

Fullerton SGD Heritage Income

July 2020

Investment Objective

The investment objective of the Sub-Fund is to generate regular income and long term capital appreciation for investors.

The Sub-Fund will invest primarily in a diversified portfolio of collective investment schemes, other investment funds, 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. In normal market conditions, the Fund aims to invest around 50% of the Fund’s NAV in Singapore securities (defined by country of risk) and/or SGD denominated securities, cash and cash equivalents, and/or non-SGD fixed income securities hedged back to SGD.

The Sub-Fund may also invest in developed market equities (ex-Asia) for diversification reason.

Fund Information

| | |
|---------------------------|--------------------|
| Fund Size | SGD 848.81 million |
| Base Currency | SGD |
| Preliminary Charge | Currently up to 3% |
| Dealing Frequency | Every Business Day |
| Subscription Mode | Cash, SRS |

Manager’s Commentary

Market Review

Risk assets remained supported in July. Asian equities continued to rise, catalysed by strong performance from onshore Chinese equities at the start of the month. Global bond markets also held up well, as US Treasury yields remained anchored and credit markets gained across both investment grade and high yield space.

Investment Outlook

We remain positive on risk assets, expecting further gains in Equities and High Yield corporate bonds. Global data continue to rebound. Despite elevated uncertainty over the re-emergence of COVID-19 clusters, financial markets have become less focussed on day to day case counts. Global manufacturing has also stabilised, and although the recovery has been relatively muted so far compared to the consumer, leading indicators paint a positive outlook.

The rebound is due in part to the unprecedented and record pace of global fiscal stimulus and monetary expansion. Central bankers remain steadfastly dovish in their rhetoric. This dynamic continues to anchor government bond yields at low levels despite the pick-up in economic sentiment and activity, which in turn translates into a supportive environment for continued positive momentum in risk assets and supporting valuations.

A key risk to the growth outlook is the potential for a rollback of easing lockdowns in response to higher COVID-19 infection rates. Our base case remains that policymakers will refrain from the sharp lockdowns we saw in late March/ early April, but instead adopt a more targeted approach to social distancing. We vigilantly monitor the trade-offs between easing lockdowns, as measured by mobility indices and other high frequency alternative data sets, and the rate of change of infection rates.

The weakening of the US dollar is an important dynamic that could catalyse a regional shift in the market leadership of risk assets. Our expectation is for the broadening out of US monetary stimulus to trigger US dollar weakness, and encourage capital flow from the US dollar markets to Asian risk assets. This dynamic is also well correlated with a move lower in the US Dollar vs Asian currencies forming a virtuous cycle of Asian equities and local currency gains.

Investment Strategy

On investment strategy, we will continue to tap on Tactical Asset Allocation to navigate volatility. Bottom-up, we remained focused on stocks and credits with good fundamentals.

Asset Allocation

In terms of the portfolio strategy, we have maintained the overweight risk asset versus fixed income stance as our assessment is that the rally is sustainable. We continue to see signs of improvement such as stronger equity market breadth, good momentum and outperformance of cyclical vs. defensives.

Fixed Income

On the Fixed Income sub-portfolio, we continue to maintain some allocation to the high yield sector – focusing on the short-dated papers for their attractive coupon carry – which will help to anchor returns.

SREITs

Within the SREITs sub-portfolio, we continue to focus on investing in high quality names that can outperform in this uncertain environment through their ability to maintain tenants and sustain their occupancies, as well as look for acquisitions to boost dividends.

Performance (%)

| | 1 month | 3 months | 6 months | 1 year | 3 years | 5 years | Since Inception |
|------------------------------|---------|----------|----------|--------|---------|---------|-----------------|
| A-SGD (bid-to-bid) | 2.56 | 7.55 | -0.27 | 4.15 | - | - | 5.50 |
| A-SGD (offer-to-bid) | -0.43 | 4.41 | -3.17 | 1.11 | - | - | 2.93 |
| B-SGD (bid-to-bid) | 2.56 | 7.55 | -0.27 | 4.15 | - | - | 5.50 |
| B-SGD (offer-to-bid) | -0.43 | 4.41 | -3.17 | 1.11 | - | - | 2.93 |
| C-SGD (bid-to-bid) | 2.56 | 7.55 | -0.26 | 4.15 | - | - | 5.50 |
| C-SGD (offer-to-bid) | -0.43 | 4.41 | -3.17 | 1.11 | - | - | 2.93 |
| B1-USD (bid-to-bid) | 2.60 | 7.62 | 0.23 | - | - | - | 2.66 |
| B1-USD (offer-to-bid) | -0.39 | 4.49 | -2.69 | - | - | - | -0.33 |
| B2-USD (bid-to-bid) | 2.67 | - | - | - | - | - | 8.58 |
| B2-USD (offer-to-bid) | -0.32 | - | - | - | - | - | 5.41 |

Returns are calculated on a single pricing basis 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. Returns more than a year are annualised.

Asset Allocation (%)¹

| | |
|---------------------------|------|
| Fixed Income | 71.3 |
| Equities | - |
| REITS | 25.1 |
| Cash and cash equivalents | 3.7 |

Country Exposure (%)¹

| | |
|-------------------|------|
| Singapore | 44.0 |
| China | 32.3 |
| Developed Markets | 8.1 |
| India | 5.7 |
| Indonesia | 3.9 |
| Hong Kong | 2.2 |
| Philippines | 1.1 |
| Malaysia | 1.0 |
| Korea | 0.9 |
| Thailand | 0.3 |
| Taiwan | 0.1 |
| Others | 0.4 |

Top 5 Holdings (Fixed Income, % of NAV)

| | |
|--|-----|
| Country Garden Holdings 7.25% Apr 2026 | 1.7 |
| Minejesa Capital 4.625% Aug 2030 | 1.6 |
| IVL Singapore 3.73% Oct 2025 | 1.5 |
| Huarong Finance 2017 CO 3.8% Nov 2025 | 1.5 |
| HSBC Holdings 5% PERP | 1.4 |

Fund Statistics

| | |
|------------------------------------|-----------|
| Fixed Income | |
| Duration | 4.6 years |
| Average Credit Rating ² | BBB- |
| Yield-to-Worst ³ | 4.3% |
| S-REITS | |
| Dividend Yield | 4.1% |
| Price to Book | 1.3x |
| Price to Earnings | 17.8x |

Sector Exposure (%)¹

| | |
|-------------------------|------|
| Real Estate | 60.0 |
| Financials | 17.5 |
| Materials | 6.0 |
| Industrials | 5.2 |
| Utilities | 3.7 |
| Consumer Discretionary | 2.2 |
| Communication Services | 2.1 |
| Energy | 1.9 |
| Information Technology | 1.0 |
| Government | 0.2 |
| Consumer Staples | 0.1 |
| Asset Backed Securities | 0.0 |
| Health Care | 0.0 |
| Diversified | 0.0 |

Top 5 Holdings (REITs, % of NAV)

| | |
|---------------------------------------|-----|
| Ascendas Real Estate Investment Trust | 5.5 |
| Mapletree Logistics Trust | 2.7 |
| Mapletree Industrial Trust | 2.6 |
| Capitaland Commercial Trust | 2.2 |
| Capitaland Mall Trust | 2.2 |

Dividend History⁴

| | Dividend / share | Record Date |
|----------|------------------|-------------|
| Class B | SGD 0.0041 | 30 Jun 2020 |
| Class B | SGD 0.0041 | 30 Jul 2020 |
| Class C | SGD 0.0069 | 30 Jun 2020 |
| Class C | SGD 0.0070 | 30 Jul 2020 |
| Class B1 | USD 0.0040 | 30 Jun 2020 |
| Class B1 | USD 0.0041 | 30 Jul 2020 |
| Class B2 | USD 0.0043 | 30 Jun 2020 |
| Class B2 | USD 0.0044 | 30 Jul 2020 |

Fund Details

| | Class A | Class B (Distribution) | Class C (Distribution) |
|---------------------------------|----------------------|------------------------|------------------------|
| Inception Date | 21 May 2019 | 21 May 2019 | 21 May 2019 |
| NAV per Unit⁵ | SGD 1.07 | SGD 1.01 | SGD 0.97 |
| Management Fee | Currently 0.80% p.a. | Currently 0.80% p.a. | Currently 0.80% p.a. |
| Initial Investment | None | None | None |
| Subsequent Investment | None | None | None |
| ISIN Code | SGXZ28681005 | SGXZ51694974 | SGXZ70176466 |
| Bloomberg Code | FULSHIA SP | FULSHIB SP | FULSHIC SP |

| | Class B1 (Distribution) | Class B2 (Distribution) |
|---------------------------------|-------------------------|-------------------------|
| Inception Date | 21 Oct 2019 | 4 May 2020 |
| NAV per Unit⁵ | USD 0.99 | USD 1.08 |
| Management Fee | Currently 0.80% p.a. | Currently 0.40% p.a. |
| Initial Investment | None | USD 1 million |
| Subsequent Investment | None | USD 1 million |
| ISIN Code | SGXZ92431121 | SGXZ73188211 |
| Bloomberg Code | FULSHIB1 SP | FULSHB2 SP |

Note: All fund data are sourced from Fullerton, Bloomberg dated as at 31 July 2020, unless otherwise stated.

1. Numbers might not add due to rounding.
2. Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.
3. Refers to Yield-to-Worst in base currency, before hedging.
4. Please refer to our website for more details on the dividend payouts.
5. Figures are truncated to 2 decimal places. Please refer to Fullerton's website for official price.

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