

Investment Objective

The investment objective of FWI 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, exchange traded funds (“ETFs”), 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.

Manager’s Commentary

Market Review

August had a rough start as the unwinding of yen carry trades coupled with July’s higher than expected U.S. unemployment rate of 4.3% triggered fears of a more extensive slowdown. Adding to that was estimated addition to U.S. non-farm payrolls for July of 114,000 jobs, fewer than the 175,000 expected by market. As market volatility subsided, Federal Reserve (Fed) chair Powell’s speech at Jackson Hole helped to cement investors’ conviction that the rate cut cycle is finally on the horizon. As market positive data came in over the course of the month, including robust retail sales numbers for July and continued moderation in U.S. CPI inflation, developed markets (DM) equity indices, with the exception of Japan, posted positive returns.

In USD terms, global equities, represented by the MSCI AC World Index, returned 2.6% in August, while S&P 500 gained 2.4%. MSCI Europe and Stoxx Europe 600 both returned 1.6% in euro. Nikkei saw a sharp -26% drawdown intra-month but managed to close with just -1.1% lower on the month.

Meanwhile in emerging markets (EM), equity investors continue to flee from China where absence of meaningful stimulus led MSCI China A Index -3.8% down in Chinese yuan. Despite China’s weakness, MSCI EM equities returned 1.6% in dollar.

In Fixed Income, as investors got the confirmation they wanted, it was another month of healthy return for sovereign bonds. The benchmark 10-year U.S. Treasury dropped 13 bps on the month to 3.90%, whereas the 10-year German Bund yield was flat on the month at 2.30%. The U.S. dollar-hedged Bloomberg Global Aggregate Index rose 1.1% on the month, and the JACI Composite Index saw Asian credits gain 1.6%.

Within Singapore, the iStoxx Singapore Developed REITs Index surged by 6.5% in August due to expectation of potential interest rate cuts by the Federal Reserve. MSCI Singapore Index (in SGD) also delivered 2.7% total return in August driven by factors of interest rate sensitive sectors such as financial and real estate. MAS 10-Year government bond yield declined by 17bps to end July at 2.71%.

The price of Brent crude fell -5.9% on the month to \$76.50 per barrel, driven by concerns over weaker demand from China and fears of U.S. slowing down further. The U.S. Dollar weakened against every other G10 currency in August, with the dollar index (DXY) ended down -2.3% on lower rates going forward. The prospect of a weaker dollar, as investors switch out of a high yielding currency, is also one of the reasons why equities rallied. Weaker dollar drove up the price of gold, which closed the month just over \$2,500 an ounce.

Investment Outlook

Recent weakness in economic data raised concerns of a potential recession without any relief from the Fed. Chair Powell took advantage of the Jackson Hole Symposium to articulate more clearly that the time has come for monetary easing. This marked a significant change in rhetoric which complemented the Fed’s meeting minutes, where it is noted approach to policy has transitioned from a cautious and watchful stance to a more accommodative and pro-active position amid moderation in economic growth and inflation. We expect this change to be positive and should extend economic growth further.

Meanwhile, Europe’s economy recorded a minor uptick in activity coinciding with the Olympic Games in Paris. Eurozone’s Q2 GDP growth of 0.3% is unchanged from the previous period. Europe remains underweight in the Fund as we consider European corporates’ higher operating costs and export dependency to be less attractive in the current environment.

China’s July activity data came in on the weak side generally. Industrial production, fixed investment and exports came in below expectations. Nominal retail sales growth of 2.7% was slightly above expectations while ongoing weakness in real estate and uncertainties in trade still weigh on the economy. The recovery in China is expected to be gradual due to the authorities’ reluctance to implement bolder policies.

In Japan, Kishida’s decision to step down from LDP’s leadership means he is not likely to remain as prime minister beyond the near term. Market is likely to be unsettled until formation of the next Japanese government.

In July, Singapore’s core inflation eased to 2.5%, marking the lowest rate since February 2022. This decline was driven by slower price increases across all broad core consumer price index categories.

Geopolitical risks remain a significant factor that could disrupt markets. U.S.-China trade tensions are reshaping global economics and supply chains, while ongoing conflicts in the Middle East add to global uncertainties.

Fund Information

Fund Size	SGD 33.89 million
Base Currency	SGD
Preliminary Charge	Currently 0%
Dealing Frequency	Every Business Day
Subscription Mode	Cash, SRS

Investment Strategy

Asset Allocation

In August, we have switched from equities to Singapore REITs as REITs expected to benefit from the impending rate cuts. On the other hand, the slower than expected US economic growth raised concern among investors, and it is prudent to take some profits on equities after the August rebound.

That being said, we maintain our overall overweight in risky assets. Despite the recent weeks' market volatility, analysts have not downgraded forward corporate earnings and we have not found evidence of escalating recession risk. Beyond near term seasonal factors, we anticipate strong forward corporate earnings growth will continue to outweigh the known uncertainties and drive equities higher. Easing of monetary policy by central banks will benefit global risk assets. Our strategy is to capitalise on sectors which will benefit from rejuvenation policies.

To manage various risks, we prioritise diversification across geographies, sectors, and themes. This balanced strategy aims to capture growth opportunities while maintaining defensive positions to navigate the complex global economic and political landscape. Our approach emphasises agility and vigilance towards geopolitical developments that could impact inflation, recession risk, or financial system stability.

Fixed Income

Within fixed income, we have reduced SGD credits in favour of USD credits as the later tend to outperform in a lowering rate environment. Despite the risky asset volatility, we remain constructive on Asian credits given the very strong technical support. With new issue picking up, we will selectively deploy more capital into alpha opportunities in credits and has been making room for rotation.

SREITs

REITs tend to perform well in the rate cutting cycle as market repriced rate cuts from the Federal Reserve after weak inflation and job data. REITs are also expected to benefit from market rotation as investors unwind crowded trade and flowed to under-owned sectors. There is also increasingly potential for acquisition transactions to be accretive to DPU growth. We increased the overweight of REITs accordingly.

Elsewhere, the portfolio is strategically weighted toward Retail, Health Care and Hospitality segments, reflecting our confidence in their growth prospect and resilience. We remain underweight in the Office segment considering factors such as peaking spot rent and aggressive valuation at asset level.

Equities

We have reduced the overweight in global equities as the more than expected economic slowdown in US will have negative impact on the market. We have also seen unwind of crowded positionings in US technology names. It is prudent to take some profits after recent rebound in August.

Performance (%)

	1 mth	3 mths	6 mths	1 year	3 years	5 years	Since Inception
A-SGD (bid-to-bid)	2.19	-	-	-	-	-	-
R-SGD (bid-to-bid)	2.22	5.70	6.11	9.04	-0.07	-	0.89
R1-SGD (bid-to-bid)	2.22	5.70	6.11	9.04	-0.07	-	0.89

Returns are calculated on a single pricing basis with net dividends and distributions (if any) reinvested. Returns more than a year are annualised. Preliminary charge is currently waived.

Asset Allocation (%)¹

Equities	32.5
REITs	31.3
Fixed Income	33.8
Cash and cash equivalents	2.4

Regional Exposure (%)¹

Singapore	46.6
Developed Markets	36.3
Emerging Markets	17.1

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

iShares Core MSCI World UCITS ETF	11.3
Amundi Prime Global UCITS ETF	11.2
CapitaLand Integrated Commercial Trust	7.7
Vanguard FTSE Developed World ETF	7.0
CapitaLand Ascendas REIT	6.7

Top 5 Holdings (Fixed Income, % of NAV)

SINGAPORE GOVERNMENT 2.625% AUG 2032	4.3
SINGAPORE GOVERNMENT 3.375% SEP 2033	4.0
ISHARES USD ASIA HIGH YIELD BOND ETF	3.1
SINGAPORE GOVERNMENT 3.375% MAY 2034	1.2
FIRST ABU DHABI BANK PJS 5.804% JAN 2035	0.7

Fixed Income Sector Exposure (%)¹

Financials	30.6
Sovereigns & Supranational	29.9
Consumer Discretionary	8.3
Industrials	4.6
Materials	3.7
Energy	3.6
Communication Services	3.5
Information Technology	2.7
Utilities	2.4
Real Estate	1.1
Consumer Staples	0.4
Others	9.1

Fund Statistics

Fixed Income	
Duration	5.6 years
Average Credit Rating ³	A-
Yield-to-Worst ⁴	4.8%
S-REITs	
Dividend Yield	5.6%
Price to Book	1.0x
Price to Earnings	22.3x

Dividend History⁵

	Dividend / share	Record Date
Class R	SGD 0.0097	28 Mar 2024
Class R	SGD 0.0096	28 Jun 2024
Class R1	SGD 0.0157	28 Mar 2024
Class R1	SGD 0.0154	28 Jun 2024

Fund Details

	Class A (Distribution)	Class R (Distribution)	Class R1 (Distribution)
Inception Date	8 Jul 2024	31 March 2021	31 March 2021
NAV per Unit⁶	SGD 1.04	SGD 0.89	SGD 0.79
Management Fee	Currently 0.80% p.a.	Currently 0.40% p.a.	Currently 0.40% p.a.
Initial Investment	None	None	None
Subsequent Investment	None	None	None
ISIN Code	SGXZ97897235	SGXZ55613715	SGXZ44316438
Bloomberg Code	FULFWIA SP	FULFMWR SP	FULFMR1 SP

Note: All fund data are sourced from Fullerton, Bloomberg dated as at 31 August 2024, unless otherwise stated.

1. Numbers might not add due to rounding.

2. Others include ETFs

3. Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.

4. Refers to Yield-to-Worst in base currency, before hedging.

5. Dividends are declared on a quarterly basis (i.e. March, June, September, December). Please refer to our website for more details on the dividend payouts.

6. Figures are truncated to 2 decimal places. Please refer to Fullerton's website for official price.

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