FULLERTON FUND MANAGEMENT

Fullerton Lux Fund - Asian Short Duration Bonds Class A (EUR Hedged)

April 2023

Investment Objective

The investment objective of the Fund is to generate long term capital appreciation and/or income returns for investors.

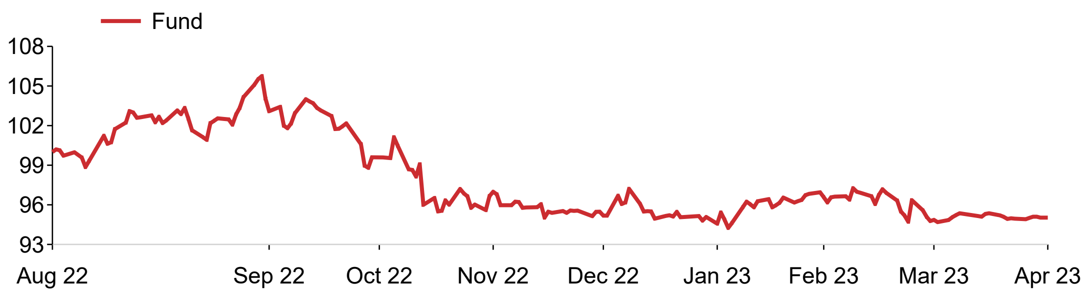
Investment Focus and Approach

The Investment Manager seeks to achieve the objective of the Fund by investing in short duration fixed income or debt securities 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, Pakistan and Vietnam.

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	SI. Ret.
Fund (bid-to-bid)	0.35	-0.40	-4.58	-4.97
Fund (offer-to-bid)	-4.42	-5.15	-9.12	-9.50

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.
Source: Fullerton Fund Management Company Ltd.

Market Review

Across the Atlantic, US Treasury yields have traded at a tighter range over April following the large moves in March. Risk sentiment remains skittish amid fears of a tightening in US regional bank lending. Key US data prints have been mixed. Inflation and wage data remain reflective of sticky inflation while the US labour market remains tight. The US Treasury 10-year yield ended the month at 3.4%, 4bps below the prior month. The US Treasury 2-year yield was mostly flat at 4% as of end April, around the same level as a month earlier.

The rally in bonds was also evident in the Asian credit market, which advanced in April, according to the JP Morgan Asian Credit indices. The investment grade sector gained and outperformed the high yield sector. Both sectors benefitted from US duration gains. In contrast, the relative outperformance was driven by tighter spreads in investment grade and wider spreads in the high yield market. From a sector standpoint, Chinese property bonds were the worst performer and fell, reversing some of the earlier gains made after the government announced easing COVID-19 restrictions in November. Otherwise, the rest of the sectors delivered gains, led by the metal and mining, consumer, as well as the oil and gas sectors. Among countries, China, Singapore, and Korea were among the laggards, while Mongolia, Thailand, India, and Macau led the gains.

Inception date
02 Aug 2022

Fund size
EUR 66.64 million

Base Currency
USD

Pricing Date
30 Apr 2023

NAV*
EUR 9.50

Management fee
Up to 0.7% p.a.

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
FASDAEU LX

ISIN Code
LU1162516121

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

UEN: 200312672W

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

Investment Strategy

The beginning of the year has been more positive for the global economy than many had feared, with first-quarter GDP reports validating this view. The resurgence of China's economy has also contributed to the strong growth in Q1 2023. Consumption spending, service sector and construction activities continued to recover, amid an ongoing post-COVID demand bounce and front-loading of policy support. Looking ahead, we believe that the risk of an early policy exit in China is low, based on our readings of the recent Politburo meeting. As a result, we expect policy support and economic recovery to continue in the current quarter.

China's pro-growth policy stance should have positive spillover effects for the rest of the Asian region, supporting continued economic expansion and providing new opportunities for investors. Elsewhere, we believe the banking sector in Asia is relatively well-placed and less vulnerable than its DM peers. Asian banks tend to have more traditional balance sheets, focusing on plain vanilla lending and fee income. Many regional banks also have good access to cheap onshore funding due to the implicit support from government ownership. Asian banks have strong liquidity positions and capital buffers due to stringent regulations and a sticky customer deposit base, which mitigates financial stability risks and ensures they are well-positioned to weather potential storms in the global economy.

Our portfolio strategy maintains a favourable medium-term outlook on duration, given the rising downside risks to growth and inflation, and anticipated end of the US rate hike cycle. However, in the short term, US Treasuries may appear overbought due to the flight to quality stemming from banking sector stress and potential credit tightening. Therefore, we plan to take advantage of any back-up in bond yields to extend duration, anticipating our positive medium-term duration view. Broadly, we favour investment-grade exposure but maintain selective allocation in the high yield sector. Within the investment grade sector, the overweight continues to be in the BBB-rated segment. For the high yield sectors, we favour Macau gaming and renewables, while being taking a credit selective approach to Chinese property credits.

Geographical Breakdown

China	31.9%
Hong Kong	7.2%
India	13.9%
Indonesia	13.2%
Japan	1.5%
Korea	9.7%
Macau	2.1%
Malaysia	1.6%
Mixed	2.3%
Singapore	7.5%
Supranational	1.4%
Taiwan	1.2%
Others	1.5%
Cash and cash equivalents	5.0%

Rating Breakdown

AAA	1.4%
AA	4.6%
A	19.3%
BBB	51.5%
BB	12.8%
B	5.5%
Cash and cash equivalents	5.0%

Top 5 Holdings

Nanyang Commercial Bank 3.8% Nov 2029	2.9%
Lenovo Group Ltd 5.875% Apr 2025	2.0%
Sarana Multi Infrastruktur 2.05% May 2026	1.8%
Far East Horizon Ltd 2.625% Mar 2024	1.8%
Rec Limited 2.75% Jan 2027	1.6%

Fund Characteristics

Average credit rating	BBB
Average duration (years)	2.3
Yield to Worst	6.5%

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.

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