

## 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.

## BEA Union Investment Asian Strategic Bond Fund

### Long-dated Asian Investment Grade Bonds Benefit from Lower U.S. Treasury Yields



#### Highlights:

1. Long-dated Asian investment grade bonds with higher credit ratings outperform due to lower U.S. Treasury yields
2. Investor sentiment towards Asian high yield bonds impacted by credit events in Chinese industrial sector
3. The Fund keeps short duration and switches into names with better credit quality

#### Fund Features

- The Fund adopts flexible allocation in Asian investment grade / high yield bonds, diversifying into different Asian countries, sectors, and currencies.
- The Fund invests not more than 50% in Asian high yield bonds in general conditions.
- Mainly invests in corporate bonds which tend to be less sensitive to rate hike cycle.

#### Market Review and Outlook

##### Review of Interest Rate Market

- 10-year U.S. Treasury yields rose sharply by around 20 basis points to 3.1% during the first half of May as a result of strong U.S. economic data and expectations of a further rate hike. However, market sentiment turned negative in late May, with political uncertainties in Italy leading to a sharp decline in yields for U.S. Treasuries.

##### Asian Investment Grade Bonds

- In May, long-dated and higher credit quality AA and A rated names have outperformed due to lower U.S. Treasury yields and investors' flight for credit quality.
- In contrast, BBB rated names with weak credit quality, such as Chinese local government financing vehicles and weak property developers, have recorded negative returns.

### Asian High Yield Bonds

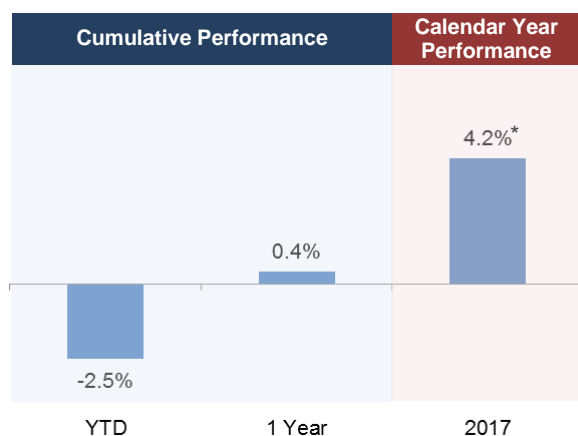
- Chinese high yield property sector has been relatively resilient during the correction process due to its better credit profile, while Chinese high yield industrials have underperformed due to some credit events, Indian and Indonesian high yield bonds underperformed given their longer duration.

### Investment Strategy

- The Fund remained strategically defensive in May. It continued to avoid long-dated bonds and reduced its holdings in some higher beta names, especially in the Chinese industrial sectors.
- In terms of investment grade bonds, the Fund has kept short duration and switched into names with better credit quality.

### Fund Performance and Dividend

#### Performance<sup>1</sup> : A USD (Distributing)



#### Dividend

| May 2018                    | Dividend per Unit | Annualised Dividend Yield <sup>2</sup> |
|-----------------------------|-------------------|--|
| A USD (Distributing)        | US\$ 0.03750      | 4.6%                                   |
| A HKD (Distributing)        | HK\$ 0.37500      | 4.6%                                   |
| A AUD Hedged (Distributing) | AU\$ 0.05000      | 6.3%                                   |
| A RMB Hedged (Distributing) | RMB 0.55000       | 6.8%                                   |

\* Since launch till 31 December of the same year. A USD (Distributing) launched on 24 February 2017.

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 Award



House Award,  
Best-In-Class,  
Asia Fixed Income<sup>3</sup>



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

### Highly Regarded Award-Winning Fixed Income Team

- The fixed income professionals of BEA Union Investment Management Limited have been recognised by the Asset as “One of the Astute Investors in Asian Local Currency Bonds (Hong Kong)<sup>4</sup>” in 2018 and “One of the Astute Investors in Asian G3 Bonds (Hong Kong)<sup>5</sup>” in 2017.
- The company has been named “One of the Top Investment Houses in Asian Local Currency Bonds (Hong Kong)<sup>4</sup>” in 2018 and “One of the Top Investment Houses in Asian G3 Bonds (Hong Kong)<sup>5</sup>” in 2017 by the Asset, and “Best Fund House in Asia Fixed Income<sup>3</sup>” by BENCHMARK in 2017.
- The Asian Bond and Currency fund, managed by the same fixed income team, has won 32 fund awards<sup>6</sup> since 2012.

### Fund Code

|                             | ISIN         | Bloomberg |
|-----------------------------|--------------|-----------|
| A USD (Accumulating)        | HK0000319381 | BEABAU HK |
| A USD (Distributing)        | HK0000319340 | BEABAU HK |
| A HKD (Distributing)        | HK0000319357 | BEABA HK  |
| A AUD Hedged (Distributing) | HK0000319365 | BEAA HK   |
| A RMB Hedged (Distributing) | HK0000319373 | BEAAR HK  |

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

- Source: Lipper, as at 31 May 2018. The quoted NAV is for A USD (Distributing) launched on 24 February 2017, 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 May 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: BENCHMARK, November 2017.
- Source: The Asset, 2018 Research for Asian Local Currency Bonds, June 2018.
- Source: The Asset, 2017 Research for Asian G3 Bonds, October 2017.
- The fund has won 32 fund awards since 2012. Organisations which have granted awards to the fund include Asia Asset Management, AsianInvestor, BENCHMARK, Fund Selector Asia, FundsSupermarket.com and Lipper.

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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