

# Fullerton USD Income Fund - Class E (GBP Hedged)

March 2025

## Investment Objective

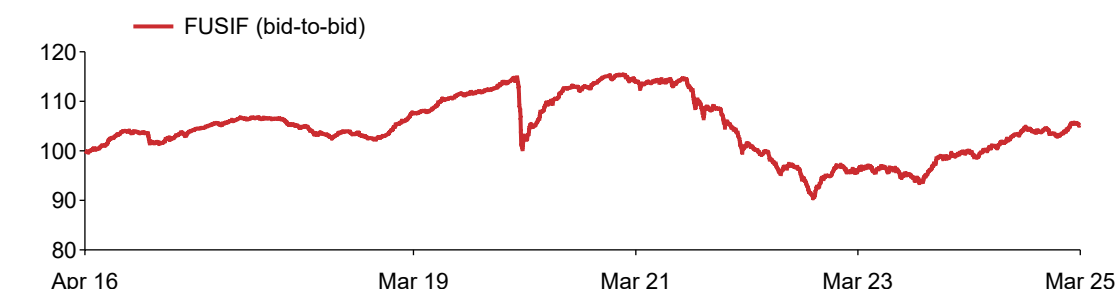
The investment objective of the Fund is to generate long term capital appreciation and/or income for investors by investing primarily in fixed income or debt securities.

## Investment Focus and Approach

The Fund will invest in a diversified portfolio of primarily investment grade fixed income 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 of up to 30% of its Net Asset Value. Non-rated bonds are permitted if they meet the Managers' internal equivalent rating of investment grade. The Fund aims to invest at least 50% of its Net Asset Value in USD denominated bonds. The Fund will be broadly diversified with no specific geographical or sectoral emphasis.

The Managers may use Financial Derivative Instruments for hedging and efficient portfolio management purposes.

## Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
<b>Fund (bid-to-bid)</b>	-0.21	1.65	0.54	5.26	1.21	0.47	0.57	5.38
<b>Fund (offer-to-bid)</b>	-3.12	-1.31	-2.39	2.20	0.22	-0.13	0.24	NA

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

Asian credit markets delivered modestly positive returns in March, as measured by the J.P. Morgan Asia Credit Index (USD). Gains were primarily supported by U.S. Treasury duration performance, which helped offset the impact of wider credit spreads.

U.S. Treasury yields were volatile over the month, driven by shifting Fed rate expectations, tariff-related concerns, and broader global bond market dynamics. The yield curve steepened, with front-end yields rallying more significantly as markets priced in a higher likelihood of Fed rate cuts in 2025. The 10-year U.S. Treasury yield was essentially unchanged, slipping just 0.3 basis points (bps)—reflecting the ongoing tug-of-war between recession fears and lingering inflation uncertainty.

Across credit segments, returns on Asian investment Grade credits were flat over the month, as the uplift from Treasury-related duration returns were 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. From a country perspective, South Korea, Hong Kong, and China were the top performers. On the weaker end, Sri Lanka, Pakistan, and Indonesia lagged. Indonesia, which is heavily represented by sovereign and quasi-sovereign issuers, was a notable underperformer. This reflected growing concerns over the country's fiscal trajectory following a series of policy announcements under the Prabowo administration. These include budget reallocations, plans for a sovereign wealth fund, expanded low-income housing initiatives, and revisions to export repatriation rules—all of which contributed to rising fiscal risk perceptions and expectations of increased bond supply.

At the sector level, real estate—particularly Chinese and Hong Kong names—led performance, benefiting from meaningful spread tightening. Financials and transport sectors also performed well. In contrast, oil & gas, commodities, and diversified sectors underperformed, with wider spreads outweighing any duration-related gains from Treasury movements.

## Inception date

15 Apr 2016

## Fund size

GBP 166.14 million

## Base Currency

USD

## Pricing Date

31 Mar 2025

## NAV\*

GBP 0.78

## Management fee

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

## Expense Ratio

0.91% p.a. (For financial year ended 31 Mar 2024)

## Distributions paid per unit #

Dec 2023: GBP 0.010

Mar 2024: GBP 0.010

Jun 2024: GBP 0.010

Sep 2024: GBP 0.010

Dec 2024: GBP 0.010

Mar 2025: GBP 0.011

## Minimum Initial Investment

None

## Minimum Subsequent Investment

None

## Preliminary Charge

Up to 3%

## Dealing day

Daily, up to 5pm (Singapore time)

## Deadline

1pm (CET); 5pm (Singapore time) on each Business Day

## Bloomberg Code

FULUSIE SP

## ISIN Code

SG9999015200

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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

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From a systemic risk perspective, the current environment differs meaningfully from past cycles. The recent market weakness reflects a technical recalibration driven by higher risk premia across risk assets. Unlike previous episodes, the current sell-off is primarily a response to elevated macroeconomic uncertainty rather than a deterioration in Asian credit fundamentals. While equity markets have corrected, there is no clear evidence of contagion from the banking or property sectors. Credit fundamentals remain relatively healthy, and financial institutions are well-capitalised.

Financials and quasi-sovereigns are among the major sectors in Asia credit, and both are predominantly domestically focused with limited direct exposure to U.S. trade flows. As such, the impact of tariffs is expected to be more indirect—likely materialising through a broader slowdown in regional economic activity rather than through direct export disruptions. In a trade-driven downturn, softer domestic demand and tighter funding conditions could weigh on credit fundamentals, particularly for more leveraged issuers in the property sector.

Other key sectors like utilities, transport, infrastructure, and TMT (technology, media, and telecommunications) also have limited direct exposure to US tariffs. These industries are largely domestic in nature, although there may be some secondary effects: for instance, transport and infrastructure could experience reduced travel and port volumes, and utilities may face higher input costs. TMT issuers, which in Asia credit are primarily telecom and internet companies, remain relatively insulated due to the domestic orientation of their operations.

In contrast, sectors such as oil & gas, industrials, and metals & mining are more directly exposed. Oil prices tend to be highly sensitive to global growth and trade sentiment, which can create challenges for smaller, independent exploration and production (E&P) companies. Metals & mining issuers are vulnerable to declining commodity prices that typically accompany trade-related slowdowns. Similarly, industrial names—particularly those integrated into global manufacturing supply chains—face higher exposure to both demand-side and supply-side trade disruptions. That said, these risks are somewhat mitigated by ongoing and planned capacity expansion in the U.S. (as seen among Korean automakers and tech firms), as well as by the generally strong balance sheets across much of the sector.

In summary, the direct impact of US tariffs on Asia credit is likely more manageable, as most of the larger sectors in the region's credit universe do not have material direct exposure to US trade flows. Instead, we continue to focus on the indirect effects, including the potential for weaker macroeconomic growth, softer consumer and business sentiment, and a slowdown in domestic activity. Additionally, volatility and sell-offs in U.S. credit markets could spill over into Asia, amplifying risk aversion and driving spread widening. The extent to which these pressures are offset by domestic policy responses aimed at supporting growth will be a key factor to monitor.

In terms of portfolio strategies, we have been gradually extending duration. Some of the duration extension has been added selectively through participation in new issues. Our bias remains toward further extending duration, although this will be valuation-dependent—particularly in light of the sharp, knee-jerk rally in U.S. Treasuries. Elsewhere, we have taken profits and reduced our high yield allocation and we will continue to reduce our high yield exposure further. That said, we continue to maintain positions in high yield issuers where their business profile is more domestically focused and may be less vulnerable to global trade flows and where their credit profile is expected to remain stable.

**Geographical Breakdown**

Australia	6.3%
China	15.2%
Germany	4.6%
Hong Kong	8.0%
India	9.7%
Indonesia	8.9%
Japan	5.8%
Korea	1.6%
Malaysia	2.2%
Qatar	1.2%
Saudi Arabia	5.4%
Supranational	2.8%
Thailand	2.4%
UAE	7.7%
UK	5.9%
US	13.5%
Others	3.0%
Cash and cash equivalents*	-4.2%

**Top 5 Holdings**

Elect Global Inv Ltd 7.2% Dec 2199	4.0%
US Treasury N/B 4.25% Nov 2034	3.5%
Treasury Bill 0% Apr 2025	3.4%
Treasury Bill 0% Apr 2025	3.0%
Rakuten Group Inc 11.25% Feb 2027	2.5%

**Rating Breakdown**

AAA	2.8%
AA	18.8%
A	17.2%
BBB	37.7%
BB	15.6%
B	10.0%
CCC	2.0%
Cash and cash equivalents*	-4.2%

**Fund Characteristics**

Average coupon	5.2%
Average credit rating	BBB
Number of holdings	85
Average duration (years)	4.9
Yield to Worst	6.1%

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. Not guaranteed. Past performance is not necessarily indicative of future performance.

\*Negative balances are due to cross month trades, and subscription/redemption.

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