

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

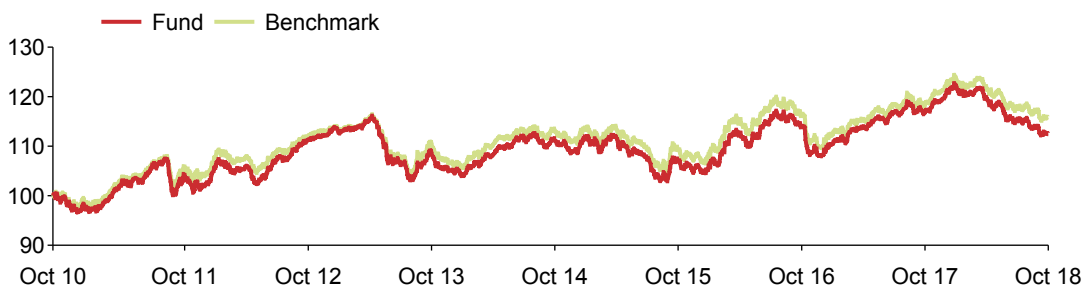
Investment Objective

The investment objective of the Fund is to generate long term capital appreciation for investors.

Investment Focus and Approach

The Fund seeks to achieve its objective by investing in fixed income or debt securities, including convertibles, denominated primarily in Asian currencies and primarily issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region. These countries may include, but are not limited to China (including Hong Kong SAR and Taiwan), South Korea, India, Thailand, Malaysia, Singapore, Indonesia, the Philippines and Vietnam. The Investment Manager seeks to generate alpha through interest rate, credit and currency strategies by evaluating 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. The Fund will be permitted to invest in fixed income or debt securities which are unrated or rated non-investment grade.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund	-1.49	-2.63	-6.29	-3.85	1.69	0.71	1.46	6.50
Benchmark	-1.40	-1.97	-5.22	-2.26	1.96	0.96	1.83	6.28

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 are not presented as preliminary charges are currently not charged to Investors

Benchmark: Markit iBoxx ALBI (USD Unhedged) Index

With effect from 1 May 2016, the benchmark has been changed to Markit iBoxx ALBI (USD Unhedged) Index.

Prior to 1 May 2016, the index was HSBC Asian Local Bond Index.

Source: Fullerton Fund Management Company Ltd and Markit.

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 local currency bond returns were weighed down by continued USD strength. 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.

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. In currencies, most Asian currencies fell against broad US dollar strength with the exception of the Philippines peso which appreciated by 0.9% against the greenback.

Inception date

06 Oct 2010

Fund size

USD 110.42 million

Base Currency

USD

Pricing Date

31 Oct 2018

NAV*

USD 11.24

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

ACBIUSA LX

ISIN Code

LU0543883143

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.

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 growth momentum in US. The Fed will likely pause in mid-2019 when growth would have shown signs of tapering, given the US economy is already at such a late stage of its economic expansion. A cautious Fed is also supportive of Asian markets and spread sectors in general.

On portfolio strategy, we have reduced our underweight on duration. That said, we continue to maintain an overall underweight duration stance given elevated interest rate volatility and macro headwinds going into year end. We continue to allocate to risk selectively, favouring countries such as China (on stronger easing signals) and Thailand (on attractive relative valuation). Conversely, we have shifted to a more neutral stance in the more risk sensitive countries such as India and Philippines while favouring an underweight to the lower-yielding Asian markets (such as Hong Kong, Taiwan, South Korea).

Country Breakdown

Australia	2.4%
China	16.9%
Germany	1.5%
Hong Kong	1.6%
India	12.3%
Indonesia	10.9%
Korea	14.7%
Malaysia	12.2%
Philippines	5.6%
Singapore	6.3%
Supranational	3.7%
Thailand	8.6%
Others	2.0%
Cash	1.3%

Rating Breakdown

AAA	6.1%
AA	15.4%
A	27.0%
BBB	45.4%
BB	2.6%
B	2.0%
CCC	0.1%
CC	0.1%
C	0.0%
Cash	1.3%

Top 5 Holdings

Standard Chartered Bank SG 7.8% Apr 2021	4.1%
Korea Treasury Bond 5% Jun 2020	3.8%
Korea Treasury Bond 3% Sep 2024	3.0%
Republic Of Philippines 6.25% Jan 2036	2.6%
Thailand Government Bond 3.65% Jun 2031	2.4%

Fund Characteristics

Average duration (years)	5.6
Yield to Worst	5.1%

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.