

# Fullerton Lux Funds - Asian Bonds - Class I (USD)

October 2018

## Investment Objective

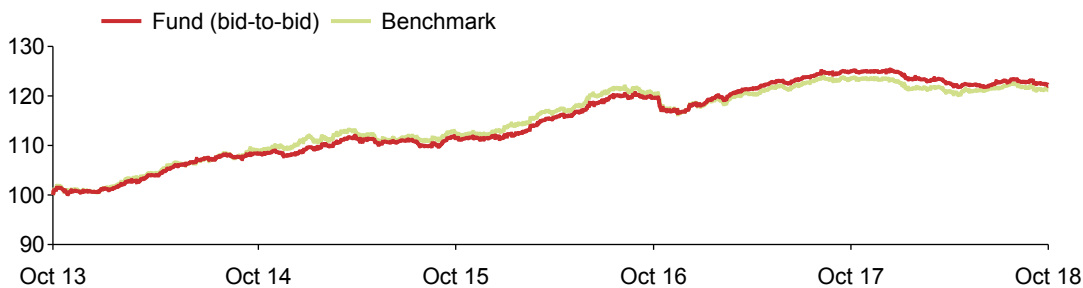
The investment objective of the Fund is to generate long term capital appreciation for investors by investing in fixed income or debt securities denominated primarily in USD and Asian currencies, issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region. 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>	-0.89	-0.63	-0.47	-2.38	3.06	3.77	4.03	2.65
<b>Benchmark</b>	-0.73	-0.41	0.18	-1.93	2.54	3.57	3.88	2.93

Returns are calculated on a single pricing basis in USD with net dividends and distributions (if any) reinvested. Offer-to-bid returns are not presented as preliminary charges are currently not charged to investors.

Benchmark: JACI Investment Grade Total Return\*.

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% (in USD terms); High yield sovereigns similarly underperformed (-3.9% in USD terms), with Sri Lanka

## Inception date

16 Oct 2013

## Fund size

USD 191.44 million

## Base Currency

USD

## Pricing Date

31 Oct 2018

## NAV\*

USD 12.21

## Management fee

Up to 0.6% p.a.

## 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

FASBUIA LX

## ISIN Code

LU0790902398

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](http://www.fullertonfund.com)

UEN: 200312672W

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

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

---

(-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**

---

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.

**Disclaimer:** This publication is for information only and your specific investment objectives, financial situation and needs are not considered here. The value of units in the Fund and any accruing income from the units may fall or rise. Any past performance, prediction or forecast is not indicative of future or likely performance. Any past payout yields and payments are not indicative of future payout yields and payments. Distributions (if any) may be declared at the absolute discretion of Fullerton Fund Management Company Ltd (UEN: 200312672W) ("Fullerton") and are not guaranteed. Distribution may be declared out of income and/or capital of the Fund, in accordance with the prospectus. Where distributions (if any) are declared in accordance with the prospectus, this may result in an immediate reduction of the net asset value per unit in the Fund. Applications must be made on the application form accompanying the prospectus, which can be obtained from Fullerton or its approved distributors. You should read the prospectus and seek advice from a financial adviser before investing. If you choose not to seek advice, you should consider whether the Fund is suitable for you. The Fund may use or invest in financial derivative instruments. Please refer to the prospectus of the Fund for more information.

All information provided herein regarding JPMorgan Chase & Co. ("JPMorgan") index products (referred to herein as "Index" or "Indices"), is provided for informational purposes only and does not constitute, or form part of, an offer or solicitation for the purchase or sale of any financial instrument, or an official confirmation of any transaction, or a valuation or price for any product referencing the Indices (the "Product"). Nor should anything herein be construed as a recommendation to adopt any investment strategy or as legal, tax or accounting advice. All market prices, data and other information contained herein is believed to be reliable but JPMorgan does not warrant its completeness or accuracy. The information contained herein is subject to change without notice. Past performance is not indicative of future returns, which will vary. No one may reproduce or disseminate the information, whether in whole or in part, relating to the Indices contained herein without the prior written consent of JPMorgan.

J.P. Morgan Securities LLC (the "Index Sponsor") does not sponsor, endorse or otherwise promote any Product referencing any of the Indices. The Index Sponsor makes no representation or warranty, express or implied, regarding the advisability of investing in securities or financial products generally, or in the Product particularly, or the advisability of any of the Indices to track investment opportunities in the financial markets or otherwise achieve their objective. The Index Sponsor has no obligation or liability in connection with the administration, marketing or trading of any Product. The Index Sponsor does not warrant the completeness or accuracy or any other information furnished in connection with the Index. The Index is the exclusive property of the Index Sponsor and the Index Sponsor retains all property rights therein.