FULLERTON
FUND MANAGEMENT

Fullerton Asia Income Return Fund - Class E (SGD)

November 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.

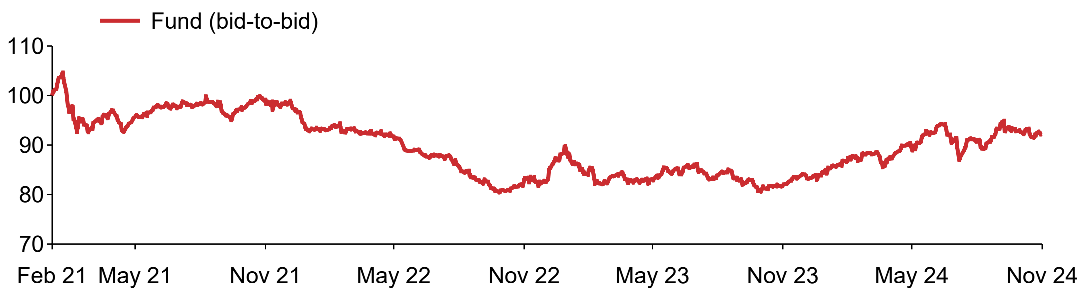
Investment Focus and Approach

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	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	-0.46	1.37	3.78	12.74	-2.38	-2.08	8.11
Fund (offer-to-bid)	-4.29	-2.53	-0.21	8.40	-3.65	-3.08	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 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

With the uncertainty surrounding the U.S. elections resolved in early November, developed market equity markets resumed their upward trajectory, making November one of the strongest months for developed market equities this year. The MSCI AC World Index, which represents global equities, recorded a return of 3.7% in U.S. dollars. U.S. equities performed particularly well, with the MSCI U.S. Index rising 6.2% and the S&P 500 Index increasing by 5.9%. Despite persistent political challenges in Europe, the MSCI Europe Index still managed a 1.1% gain in euros; however, this translated to a -1.7% return in dollars due to a -2.8% depreciation of the euro during the month.

Emerging market equities in Asia faced headwinds as concerns grew over potential tariffs on Asian exports following Donald Trump’s presidential victory plus the Republican Party's control of both the House of Representatives and the Senate. Consequently, the MSCI Asia ex-Japan Index fell by -3.3% in dollars, with the strength of the dollar accounting for 1.4 percentage points of that decline.

President-elect Trump has indicated plans to impose 25% tariffs on Canadian and Mexican exports until those countries address issues related to drugs and illegal immigration into the U.S.. Additionally, he has proposed an extra 10% tariff on imports from China above the current tariffs.

In fixed income markets, Trump's nomination of Scott Bessent as Treasury Secretary and his commitment to reduce the U.S. government's budget by $2 trillion were well-received by investors. The yield on the 10-year Treasury note decreased by 11 basis points (bps), closing at 4.17%, while the yield on the 10-year German Bund fell by 30 bps, ending November at 2.09% amid economic data suggesting a slowdown in major European economies. Market expectations are leaning towards further monetary policy easing from both the European Central Bank (ECB) and the Federal Reserve during their December meetings. The U.S. dollar-hedged Bloomberg Global Aggregate Index rose by 1.2%, while the JACI Composite Index improved by 0.5%.

Political developments in Europe could stall growth and the Fund is light on allocation. Germany's

Inception date
02 Feb 2021

Fund size
SGD 507.22 million

Base Currency
USD

Pricing Date
30 Nov 2024

NAV*
SGD 0.71

Management fee
Currently 0.60% p.a.

Expense Ratio
0.92% p.a. (For financial year ended 31 Mar 2024)

Distributions paid per unit #
Jun 2023: SGD 0.012
Sep 2023: SGD 0.012
Dec 2023: SGD 0.012
Mar 2024: SGD 0.012
Jun 2024: SGD 0.013
Sep 2024: SGD 0.012

Minimum Initial Investment
SGD 1 Million

Minimum Subsequent Investment
SGD 1 Miillion

Preliminary Charge
Up to 4%

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

Bloomberg Code
FULFTRE SP

ISIN Code
SGXZ28035020

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.
# Please refer to our website for more details.

Market Review (Cont'd)

right-wing AfD Party has announced plans to campaign for an exit from both the European Union and the euro if they form the next government following the February 2025 elections. In France, the right-wing National Rally aims to destabilise the current government, while in the UK, support for the Labour Party-led government is waning due to unpopular policy decisions and recent resignations of key officials.

Conversely, U.S. risk assets have benefited from robust economic data and strong Q3 corporate earnings reports. Market is ignoring the weakness in ISM Manufacturing Index, and instead chose to focus on October's ISM Services Index which read 56.0, its highest level since July 2022. Additionally, stability in initial jobless claims is alleviating concerns about an economic slowdown.

Gold, traditionally viewed as a safe haven during uncertain times, experienced a decline after four consecutive months of gains, dropping -3.7% due to Trump's strong electoral mandate.

Investment Outlook & Strategy

Strong economic indicators from the U.S. aside, China's proactive policy measures are expected to spur investors' interest in Chinese equities, notwithstanding potential geopolitical volatility. As the initiatives unfold, they may encourage investors to increase their allocations to Chinese equities beyond the current representation of just over 2% in the MSCI AC World Index. Supportive monetary and fiscal policies are anticipated to drive stronger growth in 2025.

The Fund plans to tactically boost its allocation to Asian equities as regional markets are likely to benefit from China's renewed focus on economic stimulation. Continued easing of monetary policy by the People's Bank of China, the ECB and Federal Reserve, alongside fiscal stimulus from U.S. and China, should support risk assets moving into next year.

However, elevated geopolitical risks remain a concern that could intermittently disrupt markets, including ongoing U.S.-China trade tensions and conflicts in Ukraine and the Middle East.

Looking further ahead, bond vigilantes are likely to demand higher term premia for longer-duration assets, potentially increasing volatility as yield curves steepen. Nevertheless, equity analysts have maintained their healthy corporate earnings forecasts, indicating resilience against risk events despite recent market fluctuations.

In conclusion, we believe that central banks' easing of monetary policies are likely to favour global risk assets over fixed-income investments. Our strategic focus will include: (i) capitalising on sectors poised for growth due to rejuvenation policies; and (ii) maintaining diversification across geographies and sectors to mitigate risks associated with geopolitical developments that could impact inflation or financial stability.

The Fund maintains an overweight position in U.S. equities due to their clearer path for corporate earnings growth. At the same time, we recognise long-term potential in Asian markets influenced by supportive government policies in Japan, China, and India. We have also extended our bond portfolio duration to offset equity risk amid recent yield surges. We continue to find credit attractive given subsiding inflation and stable economic growth prospects.

This balanced approach aims to capture growth opportunities while ensuring defensive positions are established to navigate an increasingly complex global economic landscape effectively.

Sector Breakdown (Equities)

Communication Services	15.5%
Consumer Discretionary	11.5%
Consumer Staples	2.9%
Energy	0.8%
Financials	17.3%
Health Care	6.0%
Industrials	13.2%
Information Technology	27.1%
Real Estate	2.6%
Utilities	3.2%

Geographical Breakdown (Equities)

China	14.0%
France	1.0%
Hong Kong	5.6%
India	20.5%
Indonesia	1.2%
Japan	2.2%
Korea	5.0%
Singapore	8.2%
Taiwan	8.6%
US	30.9%
Others	2.7%

Asset Allocation

Fixed Income	20.3%
Equities	69.9%
Cash and cash equivalents	9.8%

Ratings Breakdown (Fixed Income)

AAA	11.1%
AA	2.2%
A	31.1%
BBB	55.7%

Geographical Breakdown (Fixed Income)

Australia	7.6%
China	9.2%
France	1.1%
Hong Kong	6.7%
India	2.6%
Indonesia	5.4%
Japan	4.7%
Korea	3.1%
Macau	1.5%
Malaysia	1.2%
Philippines	4.1%
Singapore	10.1%
Taiwan	1.9%
UK	2.6%
United Arab Emirates	1.9%
US	33.7%
Others	2.4%

Top 5 Holdings (Equities, as % of NAV)

Invesco QQQ Trust Series 1	3.2%
Lion-Phillip S-REIT ETF	3.2%
TSMC	2.8%
Financial Select Sector SPDR Fund	2.2%
SPDR Gold MiniShares Trust	2.1%

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

SINGAPORE GOVERNMENT 2.75% MAR 2046	1.7%
AUST & NZ BANKING GROUP 5.204% SEP 2035	0.5%
FIRST ABU DHABI BANK PJS 5.804% JAN 2035	0.4%
SMIC SG HOLDINGS PTE LTD 5.375% JUL 2029	0.4%
SEKISUI HOUSE CO 5.1% OCT 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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