Fullerton MoneyOwl WiseIncome

September 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 33.97 million
Base Currency	SGD
Preliminary Charge	Currently 0%
Dealing Frequency	Every Business Day
Subscription Mode	Cash, SRS

Manager’s Commentary

Market Review

Both September and Q3 were challenging for financial markets. Over the quarter, measured in dollars, global equities (MSCI All Country World) and Asia (MSCI Asia Ex-Japan) ended -3.4% and -3.3% respectively. MSCI Asia Ex-Japan made a new year-to-date low, closing the month -2.7% lower. There were several factors that contributed to the decline, but the more important one is likely due to the growing consensus that central banks are likely to keep interest rates higher for longer. Additionally, OPEC+ not increasing its production quota to meet rising oil prices sparked fears of a new tide of inflation. The market responded by accelerating the sell-off of long-dated government bonds.

The 10-year US Treasury yield at end September was 4.57%, marking a 47 bps increase for the month and a 74 bps increase in Q3. The higher yield negatively impacted Asian credits (JACI Investment Grade Index) and global bonds (Bloomberg Global Aggregate Index), measured in dollars, which saw declines of -1.3% and -1.8%, respectively. Despite the rise in rates and weakness in equities, credit spreads remained resilient in Q3 on the supportive technical backdrop, low refinancing needs and generally better-than-expected Q2 earnings reported by US companies.

Oil prices experienced a strong rebound in Q3, which climbed to fresh year-to-date highs. Brent crude oil posted its fourth consecutive monthly increase, ended September 9.7% higher. The DXY dollar index was 2.5% higher in September and 3.2% stronger in Q3, driven by higher interest rates.

Investment Outlook

US economy has remained resilient despite the rout in both bond and equity markets due to concerns over tightening financial conditions. The US labour market remains tight with low unemployment rate, rising labour participation rate and abundant job openings.

Inflation remained the central focus in Q3, with markets participants carefully combing through data releases for clues that central banks are nearing the end of their tightening cycles. Broadly, headline inflation in major economies continued to descend except in the US, where the August data saw a +0.5% year-on-year, to 3.7%.

In terms of central bank actions in Q3, the US Federal Reserve (Fed) and the Bank of Japan (BoJ) opted to keep rates unchanged while the European Central Bank (ECB) and Bank of England (BoE) continued their monetary tightening cycle. While the Fed kept rates unchanged at its September meeting, the updated economic projections still imply one more 25 bps rate hike later this year. The hawkish tilt in the updated projections also suggested higher rates by end of 2024 and 2025, signalling that Fed members are expecting rates to stay high for longer. The BoJ, although keeping rates unchanged, signalled a willingness to shift its stance by the end of the year. However, the move did not stop the yen from selling off due to widening rates differentials between the US and Japan. During Q3, the ECB delivered 25 bps hikes at its July and September meetings while the BoE hiked once in August.

China’s economic recovery was bumpy and uneven during Q3. The series of growth-stabilisation measures announced since mid-August have been incremental and may not have a substantial impact on the real economy. Investors reacted positively to China’s September macro data, with nominal retail sales in August came in notably above expectations. On the cautious side, despite favourable demand-side easing in the housing market, real estate investment will likely remain sluggish. It is crucial to restore confidence among private entrepreneurs, homebuyers and consumers through assurances of a predictable regulatory environment. The sustainability of the bounce in August’s retail sales will depend on labour market conditions and consumer sentiment. Unless the government implements strong, targeted and persistent stimulus measures to address medium-term challenges, our outlook for China remains negative.

Investment Strategy

Asset Allocation

The Fund remains overweight in equities as we believe we have seen the peak of government bond yields this cycle. We shall look to extend duration incrementally if long end bond yield escalates or central banks continue to tighten monetary conditions that results in a sharper slowdown in growth. We believe market bottoms have been established in both Developed Market and Emerging Market Asian equities this cycle.

Fixed Income
Asian credit fundamentals have stabilised and technical support is healthy, but development of recent events has 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 further in the current decade-high interest rates market. Although an imminent recession is not our base case, continuation of central banks' monetary policy tightening will likely bring forward the next global recession.

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

Equities
We remain positive on the longer-run returns of Developed Market equities. Although there may be an increase in 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)	-2.37	-2.17	-0.28	4.09	-	-	-3.15
R1-SGD (bid-to-bid)	-2.37	-2.17	-0.28	4.09	-	-	-3.15

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	33.6
REITs	27.4
Fixed Income	35.8
Cash and cash equivalents	3.2

Regional Exposure (%)[1]

Singapore	40.1
Developed Markets	42.7
Emerging Markets	17.2

Fixed Income Sector Exposure (%)[1]

Sovereigns & Supranational	44.9
Financials	25.3
Consumer Discretionary	7.3
Communication Services	6.7
Energy	3.9
Real Estate	2.9
Information Technology	2.8
Materials	2.4
Utilities	2.0
Industrials	1.2
Consumer Staples	0.7

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	9.6
CapitaLand Ascendas REIT	6.2
CapitaLand Integrated Commercial Trust	5.4

Top 5 Holdings (Fixed Income, % of NAV)

Singapore Government 2.875% Sep 2030	4.5
Singapore Government 2.625% Aug 2032	3.7
Singapore Government 1.625% Jul 2031	2.6
Standard Chartered PLC 6.296% Jul 2034	0.8
Tencent Holdings Ltd 3.94% Apr 2061	0.8

Fund Statistics

Fixed Income	
Duration	6.3 years
Average Credit Rating[3]	A+
Yield-to-Worst[4]	5.6%
S-REITs	
Dividend Yield	6.0%
Price to Book	0.9x
Price to Earnings	14.7x

Dividend History[5]

	Dividend / share	Record Date
Class R	SGD 0.0096	30 Jun 2023
Class R	SGD 0.0094	29 Sep 2023
Class R1	SGD 0.0160	30 Jun 2023
Class R1	SGD 0.0155	29 Sep 2023

Fund Details

	Class R (Distribution)	Class R1 (Distribution)
Inception Date	31 March 2021	31 March 2021
NAV per Unit[6]	SGD 0.83	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 30 September 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.

For further information on Fullerton and its funds:

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