BEA Union Investment

PRODUCT KEY FACTS

BEA Union Investment Series -
BEA Union Investment Asian Bond Target Maturity Fund 2022

30 April 2019

This statement provides you with key information about this product.
This statement is a part of the offering document.
You should not invest in this product based on this statement alone.

Quick facts

Manager:	BEA Union Investment Management Limited
Trustee:	Bank of East Asia (Trustees) Limited
Ongoing charges over a year:	Class A USD, Class A HKD, Class A RMB (Hedged) Units: 0.83% p.a.*
Dealing frequency:+	Weekly (Each Friday; and if such day is not a Business Day, then the immediately following Business Day)
Base currency:	US$
Dividend policy:	Class A USD (Distributing), Class A HKD (Distributing) and Class A RMB (Hedged) (Distributing) Units: Quarterly distributions^ at an annualized rate of above USD 3-month LIBOR, if any, are discretionary and may be paid out of income and/or capital. Making distributions will immediately reduce the net asset value of the relevant class of units. **A positive distribution yield also does not imply a positive return.**
Financial year end of this Sub-Fund:	31 December
Minimum investment:	Class A USD Units: US$50,000 initial, US$50,000 additional# Class A HKD Units: HK$400,000 initial, HK$400,000 additional# Class A RMB (Hedged) Units: US$50,000 initial (or its equivalent), US$50,000 additional# (or its equivalent)

* This figure is an estimate only and may vary from year to year. The figure is calculated based on the estimated ongoing expenses chargeable to the Sub-Fund expressed as a percentage of the Sub-Fund's estimated average net asset value.

\+ The Sub-Fund is open for subscription during the launch period. The Manager may at its discretion, and without any prior notice, close the Sub-Fund to subsequent subscriptions after the launch period. At any time following any closure of the Sub-Fund after the launch period, the Manager may also determine to re-open the Sub-Fund to subsequent subscriptions, without any prior notice to existing Unitholders. Notwithstanding the above, Unitholders may continue to realise their Units at any time, including after the Sub-Fund has been closed to subsequent subscriptions.

^ The distribution per unit is calculated as follows: annualized rate of above average of daily USD 3-month LIBOR (for each three-month period ending on the last day of January, April, July and October) / distribution frequency over a year (i.e. 4 for quarterly distributions) x net asset value per unit on the last day of the corresponding previous three-month period.

\# Only applicable where the Sub-Fund is open (or has been re-opened) to subsequent subscriptions after the close of the launch period.

What is this product?

BEA Union Investment Asian Bond Target Maturity Fund 2022 (the "**Sub-Fund**") is a sub-fund of BEA Union Investment Series (the "**Fund**"), which is a unit trust established as an umbrella fund under the laws of Hong Kong.

Objective and Investment Strategy

Objective

The investment objective of the Sub-Fund is, on a best effort basis, to seek regular income from the close of the launch period up to the Sub-Fund's target maturity date ("**Maturity Date**") (being 31 January 2022) and to return the capital of the Sub-Fund by investing primarily in Asian fixed income-related securities.

Strategy

The Sub-Fund aims to provide regular income by investing primarily (i.e. at least 70% of its non-cash assets) in USD denominated debt securities that are issued or guaranteed by Asian governments or entities incorporated in Asia or have significant operations or assets in, or derive significant portion of revenue or profits from Asia. The debt securities as described above are hereinafter referred to as "**Debt Securities**". For the remaining assets, the Manager may at its discretion invest outside the Sub-Fund's principal geographical areas, market sectors, industries or asset classes.

The Sub-Fund aims to be fully invested in order to achieve its investment objectives and strategies, and intends to invest in Debt Securities that distribute at an annualized rate of above USD 3-month LIBOR and have maturities close to or at the Maturity Date of the Sub-Fund. However, in the 3-month period immediately preceding the Maturity Date, the Sub-Fund may invest more than 30% (and eventually up to 100%, depending on prevailing market conditions) of its NAV in cash, cash equivalents, term deposits, and/or money market instruments solely for the purpose of facilitating a timely realisation of the Sub-Fund's investments at market value, and in order to ensure that Unitholders receive their investment proceeds, as at the Maturity Date.

Debt Securities include but are not limited to convertible, exchangeable and non-exchangeable and non-convertible debt securities, fixed and floating rate bonds, zero coupon and discount bonds, transferable notes, commercial papers, certificates of deposits of variable or fixed interest rates (including negotiable certificates of deposits), listed, traded or dealt in regulated markets or exchanges, capital securities with fixed income features (e.g. perpetual bonds and subordinated debts), preference shares with fixed income features, as well as short term bills and notes. Debt Securities also include asset-backed securities and mortgage-backed securities (in aggregate of not more than 20% of the Sub-Fund's assets), as well as money market funds and fixed income funds (in aggregate of less than 30% of the Sub-Fund's assets and in compliance with 7.11 to 7.11D of SFC's Code on Unit Trusts and Mutual Funds) for purposes consistent with the investment objective of the Sub-Fund. Debt Securities may be issued or guaranteed by governments, regional governments, municipal governments, government agencies, quasi-government organisations, financial institutions, investment trusts and property trusts, multi-national organisations and other corporations.

Debt Securities in which the Sub-Fund will invest will not be subject to any minimum credit rating requirements. The Sub-Fund will invest at least 50% of its non-cash assets in investment grade Debt Securities (rated as Baa3, or Prime for short-term Debt Securities below one year, or above by Moody's Investor Services, Inc. or equivalent rating by other recognised rating agencies). The Sub-Fund may also invest in below investment grade or non-rated Debt Securities that meet the standards as determined by the Manager.

The Sub-Fund may also invest less than 10% of its assets in debt securities denominated in RMB and issued in mainland China ("**Onshore Debt Securities**") through direct investment in the China interbank bond markets via Foreign Direct Access Regime and/or Bond Connect. Onshore Debt Securities in which the Sub-Fund may invest will not be subject to any duration or minimum credit rating requirements. The Sub-Fund may invest in investment grade (rated as BBB- or above by a China credit rating agency), below investment grade or non-rated Onshore Debt Securities that meet the standards as determined by the Manager.

The Sub-Fund may invest less than 30% of its assets in debt securities denominated in RMB and issued outside of mainland China (i.e. "Dim Sum" bonds). The Sub-Fund will have less than 30% aggregate exposure to investments denominated in RMB including Onshore Debt Securities and Dim Sum bonds.

The Sub-Fund will not invest more than 10% of its assets in securities issued by or guaranteed by any single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade. For the avoidance of doubt, such securities would not include "quasi-government" securities or securities issued or guaranteed by issuers which are separate legal entities having their own balance sheets and assets, while at the same time being government-owned or related entities.

Before investing in a debt security, the Manager will consider the credit rating of the debt security itself, then the credit rating of the issuer or guarantor if the debt security is not rated. If neither the debt security nor issuer nor guarantor is rated, it will be classified as non-rated.

It is expected that the Sub-Fund will have an investment period of up to approximately 3 calendar years. The underlying investments of the Sub-Fund may have a date to maturity longer or shorter than the investment period of the Sub-Fund. The Sub-Fund will be terminated automatically at the end of the investment period, namely the Maturity Date, and Unitholders will be given prior written notice of such termination. Any costs associated with such termination will be borne by the Sub-Fund*. All Units of the Sub-Fund will be compulsorily redeemed at the Maturity Date and proceeds will be distributed to Unitholders (who hold Units of the Sub-Fund as at the Maturity Date) according to the then net asset value of the Sub-Fund.

In normal market conditions, the Sub-Fund may also hold less than 30% of its assets in cash or cash equivalents. This percentage may be increased to up to 100% of its assets in extreme market conditions, e.g. significant economic downturns, market crash, major crisis, political turmoil or legal or regulatory or policy uncertainty.

The Manager may acquire currency forward contracts, credit default swaps and interest rate swaps for hedging purposes only. The Manager may also acquire financial futures contracts (including bond futures) for hedging and investment purposes so long as it complies with the investment policy and restrictions of the Sub-Fund and in compliance with Chapter 7 of SFC's Code on Unit Trusts and Mutual Funds. The net aggregate value of contract prices in respect of financial futures contracts entered into other than for hedging, whether payable to or by the Sub-Fund under all outstanding futures contracts, may not exceed 20% of the total net asset value of the Sub-Fund.

The Sub-Fund may invest less than 10% of its assets in structured deposits or products. The Manager currently does not intend to enter into any securities lending, repurchase or reverse repurchase transactions, or other similar over-the-counter transactions on behalf of the Sub-Fund.

* Costs associated with such termination are estimated to be approximately HK$100,000 and shall be amortised over the period from the close of launch period up to the Maturity Date.

What are the key risks?

Investment involves risks. Please refer to the Explanatory Memorandum for details including the risk factors.

1. **Investment risk**

   - The Sub-Fund's investment portfolio may fall in value and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

2. **Limited duration risk**

   - The duration of the Sub-Fund is limited (i.e. up to the Maturity Date). Neither the income nor the capital of the Sub-Fund is guaranteed. There are risks that the Sub-Fund may not make any distribution and investors may not recoup the original amount invested in the Sub-Fund during the investment period as well as at the Maturity Date.

3. Early termination risk

- The Sub-Fund may be liquidated on the occurrence of certain events as set out in the Explanatory Memorandum (e.g. the net asset value of the Sub-Fund falls below HK$80 million). Unitholders will be given three months' prior written notice of such termination. Any costs associated with early termination will be borne by the Sub-Fund. Upon termination of the Sub-Fund, all the assets of the Sub-Fund will be realised and the net proceeds thereof which are available for distribution will be distributed to relevant Unitholder with reference to the number of Units held by them. Unitholders should note that the amount distributed to them may be less than the amount of their initial investment.

4. Limited subscription risk

- With regard to the Sub-Fund's launch period, the Manager may at its discretion not to issue any Unit in the event that (i) the combined minimum aggregate investment of US$50 million (or such minimum amount as may be determined by the Manager at its sole discretion) is not received during the launch period; or (ii) the Manager, in its sole discretion is of the opinion that it is not in the best interests of investors or not commercially viable to proceed with such launch. In such case, investors will be informed and any subscription monies shall be promptly returned to them in full (without any interest) less any applicable bank charges, after the close of the launch period. In addition, after the end of the Launch Period, the Manager may at its discretion, and without any prior notice, close the Sub-Fund to subsequent subscriptions. No subsequent subscription to the Sub-Fund will be accepted during such closure. However, the Manager retains the discretion to subsequently re-open the Sub-Fund to any subsequent subscription(s), without any prior notice to existing Unitholders. For the avoidance of doubt, the Manager will not extend the investment period of the Sub-Fund even if the Sub-Fund is re-opened to subsequent subscriptions in the circumstances above.

5. Interest rate, credit and downgrading risks

- The Sub-Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

- The Sub-Fund is also exposed to the credit/default risk of issuers or guarantors of the debt securities that the Sub-Fund may invest in. If the issuer or guarantor of any of the securities in which the Sub-Fund invests defaults or suffers insolvency or other financial difficulties, the value of such Sub-Fund will be adversely affected and may lead to a loss of principal and interest.

- The credit rating of a debt instrument or its issuer or guarantor may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Manager may or may not be able to dispose of the debt securities that are being downgraded.

6. Risk relating to below investment grade and non-rated securities

- The Sub-Fund may invest in below investment grade or non-rated debt securities. Such debt securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than higher-rated debt securities.

7. Volatility and liquidity risk

- The debt securities in Asian market may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of such securities may be subject to fluctuations.

8. **Sovereign debt risk**

- The Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

9. **Valuation Risk**

- Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the net asset value calculation of the Sub-Fund.

10. **Credit rating risk**

- Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

11. **Concentration risk/Asian market risk**

- The Sub-Fund's investments are concentrated in Asia. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

- The value of the Sub-Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the Asian market.

12. **Emerging market risk**

- The Sub-Fund invests in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

13. **Currency risk**

- Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund, i.e. US dollars. Also, a class of Units may be designated in a currency other than the base currency of the Sub-Fund. The net asset value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rate between these currencies and US dollars and by changes in exchange rate controls.

14. **Derivative risk**

- Risks associated with derivative instruments include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a derivative instrument can result in a loss significantly greater than the amount invested in the derivative instrument by the Sub-Fund. Exposure to derivative instruments may lead to a higher risk of significant loss by the Sub-Fund.

- The Sub-Fund may use derivative instruments for hedging purposes which may not achieve the intended purpose. In an adverse situation, the Sub-Fund's use of derivative instruments may become ineffective in achieving hedging and may result in significant losses.

15. **Distribution risk**

- It is the Manager's current intention and discretion to distribute at an annualized rate of above USD 3-month LIBOR for the relevant distributing Units, by investing primarily in instruments that distribute at an annualized rate of above USD 3-month LIBOR. However, there is no assurance on such distribution or the distribution rate or dividend yield. **A positive distribution yield also does not imply a positive return.**

16. Effect of distribution out of capital

- The Manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Sub-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. Any such distributions may result in an immediate reduction of the net asset value per Unit.

17. Money market investments risk

- Insofar as the Sub-Fund invests in cash, cash equivalents, term deposits, and/or money market instruments, and particularly within 3 months before the Maturity Date (depending on prevailing market conditions), investors should note that such investments are neither insured nor guaranteed by any government, government agencies or government-sponsored agencies or any bank guarantee fund. The Sub-Fund does not guarantee a stable net asset value in such circumstances. The performance of the Sub-Fund may be affected by changes in money market rates, economic and market conditions and in legal, regulatory and tax requirements. In a low interest rate environment or during adverse market conditions, any existing investments in money market instruments by the Sub-Fund may effectively result in negative yields, which may adversely impact the net asset value of the Sub-Fund. The Sub-Fund is not subject to the supervision of the Hong Kong Monetary Authority. Moreover, the holding of Units in the Sub-Fund is not the same as placing funds on deposit with a bank or deposit-taking company. There is no obligation for the Manager to redeem Units in the Sub-Fund at their issue price.

18. Currency hedging risk

- Adverse exchange rate fluctuations between the base currency of the Sub-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 these currency hedged class units will be hedged at all times or that the Manager will be successful in employing the hedge.

- The costs of the hedging transactions will be reflected in the net asset value of the currency hedged class units and therefore, an investor of such currency hedged class units will have to bear the associated hedging costs, which may be significant depending on prevailing market conditions.

- If the counterparties of the instruments used for hedging purpose default, investors of the currency hedged class units may be exposed to currency exchange risk on an unhedged basis and may therefore suffer further losses.

- While hedging strategies may protect investors in the currency hedged class units against a decrease in the value of the Sub-Fund's base currency relative to the class currency of the currency hedged class units, it may also preclude investors from benefiting from an increase in the value of the Sub-Fund's base currency.

19. RMB currency and conversion risks

- RMB is currently not freely convertible and 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 RMB could adversely affect the value of investor's investment in the Sub-Fund.

- Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.

- Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

How has the Sub-Fund performed?

Performance information is not yet available. There is insufficient data to provide a useful indication of past performance to investors.

Is there any guarantee?

The Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.

What are the fees and charges?

References to Class A Units include Class A USD, Class A HKD and Class A RMB (Hedged) Units.

Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the Sub-Fund.

Fee	What you pay
Subscription fee (Preliminary Charge)	Class A Units: up to 3% of issue price
Switching fee (Conversion Charge)	N/A
Redemption fee (Realisation Charge)	Class A Units: 1.5% of realisation price^

Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as a % of the Sub-Fund's value)
Management Fee	Class A Units: 0.6% p.a.*
Trustee Fee	0.125% p.a.*
Performance Fee	N/A
Administration Fee	N/A
Registrar's Fee	0.015% – 0.05% p.a. subject to minimum of US$3,000 p.a.
Holders Servicing Fee	Class A Units: Nil*

Other fees

You may have to pay other fees and charges when dealing in the units of the Sub-Fund.

^ No realisation charge will be levied in respect of the distribution of proceeds to Unitholders (who hold Units in the Sub-Fund as at the Maturity Date) upon compulsory redemption of the Units in the Sub-Fund at the Maturity Date or early termination.

* You should note that these fees may be increased, up to a specified permitted maximum, by giving unitholders at least one month's prior notice. For details, please refer to the Explanatory Memorandum.

Additional Information

- You generally buy and redeem units at the Sub-Fund's next-determined net asset value (NAV) after Authorised Distributor receives your request in good order on or before 4:00p.m. (Hong Kong time) on a Dealing Day. The Authorised Distributor(s) may impose an earlier cut-off time before the dealing deadline for receiving instructions for subscriptions or realisations. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.
- The net asset value of the Sub-Fund is calculated on each Dealing Day, and the price of units is published on the Manager's website: www.bea-union-investment.com (this website has not been reviewed or authorized by the SFC).
- Investors may obtain information on BEA Union Investment Management Limited from the following website: www.bea-union-investment.com.
- Compositions of the distributions (if any) (i.e. the relative amounts/percentages paid out of (i) net distributable income and (ii) capital) for the last 12 distributions are available from the Manager on request and also on the following website: www.bea-union-investment.com. The Manager may amend the distribution policy subject to SFC's prior approval and by giving not less than one month's notice to investors.

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.