

Fullerton Lux Fund - Asia Absolute ESG Alpha Class A USD

April 2023

Investment Objective

The investment objective of the Fund is to generate long term positive returns by investing primarily in Asia equities and Asia related equities of companies that contribute to environmental or social objectives, and which the Investment Manager deems to be sustainable investments.

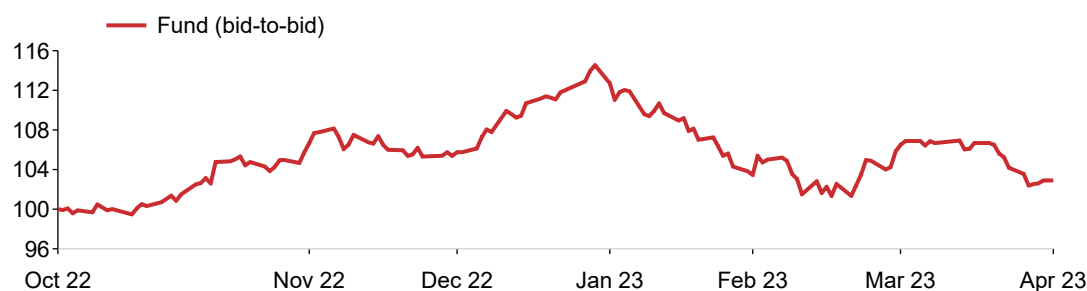
Investment Focus and Approach

The Investment Manager seeks to achieve the objective of the Fund by investing primarily in, but not limited to, equities, index futures, cash and cash equivalents (including but not limited to term deposit and money market funds). The Fund differentiates as an ESG focused one by having stricter ESG ratings inclusion criteria as well as negative screens. In addition, the Fund employs a proprietary ESG thematic framework rooted in UN Sustainable Development Goals to seek investment opportunities and commits to have a lower carbon intensity. The Fund's investment in China "A" Shares listed on PRC Stock Exchanges may be made through the Stock Connects and/or any other means as may be permitted by the relevant regulations from time to time, for up to 35% of the Fund's Net Asset Value. The Fund will typically be comprised of a concentrated portfolio of high conviction holdings, and will be constructed without reference to any particular benchmark.

SFDR Classification:
Article 8 fund.

In line with its ESG methodology, the fund promotes environmental characteristics but does not commit to make environmentally sustainable investments as defined in the taxonomy regulation.

Performance (%)



	1 mth	3 mths	6 mths	Sl. Ret.
Fund (bid-to-bid)	-3.72	-7.33	2.18	2.90
Fund (offer-to-bid)	-8.31	-11.74	-2.68	-2.00

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. Past performance is not indicative of future returns.

Source : Fullerton Fund Management Company Ltd and Bloomberg.

Market Review

MSCI Asia ex Japan Index delivered negative returns during the month -2.1% (in US dollar terms) largely due to a sell-down in China and Taiwan. A combination of elevated geopolitical tensions and concerns related to slower than expected recovery in China overwhelmed the positive global equity sentiment. In addition, industry bellwether TSMC lowered its growth guidance which dampened sentiment for the all-important Information Technology sector in the region.

On the other hand, Indonesia and India were the best performing markets in the region up 6.5% and 4.2% respectively. Both, domestically driven economies continue to exhibit strong economic growth momentum. After the April rally, Indonesia is now the best performing market in the region year-to-date. By sector, Energy and Financials outperformed while Communication Services, Consumer Discretionary and Information Technology sectors underperformed during the month.

Economic data points, especially for China were mixed. Both Manufacturing and Non-Manufacturing PMI for China moderated MoM to 49.2 and 56.4 respectively and were below expectations. Industrial production for March was also slightly below expectations 3.0% YoY. Retail sales for March however surprised on the upside, expanding 10.6% YoY vs expectation of 7.5%. Initial data points from Golden Week holiday also point towards strong services led consumption recovery. PMIs across other Asian countries were also largely supportive. India's manufacturing PMI improved MoM from 56.4 in March to 57.2 in April while Services PMI jumped to a record high of 62.0. Manufacturing PMIs for Korea, Thailand and Indonesia also improved MoM while Taiwan and Philippines weakened sequentially. Inflation prints across Asia have started to moderate and thus central banks in the region are likely to be less hawkish, especially as Fed fund rates appear to be near peak.

Inception date

10 Oct 2022

Fund size

USD 61.34 million

Base Currency

USD

Pricing Date

30 Apr 2023

NAV*

USD 10.29

Management fee

Up to 1.5% 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

FUAEEAU LX

ISIN Code

LU2411666279

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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 a combination of gradual recovery in Chinese consumption coupled with supportive policy environment will boost growth in Asia's largest economy. Additionally, domestically driven economies like India and Indonesia continue to exhibit robust growth momentum driven by resilient consumption and a nascent investment cycle. Lastly, North Asia's technology while going through a cyclical downturn currently remains a longer-term secular growth sector.

While consumption recovery in China has been weaker than expected, we still expect demand to pick up in 2H23 as the economy picks up steam. Additionally, we expect government policy to remain supportive for growth on both fiscal and monetary fronts. Chinese government has also instituted a number of reforms after the recent NPC which are likely to boost productivity for the SOEs and thus driven overall improvement in ROE for the market.

Most importantly, we believe earning downgrades for Asia are close to bottoming out. For China, while GDP growth estimates have witnessed significant upward revisions following the re-opening, earnings forecasts are yet to be revised up. Earnings revisions turning positive will be a key catalyst for China and Asia as a whole.

MSCI Asia ex-Japan Index is trading below its five-year mean forward price to earnings multiple but adjusting for higher interest rates the market is trading above mean, as reflected in the earnings yield gap measure. However, with inflation on a declining trend, interest rates have peaked across most of the region. We thus expect central banks in the region to be less hawkish going forward which should support valuations.

Key developments to monitor for Asian equities are (1) Any change in policy direction in China (2) inflation expectations and corresponding actions by the Fed that could lead to a re-rating or further derating of emerging markets including Asia (3) Deep recession in US/Europe that will severely impact export dependent sectors/markets and (4) escalating geopolitical tensions amongst US, China, EU and Russia.

*All returns in USD unless otherwise mentioned

Geographical Breakdown

China	34.8%
Hong Kong	8.6%
India	13.2%
Indonesia	5.9%
Korea	4.0%
Singapore	4.6%
Taiwan	7.7%
Thailand	1.5%
Others	0.6%
Cash and cash equivalents	19.2%

Sector Breakdown

Communication Services	12.0%
Consumer Discretionary	18.0%
Consumer Staples	7.3%
Energy	1.0%
Financials	13.6%
Industrial	9.5%
Information Technology	13.6%
Real Estate	2.9%
Utilities	2.0%
Others	0.9%
Cash and cash equivalents	19.2%

Top 5 Holdings

Tencent Holdings Ltd	6.1%
Taiwan Semiconductor Manufacturing	5.8%
Alibaba Group Holding	5.5%
China Mobile Ltd	2.9%
Larsen & Toubro Ltd	2.8%

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For EU investors:

This is a marketing communication. The investment which is promoted concerns the acquisition of shares in a fund. You should read the prospectus and the key investor information before making any final investment decision. A summary of investor rights can be found in the prospectus. A copy of the prospectus and the key investor information is available in English and other languages (as applicable), and can be obtained from the registered office of the Fund or at www.fullertonfund.com. The Management Company of the Fund is Lemanik Asset Management S.A. ("Lemanik"). Please note that Lemanik may terminate the marketing arrangements of the Fund in accordance with Article 93a of Directive 2009/65/EC.

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