

# Fullerton Short Term Interest Rate Class D - USD Hedged

February 2020

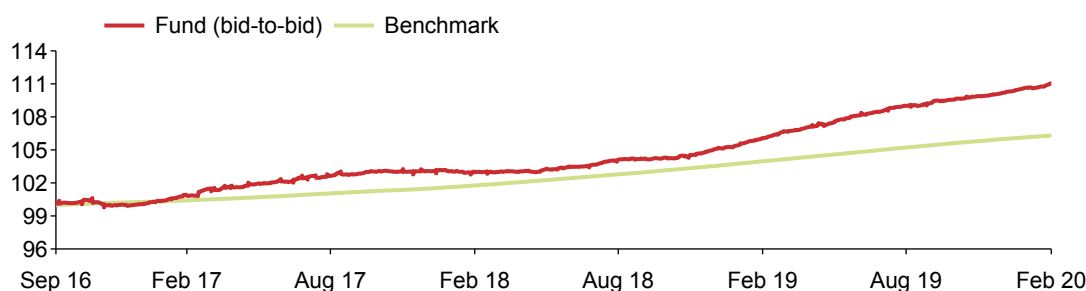
## Investment Objective

The investment objective of the Fund is to achieve medium-term capital appreciation for investors. The investments of the Fund will be broadly diversified with no specific industry or sectoral emphasis.

## Investment Focus and Approach

The Fund is primarily focused on fixed income securities and money market instruments. The Fund may invest in futures and derivatives for hedging purposes. The maturity limit of underlying securities is 5 years and all foreign currency denominated bonds are fully hedged back to SGD except for a 1% frictional currency limit.

## Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
<b>Fund (bid-to-bid)</b>	0.34	1.05	1.87	4.69	3.26	3.08	0.76
<b>Fund (offer-to-bid)</b>	-2.58	-1.90	-1.09	1.64	2.25	2.20	NA
<b>Benchmark</b>	0.13	0.47	1.02	2.25	1.92	1.78	0.17

Returns are calculated on a single pricing basis in USD 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.

Benchmark: 3-month SIBID.

Source: Fullerton Fund Management Company Ltd and Bloomberg

## 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

15 Sep 2016

## Fund size

USD 700.57 million

## Base Currency

SGD

## Pricing Date

29 Feb 2020

## NAV\*

USD 1.11

## Management fee

Currently 0.50% p.a.

## Expense Ratio

0.52% p.a. (For financial year ended 31 Mar 2019)

## Minimum Initial Investment

None

## Minimum Subsequent Investment

None

## Preliminary Charge

Up to 3%

## Dealing day

Daily, up to 5pm (Singapore time)

## Bloomberg Code

FULSTID SP

## ISIN Code

SG9999015671

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\* Figures have been truncated to 2 decimal places. The official price is published on Fullerton's website.

## 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.

On the investment strategy, we have been extending duration modestly, which puts the Fund in good stead to weather the 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 would also be well-anchored. As the Fund is fully invested in high quality, 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. Credit fundamentals within the Asian and SGD credit markets remain on firm footing while low policy rates will potentially lower funding costs and cap default risks.

### Country Breakdown

China	38.2%
Hong Kong	7.2%
India	4.7%
Malaysia	4.1%
Singapore	45.1%
Others	1.8%
Cash and cash equivalents	-1.1%

### Top 5 Holdings

Keppel Corp Ltd 3.145% Feb 2022	3.8%
Huarong Finance 2017 Co 3.2% Apr 2021	3.6%
Indian Oil Corp 4.1% Oct 2022	2.8%
Eastern Air Overseas HK 2.8% Nov 2020	2.7%
City Developments Ltd 2.8% Jun 2023	2.6%

### Rating Breakdown

A	37.0%
BBB	63.2%
BB	0.4%
C	0.5%
Cash and cash equivalents	-1.1%

### Fund Characteristics

Average coupon	3.5%
Average credit rating	BBB
Number of holdings	171
Average duration (years)	1.9
Yield to Worst	2.6%

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.

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