FULLERTON FUND MANAGEMENT

Fullerton Lux Funds – Asian High Yield Bonds - Class A (USD) Dis

May 2022

Investment Objective

The investment objective of the Fund is to generate long term capital appreciation for investors by investing primarily in unrated or non-investment grade rated fixed income or debt securities, including convertibles, denominated primarily in USD and Asian currencies and primarily 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 and Vietnam.

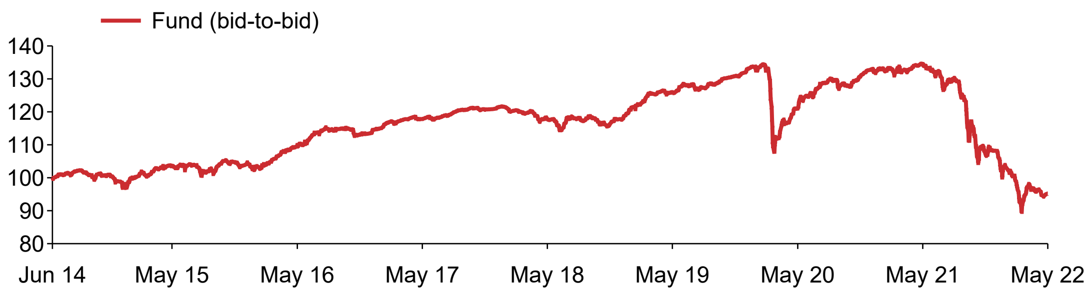
Investment Focus and Approach

The Investment Manager seeks to achieve the investment objective of the Fund by a combination of top-down macro research for duration or interest rate management and sector allocation, as well as bottom-up analysis for credit selection and yield curve positioning.

The Fund may use FDIs as part of the investment strategy, in addition to efficient portfolio management and hedging purposes.

SFDR Classification:
Article 6 fund.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	-1.14	-3.53	-11.48	-29.23	-8.91	-4.17	-0.62	8.71
Fund (offer-to-bid)	-5.85	-8.12	-15.70	-32.60	-10.39	-5.10	-1.22	NA

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.

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
16 Jun 2014

Fund size
USD 30.57 million

Base Currency
USD

Pricing Date
31 May 2022

NAV*
USD 6.58

Management fee
Up to 1% p.a.

Distributions paid per unit [#]
Dec 2020: USD 0.123
Mar 2021: USD 0.120
Jun 2021: USD 0.120
Sep 2021: USD 0.110
Dec 2021: USD 0.090
Mar 2022: USD 0.068

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

Bloomberg Code
AHIBEUD LX

ISIN Code
LU0712499564

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* 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

China's COVID situation remains on our radar, despite some recent easing of lockdown restrictions. 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. We remain cautious on China consumer and Macau gaming sectors. The Chinese economy remains at risk of repeated outbreaks and consequent lockdowns which will hamper the country's economic recovery.

Broadly, we observed a step up in China's 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. Recent policy actions include the reduction in the mortgage rate floor and a 15bps cut to the 5-year loan prime rate. More Chinese cities have also announced property easing measures, such as lower mortgage rates and reduction in down payment ratios. We expect more easing measures by the local governments to follow suit. Notably, select property developers have also received approvals to issue onshore (CNY) bonds together with credit risk mitigation warrants (a type of credit protection instrument). Overall, policy lag suggests the impact from the easing measures on China's housing sector will likely only be felt later in the year. We expect the property sector recovery to be gradual and we continue to exercise prudence. The recent policy easing measures are also likely to disproportionately benefit the stronger developers. On that note, we continue to favour the better-quality developers and we expect credit differentiation to remain a key investment theme.

Elsewhere, 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 retain a negative US duration stance 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.

Geographical Breakdown

China	26.1%
Hong Kong	10.6%
India	28.0%
Indonesia	15.5%
Macau	2.1%
Philippines	7.1%
Others	0.7%
Cash and cash equivalents	9.9%

Rating Breakdown

BBB	10.0%
BB	56.4%
B	23.3%
CCC	0.4%
Cash and cash equivalents	9.9%

Top 5 Holdings

Network I2I Ltd 5.65% PERP	4.2%
NWD Finance (BVI) Ltd 6.25% PERP	4.1%
Globe Telecom Inc 4.2% PERP	4.1%
Shriram Transport Finance 5.1% Jul 2023	3.6%
Abja Investment Co 5.45% Jan 2028	3.0%

Fund Characteristics

Average duration (years)	2.8
Yield to Worst	10.1%

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.