



# FAM Global Income Strategy

31 October 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.



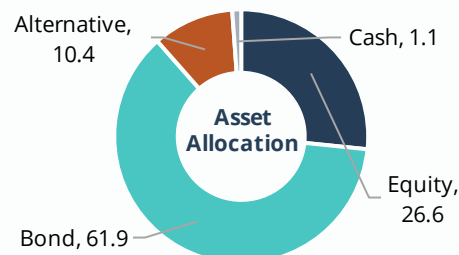
Multi asset holding  
**beyond traditional**  
fixed income and equity



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

# FVT

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

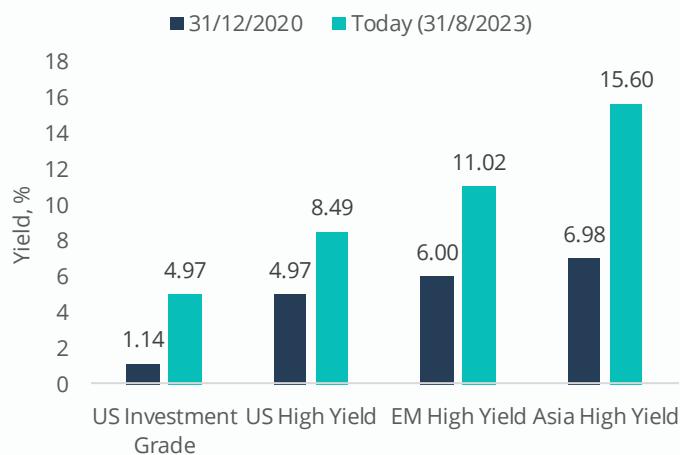


## Enhanced Income Solution

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.

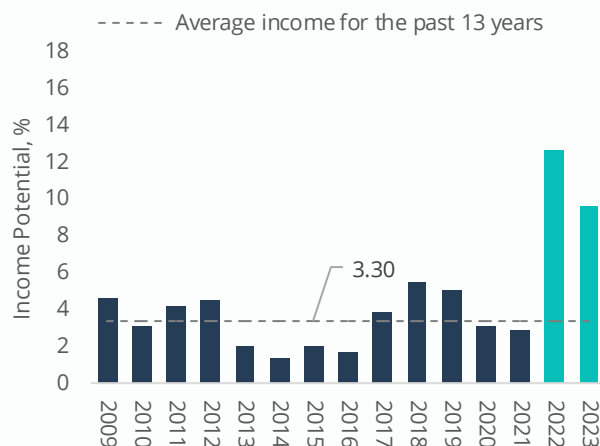
### Embrace higher yields in underappreciated markets

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	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Strategy Focus: Income	2023 Jan - Jun	2022	2021	2020	2019
A SGD	0.92	-1.85	-1.73	0.24		-1.28	-13.95	-1.65	4.40	8.44
A USD	1.09	-1.70	-1.52	0.41		-0.26	-13.59	-1.33	5.09	9.52
YTM	6.72	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. YTM refers to the fund's Yield To Maturity.

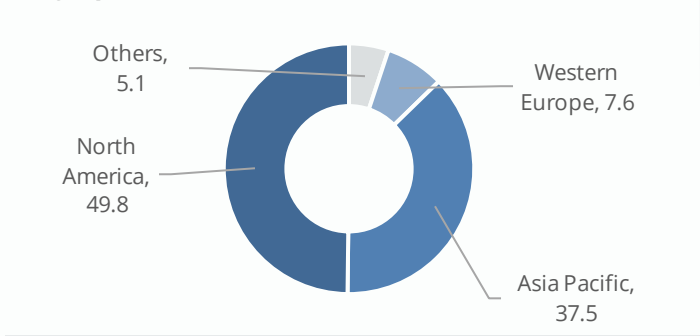
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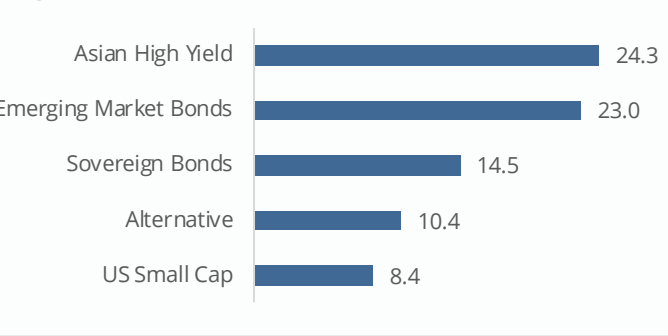
Finexis Asset  
Management

# Strategy Characteristics

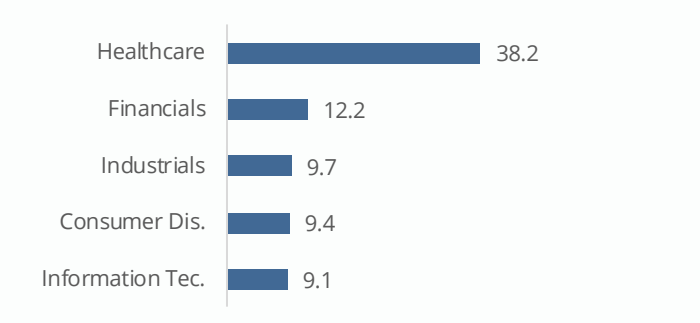
## Geographical Allocation, %



## 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).

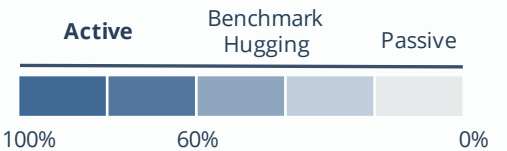
# High Level of Active Management

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%



Signatory of:



Finexis Asset Management

## Market & Portfolio Developments

### Fund Commentary

Equity and bond markets declined -3% and -1.2% in October, alongside concerns of higher interest rates for longer. **Over the same period, FGI managed to deliver a positive return of 1.1%, largely driven by the strategy's focus and holdings of undervalued bonds in both traditional and alternative markets.**

Earlier in the year, all major investment banks and forecasters predicted that US 10-year rates would be at 3%. At the close of October, these rates were practically at 5%, a level few thought was possible. In the short-term, this has impacted our portfolios' equity positions in that a 'true' broad-based recovery has been delayed, but not derailed. Their low valuations and expectations of improving fundamentals set them up for stronger performance going forward; especially if the Fed can guide the economy to a soft landing as markets expect.

Already, the Fed's decision to hold rates steady on 2nd November brought confidence back to markets, with both equities and bonds rallying. Indeed, markets will eventually recover and make new highs as they always do, but (in today's late-cycle environment) the journey is likely to undergo more twists and turns before reaching the destination.

Since July 2023, FGI has benefitted from the strategy of re-focusing on the wide income opportunities available amid the higher interest rate environment; as reflected in the positive performance over the past month when other major markets were down. On an ongoing basis, the strategy is expected to continue to harvest attractive and regular income offered by markets such as EM and Asia High Yield today while retaining good potential for capital appreciation over the long-term.

### 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.

## 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

### Lombard Odier Asian High Yield

Lombard Odier Investment Managers is part of the Lombard Odier Group, a global private bank managing \$300+ billion in assets across its wealth and asset management expertise. With a dedicated team of 180 professionals, it manages \$70 billion of assets across diverse strategies in equity, fixed income, multi-asset, convertible bond, alternatives, and private markets.

The Lombard Odier Asia Value Bond is one of the largest Asia credit fund today. Managed by a team of five investment experts as part of a 22-strong global fixed income team, the strategy has seen a long track record of outperformance against its peer group.

The strategy is underpinned by a 'value-biased strategy that leverages on rigorous top-down and bottom-up analysis to uncover value and fundamentally strong opportunities through market cycles; maintaining close interaction with companies and management. The strategy was awarded the Platinum award at the Fund Selector Asia Awards in 2020, in addition to Lipper awards for "Best Asia Credit Strategy in Hard Currency".



**50 years**  
investment  
experience



**70 billion**  
AUM Worldwide



**22 Global FI**  
professionals



Fund Selector Asia  
Awards 2020

Signatory of:



**Finexis Asset  
Management**

**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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