

Fullerton Lux Fund - Flexible Credit Income - Class A (USD) Dist

August 2024

Investment Objective

The investment objective of the Fund is to generate long term capital appreciation for investors.

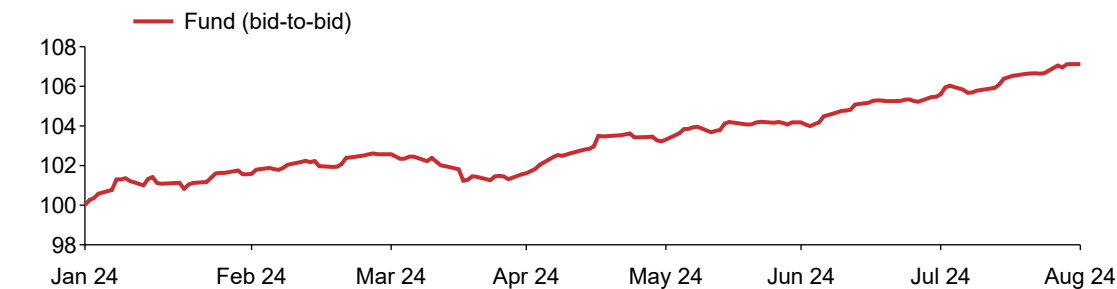
Investment Focus and Approach

The Investment Manager seeks to achieve the objective of the Fund by investing primarily in investment grade, unrated or rated non-investment grade 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.

The Investment Manager seeks to achieve the investment objective of the Fund by a combination of top down macro-economic research for effective duration or interest rate management, country and sector allocation, alongside bottom-up analysis for credit selection and yield curve positioning. Additionally, the Investment Manager's approach incorporates currency flexibility to enhance the overall strategy, complementing both duration and credit management efforts. The Investment Manager believes that this combined top down and bottom-up investment approach provides the best opportunities for achieving superior risk-adjusted returns over the long term.

SFDR Classification:
Article 6 fund.

Performance (%)



	1 mth	3 mths	6 mths	Sl. Ann. Ret.
Fund (bid-to-bid)	1.44	3.68	5.45	7.12
Fund (offer-to-bid)	-3.39	-1.25	0.43	2.02

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

August was a volatile month for financial markets, triggered by a weaker-than-expected US jobs report that fuelled concerns about a potential economic downturn in the US. This, coupled with the unwinding of the yen carry trade, added to market instability. However, calm returned as more positive US economic data emerged, easing fears of an imminent recession. A dovish tone from Fed Chair Powell at Jackson Hole further reassured investors, signalling that rate cuts might be on the horizon. The broader emerging market credit also posted gains in August, according to the JPM Corporate Emerging Market Bond Index (CEMBI) (in USD).

Within Asian credit markets, both the investment-grade and high-yield sectors posted gains, as reflected in the JP Morgan Asian Credit Index (USD terms). These gains were primarily driven by duration-related factors, with the investment-grade sector emerging as the key beneficiary, outperforming its high-yield counterparts. The US Treasury yield curves experienced a bull steepening in August, with the US Treasury 10-year yield ended the month at 3.9%, down 13bps from the previous month. While credit spreads in the investment-grade sector remained stable on average, the high-yield sector experienced a widening of spreads during the month.

In terms of sector performance, longer-duration segments such as TMT and oil & gas led the way, while real estate, despite remaining the top performer year-to-date, lagged in August. Similarly, longer-duration markets, including sovereigns and quasi-sovereigns, generally outperformed credits during the month. On a country level, most markets closed August with positive returns, particularly those with a higher concentration of sovereign and quasi-sovereign bonds, such as Indonesia and the Philippines.

Inception date

23 Jan 2024

Fund size

USD 52.69 million

Base Currency

USD

Pricing Date

31 Aug 2024

NAV*

USD 10.41

Management fee**

Up to 1.0% p.a.

Management company^ fee**

Up to 0.04% p.a. subject to a minimum monthly fee of EUR 750.00 per Fund per month applied at the Company level

Distributions paid per unit

Mar 2024: USD 0.125

Jun 2024: USD 0.167

Preliminary Charge**

Up to 5% subscription amount (equivalent to a max of 5.26315% of the Net Asset Value per share)

Dealing day

Daily

Bloomberg Code

ASHYAUD LX

ISIN Code

LU2730773087

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Market Review (Cont'd)

Conversely, underperformance was largely driven by idiosyncratic factors, with Sri Lankan USD sovereign bonds declining due to uncertainties surrounding the timing of the country's debt restructuring and political risks associated with the upcoming elections.

Investment Strategy

Our investment outlook continues to be shaped by key macroeconomic drivers, particularly in the US, where growth metrics such as labour market strength remain the dominant influence on rates, rather than inflation or systemic risks. While the broader financial system is stable, private credit markets warrant close monitoring for any signs of stress. Additionally, US fiscal risk is re-emerging, as the upcoming US election introduces a degree of uncertainty, given the tight race.

In the credit markets, we see a bifurcation between the US and Asia. US credit fundamentals remain solid but show nascent signs of weakening, while Asia credit remains stable, supported by strong market technicals. Despite the ongoing weakness in Chinese economic data, ample local liquidity has so far managed to mitigate refinancing risks. In emerging markets (EM), lighter investor positioning presents potential opportunities, particularly in Asia, where the strong technical backdrop supports performance.

We expect Asian high yield to outperform US counterparts, driven by favourable technical factors and an attractive yield pickup, albeit with limited capital gains potential. Relative value trading and market adaptability will be key in navigating this environment. Furthermore, local currency rates offer flexibility and opportunities to capture foreign exchange (FX) gains.

Our focus is on maintaining a resilient portfolio structure that performs across a variety of market conditions. We emphasise security selection, with our current holdings well-positioned for the prevailing environment. High-conviction trades remain a priority, particularly in light of the increased opportunities in today's market. We are actively participating in new issuance, and see value in exploring Asia Pacific local currency credits for yield and FX gains. While we are looking more closely at EM credit, we remain cautious of geopolitical sensitivities that could introduce volatility into these markets.

* 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.

**The list of cost is not exhaustive and the fund may incur other expenses. Please refer to the Prospectus/KIID for more information.

^Management Company of the Fund is Lemanik Asset Management S.A.

Geographical Breakdown

Australia	4.4%
China	13.2%
France	2.2%
Hong Kong	12.2%
India	11.6%
Indonesia	9.5%
Japan	8.1%
Korea	2.3%
Macau	4.7%
Mongolia	1.8%
Philippines	2.6%
Spain	1.7%
Supranational	1.2%
Switzerland	1.4%
Thailand	2.8%
UAE	3.1%
UK	6.1%
US	2.8%
Others	3.2%
Cash and cash equivalents	5.1%

Rating Breakdown

AAA	1.2%
AA	3.7%
A	12.8%
BBB	33.5%
BB	28.2%
B	14.7%
CCC	0.4%
C	0.4%
Cash and cash equivalents	5.1%

Sector Breakdown

Basic Materials	6.7%
Communications	7.2%
Consumer, Cyclical	11.8%
Consumer, Non-cyclical	2.7%
Energy	7.9%
Government	7.3%
Industrial	3.1%
Utilities	3.6%
Banks	21.8%
Diversified Finan Serv	3.3%
Insurance	5.9%
Investment Companies	3.2%
Real Estate	9.0%
Others	1.3%
Cash and cash equivalents	5.1%

Currency Breakdown

EUR	2.0%
HKD	0.5%
IDR	1.6%
INR	1.2%
USD	94.7%

Top 5 Holdings

First Abu Dhabi Bank PJS 5.804% Jan 2035	2.1%
SMIC SG Holdings Pte Ltd 5.375% Jul 2029	1.9%
Mizuho Financial Group 5.579% May 2035	1.8%
Indonesia Government 6.875% Apr 2029	1.5%
Macquarie Group Ltd 6.255% Dec 2034	1.5%

Fund Characteristics

Average duration (years)	3.9
Yield to Worst	6.1%
Average credit rating	BBB
Issuer / Issues	110 / 137
IG / HY (%)	51.2 / 43.6

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.

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