



Fullerton Lux Funds - Asian Currency Bonds - Class A (SGD) Dis

May 2024

Investment Objective

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

Investment Focus and Approach

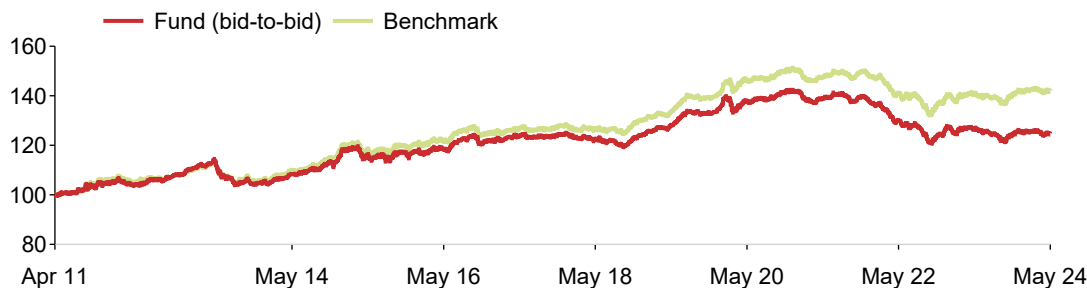
The Fund seeks to achieve its objective by investing in fixed income or debt securities, including convertibles, denominated primarily in Asian currencies and primarily issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region. These countries may include, but are not limited to China (including Hong Kong SAR and Taiwan), South Korea, India, Thailand, Malaysia, Singapore, Indonesia, the Philippines and Vietnam. The Investment Manager seeks to generate alpha through interest rate, credit and currency strategies by evaluating the relative value across markets and the outlook for credit. These views form the basis for formulating their duration, bond market allocation, currency and credit strategies. The Fund will be permitted to invest in fixed income or debt securities which are unrated or rated non-investment grade.

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)	0.38	-1.05	-0.07	-1.90	-3.64	-0.63	1.38	1.67	4.07
Fund (offer-to-bid)	-4.40	-5.76	-4.82	-6.57	-5.20	-1.59	0.89	1.29	NA
Benchmark	0.40	-0.61	0.78	0.58	-1.34	1.15	2.57	2.69	3.87

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. 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: Markit iBoxx ALBI Index

With effect from 1 May 2016, the benchmark has been changed to Markit iBoxx ALBI Index. Prior to 1 May 2016, the index was HSBC Asian Local Bond Index.

Source: Fullerton Fund Management Company Ltd and Markit.

Market Review

The iBoxx Asian Local Bond Index (ALBI)—in USD unhedged terms—gained 1.1% in May, as all underlying markets posted positive returns. Additionally, most local currencies (except the Philippine peso, South Korean won, and Offshore RMB) appreciated against the U.S. dollar.

In local currency terms, India, the Philippines and Indonesia were the standout performers, while Thailand, and China Onshore Bonds constituted the bottom three performers, although still delivering small gains. Across the yield curve, the 10+ year maturity segments drove most of the gains this month, especially in the Philippines and Hong Kong. On the macro-economic front, Bank Indonesia paused its tightening, citing more benign US monetary conditions, after delivering a surprise 25bp hike last month. Separately, China's April credit report surprised materially to the downside. The monthly Total Social Financing (TSF) flow fell for the first time since 2005 and loan growth slowed to a new low. Towards the end of the month, S&P Global Ratings revised India's outlook from "stable" to "positive" while maintaining its BBB- rating. This revision is attributed to "robust economic growth, pronounced improvement in the quality of government spending, and political commitment to fiscal consolidation".

Asian USD credits posted positive returns, according to the JPM Asian Credit Index (in USD terms), 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. The high yield sector, particularly the China property market, outperformed. In May, a package of housing policy relaxations was announced,

Inception date

15 Apr 2011

Fund size

SGD 65.71 million

Base Currency

USD

Pricing Date

31 May 2024

NAV*

SGD 8.78

Management fee**

Up to 1.0% 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**

1.28 % p.a. (For financial year ended 31 Mar 2023)

Distributions paid per unit

Mar 2017: SGD 0.200

Sep 2017: SGD 0.200

Mar 2018: SGD 0.200

Sep 2018: SGD 0.200

Mar 2019: SGD 0.190

Sep 2019: SGD 0.130

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

ACBASGD LX

ISIN Code

LU0543882921

The Fund is available for SRS subscription.

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Market Review (Cont'd)

including mortgage policy easing, and a 300 billion yuan re-lending facility from the PBOC. Across the Atlantic, US Treasury bond yields remained 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 PMI readings and weak Treasury bond auctions, which initially pushed yields higher. However, US Treasury yields edged lower toward month-end due to a US CPI report that came in within expectations.

Investment Strategy

Looking ahead, the overall health of the US economy appears robust. Both growth and inflation are still showing signs of moderation, although the pace is slower than we initially anticipated. Nonetheless, growth remains steady, and inflation is not spiraling out of control. Also, 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.

Within Asia, we anticipate the regional central banks likely to lag behind the Fed in adjusting their rate-cutting cycles. Asia is particularly sensitive to potential spillovers from the Fed's repricing cycle due to the region's slower economic recovery and comparatively subdued inflationary pressures. Additionally, Asian central banks are wary of currency volatility and the risk of capital outflows resulting from widening interest rate differentials.

In response to the risk of an economic slowdown, Chinese authorities have also adjusted their policies since the April Politburo meeting, largely focusing on the property sector. On the latter, the latest property policies aimed at supporting the sector are a step in the right direction and suggest that authorities are serious about resolving the housing problem. The key is the implementation of these policies, i.e. the effectiveness of any new measures will hinge on whether they can rekindle investor confidence and bring homebuyers back to the market. China's latest data for April has mostly disappointed, with exports as the sole bright spot. We still expect modest rate cut in the second half of 2024, but there is less urgency now due to the recent property easing measures.

Looking ahead, we maintain a more conservative risk approach until clearer indications emerge of US Treasury yields peaking and signs of waning US dollar strength. Our focus will be more on carry trades, while keeping tracking error low. Asian currencies are likely to remain subdued against the US dollar, given the backdrop of a weak Japanese yen and Chinese renminbi, coupled with a delayed and shallower Fed rate cut cycle. We maintain a negative outlook on the renminbi due to its low yields, using it primarily as a funding currency. Conversely, we are more optimistic about the high carry currencies such as Indonesian rupiah, and Indian rupee.

* 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

China	13.1%
Hong Kong	3.0%
India	8.6%
Indonesia	11.1%
Korea	15.5%
Malaysia	11.8%
Philippines	4.9%
Singapore	13.7%
Supranational	7.3%
Thailand	7.1%
Others	2.5%
Cash and cash equivalents	1.4%

Top 5 Holdings

IBRD 6.5% Apr 2030	3.8%
Inter-American Development Bank 7.05% Apr 2029	3.1%
Korea Treasury Bond 3.5% Sep 2028	2.7%
China Government Bond 2.88% Feb 2033	2.5%
Indonesia Government 8.75% May 2031	2.4%

Rating Breakdown

AAA	18.7%
AA	18.6%
A	17.0%
BBB	42.6%
BB	1.7%
Cash and cash equivalents	1.4%

Fund Characteristics

Average duration (years)	7.0
Yield to Worst	4.8%

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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