

Fund Report (February 2023)

Important note:

1. BEA Union Investment Asian Strategic Bond Fund (the "Fund") seeks medium to long term capital growth and regular income by primarily (i.e. at least 70% of its net assets value) investing in debt securities that are (a) denominated in Asian currencies, or (b) issued or guaranteed by Asian governments or entities which are incorporated in Asia or have significant operations or assets in, or derive significant portion of revenue or profits from Asia, and denominated in USD or other currencies including Asian currencies.
2. The Fund is subject to general investment risk, Asian market concentration risk, emerging markets risk and currency risk.
3. The Fund invests in debt securities and are 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 Strategic Bond Fund ("ASB")

★★★★
Morningstar Overall Rating⁺

China's reopening, property policies spark opportunities for property, industrial bonds



Highlights:

1. Positive policies to support Chinese property, industrial bonds;
2. Prefer TMT on lower regulatory risks
3. Added tactical positions in Indonesian property

Fund Features

- The Fund adopts flexible allocation in Asian investment grade / high yield bonds, diversifying into different Asian countries, sectors, and currencies.
- The Fund invests not more than 50% in Asian high yield bonds in general conditions.

Market Review & Outlook

China's economic recovery is well underway, with retail consumption and travel rebounding sharply during Chinese New Year. PMI rebounded to above 50-level threshold, buoyed by more relaxed traveling within China as the country lifted its curbs on mobility. December year-on-year retail sales fell less than November while exports declined less than expected.

Apart from favorable reopening policies, positive property measures will benefit sales and in turn, boost investors' confidence. The government recently reiterated the importance to stabilize the property market and its aim to resolve developers' credit and funding risks. A number of cities, such as Beijing and Guangzhou, also lowered its mortgage rate and down payment ratio. More positive initiatives could potentially be launched by the government to strengthen developers' balance sheets and project delivery.

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We hold a constructive view towards Asia credit market in general, on the back of manageable supply and more comfortable rates expectations, as we believe the current rate hike cycle is coming to an end. Despite a hotter-than-expected US labor market in January, we believe the Fed will exercise patience with its monetary policy to decipher how the cumulative effect of recent policy rate hikes pan out. In the near-term, our teams will also keep an eye on March's National People Congress, which may see additional fiscal policy support.

Investment Strategy

We continued to favor China beta bonds buoyed by the country's reopening. We trimmed Hong Kong and Indian exposures to fund opportunities in China.

Our investment teams remain constructive in both China high-yield and investment-grade property bonds, on expectation of improving sales in the second quarter. The fund favored beta name with liquidity support from MTN bond issuance guarantee or loans from onshore banks, as well as distress names that await restructuring plans.

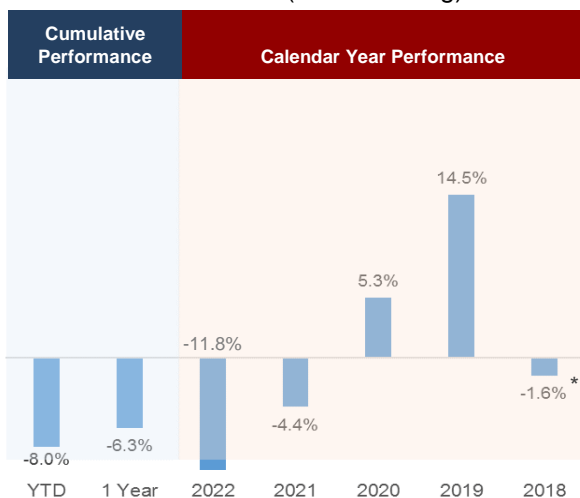
Opportunities also emerged across China's investment-grade technology, media and telecom bonds on lowered regulatory risk. In addition, we also look set to add China industrial names with better credit quality or those that can benefit from China reopening. A Chinese industrial name recently obtained an onshore syndicated loan of more than RMB10 billion reinforced investors' confidence on the government's resolve supporting privately-owned enterprises.

China's relaxation on mobility boosted Macau tourism, buoying gaming revenue of casino operators. While a previous spike in Covid cases in China could be a hiccup for Macau's recovery, the impact is anticipated to be short-lived. Our investment teams expect gaming operators could start witnessing meaningful recovery in the coming months. We will continue to seek opportunities in the sector.

In non-China space, we tactically added Indonesian developers with access to bank loans.

Fund Performance

Performance¹ : A USD (Accumulating)



Recent Awards



Top Investment Houses in Asian G3 Bonds Rank 9 (Hong Kong, China)²



Top Investment Houses in Asian Local Currency Bonds (Hong Kong China), Highly Commended³

* Since launch till 31 December of the same year. A USD (Accumulating) launched on 24 February 2017.

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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>

Fund Code

	ISIN	Bloomberg
A USD (Accumulating)	HK0000319381	BEABUA HK
A USD (Distributing)	HK0000319340	BEABUD HK
A HKD (Distributing)	HK0000319357	BEABHD HK
A AUD Hedged (Distributing)	HK0000319365	BEAAHD HK
A RMB Hedged (Distributing)	HK0000319373	BEARHD HK

Source of the fund information: BEA Union Investment Management Limited, as at 31 January 2023.

+ ©2023 Morningstar. Data as of 31 January 2023. The rating is for Class A USD (Accumulating). The rating is for reference only and should not be construed as buy and sell recommendation of investment.

1. Source: Lipper, as at 31 January 2023. The quoted NAV is for A USD (Accumulating) launched on 24 February 2017, 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, 2021 Research for Asian G3 Bonds, October 2021.
3. Source: The Asset, 2021 Research for Asian Local Currency Bonds, October 2021.

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. Issuer: BEA Union Investment Management Limited