

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

February 2020

Investment Objective

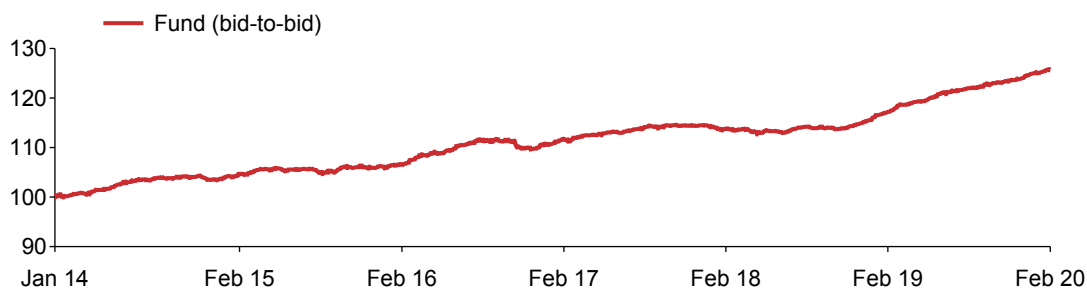
The investment objective of the Fund is to generate long term capital appreciation and/or income returns for investors.

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	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
Fund (bid-to-bid)	0.49	1.69	2.99	7.17	3.97	3.73	3.78	1.64
Fund (offer-to-bid)	-4.30	-3.15	-1.91	2.07	2.30	2.73	2.96	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.

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 credit extended gains in February, with the positive performance driven mainly by Treasury gains while credit spreads widened out.

Within Asian credit, the investment grade sector (as measured by the JACI Investment Grade Index) outperformed with a return of 1.34% in USD terms, while the high yield sector (as measured by the JACI Non-Investment Grade index) delivered a marginally negative return in USD terms. From a country standpoint, Thailand and Taiwan outperformed the rest of the region. By sector, oil & gas and TMT were the standout performers. Metals & mining and transport were the laggards.

Inception date

08 Jan 2014

Fund size

USD 133.38 million

Base Currency

USD

Pricing Date

29 Feb 2020

NAV*

USD 11.12

Management fee

Up to 0.7% p.a.

Distributions paid per unit

Sep 2018: USD 0.052

Dec 2018: USD 0.052

Mar 2019: USD 0.052

Jun 2019: USD 0.080

Sep 2019: USD 0.080

Dec 2019: USD 0.082

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

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 it is still difficult to gauge with certainty. 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.

On the investment strategy, US Treasury yields could remain rich in the near-term given growth headwinds and potentially further rate cuts, which will bode well for the Fund which is mostly invested in investment grade bonds. The high yield exposure, which is concentrated in the BB bloc, may come under some pressure as markets repriced against slower growth but the attractive carry will continue to underpin performance.

Looking ahead, we expect increasing credit differentiation which will reward fundamental-based investors who have done the work, as corporates go through the downturn due to the virus outbreak and hence default risks will potentially remain largely idiosyncratic.

Country Breakdown

China	46.7%
Hong Kong	8.8%
India	9.7%
Indonesia	6.8%
Korea	1.9%
Malaysia	1.8%
Philippines	1.3%
Singapore	18.1%
Others	3.8%
Cash and cash equivalents	1.0%

Rating Breakdown

AAA	0.9%
A	25.3%
BBB	50.2%
BB	12.2%
B	10.4%
Cash and cash equivalents	1.0%

Top 5 Holdings

PCCW Capital No 4 Ltd 5.75% Apr 2022	2.0%
ASTLC 3A A2 4.65% Jul 2026	1.8%
Chinalco Capital Holding 4% Aug 2021	1.7%
Huarong Finance 2019 3.25% Nov 2024	1.6%
UPL Corp Ltd 3.25% Oct 2021	1.6%

Fund Characteristics

Average credit rating	BBB
Average duration (years)	2.6
Yield to Worst	3.6%

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: 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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