

## 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 of debt securities denominated in Asian or other currencies and primarily issued by Asian government or corporate entities.
2. The Fund invests in emerging markets, which are subject to higher liquidity and volatility risks.
3. The Fund may invest in lower-rated fixed income instruments, including below investment grade and 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. Investors may invest in RMB (Hedged) units. It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. There is also no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investors' investments. There is no guarantee that the hedging strategy will be effective and investors may still be subject to the RMB currency exchange risk.
7. The Fund may enter into futures contracts and currency forward contracts for hedging and investment purposes. Given the leverage effect embedded in futures and currency forward contracts, the Fund may be exposed to significant losses.
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<sup>1</sup>

### Market Sentiment on Asian High Yield Bonds Recovers



#### Highlights:

1. **Stabilising emerging market currencies boosted investor sentiment on Asian high yield bonds**
2. **Chinese high yield industrial bonds rebounded following window guidance from People's Bank of China**
3. **Selectively overweight on Asian high yield bonds with solid financial profiles**

#### Fund Features

- The Fund adopts unconstrained strategy, with maximum flexibility allowed in allocating assets among corporate bonds, government bonds, high yield bonds and investment grade bonds, actively hunting for alpha opportunities.
- Seeks stable dividends and exploits appreciation potential of Asian bonds.

#### Market Review and Outlook

##### Review of Interest Rate Market

- 10-year U.S. Treasury yields edged higher to around 3% in July, driven by hawkish statements from the Federal Reserve and more risk-on market sentiment.
- Global interest rates are expected to increase further due to the rate normalisation policies by major central banks including the Federal Reserve.

##### Asian High Yield Bonds

- Overall, Asian high yield bond markets experienced a degree of recovery in July due to improving investor sentiment, the stabilisation of emerging market currencies, and supportive policy measures.

- Sentiment regarding Chinese high yield industrial bonds was supported by window guidance from the People's Bank of China (PBOC) and its partial relaxation of rules on wealth management products and asset management.
- The China Development Bank clarified that the right to approve shanty town redevelopment loans remains with local branches, and that these loans are on track year-to-date. This partly relieved some concern about a quick slowdown in lower-tier city property sales.
- Indonesian high yield bonds outperformed due to their cheap valuations, longer duration, and reduced concerns about their supply, as well as the stabilisation of the Indonesia rupiah.

#### Asian Local Currency Bonds

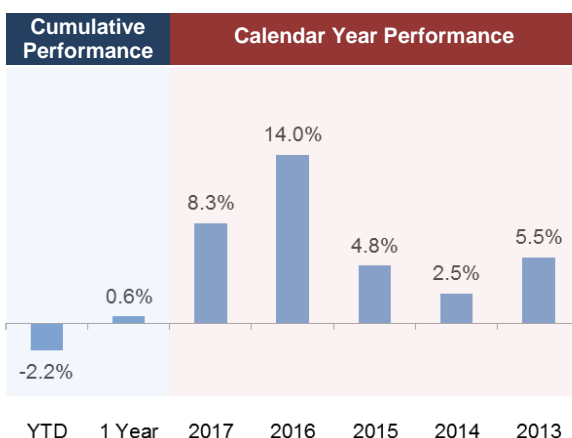
- Asian local currency bond markets reported modest inflow in July, indicating market stabilisation begins.
- China's Politburo meeting concluded with several fiscal policies to promote economic growth and to maintain a neutral monetary policy. At the same time, PBOC continues to inject liquidity through money market operations; onshore credit market is supported by these regulatory reliefs.

#### Investment Strategy

- With market sentiment having improved in July, the Fund switched some of its investment grade bond exposure into selective high yield bonds with solid financial profiles and towards more favourable sectors such as coal and oil.
- We continue to see idiosyncratic risk in the industrial sector, while onshore liquidity remains tight - especially in relation to weaker credits. The Fund has been adding exposure on more defensive short-dated bonds and issuers with better credit quality.
- The Fund participated in a few high yield new issues in the Chinese property sector which showed potential for capital appreciation.

#### Fund Performance and Dividend

##### Performance<sup>2</sup> : A USD (Distributing)



##### Dividend

July 2018	Dividend per Unit	Annualised Dividend Yield <sup>3</sup>
A USD (Distributing)	US\$ 0.05928	5.2%
H HKD (Distributing)	HK\$ 0.04791	5.3%
A AUD Hedged (Distributing)	AU\$ 0.05625	6.8%
A RMB Hedged (Distributing)	RMB 0.63782	7.3%

Throughout most of the past 12 months, 100% of the Fund's dividends came from net distributable income.

A USD (Distributing) launched on 28 August 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



One of the Top Investment Houses  
in Asian Local Currency Bonds  
(Hong Kong)<sup>4</sup>



House Award,  
Best-In-Class,  
Asia Fixed Income<sup>5</sup>



WINNER OF THE 2018  
THOMSON REUTERS  
LIPPER FUND AWARDS  
HONG KONG

Best Bond Fund,  
Asia Pacific, Hard Currency  
(3 & 5 years)<sup>6</sup>



Gold Winner,  
Regional Bond <sup>7</sup>



Best-In-Class,  
Asia High Yield  
Fixed Income<sup>8</sup>

## 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
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

Source of the fund data: BEA Union Investment Management Limited, as at 31 July 2018.

- ©2018 Morningstar. All Rights Reserved. Data as of 31 July 2018. The rating is for A USD (Distributing).
- Source: Lipper, as at 31 July 2018. The quoted return is for A USD (Distributing) 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.
- Annualised dividend yield = (dividend of July x 12) / last month end NAV x 100%. The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Fund. Such distribution may result in an immediate reduction of the net asset value per unit. Dividend only applies to distributing classes and is not guaranteed. Past dividend record is not indicative of future dividend likely to be achieved. Please note that a positive distribution yield does not imply a positive return. Investors should not make any investment decision solely based on information contained above. You should read the relevant offering document (including the key facts statement) of the Fund for further details including the risk factors.
- Source: The Asset, 2018 Research for Asian Local Currency Bonds, June 2018.
- Source: BENCHMARK, November 2017.
- Source: Lipper, performance for A USD (Accumulating) as at 29 December 2017. Award logo from Thomson Reuters Lipper Awards, ©2018 Thomson Reuters. 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.
- Source: Fund Selector Asia, performance as at 30 June 2017.
- Source: BENCHMARK, performance for A USD (Accumulating) as at 29 September 2017.

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 authorised by the Securities and Futures Commission ("SFC") in Hong Kong. SFC authorisation 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.

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