

## Fullerton Lux Funds - RMB Bonds - Class A (CNH)

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 RMB denominated bonds (both onshore RMB (CNY) and offshore RMB (CNH)), money market instruments, certificates of deposits, term deposits, credit linked bonds and convertibles. The Fund's investments may also include, but are not limited to, USD denominated bonds, credit linked notes, currency forwards and cross currency swaps.

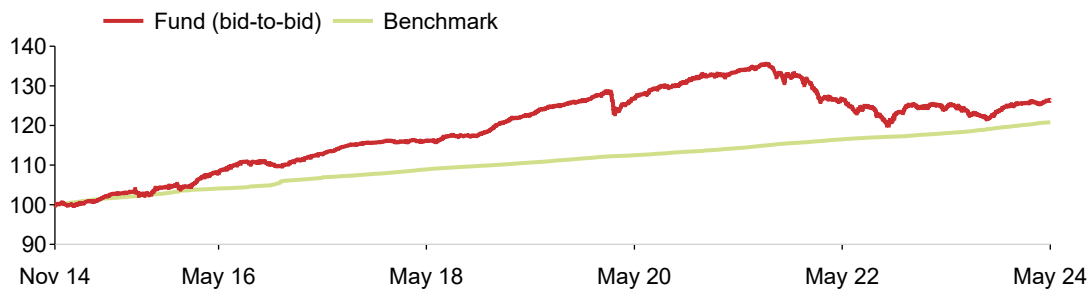
Investment in onshore RMB (CNY) bonds may include bonds traded in both the China interbank bond market and Stock Exchanges in the People's Republic of China ("PRC") and will be made through the Manager's qualified foreign institutional investor ("QFII") and/or Renminbi qualified foreign institutional investor ("RQFII") quota.

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.
<b>Fund (bid-to-bid)</b>	0.76	0.62	2.18	1.47	-1.90	0.58	2.47	2.64
<b>Fund (offer-to-bid)</b>	-4.04	-4.17	-2.69	-3.36	-3.48	-0.40	1.95	NA
<b>Benchmark</b>	0.11	0.56	1.16	2.31	1.85	1.77	1.99	0.27

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in CNH 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: CNH Overnight Deposit Rate

Source: Fullerton Fund Management Company Ltd and Bloomberg

### Market Review

The CNH credit markets posted gains in May, as measured by the iBoxx ALBI China Offshore Index in USD. Likewise, China's 10-year government bond yield stayed at around 2.3%, largely similar to a month ago. Meanwhile, the Chinese renminbi ended the month flat, despite significant gyrations in the exchange rate due to mixed developments. Reports of potential US tariffs on China exerted downward pressure, while positive developments such as the announcement of housing policy relaxations, including mortgage policy easing and a 300 billion yuan re-lending facility from the PBOC, provided support.

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. On the latter, 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 PMI readings 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.

Within the Asian USD credit market, the high yield sector, particularly the China property market, outperformed, due to easing measures in this space.

### Inception date

03 Nov 2014

### Fund size

CNH 273.54 million

### Base Currency

USD

### Pricing Date

31 May 2024

### NAV\*

CNH 98.34

### Management fee\*\*

Up to 0.8% 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\*\*

1.22 % p.a. (For financial year ended 31 Mar 2023)

### Distributions paid per unit #

Dec 2022: CNH 0.890

Mar 2023: CNH 0.890

Jun 2023: CNH 1.148

Sep 2023: CNH 1.113

Dec 2023: CNH 1.109

Mar 2024: CNH 1.112

### 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

Every Business Day

### Deadline

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

### Business Day

Business Day for this Fund is a week day on which banks are normally open for business in China, Hong Kong SAR, Luxembourg and Singapore.

### Bloomberg Code

FRMBACD LX

### ISIN Code

LU0935623214

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## Investment Strategy

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In response to the risk of an economic slowdown, Chinese authorities have 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.

In our portfolio construction, we maintain a preference for credit allocations as we seek to enhance yield, particularly favouring CNH credits over USD credits due to the high hedging costs associated with USDCNH transactions. Concurrently, we are actively seeking favourable entry points to increase exposure to high-yield issuers identified by our analysts. Looking ahead, we anticipate China's economic softness to keep a check on China's CNY sovereign bond yields, while also expecting modest policy easing measures. Accordingly, our CNY duration outlook is reflected in a combination of holdings in CNY sovereign and policy bank bonds, with the latter offering a yield advantage over sovereigns.

\* 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.

**Rating Breakdown**

AA	20.9%
A	41.8%
BBB	25.1%
BB	10.9%
B	0.8%
Cash and cash equivalents	0.6%

**Top 5 Holdings**

China Development Bank 3.39% Jul 2027	3.9%
China Development Bank 2.69% Sep 2033	3.8%
Korea Development Bank 3.4% Jul 2025	3.4%
First Abu Dhabi Bank 3.4% Aug 2025	2.6%
Export-Import Bank China 2.61% Jan 2027	2.6%

**Fund Characteristics**

Average duration (years)	2.6
Yield to Worst	4.2%

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:

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, "CNH Overnight Deposit Rate", 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](http://www.fullertonfund.com). Please also refer to [https://www.fullertonfund.com/literature/fullerton-lux-funds/?\\_sft\\_registered=luxembourg](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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