fear the narrative of stagflation will turn into recession if the Fed continues to tighten into next year. Meanwhile, bond yields have raced ahead to price in higher rates. It is not surprising that for May, the JACI Investment Grade Index returned just 0.2% (in USD terms) and the fear of recession along with successive 50 bps hikes in rates drove the JACI High Yield Index down 2.8% (in USD terms).

### Investment Outlook

In the US, the economy is running on overdrive and the labour market remains very tight. The Fed’s quantitative tightening in the form of c.US\$1 trillion balance sheet assets reduction annually when fully implemented, will withdraw liquidity from the market. Coupled with the Russia-Ukraine conflict which compounded the energy shortage, the likely result is lower price-to-earnings multiples for equity markets over time, so we remain negative on risk-assets which have not accounted for the new paradigm.

Given the record level of indebtedness by governments, corporate and household sectors, the likelihood of the Fed successfully engineering a soft landing will be difficult. The pace of hikes and Fed communication will be key to market performance. On the other hand, markets should be relieved that the Chinese government has ended the lockdown imposed on Shanghai and other cities. Its CNY14.8trillion (US\$2.3 trillion) proposed infrastructure spending to kickstart the economy should commence within months. More is expected to follow since China’s leaders have pledged to meet its growth target of around 5.5% this year at the Politburo meeting in April. Downside risks will escalate the longer China withholds from stimulating its economy.

### Investment Strategy

#### Asset Allocation

The Fund continues to underweight equity, given our more cautious stance on risk assets, but will tactically adjust the exposure from time to time. Global central banks have few alternatives but to tighten financial conditions aggressively to anchor inflation and inflation expectations.

#### Fixed Income

In Asia credit, the Fund remain defensively positioned with high quality credit selection. We are positive on duration when the 10-year Treasury yield is above 3% as the risk of a recession will increase if central banks continue to hike in a declining growth momentum.

#### SREITs

Singapore’s re-opening phase has gone well. Portfolio is focused on bottom-up selection on REITs and have exposure in selected retail and office. Within the REITs, we will continue to look for names that have acquisition potential with strong fundamentals, coupled with valuations that remain attractive and have growth potential.

#### Equities

Within the equities sub-portfolio, we remain defensively positioned in Asia equities.

## Performance (%)

	1 mth	3 mths	6 mths	1 year	3 years	5 years	Since Inception
<b>A-SGD</b> (bid-to-bid)	-1.77	-3.20	-7.85	-10.04	2.12	-	2.04
<b>A-SGD</b> (offer-to-bid)	-4.63	-6.02	-10.53	-12.66	1.12	-	1.05
<b>B-SGD</b> (bid-to-bid)	-1.77	-3.20	-7.85	-10.04	2.12	-	2.04
<b>B-SGD</b> (offer-to-bid)	-4.63	-6.02	-10.53	-12.66	1.12	-	1.05
<b>B1-USD</b> (bid-to-bid)	-1.80	-3.22	-7.90	-10.18	-	-	0.78
<b>B1-USD</b> (offer-to-bid)	-4.66	-6.04	-10.58	-12.80	-	-	-0.76

Returns are calculated on a single pricing basis 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. Returns more than a year are annualised.

## Asset Allocation (%)<sup>1</sup>

Equities	4.5
REITs	28.2
Fixed Income	42.1
Cash and cash equivalents	25.3

## Country Exposure (%)<sup>1</sup>

Singapore	56.9
China	15.2
Hong Kong	8.5
India	8.2
Indonesia	4.1
Developed Markets	2.6
Malaysia	2.5
Taiwan	1.0
Thailand	0.7
Philippines	0.2

## Sector Exposure (%)<sup>1</sup>

Real Estate	51.3
Financials	17.5
Industrials	6.6
Communication Services	5.3
Energy	5.1
Consumer Discretionary	4.1
Materials	3.3
Information Technology	3.2
Utilities	2.7
Consumer Staples	0.9
Health Care	0.0

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

United Overseas Bank Ltd	3.5
Singapore Telecommunications Ltd	0.7
Bharti Airtel Ltd	0.7
Telkom Indonesia (Persero) TBK	0.5
Taiwan Semiconductor Manufacturing	0.4

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

AIMS APAC REIT 5.375% PERP	0.8
Bank of Communication (HK) 2.304% Jul 2031	0.8
Suntec REIT Mtn Pte Ltd 2.95% Feb 2027	0.8
China Communications Construction 3.425% PERP	0.7
Bank of East Asia Ltd 4% May 2030	0.7

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

Capitaland Integrated Commercial Trust	7.4
Ascendas Real Estate Investment Trust	6.0
Frasers Logistics & Commercial Trust	2.9
Mapletree Industrial Trust	2.5
Keppel REIT	2.2

## Fund Statistics

<b>Fixed Income</b>	
Duration	5.7 years
Average Credit Rating <sup>2</sup>	BBB
Yield-to-Worst <sup>3</sup>	5.3%
<b>Equities</b>	
Dividend Yield	2.2%
Price to Book	2.7x
Price to Earnings	23.4x
<b>S-REITs</b>	
Dividend Yield	4.9%
Price to Book	1.1x
Price to Earnings	14.4x

## Dividend History<sup>4</sup>

	Dividend / share	Record Date
Class B	SGD 0.0032	29 Apr 2022
Class B	SGD 0.0031	31 May 2022
Class B1	USD 0.0032	29 Apr 2022
Class B1	USD 0.0031	31 May 2022

## Fund Details

	Class A	Class B (Distribution)
<b>Inception Date</b>	21 May 2019	21 May 2019
<b>NAV per Unit<sup>5</sup></b>	SGD 1.06	SGD 0.95
<b>Management Fee</b>	Currently 0.88% p.a.	Currently 0.88% p.a.
<b>Initial Investment</b>	None	None
<b>Subsequent Investment</b>	None	None
<b>ISIN Code</b>	SGXZ83598466	SGXZ62136783
<b>Bloomberg Code</b>	FULSHBA SP	FULSHBB SP

  

	Class B1 (Distribution)	Class B2 (Distribution)
<b>Inception Date</b>	29 June 2020	To be incepted
<b>NAV per Unit<sup>5</sup></b>	USD 0.94	To be incepted
<b>Management Fee</b>	Currently 0.88% p.a.	Currently 0.45% p.a.
<b>Initial Investment</b>	None	USD 1 million
<b>Subsequent Investment</b>	None	USD 1 million
<b>ISIN Code</b>	SGXZ55074637	SGXZ54897970
<b>Bloomberg Code</b>	FULSH1B SP	FULSHBU SP

Note: All fund data are sourced from Fullerton, Bloomberg dated as at 31 May 2022, 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. 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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