

Important note:

1. BEA Union Investment Asian Bond and Currency Fund (the "Fund") seeks regular interest income, capital gains and currency appreciation from an actively managed portfolio primarily investing in debt securities denominated in Asian or other currencies and primarily issued by Asian government or corporate entities.
2. The Fund is subject to general investment risk, Asian market concentration risk, emerging market risk and currency risk.
3. The Fund invests in debt securities and is subject to risks in interest rates, credit/counterparty, downgrading, below investment grade and non-rated securities, volatility and liquidity, valuation and sovereign debt and credit rating which may adversely affect the price of the debt securities.
4. The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Fund. 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 the 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 a freely convertible currency as it is subject to exchange controls and restrictions. 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 the RMB could adversely affect the value of investors' investments.
7. The Fund may use financial derivative instruments for hedging and investment purposes which may not achieve the intended purpose and may result in significant losses. Risks associated with derivative instruments include counterparty/ credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk.
8. Investors should not make an investment decision based solely on this material.

BEA Union Investment Asian Bond and Currency Fund ("ABC")Morningstar Overall Rating⁺**Fed's possible easing brightens outlook for Asian High Yield bonds, Asian currencies***Highlights:*

1. **Falling US Treasury yields could bode well for Asian High Yield bonds this year**
2. **Stay positive on Asian Investment Grade bonds on net negative supply expectation**
3. **Fed's possible rate cut will support Asian currencies**

Fund Features

- The Fund adopts an unconstrained strategy, which allows a flexible allocation of assets in corporate bonds, government bonds, High Yield Bonds and Investment Grade Bonds, to actively hunt for alpha opportunities.
- It aims to distribute stable dividends and capture the appreciation potential of Asian bonds.

Market Review & Outlook

In a dovish shift of the US central bank in the FOMC meeting last month, the Fed dialled back its 2024 inflation projection and signalled three rate cuts of 25 bps each by the end of this year. This sent the US 10-year treasury yield down by more than 40bps in December. Mixed data prints last month prompted investors to price in rate reduction of 120-150 bps for 2024, with some expecting the Fed could cut rates as early as March. But expectations might have been dampened following hotter-than-expected US December inflation data, where year-on-year consumer prices rose 3.4% versus market projection of 3.2%.

Asian High Yield and Investment Grade bonds posted solid returns last month on falling US treasury yields. Across Asian High Yield bonds, high beta and long duration bonds in Macau gaming, India and Thailand outperformed. Moody's downgraded the credit rating outlook of the Chinese government to negative from stable, but impact on spreads was muted. With the peaking of US rates, Asian currencies may perform better. In addition, pressure on the RMB and capital outflows should ease. This subsequently could provide China with more buffer to further deploy policy tools to prop up its economy after consumer prices fell for the third month in December. CPI declined 0.3% from a year-earlier, underscoring weak demand for products and services as the country's economic recovery lacks momentum.

As China's housing market remains in doldrums, Chinese property bonds staged divergent performances in December. SOE developers held up well while POE developers consolidated after the strong rally in November. Going forward, we believe most POE names will still face liquidity issues. However, certain SOEs with parental support may see a better outlook as liquidity and funding improve due to asset disposal or intercompany lending.

We remain constructive on Macau gaming bonds. Macau's gross gaming revenue in December exceeded market expectations, rising 16% from the previous month and 433% from the year earlier. As operators see stronger cash flow and sit on net cash, debt repayment has become their priority, which will likely to support bond performance. On Southeast Asian names, the attractive yield carry could be supported by rekindling risk sentiment driven by falling treasury yields.

Asian Investment Grade finished the year 2023 on a strong note as investors chased high beta and duration paper during the month to position ahead for 2024. High-beta names performed well, including China BBB financials, gaming and long duration tech bonds, Indonesian quasi-sovereign duration as well as Indian private-owned enterprise names. Asian Investment Grade spreads have compressed sharply over the past two months and may consolidate if US Treasury yields climb further on the prospect of returning new issuance in January. However, in the longer term, we remain constructive on Asian Investment Grade bonds, due to the net negative supply expectation this year.

Investment Strategy

The sharp retracement of US Treasury bond yield could bode well for Asian High Yield bonds this year. The Fund remains constructive on Macau gaming names and has thus increased allocation to the sector. The Fund maintains overweight Indian bonds, including renewable energy. Our investment teams also see investment opportunities in select Indonesian High Yield energy and property bonds.

The Fund upholds a cautious stance on China's property sector given its uninspiring recovery. But the teams have tactically increased allocation to SOE Chinese property developers. On the back of rate cut expectations in the US, we have reduced short-dated low beta High Yield names to increase duration.

The Fund continues to favour select Asian Investment Grade bonds, including South Korean and Chinese financial bonds as well as Indonesian energy. The Fund will tactically invest in Investment Grade bonds with wide spread.

Fund Performance

Performance¹ : A USD (Accumulating)



A USD (Accumulating) launched on 28 Aug 2008.

If you would like to stay informed of the market development and our latest investment strategy, please feel free to register as a member of BEA Union Investment through the link below:



<http://www.bea-union-investment.com/member-registration>

Recent Awards



Top Investment Houses in Asian G3 Bonds (Hong Kong, China) Rank 3²



Top Investment House in Asian Local Currency Bond (Hong Kong, China), Highly Commended³



Gold Winner, Regional Bond⁴



Outstanding Achiever - Asia Fixed Income⁵



Best Bond Fund, Asia Pacific, Hard Currency (5 years)⁶



Best-in-Class: Asia High Yield Fixed Income⁷

Fund Code

	ISIN	Bloomberg
A USD (Accumulating)	HK0000065208	BEABCAA HK
A RMB Hedged (Accumulating)	HK0000272531	BEARMHA HK
A EUR Hedged (Accumulating)	HK0000405735	BEABCAE HK
I USD (Accumulating)*	HK0000081379	BEABCIA HK
I HKD (Accumulating)*	HK0000486685	BEABIHK HK
A USD (Distributing)	HK0000065216	BEABCAI HK
H HKD (Distributing)	HK0000081361	BEABCHD HK
A AUD Hedged (Distributing)	HK0000162856	BEAAUHD HK
A RMB Hedged (Distributing)	HK0000194263	BEARMHD HK
I HKD (Distributing)*	HK0000484854	BEABIHA HK

* For professional investor only

Source of the fund information: BEA Union Investment Management Limited, as at 31 December 2023

+ ©2023 Morningstar. Data as of 31 December 2023. The rating is for Class A USD (Accumulating). The rating is for reference only and should not be construed as buy and sell recommendation of investment.

1. Source: Lipper, as at 31 December 2023. The quoted return is for A USD (Accumulating) launched on 28 August 2008. Performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested.
2. Source: The Asset, 2022 Research for Asian G3 Bonds, performance as at June 2022.
3. Source: The Asset, 2021 Research for Asian Local Currency Bonds, performance as at June 2021.
4. Source: Fund Selector Asia, January 2020.
5. Source: BENCHMARK, performance as at June 2022.
6. Source: From Refinitiv Lipper Awards, ©2020 Refinitiv. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this content without express written permission is prohibited. Performance for A RMB (Distributing) as at 31 December 2019.
7. Source: BENCHMARK, performance as at June 2022.

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Issuer: BEA Union Investment Management Limited