

Fullerton Asian Bond Fund - Class B (SGD)

March 2024

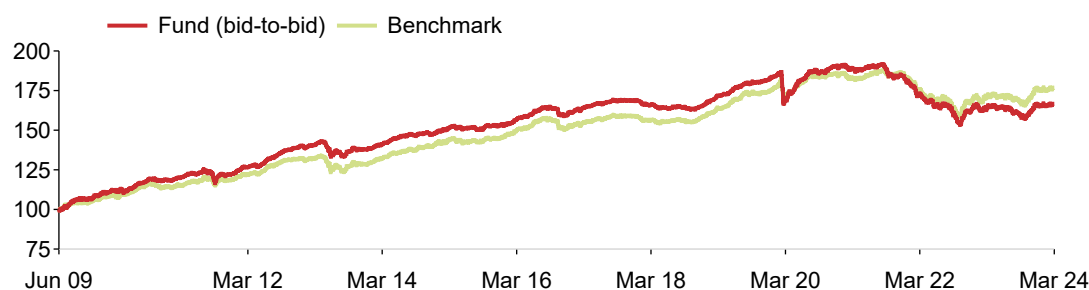
Investment Objective

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)	0.59	0.05	4.40	1.70	-4.02	-0.60	1.68	3.51	4.77
Fund (offer-to-bid)	-2.34	-2.87	1.36	-1.26	-4.97	-1.19	1.38	3.30	NA
Benchmark	0.82	0.15	5.22	3.75	-1.08	1.50	2.95	3.92	4.17

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

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, the Swiss National Bank surprised markets with a rate cut, diverging from the stance of other major developed market central banks like the Federal Reserve, which stayed on hold. Despite speculation fuelled by persistent inflation readings, the Fed held steady, retaining its projection of three quarter-point interest-rate cuts for the year.

Amidst these developments, 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. On the latter, 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%. In terms of sectors, industries dominated by high-yield issuers such as commodities and real estate have excelled, while sectors like financials, industrials, and infrastructure were amongst the laggards in March. In terms of countries, sovereigns from Asian high-yield countries such as Pakistan, Sri Lanka, and Mongolia have led the charge in the rally, contrasting with the relatively weaker performance of countries like India, Korea, and China.

Inception date

08 Jun 2009

Fund size

SGD 9.66 million

Base Currency

USD

Pricing Date

31 Mar 2024

NAV*

SGD 1.67

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.

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.

Investment Strategy

Looking ahead, resilient US growth and easing financial conditions raises the likelihood of a soft-landing. The recent economic performance in China 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.

Regarding portfolio strategies, we have been leveraging the active primary market to strategically extend duration, seizing opportunities as they arise. Currently, we maintain a modest overweight position in duration compared to the benchmark, a stance with which we are comfortable with. Additionally, we have selectively increased our exposure to high yield assets in companies where our analysts have a positive outlook. Looking ahead, we believe the technical aspects of Asian credit markets remain supportive, underpinned by the ongoing search for yield amid a sluggish rebound in supply. Projections indicate that net issuance is anticipated to register a decline this year. We believe that the allure of attractive carry will remain a significant catalyst for the Asian credit market, helping to maintain spreads at stable levels. This pursuit of yield is expected to intensify, particularly if the Fed initiates interest rate reductions around mid-year, further enhancing the appeal of carry trades. With macroeconomic concerns on the decline, we anticipate that credit spreads in Asia will persist at narrow levels for an extended period. Moreover, the more favourable financing conditions are poised to bolster credit fundamentals.

Elsewhere, the Asian high yield market has outperformed sharply in recent months, supported by technical squeeze and the ongoing search for yield. Our outlook remains optimistic. While Asian high yield valuations are not as compelling as they were a few months ago, there is still scope for spreads to tighten further, especially given the robust technicals, notably among issuers from India and Macau, where bond valuations are expected to stay firm.

Geographical Breakdown

Australia	4.6%
China	21.3%
Hong Kong	6.2%
India	11.4%
Indonesia	14.2%
Japan	4.6%
Korea	11.7%
Macau	3.0%
Malaysia	2.3%
Philippines	5.6%
Singapore	3.4%
Thailand	2.3%
UK	3.2%
Others	2.8%
Cash and cash equivalents	3.3%

Top 5 Holdings

Lendlease US Capital Inc 4.5% May 2026	1.1%
Gohl Capital Ltd 4.25% Jan 2027	1.1%
Hyundai Capital Services 2.125% Apr 2025	1.0%
CDB Financial Leasing 2.875% Sep 2030	1.0%
Freeport Indonesia Pt 6.2% Apr 2052	1.0%

Rating Breakdown

AA	1.0%
A	16.8%
BBB	63.9%
BB	11.1%
B	3.8%
Cash and cash equivalents	3.3%

Fund Characteristics

Average duration (years)	4.8
Yield to Worst	5.7%

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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