

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

November 2024

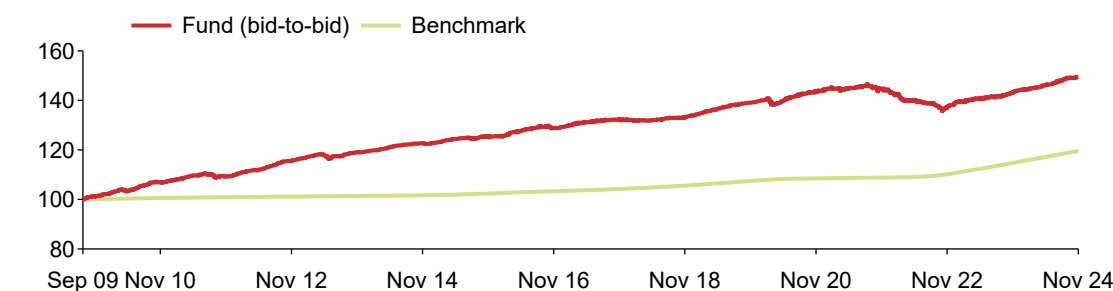
Investment Objective

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	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	0.28	0.98	2.30	4.44	1.12	1.45	1.99	2.68	1.32
Fund (offer-to-bid)	-2.64	-1.96	-0.68	1.40	0.13	0.86	1.69	2.48	NA
Benchmark	0.31	0.99	2.05	4.22	3.18	2.15	1.63	1.18	0.36

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

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

25 Sep 2009

Fund size

SGD 978.24 million

Base Currency

SGD

Pricing Date

30 Nov 2024

NAV*

SGD 1.50

Management fee

0.5% p.a.

Expense Ratio

0.55% p.a. (For financial year ended 31 Mar 2024)

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.

Market Review (Cont'd)

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

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 balance resilience with opportunities. We are increasing credit exposure selectively, supported by solid corporate fundamentals and healthy balance sheets that offer a buffer against economic shocks. Recent inflows allow us to participate in primary markets, focusing on new issuances with compelling valuations. On duration, we are comfortable with our current stance but remain agile, ready to adjust positions based on potential shifts in U.S. or local policies under the evolving macroeconomic landscape. The portfolio's structure reflects a commitment to adaptability and careful credit selection, ensuring it remains positioned to navigate challenges while capturing opportunities that align with our longer-term goals.

Geographical Breakdown

Australia	4.8%
China	13.6%
France	2.0%
Germany	4.0%
Hong Kong	7.0%
India	2.0%
Indonesia	2.3%
Japan	1.2%
Korea	5.9%
Macau	2.6%
Malaysia	3.4%
Philippines	1.5%
Qatar	1.3%
Singapore	41.9%
UK	3.7%
Others	1.3%
Cash and cash equivalents	1.3%

Top 5 Holdings

Singapore Government 2.875% Jul 2029	6.7%
Macquarie Group Ltd 4.5% Aug 2026	3.2%
MAS Bill 0% Dec 2024	3.1%
Hotel Properties Ltd 3.8% Jun 2025	2.2%
MAS Bill 0% Feb 2025	2.0%

Rating Breakdown

AAA	14.8%
AA	1.5%
A	26.4%
BBB	55.7%
C	0.4%
Cash and cash equivalents	1.3%

Fund Characteristics

Average coupon	3.4%
Average credit rating	A
Number of holdings	141
Average duration (years)	1.8
Yield to Worst	4.9%

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 taking into account the hedging cost. Not guaranteed. Past performance is not necessarily indicative of future performance.

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