Your Preferred Investment Advisor for Asia Investing

Fund Report (Apr 2024)

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 debts 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+

Remain positive on Asian High Yield bonds; Added select Chinese industrial, Hong Kong High Yield names

Highlights:

1. **Increased allocation in select Chinese industrial and Hong Kong High Yield bonds**
2. **Took profit on some Chinese POE developers; remain tactical in China's property sector**
3. **Overweight Chinese industrial, Southeast Asian high-beta, frontier High Yield bonds**

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

Sentiment towards Asian High Yield bonds remains positive, with spreads continuing to tighten in March. Among them, China's industrial and property as well as Hong Kong perpetual and sovereign High Yield bonds outperformed. Meanwhile Macau, India and Indonesia also delivered decent returns. Frontier bonds in Asia continued to excel, driven by Sri Lanka's ongoing foreign debt restructuring efforts and Saudi Arabia's investment in Pakistan. Our outlook for Asian High Yield bonds remains positive, supported by favourable credit developments and appealing yield carry.

On a broader scale, China's economy is showing budding signs of stabilising, with March manufacturing activity expanded for the first time since September, rising to 50.8 from February's 49.1. Business and consumers also demonstrate greater willingness to spend. Economic data for the January-February period beat expectations, with retail sales rising 5.5%, and industrial production and fixed asset investment up 7% and 4.2%, respectively.

While China's real estate market remains subdued, the rate of decline is moderating. Presales at China's top 100 property developers fell 47% in March, narrowing from the 61% decline in February. Developers posting decent earnings met expectations, while issuers show strong willingness to survive via asset disposals and collateralised financing. Meanwhile, Chinese industrial bonds continued to fare well, partly bolstered by news that a car rental company successfully exchanged its 2024 bond into a new 3-year USD-denominated bond.

Macau gambling extends the sector's recovery, with gross gaming revenue rising 53% in March from the previous year, surpassing market estimates. Some casino operators resumed dividend payouts earlier than expected. The move suggests that companies' financial positions have further strengthened, and reinforces market confidence towards the industry's outlook.

Our investment teams maintain a positive stance towards higher yielding bonds in China's industrial space, as well as in Hong Kong and frontier markets for yield compression opportunities. Within the realm of Chinese property High Yield bonds, we continue to opt for state-owned developers (SOE) or those with investment property portfolios over private-owned enterprise (POE) residential-centric developers. In India's High Yield bond market, opportunities abound, particularly within the renewable energy sector, given the country's commitment to ramping up capacity. In the near-term, all eyes are on India's upcoming election, with investors upholding optimism towards incumbent Prime Minister Narendra Modi's lead, on hopes that the country's robust growth can continue under his third term. Furthermore, our teams also remain upbeat towards Indonesia's High Yield bonds, especially property developers experiencing improvements in contracted sales and potential value accretive exchange offers.

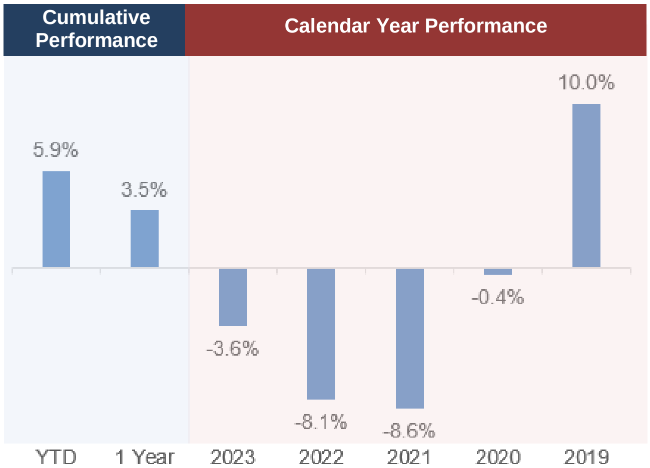
Investment Strategy

The Fund increased allocation in idiosyncratic Chinese industrial and Hong Kong High Yield bonds. The latter has been underperforming the broader market, and its valuation appears compelling.

We took profit on some tactical positions in China's POE developers and also certain Indian bonds where we had Overweight positions. In general, our approach remains tactical in the Chinese property sector, while we continue to uphold an Overweight stance on High Yield bonds from the Chinese industrial sector, Southeast Asian high-beta names and frontier markets.

Fund Performance

Performance[1]：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 3[2]

Top Investment House in Asian Local Currency Bond (Hong Kong, China), Highly Commended[3]

Gold Winner, Regional Bond[4]

Outstanding Achiever - Asia Fixed Income[5]

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

Best-in-Class: Asia High Yield Fixed Income[7]

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 March 2024

+ ©2024 Morningstar. Data as of 31 March 2024. 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 March 2024. 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.

Investments in the Fund are subject to investment risks, including the possible loss of the principal amount invested. For full details and risk factors of the Fund, please refer to the explanatory memorandum of the Fund. Investors should also read the explanatory memorandum of the Fund for detailed information prior to any subscription. The information contained herein is only a brief introduction to the Fund. Investors should be aware that the price of units may go down as well as up as the investments of the Fund are subject to market fluctuations and to the risks inherent in all investments. Past performance is not indicative of future performance. The information contained in this document is based upon information which BEA Union Investment Management Limited considers reliable and is provided on an "as is" basis. This document does not constitute an offer, recommendation or solicitation to buy or sell any securities or financial instruments. The Fund has been authorized by the Securities and Futures Commission ("SFC") in Hong Kong. SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. This material and the website have not been reviewed by the SFC in Hong Kong.

Issuer: BEA Union Investment Management Limited