

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

May 2021

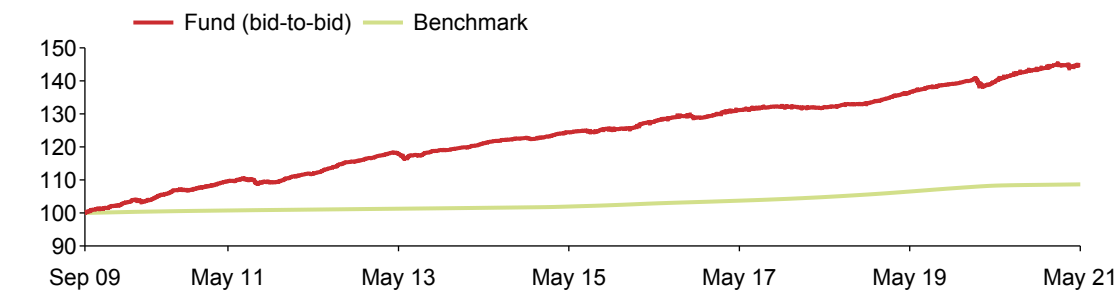
## Investment Objective

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	10 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
<b>Fund (bid-to-bid)</b>	0.34	0.08	1.05	3.67	3.13	2.56	2.83	3.22	1.16
<b>Fund (offer-to-bid)</b>	-2.59	-2.83	-1.90	0.66	2.12	1.96	2.53	2.96	NA
<b>Benchmark</b>	0.03	0.08	0.14	0.36	1.21	1.10	0.76	0.71	0.15

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

US Treasury yields stayed within a narrow range for the past month as the US Federal Reserve (Fed) repeatedly messaged that the jumps in inflation would be transitory as the US economy recovers. The US Treasury 10 year benchmark note ended the month at 1.6%, just 3 bps lower from a month earlier. In contrast, the Singapore government bonds outperformed with the yield on the benchmark 10 year note falling by 11 bps to end the month at 1.5%. Similarly, the Singapore non-government debt also gained (1.0%, as measured by the Markit iBoxx ALBI Singapore Non-Government Index, in SGD).

In a reversal of the previous month, Asian credit advanced in May (0.5% as measured by the JP Morgan Asian Credit Index in USD), supported by a combination of duration gains and tighter spreads, despite the resurgence of COVID-19 cases in the region. The high yield sector continued to outperform the investment-grade peers, as reflected by the JP Morgan Asian Credit Index data, primarily due to the stronger spread performance.

On the macro-front, government data showed that Singapore's gross domestic product grew 3.1% in the first three months of this year from 4Q 2020, topping estimates by economists. Singapore maintained its economic growth forecast range this year at 4% to 6%, the Ministry of Trade and Industry (MTI) said in a statement. Earlier in the month, the country also announced new restriction measures, including banning dining-in and limiting gatherings to two people, as a rising number of virus infections emerged.

## Inception date

25 Sep 2009

## Fund size

SGD 1,487.95 million

## Base Currency

SGD

## Pricing Date

31 May 2021

## NAV\*

SGD 1.45

## Management fee

0.5% p.a.

## Expense Ratio

0.53% p.a. (For financial year ended 31 Mar 2020)

## 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:

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

## Investment Strategy

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We are constructive on corporate fundamentals, although valuations are less compelling than at the start of the year. That said, the technical backdrop remains supportive, particularly for the SGD credit market, where demand has been robust while the supply pipeline remains soft. Our investment bias remains to sell on strength for those issuers where valuations are looking rich, and identify those where prices are lagging and have yet to recover fully. Likewise, portfolio duration risk is carefully calibrated and capped by the 2.5 year aggregate limit, against our medium-term bias of gradually higher US Treasury yields amid the robust growth backdrop.

Going forward, we continue to look towards a potentially stronger mid-year rebound as global growth momentum continues to build. The normalisation of activities in Europe and a booming US economy should potentially serve as a strong tailwind to export performance in Asia. With new orders on the rise and inventory levels still depressed, the restocking of inventories could also be a key source of robust growth for the months ahead. That said, bottleneck pressures and supply constraints have also emerged, posing a near-term drag on production, and boosting inflationary pressures. Despite the recent jumps in headline inflation which were also partly driven by low base effects and a rise in commodity prices, most Asian policymakers will likely find these drivers transitory. Likewise in Singapore, core inflation is expected to rise gradually but still below historical averages, while headline inflation should moderate in the latter half of the year as base effects fade. That said, the Monetary Authority of Singapore (MAS) is likely to maintain a cautious stance and refrain from a premature tightening of its Singdollar policy at its next review meeting in October, even as growth improves.

**Geographical Breakdown**

China	37.9%
France	1.4%
Germany	1.1%
Hong Kong	4.2%
India	3.1%
Indonesia	1.6%
Korea	3.6%
Singapore	40.1%
Switzerland	1.4%
Others	1.6%
Cash and cash equivalents	4.0%

**Top 5 Holdings**

Shenhua Overseas Capital 3.875% Jan 2025	2.5%
Keppel Corp Ltd 3.145% Feb 2022	2.1%
Kookmin Bank 1.375% May 2026	1.9%
AAC Technologies Holding 3% Nov 2024	1.9%
Country Garden Holdings 3.125% Oct 2025	1.9%

**Rating Breakdown**

AA	1.3%
A	25.9%
BBB	68.6%
C	0.3%
Cash and cash equivalents	4.0%

**Fund Characteristics**

Average coupon	3.0%
Average credit rating	BBB
Number of holdings	214
Average duration (years)	2.2
Yield to Worst	1.9%

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 taking into account the hedging cost. Not guaranteed. Past performance is not necessarily indicative of future performance.

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