FULLERTON FUND MANAGEMENT

Fullerton Short Term Interest Rate Fund - Class C (SGD)

March 2024

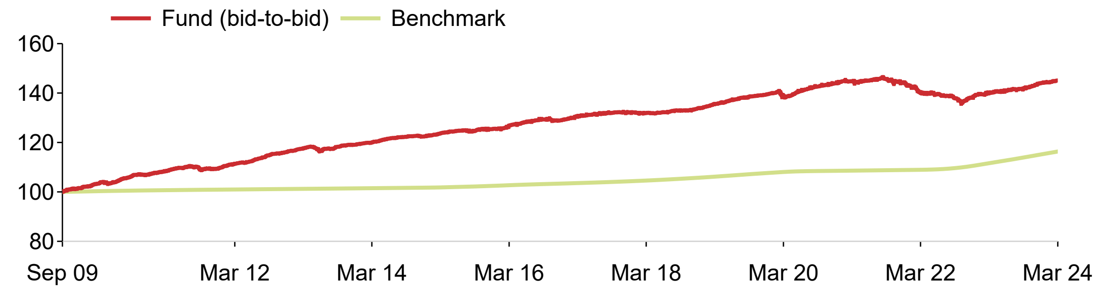
Investment Objective

The investment objective of the Fund is to achieve medium-term capital appreciation for investors. The investments of the Fund will be broadly diversified with no specific industry or sectoral emphasis.

Investment Focus and Approach

The Fund is primarily focused on fixed income securities and money market instruments. The Fund may invest in futures and derivatives for hedging purposes. The maturity limit of underlying securities is 5 years and all foreign currency denominated bonds are fully hedged back to SGD except for a 5% frictional currency limit.

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)	0.33	0.75	2.28	3.73	0.08	1.37	1.92	2.60	1.34
Fund (offer-to-bid)	-2.60	-2.18	-0.70	0.71	-0.90	0.77	1.62	2.39	NA
Benchmark	0.35	1.05	2.13	4.24	2.32	1.85	1.37	1.05	0.32

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 3% which may or may not be charged to investors.
Benchmark: 3M SORA + 0.60% p.a.
With effect from 1 August 2023, the benchmark is 3M SORA + 0.60% p.a. From inception till 31 July 2023, the benchmark was 3M SIBID.
Source: Fullerton Fund Management Company Ltd and Bloomberg.

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.

In Singapore, the Monetary Authority of Singapore (MAS)'s measure of core CPI inflation jumped to 3.6% year-on-year in February from 3.1% in January, above consensus, largely due to the base effect in the volatile travel component. Headline inflation also rose to 3.4% year-on-year, up from 2.9% in January. However, after a robust showing in January, non-oil domestic exports (NODX) dipped by 4.8% month-on-month seasonally adjusted, missing market expectations.

Amidst these developments, 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 contrast, the 2-year US Treasury yield remained unchanged at 4.6%. Singapore Government Securities (SGS) yields saw mixed movements, with the 2-year SGS yields rising by 7 basis points to 3.4%, while the 10-year SGS yield remained flat at 3.1%. Singapore's non-government sector outperformed SGS peers, as evidenced by the Markit iBoxx ALBI Singapore Non-government index. Additionally, 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. Separately, the Asian investment grade sector also rose, benefitting from duration-related gains alongside tighter credit spreads.

Inception date
25 Sep 2009

Fund size
SGD 711.62 million

Base Currency
SGD

Pricing Date
31 Mar 2024

NAV*
SGD 1.45

Management fee
0.5% p.a.

Expense Ratio
0.53% p.a. (For financial year ended 31 Mar 2023)

Minimum Initial Investment
None (effective 1 Apr 2010)

Minimum Subsequent Investment
None (effective 1 Apr 2010)

Preliminary Charge
Up to 3%

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

Bloomberg Code
FULSTIC SP

ISIN Code
SG9999006225

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.

Investment Strategy

Looking ahead, we anticipate that the Monetary Authority of Singapore (MAS) will leave its foreign exchange (FX) policy settings unchanged due to lingering inflation concerns. Despite inflation being more contained in 2024 compared to the previous two years, navigating the final stages of disinflation may pose greater challenges. Furthermore, the MAS anticipates that economic growth in 2024 will improve which also diminishes the urgency for the central bank to implement policy adjustments anytime soon.

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.

Elsewhere, recent rhetoric suggests that major central banks such as the Federal Reserve (Fed) and the European Central Bank (ECB) are still eyeing a mid-year start to easing, even if the Fed could deliver a shallower pace of interest rate reduction due to stickier core inflation and resilient growth. Separately, the Bank of Japan (BOJ) has transitioned away from its negative interest rate policy – but it is only anticipated to tighten monetary policy gradually. Consequently, a dovish stance from both the Fed and the BOJ mitigates notable event risks for emerging markets, including Asia. With macroeconomic worries diminishing, we can expect credit spreads in Asia to remain “tight for longer”.

The technical aspects of Asian credit markets are also expected to 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. This active pursuit of yield is likely to intensify, particularly if the Fed commences interest rate reductions around mid-year, which would enhance the appeal of carry trades. Furthermore, the easier financing conditions are poised to bolster credit fundamentals.

Geographical Breakdown

Australia	1.9%
China	24.6%
France	2.6%
Germany	5.4%
Hong Kong	5.8%
India	2.2%
Indonesia	1.5%
Japan	1.7%
Korea	7.7%
Malaysia	2.3%
Qatar	1.4%
Singapore	42.0%
Switzerland	3.4%
UK	1.8%
*Cash and cash equivalents	-4.2%

Rating Breakdown

AAA	9.5%
AA	2.9%
A	43.0%
BBB	48.3%
C	0.5%
*Cash and cash equivalents	-4.2%

Top 5 Holdings

MAS Bill 0% Apr 2024	7.0%
Ping An Intl Fin Leasing 2.5% Aug 2024	2.9%
UBS AG 5.125% May 2024	2.9%
Hotel Properties Ltd 3.8% Jun 2025	2.9%
UOL Treasury Services 3% May 2024	2.8%

Fund Characteristics

Average coupon	3.1%
Average credit rating	A
Number of holdings	126
Average duration (years)	1.3
Yield to Worst	5.2%

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 taking into account the hedging cost. Not guaranteed. Past performance is not necessarily indicative of future performance.
*Negative balances are due to cross month trades, and subscriptions/redemptions.