Fullerton Lux Funds – Asia Focus Equities - Class I (EUR)

July 2020

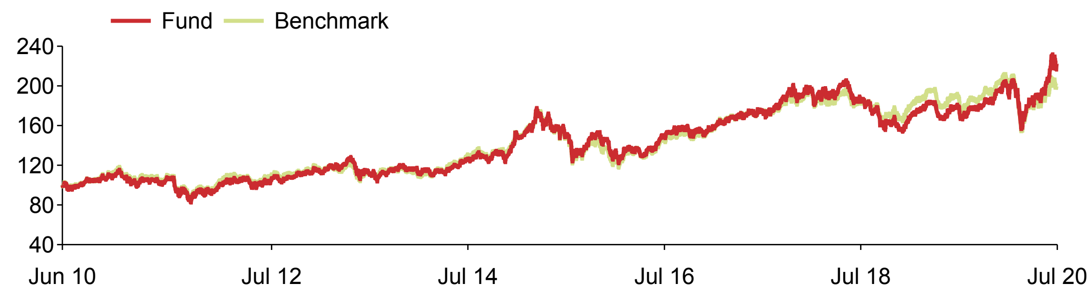
Investment Objective

The investment objective of the Fund is to achieve competitive risk adjusted returns on a relative basis.

Investment Focus and Approach

The Fund invests primarily in equities, index futures, cash and cash equivalents. Typically, the Fund will concentrate the investments in a limited number of holdings. The investment universe will include equities listed on exchanges in Asia, as well as equities of companies or institutions which have operations in, exposure to, or derive part of their revenue from Asia, wherever they may be listed. Indirect investments in equities may be via P-Notes where the underlying assets would comprise equities defined above. With effect from 17 July 2019, up to 35% of the Fund's NAV may be invested in China "A" Shares via the Stock Connects and/or any other means as may be permitted by the relevant regulations from time to time.

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)	7.12	18.50	16.35	25.74	8.47	8.28	8.66	8.26	15.48
Fund (offer-to-bid)	2.02	12.85	10.81	19.75	6.73	7.23	8.13	7.74	NA
Benchmark	3.39	7.38	1.49	6.48	4.57	6.05	7.32	7.06	14.42

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in EUR 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.
Benchmark: MSCI AC Asia Ex Japan Net.
Source: Fullerton Fund Management Company Ltd , MSCI Inc. and Bloomberg

Market Review

Equity markets across Asia extended the rally into July on the back of the improving economic data (especially in China) and rising hopes of COVID-19 vaccine availability. MSCI Asia ex Japan Index thus ended the month up 8.6% and is now up 3.5% year-to-date in USD terms. Asia-ex-Japan outperformed global/developed markets during the month. Within Asia, Taiwan, China and India led the gains while Asean markets were the laggards. By sector, technology and internet stocks outperformed while financials lagged.

While COVID-19 continues to spread in many parts of US, India and Brazil and many cities have also witnessed a second wave, overall sentiment remains buoyant as economies continues to re-open regardless and chances of a widespread second lockdown remain low. Within Asia, while some cities like Hong Kong reported an increase in infection rate which led to re-introduction of restrictions, overall COVID-19 incidence rate remains under control across most major economies except India and Philippines. This has enabled progressive improvement in economic activity.

Thus, economic data points continue to improve across Asia. China's second quarter GDP growth of 3.2% YoY was better than expectations and outlook for second half remains strong. July manufacturing PMIs also further improved across most countries in Asia. Caixin China Manufacturing PMI was up 1.6pts MoM to 52.8 which is highest level since 2011. Taiwan's Markit Manufacturing PMI also expanded sharply (up 4.4pts) and moved back into expansion territory. Similarly, Korea, Indonesia and Singapore also reported improving trend in manufacturing PMIs. Policy action during the month was rather muted but monetary and fiscal policy remains accommodative across most markets.

Inception date
14 Jun 2010

Fund size
EUR 340.99 million

Base Currency
USD

Pricing Date
31 Jul 2020

NAV*
EUR 22.35

Management fee
Up to 1.0% p.a.

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
Daily

Deadline
1pm (CET); 5pm (Singapore time) on each Business Day

Bloomberg Code
HCAIEUA LX

ISIN Code
LU0516422952

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* Figures have been truncated to 2 decimal places. The official price is published on Fullerton's website.

Investment Strategy

We have a constructive view on Asian Equities as we believe that worst of the pandemic is behind us. While risk of second wave remains, the easing of restrictions and progressive re-opening of economies along with expectations of vaccine becoming available in 1H21 will support investor sentiment in the near term. Also, simmering tensions between US and China remains a risk but it has not translated to any action with significant economic impact.

Downward earnings revisions will likely continue in 2H20 but market seems to be willing to write-off 2020 earnings. 2021 earnings while still facing downward revision risk will benefit from a low base effect.

Stimulus measures by central banks and governments have been unprecedented, and will likely continue as long as the risks of COVID-19 remain which in turn will keep bond yields suppressed. Valuations for Asian markets while expensive vs history appear reasonable after taking into account low bond yields.

Country Breakdown

China	60.4%
Hong Kong	4.2%
India	4.4%
Korea	13.8%
Taiwan	10.5%
US	2.6%
Others	0.6%
Cash and cash equivalents	3.5%

Sector Breakdown

Communication Services	17.1%
Consumer Discretionary	18.0%
Consumer Staples	4.8%
Energy	2.7%
Financials	5.8%
Health Care	9.7%
Industrial	11.5%
Information Technology	24.8%
Materials	2.1%
Cash and cash equivalents	3.5%

Top 5 Holdings

Tencent Holdings	9.6%
Alibaba Group Holding	9.3%
Taiwan Semiconductor Manufacturing	8.3%
Samsung Electronics	6.0%
Meituan Dianping	3.8%