

# Fullerton Short Term Interest Rate Fund - Class D (USD Hedged)

April 2023

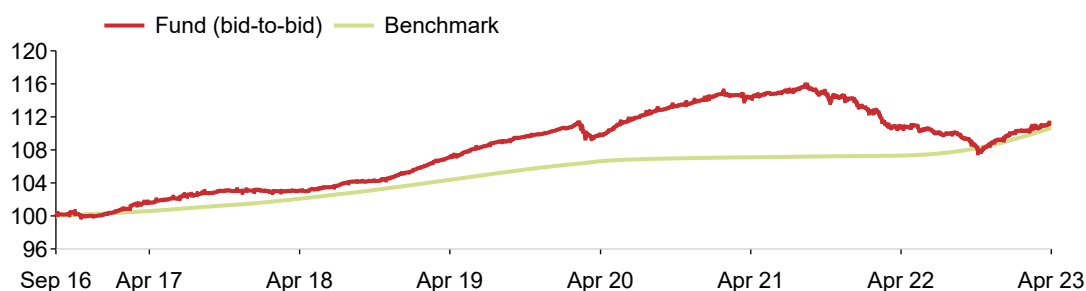
## Investment Objective

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 1% frictional currency limit.

## Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
<b>Fund (bid-to-bid)</b>	0.53	1.09	2.69	0.49	0.41	1.54	1.62	1.43
<b>Fund (offer-to-bid)</b>	-2.40	-1.85	-0.30	-2.44	-0.57	0.94	1.17	NA
<b>Benchmark</b>	0.43	1.22	2.26	3.12	1.24	1.62	1.54	0.34

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in USD 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: 3-month SIBID.

Source: Fullerton Fund Management Company Ltd and Bloomberg.

## Market Review

In Singapore, the Monetary Authority of Singapore (MAS), which uses the exchange rate as its main policy tool, maintained the slope, center and width of the currency band at the April MPC meeting, following five consecutive tightening moves since October 2021. The central bank noted that core inflation is expected to decrease materially in the second half of 2023, and it has cited "downside risks to inflation" for the first time. For the full year, MAS expects core inflation to average 3.5% to 4.5%, with headline inflation estimated to be between 5.5% and 6.5%. Singapore's central bank also said that the country's gross domestic product is expected to "moderate significantly" this year, and that prospects for growth this year have "dimmed." This comes as the economy grew 0.1% in the first quarter compared with a year ago, according to the Ministry of Trade and Industry's advance GDP estimates.

Across the Atlantic, US Treasury yields have traded at a tighter range over April following the large moves in March. Risk sentiment remains skittish amid fears of a tightening in US regional bank lending. Key US data prints have been mixed. Inflation and wage data remain reflective of sticky inflation while the US labour market remains tight. The US Treasury 10 year yield ended the month at 3.4%, 4bps below a month ago levels. SGS outperformed US Treasuries and declined across the curve, with the SGS 10 year yield ending the month at 2.8%, 18bps lower than a month earlier. Singapore non-government bonds also gained on average, according to the Markit iBoxx ALBI Singapore index data. Elsewhere, Asian USD investment grade credits also advanced, according to the JP Morgan Asian Credit – Investment Grade Index, driven by duration gains and tighter credit spreads.

## Inception date

15 Sep 2016

## Fund size

USD 712.08 million

## Base Currency

SGD

## Pricing Date

30 Apr 2023

## NAV\*

USD 1.11

## Management fee

Currently 0.50% p.a.

## Expense Ratio

0.54% p.a. (For financial year ended 31 Mar 2022)

## Minimum Initial Investment

None

## Minimum Subsequent Investment

None

## Preliminary Charge

Up to 3%

## Dealing day

Daily, up to 5pm (Singapore time)

## Bloomberg Code

FULSTID SP

## ISIN Code

SG9999015671

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\* Figures have been truncated to 2 decimal places. The official price is published on Fullerton's website.

## Investment Strategy

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Looking ahead, we retain a positive medium-term stance on duration, as downside risks to growth and inflation build. However, we recognize that bond yields could increase in the near term as markets currently price in significant easing starting this year. Therefore, we plan to take advantage of any back-up in bond yields to extend duration, anticipating our positive medium-term duration view. We believe that SGS could outperform US Treasuries in the near term due to ample domestic liquidity and the aggressive market pricing of Fed rate cuts. However, SGS may underperform over the medium term due to the supply overhang in the latter half of the year and markets pricing in an extended pause by the MAS. On the latter, the MAS decided to maintain its monetary policy settings in April, following five consecutive tightening moves since October 2021. We expect the central bank to stay on hold at the next policy meeting in October due to rising global growth risks and inflation retreating to historical averages once the impact of the GST hike is excluded.

Otherwise, our investment strategy remains focused on identifying opportunities to add investment-grade credits to our portfolios, with a particular emphasis on short-dated carry. Additionally, we are actively managing fallen angel risks to ensure that our portfolios remain well-balanced and aligned with our investment goals, which are to generate strong returns for our clients while managing risk effectively. Elsewhere, we believe that the banking sector in Asia is relatively well-placed and less vulnerable than its DM peers. Asian banks tend to have more traditional balance sheets, focusing on plain vanilla lending and fee income. Many regional banks also have good access to cheap onshore funding due to the implicit support from government ownership. Asian banks have strong liquidity positions and capital buffers due to stringent regulations and a sticky customer deposit base, which mitigates financial stability risks and ensures they are well-positioned to weather potential storms in the global economy.

**Geographical Breakdown**

Australia	1.7%
China	24.6%
France	2.5%
Germany	2.0%
Hong Kong	6.0%
India	1.6%
Indonesia	1.1%
Japan	1.3%
Korea	5.4%
Malaysia	3.5%
Qatar	1.2%
Singapore	43.9%
Switzerland	2.4%
UK	1.3%
Cash and cash equivalents	1.7%

**Top 5 Holdings**

MAS Bill 0% 26 May 2023	3.1%
Shangri-La Hotel Limited 4.5% Nov 2025	2.8%
MAS Bill 0% 12 May 2023	2.6%
City Developments Ltd 2.8% Jun 2023	2.3%
Hotel Properties Ltd 3.8% Jun 2025	2.2%

**Rating Breakdown**

AAA	9.2%
AA	1.5%
A	37.4%
BBB	49.8%
C	0.4%
Cash and cash equivalents	1.7%

**Fund Characteristics**

Average coupon	2.9%
Average credit rating	A
Number of holdings	157
Average duration (years)	1.3
Yield to Worst	4.8%

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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