

Fullerton Asia Income Return Fund - Class B (USD)

March 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)	1.63	3.58	8.13	4.26	-2.36	4.34	3.90	3.38	10.34
Fund (offer-to-bid)	-2.28	-0.40	3.97	0.25	-3.63	3.53	3.50	3.01	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

Equities had a strong quarter in 2024 Q1 mainly driven by hopes of a soft economic landing, along with ongoing optimism around potential offered by generative artificial intelligence. After a small correction in the early part of January, global equities, led by US, recaptured their upward momentum, with S&P500 Index returning 10.6% in dollars over the quarter. Measured in dollars, global equities MSCI AC World Index also delivered positive return, ended the quarter 8.3% higher. Japanese stocks registered decent gains in the first quarter of the year, buoyed by strong recovery in corporate profits and market re-rating due to a shift out of deflation. The Nikkei 225 Index was up 13.0% in dollars. Comparatively, the Stoxx Europe 600 Index posted 5.2% gain in dollars as concerns of recession continued to linger.

Ongoing worries over China's slower growth means MSCI Asia ex-Japan Index only delivered 2.4% in dollars. Fixed income market experienced some volatility in the quarter as investors adjusted their expectations of interest rate cuts this year due to stronger inflation prints. The 10-year benchmark US Treasury yield rose 32 bps in the quarter to end at 4.20%. USD hedged Bloomberg Global Aggregate Bond Index ended the quarter flat whereas JACI Investment Grade Index returned 1.4% as carry from credit more than offset the rising bond yield.

Three of the developed market (DM) central banks, namely the Federal Reserve, the European Central Bank and the Bank of England, kept their policy unchanged in March as February's inflation ticked up. However, the Bank of Japan raised its target policy rate for the first time in 17 years and abandoned its yield curve control policy. On the other hand, the Swiss National Bank surprised markets as the first DM central bank to ease with a 25 bps rate cut.

With inflation surprising on the upside and central banks still signalling rate cuts, precious metals had a strong quarter - silver was up 4.9% and spot gold was 8.1% stronger - with all the quarter's returns coming in March. With OPEC+ holding back on production and rising geopolitical tensions linked to OPEC+ producer Russia, Dated Brent continued to creep higher and ended the month at

Inception date

15 Apr 2013

Fund size

USD 339.09 million

Base Currency

USD

Pricing Date

31 Mar 2024

NAV*

USD 0.89

Management fee

Currently 1.2% p.a.

Expense Ratio

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

Distributions paid per unit

Oct 2023: USD 0.003

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

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

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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.

Market Review (Cont'd)

USD87/barrel.

Investment Outlook

Resilient US macro data indicates the economy remains robust, and talks of fewer than three 25 bps cuts this year are surfacing. February's non-farm payroll data indicate another 275,000 jobs were added to the US economy. Some of these jobs are likely to be part-time, hence in increase in unemployment rate to 3.9%. Structural issues and rising labour costs may be the cause for elevated inflation data in a number of DM countries. Rising Purchasing Managers Index numbers indicate a bottom has been established and DM economies, in general, are rebounding.

Meanwhile, China's recent economic activities are also generally beating expectations. Industrial production rose 7.0% year-on-year (yoy), consistent with stronger-than-expected export data and solid manufacturing activity. Manufacturing investment and steady infrastructure investment jointly contributed to fixed asset investment (FAI) growth of 4.2% yoy but real estate investment continues to drag.

Geopolitical developments, including the ongoing Russo-Ukraine War, Israel-Hamas conflicts, and Houthi attacks of cargo ships 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

The stronger data coming out of US suggests it is likely to be growing above trend. Coupled with Fed's articulated policy guidance, the necessary backdrop for continued positive return on global risk assets is quite clear. In this respect, the Fund's asset allocation is tilted to favour equities. Among developed economies, we retain an overweight in US equities, where corporate growth prospects are clearer amid continued fiscal policy support.

Despite the aforementioned change in policy, Japan is still flush with liquidity and monetary policy remains easy. Challenges in Europe – from high energy prices and stalling growth in a number of countries – will continue to raise doubts. Nonetheless, we expect European corporates to continue adjusting to the new realities and capitalise on their strength.

We continue to underweight China until bolder government initiatives and conviction in underwriting systemic risks faced by the property sector are evident. Our exposure in emerging market Asia equities is primarily outside of China where both Taiwan and Korea are favoured for their technology. As an up-and-coming economic power, Indian equities will be a longer-term story.

We expect central banks to start cutting interest rates in mid-2024, providing a supportive environment for fixed income. The Fund will take advantage of rising long end bond yield to extend duration judiciously for the fixed income portfolio. This is a hedge against growth risk and should cushion the Fund from volatility in equities when this risk materialises.

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

Sector Breakdown (Equities)		Geographical Breakdown (Equities)		Asset Allocation	
Communication Services	5.7%	China	4.8%	Fixed Income	24.4%
Consumer Discretionary	3.6%	France	2.0%	Equities	67.5%
Energy	1.5%	Hong Kong	1.5%	Cash and cash equivalents	8.1%
Financials	8.1%	India	11.1%		
Health Care	2.3%	Indonesia	1.2%		
Industrial	7.4%	Japan	12.3%		
Information Technology	16.7%	Korea	4.2%		
Real Estate	1.4%	Singapore	1.5%		
Utilities	1.7%	Taiwan	4.7%		
Others	51.7%	US	55.2%		
		Others	1.4%		

Ratings Breakdown (Fixed Income)

AAA	9.9%
AA	3.7%
A	33.6%
BBB	45.0%
BB	1.4%
B	0.5%
NR	5.9%

Geographical Breakdown (Fixed Income)

Australia	4.0%
China	15.6%
France	3.5%
Germany	1.6%
Hong Kong	2.5%
India	4.1%
Indonesia	6.1%
Japan	7.4%
Korea	10.0%
Malaysia	1.7%
Philippines	3.4%
Singapore	18.9%
UK	5.4%
US	13.6%
Others	2.2%

Top 5 Holdings (Equities, as % of NAV)

Invesco QQQ Trust Series	9.3%
NEXT FUNDS TOPIX Banks ETF	2.9%
iShares MSCI India ETF	2.0%
Taiwan Semiconductor Manufacturing	0.8%
Microsoft Corporation	0.6%

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

Singapore Government 2.75% Mar 2046	1.8%
ICBC CSOP FTSE Chinese Gov Bond ETF	1.1%
Tencent Holdings Ltd 3.94% Apr 2061	0.4%
Standard Chartered Plc 6.296% Jul 2034	0.4%
Mizuho Financial Group 5.748% Jul 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.

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