

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

September 2016

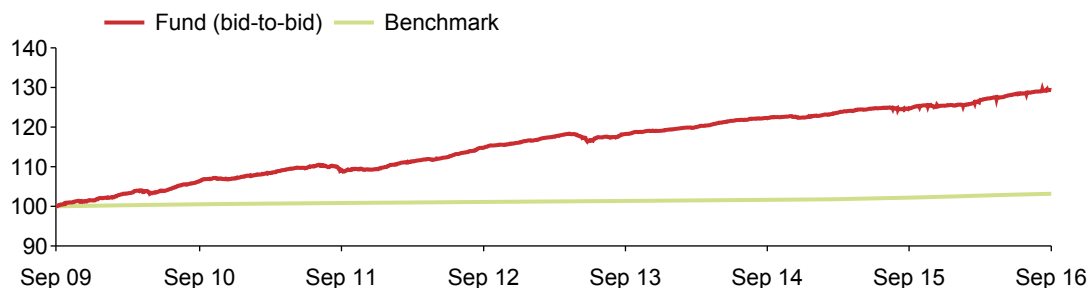
## Investment Objective

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.
<b>Fund (bid-to-bid)</b>	0.24	0.78	1.95	3.74	3.03	3.47	3.73	1.23
<b>Fund (offer-to-bid)</b>	-2.68	-2.15	-1.02	0.72	2.02	2.87	3.30	NA
<b>Benchmark</b>	0.06	0.21	0.45	0.95	0.59	0.46	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

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. 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%.

## Inception date

25 Sep 2009

## Fund size

SGD 776.75 million

## Base Currency

SGD

## Pricing Date

30 Sep 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.

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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)

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 remain prudent on credit selection within our portfolio and continue to prefer investment grade names with stronger fundamentals and commensurate valuations. We would avoid issuers with high leverage but with mismatched investment-grade ratings.

### Country Breakdown

Australia	3.4%
China	28.2%
France	1.4%
Germany	1.7%
Hong Kong	14.8%
India	1.5%
Japan	1.3%
Qatar	2.5%
Singapore	35.0%
UK	2.7%
Others	1.8%
Cash	5.6%

### Rating Breakdown

AA	0.8%
A	28.0%
BBB	61.4%
BB	3.0%
B	1.2%
Cash	5.6%

### Top 5 Holdings

Capitaland Ltd 2.95% Jun 2022	4.4%
Lend Lease Fin Ltd 4.625% Jul 2017	3.4%
Sino Mtn 3.25% Sep 2017	2.8%
Far East Horizon Ltd 4.25% Oct 2017	2.5%
China Jingye Construction 2.95% May 2017	2.3%

### Fund Characteristics

Average coupon	3.3%
Average credit rating	BBB
Number of holdings	143
Average duration (years)	1.7
Yield to maturity	2.8%

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.

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