Fullerton SGD Income Fund - Class D (USD) Hedged

February 2024

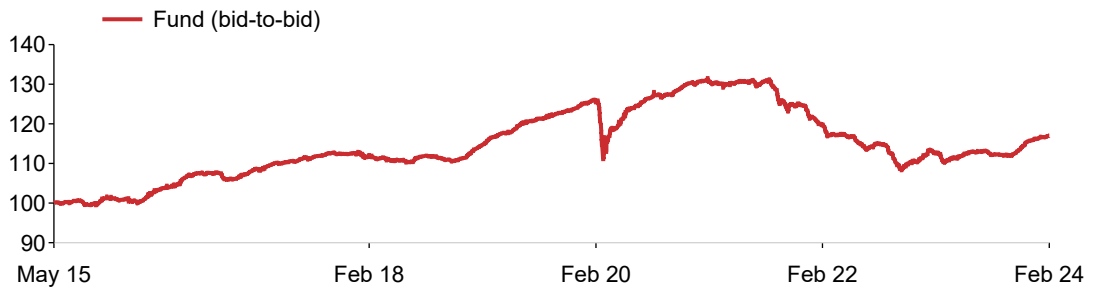
Investment Objective

The investment objective of the Fund is to generate long term capital appreciation and/or income for investors in SGD terms by investing primarily in fixed income or debt securities.

Investment Focus and Approach

The Managers seek to add value from interest rate accruals, selection of bonds and/or credits and duration management (optimisation of bond returns by selecting bonds with different terms to maturity).
The Fund will invest in a diversified portfolio of primarily investment grade fixed income or debt securities having a minimum long term credit rating of BBB- by Fitch, Baa3 by Moody's or BBB- by Standard & Poor's (or their respective equivalents) and cash.
The Fund may also invest in non-investment grade bonds (i.e. bonds with a long term credit rating of less than BBB- by Standard & Poor's, Baa3 by Moody's or BBB- by Fitch (or their respective equivalents)) of up to 30% of its Net Asset Value.
The Fund may invest in Singapore Dollar and foreign currency denominated bonds including but not limited to US Dollar, Euro, Japanese Yen and Australian Dollar. The foreign currency denominated bonds will be fully hedged back to the Singapore Dollar except for a 1% frictional currency limit.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	0.34	2.73	4.31	3.83	-3.58	0.40	1.81	4.33
Fund (offer-to-bid)	-2.58	-0.26	1.28	0.80	-4.53	-0.19	1.47	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 3% which may or may not be charged to investors.
Source: Fullerton Fund Management Company Ltd.

Market Review

Global bond yields ground higher in February, amid pushback from central bank speakers over near-term rate cuts and ongoing strength in activity and labour market data in the US. January's nonfarm payrolls in the US surpassed expectations, complemented by the US ISM Services index showing further expansion. The minutes of the January FOMC meeting revealed some officials' concern about cutting rates too soon. Expectations for Fed rate cuts diminished, briefly aligning with the Fed's December projection of three quarter-point cuts for the year. Any anticipation of a March move was abandoned.

In Singapore, the Ministry of Trade and Industry revised its Q4 GDP advance estimate downward and maintained the official 2024 GDP growth forecast range of 1.0-3.0%. The outlook anticipates softer growth in the first half, followed by a recovery in the second half of the year. Inflation-wise, Singapore's core CPI unexpectedly cooled to 3.1% year-on-year in January, down from 3.3% in December, primarily attributed to the volatile travel component. Additionally, headline inflation declined to 2.9% year-on-year from 3.7% in December.

Against such a backdrop, US Treasury yields climbed, with the yield on the 10-year Treasury reaching 4.3%, 34 basis points higher than the previous month. Concurrently, the 2-year US Treasury yield rose by 41 basis points, closing the month at 4.6%. In a parallel trend, Singapore also witnessed an increase in yields across the curve, led by the front-end. Yields for the 2-year Singapore Government Securities (SGS) and 10-year SGS rose by 22 and 19 basis points, concluding the month at 3.4% and 3.1%, respectively. In contrast, Singapore's non-government sector experienced modest gains, as reflected in the Markit iBoxx ALBI Singapore Non-government index. Elsewhere, the performance of Asian USD credits exhibited a mixed pattern, as indicated by the JP Morgan Asian Credit Indices. Notably, the high-yield sector recorded strong gains, propelled by the tightening of credit spreads, even though losses associated with duration somewhat dampened the overall performance. On the flip side, the investment-grade sector faced modest losses, attributed to higher US Treasury yields which overshadowed the tighter credit spreads.

Inception date
19 May 2015

Fund size
USD 835.19 million

Base Currency
SGD

Pricing Date
29 Feb 2024

NAV*
USD 0.83

Management fee
Currently 0.8% p.a., Maximum 1% p.a.

Expense Ratio
0.86% p.a. (For financial year ended 31 Mar 2023)

Distributions paid per unit #
Sep 2022: USD 0.009
Dec 2022: USD 0.009
Mar 2023: USD 0.008
Jun 2023: USD 0.010
Sep 2023: USD 0.010
Dec 2023: USD 0.010

Minimum Initial Investment
USD100,000

Minimum Subsequent Investment
USD100,000

Preliminary Charge
Up to 3%

Dealing day
Daily, up to 5pm (Singapore time)

Bloomberg Code
FULSGID SP

ISIN Code
SG9999013387

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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.

Investment Strategy

Developed market (DM) central banks have generally put easing on the agenda for 2024 while pushing back on expectations for imminent cuts. Simultaneously, markets have recently priced out early DM policy rate cuts as the inflation data remain sticky, with growth momentum showing resilience, and central bankers responding by guiding towards more policy patience. Nevertheless, the consensus remains that a significant easing cycle may commence around mid-2024. Likewise, current market pricing of rate cuts in the US is aligned with the mid-year easing commencement that we think is most likely. We believe the Fed sees the risk of cutting too early as outweighing the risk of cutting too late. The notable deflation in core goods prices observed in the latter part of 2023 was a major contributor to the decline in core inflation. The "last-mile" of disinflation, especially in the service sector, may prove to be more persistent.

Turning to Singapore, we remain comfortable with our view that the MAS will leave its FX policy settings unchanged this year. This decision is grounded in the focus on anchoring inflation expectations, especially as the nation adjusts to the Goods and Services Tax (GST) increase and other regulated price changes. Nonetheless, the moderate core inflation figures reported in January are promising, hinting that inflation expectations have not spiraled out of control.

In terms of investment strategy, our approach involves extending duration, capitalizing on the opportunities arising from higher bond yields that contribute to a more favourable risk-reward outcome. Despite tight credit spreads, the all-in yields remain appealing, and risk assets more broadly still remain on an uptrend. Positive risk sentiments, loose financial conditions, and elevated yields are likely to support credit valuations in the short term. The consensus around anticipated rate cuts in 2024 have also contributed to a rally, with technical indicators remaining firm. The recent upswing in US treasury yields has created attractive entry points for discerning investors. Likewise, we continue to look for opportunities in the high yield sector concentrating on segments that present relatively appealing all-in yields. We hold to the view that, barring a significant downturn in the macroeconomic landscape, credit valuations could remain well-supported.

FULLERTON
FUND MANAGEMENT

Geographical Breakdown

Australia	8.2%
China	9.9%
France	8.8%
Germany	2.4%
Hong Kong	9.4%
India	4.2%
Indonesia	2.8%
Japan	3.1%
Korea	3.9%
Malaysia	1.8%
Netherlands	2.1%
Philippines	1.3%
Singapore	31.0%
Switzerland	4.9%
UK	5.7%
Others	2.0%
Cash and cash equivalents	-1.5%

Rating Breakdown

AAA	1.1%
AA	0.9%
A	13.7%
BBB	73.6%
BB	10.4%
B	1.3%
CCC	0.2%
C	0.3%
*Cash and cash equivalents	-1.5%

Top 5 Holdings

Paragon REIT 4.1% PERP	2.3%
Shangri-La Hotel Limited 4.5% Nov 2025	2.1%
AIA Group Ltd 2.9% PERP	2.0%
Credit Agricole SA 3.8% Apr 2031	2.0%
ABN AMRO BANK NV 5.5% Oct 2032	1.5%

Fund Characteristics

Average coupon	4.2%
Average credit rating	BBB
Number of holdings	250
Average duration (years)	3.8
Yield to Worst	4.6%

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 taking into account the hedging cost. Not guaranteed. Past performance is not necessarily indicative of future performance.
*Negative balances are due to cross month subscriptions/redemptions, buy trades and fee payment.

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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