

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

February 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.

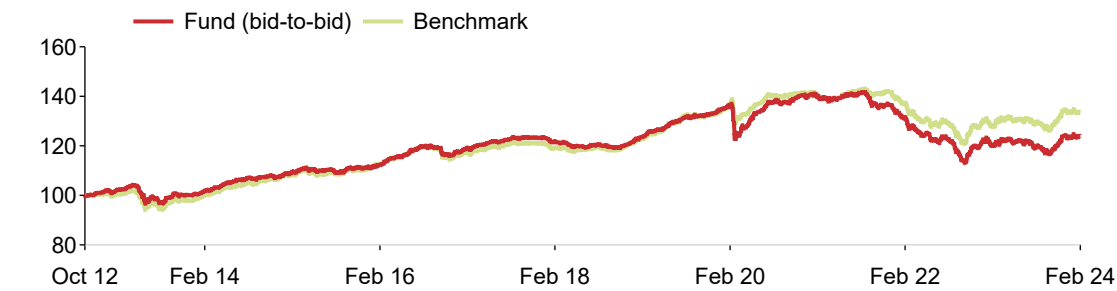
The Asian countries include but are not limited to China (including Hong Kong SAR and Taiwan), South Korea, India, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Pakistan and Vietnam.

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.
<b>Fund (bid-to-bid)</b>	-0.26	2.24	3.49	2.92	-3.97	0.01	1.96	1.89	4.92
<b>Fund (offer-to-bid)</b>	-5.01	-2.62	-1.44	-1.98	-5.52	-0.96	1.46	1.45	NA
<b>Benchmark</b>	-0.39	1.85	2.93	4.37	-1.50	1.69	2.91	2.58	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

Global bond yields ground higher in February, amid pushback from central bank speakers over near-term rate cuts and ongoing strength in activity and labour market data in the US. January's nonfarm payrolls in the US surpassed expectations, complemented by the US ISM Services index showing further expansion. The minutes of the January FOMC meeting revealed some officials' concern about cutting rates too soon. Expectations for Fed rate cuts diminished, briefly aligning with the Fed's December projection of three quarter-point cuts for the year. Any anticipation of a March move was abandoned. Against such a backdrop, US Treasury yields climbed, with the yield on the 10-year Treasury reaching 4.3%, 34 basis points higher than the previous month. Concurrently, the 2-year US Treasury yield rose by 41 basis points, closing the month at 4.6%.

Asian USD credits exhibited modest gains, as reflected in the JP Morgan Asian Credit Index in USD. This uptick was underpinned by tighter credit spreads, although there were some setbacks attributable to duration-related losses. Notably, the high-yield sector recorded strong gains, propelled by the tightening of credit spreads, even though losses associated with duration somewhat dampened the overall performance. On the flip side, the investment-grade sector faced modest losses, attributed to higher US Treasury yields which overshadowed the tighter credit spreads.

Performance differentials were evident within sectors, with longer-duration segments such as sovereigns and quasi-sovereigns lagging. In contrast, sectors characterised by high-yield issuers, including real estate, consumer, and metals and mining, witnessed a rally over the course of the month. Likewise, high-yield sovereign markets, exemplified by the likes of Sri Lanka and Pakistan, outpaced counterparts such as Malaysia and Indonesia, which faced a comparatively subdued performance.

### Inception date

16 Oct 2012

### Fund size

SGD 243.08 million

### Base Currency

USD

### Pricing Date

29 Feb 2024

### NAV\*

SGD 8.09

### 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 #

Sep 2022: SGD 0.075

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

### 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

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## Investment Strategy

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Developed market (DM) central banks have generally put easing on the agenda for 2024 while pushing back on expectations for imminent cuts. Simultaneously, markets have recently priced out early DM policy rate cuts as the inflation data remain sticky, with growth momentum showing resilience, and central bankers responding by guiding towards more policy easing patience. Nevertheless, the consensus remains that a significant easing cycle may commence around mid-2024. Likewise, current market pricing of rate cuts in the US is aligned with the mid-year easing commencement that we think is most likely. We believe the Fed sees the risk of cutting too early as outweighing the risk of cutting too late. The notable deflation in core goods prices observed in the latter part of 2023 was a major contributor to the decline in core inflation. The "last-mile" of disinflation, especially in the service sector, may prove to be more persistent.

Our positive stance on the Asian credit market is underpinned by positive risk sentiment, a favourable yield advantage over US credits, stable fundamentals, and normalising default rates. The market's expectation of Federal Reserve rate cuts in 2024 has further amplified market optimism. At the same time, the recent upswing in US treasury yields has created attractive entry points for discerning investors but the supply situation in Asia remains manageable, providing technical support which stands in contrast with the record bond supply observed in the US so far this year. We believe that unless the macroeconomic backdrop shifts materially negative, valuations on Asian credits should remain well-supported. We have also been extending our high yield exposure selectively, in names where our analysts have a positive view, and concentrating on segments that present attractive all-in yields - recognising that a potential technical squeeze could further bolster valuations in the near term. Regarding duration management, our strategy is to capitalise on opportunities emerging from higher bond yields, to extend duration, which may potentially contribute to a more favourable risk-reward outcome going forward. To this end, our portfolio has been extending duration and is running with a modest duration overweight versus the benchmark currently.

#### Geographical Breakdown

Australia	4.3%
China	22.2%
Hong Kong	6.8%
India	11.7%
Indonesia	14.1%
Japan	4.5%
Korea	11.0%
Macau	2.6%
Malaysia	2.3%
Philippines	6.4%
Singapore	3.8%
Taiwan	1.0%
Thailand	2.3%
UK	3.4%
Others	2.7%
Cash and cash equivalents	1.0%

#### Top 5 Holdings

Lendlease US Capital Inc 4.5% May 2026	1.0%
Republic Of Philippines 3.7% Mar 2041	1.0%
Gohl Capital Ltd 4.25% Jan 2027	1.0%
CDB Financial Leasing 2.875% Sep 2030	1.0%
Freeport Indonesia Pt 6.2% Apr 2052	0.9%

#### Rating Breakdown

AA	1.5%
A	19.1%
BBB	63.7%
BB	11.5%
B	3.3%
Cash and cash equivalents	1.0%

#### Fund Characteristics

Average duration (years)	5.0
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](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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