

Fullerton SGD Income Fund - Class C (SGD)

February 2020

Investment Objective

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

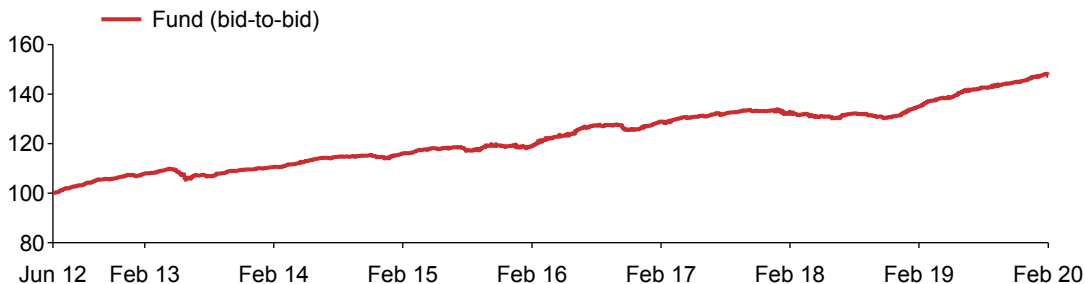
Investment Focus and Approach

The Managers seek to add value from interest rate accruals, selection of bonds and/or credits and duration management (optimisation of bond returns by selecting bonds with different terms to maturity). The Fund will invest in a diversified portfolio of primarily investment grade fixed income or debt 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 (i.e. bonds with a long term credit rating of less than BBB- by Standard & Poor's, Baa3 by Moody's or BBB- by Fitch (or their respective equivalents)) of up to 30% of its Net Asset Value.

The Fund may invest in Singapore Dollar and foreign currency denominated bonds including but not limited to US Dollar, Euro, Japanese Yen and Australian Dollar. The foreign currency denominated bonds will be fully hedged back to the Singapore Dollar except for a 1% frictional currency limit.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	0.22	1.70	3.35	9.17	4.56	4.89	5.16	2.38
Fund (offer-to-bid)	-2.70	-1.26	0.34	5.99	3.54	4.28	4.75	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

Risk assets sold off sharply in February as the COVID-19 outbreak spread beyond China, disrupting global supply chains and impacting economic activity.

Federal Reserve Chair Jerome Powell said in a statement that the COVID-19 posed "evolving risks" to the US economy and that the Fed was "prepared to act as needed". Against this backdrop, US Treasuries rallied on the back of a flight to safe haven assets and the 10-year and 30-year yields declined sharply. Asian credit extended gains in February, with the positive performance driven mainly by Treasury gains while credit spreads widened out.

The Singapore government announced an expansionary budget in February. The budget contained significant increases in expenditure, tax cuts and specific support measures for industries most affected by the COVID-19 outbreak. Singapore bonds registered positive gains in February amidst this market backdrop.

Within Asian credit, the investment grade sector (as measured by the JACI Investment Grade Index) outperformed with a return of 1.34% in USD terms, while the high yield sector (as measured by the JACI Non-Investment Grade index) delivered a marginally negative return in USD terms. From a country standpoint, Thailand and Taiwan outperformed the rest of the region. By sector, oil & gas and TMT were the standout performers. Metals & mining and transport were the laggards.

Inception date

13 Jun 2012

Fund size

SGD 2,344.41 million

Base Currency

SGD

Pricing Date

29 Feb 2020

NAV*

SGD 1.10

Management fee

0.5% p.a.

Expense Ratio

0.55% p.a. (For financial year ended 31 Mar 2019)

Distributions paid per unit

Sep 2018: SGD 0.011

Dec 2018: SGD 0.010

Mar 2019: SGD 0.010

Jun 2019: SGD 0.010

Sep 2019: SGD 0.010

Dec 2019: SGD 0.010

Minimum Initial Investment

SGD10 million

Minimum Subsequent Investment

SGD10 million

Preliminary Charge

Up to 3%

Dealing day

Daily, up to 5pm (Singapore time)

Bloomberg Code

FULSGIC SP

ISIN Code

SG9999009088

For additional information on Fullerton and its funds, please contact:

Fullerton Fund Management Company Ltd

3 Fraser Street

#09-28 DUO Tower

Singapore 189352

T +65 6808 4688

F +65 6820 6878

www.fullertonfund.com

UEN: 200312672W

* 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

The economic impact of a virus outbreak such as COVID-19 would depend on how long it takes to bring the virus under control, and it is still difficult to gauge with certainty. There are typically three stages surrounding adverse economic shocks – an initial period of uncertainty, followed by a period of stabilisation and thereafter, a period of sharp market rebound. We share the view the global economic impact of the coronavirus outbreak will be felt most deeply in the first half of this year, followed by a normalisation of business activities and a rebound in the second half.

Within Asia, policy responses to-date have been strong and swift as Asian policymakers focused on ensuring there is adequate liquidity to avoid stress and to maintain the flow of credit, particularly to the SMEs. While we have seen some preemptive monetary easing in Asia (in the likes of Thailand, Malaysia, Indonesia), fiscal policy will also play a prominent role, especially for nations with the fiscal flexibility (such as Singapore, Korea and China). Core inflation is likely to remain benign, reflecting weak domestic demand. Supply factors may result in higher food prices but this is likely to be transitory.

Our investment thesis to extend duration, shifting closer to the 4 year mark, puts the Fund in good stead to weather any near-term growth headwinds. Looking ahead, US Treasury yields are likely to remain rich in the near-term. Singapore rates, given their high correlation with US Treasuries will also be well-anchored. As the Fund is mostly invested in investment grade bonds, the strength of the US Treasury and SGD rate markets will potentially underpin valuations and buffer against the widening of credit spreads. The high yield sector may struggle with weaker demand conditions but low policy rates is expected to ease refinancing pressures and put a lid on default rates. The search for yield will also potentially underpin the high yield market where carry remains attractive.

Country Breakdown

Australia	5.2%
China	30.8%
France	6.7%
Germany	2.3%
Hong Kong	3.9%
India	4.1%
Indonesia	3.8%
Japan	2.0%
Korea	1.5%
Malaysia	1.9%
Netherlands	1.0%
Singapore	23.1%
Switzerland	6.7%
UK	5.0%
Others	3.0%
Cash and cash equivalents	-1.0%

Top 5 Holdings

National Australia Bank 4.15% May 2028	1.5%
Credit Agricole SA 3.8% Apr 2031	1.4%
Commerzbank AG 4.875% Mar 2027	1.3%
Huarong Finance 2017 Co 3.8% Nov 2025	1.2%
Sph Reit 4.1% Feb 2168	1.1%

Rating Breakdown

AA	0.4%
A	10.8%
BBB	60.5%
BB	13.8%
B	15.1%
CCC	0.1%
C	0.2%
D	0.1%
Cash and cash equivalents	-1.0%

Fund Characteristics

Average coupon	5.1%
Average credit rating	BBB
Number of holdings	477
Average duration (years)	3.9
Yield to Worst	4.2%

Cash and cash equivalents: Cash is negative due to unrealized marked-to-market FX.

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.

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.

This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.