

Fullerton Lux Funds - Asian Bonds - Class R (SGD-Hedged) Dis

May 2024

Investment Objective

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

Investment Focus and Approach

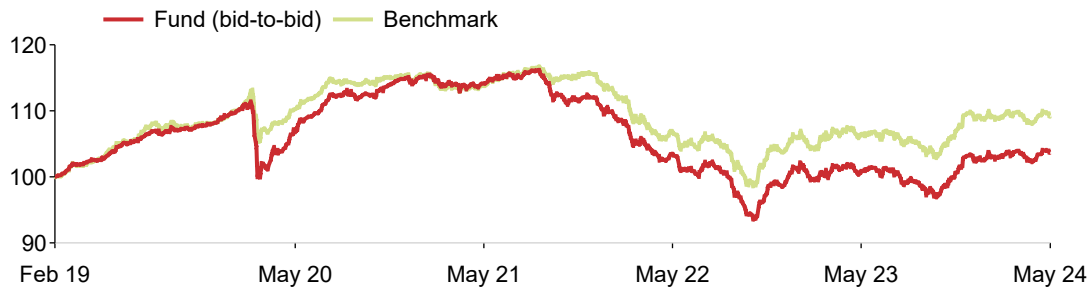
The Investment Manager seeks to achieve the objective of the Fund by investing in fixed income or debt securities denominated primarily in USD and Asian currencies, issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region.

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	Sl. Ann.Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	1.18	0.70	3.03	2.79	-3.14	0.12	0.69	6.21
Benchmark	0.92	0.31	2.16	2.64	-1.32	1.09	1.70	5.01

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. Past performance is not indicative of future returns. Benchmark: JACI Investment Grade Total Return – SGD Hedged Index. With effect from 8 May 2010. 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

21 Feb 2019

Fund size

SGD 203.46 million

Base Currency

USD

Pricing Date

31 May 2024

NAV*

SGD 8.58

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**

0.76 % p.a. (For financial year ended 31 Mar 2023)

Distributions paid per unit

Dec 2022: SGD 0.072
 Mar 2023: SGD 0.057
 Jun 2023: SGD 0.110
 Sep 2023: SGD 0.106
 Dec 2023: SGD 0.107
 Mar 2024: SGD 0.108

Preliminary Charge**

Not applicable for Class R

Dealing day

Daily

Deadline

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

Bloomberg Code

FASBRSH LX

ISIN Code

LU1293085590

The Fund is available for SRS subscription.

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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

GohI 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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The source of the JACI Investment Grade Total Return – SGD Hedged Index is J.P. Morgan Securities LLC, the Index Sponsor. Prior to 1 October 2012, the benchmark was computed by the Managers derived from JACI Investment Grade Total Return Index. The source was changed retrospectively from 8 May 2010.

For EU investors:

This is a marketing communication. The investment which is promoted concerns the acquisition of shares in a fund. The Fund is actively managed with reference to the benchmark, "JACI Investment Grade Total Return – SGD Hedged Index", for performance comparison purpose. You should read the prospectus and the key investor information before making any final investment decision. A summary of investor rights can be found in English at <https://www.lemanikgroup.com/governance-asset-management/>. A copy of the prospectus and the key investor information is available in English and other languages (as applicable), and can be obtained from the registered office of the Fund or at www.fullertonfund.com. Please also refer to https://www.fullertonfund.com/literature/fullerton-lux-funds/?_sft_registered=luxembourg for the sustainability-related disclosures of the Fund. The Management Company of the Fund is Lemanik Asset Management S.A. ("Lemanik"). Please note that Lemanik may terminate the marketing arrangements of the Fund in accordance with Article 93a of Directive 2009/65/EC.

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