

Fullerton Premium Fund Class C

February 2020

Investment Objective

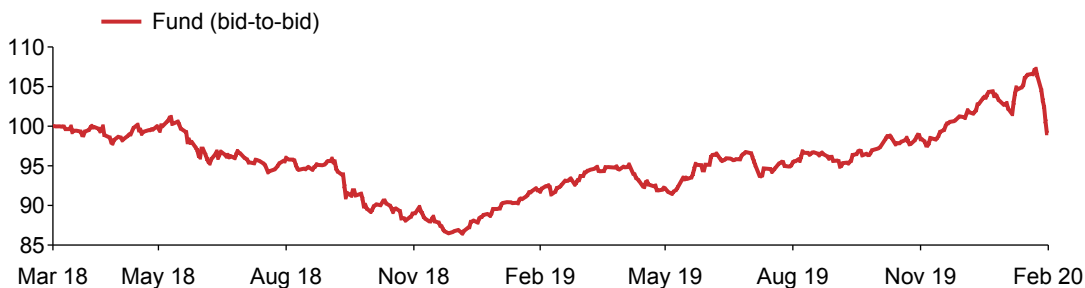
The investment objective of the Sub-Fund is to generate regular income and long term capital appreciation for investors by investing into various asset classes.

Investment Focus and Approach

The Sub-Fund may invest in collective investment schemes, other investment funds, exchange traded funds ("ETFs"), real estate investment trusts ("REITs"), listed and unlisted securities (including but not limited to equities, fixed income/debt securities and securitized/asset-backed instruments), alternatives instruments (including but not limited to listed and OTC financial derivative instruments ("FDIs")), money market instruments, cash deposits and other permissible investments as the Managers deem appropriate in order to achieve its investment objective and asset allocation strategy.

The Sub-Fund may opportunistically allocate into other alternative asset classes (including but not limited to private equities and commodities) for additional diversification.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	-3.06	0.77	3.70	8.06	-0.45	8.14
Fund (offer-to-bid)	-5.89	-2.16	0.68	4.92	-1.94	NA

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.

Source: Fullerton Fund Management Company Ltd.

Market Review

February was a month of two halves with the COVID-19 outbreak driving market volatility. Risk assets rallied in the first half of the month as investors took the outbreak in stride, expecting a quick rebound in risk appetite and activity. However, despite the peaking of new infections within China, a sudden spike in infection outside of China derailed risk sentiment, leading to sharp falls in risk assets in the second half of the month. Month to date, global equities, as denoted by the MSCI World Index, are down 6.6%, though this masks a sharp tumble of 12% from the intra-month peak. Developed markets underperformed emerging markets during this month's sell-off, reflecting relative positioning and COVID-19 concerns spreading outside of Asia. Asian equities, as denoted by the MSCI Asia ex-Japan Index, are down 0.8% on the month, having fallen 7.7% in the second half of the month from an intra-month peak. US Treasury and other high credit rating government bonds performed well, with the 10-year US Treasury yield falling 35bps to 1.15% but gold was down 1.2% on profit taking to cover losses in risk assets.

Investment Outlook

The impact of COVID-19 on economic growth is still uncertain. Historical analysis suggests a one to two quarter impact followed by a recovery and, importantly, resumption of underlying medium term trends. The extent of this outbreak as well as the strong containment measures and travel restrictions put in place do suggest the potential for a more protracted slowdown. However, this effect is likely to be concentrated amongst the more open economies and those that have a heavier reliance on tourism.

For the global economy as a whole, it is important to remember that the pre-outbreak global growth dynamic was one characterised by a strong consumer, resilient labour markets and a recovering trade and manufacturing cycle following the US-China trade truce. Thus, given that growth was just recovering from muted levels, and signs of excess in economic imbalances were limited, we would expect an eventual cyclical resumption of the growth recovery as opposed to a sharp downturn from here. From our perspective, having reduced equity risk exposure last month and put in place downside protection hedges, we will continue to be prudent in managing overall market volatility bearing in mind the sentiment

Inception date

14 Mar 2018

Fund size

SGD 25.26 million

Base Currency

SGD

Pricing Date

29 Feb 2020

NAV*

SGD 0.96

Management fee

1.3% p.a., Max. 1.5% p.a.

Expense Ratio

2.01% p.a. (For financial year ended 31 Mar 2019)

Distributions paid per unit

Sep 2019: SGD 0.002

Oct 2019: SGD 0.002

Nov 2019: SGD 0.002

Dec 2019: SGD 0.002

Jan 2020: SGD 0.002

Feb 2020: SGD 0.002

Minimum Initial Investment

None

Minimum Subsequent Investment

None

Preliminary Charge

Currently up to 3%, Maximum 5%

Dealing day

Daily, up to 5pm (Singapore time)

ISIN Code

SG9999018725

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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 Outlook(Cont'd)

driven nature of this sell-off. Once risk premia are sufficiently priced, our aim is to re-engage in equity markets selectively. In terms of risks to our medium term fundamental view, we will vigilantly monitor high frequency activity indicators to gauge the restart of post containment economic activity. Here, we will also leverage on bottom-up insights from companies to gauge the degree of supply chain disruption, focusing on owning sectors where earnings momentum and underlying structural narratives remain robust. The technology cycle and 5G theme are areas we still retain a structurally positive view despite the outbreak.

Policymakers are also wary of downside growth risks. We would expect global monetary policy to remain accommodative, and policymakers to pre-emptively respond to slower growth prospects and inadvertent tightening of financial conditions from asset market volatility. Thus, we would expect policy to be supportive for markets, helping to buffer downside risks over the medium term. Indeed, in China, policymakers have already responded by easing liquidity and stabilising the exchange rate. Fiscal policy in Asia is also likely to be loosened to buffer the short term negative economic impact, as evidenced already in Singapore and Hong Kong. In developed economies, it is still too early to gauge the spillover economic impact, and thus policymakers have been relatively more sanguine so far.

Finally, we would also note that prior to the outbreak, despite the good performance of equities till that point, positioning was not crowded and sentiment indicators did not suggest excessive levels of exuberance. As such, the downside market reaction to this unforeseen event is likely to be less drastic than would otherwise have been the case if the markets were already heavily positioned overweight risk assets. Again, our bias is that investors will revert to the medium term narratives of recovering growth and supportive economic policies once investors' risk appetite recovers and the short term positioning adjustment is done.

Investment Strategy

We retain a constructive view on risk assets in the medium term and on Equities in particular, despite the recent negative price action and COVID-19 fears. During this more volatile period, we will manage risk prudently, engaging in downside protection measures. Within Equities, we aim to buffer downside risks by being more selective in our regional and sector choices. Within Fixed Income, we still prefer higher yielding bonds as we expect global rates to remain very low.

We had reduced risk asset exposure in January and this has partially insulated the fund from violent market reactions due to fear of COVID-19 contagion. Once the volatility subsides, we look to reinvest the cash (of more than 10%) after gauging risk premia to be sufficiently and attractively priced. Over the medium term, we expect the US-China trade truce, and stabilising growth against a backdrop of easy monetary and potentially expansionary fiscal policy, to create a benign environment for further equity market gains.

Sector Breakdown (Equities)		Country Breakdown (Equities)		Asset Allocation	
Communication Services	9.1%	Asia ETF	12.5%	Equities	71.0%
Consumer Discretionary	9.3%	China	21.7%	Cash and cash equivalents	13.7%
Consumer Staples	8.1%	DM	50.1%	Fixed Income	8.4%
Energy	2.1%	India	1.6%	Commodities	6.9%
Financials	17.3%	Korea	2.1%		
Health Care	7.8%	Singapore	13.1%		
Industrial	6.6%	Taiwan	3.6%		
Information Technology	31.2%	Others	-4.7%		
Materials	3.1%				
Real Estate	5.4%				

Ratings Breakdown (Fixed Income)		Country Breakdown (Fixed Income)	
AA	4.1%	Australia	1.5%
BBB	7.6%	China	56.4%
BB	38.9%	Hong Kong	3.0%
B	49.4%	India	9.3%
		Indonesia	14.5%
		Mongolia	1.2%
		Philippines	1.2%
		Singapore	2.8%
		Sri Lanka	4.5%
		US	4.1%
		Others	1.5%

Top 10 Holdings (Equities, as % of NAV)

NikkoAM Straits Trading Asia Ex Japan REIT ETF	8.9%
Invesco QQQ Trust Series 1	8.8%
Lion-Phillip S-REIT ETF	7.5%
SPDR S&P 500 ETF	2.0%
Tencent Holdings	1.3%
Taiwan Semiconductor Manufacturing	1.2%
Alibaba Group Holding - ADR	1.0%
Microsoft Corp	0.9%
Energy Select Sector SPDR Fund	0.7%
VISA Inc	0.6%

Top 10 Holdings (Fixed Income, as % of NAV)

US Treasury N/B 1.5% Feb 2030	0.2%
Ronshine China 10.5% Mar 2022	0.2%
US Treasury Bill 0% May 2020	0.2%
Country Garden Hldgs 8% Jan 2024	0.1%
China SCE Grp Hldgs Ltd 7.375% Apr 2024	0.1%
Macquarie Bank London 6.125% Sep 2165	0.1%
Agile Group Holdings Ltd 8.375% Dec 2167	0.1%
ESR Cayman Ltd 7.875% Apr 2022	0.1%
Scenery Journey Ltd 11% Nov 2020	0.1%
Yanlord Land HK Co Ltd 6.75% Apr 2023	0.1%

Country breakdown (Equities) includes hedges implemented via index options

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

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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