

Fullerton Lux Funds – Asian High Yield Bonds - Class A (USD) Dis

Investment Objective

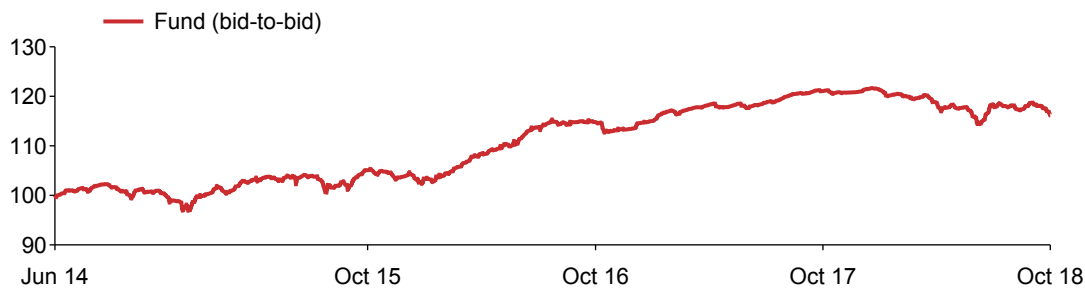
The investment objective of the Fund is to generate long term capital appreciation for investors by investing primarily in unrated or non-investment grade rated fixed income or debt securities, including convertibles, denominated primarily in USD and Asian currencies and primarily issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region. The Asian 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.

Investment Focus and Approach

The Investment Manager seeks to achieve the investment objective of the Fund by a combination of top-down macro research for duration or interest rate management and sector allocation, as well as bottom-up analysis for credit selection and yield curve positioning.

The Fund may use FDIs as part of the investment strategy, in addition to efficient portfolio management and hedging purposes.

Performance (%)



| | 1 mth | 3 mths | 6 mths | 1 yr | 3 yrs | Sl. Ann. Ret. | Sl. Ann. Vol. |
|----------------------------|-------|--------|--------|-------|-------|---------------|---------------|
| Fund (bid-to-bid) | -2.10 | -1.87 | -2.24 | -4.05 | 3.40 | 3.48 | 4.04 |
| Fund (offer-to-bid) | -6.76 | -6.54 | -6.90 | -8.62 | 1.73 | 2.33 | NA |

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.

Source: Fullerton Fund Management Company Ltd 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 (-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

Inception date

16 Jun 2014

Fund size

USD 59.37 million

Base Currency

USD

Pricing Date

31 Oct 2018

NAV*

USD 9.51

Management fee

Up to 1.25% p.a.

Distributions paid per unit

Jun 2017: USD 0.130

Sep 2017: USD 0.130

Dec 2017: USD 0.130

Mar 2018: USD 0.127

Jun 2018: USD 0.123

Sep 2018: USD 0.121

Preliminary Charge

Up to 5% of 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

AHIBEUD LX

ISIN Code

LU0712499564

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* 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)

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 this market backdrop, the Fund has turned more defensive, selectively allocating to risk, favouring BB rated names, and tactically shifting to a higher cash buffer. 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 | 1.5% |
| China | 48.6% |
| Hong Kong | 3.4% |
| India | 8.0% |
| Indonesia | 13.1% |
| Japan | 1.5% |
| Mongolia | 3.0% |
| Singapore | 6.5% |
| Sri Lanka | 1.7% |
| US | 5.0% |
| Others | 2.8% |
| Cash | 4.9% |

Rating Breakdown

| | |
|------|-------|
| AA | 5.0% |
| A | 0.6% |
| BBB | 2.7% |
| BB | 33.7% |
| B | 53.0% |
| Cash | 4.9% |

Top 5 Holdings

| | |
|---|------|
| Golden Eagle Retail Group 4.625% May 2023 | 3.7% |
| US Treasury Note 2.75% Sep 2020 | 3.4% |
| China Aoyuan Property Group 7.5% May 2021 | 2.9% |
| Fortune Star BVI 5.25% Mar 2022 | 2.8% |
| New Metro Global 7.5% Mar 2022 | 2.6% |

Fund Characteristics

| | |
|--------------------------|------|
| Average duration (years) | 2.8 |
| Yield to Worst | 7.6% |

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.