Fullerton MoneyOwl WiseIncome

August 2023

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

Manager's Commentary

Market Review

August was a challenging month for financial markets, with both equities and fixed income posting negative returns.

Equity markets corrected in August after the strong performance in the prior two months. On a dollar basis, both global equities (MSCI All Country World) and Asia (MSCI Asia Ex-Japan) retreated, ending the month 2.8% and 6.4% lower respectively. This was driven by several factors, including concerns about prolonged higher interest rates and the credit rating downgrades by S&P and Fitch of US sovereign credit and some US banks. Additionally, ongoing concerns about China's economic outlook led Chinese equities (CSI 300) to post a return of -7.9% in August, measured in dollars.

Similarly, prices of fixed income securities also slipped. Asian credits (JACI Investment Grade Index) and global bonds (Bloomberg Global Aggregate Index), measured in dollars, fell 0.5% and 0.1% respectively. The 10-year US Treasury yield rose 15bps in August on the back of Fitch Ratings' downgrade of US sovereign credit to AA+ on unsustainable debt and deficit trajectories, along with heightened political dysfunction. A healthy non-farm employment figure and a hawkish Fed were also contributed. At one point, the 10-year Treasury yield reached 4.36%, the highest level since November 2007, as market participants braced for a potentially hawkish speech from Jerome Powell at the Jackson Hole Symposium.

Investment Outlook

In the US, economic data remained firm as labour market indicators suggest a cooling but still robust job market, with unemployment rate ticking down to 3.5%. Inflation data came in slightly higher due to higher food and energy prices, in line with our expectations of inflation trending downwards over the medium-term.

July FOMC minutes indicated that Fed members remain concerned about inflation, leaving room for additional rate hikes if necessary. Powell's speech at Jackson Hole was balanced and less hawkish than in the previous year, providing no guidance on further rate hikes.

In Europe, both the minutes from the ECB's July meeting and member comments hinted at the possibility of an eventual end to its monetary tightening cycle. Four European countries, namely UK, Germany, Netherlands and Austria, are already in a technical recession. We expect further moderation in European economic growth due to the highest ECB refinancing operations rate since 2008 and deposit facility rates at their highest since 2001. Meanwhile, the Bank of Japan reiterated its accommodative stance, emphasising the need for persistent monetary easing to achieve its inflation target.

The outlook for China remains poor, with activity data worse than expected, inflation data turned negative in July, and low business confidence with decreased private investments. Credit demand remains weak, and two of China's largest property developers, Country Garden and Evergrande, face an increased risk of bankruptcy, underscoring weaknesses in the real estate sector. Although the People's Bank of China lowered interest rates twice in August to shore up demand and confidence, the minor adjustments seem insufficient to stabilise the market. Unless the government launches robust and sustained stimulus measures that address the medium-term challenges, we remain negative on China.

Investment Strategy

Asset Allocation

The Fund remains overweight in equities as we believe that the Fed is near the end of its interest rate hiking cycle. We are looking to extend duration of the fixed income portfolio if long-duration government bond yield remains elevated or if central banks further tighten monetary conditions that result in a sharper economic slowdown. We believe that market bottoms have been established in both Developed Market and Emerging Market Asian equities during this cycle.

Fixed Income

Asian credit fundamentals have stabilised and technical support is healthy, but recent developments have led to rising uncertainties on China's longer-term recovery and property sector support. We seek to extend duration of the fixed income portfolio incrementally should central banks hike rates. Although an imminent recession is not our base case, further tightening of monetary policies by central banks will likely lead to the next global recession.

FULLERTON FUND MANAGEMENT

SREITs

We are positive on Singapore REITs, where fundamentals remain resilient and could benefit from the lower bond yields as inflation subsides. The portfolio focuses on bottom-up selection of REITs in re-opening plays as well as defensive names. Among REITs, we continue to look for names that have strong fundamentals, attractive valuations and exhibit growth potential.

Equities

In the longer run we remain positive on Developed Market equities. Despite an increased possibility of market volatility, we consider this to be largely seasonal unless economic indicators turn south and corporate earnings are guided down. We expect generative artificial intelligence-related stocks, both in hardware and software, to do well given the growth potential of AI-driven digital transformation.

FULLERTON FUND MANAGEMENT

Performance (%)

	1 mth	3 mths	6 mths	1 year	3 years	5 years	Since Inception
R-SGD (bid-to-bid)	-1.41	1.81	3.16	1.21	-	-	-2.29
R1-SGD (bid-to-bid)	-1.41	1.81	3.16	1.21	-	-	-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	34.5
REITs	28.9
Fixed Income	33.5
Cash and cash equivalents	3.1

Regional Exposure (%)[1]

Singapore	40.6
Developed Markets	45.4
Emerging Markets	14.1

Fixed Income Sector Exposure (%)[1]

Sovereigns & Supranational	44.2
Financials	25.2
Consumer Discretionary	7.1
Communication Services	6.9
Energy	4.0
Real Estate	3.5
Materials	2.5
Information Technology	2.4
Utilities	2.0
Industrials	1.3
Consumer Staples	0.8

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

iShares Core MSCI World UCITS ETF	11.2
Vanguard FTSE Developed World ETF	10.1
Amundi Prime Global ETF	9.8
CapitaLand Ascendas REIT	6.4
CapitaLand Integrated Commercial Trust	5.7

Top 5 Holdings (Fixed Income, % of NAV)

Singapore Government 2.875% Sep 2030	4.1
Singapore Government 2.625% Aug 2032	3.4
Singapore Government 1.625% Jul 2031	2.4
Standard Chartered PLC 6.296% Jul 2034	0.8
Tencent Holdings Ltd 3.94% Apr 2061	0.7

Fund Statistics

Fixed Income	
Duration	5.7 years
Average Credit Rating[3]	A+
Yield-to-Worst[4]	5.4%
S-REITs	
Dividend Yield	5.8%
Price to Book	1.0x
Price to Earnings	15.2x

FULLERTON FUND MANAGEMENT

Dividend History[5]

	Dividend / share	Record Date
Class R	SGD 0.0094	31 Mar 2023
Class R	SGD 0.0096	30 Jun 2023
Class R1	SGD 0.0158	31 Mar 2023
Class R1	SGD 0.0160	30 Jun 2023

Fund Details

	Class R (Distribution)	Class R1 (Distribution)
Inception Date	31 March 2021	31 March 2021
NAV per Unit[6]	SGD 0.85	SGD 0.79
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 August 2023, unless otherwise stated.
1. Numbers might not add due to rounding.
2. Others include ETFs
3. Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.
4. Refers to Yield-to-Worst in base currency, before hedging.
5. 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.
6. Figures are truncated to 2 decimal places. Please refer to Fullerton's website for official price.

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