

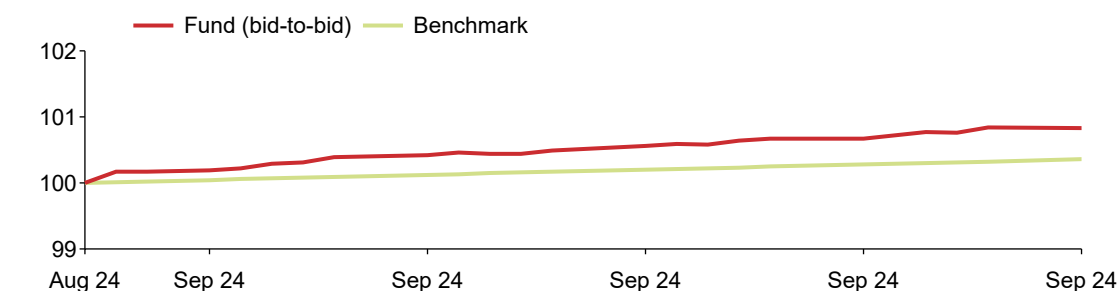
Investment Objective

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	Sl. Ann.Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	0.66	-	-	0.83	-
Fund (offer-to-bid)	-2.27	-	-	-2.11	NA
Benchmark	0.33	-	-	0.36	-

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

In September, Singapore's core inflation ticked up, reaching 2.7% year-on-year, driven mainly by higher travel costs. However, headline inflation continued to moderate, easing to 2.2%, as private transport costs fell sharply due to a steep decline in car prices. The Monetary Authority of Singapore (MAS) and the Ministry of Trade and Industry reiterated their forecasts for 2024, with core inflation expected to average between 2.5% and 3.5%, while headline inflation is projected to range between 2% and 3%. Both agencies anticipate a gradual easing in core inflation this quarter, with a more pronounced decline by the end of the year. On the growth front, industrial production (IP) delivered strong results in August, increasing by 6.7% month-on-month (seasonally adjusted) after an already robust 10.2% rise in July. Year-on-year, IP growth accelerated sharply to 21.0%, up from 2.0% in July, driven largely by a favorable base effect. This sequential surge was mainly supported by a recovery in the electronics and biomedical clusters, positioning the economy for a solid Q3 GDP performance.

Against this backdrop, Singapore government bonds (SGS) saw yields fall across the curve. The 10-year SGS yield declined 9 basis points to end the month at 2.6%, while the 2-year SGS yield dropped 11 basis points to 2.4%, reflecting the broader rally in global bond markets. This decline in yields occurred alongside similar movements in US Treasuries, where the 10-year yield fell 12 basis points to 3.8%, and the 2-year yield declined 27 basis points to 3.6%, given the Federal Reserve's 50bps rate cut during the month, in response to weak employment data. Additionally, non-government bonds in Singapore also advanced and outperformed SGS, as reflected by the Markit iBoxx ALBI Singapore indices.

Within Asian credit markets, both the investment-grade and high-yield sectors posted gains, as reflected in the JP Morgan Asian Credit Index (USD terms). High-yield credits outperformed their investment-grade counterparts, supported by tighter credit spreads. Meanwhile, the investment-grade sector also advanced, primarily driven by duration-related gains, alongside modest spread tightening.

Inception date

29 Aug 2024

Fund size

SGD 838.07 million

Base Currency

SGD

Pricing Date

30 Sep 2024

NAV*

SGD 1.01

Management fee

0.5% p.a.

Minimum Initial Investment

None

Minimum Subsequent Investment

None

Preliminary Charge

Up to 3%

Dealing day

Daily, up to 5pm (Singapore time)

Bloomberg Code

FULSTC1 SP

ISIN Code

SGXZ39435318

The Fund is available for SRS subscription.

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

Investment Strategy

The Fed's recent 50bps cut marks a strategic “recalibration” in policy, signalling a move from inflation control to safeguarding a soft landing. With progress on inflation and ample policy space, this recalibration is instrumental in supporting the US economy, and markets are now looking to upcoming labour reports for more direction.

This shift should also provide tailwinds for Emerging markets, including Asia, as USD pressure eases and rate differentials narrow. Across the region, central banks are aligning with this easing trend, with Bank Indonesia among the latest to reduce rates. We expect a more front-loaded approach to monetary easing in the region, particularly as inflation has already returned to target levels in most Asian economies. In Singapore, the Monetary Authority of Singapore (MAS) is likely to maintain its current stance. Any easing is contingent on a continued moderation in core inflation, which remains a key focus following the latest higher-than-expected reading of 2.7% year-over-year in August.

Encouragingly, China's recent policy actions have exceeded market expectations, signalling a clear commitment to address persistent growth concerns. The larger-than-anticipated Fed rate cut, alongside a weaker USD, has supported the RMB, easing FX constraints and giving China more room for domestic monetary easing. We anticipate sequential growth improvement in China in Q4, as the policy support gains traction. Looking ahead, we will continue to closely monitor policy developments in China and evaluate the effectiveness of the implementation of monetary, fiscal, and housing easing measures. The upcoming US election is another key event, with potential implications for tariffs on Chinese goods, which could lead to further stimulus measures if needed.

From an investment strategy perspective, we have been extending duration to nearly 2 years, by participating in attractive new issue markets and adding 5-year bonds to extend portfolio duration. Our focus remains on high-yielding names and BBB bloc rated credits, where we continue to see value. The synchronised easing by major central banks and also in China, is providing robust support for global financial conditions. Additionally, moderation in oil prices will boost household purchasing power, while private sector balance sheets remain strong. As the Fed's easing cycle continues and cash rates decline, we expect fund flows to return to investment-grade credit bonds, enhancing the potential for further gains in the portfolio.

Geographical Breakdown

Australia	5.6%
China	16.6%
France	2.3%
Germany	4.7%
Hong Kong	7.0%
India	2.2%
Indonesia	2.6%
Japan	1.4%
Korea	6.5%
Macau	1.8%
Malaysia	3.1%
Philippines	1.7%
Qatar	1.5%
Singapore	34.5%
UK	4.3%
Others	1.5%
Cash and cash equivalents	2.8%

Top 5 Holdings

Macquarie Group Ltd 4.5% Aug 2026	3.7%
Singapore Government 2.875% Jul 2029	2.9%
Hotel Properties Ltd 3.8% Jun 2025	2.5%
Deutsche Bank Ag 4.4% Apr 2028	2.4%
Shangri-La Hotel Limited 4.5% Nov 2025	2.3%

Rating Breakdown

AAA	2.9%
AA	1.7%
A	30.0%
BBB	62.2%
C	0.4%
Cash and cash equivalents	2.8%

Fund Characteristics

Average coupon	3.6%
Average credit rating	A
Number of holdings	141
Average duration (years)	1.9
Yield to Worst	4.6%

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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