

Fullerton Asian Bond Fund - Class B (SGD)

January 2024

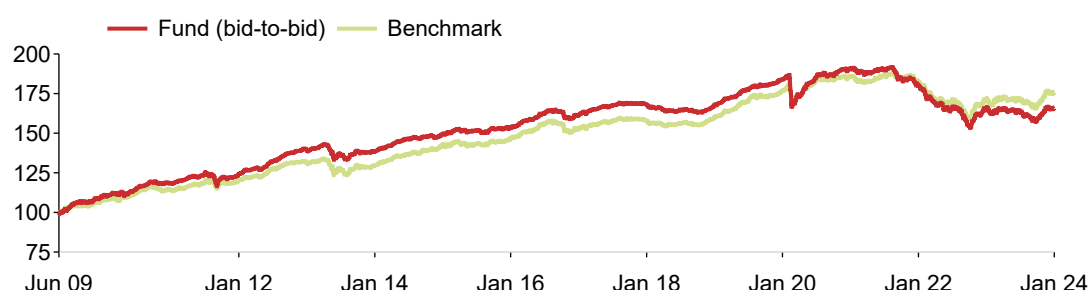
Investment Objective

The investment objective of the Fund is to generate long term capital appreciation for investors by investing all or substantially all of its assets in Fullerton Lux Funds – Asian Bonds (the “Underlying Fund”), a sub-fund of Fullerton Lux Funds.

Investment Focus and Approach

The Managers intend to invest in the Class I - USD share class of the Underlying Fund, which is denominated in US\$. The investment objective of the Underlying Fund is to generate long term capital appreciation for investors. The Managers, who also act as the investment manager of the Underlying Fund, seek to achieve the objective of the Underlying 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.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	10 yrs	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	-0.24	5.11	1.27	0.59	-4.47	-0.20	1.84	3.53	4.79
Fund (offer-to-bid)	-3.14	2.05	-1.68	-2.34	-5.41	-0.79	1.54	3.32	NA
Benchmark	-0.27	5.63	2.65	3.33	-1.76	1.90	3.11	3.94	4.19

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 3% which may or may not be charged to investors.

Benchmark: JACI Investment Grade Total Return – SGD Hedged Index, with effect from 8 May 2010.

Note: The Fund will accrue management fee rebates on a daily basis with effect from 4 September 2012.

Source: Fullerton Fund Management Company Ltd, J.P. Morgan Securities LLC and Bloomberg.

Market Review

The Asian USD credit market posted modest gains in January, as chronicled by the JP Morgan Asian Credit Indices. The high yield segment enjoyed an upswing benefiting from tighter credit spreads. Conversely, the investment grade segment experienced a downturn, pressured by duration-related losses. On the latter, US Treasuries posted a loss in January, as evidence of strong economic growth and comments by Fed Chair Jerome Powell curbed expectations for how much monetary easing is likely to occur this year and how soon it may happen. Of note was US 4Q GDP and retail sales which printed above expectations. Payrolls also demonstrated labour market strength while US inflation prints have generally been in line with expectations of falling inflation. On the last day of January, Fed policymakers left rates unchanged as expected, removed its tightening bias but pushed against immediate easing.

Within Asia's credit market, performance diverged among sectors. Sovereign and quasi-sovereign bonds, with their inherently longer durations, lagged. Regions synonymous with these securities, such as Indonesia and the Philippines, consequently mirrored this lag in performance. Conversely, high yielding nations like Sri Lanka, Pakistan, India, and Macau outperformed. Sectors dominated by high yield issuances, including metals and mining along with real estate, also led the performance gains. On the other end of the spectrum, sectors with longer-duration bonds such as oil and gas, alongside technology, media, and telecom (TMT), faced challenges.

Inception date

08 Jun 2009

Fund size

SGD 9.65 million

Base Currency

USD

Pricing Date

31 Jan 2024

NAV*

SGD 1.66

Management fee

0.9% p.a.

Expense Ratio

0.98% p.a. (For financial year ended 31 Mar 2023)

Minimum Initial Investment

None (effective 1 Apr 2010)

Minimum Subsequent Investment

None (effective 1 Apr 2010)

Preliminary Charge

Up to 3%

Dealing day

Daily, up to 5pm (Singapore time)

Bloomberg Code

FULLABB SP

ISIN Code

SG9999006118

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.

Investment Strategy

In 2024, the resilient growth in the US and a disinflationary environment provide a supportive backdrop for Asian credits. The expectation that US rates may have peaked has prompted investors to seek yield. This, coupled with limited supply in the market, supports favourable market technicals. Credit fundamentals remain generally stable, while the better-quality high-yield issuers have the capability to refinance at more favourable rates domestically. While our investment approach continues to prioritise bottom-up credit selection within the high-yield space, the sector is expected to demonstrate resilience, bolstered by improved risk appetite and a generally benign macroeconomic climate, both of which are conducive to the performance of high-yield credit investments.

Looking ahead, our investment strategy at the outset of the year remains largely unaltered. We expect some yield retracement in the near-term given the market's more aggressive pricing of Fed rate cuts versus our expectations, which will present opportunities for us to extend duration at more favourable levels. While market pricing of the start of the Fed's easing cycle has been converging with our forecasts in recent weeks, markets are still expecting more extensive rate cuts than we anticipate over the coming year. Central banks in developed markets have made dovish adjustments in response to significant inflation relief in the second half of 2023. Yet, they remain prudent, signaling to the market to temper expectations of imminent rate cuts and to be open to adjustments around mid-year, following further confirmation of a stable inflation trajectory. In a similar vein, our expectations are for the Fed to commence its easing cycle around the middle of the year, given the ongoing strength of the US labour market sustaining economic growth.

The search for yield and a technical squeeze, driven by healthy demand and low supply, is aligning with a more constructive outlook for the Asian credit markets. Consequently, we consider periods of market weakness as favourable opportunities to enhance our credit beta. Additionally, we are actively exploring opportunities beyond the conventional core Asian focus, such as in Japan and Australia, to capture potential value in diverse markets and to enhance portfolio diversification. Elsewhere, we are also directing attention to primary market issuances, as this space is particularly robust in the early part of the year. We are adopting this approach with the aim of securing new issues that are trading at attractive new issue premiums.

Geographical Breakdown

Australia	4.5%
China	22.8%
Hong Kong	5.9%
India	10.4%
Indonesia	15.1%
Japan	4.2%
Korea	9.7%
Macau	2.6%
Malaysia	3.1%
Philippines	6.1%
Singapore	4.5%
Thailand	2.0%
UK	3.4%
Others	3.4%
Cash and cash equivalents	2.4%

Top 5 Holdings

Republic Of Philippines 3.7% Mar 2041	1.2%
Lendlease US Capital Inc 4.5% May 2026	1.2%
CDB Financial Leasing 2.875% Sep 2030	1.1%
Republic Of Philippines 4.2% Mar 2047	1.0%
Republic Of Indonesia 4.85% Jan 2033	1.0%

Rating Breakdown

AA	1.8%
A	19.3%
BBB	61.3%
BB	12.3%
B	2.9%
Cash and cash equivalents	2.4%

Fund Characteristics

Average duration (years)	5.0
Yield to Worst	5.8%

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. Data is based on the Underlying Fund.

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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.

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