

Fullerton Singapore Bond Fund – Class A (SGD)

February 2020

Investment Objective

The investment objective of the Fund is to generate long term capital appreciation for investors by investing primarily in fixed income or debt securities denominated in Singapore Dollars. These securities will primarily be issued by the Singapore government, government agencies, quasi-government institutions, statutory boards and corporations.

Investment Focus and Approach

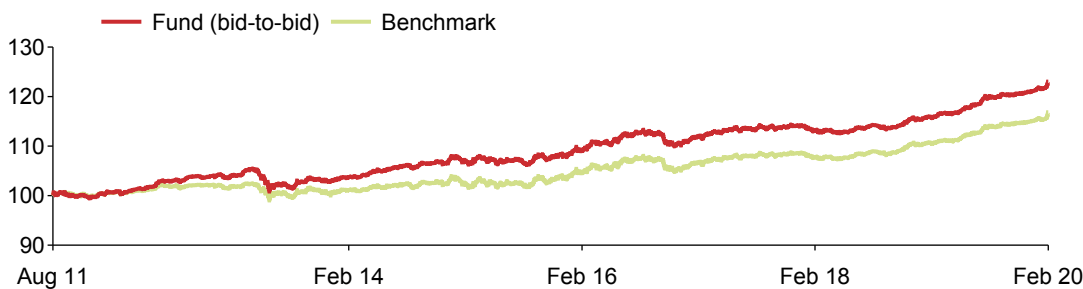
The Managers seek to add value from the following sources: interest rate accrual, credit selection and yield curve positioning (duration management).

The Managers' investment process is a combination of top-down macro research and bottom-up analysis. Economic research and monetary policy analysis is the basis for arriving at the interest rate outlook and bottom-up analysis forms the basis for credit selection and yield curve positioning. Within this framework, the Managers will evaluate fixed income and debt securities to determine their fair value and formulate the duration and credit strategies for the Fund.

The Fund will primarily invest in investment grade issues having a minimum long term credit rating of BBB- by Fitch, Baa3 by Moody's or BBB- by Standard & Poor's. However, non-rated SGD corporate issues are permitted if they meet the Managers' internal equivalent rating of investment grade.

The Managers may use Financial Derivative Instruments for hedging and efficient portfolio management purposes.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	1.09	1.98	2.69	6.33	3.15	2.81	2.45	1.94
Fund (offer-to-bid)	-1.85	-0.99	-0.30	3.23	2.14	2.20	2.10	NA
Benchmark	1.11	1.88	2.59	5.75	3.03	2.65	1.84	1.79

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.

Benchmark: 50% TR/SGX Singapore Fixed Income Index and 50% TR/SGX Singapore Fixed Income 1-3Y Index.

With effect from 1 June 2017, the benchmark is a composite comprising 50% TR/SGX Singapore Fixed Income Index and 50% TR/SGX Singapore Fixed Income 1-3Y Index. Prior to 1 June 2017, the benchmark was 50% UOB SGS Bond All and 50% UOB SGS Bond Short index.

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.

Inception date

16 Aug 2011

Fund size

SGD 246.27 million

Base Currency

SGD

Pricing Date

29 Feb 2020

NAV*

SGD 1.23

Management fee

Currently 0.3% p.a.
Maximum 0.5% p.a.

Expense Ratio

0.37% p.a. (For financial year ended 31 Mar 2019)

Minimum Initial Investment

SGD 50 million

Minimum Subsequent Investment

SGD10 million

Preliminary Charge

Up to 3%

Dealing day

Daily, up to 5pm (Singapore time)

Bloomberg Code

FSINGBA SP

ISIN Code

SG9999007785

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.

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 policy responses globally. 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 normalization of business activities and a rebound in the second half.

Within Asia, policy responses to date have been strong and swift. Asian policymakers are 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 pre-emptive 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 and SGD rate markets will underpin valuations and buffer against the widening of credit spreads. We expect increasing credit differentiation to reward fundamental-based investors like us. Corporates with weaker credit metrics may suffer through this downturn while those with the financial flexibilities and of stable credit profile, will emerged largely unscathed. As such, we believe default risks will remain largely idiosyncratic, rather than systemic in nature.

Country Breakdown

Australia	1.3%
China	2.8%
France	2.4%
Hong Kong	2.3%
Malaysia	1.6%
Singapore	85.7%
UK	1.4%
Others	2.5%
Cash and cash equivalents	0.1%

Rating Breakdown

AAA	52.8%
AA	0.6%
A	11.1%
BBB	35.1%
C	0.4%
Cash and cash equivalents	0.1%

Top 5 Holdings

Singapore Government 3.25% Sep 2020	6.9%
Singapore Government 2.25% Jun 2021	5.5%
Singapore Government 3.5% Mar 2027	3.7%
Singapore Government 2.75% Mar 2046	3.4%
Singapore Government 1.25% Oct 2021	3.2%

Fund Characteristics

Average duration (years)	5.0
Yield to Worst	2.1%
Yield to maturity	2.1%

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. 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.