

Fullerton Asia Income Return Fund - Class B (USD)

April 2024

Investment Objective

The investment objective of the Fund is to generate regular income and long term capital appreciation for investors by investing in equities, fixed income, cash and other permissible investments.

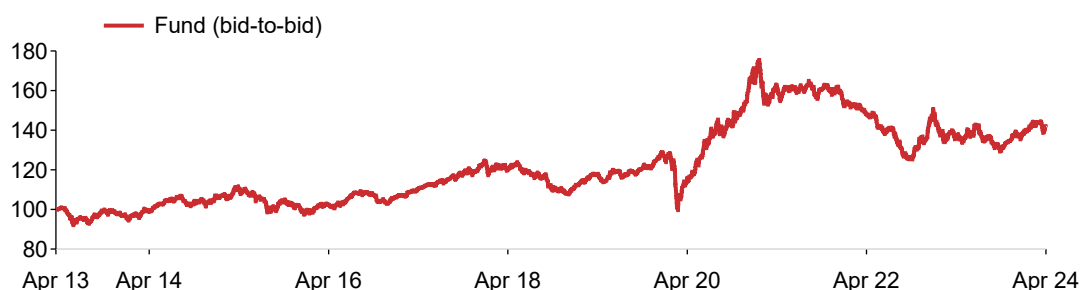
Investment Focus and Approach

The Fund may invest in collective investment schemes and other investment funds (including exchange traded funds ("ETFs")), securities and/or hold cash, in accordance with its investment objective and asset allocation strategy, as we deem appropriate.

We may use FDIs (including, without limitation, treasury, bond or equities futures, interest rate swaps and foreign exchange forwards) for hedging, efficient portfolio management, optimising returns or a combination of all three objectives.

The Fund may also invest in other Authorised Investments.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	10 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	-1.88	2.33	9.04	3.32	-4.40	3.73	3.63	3.18	10.33
Fund (offer-to-bid)	-5.65	-1.61	4.84	-0.65	-5.65	2.92	3.22	2.81	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 4% which may or may not be charged to investors.

Fullerton Total Return Fund (FTRF) updated its name to Fullerton Asia Income Return (FAIR) on 21 December 2017.

Source: Fullerton Fund Management Company Ltd.

Market Review

April was a challenging month for both equity and fixed income markets. Both equities and bond markets responded negatively as higher US inflation numbers and stronger US data from the Institute of Supply Management (ISM) led market to lower the expected rate cut by the Federal Reserve in 2024 to just 25 bps.

Despite higher bond yield in market, there was no change in major central banks' policy rates. Specifically, the Federal Reserve (Fed), whose rate setting meeting straddled April and May, acknowledged stalling progress in bringing down inflation to its 2% goal and opted to hold its benchmark interest rate at current levels. Furthermore, Fed Chair Powell remarked the Committee is "prepared to maintain the current target range for the federal funds rate for as long as appropriate".

Not surprisingly, global equities, as denoted by MSCI AC World Index, declined -3.3% in dollars. Developed market (DM) equity indices saw their first monthly drawdown since the current rally started in late October 2023. The S&P500 Index lost -4.1% in dollars while STOXX Europe 600 Index fell -1.8% in euros. Nikkei 225 Index retreated -4.9% in yen but -8.6% in dollars. Market was taken aback by the continued downward pressure on yen from widening interest rate differentials between Japan and other DM countries. There was also increased concerns from investors about the risk of imported inflation weakening Japan's domestic demand.

On the other hand, the badly beaten down emerging market MSCI Asia ex-Japan Index staged a rebound in the latter part of April and posted a +1.3% gain in dollars on the month as some investors took shelter here after switching out from DM equities.

In fixed income, as the 10-year US Treasury rose 48 bps in response to higher inflation and potentially stronger growth to end the month at 4.68%, there was carnage everywhere except in the very short duration bucket. The USD hedged Bloomberg Global Aggregate Bond Index returned -2.5%, while JACI

Inception date

15 Apr 2013

Fund size

USD 335.59 million

Base Currency

USD

Pricing Date

30 Apr 2024

NAV*

USD 0.87

Management fee

Currently 1.2% p.a.

Expense Ratio

1.40% p.a. (For financial year ended 31 Mar 2023)

Distributions paid per unit

Nov 2023: USD 0.004

Dec 2023: USD 0.004

Jan 2024: USD 0.004

Feb 2024: USD 0.004

Mar 2024: USD 0.004

Apr 2024: USD 0.004

Minimum Initial Investment

None

Minimum Subsequent Investment

None

Preliminary Charge

Up to 4%

Dealing day

Daily, up to 5pm (Singapore time)

Bloomberg Code

FULFTRB SP

ISIN Code

SG9999010219

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.

Please refer to our website for more details.

Market Review (Cont'd)

Investment Grade Index slipped -1.4%.

Commodities too experienced above average volatility as DXY, the Dollar Index gained 1.7%. Resilient central bank demand and geopolitical risk helped gold to edge 2.5% higher on the month. However, European Dated Brent eased slightly despite escalating tensions in the Middle East and an extension of OPEC+ output cuts through June. The increased US production and stockpile, coupled with decline in consumer confidence on higher interest rates more than offset the positive factors.

Investment Outlook

The Fed's preferred Core PCE inflation rose 0.3% in March and stayed unchanged at 2.8% on year-on-year basis. Without the resumption of a down trend amid healthy economic growth, central banks are likely to keep policy rates high for the time being. As this commentary is drafted, the 175,000 addition to April's Non-Farm Payroll in US was a downside surprise among a series of stronger-than-expected readings in recent past. Hiring may have slowed, but employment conditions remain far from sluggish. Although US unemployed rate has ticked up to 3.9% in April, this is the 28th consecutive month where the rate remained below 4%.

Meanwhile, the willingness of Biden Administration to continue with fiscal policy stimulus will likely extend the economic cycle further. The same cannot be said about Europe where growth outlook is again revised lower - to just 0.8% this year - in IMF's April edition of World Economic Outlook, notwithstanding European corporates thriving on the well-being of global economy. In contrast, the IMF has lifted the projected 2024 US GDP growth to 2.7%, from 2.1% just three months earlier.

China's GDP grew by 5.3% in the first quarter on a yearly basis, led by a strong rebound in industrial production and notable export growth. These have offset slow consumption and services activities recovery amid intractable decline in housing activity and sagging property prices. Private sector investment remains tepid and business confidence is still subdued.

China's top decision-making Politburo, pledged to implement prudent monetary and fiscal support to shore up demand at its April meeting. Officials stated that China would make flexible use of monetary policy tools to restore growth, including possible cuts to interest rates and reserve requirement ratio. There is little evidence of the substantial slack in economy that this stimulus could address. Nonetheless, the Politburo's pledge was seemingly sufficient for Chinese equities to stage a rebound. We remain cautious on China's outlook.

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 growth in a number of countries – will continue to raise doubts. Notwithstanding a strong rebound in equities, we are underweight China until bolder government initiatives and conviction in underwriting systemic risks faced by the property sector are evident. Our exposure in emerging market is primarily outside of China.

We expect central banks to start cutting interest rates in 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 strong corporate earnings fail to materialise.

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

Sector Breakdown (Equities)		Geographical Breakdown (Equities)		Asset Allocation	
Communication Services	4.2%	China	7.6%	Fixed Income	25.3%
Consumer Discretionary	5.0%	France	2.0%	Equities	67.0%
Energy	2.0%	India	10.6%	Cash and cash equivalents	7.8%
Financials	6.9%	Japan	9.6%		
Health Care	2.0%	Korea	5.8%		
Industrial	8.4%	Singapore	1.0%		
Information Technology	16.9%	Taiwan	5.2%		
Materials	1.6%	US	56.0%		
Real Estate	1.6%	Others	2.2%		
Utilities	1.9%				
Others	49.4%				

Ratings Breakdown (Fixed Income)

AAA	9.7%
AA	3.8%
A	32.0%
BBB	45.7%
BB	1.9%
B	0.6%
NR	6.2%

Geographical Breakdown (Fixed Income)

Australia	4.1%
China	16.5%
France	3.4%
Germany	1.6%
Hong Kong	2.5%
India	4.5%
Indonesia	6.0%
Japan	7.2%
Korea	9.0%
Malaysia	1.2%
Philippines	2.9%
Singapore	19.2%
Thailand	1.2%
UK	5.4%
US	14.1%
Others	1.1%

Top 5 Holdings (Equities, as % of NAV)

Invesco QQQ Trust Series	9.0%
iShares MSCI India ETF	2.0%
Next Funds Topix Banks	2.0%
Taiwan Semiconductor Manufacturing	1.0%
Samsung Electronics	0.6%

Top 5 Holdings (Fixed Income, as % of NAV)

Singapore Government 2.75% Mar 2046	1.7%
CSOP FTSE Chinese Government B	1.1%
Standard Chartered Plc 6.296% Jul 2034	0.3%
Tencent Holdings Ltd 3.94% Apr 2061	0.3%
Bnp Paribas 4.75% Feb 2034	0.3%

Country and Sector breakdown (Equities) does not include derivatives and Cash and Cash equivalents.

Country breakdown (Fixed Income) does not include derivatives and Cash and Cash equivalents.

Credit Rating : Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.

Disclaimer: This publication is for information only and your specific investment objectives, financial situation and needs are not considered here. The value of units in the Fund and any accruing income from the units may fall or rise. Any past performance, prediction or forecast is not indicative of future or likely performance. Any past payout yields and payments are not indicative of future payout yields and payments. Distributions (if any) may be declared at the absolute discretion of Fullerton Fund Management Company Ltd (UEN: 200312672W) ("Fullerton") and are not guaranteed. Distribution may be declared out of income and/or capital of the Fund, in accordance with the prospectus. Where distributions (if any) are declared in accordance with the prospectus, this may result in an immediate reduction of the net asset value per unit in the Fund. Applications must be made on the application form accompanying the prospectus, which can be obtained from Fullerton or its approved distributors. You should read the prospectus and seek advice from a financial adviser before investing. If you choose not to seek advice, you should consider whether the Fund is suitable for you. The Fund may use or invest in financial derivative instruments. Please refer to the prospectus of the Fund for more information.

All information provided herein regarding JPMorgan Chase & Co. ("JPMorgan") index products (referred to herein as "Index" or "Indices"), is provided for informational purposes only and does not constitute, or form part of, an offer or solicitation for the purchase or sale of any financial instrument, or an official confirmation of any transaction, or a valuation or price for any product referencing the Indices (the "Product"). Nor should anything herein be construed as a recommendation to adopt any investment strategy or as legal, tax or accounting advice. All market prices, data and other information contained herein is believed to be reliable but JPMorgan does not warrant its completeness or accuracy. The information contained herein is subject to change without notice. Past performance is not indicative of future returns, which will vary. No one may reproduce or disseminate the information, whether in whole or in part, relating to the Indices contained herein without the prior written consent of JPMorgan.

J.P. Morgan Securities LLC (the "Index Sponsor") does not sponsor, endorse or otherwise promote any Product referencing any of the Indices. The Index Sponsor makes no representation or warranty, express or implied, regarding the advisability of investing in securities or financial products generally, or in the Product particularly, or the advisability of any of the Indices to track investment opportunities in the financial markets or otherwise achieve their objective. The Index Sponsor has no obligation or liability in connection with the administration, marketing or trading of any Product. The Index Sponsor does not warrant the completeness or accuracy or any other information furnished in connection with the Index. The Index is the exclusive property of the Index Sponsor and the Index Sponsor retains all property rights therein.

This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.