

Important note:

1. BEA Union Investment China High Yield Income Fund (the “Fund”) seeks to achieve medium to long term capital growth and regular income by primarily investing in high yield debt securities that are issued or guaranteed by entities which are incorporated in China or have significant operations in or assets in, or derive significant portion of revenue or profits from China.
2. The Fund may invest significantly in below investment grade or non-rated debt securities, including high yield bonds, which are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than higher rated securities.
3. The Fund's investments are concentrated in China. The value of the Fund may be more volatile than that of a fund having a more diverse portfolio of investments.
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 certain financial derivative instruments for hedging and investment 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 **China High Yield Income Fund** 《Overweight in Chinese High Yield Consumer and Retail Bonds》 20 October 2017


Highlights:

- The Fund has achieved 7.0%¹ year-to-date and 7.6%¹ in 1 year
- Annualised dividend yield for A USD (Distributing) of 7.0%²
- Chinese consumer and retail sector shows robust sales growth

Q1: How has the BEA Union Investment China High Yield Income Fund (the “Fund”) been performing year-to-date?

A1: The Fund has achieved a positive return of 7.0%¹ year-to-date and 7.6%¹ in 1 year. As global interest rates and inflation have remained at low levels, Asian bonds with higher yields continue to attract capital flows, contributing to generally positive investor sentiment. **The Fund mainly invests in Chinese high yield corporate bonds – which are less affected by macro interest rates.** We remain positive about Chinese high yield bonds given their improving credit profiles and their solid support from Chinese investors.

Fund Performance	YTD	1 Year	Since Launch
A USD (Distributing)	7.0% ¹	7.6% ¹	15.9% ¹

Q2: What were the Fund's annualised dividend yields in October?

A2: The Fund increased its dividends since July. In October, annualised dividend yields for A USD (Distributing) and A HKD (Distributing) were 7.0%² and 6.9%² respectively; A RMB Hedged (Distributing) was at 9.3%².

BEA Union Investment seeks to distribute the dividend from net distributable income. Net distributable income means interest income net of fees and expenses, and net realised gains. **Since its launch, 100% of the dividends of the Fund were distributed from net distributable income.**

October 2017	Dividend per Unit	Annualised Dividend Yield ²
A USD (Distributing)	US\$ 0.06170	7.0%
A HKD (Distributing)	HK\$ 0.61700	6.9%
A AUD Hedged (Distributing)	AU\$ 0.07320	8.5%
A RMB Hedged (Distributing)	RMB 0.82900	9.3%

Q3: In light of Chinese corporates' recent third-quarter results announcements, which sectors' high yield bonds are worth investing in?

A3: More Chinese corporates have announced their third quarter results, high yield bonds in the consumer and retail sectors appear most promising. One mainland Chinese car dealer reported a year-on-year revenue growth of 25% in the third quarter (driven by robust sales of luxury cars), with a stable gross margin and total debt level. **Based on positive earnings of this kind, we have an overweight in Chinese high yield consumer and retail sector bonds.**

Q4: The 19th National Congress featured no further mention of tightening policy in the property market. What is the Fund's current investment strategy regarding Chinese property bonds?

A4: We view the risk of the Chinese government imposing further tightening measures on the property market as low, since price growth has been slowing down. Among the 36 high yield property developers we tracked in China, contract sales grew by 44% year-on-year in the first three quarters, with gross floor area sold and average selling price contributed 30% and 10% respectively. In first and second-tier cities, average housing inventory remained low at 8 to 12 months, while that of lower tier cities increased to around 30 months. **Our current position on the high-yield property sector is neutral, and we have a selective overweight in issuers with access to high-quality land banks.**

Highly Regarded Award-Winning Fixed Income Team

- The fixed income professionals of BEA Union Investment Management Limited have been recognised as "One of the Astute Investors in Asian Local Currency Bonds – Hong Kong³" in 2017 and "One of the Astute Investors in Asian G3 Bonds – Hong Kong³" by the Asset in 2017.
- The company has been named "One of the Top Investment Houses in Asian G3 Bonds (Hong Kong)⁴" in 2017 and "One of the Top Investment Houses in Asian Local Currency Bonds (Hong Kong)⁴" in 2016 by The Asset, and "Best Fund House in Asia Fixed Income⁵" by BENCHMARK in 2015.
- The Asian Bond and Currency fund, managed by the same fixed income team, has won 25 fund awards⁶ since 2012.

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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>

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Fund Code

	ISIN	Bloomberg
A USD (Distributing)	HK0000288032	BEACYAU HK
A HKD (Distributing)	HK0000288040	BEACYAH HK
A AUD Hedged (Distributing)	HK0000288057	BEACYAA HK
A RMB Hedged (Distributing)	HK0000288065	BEACYAR HK

Source of the fund data: BEA Union Investment Management Limited, as at 31 October 2017.

1. Source: Lipper, as at 31 October 2017. The quoted return is for A USD (Distributing), performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested. Past performance for A USD (Distributing): YTD: 7.0%; since launch till 31 December 2016: 8.4%. A USD (Distributing) was launched on 22 April 2016.
2. Annualised dividend yield = (dividend of October 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.
3. Source: The Asset, 2017 Research for Asian Local Currency Bonds, August 2017; 2017 Research for Asian G3 Bonds, October 2017.
4. Source: The Asset, 2017 Research for Asian G3 Bonds, October 2017; 2016 Research for Asian Local Currency Bonds, April 2016.
5. Source: BENCHMARK, November 2015
6. The fund has won 25 fund awards since 2012. Organisations which have granted awards to the fund include Asia Asset Management, AsianInvestor, BENCHMARK, Fund Selector Asia, Fundsupermart.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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