Trusted Asia Manager with Global Values

Fund Report (August 2022)

Important note:
1. BEA Union Investment Asia Pacific Multi Income Fund (the “Fund”) seeks to achieve income and long-term capital growth by investing in an actively managed portfolio of debt securities, listed REITs, and other listed securities in the Asia Pacific region.
2. The Fund is subject to general investment risk, equity market risk, asset allocation 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 or non-rated securities, volatility and liquidity, valuation and sovereign debt and credit rating risks 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 Asia Pacific Multi Income Fund (“APM”)

Tug-of-war between rate hikes and recession expectations; remains positive on renewable energy

Highlights:

1. **The market lacks a strong catalyst in the short term, and the stock market will stay volatile**
2. **Positive on the defensive Renewable Energy sector**
3. **Cautious on the spill-over effect of the Chinese Property sector, impacting Chinese banks and industrial stocks**

Fund Features

- The Fund focuses on high yielding Asia Pacific bonds and equities, distributions from both bonds and equities are the main source of income.

Market Review

As expected, the Federal Reserve (Fed) raised interest rates by 0.75% again at the July interest rate meeting. Interest rates were raised by a total of 1.5% in two consecutive meetings. Although Fed Chairman Jerome Powell did not give any explicit forward guidance on interest rates, he mentioned that a slower pace of rate hikes may be appropriate. The market expects the hawkish stance of the Federal Open Market Committee (FOMC) to soften slightly, and the market focus shifted from high inflation to worries about the risk of economic recession. In fact, recent data reflected a decline in the United States (US)’s economy. The US Department of Commerce announced that the US gross domestic product (GDP) contracted by 0.9% year-on-year in the second quarter, recording a contraction for the second consecutive quarter, which means the entry of a technical recession. However, employment data and job vacancies still reflected a strong labour market in the US.

In the Asian market, bad news in China's property industry continued to stir up, dragging down the MSCI China Index to record the largest monthly decline in July, surrendering almost all of the cumulative gains in the second quarter of this year. The wave of homeowners boycotting mortgages for their 'unfinished buildings' spreads across cities in China. Just July, over 300 property projects were already affected. As the government and the courts are striving to protect these affected property owners and tend to require banks to bear such losses, the market is worried that the mortgage boycott movement will affect the stability of the financial system, worsening market sentiment.

India and Australia were the top performers in the Asia-Pacific region, offsetting the weak performance in China. The MSCI Asia-Pacific ex-Japan index then edged up 0.1% in July. During the month, the MSCI India index performed the best, mainly supported by factors such as the slowing pace of interest rate hikes by the Fed, falling oil prices, and improving macroeconomic data. Indian stocks recorded net inflows in July, putting a halt to the previous nine-month streak of net outflows.

Market Outlook

The minutes of the Fed's July meeting were not as hawkish as expected, and there was no obvious guiding remark on interest rates. US treasury yields went down sharply from the top levels. Our investment team believes that the market will continue to see a tug-of-war between interest rate hikes and recession expectations, and it is believed that US Treasury yields may fluctuate within the range.

The persistent risk of high inflation and economic recession and China's "dynamic clearing" policy to combat the epidemic continue to strike the market. It is therefore believed that the stock market will continue to fluctuate in the second half of the year. At the same time, the unresolved plight of China's Property sector, the "dynamic zero" epidemic prevention policy, and the tense geopolitical situation between Taiwan and China and that of China and the US will continue to dampen investor confidence.

In the short term, the investment team believes that the market lacks a strong catalyst. The market originally expected that China would launch a major stimulus policy. However, in the meeting of the Political Bureau of the CPC Central Committee held in July, no major stimulus measures were announced. The meeting targets to keeping its economy to run within a reasonable range. Therefore, the market's expectations on the launch of major stimulus policies by the central government diminished. We expect that the market will adopt a wait-and-see attitude towards the speeches on policy measures at the 20th National Congress of the Communist Party of China to be held this autumn.

Investment Strategy

Since the beginning of this year, global economic growth and inflation trend have been unclear due to the following factors: market fear of US stagflation, the Fed's tightening monetary policy to fight inflation, the Russian-Ukrainian conflict and the geopolitical situation between the two sides of the Taiwan Strait and that of China and the US. Market volatility was then intensified. But the market's year-to-date correction has largely priced in weak macroeconomics and the pessimistic expectations for the geopolitical situation. Based on the current valuation, should any of the aforementioned negative factors show signs of subsiding, markets could rise on improving investors' sentiment. In addition, US companies that have announced second-quarter results so far have seen more resilient earnings than expected, which has also helped support the stock market and limited the room for further downside.

In terms of bonds, our investment team is currently more positive on short-term investment grade bonds. Indonesia's investment grade bonds are one of our preferred markets, mainly supported by the softening of the Fed's hawkish policy stance and more signs of reaching the peak of the rate hike cycle. Improved market sentiment will push bond prices higher and narrow credit spreads. We are also bullish on the prospects for investment grade bonds in Hong Kong and South Korea.

We continue to be cautious on China's high-yield bonds and mainland property stocks, where the Chinese property market has further weakened due to the mortgage boycott movement. Meanwhile, due to the potential spill-over effect in the Property sector, we are also cautious on Additional Tier 1 Capital bonds (AT1) issued by industrial stocks, asset management companies (AMCs) and mainland banks. Our investment team believes that the Renewable Energy sector is relatively defensive, coupled with the current inflationary environment, which supports our bullish view on the sector.

Impacted by external factors, the market will inevitably fluctuate in the short-term. The Fund will continue to invest in the Asia-Pacific stock and bond markets with flexible allocation to resist market volatility and strive for potential return. BEA Union Investment will adjust the composition of the portfolio from time to time in response to market conditions, and continue to conduct strict risk monitoring and management.

BEA Union Investment

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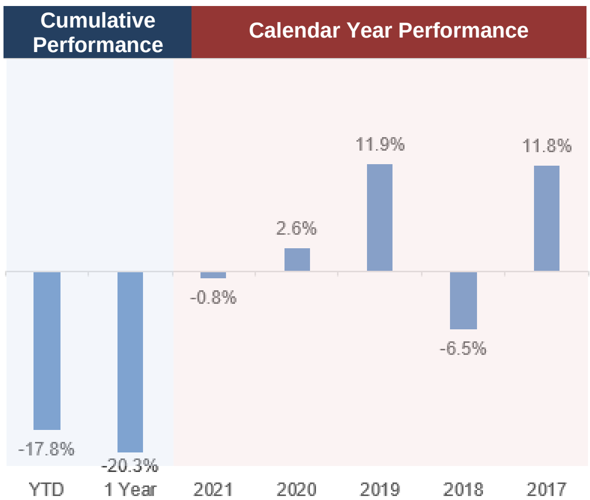
Fund Performance

Performance[1]：A USD (Distributing)



A USD (Distributing) launched on 11 May 2012.

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

Fund Code

	ISIN	Bloomberg
A USD (Accumulating)	HK0000122330	BEAPUAA HK
A RMB Hedged (Accumulating)	HK0000282605	BEAARHA HK
A EUR Hedged (Accumulating)	HK0000405701	BEAAEHA HK
A USD (Distributing)	HK0000107257	BEAPMIU HK
A HKD (Distributing)	HK0000107265	BEAPMIH HK
A AUD Hedged (Distributing)	HK0000162815	BEAPAAH HK
A RMB Hedged (Distributing)	HK0000194255	BEAPARH HK
A NZD Hedged (Distributing)	HK0000162849	BEANZDH HK
A EUR Hedged (Distributing)	HK0000405693	BEAAEHD HK

Source of the fund information: BEA Union Investment Management Limited, as at 31 July 2022.

1. Source: Lipper, as at 31 July 2022. The quoted return is for A USD (Distributing) launched on 11 May 2012. Performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested.

Issuer: BEA Union Investment Management Limited