

# Fullerton SGD Income Fund - Class R (SGD)

November 2024

## Investment Objective

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

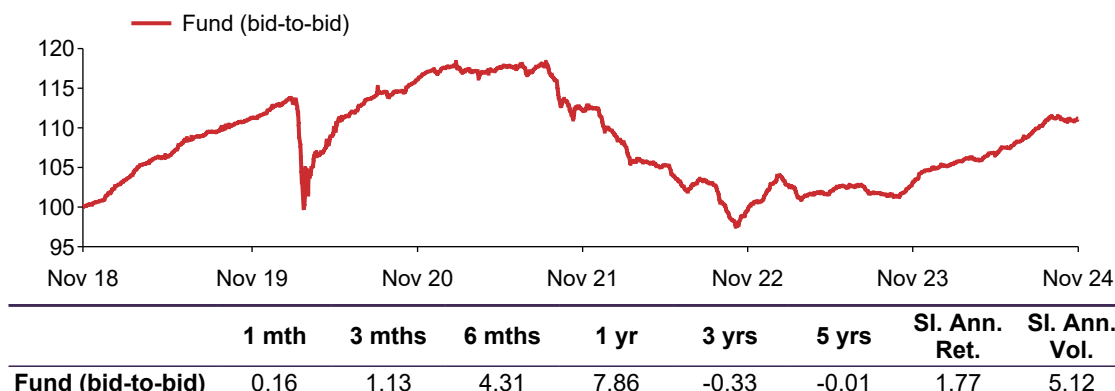
## Investment Focus and Approach

The Managers seek to add value from interest rate accruals, selection of bonds and/or credits and duration management (optimisation of bond returns by selecting bonds with different terms to maturity). The Fund will invest in a diversified portfolio of primarily investment grade fixed income or debt 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 (i.e. bonds with a long term credit rating of less than BBB- by Standard & Poor's, Baa3 by Moody's or BBB- by Fitch (or their respective equivalents)) of up to 30% of its Net Asset Value.

The Fund may invest in Singapore Dollar and foreign currency denominated bonds including but not limited to US Dollar, Euro, Japanese Yen and Australian Dollar. The foreign currency denominated bonds will be fully hedged back to the Singapore Dollar except for a 5% frictional currency limit.

## Performance (%)



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.

Source: Fullerton Fund Management Company Ltd.

## Market Review

Singapore's October core CPI (excludes private road transport and accommodation) eased to just 2.1% yoy from 2.8% yoy in September, coming in below expectations. Core CPI fell 0.2% mom (seasonally adjusted) and slowed to just 0.4% in the three months to October. Headline CPI also softened to 1.4% yoy from 2.0 % yoy, helped by a large base effect in the energy component. Growth-wise, in its latest Economic Survey of Singapore, the Ministry of Trade and Industry (MTI) revised Q3 GDP to show a visibly faster sequential expansion of 3.2% qoq (seasonally adjusted), compared with the advanced estimate of 2.1%.

Across the Atlantic, the US fixed income market experienced notable fluctuations, primarily influenced by key events such as the nonfarm payroll print, the US election, and the Fed meeting. The US 10-year treasury yield demonstrated a narrower trading range compared to the previous month, oscillating between 4.17% and 4.50%, and ultimately closing at 4.17%, which is 11 basis points lower than the previous month. The Federal Reserve implemented a 25-basis point rate cut in November, bringing the target range to 4.50-4.75%, and signalled a cautious approach towards future rate reductions. Despite mid-month pricing of the Fed terminal rate reaching as high as 3.7%, it settled below 3.5% by the end of November. This reflects market expectations of a more gradual path of rate cuts. The US yield curve also flattened, with the 2-10 spread narrowing to just +1 basis point positive differential (as the 10-year yield declined sharply in November while the 2-year yield remained largely unchanged). The yield curve behaviour indicates a cautious economic growth outlook.

Against this backdrop, the 10-year SGS yield also declined by 8 basis points to end the month at 2.74%, while the 2-year SGS yield rose 3 basis points to 2.07%. This flattening of the Singapore yield curve occurred alongside similar movements in the US treasury curve, where the 10-year yield declined 11 basis points to 4.17%, while the 2-year yield remained mostly unchanged at 4.2%. Additionally, SGS outperformed non-government bonds in Singapore, as reflected by the Markit iBoxx ALBI Singapore indices.

For Asian credit markets, this segment had a mixed performance in November. The Investment Grade (IG) segment performed well, driven by duration-related gains. However, returns in the non-Investment

## Inception date

21 Nov 2018

## Fund size

SGD 971.72 million

## Base Currency

SGD

## Pricing Date

30 Nov 2024

## NAV\*

SGD 0.88

## Management fee

0.5% p.a.

## Expense Ratio

0.59% p.a. (For financial year ended 31 Mar 2024)

## Distributions paid per unit #

Jun 2023: SGD 0.011

Sep 2023: SGD 0.011

Dec 2023: SGD 0.011

Mar 2024: SGD 0.011

Jun 2024: SGD 0.011

Sep 2024: SGD 0.011

## Minimum Initial Investment

SGD100,000

## Minimum Subsequent Investment

None

## Preliminary Charge

Not applicable for Class R

## Dealing day

Daily, up to 5pm (Singapore time)

## Bloomberg Code

FULSGIR SP

## ISIN Code

SG9999014641

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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)

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Grade (non-IG) segment underperformed due to headwinds arising from widening credit spread action.

On a country level, in November, Sri Lanka emerged again as a strong performer delivering substantial positive returns amid meaningful spread tightening action. Its debt restructuring efforts seems to be gaining traction. Taiwan and Malaysia also performed positively supported by favourable US treasury returns. On the flipside, Pakistan was the weakest performer, while India and Vietnam also faced challenges.

Sector wise, the Oil & Gas sector was a strong performer, achieving notable positive returns. The Industrial and Diversified sectors also posted positive returns, supported by a combination of favourable US treasury returns and spread tightening action. Conversely, the Real Estate sector underperformed the most. The Infrastructure and Utilities sectors also faced challenges with negative returns, driven largely by adverse spread action.

## Investment Strategy

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The 2025 outlook is built on a narrative of a resilient global economy, supported by a still-exceptional U.S. growth engine, offset by challenges in China. On the same note, regional divergences in growth and inflation will drive greater diversity in central bank actions, resulting in less synchronised monetary policy. Europe is expected to ease significantly, while the Federal Reserve (Fed) adopts a measured approach, supported by the U.S.'s robust growth and manageable inflation pressures. While policy direction under President-elect Trump remains uncertain, an increase in tariffs on China appears likely. Meanwhile, China remains committed to stabilising growth and mitigating downside risks, with fiscal and monetary support likely to be complemented by measured CNY depreciation.

Singapore's recent downside surprises in inflation and its trade-dependent economy are likely to prompt the MAS to ease its FX policy by reducing the SGD NEER restrictiveness in 2025. The risk is tilted towards an earlier start to the easing cycle, if the MAS chooses to act preemptively to support growth amid evolving global dynamics. While Singapore's highly integrated trade networks may face pressure from potential U.S.–China trade tensions, a near-term boost from preemptive export front-loading should support trade activity and growth in the interim.

Against this backdrop, the portfolio is strategically positioned to strike a balance between resilience and opportunity. We will maintain our current duration stance while remaining agile to adjust based on potential shifts in U.S. or local policies under the evolving macroeconomic landscape. In the credit space, we will actively participate in new issue markets when valuations present compelling opportunities. Additionally, we aim to selectively increase exposure to high-yield credits, focusing on suitable names that align with our rigorous credit selection criteria.

#### Geographical Breakdown

|                           |       |
|---------------------------|-------|
| Australia                 | 7.4%  |
| China                     | 8.7%  |
| France                    | 10.0% |
| Germany                   | 4.7%  |
| Hong Kong                 | 13.8% |
| India                     | 3.3%  |
| Indonesia                 | 3.8%  |
| Japan                     | 3.5%  |
| Netherlands               | 2.7%  |
| Romania                   | 1.2%  |
| Singapore                 | 22.4% |
| Spain                     | 1.2%  |
| Switzerland               | 4.7%  |
| Taiwan                    | 1.1%  |
| UK                        | 7.2%  |
| Others                    | 3.7%  |
| Cash and cash equivalents | 0.5%  |

#### Top 5 Holdings

|  |      |
|--|------|
| Credit Agricole SA 3.8% Apr 2031         | 2.0% |
| AIA Group Ltd 2.9% PERP                  | 2.0% |
| ABN AMRO BANK NV 5.5% Oct 2032           | 1.8% |
| Frasers Property Treasury 4.25% Apr 2026 | 1.6% |
| Deutsche Bank Ag 4.4% Apr 2028           | 1.5% |

#### Rating Breakdown

|                           |       |
|---------------------------|-------|
| AAA                       | 0.8%  |
| AA                        | 1.4%  |
| A                         | 13.3% |
| BBB                       | 64.9% |
| BB                        | 17.1% |
| B                         | 1.6%  |
| C                         | 0.4%  |
| Cash and cash equivalents | 0.5%  |

#### Fund Characteristics

|                          |      |
|--------------------------|------|
| Average coupon           | 4.8% |
| Average credit rating    | BBB  |
| Number of holdings       | 203  |
| Average duration (years) | 4.5  |
| Yield to Worst           | 5.7% |

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.

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