



# Fullerton Lux Fund - Flexible Credit Income - Class A (USD) Dist

May 2024

## Investment Objective

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

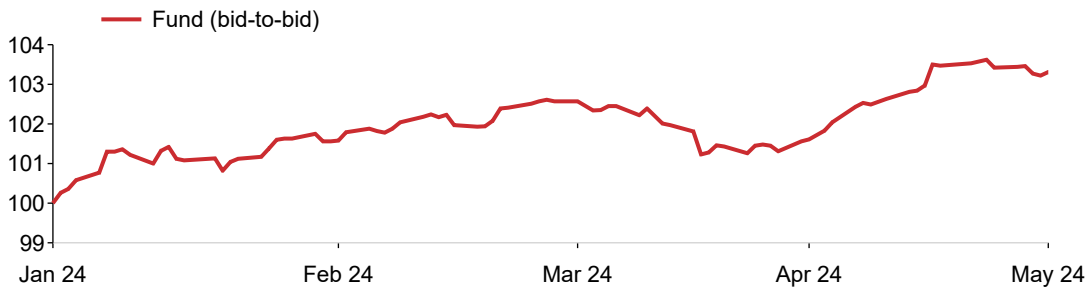
## Investment Focus and Approach

The Investment Manager seeks to achieve the objective of the Fund by investing primarily in investment grade, unrated or rated non-investment grade fixed income or debt securities, including convertibles, denominated primarily in USD and Asian currencies and primarily issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region. The Asian 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 achieve the investment objective of the Fund by a combination of top down macro-economic research for effective duration or interest rate management, country and sector allocation, alongside bottom-up analysis for credit selection and yield curve positioning. Additionally, the Investment Manager's approach incorporates currency flexibility to enhance the overall strategy, complementing both duration and credit management efforts. The Investment Manager believes that this combined top down and bottom-up investment approach provides the best opportunities for achieving superior risk-adjusted returns over the long term.

SFDR Classification:  
Article 6 fund.

## Performance (%)



	1 mth	3 mths	Sl. Ann. Ret.
<b>Fund (bid-to-bid)</b>	1.67	1.71	3.31
<b>Fund (offer-to-bid)</b>	-3.17	-3.14	-1.61

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.

Source: Fullerton Fund Management Company Ltd.

## Market Review

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.

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. 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. In terms of countries, 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

23 Jan 2024

## Fund size

USD 49.72 million

## Base Currency

USD

## Pricing Date

31 May 2024

## NAV\*

USD 10.21

## 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

## Distributions paid per unit #

Mar 2024: USD 0.125

## Preliminary Charge\*\*

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

## Dealing day

Daily

## Bloomberg Code

ASHYAUD LX

## ISIN Code

LU2730773087

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## Investment Strategy

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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 policy stance as restrictive, indicates a reluctance to hastily resume rate hikes unless warranted by economic indicators. In the event of a Fed easing triggered by diminishing inflation rather than a growth shock, it could create a favourable scenario 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.

Regarding investment strategies, the portfolio's duration averages around three years. We closed out our long UK Gilts and German Bund trades due to unexpected improvements in Europe and UK growth indicators. Conversely, we slightly extended US duration by unwinding some of our existing US Treasury interest rate future hedges. We also maintain modest exposure to Asian local currency bonds for carry, while refraining from taking overly long positions in Asian currencies given the weak Japanese yen and renminbi.

In the credit sector, we maintain a high allocation to high-yield securities, leveraging strong market technicals. Attractive all-in yields compared to historical averages continue to offset narrow spreads. The ongoing search for yield and a low volume of new issues are also providing crucial support. However, this is a tactical trade that we are likely to fade over time, and we have started diversifying into other emerging markets beyond Asia for opportunities. We continue to avoid US credits due to rich valuations, especially in the lower rating spectrum.

Sector-wise, 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.

\* 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	3.3%
China	15.7%
France	2.5%
Hong Kong	8.2%
India	13.2%
Indonesia	11.1%
Japan	4.7%
Korea	5.3%
Macau	3.9%
Mongolia	1.9%
Pakistan	2.2%
Philippines	1.8%
Spain	1.3%
Supranational	1.2%
Switzerland	1.8%
Thailand	2.6%
UK	6.4%
US	4.3%
Others	1.6%
Cash and cash equivalents	7.1%

**Rating Breakdown**

AAA	1.2%
AA	3.6%
A	8.4%
BBB	35.9%
BB	28.9%
B	11.1%
CCC	2.2%
C	0.7%
D	0.8%
Cash and cash equivalents	7.1%

**Sector Breakdown**

Basic Materials	6.2%
Communications	10.5%
Consumer, Cyclical	10.9%
Consumer, Non-cyclical	2.4%
Energy	8.3%
Government	9.8%
Industrial	2.3%
Technology	1.6%
Utilities	6.5%
Banks	20.1%
Diversified Finan Serv	2.6%
Insurance	3.0%
Investment Companies	1.6%
Real Estate	7.2%
Others	0.0%
Cash and cash equivalents	7.1%

**Currency Breakdown**

IDR	1.5%
INR	1.3%
USD	97.2%

**Top 5 Holdings**

Treasury Bill 0% Aug 2024	2.0%
Meituan 0% Apr 2027	1.9%
Macquarie Group Ltd 6.255% Dec 2034	1.5%
Cikarang Listrindo Pt 4.95% Sep 2026	1.5%
Indonesia Government 6.875% Apr 2029	1.4%

**Fund Characteristics**

Average duration (years)	3.0
Yield to Worst	6.8%
Average credit rating	BBB
Issuer / Issues	108 / 135
IG / HY (%)	49.1 / 43.8

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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