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

March 2025

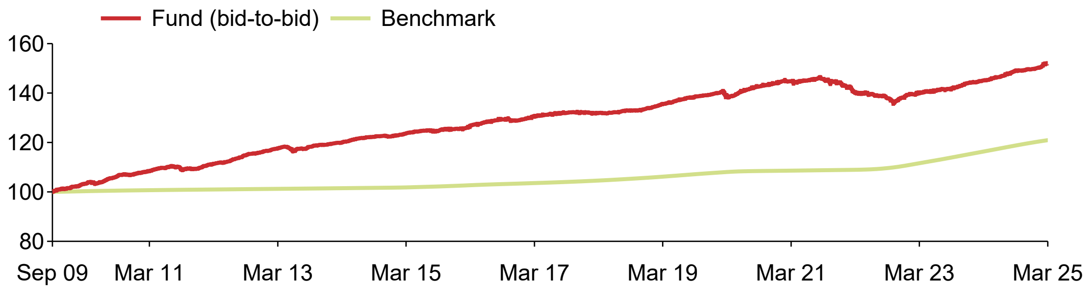
Investment Objective

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	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	0.72	1.59	2.06	4.84	2.70	1.82	2.09	2.74	1.32
Fund (offer-to-bid)	-2.21	-1.37	-0.91	1.79	1.69	1.23	1.79	2.54	NA
Benchmark	0.27	0.83	1.81	3.94	3.54	2.28	1.73	1.23	0.37

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

Singapore government bond yields ended the month lower, though they generally underperformed US Treasuries. The SGS yield curve steepened, with the 2-year SGS yield falling 14 basis points (bps) from 2.64% to 2.50%, while the 10-year yield declined a more modest 5bps to hover around 2.7%. The non-government SGD bond sector also posted positive returns but lagged SGS performance slightly, as reflected in the iBoxx ALBI Singapore government and non-government indices.

Across the Atlantic, US Treasury yields were volatile but ultimately eked out modest gains in March, shaped by a combination of tariff anxiety, shifting Fed expectations, and global bond market influences. The US Treasury yield curve steepened over the month while the front end rallied more meaningfully as markets priced in increased odds of Fed rate cuts for this year. Meanwhile, the US Treasury 10-year yield was essentially flat, down just 0.3bps, reflecting the tug-of-war between recession concerns and inflation uncertainty.

On the macro front, Singapore’s recent data continued to signal a subdued inflation environment and moderate growth momentum. Core inflation eased further to 0.6% year-on-year—the lowest level since mid-2021—while headline CPI held steady at 0.9%, reinforcing expectations that domestic price pressures remain contained. Non-oil domestic exports rose 7.6% year-on-year, supported by both electronics and non-electronics shipments, although the outcome slightly undershot consensus estimates. Meanwhile, manufacturing output contracted by 1.3% year-on-year, dragged down by a sharp decline in pharmaceuticals and a drop in electronics.

Asian credits delivered a modestly positive performance in March, supported by gains from U.S. Treasury duration, which helped offset the impact of wider credit spreads. Investment Grade credits returns was flat over the month, as the uplift from Treasury-related duration returns was largely eroded by spread widening. In contrast, Non-Investment Grade credits fared better, as their more resilient spread performance helped them outperform their investment grade counterparts.

Inception date
25 Sep 2009

Fund size
SGD 965.35 million

Base Currency
SGD

Pricing Date
31 Mar 2025

NAV*
SGD 1.52

Management fee
0.5% p.a.

Expense Ratio
0.55% p.a. (For financial year ended 31 Mar 2024)

Minimum Initial Investment
None (effective 1 Apr 2010)

Minimum Subsequent Investment
None (effective 1 Apr 2010)

Preliminary Charge
Up to 3%

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

Bloomberg Code
FULSTIC SP

ISIN Code
SG9999006225

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

The recent escalation of U.S. tariffs introduces renewed external headwinds for Singapore's open, trade-dependent economy. Singapore's exports face a 10% tariff which is lower than those imposed on many ASEAN peers. The relatively smaller competitiveness shock may cushion the immediate impact, and critically, the absence (so far) of punitive sector-specific tariffs on pharmaceuticals—a key Singapore export to the U.S.—offers near-term relief.

Nonetheless, the broader implications for trade flows, corporate investment, and global supply chains could reinforce indirect drags on Singapore's economy. As such, while GDP growth is projected at 1–3% in 2025, the balance of risks remains tilted to the downside. On the policy front, softer core inflation and rising external uncertainties have increased the likelihood of a dovish shift from the Monetary Authority of Singapore (MAS) at the upcoming April MPS meeting. Core CPI has declined for five consecutive months, registering 0.8% y/y in January and 0.6% y/y in February, with disinflation visible across a broad range of categories. Combined with higher U.S. tariffs, this could justify a more accommodative stance by MAS, with a likely slope reduction in SGD Nominal effective exchange rate (NEER) in April.

In the face of renewed global uncertainty stemming from recent tariff announcements, we also observed the SGD credit market has remained notably resilient. Credit spreads have shown remarkable stability, underpinned by a defensive market structure characterised by a deep and predominantly institutional investor base. This structural support, primarily from large regional asset owners and central institutions, continues to anchor spreads even as external volatility rises.

From a portfolio strategy perspective, we have been gradually extending duration to an average of approximately two years. Our bias remains constructive on duration, particularly under a macro backdrop characterised by slower economic growth, easing inflationary pressures, and the potential for policy rate cuts. We remain ready to deploy cash opportunistically, especially in instances of market dislocation driven by shifts in tariff-related sentiment. Additionally, we will continue to participate selectively in new issuances where valuations are attractive and underpinned by favourable internal credit assessments.

Geographical Breakdown

Australia	5.5%
China	14.1%
France	2.8%
Germany	2.6%
Hong Kong	5.3%
India	2.7%
Indonesia	5.3%
Korea	6.7%
Macau	2.6%
Malaysia	3.5%
Philippines	2.4%
Qatar	1.9%
Saudi Arabia	1.9%
Singapore	33.0%
UK	4.4%
US	1.3%
Others	2.2%
Cash and cash equivalents	1.7%

Rating Breakdown

AAA	9.8%
AA	1.1%
A	25.5%
BBB	61.9%
Cash and cash equivalents	1.7%

Top 5 Holdings

Singapore Government 2.875% Jul 2029	6.2%
MAS Bill 0% May 2025	3.6%
Hotel Properties Ltd 3.8% Jun 2025	2.2%
Macquarie Group Ltd 4.5% Aug 2026	2.2%
Santos Finance Ltd 5.25% Mar 2029	2.1%

Fund Characteristics

Average coupon	3.7%
Average credit rating	A
Number of holdings	139
Average duration (years)	2.1
Yield to Worst	3.4%

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. The YTW has been updated due to the price normalization of a legacy bond.