

Fullerton Lux Funds - China A Equities - Class A (USD)

March 2024

Investment Objective

The investment objective of the Fund is to generate competitive risk adjusted return on a relative basis.

Investment Focus and Approach

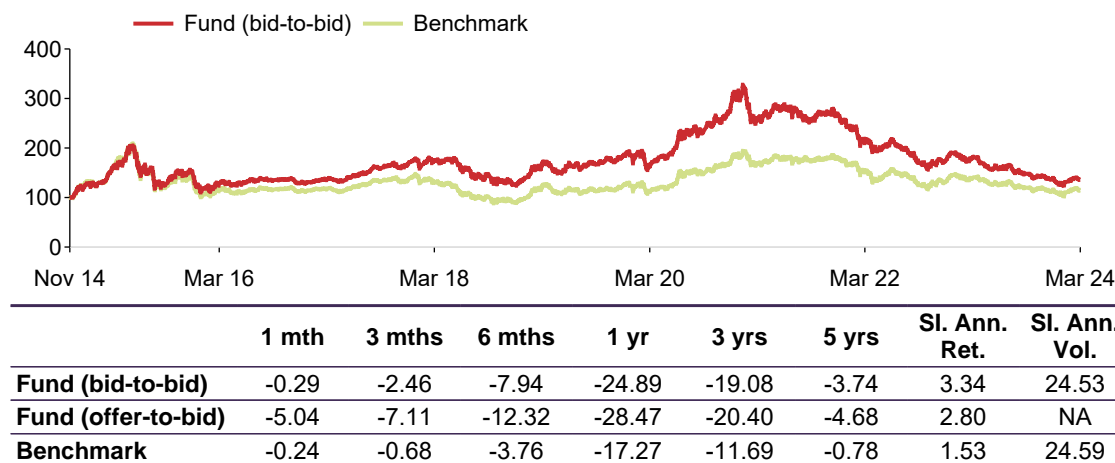
The Investment Manager seeks to achieve the objective of the Fund by investing primarily in China "A" shares listed on PRC Stock Exchanges through the Investment Manager's RQFII quota. The investment universe will include, but not limited to, exchange traded funds, listed warrants, index futures, securities investment funds, listed onshore bonds, money market funds, cash and other financial instruments qualifying as RQFII Eligible Securities.

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 (%)



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: MSCI China A Onshore Net (USD)

Source: Fullerton Fund Management Company Ltd, MSCI Inc. and Bloomberg.

Market Review

In USD terms, equity markets continued to rally in March with MSCI All Country World Index notching up gains of 3.2% during the month to end first quarter of the year with a total return of 8.3%. Almost all major equity markets were up during the month buoyed with strong economic data prints. March was also characterized by the broadening of the equity rally with Europe and Japan outperforming US during the month. Similarly, Energy, Materials and Utilities were the best performing sector during the month while the Information Technology sector lagged during the month. Asian markets as represented by MSCI Asia ex Japan Index was up 2.6% bring year-to-date returns to 2.4%. China lagged the overall Asia index but managed to eke out positive returns.

Economic indicators in China have improved significantly indicating growth in world's second largest economy may be bottoming out. China's March manufacturing PMI surprised on the upside at 50.8 and moved into expansionary zone due to strong export. Similarly, services PMI was also better than expectations at 53.0 as compared to 51.4 in February. Year-to-date retail sales growth was largely in-line with expectations at 5.5% YoY while industrial production and Fixed Asset Investment (FAI) surprised on the upside at 7.0% and 4.2% YoY growth respectively. CPI also moved into positive territory to 0.7% YoY.

Over the month, geopolitical risk remained elevated. US congress introduced 4 bills against investment in China, among which the 'No China in Index Funds Act' aim to restrict US index funds from buying Chinese stocks without knowledge in individual stock/company.

March also saw the State Council follow up on Xi's push for equipment/appliance renewal, and unveiled the action plan to promote large-scale equipment renewal in sectors including construction, municipal infrastructure, transport, agriculture, education and medical treatment and trade-in of consumer products including automobiles and home appliances. Central government funding support alongside tax breaks and targeted lending from banks.

Inception date

10 Nov 2014

Fund size

USD 28.08 million

Base Currency

USD

Pricing Date

31 Mar 2024

NAV*

USD 13.61

Management fee**

Up to 1.75% p.a.

Expense Ratio**

2.04 % 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

FCAAUAC LX

ISIN Code

LU1064131003

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

Investment Strategy

We are cautious on China equities on a 12-month outlook, due to LGFV issue, property sector weakness which hurt consumption confidence and over capacity in quite some manufacturing sectors. Geopolitical tension made the export of China relatively unstable, which should have been in place to solve the over capacity issue.

While we have seen some progress in addressing the property sector such as lowering rate for existing mortgage, relaxation of first home definition and lowering of downpayment ratio, property sales remain weak in most cities on the back of economic growth and demographics concerns. The announcement of additional RMB1trillion sovereign bond issuance will help to support growth in 2024. The significance of this announcement is the lifting of its fiscal deficit from 3.0% to 3.8% in 2023, signalling that 3% is no longer a limit with a possibility that 2024 fiscal deficit could be set higher to support growth. Overall, we don't expect massive fiscal stimulus and focus on equipment replacement on manufacture and high speed train related sectors.

Due to the PPI deflation, earnings for corporates would be only mild except to B exporters. The whole market valuation is inexpensive on consensus earnings, trading below its 5-year mean. We would be very selective on alpha opportunities other than high dividend income names.

Sector Breakdown

Communication Services	4.6%
Consumer Discretionary	8.3%
Consumer Staples	11.5%
Energy	1.8%
Financials	18.7%
Health Care	8.2%
Industrial	12.8%
Information Technology	15.9%
Materials	6.5%
Utilities	3.7%
Others	0.3%
Cash and cash equivalents	7.6%

Top 5 Holdings

Kweichow Moutai	6.7%
China Mobile Ltd	4.3%
China Yangtze Power Co Ltd	3.1%
China Construction Bank	3.0%
Agricultural Bank of China Ltd	2.7%

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.

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, "MSCI China A Onshore Net (USD)", 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. 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.

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