Fullerton Short Term Interest Rate Fund - Class C (SGD)

January 2023

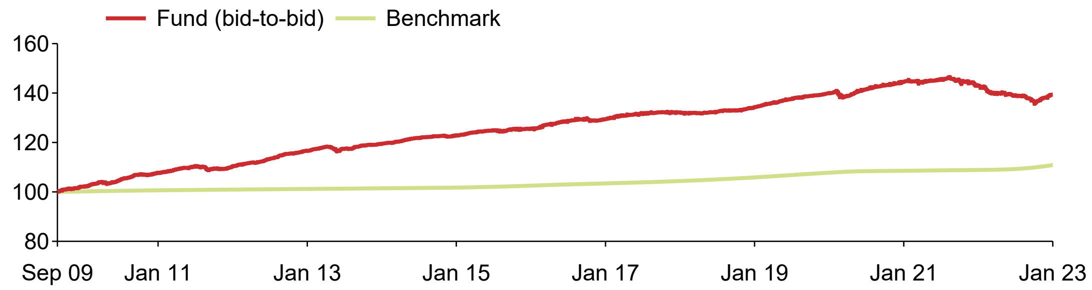
Investment Objective

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 1% frictional currency limit.

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)	0.88	2.02	0.20	-2.55	-0.15	1.08	1.80	2.52	1.38
Fund (offer-to-bid)	-2.06	-0.95	-2.72	-5.39	-1.13	0.48	1.50	2.29	NA
Benchmark	0.34	0.91	1.47	1.82	0.95	1.21	0.92	0.78	0.19

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: 3-month SIBID.
Source: Fullerton Fund Management Company Ltd and Bloomberg.

Market Review

The new year began on a strong note for bond markets. US Treasury yields declined across the curve, with the yield on the 10-year benchmark note falling to 3.5%, 37 bps below a month ago. In Singapore, the SGS 10-year government yield also declined 12bps but underperformed the US peers. The rally in bonds was also evident in the Asian and SGD credit markets, which advanced in January, according to the JP Morgan Asian Credit and Markit iBoxx Singapore index data.

Key data prints at the start of the year have shown evidence of easing inflationary pressures in the US, amid ongoing labour market strength but a weaker trajectory for consumption. The Norges Bank became the first developed market (DM) central bank to go on hold in the current wave of synchronised tightening. China's re-opening also provided some support to the growth outlook; at the same time, the IMF raised its 2023 global growth forecasts. In Singapore, headline CPI inflation eased slightly to 6.5% y/y from 6.7% in November due to a moderation in private transport and accommodation cost. Core inflation rose 5.1%, unchanged from the prior reading, but slightly higher than forecast. For 2022, core inflation averaged 4.1%, higher than the 0.9% recorded in 2021. Meanwhile, headline inflation came in at 6.1% last year, up from 2.3% in 2021. Growth-wise, Singapore's industrial production (IP) rebounded sequentially in December, led by the electronics segment. Seasonally-adjusted electronics output also appears to be stabilising but remains well below trend levels. Elsewhere, Singapore's sale of 12-month Treasury bills drew record demand as investors sought to lock in higher yields, according to MAS (Monetary Authority of Singapore) data.

Inception date
25 Sep 2009

Fund size
SGD 965.29 million

Base Currency
SGD

Pricing Date
31 Jan 2023

NAV*
SGD 1.39

Management fee
0.5% p.a.

Expense Ratio
0.54% p.a. (For financial year ended 31 Mar 2022)

Minimum Initial Investment
None (effective 1 Apr 2010)

Minimum Subsequent Investment
None (effective 1 Apr 2010)

Preliminary Charge
Up to 3%

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

Bloomberg Code
FULSTIC SP

ISIN Code
SG9999006225

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

Looking ahead, we remain constructive on the regional credit markets, given the strong technicals associated with a more constructive macroeconomic backdrop, under-positioning and attractive all-in yields. We expect growth to come into greater focus in the coming months, as the disinflation trend takes hold. The incoming data, such as the surge in the latest payrolls in the US, suggests a more constructive growth outlook than earlier expectations, pushing back the view that the US economy may slide into recession in 1H 2023. Likewise, we expect an improved near-term outlook for Europe thanks to the fading (natural gas) inflation drag and a reopening boost from China. On the latter, the coming weeks will be critical for assessing the strength of China's post-holiday demand and confirms the optimism on a consumption-led bounce. That said, housing activities may stay tepid in the near term, arising from concerns about home delivery and weak house price expectations.

Central bank tightening also appears to be winding down, bolstered by the easing of inflationary pressure and moderation in growth. The guidance has been toward a slower pace in the US, as monetary policy works with long and variable lags. The tightening cycles in Asia are also stepping down with the easing of financial conditions as the Fed downshifts and the dollar weakens. In Singapore, we believe the balance of risks is still biased towards further tightening, likely via a re-centering of the policy band at the April MPC meeting. Core inflation is expected to stay elevated, fuelled by both "imported" inflation and domestic wage pressure. Singapore's two-speed economy – a slowing goods and a rapidly recovering services sector – will also drive the consumer price inflation dynamics, such as stickier domestic wage pressure and moderation in goods prices.

The receding macro-economic uncertainties are likely to keep credit spreads anchored. In terms of interest rate risks, with valuations still looking rich, we are looking for better entry levels to extend duration. We are also active participants in the Asian USD credit primary markets to extend credit beta, in regional markets such as Korea credits. Elsewhere, we continue to invest in DM investment grade financials to enhance portfolio diversification, away from Asia.

FULLERTON FUND MANAGEMENT

Geographical Breakdown

Australia	1.7%
China	26.1%
France	2.4%
Germany	2.9%
Hong Kong	6.3%
India	2.2%
Indonesia	1.0%
Korea	5.7%
Malaysia	3.4%
Qatar	1.1%
Singapore	42.2%
Switzerland	2.4%
UK	1.3%
Others	0.4%
Cash and cash equivalents	0.8%

Rating Breakdown

AA	1.5%
A	35.4%
BBB	61.9%
C	0.4%
Cash and cash equivalents	0.8%

Top 5 Holdings

Shangri-La Hotel Limited 4.5% Nov 2025	2.7%
City Developments Ltd 2.8% Jun 2023	2.2%
Hotel Properties Ltd 3.8% Jun 2025	2.2%
Ping An Intl Fin Leasing 2.5% Aug 2024	2.1%
UBS AG 5.125% May 2024	2.1%

Fund Characteristics

Average coupon	3.2%
Average credit rating	BBB
Number of holdings	170
Average duration (years)	1.3
Yield to Worst	4.5%

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.