

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

February 2020

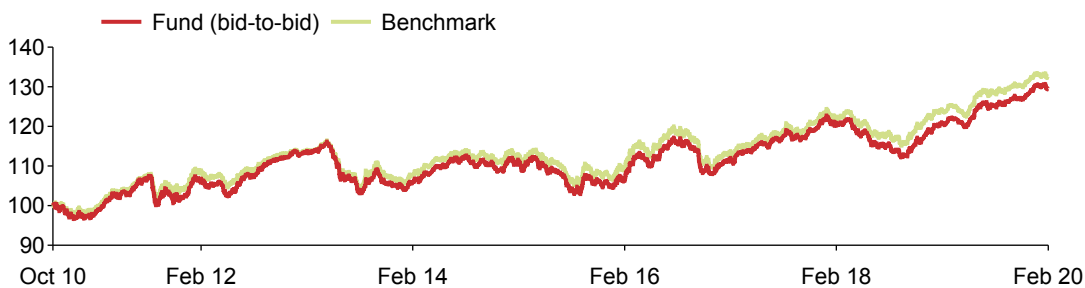
Investment Objective

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 (bid-to-bid)	-0.54	1.72	3.26	7.04	4.90	3.05	2.77	6.29
Fund (offer-to-bid)	-5.27	-3.12	-1.66	1.95	3.21	2.05	2.24	NA
Benchmark	-0.12	1.85	3.29	7.03	5.27	3.32	3.06	6.10

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.

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

Risk assets sold off sharply in February as the COVID-19 outbreak spread beyond China, disrupting global supply chains and impacting economic activity. Federal Reserve Chair Jerome Powell said in a statement that COVID-19 posed “evolving risks” to the US economy and that the Fed was “prepared to act as needed”. Against this backdrop, US Treasuries rallied on the back of a flight to safe haven assets and the 10-year and 30-year yields declined sharply.

Asian central banks including Indonesia, Thailand and the Philippines responded swiftly and eased key policy rates on rising downside growth risks. In China, policymakers have responded with measures includes RRR cut, liquidity injection as well as higher fiscal spending. Fiscal policy in Asia is also likely to be loosened to buffer the short term negative economic impact, as evidenced by the budget announcements in Singapore and Hong Kong.

Amidst this backdrop, Asian local currency bonds, as represented by the Markit iBoxx ALBI index, had a positive month in local currency terms, with India and Thailand leading gains. The index however declined 0.12% in USD terms as Asian currencies broadly weakened against the USD. Among the Asian currencies, the IDR, MYR and SGD weakened the most against the USD.

Inception date

06 Oct 2010

Fund size

USD 124.12 million

Base Currency

USD

Pricing Date

29 Feb 2020

NAV*

USD 12.93

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

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

Investment Strategy

Looking ahead, the economic impact of a virus outbreak such as COVID-19 would depend on how long it takes to bring the virus under control, and policy responses globally. There are typically three stages surrounding adverse economic shocks – an initial period of uncertainty, followed by a period of stabilisation and thereafter, a period of sharp market rebound. We share the view the global economic impact of the coronavirus outbreak will be felt most deeply in the first half of this year, followed by a normalisation of business activities, and a rebound in the second half.

Within Asia, policy responses to date have been strong and swift. Asian policymakers have focused on ensuring there is adequate liquidity to avoid stress and in maintaining the flow of credit, particularly to the SMEs. While we have seen some preemptive monetary easing in Asia (in the likes of Thailand, Malaysia, Indonesia), fiscal policy will also play a prominent role, especially for nations with the fiscal flexibility (such as Singapore, Korea and China). Core inflation is likely to remain benign, reflecting weak domestic demand. Supply factors may result in higher food prices but this is likely to be transitory.

Country Breakdown

China	20.9%
Germany	1.3%
India	11.5%
Indonesia	12.9%
Korea	12.8%
Malaysia	11.3%
Philippines	8.5%
Singapore	8.4%
Supranational	2.2%
Thailand	5.2%
Others	1.9%
Cash and cash equivalents	3.1%

Top 5 Holdings

Republic Of Philippines 6.25% Jan 2036	3.1%
Korea Treasury Bond 5% Jun 2020	3.0%
India Government Bond 6.18% Nov 2024	2.7%
Korea Treasury Bond 3% Sep 2024	2.6%
India Government Bond 6.68% Sep 2031	2.3%

Rating Breakdown

AAA	7.2%
AA	12.7%
A	25.9%
BBB	45.6%
BB	3.3%
B	2.1%
C	0.1%
Cash and cash equivalents	3.1%

Fund Characteristics

Average duration (years)	7.1
Yield to Worst	3.8%

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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