

Fullerton SGD Heritage Income

November 2024

Investment Objective

The investment objective of the Fund is to generate regular income and long term capital appreciation for investors.

The Fund will invest primarily in a diversified portfolio of collective investment schemes, other investment funds, securities, including but not limited to fixed income securities, equities, real estate investment trusts ("REITs"), money market instruments and cash as deemed appropriate by us in accordance with its investment objective. In normal market conditions, the Fund aims to invest around 50% of the Fund's NAV in Singapore securities (defined by country of risk) and/or SGD denominated securities, cash and cash equivalents, and/or non-SGD fixed income securities hedged back to SGD. The Fund may also invest in developed market equities (ex-Asia) for diversification reason.

Fund Information

Fund Size	SGD 296.62 million
Base Currency	SGD
Preliminary Charge	Currently up to 3%
Dealing Frequency	Every Business Day
Subscription Mode	Cash, SRS

Manager's Commentary

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% U.S. dollars. 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 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.

Within Singapore, the iStoxx Singapore Developed REITs Index suffered -3.4% in Singapore dollars, mark-to-market loss in November on profit taking as investors switched out of REITs and into the growth leaders and banks. Hence, MSCI Singapore Index saw a strong 9.3% rally in Singapore dollar. Singapore government generic 10-year bond yield slipped 8 bps to end the month at 2.74%.

Investment Outlook

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.

Singapore's core CPI inflation, which excludes private transport and accommodation, was 2.1% year-on-year (yoy) for October, considerably below the consensus of 2.5% on lower cost of services, utilities and retail prices. The next monetary policy meeting of the Monetary Authority of Singapore may be too soon to fully assess the domestic implications, assuming new policies from the U.S. will only be announced after the Trump's inauguration on 20 January. Nevertheless, we anticipate MAS's easing cycle will be gradual.

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.

Investment Strategy

Asset Allocation

We are confident central banks' easing of monetary policies will favour global risk assets. Within investment guidelines, our strategy focus will be: (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 affect inflation or financial stability.

The Fund has an overall overweight in risky assets 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.

To manage various risks, we prioritise diversification across geographies, sectors, and themes. This balanced approach aims to capture growth opportunities while ensuring that defensive positions are established to effectively navigate an increasingly complex global economic landscape.

Fixed Income

Within fixed income, we will look into adding duration as bond yields move higher. We are also selective on China credits which could benefit from stimulus and continue to participate in new issues which offer attractive relative valuations. Our investment thesis considers improvement in financial conditions. In general, we consider the investment climate going forward to be more favourable for risk assets and for this reason, the Fund is underweight fixed income.

SREITs

Notwithstanding the recent weak performance, we are positive on REITs in the longer term. Rates market has calmed down subsequent to President elect Trump announcing his intention to cut government expenses and appointing Scott Bessent, viewed by market as a prudent operator, as his preferred Treasury Secretary. Elsewhere, we remain invested in Singapore banks which have outperformed on strong earnings.

Equities

We marginally added to global equities during seasonal weakness after weighing the strong U.S. economy with rising PMI services and healthy job data. Investors' sentiment has turned quickly after a clear mandate is given to Trump and the Republicans. Continued U.S. and Chinese government stimuli, along with central banks' looser financial conditions, will likely lead to further risk assets outperformance in 2025.

Performance (%)

	1 month	3 months	6 months	1 year	3 years	5 years	Since Inception
A-SGD (bid-to-bid)	-0.36	-0.22	3.65	3.58	-4.84	-3.10	-1.98
A-SGD (offer-to-bid)	-3.27	-3.12	0.63	0.56	-5.77	-3.67	-2.50
B-SGD (bid-to-bid)	-0.36	-0.22	3.65	3.58	-4.84	-3.10	-1.98
B-SGD (offer-to-bid)	-3.27	-3.12	0.63	0.56	-5.77	-3.67	-2.50
C-SGD (bid-to-bid)	-0.36	-0.22	3.65	3.58	-4.84	-3.10	-1.98
C-SGD (offer-to-bid)	-3.27	-3.12	0.63	0.56	-5.77	-3.67	-2.50
B1-USD (bid-to-bid)	-0.16	0.36	4.72	5.49	-3.82	-2.35	-2.24
B1-USD (offer-to-bid)	-3.07	-2.56	1.67	2.42	-4.76	-2.92	-2.80

Returns are calculated on a single pricing basis 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. Returns more than a year are annualised.

Asset Allocation (%)¹

Equities	9.3
REITs	24.4
Fixed Income	66.0
Cash and cash equivalents	0.3

Country Exposure (%)^{1,2}

Singapore	43.7
Developed Markets	22.1
China	7.0
India	6.4
Indonesia	4.5
Japan	3.8
Hong Kong	3.7
Korea	3.6
Macau	1.4
Taiwan	1.2
Philippines	1.0
Others	1.4

Top 5 Holdings (Equities, % of NAV)

Netflix Inc	0.5
Walmart Inc	0.5
Microsoft Corp	0.5
TSMC	0.4
UNITED OVERSEAS BANK LTD	0.4

Top 5 Holdings (Fixed Income, % of NAV)

SINGAPORE GOVERNMENT 3.375% MAY 2034	1.4
ALIBABA GROUP HOLDING 4.4% DEC 2057	1.4
MIZUHO FINANCIAL GROUP 5.754% MAY 2034	1.2
SINGAPORE GOVERNMENT 3.375% SEP 2033	1.1
STANDARD CHARTERED PLC 4% JAN 2030	1.1

Sector Exposure (%)^{1,2}

Real Estate	36.5
Financials	29.6
Consumer Discretionary	8.9
Information Technology	4.5
Communication Services	3.9
Utilities	3.9
Industrials	3.5
Materials	2.9
Sovereigns & Supranational	2.7
Consumer Staples	1.5
Energy	1.2
Health Care	1.0

Top 5 Holdings (REITs, % of NAV)

CapitaLand Integrated Commercial Trust	6.1
CapitaLand Ascendas REIT	4.7
Mapletree Industrial Trust	2.5
Mapletree Logistics Trust	2.3
Mapletree Pan Asia Commercial Trust	1.5

Fund Statistics

Fixed Income	
Duration	4.4 years
Average Credit Rating ³	BBB
Yield-to-Worst ⁴	4.6%
Equities	
Dividend Yield	0.9%
Price to Book	4.2x
Price to Earnings	27.4x
S-REITs	
Dividend Yield	5.8%
Price to Book	1.0x
Price to Earnings	20.9x

Dividend History⁵

	Dividend / share	Record Date
Class B	SGD 0.0028	30 Oct 2024
Class B	SGD 0.0028	29 Nov 2024
Class C	SGD 0.0041	30 Oct 2024
Class C	SGD 0.0040	29 Nov 2024
Class B1	USD 0.0029	30 Oct 2024
Class B1	USD 0.0028	29 Nov 2024

Fund Details

	Class A	Class B (Distribution)	Class C (Distribution)
Inception Date	21 May 2019	21 May 2019	21 May 2019
NAV per Unit⁶	SGD 0.90	SGD 0.68	SGD 0.56
Management Fee	Currently 0.80% p.a.	Currently 0.80% p.a.	Currently 0.80% p.a.
Initial Investment	None	None	None
Subsequent Investment	None	None	None
ISIN Code	SGXZ28681005	SGXZ51694974	SGXZ70176466
Bloomberg Code	FULSHIA SP	FULSHIB SP	FULSHIC SP

	Class B1 (Distribution)
Inception Date	21 Oct 2019
NAV per Unit⁶	USD 0.69
Management Fee	Currently 0.80% p.a.
Initial Investment	None
Subsequent Investment	None
ISIN Code	SGXZ92431121
Bloomberg Code	FULSHB1 SP

Note: All fund data are sourced from Fullerton, Bloomberg dated as at 30 November 2024, unless otherwise stated.

1. Numbers might not add due to rounding.
2. Country and Sector exposures exclude derivatives, cash and cash equivalents.
3. Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.
4. Refers to Yield-to-Worst in base currency, before hedging.
5. Please refer to our website for more details on the dividend payouts.
6. Figures are truncated to 2 decimal places. Please refer to Fullerton's website for official price.

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