

Income Fund: Choices under Rate Hike Environment (19 April 2017)

Mr. Henry Chan, CIO of BEA Union Investment, shares his views on the investment outlook of Asian markets, explains why income funds have its role during rate hike cycle, and introduce different types of income funds.

Q1 : Given the rally seen in the U.S. equity market recently, do you think the momentum will be extended to the Asian equity and Asian bond markets?

A1 : The U.S. market has performed very well over the last few years. Given the very supportive liquidity environment and the rising earnings expectations, we continue to see upside in global equities. The Asian equities have exhibited quite high correlation in direction with global equity markets, but they have been lagging. This favourable macro backdrop will allow Asian equities to catch up in the coming years.

Asian bonds are consolidating at the moment due to the concern over rising interest rate expectations. However, the yields offered by Asian bonds, particularly credits, would potentially offset the duration risks as a result of the rising interest rate in the U.S. For the absolute return investors, Asian bonds will continue to be a reasonably attractive option.

Q2 : Income funds have been gaining traction over the past few years, do you think the trend will continue?

A2 : Income funds cover quite a wide range. During the last few years, people have been focusing on the income side, more from bonds or dividends. As we are getting into a more growth cycle, the investors' focus will start to turn to the equity upside within the income fund spectrum. The varying combination of income and growth will allow income funds to generate returns with lower volatility over different phases of macro cycle.

Q3 : What are the types of income funds?

A3 : Income funds include the following category:

- **Pure bond funds:** suitable for investors who are conservative and still believe that we are in a more benign global macro environment
- **Mixed asset funds:** suitable for investors who are conservative and are willing to bear a little more risks
- **Mixed asset funds with a bias to blue chips stock:** suitable for investors who are more aggressive and are willing to bear certain level of risks

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

This document is prepared by BEA Union Investment Management Limited for information purposes only. It does not constitute an offer, recommendation or solicitation to buy or sell any securities or financial instruments. The content is based on information generally available to the public from sources reasonably believed to be reliable and is provided on an "as is" basis. BEA Union Investment Management Limited makes no representations or warranties, express or implied, as to the accuracy or completeness of this document or that any returns indicated will be achieved. Investors should determine for themselves the relevance of the information. Changes to assumptions may have a material impact on any returns indicated. This document must not be sold or redistributed without the prior written consent of BEA Union Investment Management Limited. This document has not been reviewed by the Securities & Futures Commission in Hong Kong.

Issuer: BEA Union Investment Management Limited