

Fullerton Lux Fund - Asia Absolute Alpha Class A (SGD) Acc

January 2024

Investment Objective

The investment objective of the Fund is to generate long term positive return, which include both capital appreciation and income.

Investment Focus and Approach

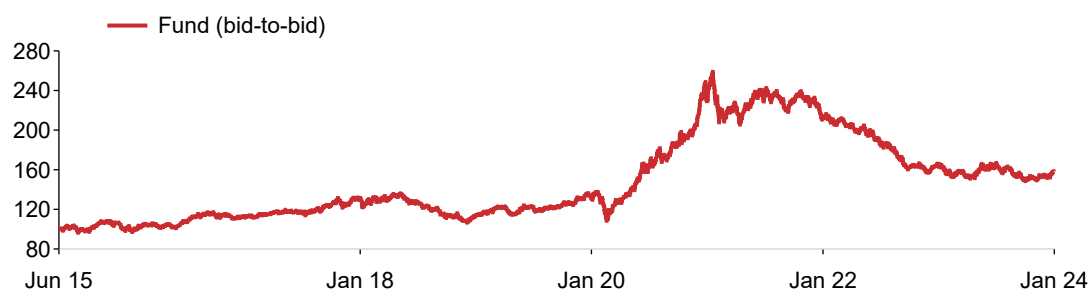
The Investment Manager seeks to achieve the objective of the Fund by investing primarily in, but not limited to, equities, stock warrants, index futures, cash and cash equivalents. The investment universe will include, but not limited to, equities and equities-related securities listed on exchanges in the Asia Pacific region, as well as equities and equities-related securities of companies which have operations in, exposure to, or derive part of their revenue from the Asia Pacific region, wherever they may be listed. The Investment Manager may also make indirect investments in equities via participatory notes and other eligible access products (where the underlying assets would comprise equities defined above). The Fund's investment in China "A" Shares listed on PRC Stock Exchanges may be made through the Stock Connects and/or any other means as may be permitted by the relevant regulations from time to time, for up to 35% of the Fund's net asset value.

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 (%)



Performance Statistics

2024 YTD Return (bid-to-bid)	1.49%	Sharpe Ratio*	0.28
		Sortino Ratio*	0.52
		Maximum Drawdown*	-37.79%

	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	1.49	5.94	-5.25	-3.54	-11.80	6.72	5.40	13.65
Fund (offer-to-bid)	-3.35	0.90	-9.76	-8.14	-13.22	5.69	4.81	NA

*Since Inception

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 and Bloomberg.

Market Review

Global equity markets took a breather in January after the sharp rally in 4Q23, but still managed to eke out marginally positive returns for the month. Japan, US and India rallied during the month while all other major markets delivered negative returns in January.

Asia ex Japan continued to underperform developed markets with the MSCI Asia ex Japan Index down 5.4% (in USD terms) in January. China continues to be the main drag and with both offshore and onshore markets suffering a significant sell down in January. MSCI China A Onshore index was down 9% (in USD terms) while MSCI China Index was down 10.6% (in USD terms). Sell-down triggered by macro concerns was further exacerbated by liquidation of structured derivative products called Snowball. MSCI Korea Index was also down almost 10% (in USD terms) during the month partially due to weakening of Korean Won against USD. Further, semiconductor stocks gave up some of the gains from last month while EV supply chain related companies were also sold down due to demand

Inception date

25 Jun 2015

Fund size

SGD 170.27 million

Base Currency

USD

Pricing Date

31 Jan 2024

NAV*

SGD 15.73

Management fee**

Up to 1.50% p.a.

Expense Ratio**

1.66 % 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

FUAASGD LX

ISIN Code

LU1242518931

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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.

Market Review (Cont'd)

concerns. India and Philippines were the only markets to deliver positive returns in Asia during the month. MSCI India Index was up 2.5% (in USD terms) during the month driven by strong rally in Energy, Real Estate and Communication Services stocks.

Economic indicators remain mixed. China's 4Q GDP growth was in-line with estimates at 5.2%YoY. December Industrial production was slightly above expectations at 6.8% YoY but retail sales was below expectations at 7.4% YoY. China announced a slew of measures to stabilize the market which included tightening rules on lending of shares for short selling, ease of property curbs in many cities and 50bps RRR cut. Also, news reports indicate that a RMB 2trn stabilisation fund is also being considered by policymakers to support the market.

Outside of China, economic indicators were firm. Both manufacturing and composite PMIs for India expanded MoM to 56.9 and 61.0 respectively, as compared to December reading of 54.9 and 58.5. Indonesia's manufacturing PMI also expanded from 52.2 in December to 52.9 in January. Korea's manufacturing PMI also tipped in expansionary territory at 51.2 as compared to 49.9 in December. Similarly, Taiwan manufacturing PMI also moved up from 47.1 to 48.8 indicating improvement in semiconductor demand. Inflation prints across Asia remain muted and policy rates were also unchanged with most central banks in Asia waiting for cues from the Fed.

Investment Strategy

We are positive on Asian equity markets for 2024 as both top down and bottom-up factors are supportive. From a top-down perspective, we expect financial conditions to improve as central banks across the region are likely to pursue more growth-oriented policies in 2024 in view of decline in inflation coupled with a potential Fed pivot. From a bottom-up perspective, we expect a sharp rebound in earnings for the information technology sector (largest sector in Asia) and well as strong earnings growth in domestically driven economies like India and Indonesia. Combination of above drivers should help to offset the drag from China which continues to face growth headwinds.

Specifically, Asia's semiconductor value chain is expected to show strong earnings growth driven by a combination of (1) sharp increase in demand for AI related chips (2) Cyclical rebound in consumer electronics (smartphones, PCs) as well as server demand.

India's GDP growth has surprised on the upside which has translated significant earnings upgrades over the past few months. Earnings expectations for India remain robust (mid-teens) while fund flow remains healthy which should support valuations. Indonesia is also exhibiting similar characteristics.

Conversely, outlook for China/HK remains uncertain and risk to earnings estimates remains to the downside. Further, concerns surrounding LGFVs and real estate sector remains a structural headwind. We believe, in absence of concrete measures to address the above issues and the ensuing lack of private sector confidence, risk to Chinese equities remains to the downside.

On balance, we believe that the positive from Asia ex China should be able to offset the weakness in China. Most importantly, at an aggregate level, earnings revisions as well as upgrade/downgrade ratio has stabilized. Valuations are also supportive as MSCI Asia ex-Japan Index is trading below its five-year mean forward price to earnings multiple as well as price-to-book multiple.

Geographical Breakdown

Australia	2.1%
China	2.2%
Hong Kong	2.6%
India	25.4%
Indonesia	9.4%
Ireland	2.5%
Japan	2.9%
Korea	11.3%
Netherlands	2.7%
Singapore	3.4%
Taiwan	11.5%
Thailand	2.8%
US	13.8%
Cash and cash equivalents	7.3%

Sector Breakdown

Communication Services	10.2%
Consumer Discretionary	5.3%
Energy	9.1%
Financials	12.1%
Health Care	1.3%
Industrial	8.5%
Information Technology	38.5%
Real Estate	2.2%
Utilities	5.5%
Cash and cash equivalents	7.3%

Top 5 Holdings

Samsung Electronics	6.7%
Broadcom Inc	6.2%
Taiwan Semiconductor Manufacturing	6.1%
Larsen & Toubro Ltd	5.1%
Sk Hynix Inc	4.6%

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