27 April 2018

Fund Special Report

Important note:
1. BEA Union Investment China Phoenix Fund (the "Fund") seeks long-term capital appreciation through investing in listed securities of companies that are expected to benefit from or have exposure to the economic growth of Mainland China.
2. The Fund's investments are concentrated in China. This may result in greater volatility than portfolios which comprise broad-based global investments.
3. The Fund invests in China shares (including China A-, B- and H-Shares), Renminbi denominated corporate and government bonds, securities investment fund and warrants listed on the China stock exchanges and may be subject to withholding and other taxes imposed in China. Direct exposure to China A-Shares can be achieved via the Stock Connects, which is subject to different risks, including quota limitations, clearing and settlement risk. Investing in China involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
4. 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.
5. 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.
6. The Fund may enter into futures contracts for hedging and investment purposes. Given the leverage effect embedded in futures contracts, the Fund may be exposed to significant losses.
7. Investors should not make an investment decision based solely on this material.

BEA Union Investment China Phoenix Fund

Overweight in Financials due to Improvements in Asset Quality and Rising Yields

Highlights:

1. **The Fund is overweight in the financial sector in response to improving asset quality and rising yields**
2. **Remains positive about the consumer sector, particularly for brands with strong bargaining power**
3. **The Fund is up 33.6%[1] in 1 year**

Fund Features

- The Fund seeks long-term capital appreciation through investing in listed securities of companies that are expected to benefit from or have exposure to the economic growth of Mainland China.
- The Fund may invest in multinational corporations which benefit from China's economic growth, including overseas-listed Chinese corporations.

Market Review and Outlook

- Despite the fact that the 2017 corporate earnings reported to date have mostly met expectations, the potential trade war between the U.S. and China drove both onshore and offshore Chinese equity markets lower in March. At the same time, the southbound flow into Hong Kong slowed down.
- The technology sector underperformed despite the mainland regulator accelerating a pilot programme to allow Chinese companies listed in the U.S. to list on mainland exchanges.

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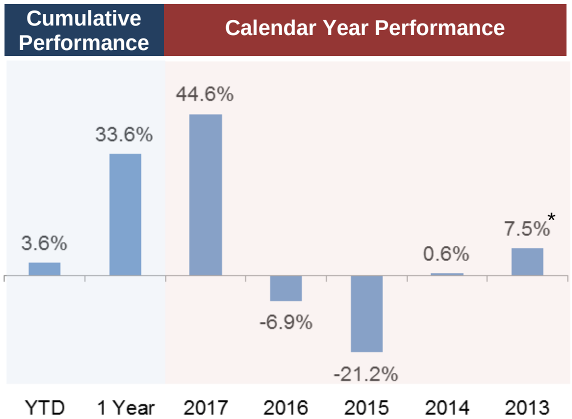
Investment Strategy

- The Fund has maintained its overweight position in the financial sector due to improved asset quality and rising yields.
- The Fund remains positive about the consumer sector, particularly regarding brands with strong bargaining power that stand to benefit from the consumption upgrade.
- The Fund is adding more consumer staple names, as the consumer price index (CPI) in China looks set to rise this year. Meanwhile, we have reduced our exposure in the Chinese auto and insurance sectors, whose growth prospects appear weaker.

Fund Performance

Performance[1]：A USD



* Since launch till 31 December of the same year. A USD launched on 30 April 2013.

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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
Class A USD	HK0000141801	BEACPAU HK
Class A HKD	HK0000141819	BEACPAH HK
Class A RMB (Hedged)	HK0000226156	BEACPAC HK

Source of the fund data: BEA Union Investment Management Limited, as at 29 March 2018.

1. Source: Lipper, as at 29 March 2018. The quoted return is for Class A USD launched on 30 April 2013. Performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested.