FULLERTON FUND MANAGEMENT

Fullerton MoneyOwl WiseIncome

October 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 31.68 million
Base Currency	SGD
Preliminary Charge	Currently 0%
Dealing Frequency	Every Business Day
Subscription Mode	Cash, SRS

Manager’s Commentary

Market Review

Developed market equities, led by US, witnessed a strong rebound in October with the S&P500 Index up 11.0% (in USD) and MSCI Europe up 7.2% (in USD) on the month. The combination of a weaker dollar and October’s mild weather in Europe was sufficient to allay worries of an imminent recession.

Asia, on the other hand, had a different experience with the MSCI Asia ex-Japan retreating -6.1% (in USD) after investors became worried with the consolidation of power in the hands of President Xi after China’s 20th National Congress. Within Asia, only Japan, Korea and India managed to post a positive return.

Fixed income markets globally continue to remain weak due to central banks’ tightening of monetary policy to combat inflation. The 10-year benchmark US Treasury bond yield increase 22 bps to 4.05%, and 10-year benchmark Singapore Government Bond yield was more or less stable at 3.43%, in October. The widening of credit spread drove JPMorgan Asia Credit Index (JACI) Investment Grade Total Return -2.7% lower in USD.

Historically, strong rebounds in risk assets after a sell-off in the prior month will need supportive fundamentals to be sustainable. The challenge this time is a Federal Reserve concerned with beating inflation back to 2% amid strong job numbers and high wage growth in a full employment economy. In fact, the November post-FOMC press conference, Powell suggested that the terminal Fed fund target rate is likely to be above what was indicated in the quarterly Summary of Economic Projections.

Away from the US, the data coming from monthly ISM and PMI surveys clearly suggests economic activities are declining due to a combination of central banks’ monetary policies, restrictive government policies and war in Ukraine. Recall in US, the implementation of earlier rounds of outsized fiscal stimuli was delayed and only started during the current administration. As a result, economic activities continue to remain strong. As of now, US financial assets are favoured over other regions’.

Investment Outlook

Monetary policy is unable to satisfactorily address elevated levels of inflation globally which stems from deficient aggregate supply that can only be resolved by increased production. We suspect central banks policies will ultimately lead Asia and Europe into recession within the next 12 months. US may be able to avoid one if inflation declines materially in the next six months to allow the Fed a chance to pause the hiking cycle at around 5%.

History suggests we should be wary with central banks’ tightening cycles as these episodes inevitably ended in recessions. We will remain vigilant even though October saw a rebound in developed market equities. We fear equity market has not fully priced in sustained higher rates or meaningful negative earnings revisions, and so downside risks remain in 2023.

Market will remain challenged in the short-term given the many uncertainties.

Investment Strategy

Asset Allocation

We are less negative on risky assets as valuation becomes more attractive. Beyond the near term, and assuming central banks are successful in their policy execution, market should be transiting to a lower growth and lower inflation environment. As of now, cash is kept deliberately higher than usual to take advantage of the more attractive short end rates and to cushion the Fund from market volatility. We are watching the strength of dollar, bond yields plus credit spreads among other indicators to determine market’s appetite for risk assets.

Fixed Income

In fixed income, the Fund is defensively positioned. We are also exiting the investment grade China property bonds as the outlook continued to deteriorate.

SREITs

Portfolio is focus on bottom-up selection on REITs in re-opening plays as well as defensive names. Within the REITs, will continue to look for names that have acquisition potential with strong fundamentals coupled with valuations that remain attractive and have growth potential. We are also diversifying a small exposure to Singapore banks which will benefit from higher interest rate margin.

Equities

Within the equities sub-portfolio, we added slightly to our allocation in global equities.

Performance (%)

	1 mth	3 mths	6 mths	1 year	3 years	5 years	Since Inception
R-SGD (bid-to-bid)	-1.38	-8.33	-10.33	-14.83	-	-	-8.11
R1-SGD (bid-to-bid)	-1.38	-8.33	-10.33	-14.83	-	-	-8.11

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	32.3
REITs	28.0
Fixed Income	33.9
Cash and cash equivalents	5.7

Regional Exposure (%)[1]

Singapore	43.3
Developed Markets	34.5
Emerging Markets	22.2

Fixed Income Sector Exposure (%)[1]

Government	36.7
Financials	28.3
Real Estate	5.8
Industrials	5.5
Communication Services	5.2
Energy	4.9
Utilities	3.9
Materials	3.8
Consumer Discretionary	3.4
Information Technology	1.3
Consumer Staples	1.2

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

Amundi Prime Global ETF	11.6
Vanguard FTSE Developed World ETF	10.5
iShares Core MSCI World UCITS ETF	8.1
CapitaLand Integrated Commercial Trust	6.6
CapitaLand Ascendas REIT	6.5

Top 5 Holdings (Fixed Income, % of NAV)

Singapore Government 2.875% Sep 2030	5.8
Singapore Government 1.625% Jul 2031	2.7
Singapore Government 2.625% Aug 2032	1.6
Industrial Bank of Korea 5.125% Oct 2024	0.4
Keppel Corp Ltd 2.459% Jun 2025	0.4

Fund Statistics

Fixed Income	
Duration	5.1 years
Average Credit Rating[2]	A
Yield-to-Worst[3]	6.0%
S-REITs	
Dividend Yield	5.9%
Price to Book	0.9x
Price to Earnings	12.2x

Dividend History[4]

	Dividend / share	Record Date
Class R	SGD 0.0099	30 Jun 2022
Class R	SGD 0.0096	30 Sep 2022
Class R1	SGD 0.0170	30 Jun 2022
Class R1	SGD 0.0163	30 Sep 2022

Fund Details

	Class R (Distribution)	Class R1 (Distribution)
Inception Date	31 March 2021	31 March 2021
NAV per Unit[6]	SGD 0.82	SGD 0.77
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 31 October 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.

For further information on Fullerton and its funds:

Fullerton Fund Management Company Ltd
3 Fraser Street #09-28
DUO Tower
Singapore 189352

T +65 6808 4688
F +65 6417 6805
fullertonfund.com