BEA Union Investment

Webcast Summary

Important note:

1. BEA Union Investment Asian Strategic Bond Fund (the "Fund") seeks medium to long term capital growth and regular income by primarily (i.e. at least 70% of its non-cash assets) investing in debt securities that are (a) denominated in Asian currencies, or (b) issued or guaranteed by Asian governments or entities which are incorporated in Asia or have significant operations or assets in, or derive significant portion of revenue or profits from Asia, and denominated in USD or other currencies including Asian currencies.
2. The Fund invests in emerging markets and may be subject to higher liquidity and volatility risks.
3. The Fund may invest in below investment grade or non-rated debt securities, which are subject to greater credit and liquidity risks than higher-rated securities.
4. The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Fund. Investors should note that the distributions paid out of capital amount to a return or withdrawal of part of the unitholder's original investment or from any capital gains attributable to that original investment. Such distribution may result in an immediate reduction of the net asset value per unit.
5. In terms of currency hedged class units, adverse exchange rate fluctuations between the base currency of the Fund and the class currency of the currency hedged class units may result in a decrease in return and/or loss of capital for unitholders. Over-hedged or under-hedged positions may arise and there can be no assurance that these currency hedged class units will be hedged at all times or that the manager will be successful in employing the hedge.
6. RMB is currently not freely convertible and is subject to foreign exchange control policies of the Chinese government. Non-RMB based (e.g. Hong Kong) investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any depreciation of RMB would adversely affect the value of investor's investment in the Fund.
7. The Fund may use derivative instruments for hedging purposes which may not achieve the intended purpose and may result in significant losses.
8. Investors should not make an investment decision based solely on this material.

Introduction of the BEA Union Investment Asian Strategic Bond Fund

(6 February 2017)

Ms. Pheona Tsang, Head of Fixed Income at BEA Union Investment, explains why now is a good time to invest in a pure Asian bond fund and introduces the features and investment strategies of the Fund at inception.

Q1： Why is now a good time to invest in a pure Asian bond fund?

A1： **The market has priced in the risks**: With Donald Trump's assuming the presidential role, it is expected inflation will rise and the U.S. Federal Reserve (Fed) will move faster towards rate normalisation. However, the market has already priced in a lot of these risks, and the 10-year U.S. Treasury yield has surged by more than 100 bps. We believe more policy clarification by the U.S. will ease market concerns.

Growth in Asia is strong: Stronger U.S. growth should spill over into Asia. Driven by robust domestic demand, Asia represented 65 per cent of the world's economic expansion in 2016.

Low default rate in Asian bonds: Benefitting from lower borrowing costs, Asian corporates have improved their interest coverage ratio over the past few years. The Asian high yield default rate was only around 1% in 2016, and may be even lower in 2017 due to the lack of any imminent refinancing risk.

Positive on corporate bonds: We are more positive on corporate bonds, which are less sensitive to the interest rate hike cycle. Asian high yield bonds will continue to provide an attractive total return.

Q2： Why should we invest in the Fund?

A2： The Fund invests in different bonds, with a preference for corporate bonds. The Fund will allocate 50% to 70% in investment grade bonds. The Fund will maintain a short duration to reduce the impact of interest rates. Hedging tools such as bond futures will be used to minimise risks.

Q3： What is the investment strategy of the Fund at inception?

A3： Given current market conditions, our investment strategy is as follows:

- Country allocation: to mainly invest in China, India and Indonesia, followed by Korea, Hong Kong and Singapore.
- Sector allocation: to mainly invest in the following sectors:
    - **Oil and commodities –** benefitted from the rebound in oil prices following the OPEC production agreement, while overcapacity concerns about metals and mining were eased. These companies achieved successful refinancing by selling non-core assets.
    - **Telecom, Media & Tech –** good business outlook and recurring free cash flow
    - **Consumer goods –** these companies have sufficient asset coverage despite a weak top line.
    - **Chinese and Indonesian properties –** with the help of onshore bond market issuance, Chinese developers maintained sufficient liquidity. Indonesia's property sales will benefit from the passage of its tax amnesty law.

Please go to http://www.bea-union-investment.com/webcast.php to watch the webcast.