Fullerton USD Income Fund Class D - EUR Hedged

February 2020

Investment Objective

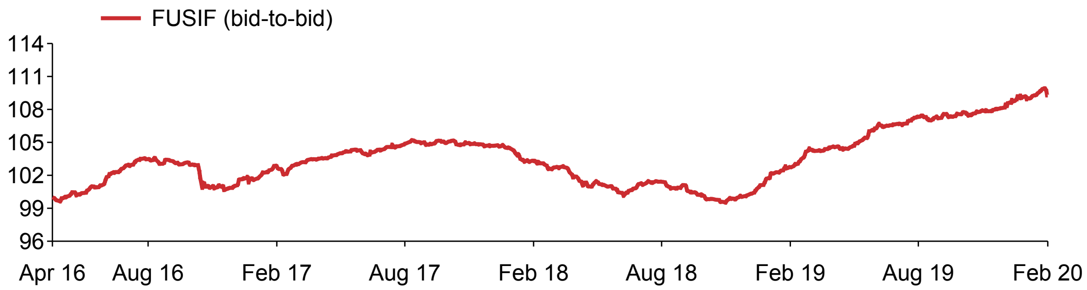
The investment objective of the Fund is to generate long term capital appreciation and/or income for investors by investing primarily in fixed income or debt securities.

Investment Focus and Approach

The Fund will invest in a diversified portfolio of primarily investment grade fixed income 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 of up to 30% of its Net Asset Value. Non-rated bonds are permitted if they meet the Managers' internal equivalent rating of investment grade. The Fund aims to invest at least 50% of Net Asset Value in USD denominated bonds. The Fund will be broadly diversified with no specific geographical or sectoral emphasis.

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	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	0.21	1.30	1.81	6.35	2.04	2.31	2.49
Fund (offer-to-bid)	-2.71	-1.65	-1.16	3.25	1.05	1.54	NA

Returns of more than 1 year are annualised.
Returns are calculated on a single pricing basis in EUR 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 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.

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 Apr 2016

Fund size
EUR 557.63 million

Base Currency
USD

Pricing Date
29 Feb 2020

NAV*
EUR 1.03

Management fee
Currently 0.8% p.a., Maximum 1% p.a.

Expense Ratio
0.80% p.a. (For financial year ended 31 Mar 2019)

Distributions paid per unit #
Sep 2018: EUR 0.004
Dec 2018: EUR 0.003
Mar 2019: EUR 0.002
Jun 2019: EUR 0.003
Sep 2019: EUR 0.003
Dec 2019: EUR 0.004

Minimum Initial Investment
None

Minimum Subsequent Investment
None

Preliminary Charge
Up to 3%

Dealing day
Daily, up to 5pm (Singapore time)

Deadline
1pm (CET); 5pm (Singapore time) on each Business Day

Bloomberg Code
FULUSID SP

ISIN Code
SG9999015192

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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 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. Asian policymakers have focused on ensuring there is adequate liquidity to avoid stress and in maintaining 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, our investment thesis to extend duration closer to the 4 year mark, has helped to mitigate the widening of credit spreads. US Treasury yields could remain rich in the near-term given growth headwinds and potentially further rate cuts. The high yield exposure may come under some pressure as markets repriced against slower growth but the attractive carry will continue to underpin performance. Looking ahead, we expect increasing credit differentiation to reward fundamental-based investors, as corporates go through the downturn due to the virus outbreak. Hence, default risks will remain largely idiosyncratic.

Country Breakdown

Australia	2.7%
China	35.0%
France	2.8%
Hong Kong	7.6%
India	11.1%
Indonesia	13.3%
Japan	2.0%
Korea	2.8%
Malaysia	5.0%
Philippines	1.2%
Singapore	8.3%
Switzerland	1.4%
Others	4.9%
Cash and cash equivalents	1.9%

Rating Breakdown

AAA	0.6%
A	11.9%
BBB	60.3%
BB	13.6%
B	11.8%
Cash and cash equivalents	1.9%

Top 5 Holdings

Perusahaan Listrik Negara 4.125% May 2027	1.3%
Listrindo Capital Bv 4.95% Sep 2026	1.2%
Malayan Banking Bhd 3.905% Oct 2026	1.1%
Nanyang Commercial Bank 3.8% Nov 2029	1.1%
Parkway Pantai 4.25% PERP	1.0%

Fund Characteristics

Average coupon	4.8%
Average credit rating	BBB
Number of holdings	387
Average duration (years)	4.0
Yield to Worst	3.9%

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.