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FULLERTON FUND MANAGEMENT

Fullerton Lux Funds - Global Macro Fixed Income Class A (USD) Acc

August 2024

Investment Objective

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

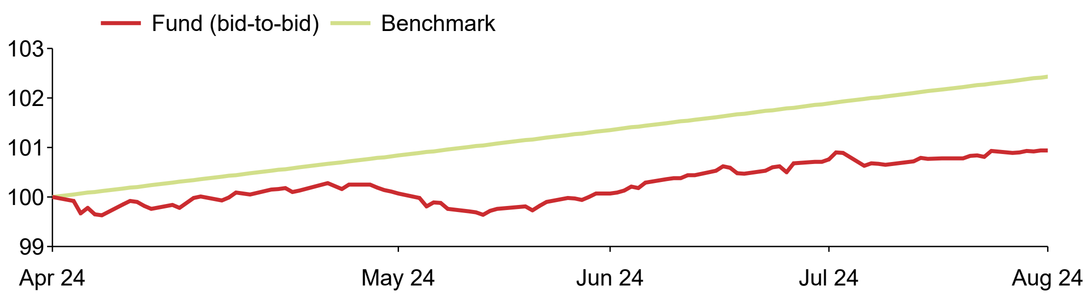
Investment Focus and Approach

The Investment Manager seeks to achieve the objective of the Fund by investing across the following fixed income asset classes: (1) government bonds, (2) currencies, (3) credit, and (4) emerging market bonds (the "Fixed Income Asset Classes"). The Fund may hold net long or net short positions in the different Fixed Income Asset Classes. The Investment Manager will seek to invest in the most liquid segments of the Fixed Income Asset Classes, i.e. developed market government bonds and currencies. The Investment Manager will also invest across various strategies that span across different investment time horizons. The investment approach is based on macroeconomic analysis and integrates a multi scenario approach.

The Investment Manager seeks to achieve the investment objective of the fund through an unconstrained top-down fundamental-driven macroeconomic approach. The Investment Manager employs long and short positions across interest rates, currencies, credit, and emerging markets within a defined risk budgeting framework. This approach emphasises risk contribution to drive asset allocation decisions, ensuring a balanced and optimised portfolio.

SFDR Classification:
Article 6 fund.

Performance (%)



	1 mth	3 mths	6 mths	SI. Ret.
Fund (bid-to-bid)	0.18	0.87	-	0.94
Benchmark	0.53	1.58	-	2.43

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: SOFR + 1% p.a.
Source: Fullerton Fund Management Company Ltd and Bloomberg.

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 US Treasury yield curve experienced a bull steepening during the month, with the 10-year Treasury yield ending at 3.9%, a decline of 13bps from July. UK gilts saw a similar rally, with 10-year yields briefly reaching their lowest levels of 2024 before retracing to the 4% mark, influenced by the more cautious tone of BoE Governor Andrew Bailey at Jackson Hole. In contrast, German Bunds started August on a strong note following the US payrolls shock, but the German 10-year Bund yields rose back to near 2.3% as the month progressed. OAT-Bund spreads remained elevated, about 25bps above pre-election levels.

On the currency front, the DXY index declined by 2.3% in August, driven by softening labor market data, easing inflation, and the Fed's increasingly dovish signals. The British pound (GBP) performed well, testing the 1.33 level—the highest since March 2022—buoyed by resilient UK economic data, persistent inflation, and a broadly weaker US dollar. Meanwhile, the euro (EUR) gained 2.2% against the dollar over the month. USD-JPY saw significant volatility in August, ending 3.0% lower. The BoJ's hawkish guidance and July rate hike triggered a 4.3% drop in the first five days as carry trades unwound. However, a more dovish statement by BoJ Deputy Governor Uchida on August 7 led to a 1.3% rebound, with the pair gradually rising, as the carry trade unwinding eased.

Inception date
12 Apr 2024

Fund size
USD 100.24 million

Base Currency
USD

Pricing Date
31 Aug 2024

NAV*
USD 10.09

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

Minimum Initial Investment
USD 25,000

Minimum Subsequent Investment
None

Preliminary Charge**
Up to 5% 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
FUGFINA LX

ISIN Code
LU2750333168

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Investment Strategy

With the global easing cycle now in motion, we expect the majority of central banks to be on a gradual path back toward neutral as inflation moderates and growth slows. The US Federal Reserve is anticipated to join other central banks in easing monetary policy, although we believe the magnitude of rate cuts will likely be measured unless there is clear evidence of a severe economic downturn or systemic risk. Softer employment and moderating growth have given the Fed room to pivot, but aggressive rate cuts are not our base case. The US labour market, while cooling, is driven more by an increased labour supply from immigration, higher productivity, and slower hiring rather than large-scale layoffs, which supports our view that a hard landing remains unlikely.

In Europe, the ECB is expected to cautiously continue its normalisation process, especially with persistent services inflation and upcoming 2025 budget concerns. Meanwhile, the Bank of Japan remains optimistic about inflation and wage growth but will closely monitor volatility in the yen as a key consideration for future policy moves. In the near term, moderating inflation, softer employment, and potential repatriation flows could weigh on the US Dollar. Additionally, risks related to potential policy shifts around the upcoming US elections, including fiscal, trade, immigration, and energy policies, introduces heightened uncertainty moving forward.

Our portfolio positioning is guided by macro divergence, carry opportunities, and relative valuations across currencies and bonds. In duration, we continue to overweight developed market bonds, particularly in the US, Europe, and the UK, as we expect central banks to gradually ease policy. Conversely, we remain underweight Japanese duration, given the Bank of Japan’s normalisation trajectory. In Europe, we have increased our long positions in Italian BTPs versus German Bunds, capitalising on relative value opportunities. Our US 5-30 year curve steepener remains a core strategy, reflecting our expectation for further steepening as the economy navigates growth and inflation challenges.

On the currency side, we have a net short position in the US dollar and euro bloc, but remain net long in select emerging market currencies, focusing on Asia. Key exposures include long positions in high-carry currencies like the Indian rupee (INR), alongside other Asian currencies such as the Korean won (KRW), Taiwanese dollar (TWD), and Singapore dollar (SGD), which we expect to appreciate versus the US dollar. We have closed out our long positions in Latin American currencies, primarily the Mexican peso (MXN) and Brazilian real (BRL), due to concerns around political uncertainty and fiscal risks. Within the euro bloc, we continue to hold selected relative value trades, shorting the Swedish krona (SEK) and going long the Norwegian krone (NOK) - based on growth differentials and interest rate dynamic considerations. Additionally, we have tactically taken some profits on the long positions in the Australian (AUD) and New Zealand dollars (NZD) against the US dollar.

* 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.

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

FULLERTON FUND MANAGEMENT

Currency Breakdown

Commodity Bloc	0.8%
Emerging Market Bloc	7.6%
EUR Bloc	-2.6%
JPY	0.0%
USD	-6.0%

Contribution to duration (years)

Germany	-0.1
Italy	0.3
Japan	-0.7
UK	0.1
US	0.1

Fund Characteristics

Average duration (years)	-0.2
Yield to Worst	4.7%
Average credit rating	AA
Aggregate gross exposure	289

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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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, "Markit iBoxx ALBI (USD Unhedged) Index", 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. Please also refer to https://www.fullertonfund.com/literature/fullerton-lux funds/?_sft_registered=luxembourg for the sustainability-related disclosures of the Fund. 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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