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

August 2021

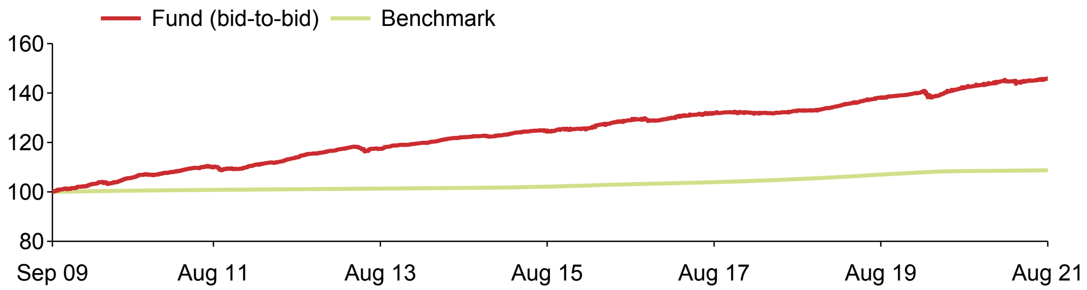
Investment Objective

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)	0.25	0.76	0.84	2.73	3.16	2.50	2.86	3.22	1.15
Fund (offer-to-bid)	-2.67	-2.18	-2.10	-0.26	2.15	1.90	2.56	2.96	NA
Benchmark	0.03	0.08	0.15	0.30	1.11	1.07	0.76	0.70	0.15

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

In August, Singapore government bonds fell, on average (-0.6%, according to the Markit iBoxx ALBI Singapore Non-Government Index, in SGD). The SGS yield curve bear-steepened, after MAS said it would hold an inaugural sale of 30-year debt for financing infrastructure projects in September. Singapore non-government bonds underperformed their SGS peers and declined (-0.8%, according to Markit iBoxx ALBI Singapore Non-Government Index, in SGD). In contrast, Asian credit advanced, based on JP Morgan data, supported by tighter credit spreads and reversed the previous weakness in July. Within the Asian credit market, the high yield sector led the rally, and outperformed their investment grade peers comfortably.

Across the Atlantic, US Federal Reserve (Fed) Chair Powell mostly reiterated the policy message from the July FOMC minutes at the Jackson Hole meeting. Chair Powell, who did not follow through with the hawkish tone struck by several of his Fed colleagues leading into the symposium, reiterated that the process of raising rates would be gradual while saying the Fed could begin tapering bond purchases this year. Against such a backdrop, the yield on the US Treasury 10-year benchmark note also rose and ended the month at 1.3%, 9 bps higher than the previous month.

In Singapore, July's industrial production moderated from June's high and expanded 16.3% y/y, falling short of most economists' forecast. July's gain was mainly due to the strong performance by the pharmaceutical sector. Elsewhere, core inflation picked up pace and rose 1% in July y/y, on the back of higher electricity and gas costs. The increase was in part due to low base effects and in line with figures forecast by economists. Likewise, headline inflation also increased by 2.5% y/y from 2.4% in June. In their statement, the Monetary Authority of Singapore (MAS) and the Ministry of Trade and Industry (MTI) noted that external inflation has remained elevated, and these upward pressures on global inflation should ease over the course of the year.

Inception date
25 Sep 2009

Fund size
SGD 1,624.59 million

Base Currency
SGD

Pricing Date
31 Aug 2021

NAV*
SGD 1.46

Management fee
0.5% p.a.

Expense Ratio
0.53% p.a. (For financial year ended 31 Mar 2021)

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.

For additional information on Fullerton and its funds, please contact:

Fullerton Fund Management Company Ltd
3 Fraser Street
#09-28 DUO Tower
Singapore 189352

T +65 6808 4688
F +65 6820 6878
www.fullertonfund.com

UEN: 200312672W

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

Investment Strategy

Singapore's economic recovery appears on track. The manufacturing sector has benefited from resilient external demand. Performance in the services sector however, has been mixed. That said, thanks to the country's vaccination success, the services and construction sectors are likely to lead the recovery in 4Q, with the gradual re-opening of the economy and easing of border controls. In contrast, the manufacturing sector, which has led the economic recovery to date, is likely to moderate. While there was a slight shift in tone describing the appropriateness of its accommodative policy stance, we are of the view the MAS is unlikely to rush to normalise FX policy and will keep its SGD NEER parameters unchanged in the October meeting, given the lingering uncertainty in the broader external outlook.

Likewise, the key message from the Fed remains one of patience and continued accommodation. We retain our moderate duration stance and a medium-term bias towards gradually higher US Treasury yields. We expect US real yields, which appear to have bottomed, to potentially rise. US Treasuries also seems overvalued, and positioning is more neutral than a few months earlier. Singapore government bond yields may also potentially rise in tandem but are likely to hold up better due to lower bond supply.

Overall, Asian corporate fundamentals have been on an improving trend and should remain well supported. Investment grade credit spreads are fair, and in line with the past five-year average. The clarification of the China Huarong situation has also boosted investor sentiments. The impact of China's regulatory policy changes has also been largely constrained to equity valuations with limited spillover to Asian investment grade credit. That said, China's regulatory measures which aim to contain risks associated with the housing market, shadow financing and local government debt, are unlikely to be reversed anytime soon. In response, we expect China's monetary policy to remain accommodative, liquidity provisions to be adequate and infrastructure investments to pick up. Importantly, we believe the Chinese policymakers will be vigilant. They also have sufficient policy room to step up if there are signs of an over-tightening of financial conditions and avert a hard landing.

Geographical Breakdown

China	38.6%
France	1.3%
Germany	1.0%
Hong Kong	5.1%
India	3.7%
Indonesia	1.5%
Korea	4.6%
Malaysia	1.3%
Singapore	38.7%
Switzerland	1.4%
Others	0.7%
Cash and cash equivalents	2.0%

Rating Breakdown

AA	1.6%
A	29.5%
BBB	66.6%
C	0.2%
Cash and cash equivalents	2.0%

Top 5 Holdings

Shenhua Overseas Capital 3.875% Jan 2025	2.3%
Indian Oil Corp 4.1% Oct 2022	2.1%
Keppel Corp Ltd 3.145% Feb 2022	1.9%
Kookmin Bank 1.375% May 2026	1.8%
AAC Technologies Holding 3% Nov 2024	1.8%

Fund Characteristics

Average coupon	3.1%
Average credit rating	BBB
Number of holdings	220
Average duration (years)	2.4
Yield to Worst	2.0%

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.