

Fullerton Lux Funds - Asian Currency Bonds - Class I (EUR)

May 2022

Investment Objective

The investment objective of the Fund is to generate long term capital appreciation for investors.

Investment Focus and Approach

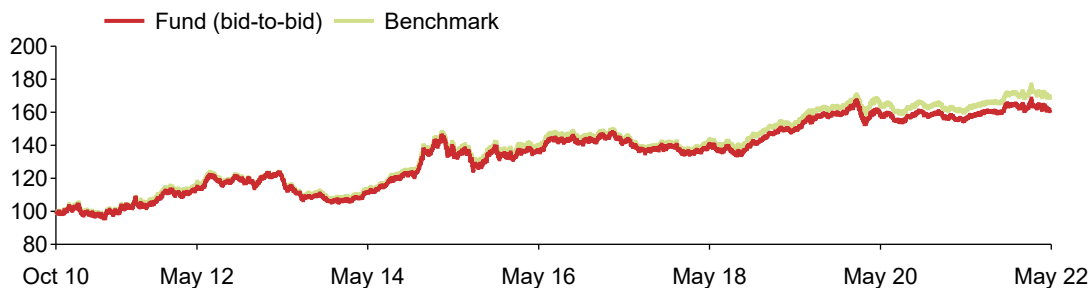
The Fund seeks to achieve its objective by investing in fixed income or debt securities, including convertibles, denominated primarily in Asian currencies and primarily issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region. These countries may include, but are not limited to China (including Hong Kong SAR and Taiwan), South Korea, India, Thailand, Malaysia, Singapore, Indonesia, the Philippines and Vietnam. The Investment Manager seeks to generate alpha through interest rate, credit and currency strategies by evaluating the relative value across markets and the outlook for credit. These views form the basis for formulating their duration, bond market allocation, currency and credit strategies. The Fund will be permitted to invest in fixed income or debt securities which are unrated or rated non-investment grade.

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	1 yr	3 yrs	5 yrs	10 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	-1.69	-1.50	-1.27	3.26	2.44	2.55	3.53	4.19	7.26
Fund (offer-to-bid)	-6.37	-6.19	-5.97	-1.66	0.79	1.55	3.03	3.76	NA
Benchmark	-1.42	-1.36	-0.34	5.00	3.34	3.25	3.82	4.64	7.07

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. Past performance is not indicative of future returns.

Benchmark: Markit iBoxx ALBI Index

With effect from 1 May 2016, the benchmark has been changed to Markit iBoxx ALBI Index.

Prior to 1 May 2016, the index was HSBC Asian Local Bond Index.

Source: Fullerton Fund Management Company Ltd and Markit.

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, beginning on 1 June. The benchmark US Treasury 10-year yield ended the month at 2.8%, 9bps below the level from one month ago.

In Asia, the iBoxx Asian Local Bond Index (ALBI) (unhedged in USD) returned -0.05%, with mixed performances in the regional Asian markets. Among the top performers were Malaysia and China while the Philippines, India and Singapore lost ground. During the month, central banks in Malaysia, the Philippines and India raised policy rates. On the latter, the Reserve Bank of India raised the policy repo rate by 40bps in an off-cycle meeting. In contrast, the People's Bank Of China kept the 1-year MLF rate unchanged but subsequently cut the 5-year LPR rate (which is tied to mortgage rates).

Asian currency performances were also mixed. The Korean won and the Singapore dollar gained ground against the greenback while the Indian rupee and the Chinese yuan weakened. On the latter, China

Inception date

06 Oct 2010

Fund size

EUR 47.83 million

Base Currency

USD

Pricing Date

31 May 2022

NAV*

EUR 16.14

Management fee

Up to 0.6% p.a.

Preliminary Charge

Up to 5% 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

Bloomberg Code

ACBIEUA LX

ISIN Code

LU0543883226

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

Market Review (Cont'd)

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 reduced restrictions amid the 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.

Investment Strategy

Currently, we are keeping our eyes on three key themes that are affecting our growth-inflation outlook. Firstly, the Russian invasion of Ukraine is turning out to be more protracted than many initially expected. On that note, we do not rule out more sanctions and disruptions in Russian energy supply, which increase stagflation risks and could potentially tilt parts of Europe into recession, given their heavier reliance on Russian energy imports.

Secondly, the China 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 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 the property policy relaxation is also gaining momentum.

Thirdly, 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. 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.

In terms of the investment strategy, we retain a negative US duration view and see near-term risks to higher US Treasury yields. On that note, we are underweight the lower-yielding Asian markets with higher correlation to US Treasury moves, such as Hong Kong and Korea. We are less negative on Singapore rates, on expectations that SGS are likely to hold up better than US Treasuries in a rising rate backdrop. That said, we stay overweight in CNY duration for portfolio diversification benefits. China's growth downturn and broadly accommodative policy stance are also likely to keep a lid on China government bond yields. Currency-wise, we favour markets with higher carry buffer and positive terms of trade, such as the Malaysian ringgit and Indonesian rupiah. In contrast, we are cautious on regional currencies with higher sensitivity to rising US real yields, such as the Philippines peso and Korean won. Elsewhere, we retain an overweight to the spread sectors for yield pick-up. These are mostly expressed in Asian USD credits, SGD credits and CNH credits.

Geographical Breakdown

China	23.6%
Hong Kong	1.5%
India	9.2%
Indonesia	11.8%
Korea	13.6%
Malaysia	12.0%
Philippines	3.2%
Singapore	9.7%
Thailand	11.3%
Others	1.1%
Cash and cash equivalents	3.1%

Top 5 Holdings

Indonesia Government 8.75% May 2031	4.1%
China Government Bond 3.29% May 2029	3.5%
China Development Bank 3.4% Jan 2028	3.0%
India Government Bond 6.68% Sep 2031	3.0%
Agricultural Development Bank of China 3.75% Jan 2029	2.8%

Rating Breakdown

AAA	6.9%
AA	13.7%
A	27.7%
BBB	43.5%
BB	2.7%
B	2.4%
Cash and cash equivalents	3.1%

Fund Characteristics

Average duration (years)	6.5
Yield to Worst	4.3%

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.

Disclaimer: This publication is for information only and your specific investment objectives, financial situation and needs are not considered here. The value of units in the Fund and any accruing income from the units 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. Distributions (if any) may be declared at the absolute discretion of Fullerton Fund Management Company Ltd (UEN: 200312672W) ("Fullerton") 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. Applications must be made on the application form accompanying the prospectus, which can be obtained from Fullerton or its 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. The Fund may use or invest in financial derivative instruments. Please refer to the prospectus of the Fund for more information.

For EU investors:

This is a marketing communication. The investment which is promoted concerns the acquisition of shares in a fund. The Fund is actively managed with reference to the benchmark, "Markit iBoxx ALBI Index", for performance comparison purpose. 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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