

Fullerton Asian Bond Fund Class C (USD)

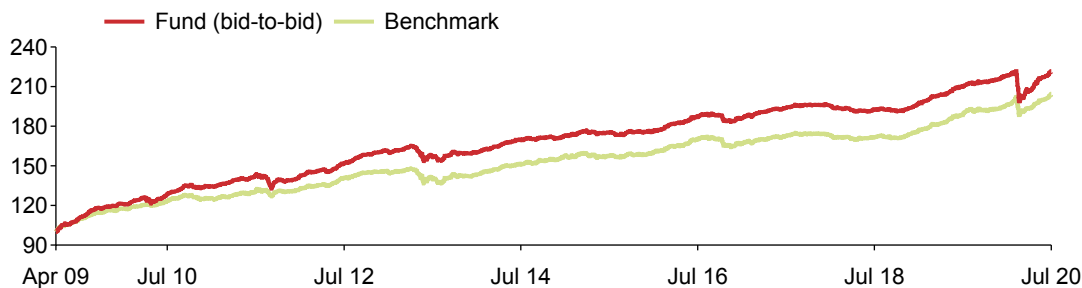
Investment Objective

The investment objective of the Fund is to generate long term capital appreciation for investors by investing all or substantially all of its assets in Fullerton Lux Funds – Asian Bonds (the “Underlying Fund”), a sub-fund of Fullerton Lux Funds.

Investment Focus and Approach

The Managers intend to invest in the Class I - USD share class of the Underlying Fund, which is denominated in US\$. The investment objective of the Underlying Fund is to generate long term capital appreciation for investors. The Managers, who also act as the investment manager of the Underlying Fund, seek to achieve the objective of the Underlying Fund by investing in fixed income or debt securities denominated primarily in USD and Asian currencies, issued by companies, governments, quasi-governments, government agencies or supranationals in the Asian region. The Asian countries 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	10 yrs	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	2.04	7.19	1.57	5.33	4.56	4.82	5.60	7.32	4.99
Fund (offer-to-bid)	-0.93	4.07	-1.39	2.26	3.53	4.20	5.29	7.04	NA
Benchmark	2.13	5.57	4.14	8.50	5.82	5.37	5.19	6.56	3.89

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 3% which may or may not be charged to investors. Benchmark: JACI Investment Grade Total Return Index.

Note: The Fund will accrue management fee rebates on a daily basis with effect from 4 September 2012. Source: Fullerton Fund Management Company Ltd, J.P. Morgan Securities LLC and Bloomberg.

Market Review

Optimism over vaccine progress and an agreement by the European Union leaders on a landmark 750 billion euro stimulus package underpinned risk sentiments, despite deteriorating relations between Beijing and Washington and a resurgence of virus cases globally. US dollar weakened to a two-year low as the continuing spread of Covid-19 in the US threatens to dampen the economic recovery. The poor performance of the greenback and record low US real yields also supported the rally in gold prices to a record high. The real yields on 10-year US Treasuries – which strip out expected consumer price changes from nominal bond yields – fell to -1%, a record low. The nominal US Treasury 10 year benchmark note also slid and ended the month at around 0.5%.

Asia continues to lead the growth recovery with most purchasing managers indexes (PMI) turning up across the board. Notably, China's economy returned to growth in the second quarter, in one of the world's earliest signs of recovery from the fallout of the pandemic. The country's gross domestic product grew 3.2 percent in the three months to the end of June, compared with the same period last year. Conversely, export-oriented economies such as Singapore suffered as the country entered into a technical recession for the first time since 2009, with two consecutive quarters of quarter-on-quarter contraction. The construction sector was the worst hit as the circuit breaker halted most construction activities, and other measures such as movement restrictions at foreign worker dormitories brought about workforce disruptions. The service sectors also shrank as global travel curbs had severely affected tourism-related areas, while outward-oriented services sectors such as wholesale trade were also adversely hit by falling external demand.

Inception date

27 Apr 2009

Fund size

USD 18.05 million

Base Currency

USD

Pricing Date

31 Jul 2020

NAV*

USD 221.63

Management fee

Such amount as the Managers may determine in their absolute discretion.

Expense Ratio

1.03% p.a. (For financial year ended 31 Mar 2020)

Minimum Initial Investment

USD1 million

Minimum Subsequent Investment

USD1million (to be offered at the absolute discretion of the Managers)

Preliminary Charge

Up to 3%

Dealing day

Daily, up to 5pm (Singapore time)

Bloomberg Code

FULLABC SP

ISIN Code

SG9999006126

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

Market Review (Cont'd)

Against this backdrop, Singapore's non-government bonds (represented by the Markit iBoxx ALBI Singapore Non-Government TRI index) posted 1.7% returns in SGD terms. Singapore government bonds (as represented by the Markit iBoxx ALBI Singapore Government TRI index), also rose in value to register a 1.3% return in SGD, led by the long end of the SGS curve, as the SGS yield curve bull flattened.

Asian credit markets (as measured by the JACI Composite Index) returned 2.2% in USD terms, with performance driven mainly by spread returns. The investment-grade sector (as measured by the JACI Investment Grade Index) returned 2.1% in USD terms. The high yield sector (as measured by the JACI Non-Investment Grade index) outperformed with a return of 2.4% in USD terms. From a country standpoint, Sri Lanka was the outperformer in the region, while Korea and Taiwan lagged. By sectors, infrastructure and financial were the laggards while the TMT and oil & gas sectors outperformed.

Investment Strategy

As we move through the second half of 2020, growth divergence between regions and countries as well as performance differentiation between the sector winners and losers, will emerge. These will provide significant investment opportunities for bond investors. Asia appears to be better poised to weather the economic and medical challenges spurred by the virus outbreak relative to other emerging market regions.

The spread differential between the US and Asian credit remains compelling, especially considering the latter's more favourable fundamentals. China has recovered sooner than the rest of the global economy. The latest PMI data for the country points to further expansion, alongside a variety of other economic data that showed momentum of a robust economic rebound. While some risks of an outbreak resurgence have emerged, the Chinese authorities appear to have the situation mostly under control. Elsewhere, North Asian countries such as Korea and Taiwan are poised to benefit from the trend of technology export strength, induced by the pandemic. South Asian countries, such as India, Indonesia, and the Philippines, will lag as infection rates remain stubbornly sticky, and fiscal constraints hamper policy responses. That said, any rebound in developed market external demand could provide a strong tailwind for global trade and the region's exports.

In terms of investment strategies, we remain positive on duration and are looking for better entry levels to extend duration further. The revival of US-China tensions and the US Federal Reserve's (Fed) market stabilisation measures will anchor US Treasury demand. We are also mindful that supply risk remains elevated with increases to coupon auction sizes, particularly in the long end. Relative duration has also drifted lower partly due to the inclusion of longer-dated new issuances, which extended the benchmark's duration. Elsewhere, the Fund continues to maintain a good allocation to the high yield sector, focusing on the short-dated papers for their attractive coupon carry, which will help anchor returns in this downturn. Slower economic growth will likely add pressure to corporate balance sheets; credit differentiation will be the critical driver in performance differentiation within the high yielders.

On the technical side, new dollar-bond issuances from diverse offerings continue to draw strong demand, although pricing concessions have dipped as risk appetite improved. The supply picture remains favourable. The postponement of capital spending driven by the uncertainties surrounding the pandemic is also a positive on supply and market technicals.

Country Breakdown

Australia	3.1%
China	37.2%
France	1.7%
Hong Kong	8.3%
India	7.0%
Indonesia	13.6%
Japan	2.5%
Korea	2.0%
Macau	2.4%
Philippines	1.7%
Singapore	12.0%
Thailand	2.7%
UK	2.0%
Others	3.4%
Cash and cash equivalents	0.3%

Top 5 Holdings

Pttep Treasury Center Co 3.903% Dec 2059	1.4%
Dai-ichi Life Insurance 5.1% Oct 2049	1.3%
Sands China Ltd 5.4% Aug 2028	1.3%
Pertamina Persero Pt 6.5% May 2041	1.2%
Parkway Pantai 4.25% PERP	1.1%

Rating Breakdown

AAA	0.3%
A	15.7%
BBB	61.2%
BB	11.0%
B	11.4%
C	0.0%
Cash and cash equivalents	0.3%

Fund Characteristics

Average duration (years)	5.4
Yield to Worst	4.2%

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. Data is based on the Underlying Fund.

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