



# FAM Global Income Strategy

30 September 2023

## Our Strategy

Bond markets experienced a massive reset in 2022 when the US Federal Reserve embarked on the fastest interest rate hiking cycle in modern history, bringing great opportunities for long-term fixed income investors. The FAM Global Income (FGI) strategy is designed as a choice for investors who recognize that the opportunity also comes with a more unpredictable landscape going forward. FGI's focus on assets beyond traditional markets and asset classes aims to generate **multiple streams of truly diversified and solid income** with the potential for capital appreciation to fulfill investors' needs in a time of higher inflation.



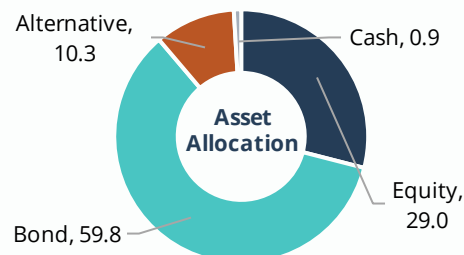
Multi asset holding  
**beyond traditional**  
fixed income and equity



Generate solid  
income targeted at  
**6% per annum**

## FVT

Focus on **undervalued**  
**opportunities with good**  
**fundamentals** in  
sustainable trends

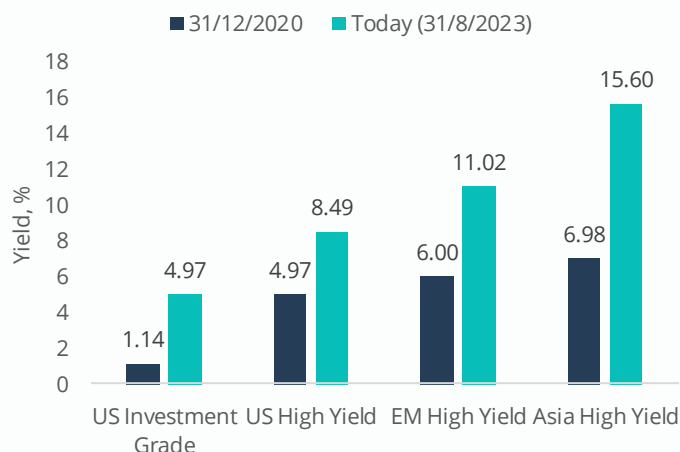


## Enhanced Income Solution

Since July 2023, FGI has focused its strategy on taking advantage of the higher interest rate environment. By going beyond common Developed Markets into underappreciated Emerging Markets and Alternative assets, the strategy captures attractive solid income from diversified sources across global markets.

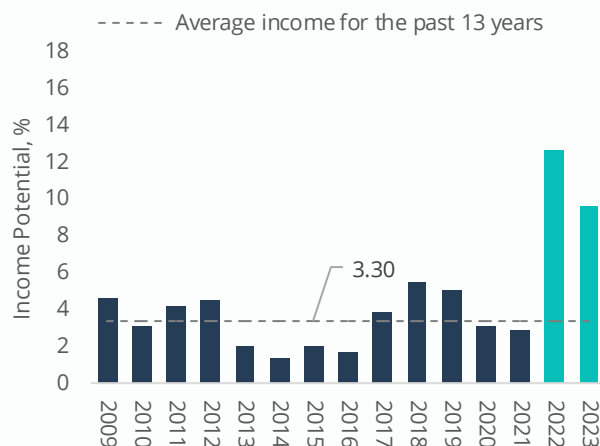
### Embrace higher yields in underappreciated markets

Compared to more common Developed Market bonds, Emerging Market and Asia High Yield bonds are higher yielding options, providing solid income with potential upside.



### Income potential from Alternative Assets

Non-market related (-0.01 correlation) investment is giving around 10% income in years 2022 and 2023 compared to the average 3.3% average income over the past 13 years.



Source: Bloomberg, Morningstar. **(Left)** US Investment Grade: Bloomberg US Agg Yield. US High Yield: Bloomberg US Corporate HY Yield. EM High Yield: Bloomberg Emerging Markets HY Yield. Asia High Yield: Bloomberg Asia HY Yield. **(Right)** Income potential: Swiss Re Cat Bond Yield.

## Historical Performance

### Calendar Return, %

Class	Sep 2023	Aug 2023	Jul 2023	Strategy Focus: Income	2023 Jan - Jun	2022	2021	2020	2019
A SGD	-1.85	-1.73	0.24		-1.28	-13.95	-1.65	4.40	8.44
A USD	-1.70	-1.52	0.41		-0.26	-13.59	-1.33	5.09	9.52
Yield to maturity	7.09	6.94	7.83		-	-	-	-	-

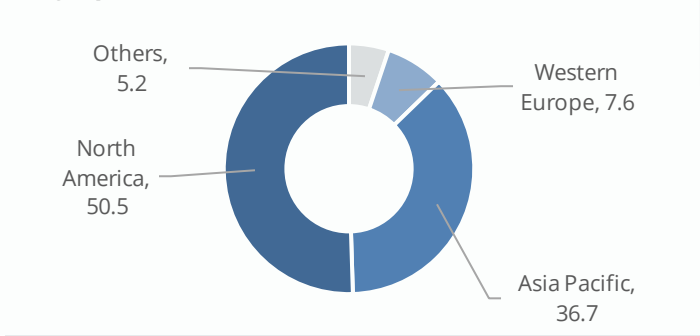
Source: Finexis Asset Management. Share class performance is calculated using NAV of the share class with income reinvested and including ongoing charges, excluding any entry and exit fees.

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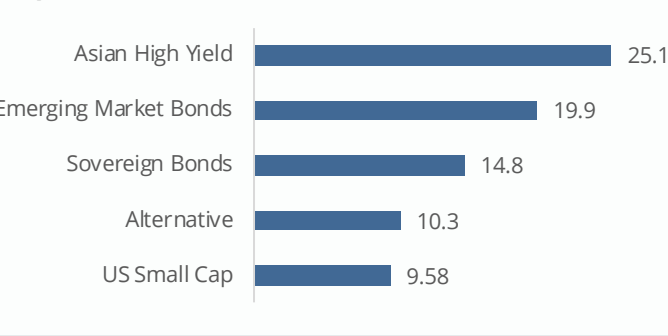


# Strategy Characteristics

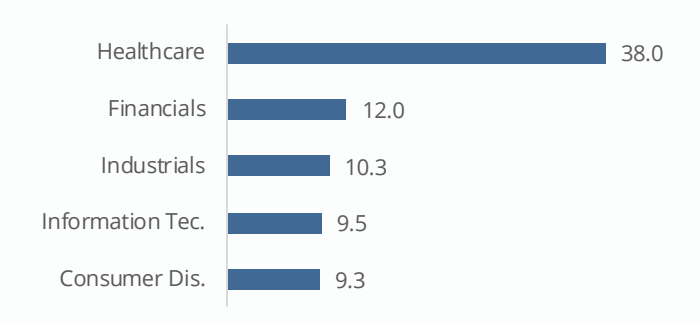
## Geographical Allocation, %



## Top 5 Market Allocation, %



## Top 5 Equity Sector Allocation, %



## Top 5 Fund Holdings, %



Source: Finexis Asset Management. Others include South & Central America, Africa/Middle East, and Western Europe. Top 5 market allocation and fund holdings are at fund level. Geographical allocation and top 5 sector allocation are at portfolio look-through level. For illustrative purposes only and does not constitute to any recommendations to invest in the above-mentioned country/sector/security.

# Discerning The Signals From The Noise

A three-pronged research process to identify signals that point us to **sustainable trends** which are underappreciated by the market, which come with **good fundamentals** and **attractive valuation**, with a higher likelihood of outperforming over the long term.



### Fundamental

Study financial and economic data (e.g. GDP, unemployment rate, and inflation rate etc.) that may drive market movement to find opportunities with **good fundamentals** that are underappreciated.



### Valuation

Picking the right valuation metrics (e.g. price-to-earnings, price-to-book, EV/EBITDA etc.) to spot **undervalued opportunities** and avoid overpaying for any investment with only good stories.



### Trend

Seek inflection points in **sustainable trends** to capture overlooked opportunities and avoid less recognised risks (such as the end of a bond supercycle).

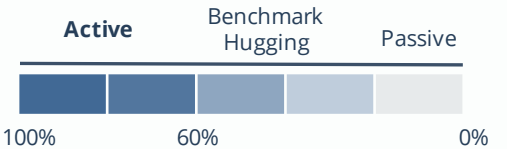
# High Level of Active Management

Many actively managed funds underperform because they have a low active share. This happens when a portfolio's holdings are very similar to the referenced benchmark, a practice commonly referred to as 'benchmark hugging'. In contrast, **funds with a high level of active management may have greater potential for outperformance in the long run**, as there is no way any fund can outperform the market if they are investing like the market.

By investing in areas where we have the greatest conviction and applying it to our whole portfolio, we aim to provide better returns over risk through a full market cycle.



Target active share > 80%



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Finexis Asset Management

## Market & Portfolio Developments

### Fund Commentary

Market volatility persisted into the month of September as investors grappled with the uncertainty of whether the US economy would experience a soft landing or a hard landing. Amidst drastic swings in market sentiments, global equities and bonds ended the month in the red with declines of -4.10% and -2.92%, respectively. **FGI fell a more modest -1.70%, as losses were supported by its multiple stream of diversified and solid income.** The past month's declines primarily came from the portfolio's equity positions, which have larger price swings in the short-term but also provide high return potential when markets eventually recover.

As markets moved away from a prolonged era of low-interest rates into one characterized by tightening liquidity and higher interest rates, it is easy to be tempted by the 5% that one can get from USD money market funds (the fact that this was 0% over a year ago shows how the era of free money is behind us!).

But to truly gain an edge in purchasing power, investors can look to credit markets for higher income opportunities – this is precisely where we are finding compelling opportunities across Emerging Market and Asian High Yield bond markets for the coming 3 years as outlined on the 'Key Position Highlights' section on the right. By investing in such positions, we are benefitting from a portfolio-level yield of 7.09%, besides the additional capital gain potential coming from our recovery equity positions.

FGI's strategy provides meaningfully higher return potential than money market rates going forward, especially if the Fed starts to cut interest rates – money market rates will quickly adjust downwards when this happens, whereas FGI is in a better position to 'lock in' the higher return potential offered across fixed income and equity markets today for investors looking to grow their portfolio over the long-term.

With each twist and turn in the markets, it is easy for investors to get caught up in emotions, swinging between extreme pessimism and optimism with every news headline and data point. It is crucial now, more than ever, for investors to remain patient amidst market and portfolio volatility.

### Key Position Highlights

We highlight positions that reflect the strategy's tactical asset allocation view, backed by our study of market patterns and trends over time. As a result, our strategies can be highly differentiated from conventional benchmarks, with the aim of long-term investment success.

#### Emerging Market & Asian High Yield To Capture High Yields For Outstanding Total Return

- Yields have risen for bond investments due to the higher interest rate environment since Q4 of 2022. The current higher yield is an indication of good total returns in the coming 3 years:

Asian High Yield	Sep 2008	Oct 2011	Jun 2023
Starting Yield	13.6%	12.9%	13.6%
Next 3Y total Returns	42.1%	40.7%	?

- Today, **yields for Emerging Market and Asia High Yield bonds are significantly higher than Developed Markets.** No doubt, the opportunity comes with higher volatility, but we believe the margin of safety is there following meaningful declines in 2021.
- Our positions in EM and AHY have shown substantial rallies since October 2022, indicating the possible start of another EM season like the beginning of the year 2000.

#### Alternative Assets To Provide An Attractive And Differentiated Source of Income

- Alternatives are an essential part of any income strategy going forward. FGI's alternative income provides stable and uncorrelated returns for investors.
- Traditional income investments experienced large price swings and declines in 2022 as the Fed embarked on one of the fastest interest rate increases in recent memory.
- Differentiated alternative income assets such as music royalties and assets with 'toll-booth' investment qualities (that offer significant recurring revenue for their investors) offer the potential to generate stable income independent of traditional equity and bond performance.
- FGI's current focus is on insurance-linked alternative assets due to the high-income potential offered (~10%) while being highly differentiated from market risks.

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## Fund Details

Item	Class A
Currency	SGD, USD
ISIN (SGD Class)	SG9999019384 (Distribution Class)
ISIN (USD Class)	SGXZ71589303 (Distribution Class)
Min. Subscription	SGD 1,500,000 USD 1,000,000
Account Opening Fee (One-time)	N/A
Min. Subsequent Subscription	SGD 15,000 USD 10,000
Max Sales Charge	5%
Management Fee	1.5%
Targeted Distribution <sup>1</sup>	6% p.a.
Fund Name	Global Income Fund
Dealing Frequency	Daily
Base Currency	USD
Inception Date*	16 Aug 2018 (SGD) 18 Jul 2018 (USD)
Fund Focus	Global Multi-Asset
Fund Domicile	Singapore
Investment Manager	Finexis Asset Management
Fund Administrator	Standard Chartered Bank
Custodian	Standard Chartered Bank
Auditor	PricewaterhouseCoopers LLP

Trustee Perpetual (Asia) Limited

<sup>1</sup>Please note that the distributions at 6% p.a. (if any) may be declared semi-annually based on the Investment Manager's discretion. Distributions are not a forecast, indication, or projection of the future performance of the Fund.\*Income strategy is implemented from July 2023.

## Highlights of Sub-Fund Managers

### Ashmore Emerging Market Fixed Income

Based in London, Ashmore is a specialist Emerging Markets investment manager with close to 30 years' experience in those markets. Being one of the first investment management firms to offer investors direct access to a broad group of emerging economies, Ashmore is well recognised among emerging market managers. Today, Ashmore manages \$55.9 billion across their strategies, which are typically offered to institutional clients globally.

The firm's EM fixed income expertise is backed by 33 investment professionals who focus on the full range of emerging market debt opportunities. Members of the team have been engaged in fixed income investing since the early days of the markets in the late 1980s, **leveraging on their strong network of contacts such as banks and major institutional investors, multi-lateral agencies and bank counterparty relationships and contacts across all levels of the policy-making hierarchy.**

Ashmore takes a specialist, **long-term value-driven approach starting with macro, top-down active management.** They believe that active management focusing on asset liquidity and political dynamics with superior information and analysis leads to above average returns with lower risk over the cycle.



**30 years**  
EM experience



**\$55.9 billion**  
AUM Worldwide



**33 EM**  
professionals



Long-term value-  
driven approach

### BlackRock Asian High Yield

BlackRock is the world's largest asset manager managing more than \$8 trillion as of the end of 2022, giving it unparalleled scale and influence. The firm is a titan of the industry, offering solutions across asset classes and across passive and active strategies to fulfill investment needs for both retail and institutional investors. BlackRock's dedication to providing investment expertise, market knowledge, and dedication to the client experience has brought them numerous awards for the firm and its strategies.

BlackRock's Asian Fixed Income capability spans across traditional liquid and private credit strategies. **The team is one of the most well resourced in the industry; making up of ~50 dedicated investment professionals dedicated to Asian fixed income with 3 credit portfolio managers and 18 research analysts.**

The BlackRock Asian High Yield combines top-down macro insights with bottom-up company specific expertise from the wide bench of credit analysts. The strategy won the Platinum award at the Fund Selector Asia Awards in 2022.



**World's largest**  
asset manager



**>\$8 trillion**  
AUM Worldwide



**50 Asian FI**  
professionals



Fund Selector Asia  
Awards 2022

**About FAM:** Finexis Asset Management is a Capital Markets Services (CMS) licensed fund management company established in Singapore, focusing on bringing institutional capabilities to private clients. The boutique set-up ensures that we are flexible, responsive and proactive. We embrace the latest technology and constantly improve our processes to complement our investment solutions. Constant evolution to fulfil our investor's needs is ingrained in our beliefs.

For professional and accredited investors only. For fund and sales related enquires please reach out to your finexis financial advisor representative or email us at [customer.service@finexisam.com](mailto:customer.service@finexisam.com)

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