

Fullerton Lux Funds - Asia Growth & Income Equities - Class A (USD)

May 2017

Investment Objective

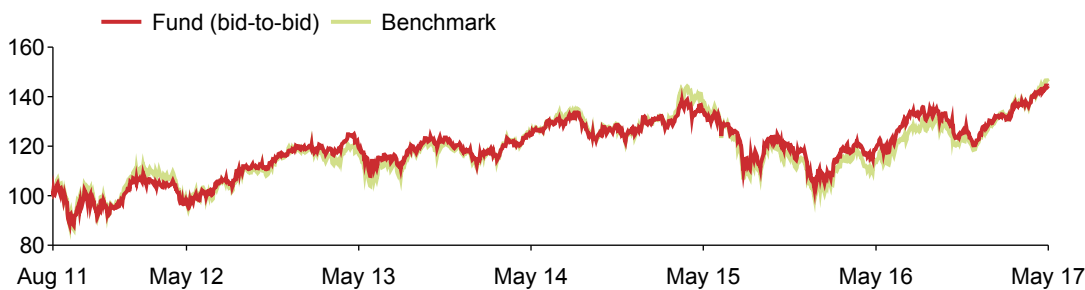
The investment objective of the Fund is to achieve competitive risk adjusted returns on a relative basis.

Investment Focus and Approach

The Fund seeks to achieve its objective by investing primarily in equities of companies in Asia ex-Japan with high dividend yields. The countries include, but are not limited to China, Hong Kong, India, Indonesia, Korea, Malaysia, Philippines, Singapore, Taiwan and Thailand. The Fund is managed based on a bottom-up research process that focuses on fundamental analysis and stock selection to construct a diversified portfolio of companies in Asia. Stocks are selected based on their price versus intrinsic value, dividend yield, dividend growth and change catalyst. Top-down country/asset allocation is monitored with a view to manage potential risks from single country exposure.

Please refer to the prospectus for full details.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	3.17	9.44	14.68	21.02	5.06	8.11	6.56	14.60
Fund (offer-to-bid)	-1.75	4.23	9.22	15.26	3.37	7.06	5.67	NA
Benchmark	4.35	10.10	18.41	28.08	5.26	8.27	6.77	16.58

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in USD with net dividends and distributions (if any) reinvested. Offer-to-bid returns include an assumed preliminary charge of 5% which may or may not be charged to investors. Benchmark: MSCI AC Asia ex Japan Net Index.

Source: Fullerton Fund Management Company Ltd, MSCI Inc. and Bloomberg.

Market Review

Volatility rose across Asian stock markets on the back of an eventful May. Despite political turbulence in the US, as well as concerns over moderating global growth and regulatory tightening in China, the continued rally in global equities stayed broadly intact. Meanwhile, the May FOMC meeting minutes strengthened market expectations that the US could potentially hike rates in June. In Asia, investors held on to an overall risk-on mode and brought markets higher over the month, with Korea outperforming.

On the monetary front, the Bangko Sentral Philippines (BSP) kept policy rate at 3%, but provided a more hawkish guidance as it indicated an increased wariness of inflation risk. Meanwhile, the appointment of Deputy Governor Espenilla as the next BSP governor provided investors the reassurance of policy continuity. The Bank of Thailand held rates steady in line with expectations, as large commercial banks had already cut lending rates prior to the central bank's meeting in May. Meanwhile, Bank Negara Malaysia left its overnight policy rate unchanged amid increased confidence in Malaysia's growth outlook. The Bank of Korea reiterated its neutral policy stance and was similarly upbeat on the country's economy on the back of recovering global growth. Indonesia's central bank was also optimistic, as it confirmed expectations for the country's economy to grow 5-5.4% this year.

Staying with Indonesia, S&P upgraded the country's sovereign rating to BBB-, citing improvement in fiscal metrics as the key motivation for doing so. Indonesia is now rated investment grade by all three major rating agencies, which is likely to attract foreign investments into the country. In contrast, Moody's downgraded China's sovereign debt rating from Aa3 to A1 and changed the country's outlook from negative to stable. Moody's expects China's debt to continue rising and this represents further contingent liabilities for the government.

Inception date

22 Aug 2011

Fund size

USD 235.85 million

Base Currency

USD

Pricing Date

31 May 2017

NAV*

USD 14.44

Management fee

Up to 1.5% p.a.

Preliminary Charge

Up to 5% of the subscription amount (equivalent to a maximum of 5.26315% of the Net Asset Value per Share)

Dealing day

Daily

Deadline

1pm (CET); 5pm (Singapore time) on each Business Day

Bloomberg Code

FHIASAU LX

ISIN Code

LU0577902611

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

Investment Strategy

A number of developments on the macro front are likely to take the spotlight as we look ahead into 2H2017. European political risks come to mind, given looming elections in the UK, Germany and Italy, even as Brexit negotiations begin. This is in addition to increasing concerns over global interest rate policies – there are varied views over when the ECB would look to end its quantitative easing programme, while the Federal Reserve's eventual implementation of its balance sheet normalisation plan by year-end could also cause uncertainty in global markets. Here in Asia, the outlook for the region remains constructive over the medium-to-long term, with most economies being supported by fiscal spending and domestic consumption. The earnings outlook is also more positive than in previous years. To this end, there is no change in our focus on bottom-up fundamentals, as we adhere to our conviction-driven approach in searching for companies with undemanding valuations and sustainable/growing dividend yields. During the month, we added exposure to a Korean consumer electronics company and initiated a position in a Chinese insurer.

Country Breakdown

China	27.8%
Hong Kong	13.0%
India	12.9%
Indonesia	4.1%
Korea	14.1%
Malaysia	3.3%
Philippines	3.5%
Singapore	3.5%
Taiwan	10.5%
Thailand	4.7%
Cash	2.5%

Sector Breakdown

Consumer Discretionary	14.0%
Consumer Staples	2.8%
Energy	3.8%
Financials	34.7%
Health Care	1.5%
Industrial	7.9%
Information Technology	19.4%
Materials	0.7%
Real Estate	4.8%
Telecommunication Services	9.2%
Utilities	1.3%

Top 5 Holdings

Samsung Electronics – Pref.	5.6%
Taiwan Semiconductor Manufacturing	4.7%
Industrial & Commercial Bank of China	3.7%
AIA Group Ltd	3.6%
Tencent Holdings Ltd	3.4%

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.