Lotus Global Balance Strategy SP
Nov.2024 Report

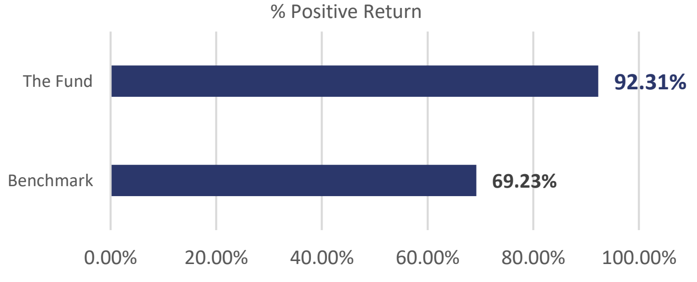
Fund Objective and Strategy

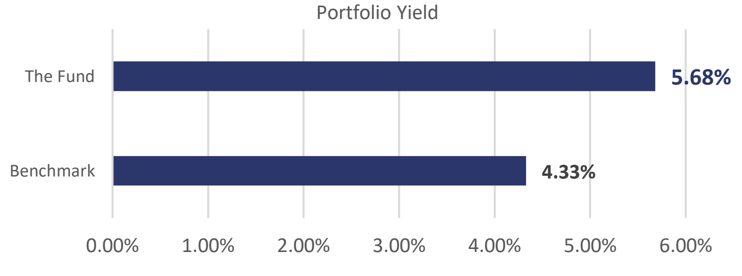
This Fund invests primarily in high-quality bonds with credit ratings of "BBB" or higher and intends to achieve a competitive overall investment return with relative security of capital compared to equities in the medium to long term.

The portfolio has a duration of no more than three years and aims to achieve absolute returns that outperform the benchmark.

	Lotus Global Balance Strategy SP	Benchmark*
Monthly Return	**0.39%**	0.34%
Total Return	**12.16%**	9.98%
% Positive Return	**92.31%**	69.23%
Sharpe Ratio	**2.012**	1.200
Information Ratio	**1.43%**	n.a.
Portfolio Yield	**5.68%**	4.33%
Average Credit Rating	**A+**	AA-
Average coupon	**4.60%**	3.06%
NAV Per Share	**112.1516**	109.9762

Source: Lotus Asset Management、Bloomberg





Fund Structure

Investment Manager	Lotus Asset Management Limited	
Fund Inception	October 1, 2022	
Domicile	Cayman Islands	
Share Class Currency	USD	
Class Type	Class C1	Class C2
ISIN	KYG4304B1032	/
Management Fee	1.5%	2%
Performance Fee	15%	
Administrator	Apex Fund Services	
Auditor	KPMG	
Legal Counsel	Zhonglun / BGA	

Fund Portfolio Summary

Top Five Holdings

B 0 12/19/24	**5.70%**
STANLN 6.097 01/11/35	**2.04%**
HSBC 4.18 12/09/25	**1.65%**
CICCHK float 01/18/27	**1.35%**
PHNXLN 8 1/2 PERP	**1.02%**

Portfolio Summary

Portfolio Average Duration	1.96Y
YTM	5.68%
Leverage	0%

- Past Performance is not a reliable indicator or guarantee of current and future results.
- Benchmark: Bloomberg U.S. 1-3 Year Aggregate Bond Index (USD).
- Source: Lotus Asset Management、Bloomberg。
- All figures of this month are not verified by the Fund Administrator and the actual data is subject to the Fund Administrator.

LOTUS
Asset Management

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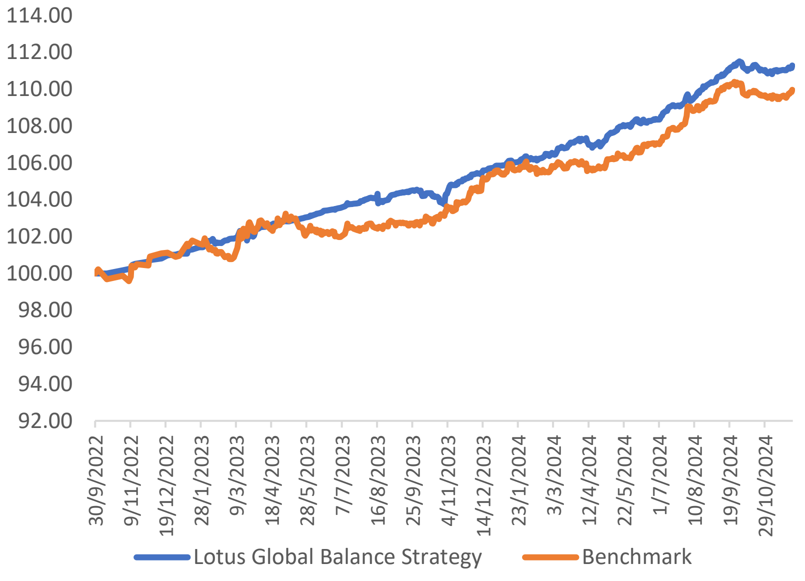
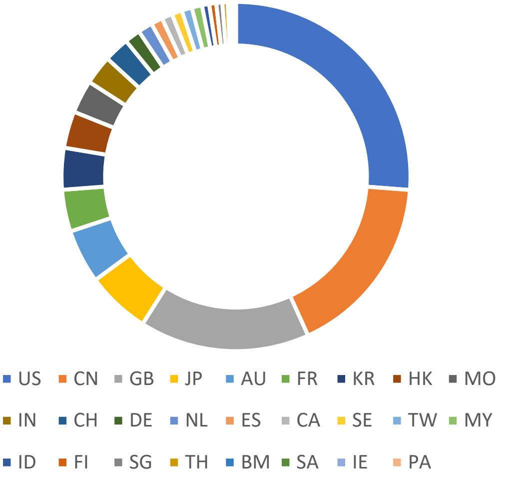
Fund Performance



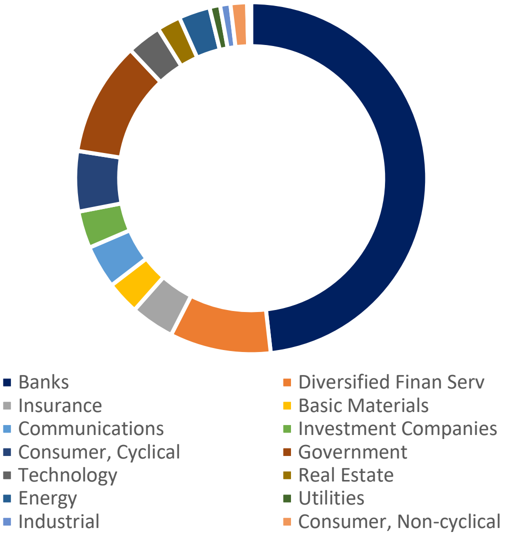
		1 M	3 M	YTD	SI	NAV
Gross	The fund C1	0.39%	0.93%	6.15%	12.15%	112.15
Net	The fund C1	0.34%	0.80%	5.16%	11.13%	111.13
Benchmark		0.34%	0.59%	4.16%	9.98%	109.98

Source: Lotus Asset Management、Bloomberg
Net performance shown is net of all fund expenses. Gross performance does not take into account fund fees and charges, which would lower returns.

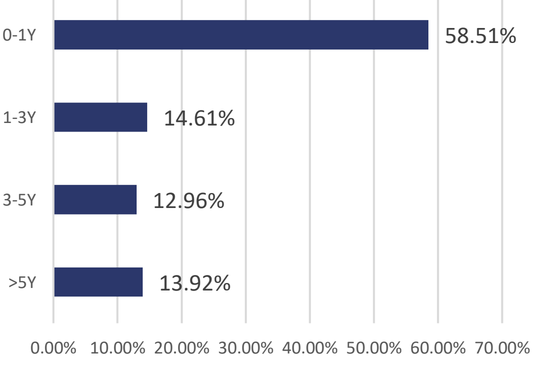
Country Allocation



Industry Allocation



Duration Allocation



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Market Commentary

In November, the Republican Party unexpectedly secured all swing states' electoral votes, marking the beginning of the Trump 2.0 era. Trump's policy had a significant impact on the market before and after the election. The "Trump trade" dominated the market for most of November. As the month drew to a close, investors returned to reality, re-evaluating the timing and effects of Trump's policies. The bond market began to readjust its expectations regarding Trump's policies, with U.S. Treasury yields fluctuating by over 50 basis points throughout the month.

The Federal Reserve faced a new challenge in responding to the Trump administration's increased tariffs and reduced domestic tax rates, which could lead to fiscal deficits and potential inflationary pressures. This issue became a focal point for the market and is likely to linger in investors' minds into the first half of next year.

In November, the Federal Reserve cut interest rates by 25 basis points at its post-election meeting as scheduled. Fed Chair Powell adopted a more neutral tone during the press conference, emphasizing data dependency and adaptability to changing circumstances. The meeting minutes released at the end of the month leaned more hawkish, with officials leaning towards a gradual rate cut approach to shift monetary policy towards a neutral stance. This gradual approach aimed to demonstrate that the slowdown in rate cuts was primarily due to the lack of clear expectations regarding the "neutral rate level," as the current distance from the "neutral rate level" remained uncertain. Several Fed officials later stated that they were not in a rush to cut rates. Powell even mentioned that the strong U.S. economy had not signalled a need for immediate rate cuts, giving the Fed the ability to make decisions cautiously.

While economic data released in November were influenced by temporary factors, they exhibited mixed performances. The employment report showed a significant contrast between October and September, with nonfarm payrolls plummeting from 254,000 in September to 12,000, marking the slowest growth since the end of 2020 and falling short of market expectations. The unemployment rate remained at 4.1%, in line with forecasts. However, the labour market was affected by one-time factors such as hurricanes and the Boeing strike during the reporting period, shifting market focus from data to the new presidential policies, leading to a relatively subdued market response.

In terms of inflation, the nominal CPI year-on-year growth accelerated to 2.6% in October, meeting expectations. However, due to base effects, this growth hit a three-month high but ended a six-month decline streak. Core inflation month-on-month growth continued for three consecutive months without a decline, highlighting the challenges the Fed faces in achieving its inflation target. The PMI dropped to 46.5 in October, hitting a new low since July 2023, while the services PMI remained above the expansion-contraction line, reaching a new high since July 2022, significantly outperforming expectations. Durable goods orders rose by 0.2% month-on-month in October, reversing a two-month decline, while retail data exceeded expectations with a 0.4% month-on-month growth. Employment data appeared distorted due to objective reasons, inflation data raised concerns about stubborn inflation, and other economic indicators showed the U.S. economy maintaining resilience in October.

In November, in the credit bond market, the issuance of new bonds remained at a high level, exceeding $100 billion in a single month for the tenth time this year, reaching $100.45 billion. On one hand, this highlights the urgency for issuers to prepare for funding before the maturity wall in 2025, and on the other hand, it underscores issuers' concerns about persistent inflation and the possibility of the Fed returning to a tightening policy. Investors have been in a speculative mindset, locking in their borrowing costs to capture yields before potential rate hikes. By the end of November, the year-to-date new bond issuance volume increased by 29.58% to $1.52 trillion compared to the previous year. Despite the massive supply, the average credit spread remained at a historical low of 78 basis points, indicating that there is still ample liquidity waiting to be deployed in the market. It is expected that credit spreads will continue to remain low in December, and the credit bond market will generally remain stable as we approach the year-end.

Regarding interest rates, after Trump's election, the "Trump trade" pushed bond yields higher in the first half of November, with the 10-year Treasury yield even touching 4.5%. However, with the appointment of the new Treasury Secretary, Benson, who comes from a Wall Street background and advocates for fiscal discipline, market concerns about the rapid increase in U.S. debt eased. Subsequently, bond yields started to decline continuously towards the end of the month, forming a reverse "V" shape trend. In November, the 2-year Treasury yield fell by 1.9 basis points, the 5-year Treasury yield dropped by 10.7 basis points, the 10-year Treasury yield decreased by 11.6 basis points, and the 30-year Treasury yield declined by 11.5 basis points, maintaining a "bear flattening" characteristic in the yield curve.

Our overall strategy in November continued to be conservative and prudent, with the primary focus on ensuring investors' capital safety and positive returns. We seized the opportunity to allocate some long-term bonds at the peak yield on Election Day, hedged some interest rate risks during subsequent market volatility, and used newly raised funds to allocate some short-term bonds during the later part of the month when yields were declining. The goal was to maintain the overall stability of the portfolio before the year-end and prepare a financial reserve for the market volatility and uncertainty in the Fed's monetary policy after the new U.S. president takes office next year.

Our basic assessment of the market going forward is that in the first one to two years of the new U.S. president's term, the market sentiment and economic growth are events with higher certainty. We have increased our allocation in U.S. names as a portfolio base and added allocations in India, the Netherlands, and Canada to further diversify risks. In terms of research reserves, we have increased our overall research on the global pharmaceutical and automotive industries and made some reserves on names in these two sectors, planning to increase allocations at the right timing. It is expected that in December, the Fed will continue to cut interest rates by 25 basis points, the market will be relatively quiet, but rates will slightly decrease, and credit spreads will remain within a narrow range until facing Trump's impact in the first half of the next year. During this process, we will gradually increase risk preferences, delve into credit risks, be more patient in selecting opportunities, and strive to bring investors sustained and stable positive returns.

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The fund may primarily invest in fixed-income instruments.

• Investments in fixed-income securities are subject to interest rate, credit, and downgrade risks. The fund also faces risks associated with investing in high-yield, sub-investment grade, and unrated securities.

• The fund is exposed to risks related to investments in emerging markets, mortgage-related and other asset-backed securities, sovereign debt, currency liquidity, and repurchase and reverse repurchase transactions.

• The fund may invest more than 10% of its assets in non-investment grade securities issued or guaranteed by a single sovereign issuer, increasing credit and default risks related to the issuer.

• The fund may widely invest in or involve additional risks (e.g., market, counterparty, liquidity, volatility, and leverage risks) of financial derivatives.

• The fund may, at its discretion, distribute dividends directly from its capital, equivalent to returning or withdrawing a portion of the investor’s original investment or any capital gains attributed to that initial investment. Any distribution involving the payment of dividends from the fund's capital may immediately reduce the fund's net asset value per share.

• Investments involve risks, and your investment may incur significant losses. • Investors should not rely solely on this document and should read the fund's offering document for further details, including risk factors.

"For investors who have been cautious about the bond market, there are compelling reasons to invest in fixed income now. Yields across various fixed-income categories are higher than in recent years. Although the market environment for 2023 remains uncertain and volatile, the higher initial yields offer the potential for higher returns. Historically, after yields peak, bonds tend to perform strongly. In the five most recent major market downturns, after each yield peak, both core bonds and investment-grade corporate bonds have seen substantial growth in the year following, providing attractive returns for resilient investors."

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