

Fullerton Short Term Interest Rate Fund - Class B1 (SGD)

March 2024

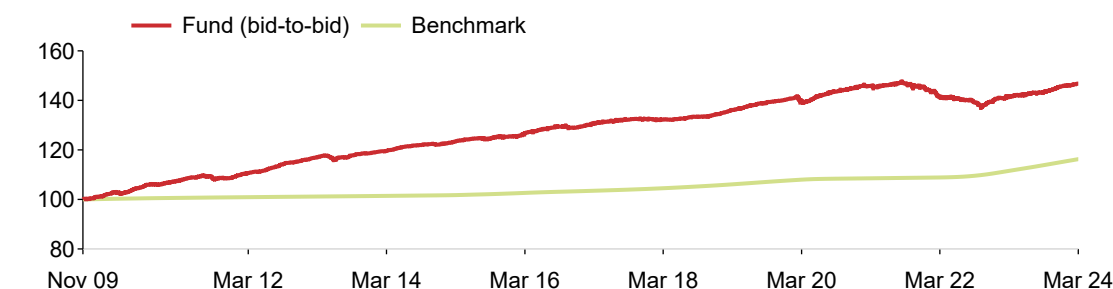
Investment Objective

The investment objective of the Fund is to achieve medium-term capital appreciation for investors. The investments of the Fund will be broadly diversified with no specific industry or sectoral emphasis.

Investment Focus and Approach

The Fund is primarily focused on fixed income securities and money market instruments. The Fund may invest in futures and derivatives for hedging purposes. The maturity limit of underlying securities is 5 years and all foreign currency denominated bonds are fully hedged back to SGD except for a 5% frictional currency limit.

Performance (%)



| | 1 mth | 3 mths | 6 mths | 1 yr | 3 yrs | 5 yrs | 10 yrs | Sl. Ann. Ret. | Sl. Ann. Vol. |
|----------------------------|-------|--------|--------|------|-------|-------|--------|---------------|---------------|
| Fund (bid-to-bid) | 0.34 | 0.79 | 2.36 | 3.89 | 0.23 | 1.52 | 2.07 | 2.70 | 1.34 |
| Fund (offer-to-bid) | -2.58 | -2.14 | -0.62 | 0.86 | -0.76 | 0.92 | 1.77 | 2.49 | NA |
| Benchmark | 0.35 | 1.05 | 2.13 | 4.24 | 2.32 | 1.85 | 1.37 | 1.05 | 0.32 |

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in SGD 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.

Benchmark: 3M SORA + 0.60% p.a.

With effect from 1 August 2023, the benchmark is 3M SORA + 0.60% p.a. From inception till 31 July 2023, the benchmark was 3M SIBID.

Source: Fullerton Fund Management Company Ltd and Bloomberg.

Market Review

March witnessed a flurry of key central bank meetings. The Bank of Japan (BoJ) delivered a widely telegraphed policy tightening, abandoning its yield-curve control and raising its short-term interest rate from “-0.1%” to “0% to -0.1%”. Meanwhile, the Swiss National Bank surprised markets with a rate cut, diverging from the stance of other major developed market central banks like the Federal Reserve, which stayed on hold. Despite speculation fuelled by persistent inflation readings, the Fed held steady, retaining its projection of three quarter-point interest-rate cuts for the year.

In Singapore, the Monetary Authority of Singapore (MAS)'s measure of core CPI inflation jumped to 3.6% year-on-year in February from 3.1% in January, above consensus, largely due to the base effect in the volatile travel component. Headline inflation also rose to 3.4% year-on-year, up from 2.9% in January. However, after a robust showing in January, non-oil domestic exports (NODX) dipped by 4.8% month-on-month seasonally adjusted, missing market expectations.

Amidst these developments, US Treasuries saw their first monthly gain of the year, with the yield on the 10-year Treasury dropping by 5 basis points to close at 4.2%. In contrast, the 2-year US Treasury yield remained unchanged at 4.6%. Singapore Government Securities (SGS) yields saw mixed movements, with the 2-year SGS yields rising by 7 basis points to 3.4%, while the 10-year SGS yield remained flat at 3.1%. Singapore's non-government sector outperformed SGS peers, as evidenced by the Markit iBoxx ALBI Singapore Non-government index. Additionally, Asian USD credits demonstrated broad gains, with both investment grade and high yield sectors advancing, with high yield bonds particularly benefiting from a compression in credit spreads. Separately, the Asian investment grade sector also rose, benefitting from duration-related gains alongside tighter credit spreads.

Inception date

09 Nov 2009

Fund size

SGD 711.62 million

Base Currency

SGD

Pricing Date

31 Mar 2024

NAV*

SGD 1.47

Management fee

Up to 0.5% p.a

Expense Ratio

0.38% p.a. (For financial year ended 31 Mar 2023)

Minimum Initial Investment

SGD100,000

Minimum Subsequent Investment

SGD10,000

Preliminary Charge

Up to 3%

Dealing day

Daily, up to 5pm (Singapore time)

Bloomberg Code

FULSTB1 SP

ISIN Code

SG9999006464

The Fund is available for SRS subscription.

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* Figures have been truncated to 2 decimal places. The official price is published on Fullerton's website.

Investment Strategy

Looking ahead, we anticipate that the Monetary Authority of Singapore (MAS) will leave its foreign exchange (FX) policy settings unchanged due to lingering inflation concerns. Despite inflation being more contained in 2024 compared to the previous two years, navigating the final stages of disinflation may pose greater challenges. Furthermore, the MAS anticipates that economic growth in 2024 will improve which also diminishes the urgency for the central bank to implement policy adjustments anytime soon.

The recent economic performance in China during January and February has also been a source of optimism, as it has largely surpassed expectations. This uptick is driven by robust manufacturing investment and recovering exports, which have compensated for the downturn in real estate investment. Looking ahead, we anticipate that both fiscal and monetary policies in China will maintain a growth-friendly stance, even though the likelihood of a massive stimulus package remains low.

Elsewhere, recent rhetoric suggests that major central banks such as the Federal Reserve (Fed) and the European Central Bank (ECB) are still eyeing a mid-year start to easing, even if the Fed could deliver a shallower pace of interest rate reduction due to stickier core inflation and resilient growth. Separately, the Bank of Japan (BOJ) has transitioned away from its negative interest rate policy – but it is only anticipated to tighten monetary policy gradually. Consequently, a dovish stance from both the Fed and the BOJ mitigates notable event risks for emerging markets, including Asia. With macroeconomic worries diminishing, we can expect credit spreads in Asia to remain “tight for longer”.

The technical aspects of Asian credit markets are also expected to remain supportive, underpinned by the ongoing search for yield amid a sluggish rebound in supply. Projections indicate that net issuance is anticipated to register a decline this year. This active pursuit of yield is likely to intensify, particularly if the Fed commences interest rate reductions around mid-year, which would enhance the appeal of carry trades. Furthermore, the easier financing conditions are poised to bolster credit fundamentals.

Geographical Breakdown

| | |
|----------------------------|-------|
| Australia | 1.9% |
| China | 24.6% |
| France | 2.6% |
| Germany | 5.4% |
| Hong Kong | 5.8% |
| India | 2.2% |
| Indonesia | 1.5% |
| Japan | 1.7% |
| Korea | 7.7% |
| Malaysia | 2.3% |
| Qatar | 1.4% |
| Singapore | 42.0% |
| Switzerland | 3.4% |
| UK | 1.8% |
| *Cash and cash equivalents | -4.2% |

Top 5 Holdings

| | |
|--|------|
| MAS Bill 0% Apr 2024 | 7.0% |
| Ping An Intl Fin Leasing 2.5% Aug 2024 | 2.9% |
| UBS AG 5.125% May 2024 | 2.9% |
| Hotel Properties Ltd 3.8% Jun 2025 | 2.9% |
| UOL Treasury Services 3% May 2024 | 2.8% |

Rating Breakdown

| | |
|----------------------------|-------|
| AAA | 9.5% |
| AA | 2.9% |
| A | 43.0% |
| BBB | 48.3% |
| C | 0.5% |
| *Cash and cash equivalents | -4.2% |

Fund Characteristics

| | |
|--------------------------|------|
| Average coupon | 3.1% |
| Average credit rating | A |
| Number of holdings | 126 |
| Average duration (years) | 1.3 |
| Yield to Worst | 5.2% |

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 trades, and subscriptions/redemptions.

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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