# Fullerton Total Return Multi-Asset Advantage

April 2024

## Investment Objective

The Fund aims to generate medium to long term capital appreciation for investors by investing into various asset classes.

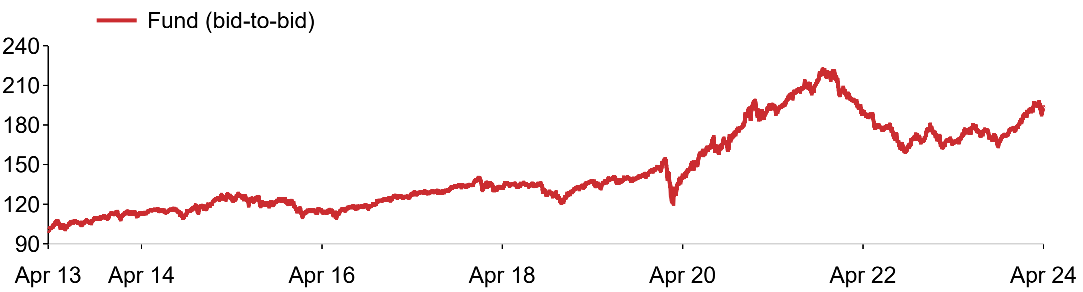
## Investment Focus and Approach

The Fund will invest primarily in will invest primarily in a diversified portfolio of collective investment schemes, other investment funds, exchange traded funds ("ETFs") (including but not limited to gold ETFs), securities and/or hold cash, as deemed appropriate by us in accordance with its investment objective.

Fixed income securities and/or collective investment schemes invested by the Fund may be denominated in SGD and/or foreign currencies. Foreign currency denominated fixed income securities and/or collective investment schemes will generally be hedged back to the SGD except for some frictional currency limit (to account for possible deviation from a 100% hedge).

The Manager may use FDIs (including, without limitation, treasury futures, interest rate futures, equity futures, gold futures, options, interest rate swaps and foreign exchange forwards) for hedging and efficient portfolio management purposes.

## 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)** | -1.84 | 5.61 | 16.45 | 15.10 | -0.32 | 6.98 | 5.43 | 6.12 | 9.23 |
| **Fund (offer-to-bid)** | -6.51 | 0.58 | 10.90 | 9.62 | -1.93 | 5.95 | 4.92 | 5.65 | NA |

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 5% which may or may not be charged to investors.
Fullerton Dynamic Strategies Fund - Aggressive has updated its name to Fullerton Total Return Multi-Asset Advantage on 2 May 2022.
Source: Fullerton Fund Management Company Ltd, and Bloomberg.

## 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% while STOXX Europe 600 Index fell -1.8%. 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 on the month as some investors took shelter here after switching out from DM equities.

**Inception date**
17 Apr 2013

**Fund size**
SGD 23.85 million

**Base Currency**
SGD

**Pricing Date**
30 Apr 2024

**NAV***
SGD 1.93

**Management fee**
Currently 1.2% p.a.

**Expense Ratio**
1.60% p.a. (For financial year ended 31 Mar 2023)

**Minimum Initial Investment**
None

**Minimum Subsequent Investment**
None

**Preliminary Charge**
Up to 5%

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

**Bloomberg Code**
FULDSAA SP

**ISIN Code**
SG9999010128

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.

## Market Review (Cont'd)

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 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.

**Asset Allocation**

| | |
|---|---|
| Fixed Income | 10.0% |
| Equities | 80.6% |
| Cash and cash equivalents | 9.4% |

**Top 5 Holdings (Equities, as % of NAV)**

| | |
|---|---|
| Microsoft Corporation | 5.4% |
| Industrial Select Sector SPDR | 4.8% |
| NVIDIA Corp | 4.8% |
| Energy Select Sector SPDR | 4.2% |
| Alphabet Inc | 3.8% |