

Fullerton Short Term Interest Rate Fund - Class C (SGD)

July 2016

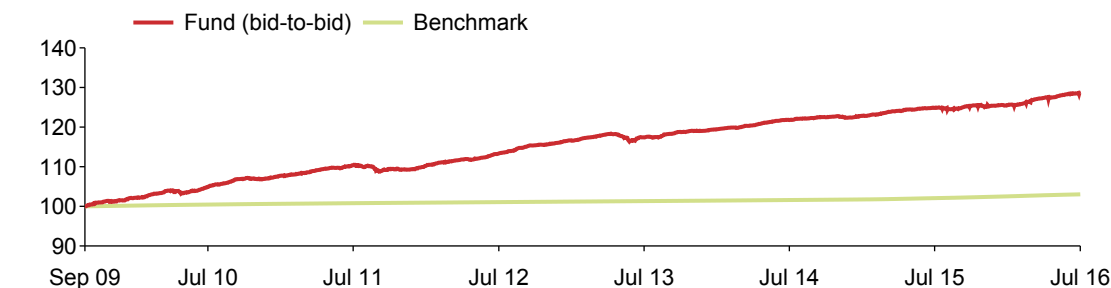
Investment Objective

The investment objective of the Fund is to achieve medium-term capital appreciation for investors. The investments of the Fund will be broadly diversified with no specific industry or sectoral emphasis.

Investment Focus and Approach

The Fund is primarily focused on fixed income securities and money market instruments. The Fund may invest in futures and derivatives for hedging purposes. The maturity limit of underlying securities is 5 years and all foreign currency denominated bonds are fully hedged back to SGD 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)	0.27	1.03	2.48	3.04	3.10	3.11	3.75	1.24
Fund (offer-to-bid)	-2.65	-1.91	-0.51	0.04	2.10	2.51	3.30	NA
Benchmark	0.07	0.23	0.50	0.94	0.56	0.44	0.44	0.07

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.

Benchmark: 3-month SIBID.

Source: Fullerton Fund Management Company Ltd and Bloomberg.

Market Review

Risk appetite rebounded in July as markets shrugged off the impact of the Brexit vote. Investors took comfort that policymakers globally pledged to stay proactive and contain downside risks to the global economy. Bond markets rallied over the month as investors continued the chase for yield.

On economic data, US 2Q16 GDP came in weaker than expected at 1.2%, as softer business spending weighed on growth. More positively, US jobs data was stronger than expected at 287,000 in June. The Federal Reserve left interest rates unchanged in its July meeting but noted that near-term risks to the US economy have diminished. Economic data in Singapore was mixed. Singapore's advance 2Q16 GDP estimate showed that the economy grew 2.2%yoy, in line with consensus estimates, while 1Q16 GDP growth was revised upwards to 2.1%yoy. Non-oil domestic exports (NODX) fell 2.3%yoy in June, reversing the one-off surge of 11.6%yoy in the prior month. On inflation, the consumer price index inflation eased to -0.7%yoy in June, mainly due to a smaller decline in accommodation costs. On the other hand, MAS core inflation, which excludes accommodation costs and private road transport, increased slightly to 1.1%yoy, reflecting a pickup in services inflation.

US Treasuries (USTs) had another volatile month. USTs rallied at the start of July as yields tumbled by 5-13 bps, with 10-year yields falling to a record low of 1.36% as investors fled to safe haven assets post Brexit. USTs subsequently gave up some gains in the latter half of the month as the post Brexit rally waned, but closed the month higher with 10-year yields at 1.45%, following the disappointing US 2Q16 print. Asian credits initially rallied on the back of lower UST yields and the rally continued into the month, driven by tightening in spreads as investors continued the yield chase. Overall, the JACI Composite Index gained 1.4% as credit spreads tightened by around 20bps and the yield to maturity for the JACI dropped to a historical low of 3.9%. High yield sovereigns saw a strong rally of 5.2% as spreads tightened significantly to 428bps. Investment grade sovereigns also outperformed with a gain of 2.6% as spreads tightened by 23bps.

Inception date

25 Sep 2009

Fund size

SGD 693.88 million

Base Currency

SGD

Pricing Date

31 Jul 2016

NAV*

SGD 1.29

Management fee

0.5% p.a.

Expense Ratio

0.54% p.a. (For financial year ended 31 Mar 2016)

Minimum Initial Investment

None (effective 1 Apr 2010)

Minimum Subsequent Investment

None (effective 1 Apr 2010)

Preliminary Charge

Up to 3%

Dealing day

Daily, up to 5pm (Singapore time)

Bloomberg Code

FULSTIC SP

ISIN Code

SG9999006225

The Fund is available for SRS subscription.

For additional information on Fullerton and its funds, please contact:

Fullerton Fund Management Company Ltd
 60B Orchard Road
 #06-18 Tower 2
 The Atrium@Orchard
 Singapore 238891

T +65 6828 6100

F +65 6828 6484

www.fullertonfund.com

UEN: 200312672W

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

Investment Strategy

The interest rate environment is likely to remain benign, and major central banks are expected to maintain an accommodative monetary policy stance. We believe the search for yield will continue as global interest rates are expected to stay lower for longer. This should provide strong technical support for Asian corporate bonds. This said, we continue to prefer investment grade names with stronger fundamentals and commensurate valuations and would avoid issuers with high leverage but with mismatched investment-grade ratings.

Country Breakdown

Australia	3.8%
China	27.4%
Germany	2.0%
Hong Kong	15.6%
India	1.8%
Qatar	1.8%
Singapore	43.5%
Others	3.6%
Cash	0.5%

Rating Breakdown

AA	0.7%
A	26.8%
BBB	68.3%
BB	2.3%
B	1.4%
Cash	0.5%

Top 5 Holdings

Capitaland Ltd 2.95% Jun 2022	4.9%
Lend Lease Fin Ltd 4.625% Jul 2017	3.8%
Sino Mtn 3.25% Sep 2017	3.1%
Far East Horizon Ltd 4.25% Oct 2017	2.8%
China Jingye Construction 2.95% May 2017	2.4%

Fund Characteristics

Average coupon	3.6%
Average credit rating	BBB
Number of holdings	129
Average duration (years)	1.8
Yield to maturity	3.1%

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

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

Disclaimer: This publication is for information only and should not be construed as the making of any offer or invitation to anyone in any jurisdiction in which such offer is not authorised. All applications must be made on the application form accompanying the prospectus, which can be obtained from Fullerton Fund Management Company Ltd ("Fullerton") [UEN: 200312672W] or its approved distributors. Investors should read the prospectus for details before investing. Investments in the Fund are not obligations of, deposits in, or guaranteed by Fullerton or any of its affiliates and are subject to investment risks, including the possible loss of the principal amount invested. The value of units or shares in the Fund and the income accruing to the units or shares, if any, may fall or rise. Past performance or any prediction or forecast is not necessarily indicative of future performance. Please note that the securities mentioned herein should not be considered a recommendation to purchase or sell any particular security. Any opinion or view presented is subject to change without notice. Although the information was compiled from sources believed to be reliable, no liability for any error or omission is accepted by such source(s), Fullerton or its affiliates or any of their directors or employees for any loss whatsoever arising directly or indirectly from any use of this publication. This publication was prepared without regard to the specific investment objectives, financial situation or needs of any investor. Investors may wish to seek advice from a financial adviser before making a commitment to invest in any Fund. In the event that investors choose not to seek advice from a financial adviser, investors should consider whether the Fund is suitable for them.