

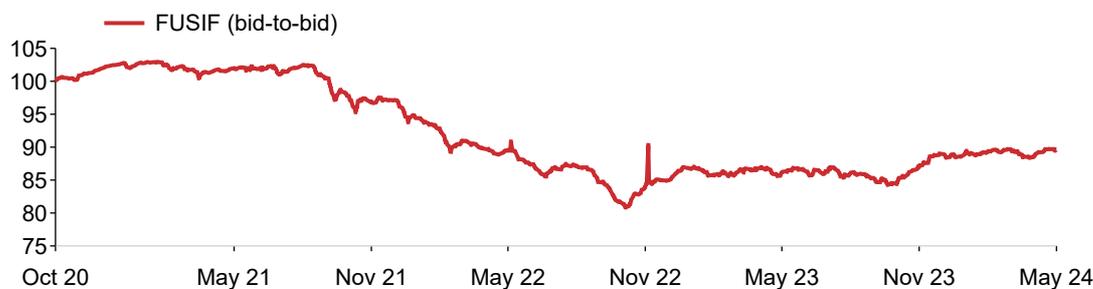
Investment Objective

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 its 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	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	1.38	0.50	3.12	4.10	-4.20	-2.93	5.35

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.

Source: Fullerton Fund Management Company Ltd

Market Review

Asian USD credits 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.

Across the Atlantic, 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 developed market central bank to cut rates, following the Swiss National Bank.

Within the Asian USD credit market, 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. At the country level, high yield-heavy countries like Sri Lanka and Pakistan led the rally, while Korea and Taiwan saw slower gains. Nearing the end of the month, S&P Global Ratings revised India's outlook from stable to positive while maintaining the BBB- rating. This revision is attributed to "robust economic growth, pronounced improvement in the quality of government spending, and political commitment to fiscal consolidation".

Inception date

05 Oct 2020

Fund size

SGD 346.60 million

Base Currency

USD

Pricing Date

31 May 2024

NAV*

SGD 0.78

Management fee

Currently 0.5% p.a., Maximum 1% p.a.

Expense Ratio

0.56% p.a. (For financial year ended 31 Mar 2023)

Distributions paid per unit #

Dec 2022: SGD 0.007

Mar 2023: SGD 0.006

Jun 2023: SGD 0.010

Sep 2023: SGD 0.010

Dec 2023: SGD 0.010

Mar 2024: SGD 0.010

Minimum Initial Investment

None

Minimum Subsequent Investment

None

Preliminary Charge

Not applicable for Class R

Dealing day

Daily, up to 5pm (Singapore time)

Deadline

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

Bloomberg Code

FULUSIS SP

ISIN Code

SGXZ45197746

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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 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. A scenario of Fed easing triggered by diminishing inflation rather than a growth shock, could create a favourable environment for markets. In response to the risk of an economic slowdown, Chinese authorities have also adjusted their policies since the April Politburo meeting, which has bolstered positive sentiment.

Recent policies aimed at supporting the Chinese property sector represent a positive step, highlighting the authorities' determination to address housing issues. The scale and implementation of these policies will be critical. The effectiveness of any new measures will depend on their swift and efficient enactment. Overall, we anticipate that recent policy easing will mitigate downside risks, though the housing market may take time to fully stabilise. Currently, our strategy prioritises issuer selection, favouring developers with investment properties or strengthening fundamentals. We are also exploring investment opportunities in related sectors, such as the Hong Kong property market, Hong Kong banks, and Chinese financial entities. This approach aims to ensure resilience in case the sector's recovery unfolds more gradually than anticipated.

In other areas of our portfolio, we have marginally extended the average portfolio duration to just under four years. Within the credit sector, we maintain a robust allocation to high-yield securities, leveraging the strong technical underpinnings of the market. The current environment of attractive all-in yields, when compared to historical averages, continues to mitigate the impact of narrow spreads. The search for yield, coupled with a low volume of new bond issuances, is providing essential support to our strategy. This scarcity of new issues creates a favourable supply-demand dynamic, further enhancing the appeal of our high-yield positions. Additionally, we employ an active trading strategy to maximise the value of our holdings. By continuously evaluating the market, we identify opportunities to sell bonds that are trading at expensive valuations and reinvest in those offering more attractive relative valuations.

Geographical Breakdown

Australia	4.4%
China	21.0%
France	2.0%
Hong Kong	8.2%
India	13.0%
Indonesia	14.6%
Japan	3.0%
Korea	7.3%
Macau	3.1%
Malaysia	2.0%
Philippines	2.9%
Singapore	2.5%
Supranational	2.6%
Switzerland	1.7%
Thailand	2.2%
UK	3.4%
Others	2.2%
Cash and cash equivalents	3.9%

Top 5 Holdings

Nanyang Commercial Bank 3.8% Nov 2029	1.7%
Republic Of Philippines 5.5% Jan 2048	1.6%
Sarana Multi Infrastruktur 2.05% May 2026	1.2%
Shinhan Financial Group 2.875% PERP	1.2%
Tencent Holdings Ltd 3.84% Apr 2051	1.2%

Rating Breakdown

AAA	2.6%
AA	2.3%
A	14.2%
BBB	56.9%
BB	14.7%
B	5.2%
CCC	0.2%
Cash and cash equivalents	3.9%

Fund Characteristics

Average coupon	4.3%
Average credit rating	BBB
Number of holdings	251
Average duration (years)	3.8
Yield to Worst	5.9%

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.

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