

## Fullerton Lux Funds - Asian Bonds - Class A (SGD) Dis

October 2018

### Investment Objective

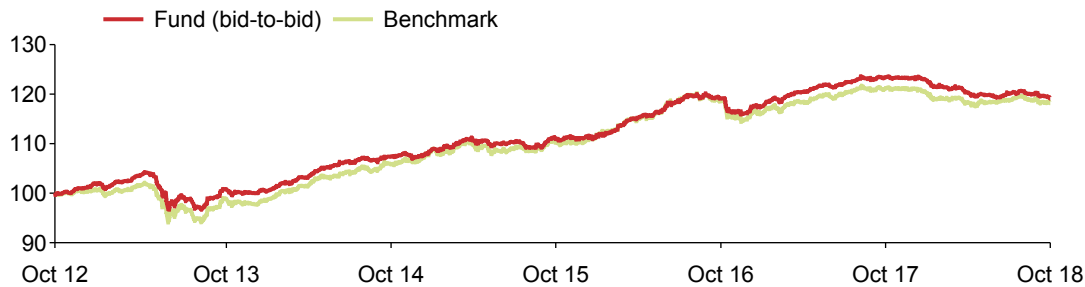
The investment objective of the Fund is to generate long term capital appreciation for investors by investing in fixed income or debt securities denominated primarily in USD and Asian currencies, issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region. These countries include, but are not limited to China, Hong Kong SAR, Taiwan, South Korea, India, Thailand, Malaysia, Singapore, Indonesia, the Philippines, Pakistan and Vietnam.

### Investment Focus and Approach

The Investment Manager intends to seek out these sources of alpha for the Fund: interest rate, credit and currency. The Investment Manager's investment process is a combination of top-down macro research involving economic research and monetary policy analysis to arrive at interest rate and currency outlooks; as well as bottom-up analysis based on credit selection and yield curve positioning. Within this framework, the Investment Manager will evaluate whether bond markets offer value, the relative value across markets and the outlook for credit. These views form the basis for formulating their duration, bond market allocation, currency and credit strategies.

FDIs may be used for efficient portfolio management purposes.

### Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
<b>Fund (bid-to-bid)</b>	-0.98	-0.89	-1.08	-3.51	2.40	3.39	2.93	3.38
<b>Fund (offer-to-bid)</b>	-5.69	-5.61	-5.79	-8.11	0.75	2.39	2.11	NA
<b>Benchmark</b>	-0.81	-0.57	-0.17	-2.52	2.36	3.64	2.80	3.60

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.

Benchmark: JACI Investment Grade Total Return – SGD Hedged Index\*.

Source: Fullerton Fund Management Company Ltd, J.P. Morgan Securities LLC and Bloomberg.

### Market Review

October proved to be another volatile month for risk assets. Investor sentiment was fragile amid a sell-off in global equities, negative US-China trade friction headlines, and concerns about global growth. A spike in short-term US interest rates and a resurgent US dollar further weighed on sentiment. The US 10-year Treasury yield briefly breached the 3.2% level before ending the month at 3.14%. Amidst the market volatility, Asian credits held their ground but ended the month with a negative return on the back of higher US Treasury yields and wider credit spreads. Asian local currency bond returns were weighed down by continued USD strength.

In Asia, the Chinese authorities sent a stronger easing signal at the quarterly Politburo meeting held in end October, to counteract downward pressures on the economy. China's State Council also announced measures to improve the business environment and ease financing conditions for private enterprises. Key measures include fewer limitations on capital market access, a reduction of administrative red tape, as well as corporate tax cuts. Apart from these, the People's Bank of China (PBOC) also announced more support for private enterprises with the issuance of an additional RMB150 billion in relending and rediscount credits to encourage the financing of small and medium enterprises. Elsewhere, the Bank of Korea stayed on hold but retained a more hawkish guidance. Over in Indonesia, Bank Indonesia left the policy rate unchanged and said the decision is consistent with efforts to lower the nation's current account deficit.

Within Asian credit, the investment grade sector held up relatively better with a return of -0.7% (in USD terms) mostly on the back of wider spreads. The high yield sector underperformed with a return of -2.5%

### Inception date

16 Oct 2012

### Fund size

SGD 265.10 million

### Base Currency

USD

### Pricing Date

31 Oct 2018

### NAV\*

SGD 9.50

### Management fee

Up to 1.0% p.a.

### Distributions paid per unit #

Jun 2017: SGD 0.100

Sep 2017: SGD 0.100

Dec 2017: SGD 0.100

Mar 2018: SGD 0.099

Jun 2018: SGD 0.080

Sep 2018: SGD 0.080

### 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

FASASHD LX

### ISIN Code

LU0830378575

The Fund is available for SRS subscription.

### For additional information on Fullerton and its funds, please contact:

#### Fullerton Fund Management Company Ltd

3 Fraser Street  
 #09-28 DUO Tower  
 Singapore 189352

T +65 6808 4688

F +65 6820 6878

www.fullertonfund.com

UEN: 200312672W

\* 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.

## **Market Review (Cont'd)**

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(in USD terms); High yield sovereigns similarly underperformed (-3.9% in USD terms), with Sri Lanka (-7.2% in USD terms) a key detractor due to the ongoing political uncertainty. Primary market activity remained relatively subdued in October amidst the weaker market sentiment. However, South Korea tapped the USD bond market with the issuance of two new bonds with a total notional value of US\$1 billion.

## **Investment Strategy**

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For most of this year, macro events – global trade dispute, deteriorating risk sentiment and market momentum – have been driving markets while fundamentals have taken a back seat. Market volatility will stay elevated as investors adjust their positions, take profit or cut losses going into year end. We expect the Fed to be cautious so as not to derail the positive US growth momentum. The Fed is likely to pause its rate hike cycle in mid-2019 when growth would have shown signs of tapering, given the US economy is already at a late stage of its economic expansion. A cautious Fed is also supportive of Asian markets and spread sectors in general.

Against such a market backdrop, the Fund still favours an underweight duration in view of market volatility going into year end. Overall, the high-yield exposure remains largely unchanged as we maintained our positions in short dated high yield bonds for carry. Although valuations have turned attractive, particularly in the Chinese high yield property sector, we would refrain from adding on risk at the moment, given expectations that spreads could widen out further. Recent supply – which has been softer than initially expected – might ratchet up early next year, if the funding environment turns favourable and Chinese issuers return to the market.

**Country Breakdown**

Australia	4.7%
China	25.7%
Hong Kong	13.0%
India	10.7%
Indonesia	11.5%
Japan	4.3%
Korea	4.3%
Malaysia	1.7%
Netherlands	1.6%
Philippines	1.7%
Singapore	15.6%
UK	2.5%
Others	1.9%
Cash	0.8%

**Top 5 Holdings**

PCCW Capital No 4 Ltd 5.75% Apr 2022	2.3%
India Government Bond 7.28% Jun 2019	2.2%
Parkway Pantai 4.25% PERP	1.7%
Power Finance Corp Ltd 3.75% Dec 2027	1.6%
Country Garden Hldgs 3.875% Nov 2018	1.6%

**Rating Breakdown**

AAA	0.3%
A	13.2%
BBB	64.8%
BB	14.3%
B	6.2%
CCC	0.3%
CC	0.1%
Cash	0.8%

**Fund Characteristics**

Average duration (years)	4.1
Yield to Worst	5.5%

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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The source of the JACI Investment Grade Total Return – SGD Hedged Index is J.P. Morgan Securities LLC, the Index Sponsor. Prior to 1 October 2012, the benchmark was computed by the Managers derived from JACI Investment Grade Total Return Index. The source was changed retrospectively from 8 May 2010.