BEA Union Investment

Fund Report (Feb 2025)

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 is subject to equity markets risk such as changes in investment sentiment, political, economic conditions and issuer-specific factors which may adversely affect the fund value.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. Investors should not make an investment decision based solely on this material.

BEA Union Investment Asia Pacific Multi Income Fund ("APM")

★★★
Morningstar Overall Rating+

Market volatility to rise on geopolitical tensions; Staying constructive on Asian tech shares

Highlights:

1. **Expect rising market volatility amid heightening geopolitical, trade frictions**
2. **Staying constructive on IT sector, including Taiwan tech shares**
3. **Positive on Japanese financials on attractive valuations**

Fund Features

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

Market Review & Outlook

The MSCI APxJ rose 1.4% in January, led by South Korea, Australia and Singapore, with Taiwan also posting solid returns. However, Chinese and Hong Kong equities lagged due to heightened geopolitical tensions.

In early January, the US Department of Defense designated additional Chinese tech entities as military firms. The move triggered sell-offs across China/HK markets as investors braced for potential escalation in US-China tensions. However, equities reversed their downtrends and started recouping losses in mid-January, after China released forecast-beating exports and import data. Furthermore, investor confidence was further rekindled after the Trump administration enacted softer-than-expected tariffs on Chinese imports.

Taiwanese equities had a solid performance in January. But during the Lunar New Year holiday, the Trump administration announced plans to impose tariffs as high as 100% on made-in-Taiwan semiconductors. While the developments are closely monitored, market volatility is likely inevitable going forward. Despite these short-term noises, our team remains positive on the Taiwan technology sector, as the growth outlook for AI remains robust, and Taiwanese tech firms will likely continue to see upward revisions in their earnings.

Other markets that delivered solid performances included South Korea, driven in part by robust retail participation. Australia was supported by strong credit growth and persistent strength in the financial sector, while Singapore's performance was primarily bolstered by the communications services sector, after a leading technology conglomerate reported a rebound in app revenue.

Looking ahead, the global macro backdrop will remain challenging as markets seek confidence in China’s policy response and the direction of Trump’s presidency. Investors will closely monitor the US monetary policy trajectory and inflation trends. We expect geopolitical and trade tensions will add to market volatility. In the near term, we will watch out for further policy announcements from China, Trump’s trade restrictions, and overall market repositioning on asset allocations. Our teams will remain vigilant regarding any AI-driven pullback and potential rotation into value and defensive sectors.

In the fixed income space, spreads of Asian investment-grade dollar bonds held up well. Despite a high level of new issuance in January, supplies were well-absorbed by strong inflows. While some Chinese tech giants were added to the US list of 'Chinese military companies', the technology, media and telecommunications (TMT) sector quickly recovered after facing short-term pressure. The yield spread of Hong Kong investment-grade bonds widened slightly due to a major developer's financial challenge, affecting financial and real estate-related bonds. In South Korea, bond spreads were largely unchanged as the nation's political uncertainty dissipated.

Investment Strategy

Within equities, the Fund trimmed its exposure to India. However, we continue to uphold a positive stance on India's structural growth potential, preferring sectors such as financials, telecommunications and power. With AI emerging as a new secular trend, the fund remains positive on the IT sector, favouring leading Taiwanese companies in the semiconductor-related space. The team continues to favor market leaders with strong balance sheets and free cash flow. Sector-wise, the fund increased its allocation to the information technology sector while reducing its weight in the industrial sector.

In the fixed income space, we continue to slightly increase the credit beta in the Asian Investment-grade sector. Additionally, the fund reduced holdings in Hong Kong high-beta Investment-grade real estate bonds and bank bonds that may be impacted by a major developer's credit issues. However, the fund increased allocations to newly issued Hong Kong quasi-sovereign bonds with premiums and Japanese Investment-grade financial bonds with attractive valuations.

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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 Jan 2025.

1. Source: Lipper, as at 28 Jan 2025. 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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