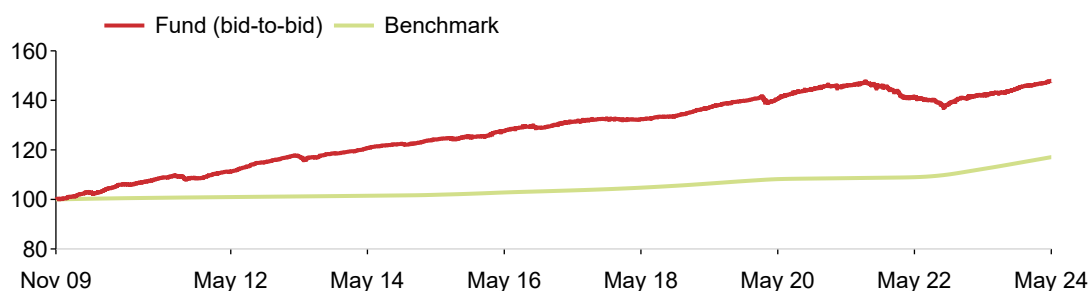


**Investment Objective**

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 5% frictional currency limit.

**Performance (%)**


	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	10 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
<b>Fund (bid-to-bid)</b>	0.57	1.11	2.17	3.98	0.44	1.52	2.05	2.72	1.33
<b>Fund (offer-to-bid)</b>	-2.36	-1.84	-0.81	0.95	-0.54	0.92	1.75	2.51	NA
<b>Benchmark</b>	0.36	1.06	2.12	4.26	2.54	1.93	1.44	1.09	0.34

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: 3M SORA + 0.60% p.a.

With effect from 1 August 2023, the benchmark is 3M SORA + 0.60% p.a. From inception till 31 July 2023, the benchmark was 3M SIBID.

Source: Fullerton Fund Management Company Ltd and Bloomberg.

**Market Review**

US Treasury bond yields remain near the upper end of their year-to-date ranges, despite moving lower from a month ago. The month began with a soft US payrolls report, followed by a mix of strong US flash PMIs and weak Treasury bond auctions pushing yields higher. However, US Treasury yields edged lower at month-end due to a US CPI report that came in within expectations. Market pricing now reflects around 36bps of Fed rate cuts by December, up slightly from 30bps at the start of the month. Elsewhere, the Riksbank became the second DM central bank to cut rates, following the Swiss National Bank.

In Singapore, Q1 GDP grew by 2.7% y/y, matching the advance print. Services growth was revised higher, offsetting a downward revision in manufacturing. Inflation remained steady, with headline CPI at 2.7% y/y in April and the MAS core CPI print came in at 3.1% y/y, unchanged from the previous month. In this context, yields on both US Treasury and SGS curves declined, with SGS underperforming. The 10-year US Treasury yield and the 10-year SGS yield fell by 18bps and 9bps to 4.5% and 3.4%, respectively, from a month ago. The non-Singapore government sector advanced but lagged behind its SGS peers, according to the Markit iBoxx ALBI Singapore Non-government index in SGD.

Asian USD credits have posted positive returns, according to the JPM Asian Credit Index (in USD), driven mainly by tighter credit spreads in the high yield sector and duration-related gains in the investment grade sector, where credit spreads also tightened. The high yield sector, particularly the China property market, outperformed. In May, a package of housing policy relaxations was announced, including mortgage policy easing, and a 300 billion yuan re-lending facility from the PBOC. Financials, infrastructure, and industrials were among the lagging sectors. High yield-heavy countries like Sri Lanka and Pakistan led the rally, while Korea and Taiwan saw slower gains.

**Inception date**

09 Nov 2009

**Fund size**

SGD 727.41 million

**Base Currency**

SGD

**Pricing Date**

31 May 2024

**NAV\***

SGD 1.48

**Management fee**

Up to 0.5% p.a

**Expense Ratio**

0.38% p.a. (For financial year ended 31 Mar 2023)

**Minimum Initial Investment**

SGD100,000

**Minimum Subsequent Investment**

SGD10,000

**Preliminary Charge**

Up to 3%

**Dealing day**

Daily, up to 5pm (Singapore time)

**Bloomberg Code**

FULSTB1 SP

**ISIN Code**

SG9999006464

The Fund is available for SRS subscription.

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UEN: 200312672W

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

## Investment Strategy

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The credit market remains heavily influenced by macroeconomic headlines, with spreads expected to persist at low levels unless a significant shift occurs in the macro backdrop. Growth and inflation rates seem to be on a path of moderation—albeit at a slower pace than initially predicted at the year's outset. Nonetheless, concerns over a sharp decline in growth or a rapid upsurge in inflation are not at the forefront of investors' minds. Overall, the U.S. economy remains robust. The Federal Reserve's cautious approach, considering the current policy stance as restrictive, indicates a reluctance to hastily resume rate hikes unless warranted by economic indicators. In the event of Fed easing, triggered by diminishing inflation rather than a growth shock, a favourable scenario for markets could unfold.

Facing the risk of an activity slowdown in China after a first quarter bounce, policies have been adjusted since the April Politburo meeting, which strengthened the positive sentiment. The latest policies aimed at supporting the property sector signify a step in the right direction and underscore the authorities' resolve in addressing the housing issues. However, the scale and implementation of these policies will be pivotal. The effectiveness of any new measures will hinge on how quickly and easily they can be implemented. Overall, we anticipate that the recent policy easing will help mitigate downside risks, although the housing market may take time to fully stabilise.

Optimism around the Chinese property sector has surged notably. The developers' bond valuations have also improved, suggesting considerable downside risk if the sector's recovery eventually disappoints. Instead, we are pursuing investment opportunities in related sectors, like the Hong Kong property market, Hong Kong banks, and Chinese financial entities. This strategy mitigates direct correlation exposure to Chinese real estate volatility, should the recovery fall short of expectations. Turning to Singapore, inflation is likely to outweigh growth concerns, reaffirming our view that the Monetary Authority of Singapore (MAS) has a higher hurdle to ease rather than tighten. We maintain our view of a status quo MAS, for 2024.

**Geographical Breakdown**

Australia	1.8%
China	25.0%
France	2.5%
Germany	5.4%
Hong Kong	6.1%
India	2.4%
Indonesia	1.2%
Japan	1.7%
Korea	7.5%
Malaysia	3.1%
Qatar	1.7%
Singapore	40.8%
UK	1.8%
Others	1.3%
Cash and cash equivalents	-2.3%

**Top 5 Holdings**

Mas Bill 0% Jun 2024	8.2%
Mas Bill 0% Jun 2024	5.2%
Ping An Intl Fin Leasing 2.5% Aug 2024	2.9%
Hotel Properties Ltd 3.8% Jun 2025	2.9%
Deutsche Bank Ag 4.4% Apr 2028	2.7%

**Rating Breakdown**

AAA	14.8%
AA	2.5%
A	37.7%
BBB	46.7%
C	0.5%
Cash and cash equivalents*	-2.3%

**Fund Characteristics**

Average coupon	2.9%
Average credit rating	A
Number of holdings	126
Average duration (years)	1.2
Yield to Worst	5.1%

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 taking into account the hedging cost. Not guaranteed. Past performance is not necessarily indicative of future performance.

\*Negative balances are due to cross month trades, and subscriptions/redemptions.

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