FULLERTON FUND MANAGEMENT

Fullerton MoneyOwl WiseIncome

April 2022

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

Manager's Commentary

Market Review

The return of financial assets in April this year bucked the historical trend as the reality of potential rate hikes led by the US Federal Reserve took a toll on markets. To recap, Fed started hiking in March after swiftly winding down its quantitative easing (QE) program. For the time being, the market believe the Fed will hike aggressively given how far it is "behind the curve" in view of record high inflation in US despite the absence of positive recession markers. Fed's own preferred inflation benchmark, the personal consumption expenditure index, has risen to 6.6% in March on a year-on-year basis. Fed also plans to execute its quantitative tightening program shortly to reduce the size of its USD9 trillion balance sheet.

Government bond yields, led by US Treasuries, escalated further globally as the market could no longer rely on the Fed to mop up the supply from funding the ongoing US fiscal deficit. Not surprisingly, Bloomberg Barclays Global Aggregate Index suffered a 2.7% loss (in dollar terms) while US Aggregate fell another 3.8%. From being the most overvalued financial asset in July last year, the relentless upswing in Treasury yields as investors considered the Fed's position, has caused the asset class to post the worst return since US Aggregate index's inception in 1976. In Asia, the JPMorgan Asia Credit Index saw a 2.2% decline (in dollar terms), but after the massive repricing in High Yield bonds since the latter part of 2021, this month's negative return came mainly from longer duration Investment Grade bonds.

Higher Treasury yields also prompted the repricing of other assets in April. The S&P500 Index retreated 8.7% (in dollar terms), a more severe drawdown than both MSCI Asia ex-Japan (-5.2%) and Stoxx Europe 600 Index (-5.5%), both in dollar terms. The movements in financial markets year-to-date are symptomatic of a bear market, as risk-parity funds continue to pare down their exposure.

Investment Outlook

In the US, the economy is running on overdrive and the labour market remains very tight. This picture has not changed but financial markets are progressively pricing in a loss of growth momentum. The Fed's monetary policy tightening will reduce liquidity growth. Coupled with a Russia-Ukraine conflict which compounded the shortage in commodities, the likely result is lower price-to-earnings multiples for equity over time.

We are negative on risk-assets in part because we believe, based on our study of prior cycles, that the market has not fully priced in the extent of the Fed's tightening. The record level of indebtedness by government, corporate and household sectors has also reduced the likelihood that the Fed can engineer a soft landing successfully. The pace of hikes and the Fed's communication will be key to the market's performance.

The Chinese government has announced more support for the economy as the zero-Covid restrictions are weighing heavily on economic activities and livelihood. Its CNY14.8 trillion (US$2.3 trillion) proposed infrastructure spending to kickstart the economy is likely to commence within months. More is expected to follow since China's leaders have pledged to meet its growth target of around 5.5% this year at the April Politburo meeting.

Investment Strategy

<u>Asset Allocation</u>

The bounce in the market since mid-March has played its course and our risk-based active management strategy compels us to reduce the allocation to risk assets. This is a tactical move, given our more cautious stance on risk assets. We are also closely monitoring the developments in the ongoing Russia-Ukraine conflict crisis and the Omicron situation, and their impacts on peace dividends.

<u>Fixed Income</u>

The Fed has few alternatives but to tighten financial conditions aggressively to anchor inflation and inflationary expectations. Given the current level of rates in fixed income, we have also turned less negative on duration. In Asian credit, the Fund is defensively positioned given the ongoing China lockdown risk and weak investor sentiment.

<u>SREITs</u>

Singapore has removed most Covid restrictions and is moving towards the endemic phase, a development generally positive for REITs. Our portfolio is focus on bottom-up selection and have exposure to selected retail and office. We will continue to look for names with acquisition potential, strong fundamentals, attractive valuations, as well as structural winners in a post-Covid world.

<u>Equities</u>

Within the equities sub-portfolio, we have reduced our exposure to global equities.

Performance (%)

	1 mth	3 mths	6 mths	1 year	3 years	5 years	Since Inception
R-SGD (bid-to-bid)	-2.24	-0.87	-5.02	-3.37	-	-	-2.29
R1-SGD (bid-to-bid)	-2.24	-0.87	-5.02	-3.37	-	-	-2.29

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	25.5
REITs	32.0
Fixed Income	36.5
Cash and cash equivalents	6.0

Regional Exposure (%)[1]

Singapore	48.0
Developed Markets	26.4
Emerging Markets	25.6

Fixed Income Sector Exposure (%)[1]

Government	29.0
Financials	28.0
Real Estate	9.6
Energy	7.5
Industrials	5.9
Utilities	4.8
Materials	4.5
Consumer Discretionary	4.0
Communication Services	3.4
Information Technology	2.1
Health Care	0.7
Consumer Staples	0.4

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

Vanguard FTSE Developed World ETF	11.6
Amundi Prime Global ETF	11.3
CapitaLand Integrated Commercial Trust	8.6
Ascendas Real Estate Investment Trust	5.8
Frasers Logistics & Commercial Trust	3.5

Top 5 Holdings (Fixed Income, % of NAV)

Singapore Government 2.875% Sep 2030	6.3
Singapore Government 1.625% Jul 2031	2.4
Keppel Corp Ltd 2.459% Jun 2025	0.5
Overseas- Chinese Banking 1.832% Sep 2030	0.4
Singapore Government 2.875% Jul 2029	0.4

Fund Statistics

Fixed Income	
Duration	5.4 years
Average Credit Rating[2]	A-
Yield-to-Worst[3]	4.5%
S-REITs	
Dividend Yield	4.9%
Price to Book	1.1x
Price to Earnings	15.0x

Dividend History[4]

	Dividend / share	Record Date
Class R	SGD 0.0112	31 Dec 2021
Class R	SGD 0.0107	31 Mar 2022
Class R1	SGD 0.0196	31 Dec 2021
Class R1	SGD 0.0186	31 Mar 2022

Fund Details

	Class R (Distribution)	Class R1 (Distribution)
Inception Date	31 March 2021	31 March 2021
NAV per Unit[6]	SGD 0.93	SGD 0.90
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 April 2022, 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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