

# Fullerton Lux Funds – Asian High Yield Bonds - Class A (USD) Dis

July 2021

## Investment Objective

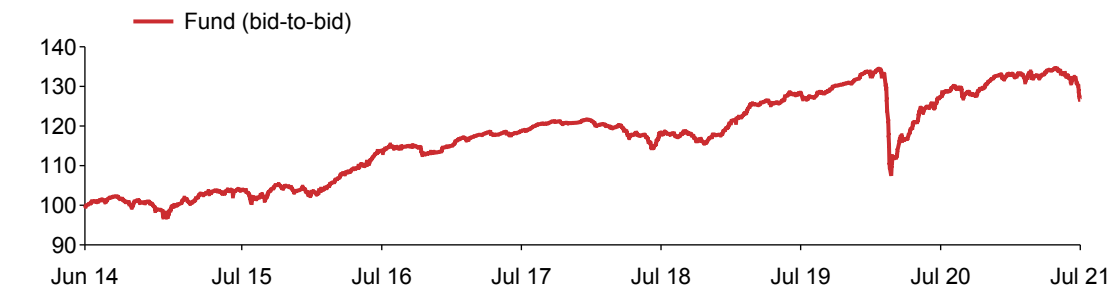
The investment objective of the Fund is to generate long term capital appreciation for investors by investing primarily in unrated or non-investment grade rated fixed income or debt securities, including convertibles, denominated primarily in USD and Asian currencies and primarily issued by companies, 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 and Vietnam.

## Investment Focus and Approach

The Investment Manager seeks to achieve the investment objective of the Fund by a combination of top-down macro research for duration or interest rate management and sector allocation, as well as bottom-up analysis for credit selection and yield curve positioning.

The Fund may use FDIs as part of the investment strategy, in addition to efficient portfolio management and hedging purposes.

## Performance (%)



	1 mth	3 mths	6 mths	1 yr	3 yrs	5 yrs	Sl. Ann. Ret.	Sl. Ann. Vol.
<b>Fund (bid-to-bid)</b>	-4.28	-5.14	-4.73	-0.57	2.27	2.17	3.37	7.63
<b>Fund (offer-to-bid)</b>	-8.84	-9.66	-9.27	-5.31	0.62	1.18	2.66	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

In a reversal of the previous month, Asian credit fell in July (-0.4% as measured by the JP Morgan Asian Credit Index in USD), driven by wider credit spreads while US Treasuries advanced. The US Treasury 10 year yields declined and posted their biggest monthly gain in a year, on concerns the economic recovery from the pandemic is losing momentum amidst a resurgence in virus cases.

Within the Asian credit markets, the high yield sector bore the brunt of the negative price actions and fell sharply. In contrast, as reflected by the JP Morgan Asian Credit Index data, the investment grade sector advanced, primarily due to positive duration gains, partially offset by negative spread performance. The real estate sector was the key laggard in terms of sector performance as the China Evergrande Group's crisis deepened and weighed on the Chinese property curve. In contrast, the longer-duration sectors such as transport, oil & gas benefitted from the duration gains and delivered gains. Country-wise, Sri Lanka and China had losses. The latter was hurt as the Chinese policymakers reaffirmed a tough housing stance and pushed ahead with new regulatory restrictions on key sectors from technology to private education. However, the Chinese authorities also emphasize stability and pledged more effective fiscal support for the economy at the latest Politburo meeting.

## Inception date

16 Jun 2014

## Fund size

USD 92.75 million

## Base Currency

USD

## Pricing Date

31 Jul 2021

## NAV\*

USD 9.06

## Management fee

Up to 1.25% p.a.

## Distributions paid per unit #

Mar 2020: USD 0.110

Jun 2020: USD 0.090

Sep 2020: USD 0.140

Dec 2020: USD 0.123

Mar 2021: USD 0.120

Jun 2021: USD 0.120

## 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

AHIBEUD LX

## ISIN Code

LU0712499564

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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.

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## Investment Strategy

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With elevated idiosyncratic and regulatory concerns dominating investors' sentiments in China credit, we have been paring back our exposure in the Chinese property sector. That said, it is also important to note the recent sell-off was mainly concentrated on the highly leveraged single-B rated issuers. We expect idiosyncratic concerns to drive further credit differentiation. The timing of a turnaround will likely depend on the Evergrande developments and further clarity over regulations, while fund flows over the coming weeks also bear monitoring.

China's recent regulatory thrust should also be viewed alongside the country's long-term development goals. After the Chinese policymakers have successfully eliminated absolute poverty and doubled the national income level over the last 10 years, the government's priorities have shifted from one of maximising growth to improving social inequality and maintaining sustainable progress. Elevated residential prices, mortgage burden of households, and the high costs of education are believed to have contributed to China's declining birth rate; healthy population growth is needed to drive the country's growth engine forward. High property prices and costly private tuition expenditure also favour the wealthy and widen the social-inequality gap in China. Elsewhere, the crackdown on some internet firms likely reflects the Chinese government's concerns with data security.

Looking ahead, some of the key signposts we will be monitoring include how the private enterprises navigate the new regulatory regime and the Chinese policymakers' guidance, which could limit the broader spillover effects arising from the regulation changes. Elsewhere, we continue to see stable credit spreads in other Asian high yield markets, such as India and Indonesia, which are also key beneficiaries of better technical support as investors turned more cautious on China in the near term.

### Geographical Breakdown

China	54.8%
Hong Kong	7.4%
India	15.4%
Indonesia	6.1%
Macau	4.4%
Sri Lanka	1.7%
Others	2.6%
Cash and cash equivalents	7.7%

### Rating Breakdown

BB	44.0%
B	44.3%
CCC	3.9%
Cash and cash equivalents	7.7%

### Top 5 Holdings

NWD Finance (BVI) Ltd 6.25% PERP	2.3%
Network I2I Ltd 5.65% PERP	2.3%
Jinke Properties Group 6.85% May 2024	1.9%
Renew Power Synthetic 6.67% Mar 2024	1.8%
RKPF Overseas 2019 A Ltd 7.875% Feb 2023	1.7%

### Fund Characteristics

Average duration (years)	2.1
Yield to Worst	9.3%

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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