Fullerton MoneyOwl WiseIncome

FULLERTON FUND MANAGEMENT

June 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 31.05 million
Base Currency	SGD
Preliminary Charge	Currently 0%
Dealing Frequency	Every Business Day
Subscription Mode	Cash, SRS

Manager's Commentary

Market Review

The relative calm in equity market was shattered when higher than expect CPI inflation data of US for the month of May was announced – the year-on-year inflation of 8.6% is the highest since December 1981. US Treasury yields, which had been escalating higher since August last year, surged further and the March 2023 contract of Fed fund futures priced in a 4% Fed fund rate. The concern for central bank policy mistakes soon took over the narrative and investors piled to take advantage of the attractive yield, resulting in 10-year Treasury yield ended some 15 bps higher, and Bund yield some 22 bps higher, on the month.

Higher yield coupled with credit spread widening resulted in JACI Composite Index posting -2.3% return in dollars in June, dragged down by the high yield segment where return was -6.1%. The investment grade indices of JACI and Bloomberg Global Aggregate Credit both had a -1.5% return in dollars. Despite a multi-decade high inflation print, the c.300 bps move in 10-year Treasury yield since it troughed at 50 bps should be a warning to risk assets.

Measured in dollar, MSCI AC World Index, not surprisingly, returned -8.4% in June in dollars, whereas MSCI Europe slipped -10.0%, in dollars. The China emerge-from-lockdown trade continued and that helped MSCI China A Onshore to post a solid 10.0% return, in dollars on easing. However, the rest of Asia's equities disappointed because of higher discount rate for corporate earnings, and a dollar index which appreciated 2.9% in June. Not surprisingly, financial conditions in many countries and regions have slipped for several months and this is symptomatic of poorer market conditions ahead. Meanwhile, forward indicators continue to suggest a wider slowdown in economic activities. The peak in inflation this cycle appears to be in sight but inflation is unlikely to return to the pre-COVID level of 2%.

Investment Outlook

In the US, without further stimulus, signs of exhaustion are now starting to spread. The confirmation of first quarter's -1.6% contraction in US GDP certainly brought markets back to reality. The continued decline of new orders within ISM Manufacturing Index, which remains above the critical level of 50, is another indicator. US high yield credit spread surged some 150 bps in June (to c.600 bps) and looks likely to escalate higher on the Fed's balance sheet asset reduction exercise.

Without a resolution to the Russia-Ukraine conflict, we are already seeing higher energy prices due to shortages. Nonetheless, the market sold off energy and materials related stocks in June in anticipation of a further moderation in activities. Fullerton favours China equities on a relative basis, but consider the equity market's risk-reward to be asymmetrical with greater risk to the downside, given the new paradigm of liquidity tightening by central banks.

Investment Strategy

Asset Allocation

The Fund continues to underweight risky assets, given our more cautious stance. Central banks have few alternatives but to tighten financial conditions aggressively to anchor inflation and inflation expectations. The recession fear will also put downward pressure on risky assets.

Fixed Income

Within fixed income, we added duration as the risk of a recession will increase if central banks continue to hike when growth momentum is declining. In Asia credit, the Fund is defensively positioned with underweight in high yield as we see more spread widening risk if recession probability increases.

SREITs

The sub-portfolio is focused on a bottom-up selection of REITs and have exposure to selected retail, office and industrial names. We continue to look for names with acquisition potential and strong fundamentals, coupled with attractive valuations and growth potential. We have also turned more defensive by adding some essential logistic names.

Equities

Within the equities sub-portfolio, we remain defensively positioned in global equities.

Performance (%)

	1 mth	3 mths	6 mths	1 year	3 years	5 years	Since Inception
R-SGD (bid-to-bid)	-2.90	-7.10	-9.80	-8.96	-	-	-5.90
R1-SGD (bid-to-bid)	-2.90	-7.10	-9.80	-8.96	-	-	-5.90

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	25.2
REITs	30.0
Fixed Income	36.6
Cash and cash equivalents	8.2

Regional Exposure (%)[1]

Singapore	46.8
Developed Markets	27.0
Emerging Markets	26.1

Fixed Income Sector Exposure (%)[1]

Government	30.7
Financials	30.6
Real Estate	7.8
Energy	7.0
Industrials	6.1
Utilities	4.2
Materials	3.8
Consumer Discretionary	3.7
Communication Services	3.3
Information Technology	1.4
Health Care	0.7
Consumer Staples	0.5

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

Amundi Prime Global ETF	11.5
Vanguard FTSE Developed World ETF	11.2
CapitaLand Integrated Commercial Trust	6.6
Ascendas Real Estate Investment Trust	6.1
Frasers Logistics & Commercial Trust	3.4

Top 5 Holdings (Fixed Income, % of NAV)

Singapore Government 2.875% Sep 2030	6.2
Singapore Government 1.625% Jul 2031	2.9
Keppel Corp Ltd 2.459% Jun 2025	0.5
Overseas- Chinese Banking 1.832% Sep 2030	0.5
Shinhan Financial Group 3.34% Feb 2030	0.4

Fund Statistics

Fixed Income	
Duration	5.3 years
Average Credit Rating[2]	A-
Yield-to-Worst[3]	4.9%
S-REITs	
Dividend Yield	5.0%
Price to Book	1.1x
Price to Earnings	14.7x

Dividend History[4]

	Dividend / share	Record Date
Class R	SGD 0.0107	31 Mar 2022
Class R	SGD 0.0099	30 Jun 2022
Class R1	SGD 0.0186	31 Mar 2022
Class R1	SGD 0.0170	30 Jun 2022

Fund Details

	Class R (Distribution)	Class R1 (Distribution)
Inception Date	31 March 2021	31 March 2021
NAV per Unit[6]	SGD 0.89	SGD 0.85
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 June 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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