FULLERTON FUND MANAGEMENT

Fullerton USD Income Fund - Class B (USD)

April 2024

Investment Objective

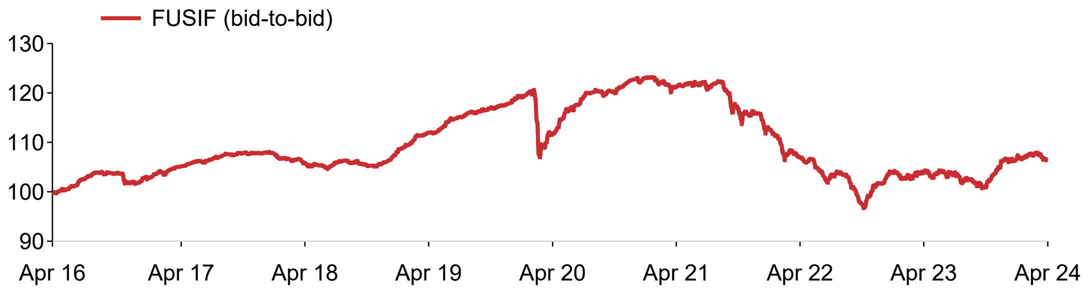
The investment objective of the Fund is to generate long term capital appreciation and/or income for investors by investing primarily in fixed income or debt securities.

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	5 yrs	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	-1.22	-0.52	5.61	2.40	-4.21	-0.99	0.79	5.33
Fund (offer-to-bid)	-4.10	-3.42	2.54	-0.58	-5.15	-1.57	0.42	NA

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in USD 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.
Source: Fullerton Fund Management Company Ltd

Market Review

Asian credits ended the month lower, according to the JP Morgan Asian Credit Index. Both the investment-grade and high-yield sectors experienced declines, with the former showing relatively more weakness compared to the latter. This underperformance can be attributed to duration-related losses, particularly as US Treasury yields surged throughout the month. Despite all that, Asia credit spreads were little changed, once again reflecting the strong technical support and search for yield motives amongst investors.

Strong US CPI, robust payrolls, resilient retail sales, helped propel US treasury yields higher in April. Yields across the US Treasury yield curve reached YTD highs during the month, as the resilience of the US economy has seen the market push out expectations of Fed rate cuts. Market-implied expectations for Fed policy for 2024 started the month at 70bps but plummeted to less than 30bps by month end. The US 10-year yields closed the month at 4.7%, marking a substantial increase of 48 basis points compared to the previous month. Conversely, US Treasuries experienced intermittent support during the month from safe-haven demand amid escalating conflict in the Middle East and strong demand observed in certain auctions.

Regarding sectors, financials, infrastructure, and metals and mining sectors demonstrated stronger performance, whereas real estate, diversified, and TMT (Technology, Media, and Telecommunications) sectors lagged. Country-wise, Pakistan and Vietnam recorded gains, while the rest of the countries delivered losses, led by Sri Lanka, Indonesia, and Malaysia which were the worst performers.

Inception date
15 Apr 2016

Fund size
USD 258.07 million

Base Currency
USD

Pricing Date
30 Apr 2024

NAV*
USD 0.78

Management fee
Currently 0.8% p.a., Maximum 1% p.a.

Expense Ratio
0.86% p.a. (For financial year ended 31 Mar 2023)

Distributions paid per unit #
Dec 2022: USD 0.008
Mar 2023: USD 0.008
Jun 2023: USD 0.010
Sep 2023: USD 0.010
Dec 2023: USD 0.010
Mar 2024: USD 0.010

Minimum Initial Investment
None

Minimum Subsequent Investment
None

Preliminary Charge
Up to 3%

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

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

Bloomberg Code
FULUSIB SP

ISIN Code
SG9999015176

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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

Since the beginning of the year, market expectations for central bank policy rates have been significantly recalibrated, now forecasting a less aggressive easing trajectory through the end of 2024. This reevaluation largely coincides with diminishing recession concerns, as economic activity has displayed surprising resilience. However, with robust growth, there exists the ongoing concern that inflation levels may persist. Consequently, we have adjusted our projections for the Fed's first rate cut to later this year, though we maintain that immediate rate increases are not on the table for the Federal Open Market Committee (FOMC), which considers current policy restrictive. The Committee still anticipate a moderation in inflation, consistent with our own projections, but this moderation is taking longer to materialise than previously thought.

Asia is particularly sensitive to the potential spillover from the repricing of the Fed’s easing cycle. This sensitivity stems from the region's slower economic recovery and comparatively subdued inflationary pressures. Moreover, Asian central banks are wary of currency volatility and the risk of capital outflows resulting from widening interest rate differentials. Consequently, we anticipate that Asian central banks are likely to lag the Fed in adjusting their rate-cutting cycles. In the case of Singapore, we continue to look for the MAS to stay on hold until there is clear evidence that inflation has turned the corner.

From a portfolio strategy perspective, periods of higher yields present an opportunity to extend duration, potentially resulting in more favourable risk-reward outcomes. In line with this approach, we have gradually extended the duration profile of our portfolio since the beginning of the year. Recently, we utilised bond futures to hedge out some of our duration risk, to manage interest rate volatility while maintaining exposure to spread risk. In parallel, we participated in primary markets for issuers with attractive pricing. These investments have been financed by trimming existing holdings that appear overvalued. In addition, we continue to seek favourable entry points to enhance our exposure in the high-yield sector, particularly in entities where our analysts have a constructive outlook.

Geographical Breakdown

Australia	4.1%
China	21.3%
France	1.9%
Hong Kong	7.9%
India	12.8%
Indonesia	14.3%
Japan	2.7%
Korea	8.1%
Macau	3.2%
Malaysia	1.8%
Philippines	3.1%
Singapore	3.1%
Supranational	2.5%
Switzerland	1.7%
Thailand	2.3%
UK	3.3%
Others	2.1%
Cash and cash equivalents	3.9%

Rating Breakdown

AAA	2.5%
AA	3.3%
A	14.0%
BBB	56.7%
BB	14.1%
B	5.3%
CCC	0.2%
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	1.5%
Export-Import Bank Korea 8% May 2024	1.2%
Shinhan Financial Group 2.875% PERP	1.2%
Sarana Multi Infrastruktur 2.05% May 2026	1.2%

Fund Characteristics

Average coupon	4.4%
Average credit rating	BBB
Number of holdings	250
Average duration (years)	4.1
Yield to Worst	6.1%

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.