

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

March 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.

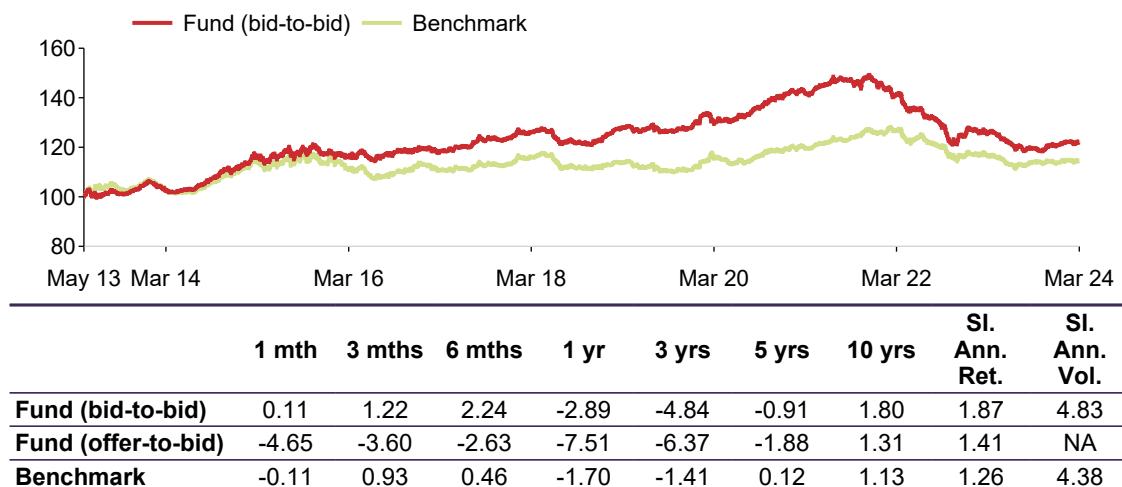
Investment in onshore RMB (CNY) bonds may include bonds traded in both the China interbank bond market and Stock Exchanges in the People's Republic of China ("PRC") and will be made through the Manager's qualified foreign institutional investor ("QFII") and/or Renminbi qualified foreign institutional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



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

March witnessed a flurry of key central bank meetings. The Bank of Japan (BoJ) delivered a widely telegraphed policy tightening, abandoning its yield-curve control and raising its short-term interest rate from "-0.1%" to "0% to +0.1%". Meanwhile, despite speculation fuelled by persistent inflation readings, the Federal Reserve (Fed) held steady, retaining its projection of three quarter-point interest-rate cuts for the year. US Treasuries saw their first monthly gain of the year, with the yield on the 10-year Treasury dropping by 5 basis points to close at 4.2%.

Over in China, China's economic performance in January-February surpassed expectations, with robust manufacturing and steady infrastructure investment offsetting persistent weakness in real estate investment. Moreover, the industrial profits recovery in January-February continued its upward trajectory, marking a growth of 10.2% year-on-year compared to the 2.3% contraction observed throughout the entire of 2023.

Amidst this landscape, the CNH credit markets experienced modest gains, as evidenced by the iBoxx ALBI China Offshore Index in CNH. Additionally, March witnessed a surge in the issuance of CNH denominated bonds, reaching levels not seen since 2007, as companies sought to capitalise on the favourable borrowing costs in renminbi. Conversely, the renminbi currency depreciated against the backdrop of broad USD strength. Meanwhile, the yield on China's 10-year sovereign bond decreased by 6 basis points, settling at 2.3% by month-end, reflecting expectations of accommodative monetary policy and an easing outlook posture.

Inception date

07 May 2013

Fund size

SGD 52.88 million

Base Currency

USD

Pricing Date

31 Mar 2024

NAV*

SGD 12.23

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.

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* 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.

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Market Review (Cont'd)

Asian USD credits demonstrated broad gains, with both investment grade and high yield sectors advancing, with high yield bonds particularly benefiting from a compression in credit spreads. The Asian investment grade sector also rose, benefitting from tighter credit spreads alongside duration-related gains.

Investment Strategy

The unexpected economic resilience witnessed thus far this year, characterised by stronger inflation readings, robust growth, and sustained tightness in labour markets, has prompted markets to adjust their expectations for monetary easing, anticipating them to commence later and to be less aggressive compared to projections made a few months ago. The persistent strength observed in incoming economic data poses a challenge to the communication efforts of central banks in developed markets (DM), which had previously hinted at easing measures to commence around mid-year. Elsewhere, we have started to see EM central banks slowing or delaying their easing cycles. Some of them that are fairly advanced in their easing cycles are starting to slow their pace, as they approach their terminal rates, while others share concerns about the impact to their currencies or upside risks to inflation.

The recent economic performance in China particularly, during January and February has also been a source of optimism, as it has largely surpassed expectations. This uptick is driven by robust manufacturing investment and recovering exports, which have compensated for the downturn in real estate investment. Looking ahead, we anticipate that both fiscal and monetary policies in China will maintain a growth-friendly stance, even though the likelihood of a massive stimulus package remains low, especially amidst the improving growth momentum. It is also reassuring to note that idiosyncratic credit events confined to China's property sector have thus far not had spill-over effects into the broader Asian high yield credit market. Currency-wise, we anticipate the People's Bank of China (PBOC) to continue allowing for greater flexibility in the renminbi but not tolerate sizable depreciation.

Elsewhere, the Asian USD credit market has posted commendable gains in recent periods, supported by a technical squeeze and the ongoing search for yield. Our outlook remains optimistic. We believe the allure of attractive carry and favourable market technicals remain key drivers for the Asian credit market, especially amid a sluggish rebound in supply.

Rating Breakdown

AA	21.5%
A	41.9%
BBB	24.0%
BB	10.8%
B	0.7%
Cash and cash equivalents	1.1%

Fund Characteristics

Average duration (years)	2.6
Yield to Worst	4.2%

Top 5 Holdings

China Development Bank 3.39% Jul 2027	3.7%
China Development Bank 2.69% Sep 2033	3.6%
Korea Development Bank 3.4% Jul 2025	3.2%
National Australia Bank 3.62% Apr 2025	2.5%
First Abu Dhabi Bank 3.4% Aug 2025	2.5%

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.

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.fullertontfund.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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