FULLERTON FUND MANAGEMENT

Fullerton USD Income Fund - Class B (USD)

March 2024

Investment Objective

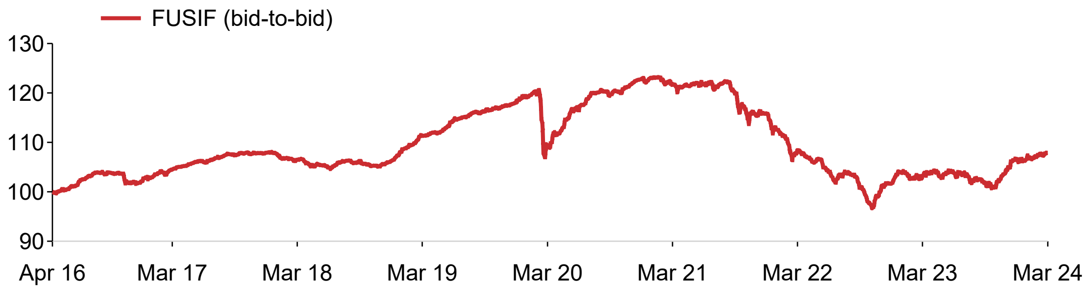
The investment objective of the Fund is to generate long term capital appreciation and/or income for investors by investing primarily in fixed income or debt securities.

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)	0.57	1.13	5.88	4.56	-3.92	-0.64	0.96	5.33
Fund (offer-to-bid)	-2.36	-1.81	2.79	1.51	-4.87	-1.22	0.58	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

March witnessed a flurry of key central bank meetings. The Bank of Japan (BoJ) delivered a widely telegraphed policy tightening, abandoning its yield-curve control and raising its short-term interest rate from "-0.1%" to "0% to -0.1%". Meanwhile, the Swiss National Bank surprised markets with a rate cut, diverging from the stance of other major developed market central banks like the Federal Reserve, which stayed on hold. Despite speculation fuelled by persistent inflation readings, the Fed held steady, retaining its projection of three quarter-point interest-rate cuts for the year.

Amidst these developments, Asian USD credits demonstrated broad gains, with both investment grade and high yield sectors advancing, with high yield bonds particularly benefiting from a compression in credit spreads. The Asian investment grade sector also rose, benefitting from tighter credit spreads alongside duration-related gains. On the latter, US Treasuries saw their first monthly gain of the year, with the yield on the 10-year Treasury dropping by 5 basis points to close at 4.2%. In terms of sectors, industries dominated by high-yield issuers such as commodities and real estate have excelled, while sectors like financials, industrials, and infrastructure were amongst the laggards in March. In terms of countries, sovereigns from Asian high-yield countries such as Pakistan, Sri Lanka, and Mongolia have led the charge in the rally, contrasting with the relatively weaker performance of countries like India, Korea, and China.

Inception date
15 Apr 2016

Fund size
USD 272.67 million

Base Currency
USD

Pricing Date
31 Mar 2024

NAV*
USD 0.80

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

Looking ahead, resilient US growth and easing financial conditions raises the likelihood of a soft-landing. The recent economic performance in China during January and February has also been a source of optimism, as it has largely surpassed expectations. This uptick is driven by robust manufacturing investment and recovering exports, which have compensated for the downturn in real estate investment. Looking ahead, we anticipate that both fiscal and monetary policies in China will maintain a growth-friendly stance, even though the likelihood of a massive stimulus package remains low, especially amidst the improving growth momentum. It is also reassuring to note that idiosyncratic credit events confined to China's property sector have thus far not had spill-over effects into the broader Asian high yield credit market.

Regarding portfolio strategies, we have selectively increased our exposure to high yield assets in companies where our analysts have a positive outlook. While Asian high yield valuations are not as compelling as they were a few months ago, we believe there is still scope for spreads to tighten further, especially given the robust technicals, notably among issuers from India and Macau, where bond valuations are expected to stay firm. We have also been leveraging the active primary market to strategically extend duration modestly, seizing opportunities as they arise.

Broadly, we believe the technical aspects of Asian credit markets remain supportive, underpinned by the ongoing search for yield amid a sluggish rebound in supply. Projections indicate that net issuance is anticipated to register a decline this year. We believe that the allure of attractive carry will remain a significant catalyst for the Asian credit market, helping to maintain spreads at stable levels. This pursuit of yield is expected to intensify, particularly if the Fed initiates interest rate reductions around mid-year, further enhancing the appeal of carry trades. With macroeconomic concerns on the decline, we anticipate that credit spreads in Asia will persist at narrow levels for an extended period. Moreover, the more favourable financing conditions are poised to bolster credit fundamentals.

FULLERTON
FUND MANAGEMENT

Geographical Breakdown

Australia	3.8%
China	20.9%
France	2.1%
Hong Kong	8.8%
India	11.2%
Indonesia	14.6%
Japan	3.2%
Korea	8.7%
Macau	2.6%
Malaysia	1.7%
Philippines	3.0%
Singapore	4.1%
Supranational	2.7%
Switzerland	1.5%
Thailand	2.0%
UK	3.1%
Others	2.0%
Cash and cash equivalents	4.1%

Rating Breakdown

AAA	2.7%
AA	3.2%
A	15.9%
BBB	59.4%
BB	10.4%
B	4.1%
CCC	0.1%
Cash and cash equivalents	4.1%

Top 5 Holdings

Nanyang Commercial Bank 3.8% Nov 2029	1.6%
Republic Of Philippines 5.5% Jan 2048	1.5%
Export-Import Bank Korea 8% May 2024	1.2%
Tencent Holdings Ltd 3.84% Apr 2051	1.1%
Sarana Multi Infrastruktur 2.05% May 2026	1.1%

Fund Characteristics

Average coupon	4.3%
Average credit rating	BBB
Number of holdings	259
Average duration (years)	4.3
Yield to Worst	5.9%

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.