

Fullerton Lux Funds – Asia Focus Equities - Class A (USD)

January 2021

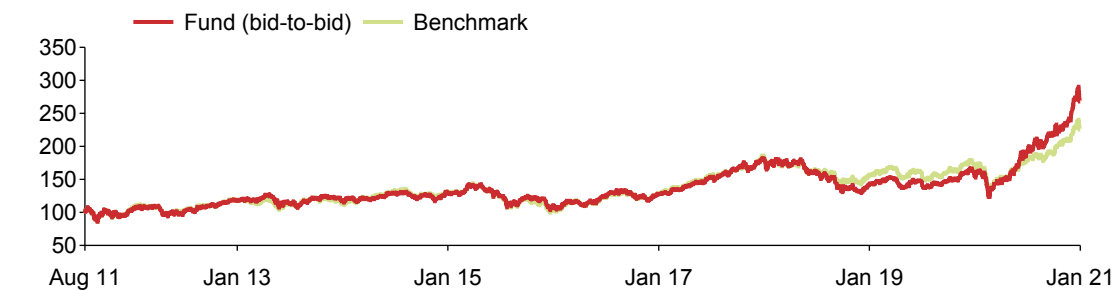
Investment Objective

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

Investment Focus and Approach

The Fund invests primarily in equities, index futures, cash and cash equivalents. Typically, the Fund will concentrate the investments in a limited number of holdings. The investment universe will include equities listed on exchanges in Asia, as well as equities of companies or institutions which have operations in, exposure to, or derive part of their revenue from Asia, wherever they may be listed. Indirect investments in equities may be via P-Notes where the underlying assets would comprise equities defined above. With effect from 17 July 2019, up to 35% of the Fund's NAV may be invested in China "A" Shares via the Stock Connects and/or any other means as may be permitted by the relevant regulations from time to time.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	7.05	23.48	39.61	72.50	14.06	19.39	10.99	17.86
Fund (offer-to-bid)	1.95	17.60	32.96	64.29	12.22	18.24	10.42	NA
Benchmark	4.08	20.09	25.90	36.18	6.96	16.31	8.98	16.87

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.

Benchmark: MSCI AC Asia ex Japan Net Index.

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

Market Review

Global risk-on sentiment from last year continued into January translating into another strong month for Asian Equities. MSCI Asia ex Japan Index delivered a return of 4.0% in January, outperforming its developed market peers. China and Taiwan markets led the rally while Korea, India and Asean markets underperformed. By sector, rally was driven mainly by sectors with large representation of new economy stocks such as Communication Services, Information Technology and Consumer Discretionary. Energy, Utilities and Materials on the other hand underperformed significantly.

COVID cases continue to rise across US and Europe and many Asian countries have also seen a resurgence, however with mass vaccination on the horizon, markets continue to focus on the positive economic momentum. Economic data points were a mixed bag with China Manufacturing PMI falling marginally to 51.3 from 51.9 in December but still remains in expansion territory. Services sector however saw a sharper correction with the Caixin services PMI falling from 56.3 in December to 52.0 in January. Fall can partially be attributed to resurgence of COVID in parts of North China. PMI data across most other Asian economies were up MoM which is reflective of an improving economic environment. India announced an expansionary budget with higher than expected fiscal deficit which is likely to support growth. Policy environment remains broadly supportive, however most central banks across Asia are coming to an end of the easing cycle.

Inception date

22 Aug 2011

Fund size

USD 401.64 million

Base Currency

USD

Pricing Date

31 Jan 2021

NAV*

USD 26.79

Management fee

Up to 1.75% p.a.

Preliminary Charge

Up to 5% of the subscription amount (equivalent to a maximum 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

HCAAUSA LX

ISIN Code

LU0516422440

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* Figures have been truncated to 2 decimal places. The official price is published on Fullerton's website.

Investment Strategy

We maintain our constructive view on Asian Equities. The expected real GDP growth differential in 2021 between Asia and DM is very wide, and might potentially help Asian equities to continue to outperform. Supply-chain and trade shifts also seem to have been positive for the Asian earnings outlook, as intra-Asian trade has already rebounded significantly (back to its rising trend share of total Asian exports). While South Asia is lagging the North, it is still likely to see robust rebounds in GDP growth over 1H 2021.

Valuations, while stretched vs history, still appear manageable for investors after taking into account low bond yields and strong companies. There are also encouraging signs, that at the aggregate level, 12-mth FWD P/Es may be peaking as stronger earnings growth comes through.

Tensions between the US & China remain a key risk to Asia's supply-chain. However, President Biden's win has raised hopes of more dovish US foreign policy settings, which would further ease geopolitical risks. In addition, trade agreements, like the Regional Comprehensive Economic Partnership Agreement (RCEP) – should be bullish longer-term for Asian equities that are most leveraged to China & regional trade.

Geographical Breakdown

China	46.7%
Hong Kong	6.9%
India	5.9%
Korea	18.1%
Taiwan	14.4%
US	3.3%
Cash and cash equivalents	4.7%

Sector Breakdown

Communication Services	16.9%
Consumer Discretionary	15.8%
Consumer Staples	5.2%
Energy	2.1%
Financials	4.5%
Health Care	4.5%
Industrial	11.5%
Information Technology	33.3%
Materials	1.5%
Cash and cash equivalents	4.7%

Top 5 Holdings

Taiwan Semiconductor Manufacturing	9.6%
Samsung Electronics	6.8%
Tencent Holdings	6.7%
Hyundai Motor Co Ltd	3.9%
Longi Green Energy Technology	3.8%

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