

# Fullerton Asian Bond Fund - Class C (USD)

May 2022

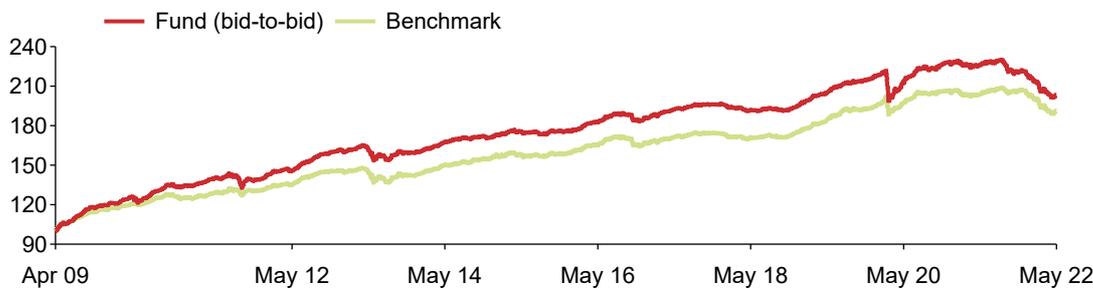
## Investment Objective

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. |
|----------------------------|-------|--------|--------|--------|-------|-------|--------|---------------|---------------|
| <b>Fund (bid-to-bid)</b>   | 0.01  | -4.20  | -7.84  | -10.01 | -0.27 | 1.14  | 3.38   | 5.57          | 4.98          |
| <b>Fund (offer-to-bid)</b> | -2.90 | -6.99  | -10.53 | -12.63 | -1.25 | 0.54  | 3.08   | 5.33          | NA            |
| <b>Benchmark</b>           | 0.23  | -4.14  | -7.60  | -6.17  | 1.18  | 2.21  | 3.52   | 5.07          | 3.95          |

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 3% which may or may not be charged to investors. Benchmark: JACI Investment Grade Total Return Index.

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

Market moves in May were dominated by the slowdown in China, the continued Russia- Ukraine conflict and rising recession fears. US Treasuries rallied led by the front-end, and halted five straight months of losses, even as the US Federal Reserve (Fed) unanimously hiked rates by 50bps earlier in the month. The Fed also announced the start of its quantitative tightening programme, slated to begin on 1 June. Despite the central bank’s hawkish stance, the markets were focused instead on Chairman Powell’s statement that a 75bps hike was not being actively considered. Against such a backdrop, the benchmark US Treasury 10-year yield ended the month at 2.8%, 9bps below the level from one month ago.

Elsewhere, hawkish ECB comments and strong inflation data saw the market raise expectations for ECB tightening this year. Over in China, Premier Li signalled that the country was faring worse than 2020 amid the COVID-19 pandemic. Signs of reopening in the Chinese economy became evident towards the end of May, as Beijing and Shanghai reduce restrictions amid stabilisation in infection rates.

Asian credit fell, based on the JP Morgan Asian Credit Index, due primarily to wider credit spreads while the US Treasury rally provided some offsets. The investment grade sector delivered gains and outperformed the high yield peers which declined. Sector-wise, financials, industrials and utilities rose in value while the real estate sector remained the key performance laggard, weighed down by China’s draconian lockdowns. Chinese policymakers also announced several policy easing measures to stabilise the property sector during the month. They reduced key interest rates, supported bond sales by Chinese builders and introduced new hedging tools to mitigate debt risk.

## Inception date

27 Apr 2009

## Fund size

USD 11.60 million

## Base Currency

USD

## Pricing Date

31 May 2022

## NAV\*

USD 203.46

## Management fee

Such amount as the Managers may determine in their absolute discretion.

## Expense Ratio

1.18% p.a. (For financial year ended 31 Mar 2021)

## Minimum Initial Investment

USD1 million

## Minimum Subsequent Investment

USD1million (to be offered at the absolute discretion of the Managers)

## Preliminary Charge

Up to 3%

## Dealing day

Daily, up to 5pm (Singapore time)

## Bloomberg Code

FULLABC SP

## ISIN Code

SG9999006126

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UEN: 200312672W

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

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## Investment Strategy

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Looking ahead, there remains significant uncertainty around inflation which is key to our US Treasury view. At the same time, there is a clear trade-off between inflation and growth, with taming inflation taking priority. Overall, we still see upside risks to inflation, especially on the supply-side. With inflation still elevated, policymakers are likely to remain under pressure to keep up a steady pace of hikes. On that note, we maintain an underweight to duration and see near-term risks to higher US Treasury yields. That said, we think near-term recession risks are still manageable and kept at bay by the resilience of the private sectors, relatively healthy saving rates and tight labour markets.

Elsewhere, China's COVID situation remains on our radar, despite some recent easing of lockdown restrictions. The Chinese economy remains at risk of repeated outbreaks and consequent lockdowns which will hamper the country's economic recovery. That said, we believe the worst of the city lockdowns was in April and we observed a steady resumption of economic activity from May and June onwards. Likewise, we have observed a step up in policy easing measures lately, although the magnitude (to date) is still smaller than in 2020. New policy initiatives are most notable in infrastructure investments, while property policy relaxation is also gaining momentum.

Overall, policy lag suggests the impact from the easing measures on the China housing sector will likely only be felt later in the year. We expect the property sector recovery to be gradual. On that note, we are keeping to an underweight in China and the country's real estate sector. We also believe the recent policy easing measures are likely to disproportionately benefit the stronger developers whom we have a bias towards. Within the broader investment grade credit space, we prefer to focus on relative valuation trades rather than strong directional calls. We also favour the BBB bloc where there is some spread cushion to offset rising rates. In terms of the Asian high yield sector, we think a larger risk premium is justified. We are looking for better entry levels to increase our exposure to higher-yielding markets such as India, and Indonesia. Elsewhere, we continue to keep some SGD credit exposure to enhance portfolio diversification.

**Geographical Breakdown**

|                           |       |
|---------------------------|-------|
| Australia                 | 5.9%  |
| China                     | 29.3% |
| Hong Kong                 | 11.4% |
| India                     | 5.6%  |
| Indonesia                 | 12.3% |
| Japan                     | 1.6%  |
| Korea                     | 5.7%  |
| Malaysia                  | 2.7%  |
| Philippines               | 2.3%  |
| Singapore                 | 13.1% |
| Thailand                  | 1.5%  |
| UK                        | 2.8%  |
| Others                    | 3.6%  |
| Cash and cash equivalents | 2.2%  |

**Top 5 Holdings**

|  |      |
|--|------|
| Parkway Pantai 4.25% PERP                | 1.6% |
| Keppel Corp Ltd 2.459% Jun 2025          | 1.5% |
| Pertamina Persero PT 6.5% May 2041       | 1.4% |
| Shenhua Overseas Capital 3.875% Jan 2025 | 1.4% |
| Shinhan Financial Group 3.34% Feb 2030   | 1.4% |

**Rating Breakdown**

|                           |       |
|---------------------------|-------|
| AAA                       | 0.1%  |
| AA                        | 0.3%  |
| A                         | 21.7% |
| BBB                       | 69.3% |
| BB                        | 4.7%  |
| B                         | 1.6%  |
| Cash and cash equivalents | 2.2%  |

**Fund Characteristics**

|                          |      |
|--------------------------|------|
| Average duration (years) | 4.7  |
| Yield to Worst           | 4.9% |

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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