

Fullerton Lux Funds – Asian Short Duration Bonds - Class A (USD) Dis

October 2018

Investment Objective

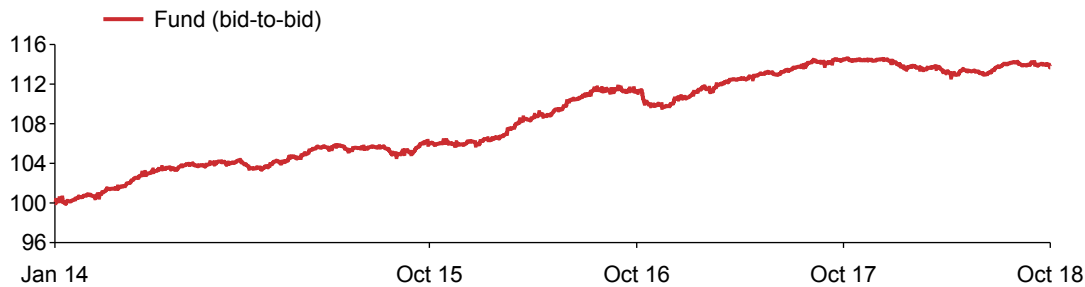
The investment objective of the Fund is to generate long term capital appreciation and/or income returns for investors.

Investment Focus and Approach

The Investment Manager seeks to achieve the objective of the Fund by investing in short duration fixed income or debt securities 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, Pakistan and Vietnam.

Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	-0.45	-0.10	0.53	-0.72	2.35	2.70	1.66
Fund (offer-to-bid)	-5.19	-4.85	-4.25	-5.44	0.70	1.67	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 billion.

Inception date

08 Jan 2014

Fund size

USD 115.41 million

Base Currency

USD

Pricing Date

31 Oct 2018

NAV*

USD 10.39

Management fee

Up to 0.7% p.a.

Distributions paid per unit

Jun 2017: USD 0.053

Sep 2017: USD 0.054

Dec 2017: USD 0.053

Mar 2018: USD 0.052

Jun 2018: USD 0.052

Sep 2018: USD 0.052

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

FASAUD LX

ISIN Code

LU0991972695

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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.

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 aims to keep its moderate duration stance and a stable allocation to the high yield sector, focusing on shorter-dated names for carry. Within sectors, the Fund favours financials, real estate and oil & gas; we prefer to keep quasi-sovereign and government agencies on the sidelines given their longer duration nature.

Country Breakdown

China	31.5%
Hong Kong	12.7%
India	8.0%
Indonesia	10.0%
Kazakhstan	3.2%
Korea	2.9%
Malaysia	3.2%
Philippines	1.4%
Singapore	20.9%
Sri Lanka	2.5%
Others	2.0%
Cash	1.7%

Rating Breakdown

AAA	0.6%
A	15.1%
BBB	56.4%
BB	14.2%
B	11.5%
CCC	0.6%
Cash	1.7%

Top 5 Holdings

PCCW Capital No 4 Ltd 5.75% Apr 2022	2.3%
ASTLC 3A A2 4.65% Jul 2026	2.1%
UPL Corp Ltd 3.25% Oct 2021	1.8%
Woori Bank 4.75% Apr 2024	1.7%
Development Bank Of Kaza 4.125% Dec 2022	1.7%

Fund Characteristics

Average credit rating	BBB
Average duration (years)	2.6
Yield to Worst	5.2%

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: Important Information: This publication is for information only and does not constitute legal or tax advice, nor is it an offer for shares or invitation to apply for shares of the Fund. The information in this publication pays no regard to the specific or future investment objectives, financial or tax situation or particular needs of any specific recipient.

The value of shares in the Fund and any accruing income from the shares 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. When investing in a fund denominated in a foreign currency, your performance may also be affected by currency fluctuations. The Fund may use or invest in financial derivative instruments. An investment in the Fund entails risks which are described in the Fund's prospectus and Key Investor Information Document.

Distributions (if any) may be declared at the absolute discretion of the investment manager 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.

No shares of the Fund may be directly or indirectly offered or sold to residents of the United States of America.

Subscriptions to shares of the Fund may only be made on the basis of the current Key Investor Information Document (KIID), the full prospectus of the Fund, accompanied by the latest available audited annual report and the latest semi-annual report, if published thereafter. The representative and paying agent in Switzerland is BNP Paribas Securities Services, Paris, succursale de Zurich, Selnaustrasse 16, 8002 Zurich, Switzerland. The prospectus, the KIID, the articles of incorporation as well as the annual and semi-annual reports may be obtained free of charge from the representative in Switzerland.

Applications must be made on the application form accompanying the prospectus, which can be obtained from the investment manager, the representative in Switzerland, and 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.

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