BEA Union Investment

**Fund Report (Jan 2025)**

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 debts 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+

## Stay positive on Asian high-yield dollar bond on low default rate; favour India, Macau

*Highlights:*

1. **Entering 2025, the investment team maintains a constructive outlook on Asian high-yield dollar bonds**
2. **Favour Indian commodities, Macau gaming high-yield beta names**
3. **Turning positive on Mongolia's outlook, China's LGFV 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

Asia's credit spreads were largely stable in December. Asia High-yield dollar bonds outperformed with positive returns on solid yield carry, while Asia investment-grade dollar bonds posted negative returns due to higher US Treasury yields.

The Asian high-yield dollar bond market posted a total return of 0.65%. China's real estate sector outperformed, supported by a persistently positive tone from politburo meetings and a stronger-than-expected 17% annual growth in property contracted sales. The Indian high-yield market also performed well, buoyed by favourable factors, such as early redemptions and new loan refinancing. In contrast, Thai Bank Tier 2 bonds underperformed, primarily due to volatility in interest rates.

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Going into 2025, we remain constructive about Asia's high-yield dollar bonds, due to relatively benign default rate and a short weighted duration of 2.95 years, implying low sensitivity to rate volatility. Within Asian high-yield bonds, we see opportunities across beta names in India's commodities sector and Macau's gaming industry. Official data showed Macau's gaming revenues, although still hovering below pre-pandemic levels, soared nearly 24% in 2024 from the previous year, underscoring sound fundamentals. The team also turned more positive on China's local government financing vehicles (LGFV), primarily on expectations that more special local government bond quotas could help alleviate debts for local governments. Furthermore, the Chinese government has signalled a shift towards a 'moderately loose' monetary policy and pledged to stabilise the property and stock markets. Nonetheless, we are turning more selective in China property bonds in anticipation of persistent volatility, focusing on names with access to refinancing. Beyond China, frontier markets, such as Mongolia, are also on our radar. Supported by the country's positive macro outlook and growing FX reserves, Mongolian high-yield dollar bonds are increasingly attractive.

In December, Asian investment-grade dollar bond spreads tightened modestly, after yield premiums widened in November. Heading into the new year, we anticipate credit spreads to remain relatively stable. While the new bond issuance at the beginning of this year may return to the levels seen from 2020 to 2023, potentially putting pressure on spreads, the net supply is expected to remain in negative growth, and strong demand from Chinese investors will help support Asian credit spreads. As the US economy will likely remain robust, coupled with Trump's inflationary policies, US Treasury yields could rise, subsequently affecting the performance of Asian investment-grade bonds. All in all, we are adopting a cautiously optimistic approach towards the Asian investment-grade dollar bond market.

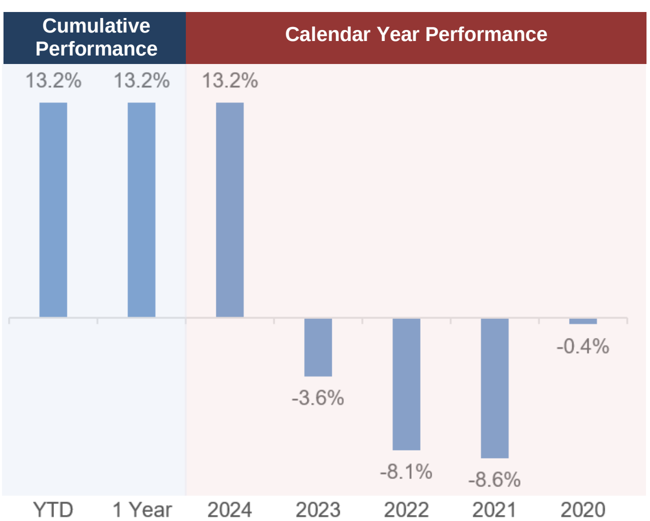
## Investment Strategy

In December, the Fund added back some beta bonds that corrected earlier in Chinese property and Indian high-yield spaces. We also raised exposure in China's LGFVs high-yield dollar bonds on the back of continued policy support, while switching out from some Chinese industrial names that potentially will conduct liability management exercises this year.

We continues to favor high-beta Macau gaming and Indian high-yield. We also have a positive outlook on Mongolian high-yield bonds due to the country's optimistic macroeconomic outlook and growing foreign exchange reserves. However, the team has become more cautious regarding Chinese real estate and industrial sectors, preferring companies with access to refinancing.

## Fund Performance

Performance[1]：A USD (Accumulating)




A USD (Accumulating) launched on 28 Aug 2008.

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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

## Recent Awards

**Top Investment Houses in Asian G3 Bonds (Hong Kong, China) Rank 3**[2]

**Top Investment House in Asian Local Currency Bond (Hong Kong, China), Highly Commended**[3]

**Gold Winner, Regional Bond**[4]

**Outstanding Achiever - Asia Fixed Income**[5]

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

**Best-in-Class: Asia High Yield Fixed Income**[7]

## 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 31 Dec 2024

+ ©2024 Morningstar. Data as of 31 Dec 2024. 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 Dec 2024. 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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