FULLERTON FUND MANAGEMENT

Fullerton Asian Bond Fund - Class B (SGD)

September 2016

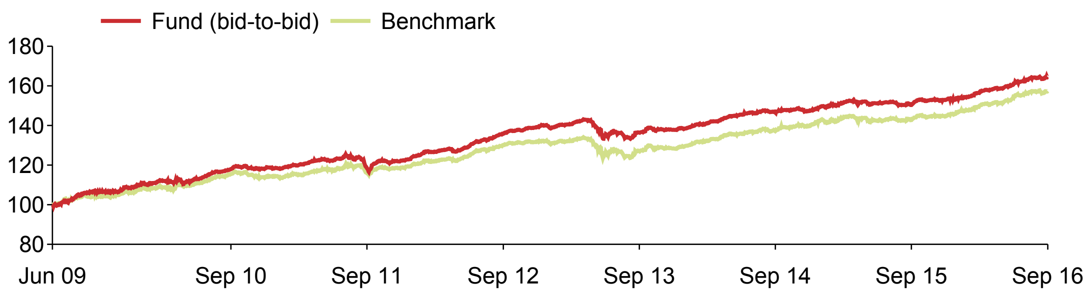
Investment Objective

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	SI. Ann. Ret.	SI. Ann. Vol.
Fund (bid-to-bid)	0.19	2.23	4.77	9.37	6.42	6.79	7.03	3.93
Fund (offer-to-bid)	-2.73	-0.75	1.71	6.19	5.39	6.16	6.60	NA
Benchmark	0.11	2.21	4.92	10.30	7.39	6.31	6.40	3.75

Returns of more than 1 year are annualised. Returns are calculated on a single pricing basis in SGD 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 – SGD Hedged Index*, with effect from 8 May 2010.

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

Bond markets were volatile in September as widely anticipated central bank decisions held sway over global financial markets. The European Central Bank (ECB) disappointed markets early in the month when it failed to announce extensions to the current quantitative easing programme whereas the Bank of Japan's (BOJ) shift in monetary policy stance from quantitative easing to yield curve targeting caught the market somewhat by surprise. Markets also continued to speculate on the possibility of a Fed rate hike but rates were eventually kept on hold at the September Federal Open Market Committee (FOMC) meeting. The Fed however maintained its hawkish bias as Chairman Janet Yellen signalled the potential for one rate hike by the end of 2016. Weakness in oil prices and concerns over Deutsche Bank also worried the market, though oil-related concerns were somewhat alleviated by OPEC's subsequent agreement to cap oil production.

The market saw some disappointments with US economic data over September. Jobs and services data for August came in weaker than expected, with nonfarm payrolls moderating to 151,000 and non-manufacturing ISM slipping to a 6-year low, indicating a slowdown in both new orders and production. Housing starts were also weaker due to weather disruptions. In contrast, China's economic data was largely upbeat in August, with most activity data showing signs of stabilisation. Exports came in stronger than expected, with a smaller growth contraction of -2.8%yoy while imports grew by 1.5%yoy. Manufacturing activity was similarly buoyant as official manufacturing PMI beat market expectations with a reading of 50.4. Credit growth likewise rebounded in August, a reflection of the government's recent efforts to support public investment.

Inception date
08 Jun 2009

Fund size
SGD 62.20 million

Base Currency
USD

Pricing Date
30 Sep 2016

NAV*
SGD 1.64

Management fee
0.9% p.a.

Expense Ratio
1.14% p.a. (For financial year ended 31 Mar 2016)

Minimum Initial Investment
None (effective 1 Apr 2010)

Minimum Subsequent Investment
None (effective 1 Apr 2010)

Preliminary Charge
Up to 3%

Dealing day
Daily, up to 5pm (Singapore time)

Bloomberg Code
FULLABB SP

ISIN Code
SG9999006118

The Fund is available for SRS subscription.

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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)

New loans rose RMB948.7 billion while Total Social Financing printed at RMB1470 billion. This is consistent with the stabilisation of fixed asset investment growth in August.

It was a choppy month for US Treasuries (USTs). USTs sold off at the start of the month after the ECB's lack of policy action disappointed markets. Speculation of a Fed rate hike also drove yields higher. However, the outcome of the BOJ and FOMC meetings helped to allay investors' fears of any abrupt tightening in global monetary policies, which helped bond markets recover from the earlier sell-off. Yields continued to grind lower towards the end of the month after concerns surrounding Deutsche Bank led investors to turn to the safe haven of USTs, and the benchmark 10-year yield ended the month at 1.6%.

Asian credits were largely flat with a modest gain of 0.2% for the month as lower UST yields in the second half of the month helped offset the 12bps widening in credit spreads. Asian credits saw a sell-off following ECB's statement, with negative movements in both UST and credit spreads. Spreads also generally widened with risk-off sentiments weighing on the market on the back of concerns on the Philippines, as well as on potential contagion risk of Deutsche Bank's woes spilling over to the broader financial sector. Performance within segments were mixed, with the high yield sector outperforming as Mongolian bonds saw a strong rebound on positive news of IMF support. Investment grade sovereigns were the key laggards, returning -0.3% for the month as Philippine sovereign spreads widened on the back of investors' concerns over the growing political uncertainties under the Duterte administration.

Investment Strategy

Over the month the portfolio participated in the new bond issues of Cikarang Listrindo, Ascendas Hospitality Trust, and Croesus Retail Trust. The portfolio also added bonds of Vietnam, Bharti Airtel, Shenhua Hong Kong and other bonds. With the stabilisation in the global economic environment led by the US, major central banks could adopt less accommodative policies going forward, with the intent to allow the yield curve to steepen and alleviate some of the adverse impacts of negative interest rates on insurance companies and pension funds. As market participants price in an increased probability of the Fed hiking rates in either November or December, the market could face some challenges. We continued to maintain a shorter duration stance versus its benchmark and would focus on reasonably good corporate bonds with commensurate valuations, while staying selective in the high yield sector.

Country Breakdown

Australia	4.4%
China	18.7%
Hong Kong	18.9%
India	10.4%
Indonesia	13.1%
Japan	2.3%
Kazakhstan	1.8%
Korea	3.2%
Malaysia	2.5%
Philippines	1.6%
Singapore	12.0%
Sri Lanka	1.9%
Thailand	2.8%
UK	1.5%
Others	2.4%
Cash	2.5%

Rating Breakdown

AA	0.9%
A	15.3%
BBB	52.4%
BB	20.8%
B	8.0%
CCC	0.1%
Cash	2.5%

Top 5 Holdings

India Government Bond 7.28% Jun 2019	2.0%
PCCW Capital No 4 Ltd 5.75% Apr 2022	1.6%
China Taiping Capital 4.125% Nov 2022	1.4%
Pertamina Persero PT 4.875% May 2022	1.3%
Pertamina Persero Pt 5.25% May 2021	1.2%

Fund Characteristics

Average duration (years)	4.6
Yield to maturity	3.6%

Credit Rating : Where the security is not rated by external rating agencies, Fullerton's internal rating methodology will apply.
Yield to Maturity (YTM): Refers to YTM in base currency. Not guaranteed. Past performance is not necessarily indicative of future performance.