

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

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 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.

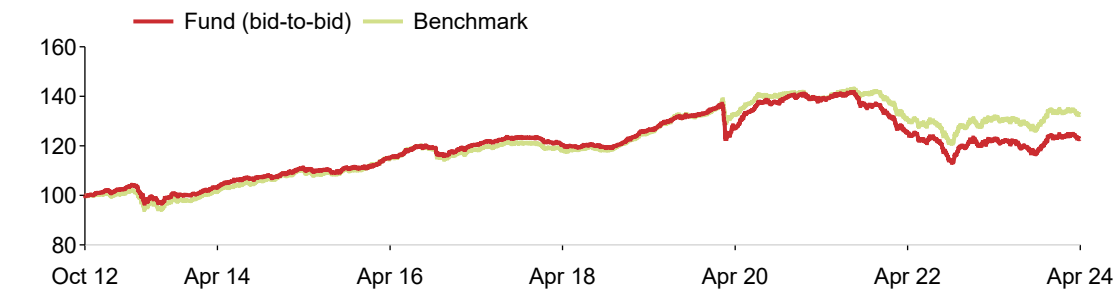
The Asian countries include but are not limited to China (including Hong Kong SAR and Taiwan), South Korea, India, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Pakistan and Vietnam.

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 | 10 yrs | Sl. Ann. Ret. | Sl. Ann. Vol. |
|----------------------------|-------|--------|--------|-------|-------|-------|--------|---------------|---------------|
| Fund (bid-to-bid) | -1.42 | -0.84 | 4.84 | 0.55 | -3.91 | -0.54 | 1.78 | 1.81 | 4.91 |
| Fund (offer-to-bid) | -6.12 | -5.56 | -0.15 | -4.24 | -5.47 | -1.51 | 1.28 | 1.38 | NA |
| Benchmark | -1.42 | -1.00 | 4.57 | 1.17 | -1.49 | 1.16 | 2.73 | 2.49 | 4.30 |

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: 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 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. Despite all that, Asia credit spreads were little changed, once again reflecting the strong technical support and search for yield motives amongst investors.

Strong US CPI, robust payrolls, resilient retail sales, helped propel US treasury yields higher in April. 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. Conversely, US Treasuries experienced intermittent support during the month from safe-haven demand amid escalating conflict in the Middle East and strong demand observed in certain auctions.

Regarding sectors, financials, infrastructure, and metals and mining sectors demonstrated stronger performance, whereas real estate, diversified, and TMT (Technology, Media, and Telecommunications) sectors lagged. Country-wise, Pakistan and Vietnam recorded gains, while the rest of the countries delivered losses, led by Sri Lanka, Indonesia, and Malaysia which were the worst performers.

Inception date

16 Oct 2012

Fund size

SGD 214.57 million

Base Currency

USD

Pricing Date

30 Apr 2024

NAV*

SGD 7.94

Management fee**

Up to 1.0% p.a.

Expense Ratio**

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

Distributions paid per unit

Dec 2022: SGD 0.070

Mar 2023: SGD 0.054

Jun 2023: SGD 0.103

Sep 2023: SGD 0.100

Dec 2023: SGD 0.100

Mar 2024: SGD 0.101

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

FASASHD LX

ISIN Code

LU0830378575

The Fund is available for SRS subscription.

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* 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. PGM-SGD-45015e

Investment Strategy

Since the beginning of the year, market expectations for central bank policy rates have been significantly recalibrated, now forecasting a less aggressive easing trajectory through the end of 2024. This reevaluation largely coincides with diminishing recession concerns, as economic activity has displayed surprising resilience. However, with robust growth, there exists the ongoing concern that inflation levels may persist. Consequently, we have adjusted our projections for the Fed's first rate cut to later this year, though we maintain that immediate rate increases are not on the table for the Federal Open Market Committee (FOMC), which considers current policy restrictive. The Committee still anticipate a moderation in inflation, consistent with our own projections, but this moderation is taking longer to materialise than previously thought.

Elsewhere, the recent Politburo meeting in China has set a positive policy tone by committing to accelerating government bond issuances and increasing fiscal spending. Monetary policy easing is expected to be modest, serving as a complementary measure to facilitate the absorption of government bonds. Furthermore, while the Politburo acknowledges the stronger-than-expected first-quarter GDP figures, it remains cognisant of the challenges facing China's recovery, including insufficient domestic demand, latent risks in certain sectors, and external uncertainties. This suggests that policymakers are mindful of the headwinds to growth and are unlikely to prematurely withdraw policy support. On the other hand, unless China's growth target of "around 5%" is significantly off track, policymakers may not feel compelled to intensify easing measures in the near future.

From a portfolio strategy perspective, periods of higher yields present an opportunity to extend duration, potentially resulting in more favourable risk-reward outcomes. In line with this approach, we have gradually extended our portfolio's duration profile since the beginning of the year. Recently, we utilised bond futures to hedge out some of our duration risk, moving to a relative underweight duration position while maintaining exposure to spread risk. Regarding the yield curve, we are overweight in the long-end and very short-end, but underweight in the belly of the curve. In parallel, we participated in primary markets for issuers with attractive pricing. These investments have been financed by trimming existing holdings that appear overvalued. Additionally, we continue to seek favourable entry points to enhance our exposure in the high-yield sector, particularly in entities where our analysts have a constructive outlook.

Geographical Breakdown

| | |
|---------------------------|-------|
| Australia | 5.1% |
| China | 22.8% |
| Hong Kong | 6.6% |
| India | 13.2% |
| Indonesia | 13.7% |
| Japan | 4.1% |
| Korea | 11.3% |
| Macau | 3.2% |
| Malaysia | 2.2% |
| Philippines | 4.7% |
| Singapore | 3.6% |
| Thailand | 2.2% |
| UK | 3.6% |
| Others | 2.7% |
| Cash and cash equivalents | 0.8% |

Top 5 Holdings

| | |
|--|------|
| Lendlease US Capital Inc 4.5% May 2026 | 1.2% |
| Gohl Capital Ltd 4.25% Jan 2027 | 1.2% |
| Hyundai Capital Services 2.125% Apr 2025 | 1.1% |
| CDB Financial Leasing 2.875% Sep 2030 | 1.1% |
| Kyobo Life Insurance Co 5.9% Jun 2052 | 1.0% |

Rating Breakdown

| | |
|---------------------------|-------|
| AA | 0.8% |
| A | 17.3% |
| BBB | 62.0% |
| BB | 14.3% |
| B | 4.8% |
| Cash and cash equivalents | 0.8% |

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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