

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 primarily investing in debt securities denominated in Asian or other currencies and primarily issued by Asian government or corporate entities.
2. The Fund is subject to general investment risk, Asian market concentration risk, emerging market risk and currency risk.
3. The Fund invests in debt securities and is subject to risks in interest rates, credit/counterparty, downgrading, below investment grade and non-rated securities, volatility and liquidity, valuation and sovereign debt and credit rating 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 Asian Bond and Currency Fund ("ABC")Morningstar Overall Rating⁺**Turning cautious towards duration as yields remain elevated***Highlights:*

1. **Reduced duration in the face of steepening yield potential**
2. **Uphold a cautious stance towards Chinese property**
3. **Remain constructive towards India's renewable and Macau's gaming High Yield bonds**

Fund Features

- The Fund adopts an unconstrained strategy, which allows a flexible allocation of assets in corporate bonds, government bonds, High Yield Bonds and Investment Grade Bonds, to actively hunt for alpha opportunities.
- It aims to distribute stable dividends and capture the appreciation potential of Asian bonds.

Market Review & Outlook

The Fed's hawkish skip in September and subsiding recession fears sent US treasury yields surging last month. During the month, the benchmark 10-year treasury yield hit a high of 4.688%, its highest level since Oct 2007. Yields steadily pared back after second-quarter consumer spending was revised lower to 0.8% from 1.7%, and after core inflation recorded a month-on-month increase of 0.1%. But all in all, the US economy has been holding up well. The country added 336,000 jobs in September, while the Fed raised its GDP growth projection to 2.1% this year, up from its earlier forecast of 1%. After leaving interest rates unchanged last month, the central bank signalled that one more hike is on the cards this year, adding that tighter monetary policies will continue until an inflationary downward trajectory is confirmed. Investors subsequently lowered their rate cut expectations for 2024.

China's economic data were mixed but they showed signs of stabilising. China's exports and imports fell less than expected in September, the smallest decline in five months. Consumer prices were stable due to a high base from last year. The drop in the producer prices index also narrowed. China's property market, which accounts for about 25% of the country's GDP, remains in the doldrums. Despite a mild month-on-month improvement in the contract sales of 100 developers in September, Chinese property bonds gave back gains last month following a sharp rally in late August. The physical market could remain sluggish as it takes time for the positive, yet limited, impact of the policies to filter through. Without new substantial funding measures to help heavy debt-loaded private developers, we remain prudent towards the Chinese property sector.

Among High Yield bonds, Macau's and India's fundamentals remained robust. The city's strong hotel booking during the golden week could provide a boon to the gross gaming revenue, and subsequently lend support to Macau's High Yield gaming bonds. Macau's gaming industry was hit by poor weather conditions in September, where gross gaming revenue fell 13% on the month, but it recorded a surge of 400% on a year-on-year basis, attaining 68% of its pre-COVID level. The growth trajectory remains robust.

Our teams also stayed constructive towards India's renewable names. The sector's fundamentals are intact, and growth prospects continue to remain robust. In addition, strong support from the government means corporates have a plethora of channels to fund their business growth.

In terms of Investment Grade Bonds, our investment teams expect new issuance to remain muted in the fourth quarter as yields remain elevated. Spreads will likely stay range-bounded for non-Chinese Investment Grade Bonds on the back of rich valuation. Duration bonds will likely stay lacklustre until the recession theme re-emerges or the higher-for-longer rates theme fades. As a result of risk-off sentiment ahead of China's golden week holiday, the country's high beta bonds could rebound following the recent underperformance as valuation appears attractive.

Investment Strategy

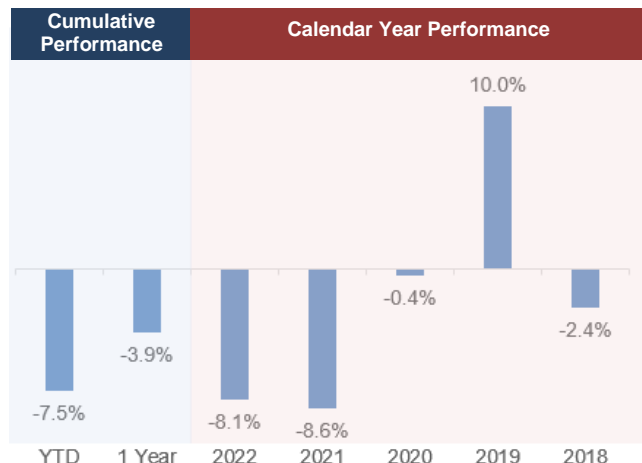
On the back of steepening yield trend potential, we turned more cautious towards duration, including long-dated Indonesia quasi-sovereign Investment Grade Bonds. We remain constructive towards selective high-beta Chinese financial and technology, media and telecommunications names.

New issuance for USD-denominated Investment Grade Bonds will remain light in the face of elevated yields. Hence, we expect spreads to be range-bounded.

Given China's weak property outlook, our investment teams will continue to Underweight China's High Yield property bonds. We remain optimistic towards Indonesia's industrial and property High Yield bonds as well as India's renewable High Yield papers.

Given the attractive yields, the Fund will allocate more towards the front-end for Investment Grade and high quality High Yield Bonds.

Fund Performance

 Performance¹ : A USD (Accumulating)


A USD (Accumulating) launched on 28 Aug 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


Top Investment Houses
in Asian G3 Bonds
(Hong Kong, China)
Rank 3²



Top Investment House
in Asian Local Currency
Bond (Hong Kong,
China), Highly
Commended³



Gold Winner,
Regional Bond⁴



Outstanding Achiever -
Asia Fixed Income⁵



Best Bond Fund, Asia
Pacific, Hard Currency
(5 years)⁶



Best-in-Class: Asia High
Yield Fixed Income⁷

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
I HKD (Accumulating)*	HK0000486685	BEABIHK 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
I HKD (Distributing)*	HK0000484854	BEABIHA HK

* For professional investor only

Source of the fund information: BEA Union Investment Management Limited, as at 30 September 2023

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1. Source: Lipper, as at 30 September 2023. The quoted return is for A USD (Accumulating) 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.
2. Source: The Asset, 2022 Research for Asian G3 Bonds, performance as at June 2022.
3. Source: The Asset, 2021 Research for Asian Local Currency Bonds, performance as at June 2021.
4. Source: Fund Selector Asia, January 2020.
5. Source: BENCHMARK, performance as at June 2022.
6. Source: From Refinitiv Lipper Awards, ©2020 Refinitiv. 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. Performance for A RMB (Distributing) as at 31 December 2019.
7. Source: BENCHMARK, performance as at June 2022.

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Issuer: BEA Union Investment Management Limited