Fullerton Total Return Multi-Asset Advantage

May 2024

Investment Objective

The Fund aims to generate medium to long term capital appreciation for investors by investing into various asset classes.

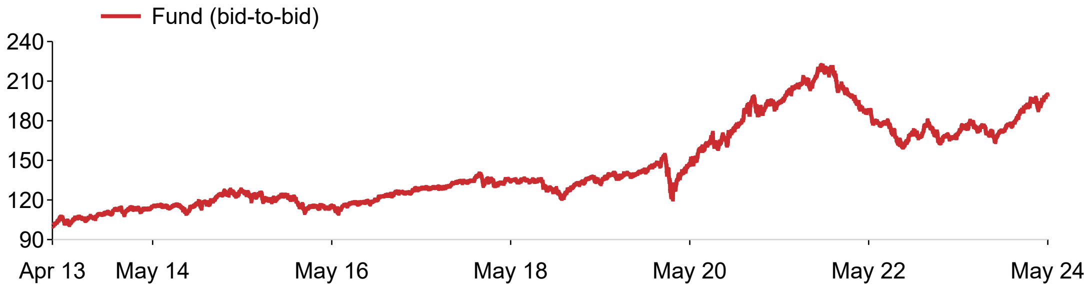
Investment Focus and Approach

The Fund will invest primarily in will invest primarily in a diversified portfolio of collective investment schemes, other investment funds, exchange traded funds ("ETFs") (including but not limited to gold ETFs), securities and/or hold cash, as deemed appropriate by us in accordance with its investment objective.

Fixed income securities and/or collective investment schemes invested by the Fund may be denominated in SGD and/or foreign currencies. Foreign currency denominated fixed income securities and/or collective investment schemes will generally be hedged back to the SGD except for some frictional currency limit (to account for possible deviation from a 100% hedge).

The Manager may use FDIs (including, without limitation, treasury futures, interest rate futures, equity futures, gold futures, options, interest rate swaps and foreign exchange forwards) for hedging and efficient portfolio management purposes.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	10 yrs	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	2.71	4.21	15.13	16.58	0.75	8.32	5.57	6.32	9.22
Fund (offer-to-bid)	-2.18	-0.75	9.64	11.03	-0.88	7.28	5.07	5.86	NA

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 5% which may or may not be charged to investors.
Fullerton Dynamic Strategies Fund - Aggressive has updated its name to Fullerton Total Return Multi-Asset Advantage on 2 May 2022.
Source: Fullerton Fund Management Company Ltd, and Bloomberg.

Market Review

Markets recovered their balance in May 2024. Most equity indices bounced back from their drawdown in April. The US S&P500 Index ended the month near record highs after a 5.0% rally, led by a robust performance by the Magnificent 7 group of stocks. Meanwhile, the STOXX Europe 600 Index was 3.5% higher in euros and Japan's TOPIX Index ended up 1.1% in yen. Global equities MSCI AC World Index registered decent performance with a 4.1% gain in dollars, while MSCI Asia Ex-Japan Index ascended for the fourth month and posted a 1.6% return on the month in dollars.

These came amid a backdrop of declining long end US Treasury yields – the 10-year yield dropped 17 bps in May and ended the month at 4.50%. Treasuries were also supported by Chair Powell's comments that it is "unlikely" the next move would be a hike. Worth noting is that the yield of 10-year Japanese government bond yield has risen to above 1% for the first time since 2012 as investors price in more monetary policy tightening from the BoJ over the rest of the year.

The pace of US CPI inflation in April rate eased to 0.3% month-on-month, moderating from the stronger 0.4% pace in the previous two months, as disinflation in rents kicked in, and added to hopes that the Fed is likely to commence cutting rates this year. The USD hedged Bloomberg Global Aggregate Bond Index returned 0.9% while JACI Investment Grade Index was up 1.1%.

The Federal Reserve's Open Market Committee (FOMC) meeting at the beginning of May proved to be less hawkish than some had anticipated. With Fed fund target rate unchanged, Chair Powell pushed back on the prospect of more rate hikes. In addition, the Fed also announced the pace of quantitative tightening would be reduced to $60 billion, from $95 billion previously.

Inception date
17 Apr 2013

Fund size
SGD 24.49 million

Base Currency
SGD

Pricing Date
31 May 2024

NAV*
SGD 1.98

Management fee
Currently 1.2% p.a.

Expense Ratio
1.60% p.a. (For financial year ended 31 Mar 2023)

Minimum Initial Investment
None

Minimum Subsequent Investment
None

Preliminary Charge
Up to 5%

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

Bloomberg Code
FULDSAA SP

ISIN Code
SG9999010128

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.

Market Review (Cont'd)

Following the Swiss National Bank, the Swedish Riksbank became the second developed market central bank to cut policy rates this cycle, delivering their first rate cut since 2016. That came amid mounting anticipation that other central banks would soon follow, including the ECB in June, as economic indicators have softened enough to warrant a change in monetary policy.

DXY, the US Dollar Index experienced a decline for the first month this year, perhaps influenced by a lower than expected 1Q GDP growth, of 1.3% quarter-on-quarter annualised, and concerns over rising debt level.

Investment Outlook

Lower CPI inflation coupled with 175,000 additions to nonfarm payrolls in April (lowest since October 2023) plus weekly initial jobless claims inching up were sufficient to allay fears that the US economy was overheating. Nonetheless, both market and central banks are now aligned on inflation expectations – the path to the targeted 2% level is likely to take longer than expected to achieve, due mainly to continued supply chain issues, but this should not prevent central banks from easing monetary policy because market liquidity is tightening.

On the other hand, Fullerton upgraded China's equity investment outlook to positive in early May even when data looked mixed. We see stronger industrial production counterbalanced by retail sales growth coming in below expectation and a contraction in fixed asset investments. Activities data suggests a slowing in domestic demand, CPI ticked up in April and solid trade growth showing signs of stabilizing, reflecting strong sentiment and the potential bottoming in earnings expectations.

Market views the planned CNY1 trillion ultra-long (up to 50 years) bond issuance positively. The funds to be raised are meant to support key national strategies and enhance the country's capabilities in crucial areas such as technological innovation, coordinated regional development, ensuring grain and energy security, and promoting high-quality economic development.

Geopolitical developments, including the ongoing Russia-Ukraine and Israel-Hamas conflicts, plus Houthi attacks in the Red Sea can bring about a resurgence in inflation (surging commodity prices), recession (trade wars) and a breakdown of the financial system (confiscation of Russian foreign reserves) compel us to be nimble in managing the Fund.

Investment Strategy

Our assessment that US is transitioning to trend growth, coupled with stable to falling interest rates consistent with Fed's articulated policy guidance, will provide the necessary backdrop for positive return on global risk assets. This view has remained largely unchanged for several months. Among developed economies, we retain an overweight in US equities, where corporate growth prospects are clearer.

While easy monetary policy is lifting Japan, challenges in Europe – from high energy prices and stalling economic growth – will raise doubts. We updated our market outlook in Asia, with the stabilizing signs and improved sentiment showed in China, we added back the position in China and keep looking for opportunities in India.

We expect major central banks to start cutting interest rates from mid-2024, led by the European Central Bank, and this will provide a supportive environment for fixed income. The Fund has taken advantage of higher long end yield the last few weeks to judiciously extend duration of its fixed income portfolio. This should cushion the Fund from volatility in equities should corporate earnings estimates fail to materialise.

To manage the risk outcomes, diversification – by geography, sector and themes – is key.

Asset Allocation

Fixed Income	9.8%
Equities	74.6%
Cash and cash equivalents	15.6%

Top 5 Holdings (Equities, as % of NAV)

NVIDIA Corp	6.4%
Microsoft Corporation	5.7%
Energy Select Sector SPDR	4.0%
Alphabet Inc	3.9%
Meta Platforms Inc	3.5%