

Fullerton Lux Funds – Asian Short Duration Bonds - Class R (USD) Dist

May 2022

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.

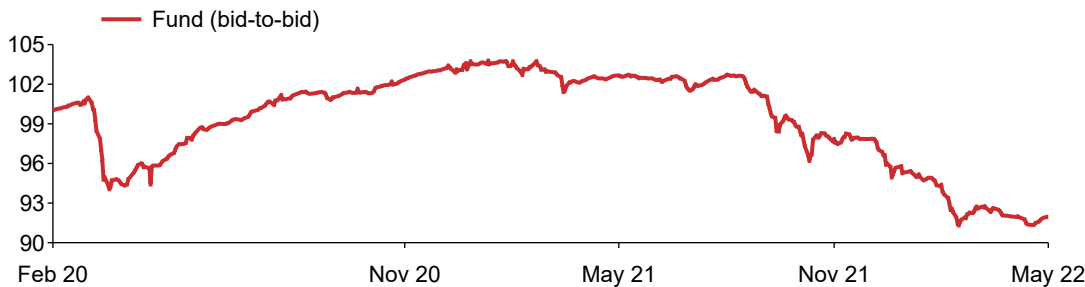
The Asian countries may include but are not limited to China, (including Hong Kong SAR and Taiwan), South Korea, India, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Pakistan and Vietnam.

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	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	-0.06	-2.50	-6.06	-10.46	-3.57	5.36

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. 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

05 Feb 2020

Fund size

USD 99.39 million

Base Currency

USD

Pricing Date

31 May 2022

NAV*

USD 8.66

Management fee

Up to 0.4% p.a.

Distributions paid per unit

Dec 2020: USD 0.075

Mar 2021: USD 0.075

Jun 2021: USD 0.074

Sep 2021: USD 0.074

Dec 2021: USD 0.070

Mar 2022: USD 0.063

Preliminary Charge

Not applicable for Class R

Dealing day

Daily

Deadline

1pm (CET); 5pm (Singapore time) on each Business Day

Bloomberg Code

FASRRUD LX

ISIN Code

LU1293085913

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.

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. 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 have 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 property policy relaxation is also gaining momentum.

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. 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.

Looking ahead, we expect coupon carry to be the dominant source of returns. Elsewhere, we retain a negative US duration stance and see near-term risks to higher US Treasury yields. We aim to keep the Fund's duration at around 2 years, by hedging out the US duration in the 3–5-year space. Within the broader investment grade credit space, we prefer to focus on relative valuation trades rather than strong directional calls. We also favour the BBB bloc where there is some spread cushion to offset rising rates. In terms of the Asian high yield sector, we favour the higher-yielding markets such as India, and Indonesia and look for higher risk premiums to increase our exposure.

In terms of the China property sector, we think the policy easing measures are 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. Policy lag also suggests the impact from the easing measures will likely only be felt later in the year. We expect the property sector recovery to be gradual.

Geographical Breakdown

China	40.2%
Hong Kong	11.2%
India	10.7%
Indonesia	13.6%
Korea	3.1%
Malaysia	1.6%
Singapore	15.6%
Supranational	1.2%
Others	0.7%
Cash and cash equivalents	2.1%

Rating Breakdown

AAA	1.2%
AA	1.4%
A	15.5%
BBB	64.3%
BB	10.4%
B	5.1%
Cash and cash equivalents	2.1%

Top 5 Holdings

CICC Hong Kong Finance 2016 1.625% Jan 2024	3.0%
Nanyang Commercial Bank 3.8% Nov 2029	2.9%
Weibo Corp 3.5% Jul 2024	2.5%
Sarana Multi Infrastruktur 2.05% May 2026	1.8%
Yili Holding Investment 1.625% Nov 2025	1.6%

Fund Characteristics

Average credit rating	BBB
Average duration (years)	1.7
Yield to Worst	4.6%

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: Important Information: This publication is for information only and does not constitute legal or tax advice, nor is it an offer for shares or invitation to apply for shares of the Fund. The information in this publication pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient.

The value of shares in the Fund and any accruing income from the shares 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. When investing in a fund denominated in a foreign currency, your performance may also be affected by currency fluctuations. The Fund may use or invest in financial derivative instruments. An investment in the Fund entails risks which are described in the Fund's prospectus and Key Investor Information Document.

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.

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 without reference to a benchmark. 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.

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