BEA Union Investment

Your Preferred Investment Advisor for Asia Investing

Fund Report (May 2023)

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")

Market pines for rate cut in second half; seek opportunities that generate stable yield

Highlights:

1. **Market needs clarity on rate cut timeline before equities can see breakthrough**
2. **Turning constructive on Asian tech stocks as hardware cyclical bottom approaches**
3. **Asia investment-grade returns attractive; Favour Korea banks and China TMT**

Fund Features

- The Fund aims to capture growth and dividend income opportunities by investing in Asia Pacific equities and bonds.

Market Review & Outlook

The Fed raised interest rates by 25 bp in May, but fell short of signalling whether a pause or cut is in store. The central bank now appeared more open to let data drive its rate trajectory after its 10th consecutive rate hike since March last year. But from how the market reacted, investors are holding onto their views that the Fed will cut rates in the second half. Markets believe the current high rate environment will lead to significant credit events and strain economic growth, which could prompt the Fed to shift gears and lower rates aggressively. The US debt ceiling due in June is another overhang that needs to be resolved, despite market consensus sees the debt limit will likely be extended from June to September. But the picture remains murky for now. Our investment teams believe the stock market needs clarity of a policy shift before equities can break through the current range. Otherwise, the current short-term risk reward does not deem favourable. We believe US inflation and labour market data, coupled with any potential credit events, will dictate future market movement.

Potential curbs of US investment in China weighed on Chinese and Asian equities performance. We expect volatility will be here to stay as a result of elevated geopolitical tension and mounting skepticism over China's economic recovery. MSCI APxJ ended April lower after rekindled geopolitical tension crippled investor sentiment. .

China's economy is recovering, but going through patches of uncertainties and unevenness. While consumers increase spending on services, but imports tank in April, underscoring weak demand for goods. Manufacturing PMI also contracted. The window for further stimulus remains open as prices continue to drop. China's inflation edged up 0.1% in April, the slowest since 2021. China has room to deploy additional measures to stimulate private demand and job creations given its current accommodative monetary policy.

The Fed injected liquidity following the collapse of Silicon Valley Bank, supporting the credit market and bolstering Asia investment grade bonds. As the dust settled, Asia investment grade spread tightened across the board, particularly in the financial sector. Primary market has been active with most new issues performing well in the secondary market. We believe the balance between supply and demand remains healthy, and spread performance will remain tight given the supportive rates environment. The outlook for investment-grade bonds is rosy, offering attractive total return that will continue to anchor investor appetite. High quality names will be more resilient under the recession narrative and should perform better. As such, across investment-grade bonds, we prefer China technology, media and telecommunications (TMT), Korea financials and Indonesia quasi sovereign corporates.

Our teams have turned cautious towards Chinese property as well as asset management companies (AMC) in the wake of a lopsided recovery in China's property market. We expect the diverging recovery in the property market to persist, leaning towards SOE and a few top POE developers, primarily driven by first- and top second-tier cities. Investors should brace themselves for more credit events with small- to mid-sized POE developers.

Investment Strategy

Within Asia and China equities, value stocks with high yields are preferred, given investors continue to search for yields amid peaking global rates and the low interest rate environment in China.

The fund is turning constructive on the Asian technology sector, particularly Taiwan and South Korea hardware technology. We are seeing increasing evidence of many tech hardware cycles reaching cyclical bottoms soon, perhaps within the next one to two quarters. In Asia, technology hardware sectors such as memory and semiconductor are turning increasingly positive given early signs of inventory restocking.

Our investment teams remain constructive on energy and material as China's reopening boosts demand. The energy sector stays as an attractive inflation hedge considering many companies are sitting on healthy balance sheets while the industry still faces supply constraint.

In the investment-grade space, we see opportunities in quality South Korean banks that are rated A and AA with cheap valuations, as well as Indonesia's oil and commodity industries. We also favour high-beta technology, media and telecommunications bonds on strong credit fundamentals and relaxed regulatory scrutiny. Chinese logistics and food delivery sectors are also favoured, powered by China's reopening and improving retail consumption. These BBB rated bonds are trading at a wider spread, implying attractive yields.

China's easing pandemic curbs also provide a boon to Macau's gaming sector. We expect Macau gaming high-yield papers will extend their outperformance and will actively seek opportunities to buy on dips. We remain constructive towards India's renewable names, which continue to be supported by favourable government policies and increasingly rising ESG demand.

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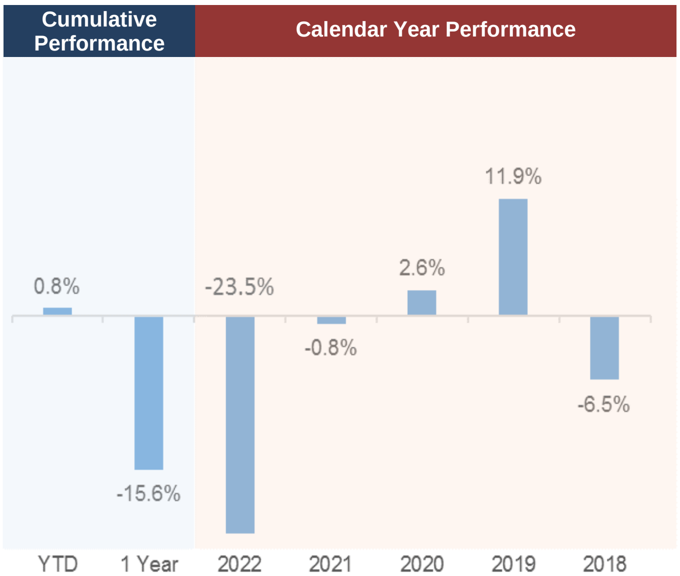
Fund Performance

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 28 April 2023.

1. Source: Lipper, as at 28 April 2023. 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.

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 authorized by the Securities and Futures Commission (“SFC”) in Hong Kong. SFC authorization 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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