

Fullerton SGD Income Fund - Class B (SGD)

January 2018

Investment Objective

The investment objective of the Fund is to generate long term capital appreciation and/or income for investors in SGD terms by investing primarily in fixed income or debt securities.

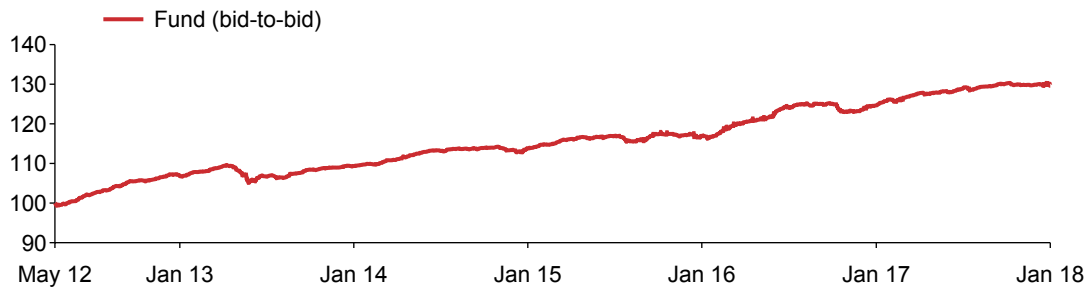
Investment Focus and Approach

The Managers seek to add value from interest rate accruals, selection of bonds and/or credits and duration management (optimisation of bond returns by selecting bonds with different terms to maturity). The Fund will invest in a diversified portfolio of primarily investment grade fixed income or debt securities having a minimum long term credit rating of BBB- by Fitch, Baa3 by Moody's or BBB- by Standard & Poor's (or their respective equivalents) and cash.

The Fund may also invest in non-investment grade bonds (i.e. bonds with a long term credit rating of less than BBB- by Standard & Poor's, Baa3 by Moody's or BBB- by Fitch (or their respective equivalents)) of up to 30% of its Net Asset Value.

The Fund may invest in Singapore Dollar and foreign currency denominated bonds including but not limited to US Dollar, Euro, Japanese Yen and Australian Dollar. The foreign currency denominated bonds will be fully hedged back to the Singapore Dollar except for a 1% frictional currency limit.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	-0.20	-0.45	0.58	3.98	4.42	3.94	4.64	2.38
Fund (offer-to-bid)	-3.11	-3.35	-2.34	0.95	3.40	3.33	4.10	NA

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in SGD with net dividends and distributions (if any) reinvested. Offer-to-bid returns include an assumed preliminary charge of 3% which may or may not be charged to investors.

Source: Fullerton Fund Management Company Ltd and Bloomberg.

Market Review

Developed bond markets saw a sell-off in January with bond yields rising sharply in the US and the Eurozone. In the US, the Federal Reserve left interest rates unchanged at its January meeting as widely expected. The post-meeting statement provided an upbeat assessment of the economy and indicated that rate increases lay ahead, paving the way for a potential rate hike in March. Over in Europe, the minutes of the European Central Bank's (ECB) December meeting were interpreted with a hawkish tilt by market participants, prompting concerns that the ECB could potentially scale back its monetary stimulus sooner than expected.

US economic data released during the month was mostly upbeat. The ISM Manufacturing index accelerated to 59.3 in December and remained firmly in expansion territory. US nonfarm payrolls disappointed and only rose by 148,000 in December, below expectations of 190,000. Unemployment rate held steady at 4.1% for the third straight month. On the inflation front, core PCE inflation edged up to 1.52%yoy in December.

Singapore's 4Q17 GDP growth was stronger than expected at 3.1%yoy, while GDP growth for 2017 was at 3.5%yoy. In terms of monthly economic data, non-oil domestic exports (NODX) slowed to 3.1%yoy in December, from 9.1%yoy in the prior month. On the inflation front, the Consumer Price Index (CPI) inflation eased to 0.4%yoy in December, mainly driven by a moderating increase in private transport costs and lower services inflation. Core inflation (which excludes accommodation and private road transport costs) similarly eased to 1.3%yoy in December.

The US Treasury market was volatile and yields mainly rose in response to central bank rhetoric and improving US economic data. Concerns over China slowing down its purchases of USTs also sent yields higher but yields subsequently retraced after the Chinese authorities denied such reports. The Federal

Inception date

14 May 2012

Fund size

SGD 1,911.34 million

Base Currency

SGD

Pricing Date

31 Jan 2018

NAV*

SGD 1.04

Management fee

1.0% p.a.

Expense Ratio

1.08% p.a. (For financial year ended 31 Mar 2017)

Distributions paid per unit

Sep 2016: SGD 0.011

Dec 2016: SGD 0.011

Mar 2017: SGD 0.011

Jun 2017: SGD 0.011

Sep 2017: SGD 0.011

Dec 2017: SGD 0.011

Minimum Initial Investment

None

Minimum Subsequent Investment

None

Preliminary Charge

Up to 3%

Dealing day

Daily, up to 5pm (Singapore time)

Bloomberg Code

FULSGIB SP

ISIN Code

SG9999008932

The Fund is available for SRS subscription.

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* Figures have been truncated to 2 decimal places. The official price is published on Fullerton's website.

Market Review (Cont'd)

Open Market Committee statement was taken by market participants with a hawkish bias, which raised the probability of a March rate hike to 90%. The trend of rising US yields was further intensified by improving US core inflation and retail sales revisions, but this was tempered by weaker than expected US nonfarm payroll figures for December. Core European bond yields also rose after the ECB's December meeting minutes were interpreted with a hawkish tilt by market participants. Overall, the benchmark US 10-year yield ended the month around 30bps higher at 2.7%.

Asian credits, as represented by the JACI Composite Index, started the year in negative territory and returned -0.52% in January on the back of rising US Treasury yields. By segment, investment grade credits returned -0.74% even as credit spreads tightened by 7.4bps. Investment grade sovereigns (-0.68%) and quasi sovereigns (-0.68%) were the most affected due to their longer duration. By country, notable laggards were Indonesia (-0.63%) and China (-0.54%). The high yield sector posted a small positive gain of 0.25% as the impact from higher US Treasury yields was offset by tighter spreads (+18.8bps). The primary market was busy in January although activity slowed at the end of the month due to the volatility in the US Treasury market.

Investment Strategy

Rising global bond yields could pose further headwinds for Asian credit markets. We are mindful of interest rate volatility and remain nimble on duration, with a preference for shorter-dated, lower beta names. In terms of credit strategy, we maintain our preference for investment grade (IG) credits, as IG credit fundamentals remain broadly sound, with credit profiles that are able to withstand earnings weakness in a challenging operating environment. That said, we will continue to maintain some exposure to selective high yield credits.

Country Breakdown

Australia	4.9%
China	18.1%
France	6.4%
Germany	1.7%
Hong Kong	6.7%
India	3.2%
Indonesia	2.3%
Japan	2.0%
Korea	1.3%
Netherlands	1.9%
Singapore	29.6%
Switzerland	6.8%
UK	6.1%
US	1.0%
Others	4.8%
Cash	3.2%

Top 5 Holdings

National Australia Bank 4.15% May 2028	1.5%
Ubs Ag 5.125% May 2024	1.2%
Minmetals Bounteous Fin 4.2% Jul 2026	1.2%
Sembcorp Industries Ltd 4.75% Dec 2049	1.1%
Citigroup Inc 4.125% Jul 2028	1.0%

Rating Breakdown

AA	0.6%
A	11.8%
BBB	56.7%
BB	13.6%
B	13.6%
CCC	0.02%
CC	0.4%
C	0.1%
D	0.04%
Cash	3.2%

Fund Characteristics

Average coupon	4.6%
Average credit rating	BBB
Number of holdings	374
Average duration (years)	4.2
Yield to Worst	4.5%

Credit Rating : Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.

Yield to Worst (YTW): Refers to YTW in base currency. Not guaranteed. Past performance is not necessarily indicative of future performance.

Disclaimer: This publication is for information only and your specific investment objectives, financial situation and needs are not considered here. The value of units in the Fund and any accruing income from the units may fall or rise. Any past performance, prediction or forecast is not indicative of future or likely performance. Any past payout yields and payments are not indicative of future payout yields and payments. Where distributions (if any) are declared in accordance with the prospectus, this may result in an immediate reduction of the net asset value per unit in the Fund. Applications must be made on the application form accompanying the prospectus, which can be obtained from Fullerton Fund Management Company Ltd (UEN: 200312672W) or its approved distributors. You should read the prospectus and seek advice from a financial adviser before investing. If you choose not to seek advice, you should consider whether the Fund is suitable for you.