FULLERTON FUND MANAGEMENT

Fullerton Lux Funds – Asian Short Duration Bonds - Class A (SGD-Hedged)

March 2024

Investment Objective

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

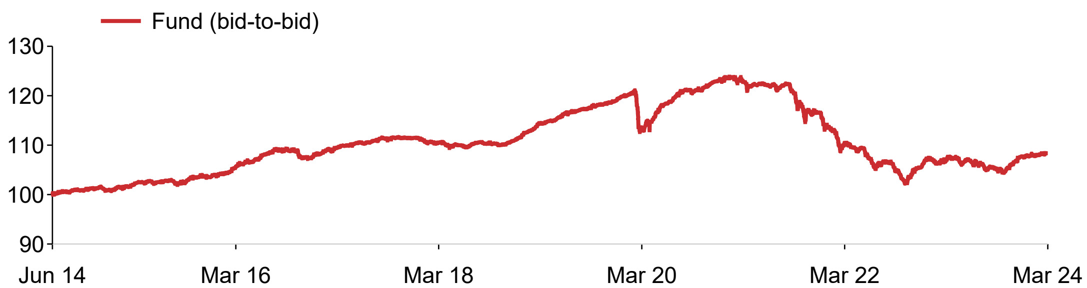
Investment Focus and Approach

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	1 yr	3 yrs	5 yrs	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	0.34	0.59	2.95	1.37	-4.10	-1.07	0.82	3.37
Fund (offer-to-bid)	-4.43	-4.20	-1.95	-3.45	-5.65	-2.04	0.32	NA

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in SGD 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

March witnessed a flurry of key central bank meetings. The Bank of Japan (BoJ) delivered a widely telegraphed policy tightening, abandoning its yield-curve control and raising its short-term interest rate from "-0.1%" to "0% to +0.1%". Meanwhile, the Swiss National Bank surprised markets with a rate cut, diverging from the stance of other major developed market central banks like the Federal Reserve, which stayed on hold. Despite speculation fuelled by persistent inflation readings, the Fed held steady, retaining its projection of three quarter-point interest-rate cuts for the year.

Amidst these developments, Asian USD credits demonstrated broad gains, with both investment grade and high yield sectors advancing, with high yield bonds particularly benefiting from a compression in credit spreads. The Asian investment grade sector also rose, benefitting from tighter credit spreads alongside duration-related gains. On the latter, US Treasuries saw their first monthly gain of the year, with the yield on the 10-year Treasury dropping by 5 basis points to close at 4.2%. In terms of sectors, industries dominated by high-yield issuers such as commodities and real estate have excelled, while sectors like financials, industrials, and infrastructure were amongst the laggards in March. In terms of countries, sovereigns from Asian high-yield countries such as Pakistan, Sri Lanka, and Mongolia have led the charge in the rally, contrasting with the relatively weaker performance of countries like India, Korea, and China.

Inception date
10 Jun 2014

Fund size
SGD 77.46 million

Base Currency
USD

Pricing Date
31 Mar 2024

NAV*
SGD 10.84

Management fee**
Up to 0.7% p.a.

Expense Ratio**
0.91 % p.a. (For financial year ended 31 Mar 2023)

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
FASDASH LX

ISIN Code
LU1015492678

The Fund is available for SRS subscription.

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* 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 incurs other expenses. Please refer to the Prospectus/KIID for more information.

Investment Strategy

Looking ahead, resilient US growth and easing financial conditions raises the likelihood of a soft-landing. The recent economic performance in China during January and February has also been a source of optimism, as it has largely surpassed expectations. This uptick is driven by robust manufacturing investment and recovering exports, which have compensated for the downturn in real estate investment. Looking ahead, we anticipate that both fiscal and monetary policies in China will maintain a growth-friendly stance, even though the likelihood of a massive stimulus package remains low, especially amidst the improving growth momentum. It is also reassuring to note that idiosyncratic credit events confined to China's property sector have thus far not had spill-over effects into the broader Asian high yield credit market.

Regarding portfolio strategies, we have selectively increased our exposure to high yield assets in companies where our analysts have a positive outlook. While Asian high yield valuations are not as compelling as they were a few months ago, we believe there is still scope for spreads to tighten further, especially given the robust technicals, notably among issuers from India and Macau, where bond valuations are expected to stay firm. We have also been leveraging the active primary market to strategically extend duration modestly, seizing opportunities as they arise.

Broadly, we believe the technical aspects of Asian credit markets remain supportive, underpinned by the ongoing search for yield amid a sluggish rebound in supply. Projections indicate that net issuance is anticipated to register a decline this year. We believe that the allure of attractive carry will remain a significant catalyst for the Asian credit market, helping to maintain spreads at stable levels. This pursuit of yield is expected to intensify, particularly if the Fed initiates interest rate reductions around mid-year, further enhancing the appeal of carry trades. With macroeconomic concerns on the decline, we anticipate that credit spreads in Asia will persist at narrow levels for an extended period. Moreover, the more favourable financing conditions are poised to bolster credit fundamentals.

Geographical Breakdown

China	23.1%
Hong Kong	6.2%
India	12.6%
Indonesia	16.0%
Japan	3.7%
Korea	12.7%
Macau	2.8%
Malaysia	3.0%
Philippines	3.4%
Singapore	3.8%
Supranational	1.8%
Thailand	1.3%
UK	2.6%
Others	2.8%
Cash and cash equivalents	4.2%

Rating Breakdown

AAA	1.8%
AA	2.7%
A	19.8%
BBB	56.4%
BB	10.1%
B	5.0%
Cash and cash equivalents	4.2%

Top 5 Holdings

REC Limited 2.75% Jan 2027	2.1%
Lenovo Group Ltd 5.875% Apr 2025	2.0%
Nanyang Commercial Bank 3.8% Nov 2029	1.7%
PT Indonesia Asahan Aluminium 4.75% May 2025	1.2%
Metropolitan Bank & Trust 5.375% Mar 2029	1.2%

Fund Characteristics

Average credit rating	BBB
Average duration (years)	2.2
Yield to Worst	5.7%

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.

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Distributions (if any) may be declared at the absolute discretion of the investment manager 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.

No shares of the Fund may be directly or indirectly offered or sold to residents of the United States of America.

Subscriptions to shares of the Fund may only be made on the basis of the current Key Investor Information Document (KIID), the full prospectus of the Fund, accompanied by the latest available audited annual report and the latest semi-annual report, if published thereafter. The representative and paying agent in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. The prospectus, the KIID, the articles of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

Applications must be made on the application form accompanying the prospectus, which can be obtained from the investment manager, the representative in Switzerland, and 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.

Issued by Fullerton Fund Management Company Ltd. (UEN: 200312672W), 3 Fraser Street #09-28 DUO Tower Singapore 189352.

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