



OAKTREE

31 July 2019

Luxembourg

Oaktree Global Convertible Bond Fund - Class CB

A Subfund of Oaktree (Lux.) Funds

INVESTMENT POLICY

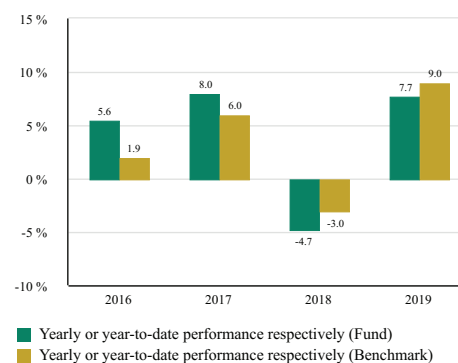
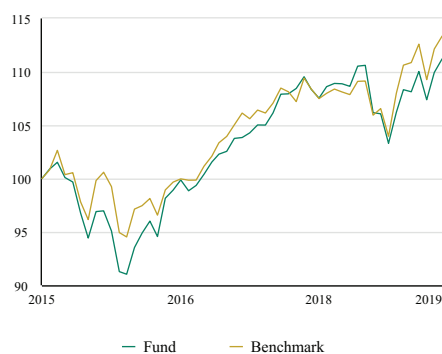
The fund carefully selects convertible securities from across the globe, including lower-rated instruments and securities with attractive terms. It combines the upside potential of global equities with the defensive character of bonds. The objective is to capture the greater portion of equity performance over full market cycles with reduced volatility. The fund pursues a bottom-up, non-benchmark oriented strategy and aims to be positioned at the “sweet spot” of the curve, where the chance for upside potential outweighs downside risks. Currency risk is fully hedged.

FUND FACTS

| | |
|------------------------------------|--|
| Fund Manager | Oaktree Capital Management, L.P. Andrew Watts, Jean-Pierre Latrille, Petar Raketic |
| Fund Manager since | 17 March 2015 |
| Location | Los Angeles |
| Fund Domicile | Luxembourg |
| Fund Currency | USD |
| Close of Financial Year | 30 September |
| Total net assets (in millions) | 319.99 |
| Share Class Inception Date | 17 March 2015 |
| SICAV Strategy Inception Date | 1 December 2003 |
| Portfolio Management Fee in % p.a. | 0.8 |
| Benchmark | Thomson Reuters CV Gl. Focus (TR) (USD-Hgd) |
| Unit Class | Category CB (capital growth) |
| Unit Class Currency | USD |
| ISIN Number | LU1138671166 |
| Bloomberg Ticker | OAKGCCB LX |
| Valor No. | 26081663 |
| WKN Number | A14QC3 |
| SEDOL | BYTL5S4 |
| Net Asset Value | 111.63 |
| Min. Investment Amount | 100 |
| Redemptions | Daily |
| EU Taxation | In scope - no tax |

The benchmark changed from ICE BofAML Global 300 Convertible (TR) (USD-Hgd) to Thomson Reuters CV Gl. Focus (TR) (USD-Hgd) (03/16) effective as of 01.03.2016.

NET PERFORMANCE IN USD (REBASED TO 100) AND YEARLY PERFORMANCE¹



NET PERFORMANCE IN USD¹

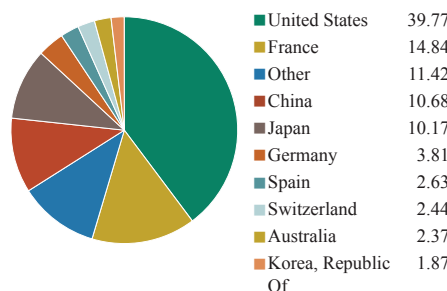
| | 1 Month | 3 Months | YTD | 1 Year | 3 Years | 5 Years | Since Inception |
|-----------|---------|----------|------|--------|---------|---------|-----------------|
| Fund | 1.16 | 1.08 | 7.66 | 2.37 | 13.31 | - | 11.63 |
| Benchmark | 1.08 | 0.67 | 9.02 | 5.09 | 14.60 | - | 13.91 |

¹ Historical performance indications and financial market scenarios are no guarantee for current or future performance. Performance indications do not consider commissions levied at subscription and/or redemption.

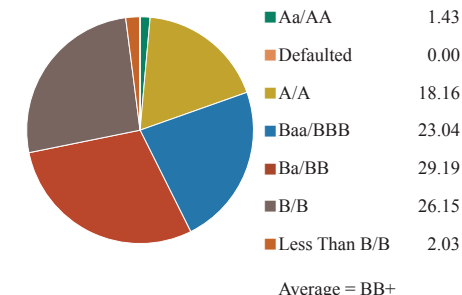
SECTORS IN %

| | Fund |
|------------------------|-------|
| Information Technology | 19.87 |
| Industrials | 14.99 |
| Health Care | 12.92 |
| Communication Services | 11.53 |
| Consumer Discretionary | 11.26 |
| Real Estate | 8.32 |
| Materials | 6.58 |
| Financials | 5.49 |
| Energy | 3.46 |
| Consumer Staples | 3.33 |
| Utilities | 2.26 |

COUNTRIES IN %



CREDIT RATING IN %



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Please see disclaimer at the end of this document.

TOP 10 HOLDINGS IN %

| | as % of Assets |
|--|----------------|
| Tesla Inc | 2.40 |
| MICROCHIP TECHNOLOGY INC | 2.24 |
| Airbus SE | 2.08 |
| DISH Network Corp | 2.03 |
| Splunk Inc | 1.72 |
| Shanghai Port Group BVI Holding Co Ltd | 1.65 |
| Lenovo Group Ltd | 1.49 |
| Kakao Corp | 1.48 |
| STMicroelectronics NV | 1.46 |
| Total SA | 1.44 |
| Total | 17.99 |

FUND STATISTICS

| | 1 Year | 3 Years |
|--|--------|---------|
| Annualized volatility in % | 7.62 | 4.73 |
| Information ratio | -1.37 | -0.19 |
| Maximum draw down in % | -6.61 | -6.61 |
| Tracking Error (Ex post) | 1.91 | 1.96 |
| <i>Maximum drawdown is the most negative cumulative return over a given time period.</i> | | |

DURATION AND YIELD

| | |
|----------------------------|-------|
| Gross Portfolio Yield in % | 0.96 |
| Delta in % | 55.75 |
| Modified duration in years | 4.82 |

Due to the optionalities involved in the structure of convertible bonds, certain assumptions must be applied in order to calculate these figures.

NUMBER OF HOLDINGS

| | |
|------|-----|
| Fund | 169 |
|------|-----|

MARKET COMMENTARY

- Global equities continued to grind higher in July (FTSE All World Total Return Local Currency up 1.0%). Investor sentiment remained positive, supported by highly accommodative monetary policy by the major central banks. In a widely expected move, the U.S. Federal Reserve cut interest rates for the first time in over a decade. The second quarter earnings season began in earnest. Results so far have been mixed, with cyclical stocks generally underperforming as the slowdown in global growth weighed on profits. In Europe, the likelihood of a “no-deal” Brexit rose with the appointment of Boris Johnson as the UK’s new prime minister. In Asia, mass protests in Hong Kong turned more violent and gripped the news cycle, while a new trade dispute between Japan and South Korea emerged. By region, stocks in the U.S., Europe and Japan rose, while equities in Asia (ex-Japan) fell modestly. By sector, information technology led the advance, while energy and materials stocks fell and were the notable underperformers. As a reminder, our primary role is risk control. With a growing set of risks across asset classes (geopolitics, trade disputes, monetary policy risks, etc.), we maintain vigilance and discipline in our bottom-up investment approach with credit analysis as our core competency.
- Global high yield rose 0.5% in July (ICE BofAML Non-Financial Developed Market High Yield Constrained Index). Credit spreads were largely unchanged from the prior month. Asia was the outlier with spreads slightly widening. Global interest rates were largely unchanged, with the exception of German bunds (EU proxy) falling deeper into negative territory.
- The Fund’s return was 1.1% in July (net of fees). We are pleased to see the Fund was able to capture over 100% of the equity market’s advance, though we tend to emphasize “delta capture” over longer time periods and for larger moves in equity markets. Most regions posted positive results with only Asia ex-Japan a slight detractor. The U.S. accounted for the lion’s share (over two-thirds) of the absolute return. Cyclical sectors, notably information technology and consumer discretionary, led the advance. Within information technology, the strength in semiconductor issues accounted for the bulk of returns. Despite being a small detractor, we would note the energy sector remains weak.
- The Fund performed in line with the benchmark (net of fees) in July. Europe accounted for over half of the relative outperformance in the month. The other regions were positive relative contributors, but small. There were no meaningful positive or negative relative contributors from a sector perspective.
- Global issuance slowed down in July with \$2.6 billion coming to market. This monthly total was the lowest so far this year, driven by seasonality (summer) and 2Q2019 earnings blackouts. In addition, the very low interest rate environment remains a headwind to the primary market. By region, roughly half of July’s issuance was issued in Asia (\$1.2b), while the rest was evenly split between Europe and the U.S. (\$700 million each). Japan remains quiet from an issuance standpoint. Issuance remains diversified by sector, country and credit quality (mix of investment grade and non-investment grade). Although volumes remain adequate, it still trails behind the pace of 2018¹. Pricing on new issuance remains mixed, therefore we continue to remain selective in our participation rate in new issues.
- We continue to believe that convertibles should provide investors with equity-type returns over a full market cycle while absorbing about two-thirds of the stock market’s volatility.

¹Source: BofA Merrill Lynch Global Convertibles Chartbook

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