FULLERTON FUND MANAGEMENT

Fullerton MoneyOwl WiseIncome

November 2021

Investment Objective

The investment objective of FMWI 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, exchange traded funds (“ETFs”), 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.

Fund Information

Fund Size	SGD 39.45 million
Base Currency	SGD
Preliminary Charge	Currently 0%
Dealing Frequency	Every Business Day
Subscription Mode	Cash, SRS

Manager’s Commentary

Market Review

Fears of the new Omicron COVID-19 variant spooked investors, leading to a sharp market correction in risk assets toward month-end. Global equities closed in the red with the more defensive US large cap stocks and China onshore equities outperforming other major Developed Market and Asia ex-Japan equities. Until the emergence of Omicron, equity markets were largely resilient despite the noticeable shift to a more fragile growth-inflation-policy mix. In the US, strong October job gains and relatively elevated CPI print spurred various FOMC members to highlight the likely need for accelerated tapering, which led to markets re-pricing an earlier Fed lift-off.

Global investment grade bonds and the broad USD saw positive returns, both benefiting from the flight to safety. Notably, US Treasuries rallied less than UK gilts and German bunds, given a more hawkish Fed compared to the BoE and ECB respectively. Broad USD strength was also supported by these diverging monetary policy trends.

Asia USD credit posted a slight positive return, with US Treasury moves cushioning the spread widening. Asia USD High Yield underperformed Asia USD Investment Grade, largely dragged down by the China property sector. Despite some property easing measures, investor sentiment on China property largely remained weak as the sector continued to grapple with negative headlines on Kaisa and Aoyuan.

Investment Outlook

We maintain our base case of above-trend global growth and moderating inflationary pressures through 2022. Barring any negative shocks from the Omicron variant, the demand outlook continues to look bright as global economies reopen further and corporates are indicating higher capex intentions. The supply outlook appears less daunting, with some early signs of easing in bottlenecks that should help inflation moderate in coming months.

Economies are running at multi-speed, and we expect monetary policy divergence to be a key theme going forward. With the US economy powering ahead and coming closer to “full employment”, we see the Fed retaining a hawkish stance against inflationary risks. We expect Fed Chair Powell to announce an accelerated pace of tapering in the December FOMC meeting, bringing forth the end of asset purchases in March, and opening the door to an earlier Fed rate lift-off. Markets are currently pricing in a Fed lift-off in 2Q22 and 2.5 rate hikes in total for 2022.

Conversely, even while inflation may be rising in the Euro area and Japan, we expect the ECB and BoJ to be on hold for 2022.

On China, we are likely past the worst of the regulatory tightening cycle, even as the slowing property market will continue to weigh on growth and sentiment. We are already seeing some incremental policy easing and expect more monetary and fiscal support in coming months.

Investment Strategy

On investment strategy, we continue to tap on Tactical Asset Allocation to navigate volatility. Bottom-up, we remained focused on stocks and credits with good fundamentals.

<u>Asset Allocation</u>

We keep a pro-risk stance in our multi-asset portfolios, favoring equities over fixed income amid a positive nominal growth, yet negative real yield backdrop. We are cognisant that we are in a more mature stage of the equity bull market. However, even if valuations moderate further on tighter monetary policy, we see sufficient room for earnings growth to drive equity returns.

<u>Fixed Income</u>

We are cautious on Asia High Yield, given the ongoing China property market slowdown, even while noting that valuations are looking attractive. To protect against downside risks, we have pared down allocation to High Yield, as part of our risk management discipline. We have rotated out of Chinese USD high yield real estate that we have identified as most vulnerable. The portfolio’s exposure to SGD credit has also increased as we expect credit fundamentals to be supported as the Singapore economy continues to recover, although we are also mindful the tail risk created by the omicron variant.

<u>SREITs</u>

While it’s still too early to tell the impact of Omicron, it certainly does add more uncertainty to the outlook, and we will be closely monitoring the situation for any new developments. Notwithstanding the uncertainty, the current situation differs from the onset of pandemic in 2020 as the retailers have had more experienced in moving to online channels. Looking forward, the rental cycle is showing signs of stabilization and the relatively low supply is expected to be supportive of rents. Distribution Per Unit (DPU) growth is expected to be positive in 2022 as we expect the Singapore economy to continue its recovery barring any abrupt deterioration of the Covid situation.

Equities

In November, emerging market equities fell more than developed market equities despite coming into the month with relatively cheaper valuations and larger intra-year drawdown. In an environment where monetary accommodation is reduced, we expect developed market equities to be more resilient compared to emerging market equities. In particular, we like US large cap for their high quality and earnings delivery.

Performance (%)

	1 mth	3 mths	6 mths	1 year	3 years	5 years	Since Inception
R-SGD (bid-to-bid)	-1.21	-1.82	1.05	-	-	-	1.44
R1-SGD (bid-to-bid)	-1.21	-1.82	1.05	-	-	-	1.44

Returns are calculated on a single pricing basis with net dividends and distributions (if any) reinvested. Returns more than a year are annualised. Preliminary charge is currently waived.

Asset Allocation (%)[1]

Equities	31.4
REITs	29.2
Fixed Income	34.1
Cash and cash equivalents	5.2

Regional Exposure (%)[1]

Singapore	41.4
Developed Markets	32.3
Emerging Markets	26.4

Fixed Income Sector Exposure (%)[1]

Financials	26.5
Government	23.4
Real Estate	14.0
Energy	9.0
Industrials	5.6
Consumer Discretionary	5.3
Materials	5.2
Utilities	4.3
Communication Services	3.0
Information Technology	2.5
Health Care	0.7
Consumer Staples	0.6

Top 5 Holdings (Equities, REITs, % of NAV)

Amundi Prime Global ETF	15.3
Vanguard FTSE Developed World ETF	13.2
CapitaLand Integrated Commercial Trust	6.5
Ascendas Real Estate Investment Trust	6.0
Mapletree Industrial Trust	3.4

Fund Statistics

Fixed Income	
Duration	5.6 years
Average Credit Rating[2]	A-
Yield-to-Worst[3]	3.5%
S-REITs	
Dividend Yield	5.0%
Price to Book	1.1x
Price to Earnings	18.2x

Top 5 Holdings (Fixed Income, % of NAV)

Singapore Government 2.875% Sep 2030	5.3
Singapore Government 2.875% Jul 2029	1.1
Sands China Ltd 5.4% Aug 2028	0.4
Shenhua Overseas Capital 3.875% Jan 2025	0.4
Shinhan Financial Group 3.34% Feb 2030	0.4

Dividend History[4]

	Dividend / share	Record Date
Class R	SGD 0.0114	30 Jun 2021
Class R	SGD 0.0114	30 Sep 2021
Class R1	SGD 0.0202	30 Jun 2021
Class R1	SGD 0.0202	30 Sep 2021

Fund Details

	Class R (Distribution)	Class R1 (Distribution)
Inception Date	31 March 2021	31 March 2021
NAV per Unit[6]	SGD 0.99	SGD 0.97
Management Fee	Currently 0.40% p.a.	Currently 0.40% p.a.
Initial Investment	None	None
Subsequent Investment	None	None
ISIN Code	SGXZ55613715	SGXZ44316438
Bloomberg Code	FULFMWR SP	FULFMR1 SP

Note: All fund data are sourced from Fullerton, Bloomberg dated as at 30 November 2021, unless otherwise stated.

1. Numbers might not add due to rounding.
2. Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.
3. Refers to Yield-to-Worst in base currency, before hedging.
4. Dividends are declared on a quarterly basis (i.e. March, June, September, December). Please refer to our website for more details on the dividend payouts.
5. Figures are truncated to 2 decimal places. Please refer to Fullerton's website for official price.

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