



## Fullerton Lux Funds - Asian Currency Bonds - Class I (USD)

February 2024

### Investment Objective

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

### Investment Focus and Approach

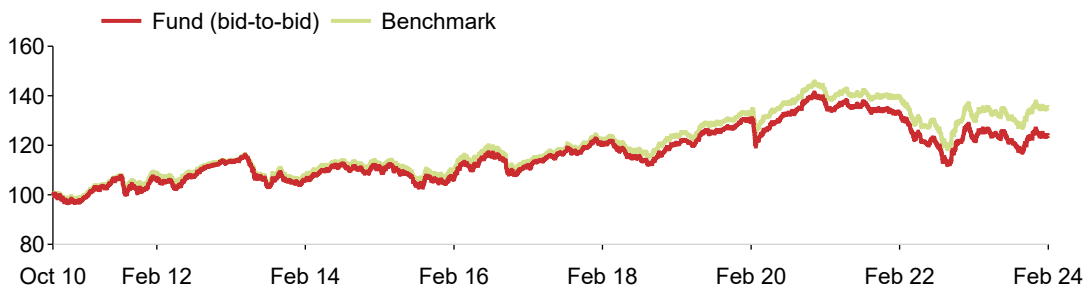
The Fund seeks to achieve its objective by investing in fixed income or debt securities, including convertibles, denominated primarily in Asian currencies and primarily issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region. These countries may 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.
<b>Fund (bid-to-bid)</b>	-0.12	0.49	1.49	1.57	-3.25	0.51	1.58	1.61	6.94
<b>Fund (offer-to-bid)</b>	-4.88	-4.29	-3.34	-3.26	-4.81	-0.47	1.08	1.24	NA
<b>Benchmark</b>	0.06	0.79	2.61	3.92	-1.51	1.74	2.29	2.27	6.74

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.

Benchmark: Markit iBoxx ALBI (USD Unhedged) Index

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

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

Source: Fullerton Fund Management Company Ltd and Markit.

### Market Review

Global bond yields ground higher in February, amid pushback from central bank speakers over near-term rate cuts and ongoing strength in activity and labour market data in the US. January's nonfarm payrolls in the US surpassed expectations, complemented by the US ISM Services index showing further expansion. The minutes of the January FOMC meeting revealed some officials' concern about cutting rates too soon. Expectations for Fed rate cuts diminished, briefly aligning with the Fed's December projection of three quarter-point cuts for the year. Any anticipation of a March move was abandoned. Over in Asia, regional central banks, such as the RBI, BI, BOK held policy rates unchanged. Likewise, the PBOC kept the 1-year MLF rate unchanged at 2.5%, as widely expected, while the 5-year LPR which is the key benchmark rate for mortgage loan pricing, was cut by 25bps to 3.95%, larger than the market consensus.

Against such a backdrop, Asian local currency bonds—as represented by the iBoxx Asian Local Bond Index (ALBI) (USD Unhedged)—gained a marginal 0.1% in February with mixed performance in the local markets. India and Thailand, in local currency terms, were the top-performing local markets as they continued their momentum into February. China rates also recorded modest gains. At the bottom of the pack were Singapore and South Korea, where sovereign bond yields rose in sympathy with the US. The yield on the 10-year US Treasury bond reached 4.3%, 34 basis points higher than the previous month. Concurrently, the 2-year US Treasury yield rose by 41 basis points, closing the month at 4.6%.

### Inception date

06 Oct 2010

### Fund size

USD 49.29 million

### Base Currency

USD

### Pricing Date

29 Feb 2024

### NAV\*

USD 12.39

### Management fee\*\*

Up to 0.6% p.a.

### Expense Ratio\*\*

0.84 % p.a. (For financial year ended 31 Mar 2023)

### 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

ACBIUSA LX

### ISIN Code

LU0543883143

**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](http://www.fullertonfund.com)

UEN: 200312672W

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

\*\*The list of cost is not exhaustive and the fund may incur other expenses. Please refer to the Prospectus/KIID for more information.

## Market Review (Cont'd)

---

Asian USD credits exhibited modest gains, as reflected in the JP Morgan Asian Credit Index in USD. This uptick was underpinned by tighter credit spreads, although there were some setbacks attributable to duration-related losses. Notably, the high-yield sector recorded strong gains, propelled by the tightening of credit spreads, even though losses associated with duration somewhat dampened the overall performance. On the flip side, the investment-grade sector faced modest losses, attributed to higher US Treasury yields, which overshadowed the tighter credit spreads.

## Investment Strategy

---

Developed market (DM) central banks have generally put easing on the agenda for 2024 while pushing back on expectations for imminent cuts. Likewise, current market pricing of the Fed's rate cuts is aligned with the mid-year easing commencement that we think is most likely. We believe the Fed sees the risk of cutting too early as outweighing the risk of cutting too late. The notable deflation in core goods prices observed in the latter part of 2023 was a major contributor to the decline in core inflation. The "last-mile" of disinflation, especially in the service sector, may prove to be more persistent. In contrast to the ongoing easing cycles in Latin America (LatAm) and Central and Eastern Europe (CEE), where there are still substantial rate buffers against the U.S., the absence of rate buffers has resulted in more delayed easing among Asian central banks. However, in much of Asia, inflation is already at or below central bank targets, creating room for potential easing this year, especially if the Fed begins cutting rates around mid-2024.

Regarding our investment strategy, our approach involves extending duration, capitalising on the opportunities arising from higher bond yields that contribute to a more favourable risk-reward outcome. We have extended duration in Indonesia with the elections-related risk out of the way, and also in SGD duration through the SGS 20-year auction, capitalising on attractive valuations in the process. We also extended duration in China rates given its tepid growth, and potential that the PBOC will deliver more RRR cuts and policy rate cuts, to support liquidity. Consequently, the portfolio currently holds an overweight duration profile compared to the benchmark.

In terms of currencies, we recognise that the notion of US exceptionalism could shape market sentiment in the short term and contribute to the strengthening of the USD. Simultaneously, the recently concluded "Two Sessions" in China did not yield significant policy upside surprises. We maintain concerns about China's unbalanced policy support favouring production over consumption, which may perpetuate deflationary pressures. Broadly, we adopt a guarded stance towards currencies that are navigating through economic headwinds. Consequently, we retained our underweight RMB stance -given the tepid growth expectations, and the lack of robust stimulus measures in China. Our increased caution also concerns the Thai baht in particular, given the country's waning economic growth prospects, which we believe could have a negative impact on equity portfolio inflows. In contrast, we have a positive bias towards the higher-yielding carry currencies such as the Indonesian Rupiah (IDR) and Indian rupee (INR) to enhance the portfolio's carry returns.

**Geographical Breakdown**

China	12.9%
Hong Kong	2.9%
India	8.5%
Indonesia	12.9%
Korea	15.9%
Malaysia	13.0%
Philippines	4.3%
Singapore	11.0%
Supranational	7.3%
Thailand	8.5%
Others	1.6%
Cash and cash equivalents	1.1%

**Top 5 Holdings**

Intl Bk Recon & Develop 6.5% Apr 2030	4.0%
European Bk Recon & Dev 5% Jan 2026	3.0%
Korea Treasury Bond 3.5% Sep 2028	2.8%
Indonesia Government 8.75% May 2031	2.6%
China Government Bond 2.88% Feb 2033	2.5%

**Rating Breakdown**

AAA	16.2%
AA	18.2%
A	15.5%
BBB	48.0%
BB	1.0%
Cash and cash equivalents	1.1%

**Fund Characteristics**

Average duration (years)	7.3
Yield to Worst	4.7%

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.

All information provided herein regarding JPMorgan Chase & Co. ("JPMorgan") index products (referred to herein as "Index" or "Indices"), is provided for informational purposes only and does not constitute, or form part of, an offer or solicitation for the purchase or sale of any financial instrument, or an official confirmation of any transaction, or a valuation or price for any product referencing the Indices (the "Product"). Nor should anything herein be construed as a recommendation to adopt any investment strategy or as legal, tax or accounting advice. All market prices, data and other information contained herein is believed to be reliable but JPMorgan does not warrant its completeness or accuracy. The information contained herein is subject to change without notice. Past performance is not indicative of future returns, which will vary. No one may reproduce or disseminate the information, whether in whole or in part, relating to the Indices contained herein without the prior written consent of JPMorgan.

J.P. Morgan Securities LLC (the "Index Sponsor") does not sponsor, endorse or otherwise promote any Product referencing any of the Indices. The Index Sponsor makes no representation or warranty, express or implied, regarding the advisability of investing in securities or financial products generally, or in the Product particularly, or the advisability of any of the Indices to track investment opportunities in the financial markets or otherwise achieve their objective. The Index Sponsor has no obligation or liability in connection with the administration, marketing or trading of any Product. The Index Sponsor does not warrant the completeness or accuracy or any other information furnished in connection with the Index. The Index is the exclusive property of the Index Sponsor and the Index Sponsor retains all property rights therein.

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 (USD Unhedged) 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 English at <https://www.lemanikgroup.com/governance-asset-management/>. 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](http://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.

This advertisement or publication has not been reviewed by the Monetary Authority of Singapore.