

Fullerton Lux Funds – RMB Bonds - Class A (SGD)

April 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.

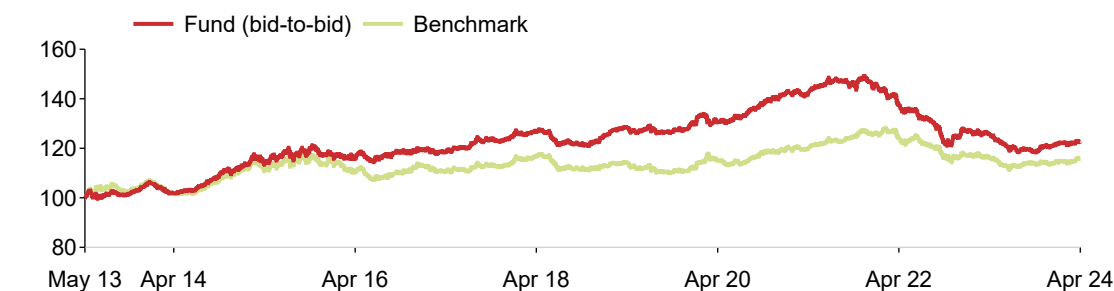
Investment in onshore RMB (CNY) bonds may include bonds traded in both the China interbank bond market and Stock Exchanges in the People's Republic of China ("PRC") and will be made through the Manager's qualified foreign institutional investor ("QFII") and/or Renminbi qualified foreign institutional 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	10 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	0.43	0.77	3.71	-2.35	-4.79	-0.89	1.90	1.89	4.81
Fund (offer-to-bid)	-4.35	-4.03	-1.22	-7.00	-6.33	-1.85	1.40	1.44	NA
Benchmark	1.24	1.38	2.13	-0.33	-1.12	0.32	1.35	1.37	4.38

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: CNH Overnight Deposit Rate

Source: Fullerton Fund Management Company Ltd and Bloomberg.

Market Review

The CNH credit markets was flat in April, 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. Separately, the Chinese yuan remained range-bound, ending the month at approximately the same levels as the previous month, supported by China's Q1 GDP growth beating consensus expectations. In terms of inflation, March's PPI print came in at -2.8% y-o-y as widely expected, whilst CPI inflation printed 0.1% lower than market consensus.

Asian credits ended the month lower, according to the JP Morgan Asian Credit Index. Both the investment-grade and high-yield sectors experienced declines, with the former showing relatively more weakness compared to the latter. This underperformance can be attributed to duration-related losses, particularly as US Treasury yields surged throughout the month. Yields across the US Treasury yield curve reached YTD highs during the month, as the resilience of the US economy has seen the market push out expectations of Fed rate cuts. Market-implied expectations for Fed policy, for 2024 started the month at 70bps but plummeted to less than 30bps by month end. The US 10-year yields closed the month at 4.7%, marking a substantial increase of 48 basis points compared to the previous month. Despite all that, Asian credit spreads were little changed, reflecting the strong technical support and search for yield motives amongst investors.

Inception date

07 May 2013

Fund size

SGD 52.97 million

Base Currency

USD

Pricing Date

30 Apr 2024

NAV*

SGD 12.29

Management fee**

Up to 0.8% p.a.

Expense Ratio**

1.17 % p.a. (For financial year ended 31 Mar 2023)

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

FRMBSAC LX

ISIN Code

LU0913974126

The Fund is available for SRS subscription.

For additional information on Fullerton and its funds, please contact:

Fullerton Fund Management Company Ltd

3 Fraser Street
#09-28 DUO Tower
Singapore 189352

T +65 6808 4688

F +65 6820 6878

www.fullertonfund.com

UEN: 200312672W

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

**The list of cost is not exhaustive and the fund may incur other expenses. Please refer to the Prospectus/KIID for more information. CM&SS-548157-V2

Investment Strategy

During the recent Politburo meeting, while acknowledging the robust first-quarter GDP figures, policymakers remained mindful of the hurdles ahead for China's recovery. These include issues such as insufficient domestic demand, lingering risks in certain sectors, and external uncertainties. This suggests a cautious approach, with policymakers unlikely to withdraw policy support prematurely. However, unless China's growth target of "around 5%" significantly veers off track, there may be limited urgency to ramp up easing measures in the near term.

Regarding currency policy, we anticipate the People's Bank of China (PBOC) will continue to allow for greater flexibility in the renminbi's exchange rate but will likely intervene to prevent significant depreciation. It is also reassuring that isolated credit events in China's property sector have not spilled over into the broader Asian credit market thus far.

In our portfolio construction, we maintain a preference for credit allocations 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. We expect China's unbalanced policy support to continue favouring production over consumption, which may perpetuate deflationary pressures. 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.

Rating Breakdown

AA	21.7%
A	42.2%
BBB	24.1%
BB	10.4%
B	0.7%
Cash and cash equivalents	0.9%

Top 5 Holdings

China Development Bank 3.39% Jul 2027	3.8%
China Development Bank 2.69% Sep 2033	3.7%
Korea Development Bank 3.4% Jul 2025	3.3%
First Abu Dhabi Bank 3.4% Aug 2025	2.5%
Export-Import Bank China 2.61% Jan 2027	2.5%

Fund Characteristics

Average duration (years)	2.6
Yield to Worst	4.4%

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.

Disclaimer: This publication is for information only and your specific investment objectives, financial situation and needs are not considered here. The value of units in the Fund and any accruing income from the units may fall or rise. Any past performance, prediction or forecast is not indicative of future or likely performance. Any past payout yields and payments are not indicative of future payout yields and payments. Distributions (if any) may be declared at the absolute discretion of Fullerton Fund Management Company Ltd (UEN: 200312672W) ("Fullerton") and are not guaranteed. Distribution may be declared out of income and/or capital of the Fund, in accordance with the prospectus. Where distributions (if any) are declared in accordance with the prospectus, this may result in an immediate reduction of the net asset value per unit in the Fund. Applications must be made on the application form accompanying the prospectus, which can be obtained from Fullerton or its approved distributors. You should read the prospectus and seek advice from a financial adviser before investing. If you choose not to seek advice, you should consider whether the Fund is suitable for you. The Fund may use or invest in financial derivative instruments. Please refer to the prospectus of the Fund for more information.

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For EU Investors:

This is a 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.lemanigroup.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 at www.fullertonfund.com. 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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