

Fullerton SGD Income Fund - Class B (SGD)

September 2016

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.

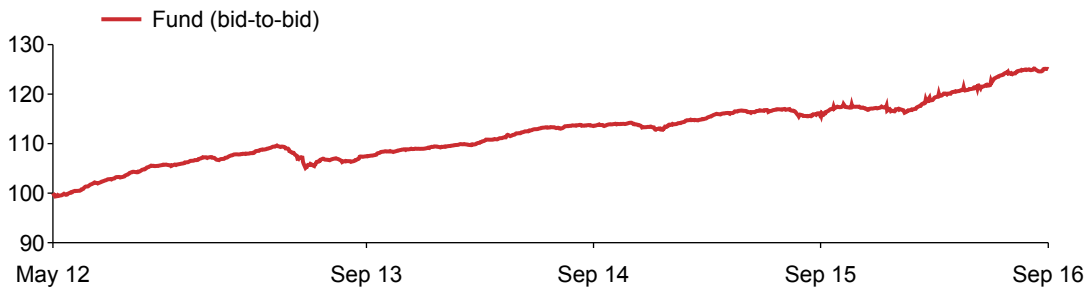
Investment Focus and Approach

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	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	0.05	1.92	4.82	7.82	5.17	5.23	2.43
Fund (offer-to-bid)	-2.86	-1.05	1.77	4.68	4.15	4.52	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

Bond markets were volatile in September as widely anticipated central bank decisions held sway over global financial markets. The European Central Bank (ECB) disappointed markets early in the month when it failed to announce extensions to the current quantitative easing (QE) programme whereas the Bank of Japan's (BOJ) shift in monetary policy stance from quantitative easing to yield curve targeting caught market somewhat by surprise. Markets also continued to speculate on the possibility of a Fed rate hike but rates were eventually kept on hold at the September Federal Open Market Committee (FOMC) meeting. The Fed however maintained its hawkish bias as Chairman Janet Yellen signalled the potential for one rate hike by the end of 2016. Weakness in oil prices and concerns over Deutsche Bank also worried the market, though oil-related concerns were somewhat alleviated by OPEC's subsequent agreement to cap oil production.

The market saw some disappointments with US economic data over September. Jobs and services data for August came in weaker than expected, with nonfarm payrolls moderating to 151,000 and non-manufacturing ISM slipping to a 6-year low, indicating a slowdown in both new orders and production. Housing starts were also weaker due to weather disruptions. Economic data from Singapore remained lacklustre. Non-oil domestic exports (NODX) registered a flat growth of 0.0%yoy in August, a rebound from the sharp fall of -10.6%yoy in July. The improvement was led mainly by an increase in non-electronic NODX. CPI inflation was at -0.3%yoy in August, compared to -0.7%yoy in July. This mainly reflected a smaller decline in private road transport cost, which fell by a more modest 1.0%, compared to -4.4% in the preceding month.

It was a choppy month for US Treasuries (USTs). USTs sold off at the start of the month after the ECB's lack of policy action disappointed markets. Speculation of a Fed rate hike also drove yields higher.

Inception date

14 May 2012

Fund size

SGD 2,400.39 million

Base Currency

SGD

Pricing Date

30 Sep 2016

NAV*

SGD 1.07

Management fee

1.0% p.a.

Expense Ratio

1.07% p.a. (For financial year ended 31 Mar 2016)

Distributions paid per unit

Jun 2015: SGD 0.011

Sep 2015: SGD 0.010

Dec 2015: SGD 0.011

Mar 2016: SGD 0.011

Jun 2016: SGD 0.011

Sep 2016: SGD 0.011

Minimum Initial Investment

None

Minimum Subsequent Investment

None

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)

However, the outcome of the BOJ and FOMC meetings helped to allay investors' fears of any abrupt tightening in global monetary policies, which helped bond markets recover from the earlier sell-off. Yields continued to grind lower towards the end of the month after concerns surrounding Deutsche Bank led investors to turn to the safe haven of USTs, and the benchmark 10-year yield ended the month at 1.6%. Asian credits were largely flat with a modest gain of 0.2% for the month as lower UST yields in the second half of the month helped offset the 12bps widening in credit spreads. Performance within segments were mixed, with the high yield segment outperforming as Mongolian bonds saw a strong rebound on positive news of IMF support. Investment grade sovereigns were the key laggards, returning -0.3% for the month as Philippine sovereign spreads widened on the back of investors' concerns over the growing political uncertainties under the Duterte administration.

Investment Strategy

Global financial markets could be in for a bumpier ride as the focus shifts to the US presidential elections in November and a possible Fed rate hike in December. At the corporate level, credit fundamentals have deteriorated with increased leverage and a weaker earnings outlook as the macro backdrop remains challenging. Bond valuations have also become more stretched. In such an environment, we broadly prefer investment grade names over high yield as relative valuations for the high yield sector appear less attractive. That said, we will continue to maintain some exposure to selective high yield credits.

Country Breakdown

Australia	4.2%
China	21.6%
France	5.1%
Germany	1.4%
Hong Kong	11.0%
India	3.1%
Indonesia	3.1%
Japan	1.7%
Malaysia	1.6%
Netherlands	2.9%
Singapore	24.8%
Switzerland	5.0%
UK	4.9%
US	2.7%
Others	5.0%
Cash	2.0%

Rating Breakdown

AA	1.6%
A	13.8%
BBB	56.6%
BB	10.4%
B	15.1%
CCC	0.5%
Cash	2.0%

Top 5 Holdings

Minmetals Bounteous Fin 4.2% Jul 2026	1.3%
National Australia Bank 4.15% May 2028	1.2%
US Treasury N/B 1.625% May 2026	1.1%
China Jingye Construction 2.95% May 2017	1.0%
Citigroup Inc 4.125% Jul 2028	1.0%

Fund Characteristics

Average coupon	4.7%
Average credit rating	BBB
Number of holdings	438
Average duration (years)	3.9
Yield to maturity	4.3%

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 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. 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.