

Fullerton Lux Funds - Asian Short Duration Bonds - Class R (USD) Acc

Investment Objective

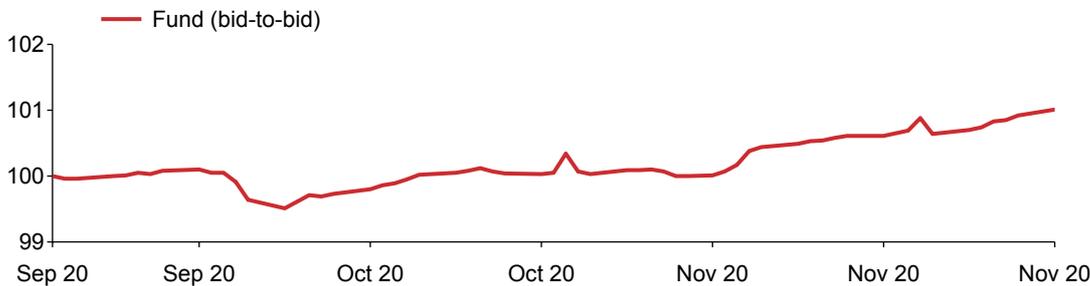
The investment objective of the Fund is to generate long term capital appreciation and/or income returns for investors.

Investment Focus and Approach

The Investment Manager seeks to achieve the objective of the Fund by investing in short duration fixed income or debt securities issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region.

The Asian countries may 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	Sl. Ret.
Fund (bid-to-bid)	1.01	-	-	1.01
Fund (offer-to-bid)	-3.80	-	-	-3.80

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in USD 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.

Source: Fullerton Fund Management Company Ltd.

Market Review

Asian credit and currencies rose as news of a vaccine breakthrough added to optimism fueled by the US election outcome. The good news were however tempered by a surge in global virus infections. Moderna Inc. and Pfizer Inc. announced promising clinical trial results even as countries from the US to Korea imposed stricter restrictions to combat the infection. Later in the month, OxfordAstraZeneca also reported that late-stage trials showed its COVID-19 vaccine is highly effective. Over in the US, risk appetite was also boosted after US President Donald Trump agreed to cooperate in a transition of power to Joe Biden. US Treasuries were little changed during November as upward pressure on yields stemming from promising Covid-19 vaccines and record highs for U.S. stocks was offset by virus-related harm to economic activity and lack of fiscal stimulus. The benchmark US Treasury 10 year note ended the month around 0.84%.

A series of high-profile defaults involving state-owned companies in China has jolted the credit market and rattled investors. This was further exacerbated by President Trump's executive order barring US Persons from investing in a list of companies with ties to the Chinese military. Nevertheless, China's economic rebound gathered pace in October, cementing the country's status as the only major economy tipped to grow this year. Likewise, the yuan climbed to the strongest level in more than two years.

Asian credit primary market moderated after it had one of its busiest months in October. Asian credit advanced, led by the high yield sector, as credit spread tightened in terms of performance. Cyclical sectors such as metal and mining, consumer discretionary outperformed, spurred by the vaccine progress. Similarly, countries such as Sri Lanka, Macau which are likely to benefit significantly from the vaccine development, led the rally, although Sri Lanka sold off towards the end of the month following Fitch's rating downgrade by one notch. Elsewhere, North Asian countries such as Korea, China, and the industrial sector lagged.

Inception date

09 Sep 2020

Fund size

USD 117.74 million

Base Currency

USD

Pricing Date

30 Nov 2020

NAV*

USD 10.10

Management fee

Up to 0.4% p.a.

Preliminary Charge

Up to 5% of 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

ISIN Code

LU1293085830

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.

Please refer to our website for more details.

Investment Strategy

As we approach the new year, global growth recovery could slow, particularly in Europe and the US, given the ongoing wave of virus infection. But the outlook for the rest of 2021 appears brighter, as the prospects of a successful vaccine should allow mobility to rise without generating another wave of infections. With the recent news of successful vaccine trials and efficacy rates at the upper end of expectations, large scale vaccinations and the possibility of a faster return to economic normalcy appear increasingly likely.

We remained constructive on the Asian USD credit market. With the major central banks, including the US Federal Reserve, committed to maintaining accommodative policies and are likely to stay on hold for the considerable future. A "lower-for-longer" rate environment should force a more aggressive push for carry and yield, supporting markets with positive real yields, including Asian credit. Credit spreads could tighten further, particularly in the high yield sector, on favourable vaccine-related news, despite the substantial rally since late March. Bond supply for next year is also manageable, with most of the issuance focused on refinancing rather than aggressive expansion or capital spending. Supply from the high yield sector should also moderate due to regulatory constraints. Overall, credit fundamentals should recover supported by improving macroeconomic recovery. Default rates continued to be mostly idiosyncratic and are expected to moderate.

In terms of duration, we have adopted a negative duration stance, with average duration firmly under the three-yearmark. The potential for promising vaccine results, larger US Treasury issuance make for attractive risk/reward to position for higher yields. Likewise, we are also looking to increase allocation modestly to the higher-yielding Asian local currency bonds with attractive carry. As we advance through the next year, markets may extend their optimism towards South Asian countries and cyclical sectors that have been lagging, alongside greater clarity on the vaccine rollouts.

Geographical Breakdown

China	49.5%
Hong Kong	10.6%
India	6.0%
Indonesia	7.5%
Korea	2.1%
Malaysia	2.1%
Singapore	16.8%
Others	3.9%
Cash and cash equivalents	1.5%

Top 5 Holdings

PCCW Capital No 4 Ltd 5.75% Apr 2022	2.3%
ASTLC 3A A2 4.65% Jul 2026	2.1%
Chinalco Capital Holding 4% Aug 2021	2.0%
Franshion Brilliant Ltd 3.6% Mar 2022	1.7%
CDBL Funding 1 1.5% Nov 2023	1.7%

Rating Breakdown

AAA	0.6%
AA	0.1%
A	25.4%
BBB	51.0%
BB	10.8%
B	10.3%
CCC	0.3%
Cash and cash equivalents	1.5%

Fund Characteristics

Average credit rating	BBB
Average duration (years)	2.7
Yield to Worst	3.3%

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 value of shares in the Fund and any accruing income from the shares 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. When investing in a fund denominated in a foreign currency, your performance may also be affected by currency fluctuations. The Fund may use or invest in financial derivative instruments. An investment in the Fund entails risks which are described in the Fund's prospectus and Key Investor Information Document.

Distributions (if any) may be declared at the absolute discretion of the investment manager 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.

No shares of the Fund may be directly or indirectly offered or sold to residents of the United States of America.

Subscriptions to shares of the Fund may only be made on the basis of the current Key Investor Information Document (KIID), the full prospectus of the Fund, accompanied by the latest available audited annual report and the latest semi-annual report, if published thereafter. The representative and paying agent in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. The prospectus, the KIID, the articles of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

Applications must be made on the application form accompanying the prospectus, which can be obtained from the investment manager, the representative in Switzerland, and 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.

Issued by Fullerton Fund Management Company Ltd. (UEN: 200312672W), 3 Fraser Street #09-28 DUO Tower Singapore 189352.

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