

Fullerton Lux Funds - Asian Bonds - Class I (USD) Dis

May 2024

Investment Objective

The investment objective of the Fund is to generate long term capital appreciation for investors.

Investment Focus and Approach

The Investment Manager seeks to achieve the objective of the Fund by investing in fixed income or debt securities denominated primarily in USD and Asian currencies, issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region.

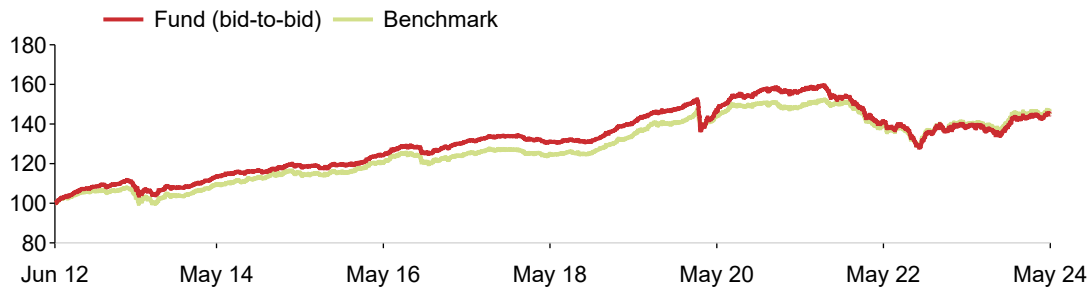
The Asian countries include but are not limited to China (including Hong Kong SAR and Taiwan), South Korea, India, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Pakistan and Vietnam.

SFDR Classification:

Article 8 fund.

In line with its ESG methodology, the fund promotes environmental characteristics but does not commit to make environmentally sustainable investments as defined in the taxonomy regulation.

Performance (%)



| | 1 mth | 3 mths | 6 mths | 1 yr | 3 yrs | 5 yrs | 10 yrs | Sl. Ann. Ret. | Sl. Ann. Vol. |
|----------------------------|-------|--------|--------|-------|-------|-------|--------|---------------|---------------|
| Fund (bid-to-bid) | 1.32 | 1.08 | 3.90 | 4.49 | -2.55 | 0.60 | 2.46 | 3.16 | 4.89 |
| Fund (offer-to-bid) | -3.50 | -3.73 | -1.05 | -0.48 | -4.12 | -0.37 | 1.97 | 2.74 | NA |
| Benchmark | 1.08 | 0.74 | 3.08 | 4.44 | -0.51 | 1.68 | 2.91 | 3.23 | 4.28 |

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. Past performance is not indicative of future returns.

Benchmark: JACI Investment Grade Total Return Index.

Source: Fullerton Fund Management Company Ltd, J.P. Morgan Securities LLC and Bloomberg.

Market Review

Asian USD credits posted positive returns, according to the JPM Asian Credit Index (in USD), driven mainly by tighter credit spreads in the high yield sector and duration-related gains in the investment grade sector, where credit spreads also tightened.

Across the Atlantic, US Treasury bond yields remain near the upper end of their year-to-date ranges, despite moving lower from a month ago. The month began with a soft US payrolls report, followed by a mix of strong US flash PMIs and weak Treasury bond auctions pushing yields higher. However, US Treasury yields edged lower at month-end due to a US CPI report that came in within expectations. Market pricing now reflects around 36bps of Fed rate cuts by December, up slightly from 30bps at the start of the month. Elsewhere, the Riksbank became the second developed market central bank to cut rates, following the Swiss National Bank.

Within the Asian USD credit market, the high yield sector, particularly the China property market, outperformed. In May, a package of housing policy relaxations was announced, including mortgage policy easing, and a 300 billion yuan re-lending facility from the PBOC. Financials, infrastructure, and industrials were among the lagging sectors. At the country level, high yield-heavy countries like Sri Lanka and Pakistan led the rally, while Korea and Taiwan saw slower gains. Nearing the end of the month, S&P Global Ratings revised India's outlook from stable to positive while maintaining the BBB- rating. This revision is attributed to "robust economic growth, pronounced improvement in the quality of government spending, and political commitment to fiscal consolidation".

Inception date

22 Jun 2012

Fund size

USD 150.52 million

Base Currency

USD

Pricing Date

31 May 2024

NAV*

USD 9.44

Management fee**

Up to 0.6% p.a.

Management company^ fee**

Up to 0.04% p.a. subject to a minimum monthly fee of EUR 750.00 per Fund per month applied at the Company level

Expense Ratio**

0.72 % p.a. (For financial year ended 31 Mar 2023)

Distributions paid per unit

Dec 2022: USD 0.093

Mar 2023: USD 0.093

Jun 2023: USD 0.119

Sep 2023: USD 0.115

Dec 2023: USD 0.117

Mar 2024: USD 0.119

Preliminary Charge**

Up to 5% subscription amount (equivalent to a max 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

FASBIUD LX

ISIN Code

LU0790902471

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Investment Strategy

The credit market remains heavily influenced by macroeconomic headlines, with spreads expected to persist at low levels unless a significant shift occurs in the macro backdrop. Growth and inflation rates seem to be on a path of moderation—albeit at a slower pace than initially predicted at the year's outset. Nonetheless, concerns over a sharp decline in growth or a rapid upsurge in inflation are not at the forefront of investors' minds. Overall, the U.S. economy remains robust. The Federal Reserve's cautious approach, considering the current restrictive policy stance, indicates a reluctance to hastily resume rate hikes unless warranted by economic indicators. A scenario of Fed easing triggered by diminishing inflation rather than a growth shock, could create a favourable environment for markets. In response to the risk of an economic slowdown, Chinese authorities have also adjusted their policies since the April Politburo meeting, which has bolstered positive sentiment.

Recent policies aimed at supporting the Chinese property sector represent a positive step, highlighting the authorities' determination to address housing issues. The scale and implementation of these policies will be critical. The effectiveness of any new measures will depend on their swift and efficient enactment. Overall, we anticipate that recent policy easing will mitigate downside risks, though the housing market may take time to fully stabilize. Currently, our strategy prioritises issuer selection, favouring developers with investment properties or strengthening fundamentals. We are also exploring investment opportunities in related sectors, such as the Hong Kong property market, Hong Kong banks, and Chinese financial entities. This approach aims to ensure resilience in case the sector's recovery unfolds more gradually than anticipated.

In other areas of our portfolio, we are comfortable with our modest underweight in relative duration. Within the credit sector, we maintain an overweight to the high yield segment, leveraging the strong technical underpinnings of the market. The current environment of attractive all-in yields, when compared to historical averages, continues to mitigate the impact of narrow spreads. The search for yield, coupled with a low volume of new bond issuances, is providing essential support to our strategy. This scarcity of new issues creates a favourable supply-demand dynamic, further enhancing the appeal of our high-yield positions. Furthermore, we are actively sourcing interesting opportunities in the new issue markets. This proactive approach helps us stay ahead of the curve and capitalise on emerging prospects that can potentially enhance our portfolio's performance.

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

Please refer to our website for more details.

**The list of cost is not exhaustive and the fund may incur other expenses. Please refer to the Prospectus/KIID for more information.

^Management Company of the Fund is Lemanik Asset Management S.A.

Geographical Breakdown

| | |
|---------------------------|-------|
| Australia | 5.3% |
| China | 22.5% |
| Hong Kong | 6.7% |
| India | 13.5% |
| Indonesia | 14.1% |
| Japan | 3.7% |
| Korea | 10.8% |
| Macau | 3.3% |
| Malaysia | 2.3% |
| Philippines | 3.5% |
| Singapore | 3.4% |
| Thailand | 2.3% |
| UK | 3.8% |
| Others | 2.8% |
| Cash and cash equivalents | 1.9% |

Top 5 Holdings

| | |
|--|------|
| Gohl Capital Ltd 4.25% Jan 2027 | 1.2% |
| Lendlease US Capital Inc 4.5% May 2026 | 1.2% |
| Hyundai Capital Services 2.125% Apr 2025 | 1.2% |
| CDB Financial Leasing 2.875% Sep 2030 | 1.2% |
| Freeport Indonesia Pt 6.2% Apr 2052 | 1.0% |

Rating Breakdown

| | |
|---------------------------|-------|
| AA | 0.9% |
| A | 16.4% |
| BBB | 61.2% |
| BB | 14.6% |
| B | 5.0% |
| Cash and cash equivalents | 1.9% |

Fund Characteristics

| | |
|--------------------------|------|
| Average duration (years) | 1.5 |
| Yield to Worst | 5.9% |

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. Not guaranteed. Past performance is not necessarily indicative of future performance.

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For EU investors:

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