

Outlook and Strategy

Hong Kong China Funds





Liquidity Shifted into China A-shares

- The Chinese equity market continued its rally in March; the MSCI China A-share Index gained over 30% in the first quarter of 2019.
- However, Chinese onshore bond market had a slight retracement in March as liquidity shifted into the equity market.



China's Stimulus Measures Boosts Risk Sentiment

- The stimulus measures announced by the Chinese government should bode well for risk sentiment; we expect the economic growth in China to stabilise.
- The positive development in U.S.-China trade negotiation is encouraging to investors in Chinese capital markets. At the same time, the U.S. is optimistic about trade deal with China.



Hong Kong Equities Driven by Lower Rate Hike Expectation

- Despite market concerns on global growth, Hong Kong equities continued its upward trend in March, mainly driven by lower rate hike expectations.
- The equity market of Hong Kong overtook Japan to become the world's third-largest with a combined market capitalization of US\$5.78 trillion, behind only the U.S. and Chinese mainland markets.

BEA Union Investment China Phoenix Fund

as at 31 March 2019

- BEA Union Investment China Phoenix Fund seeks long-term capital appreciation through investing in listed securities of companies that are expected to benefit from or have exposure to the economic growth of Mainland China.
- The fund's investments are concentrated in China. This may result in greater volatility than portfolios which comprise broad-based global investments.
- The fund invests in China shares (including China A-, B- and H-Shares), Renminbi denominated corporate and government bonds, securities investment fund and warrants listed on the China stock exchanges and may be subject to withholding and other taxes imposed in China. Direct exposure to China A-Shares can be achieved via the Stock Connects, which is subject to different risks, including quota limitations, clearing and settlement risk. Investing in China involves a greater risk of loss than investing in more developed markets due to, among other factors, greater political, tax, economic, foreign exchange, liquidity and regulatory risks.
- 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 these currency hedged class units will be hedged at all times or that the manager will be successful in employing the hedge.
- Investors may invest in RMB (Hedged) units. It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. There is also no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investors' investments. There is no guarantee that the hedging strategy will be effective and investors may still be subject to the RMB currency exchange risk.
- The fund may enter into futures contracts for hedging and investment purposes. Given the leverage effect embedded in futures contracts, the fund may be exposed to significant losses.
- Investors should not make an investment decision based solely on this material.

Fund Performance

%	YTD	1 Year	3 Year	5 Year	Since Launch	2018	2017	2016	2015	2014
Class A USD	15.8	-9.9	35.4	8.4	7.0	-19.4	44.6	-6.9	-21.2	0.6
Class A HKD	16.1	-9.9	36.8	9.5	8.1	-19.3	45.6	-6.9	-21.2	0.5
Class A RMB (Hedged)	15.6	-9.8	40.2	N/A	11.2	-19.0	48.5	-5.4	-18.8	4.2 [^]

Source: Lipper, as at 31 March 2019. Class A USD and Class A HKD were launched on 30 April 2013. Class A RMB (Hedged) was launched on 12 December 2014. Performance is calculated in the respective fund currency on a NAV to NAV basis. Gross income is re-invested. HKD/USD based investors are exposed to foreign exchange fluctuations. Past performance is not indicative of future performance.

[^]Since launch till 31 December of the same year.

Portfolio Recap & Strategy

- Overall, we have increased the portfolio beta due to policy easing and improvement in the sentiment. Also, we increased the weighting in China-A shares following MSCI's announcement of increase in inclusion.
- We remain cautious towards the technology sector, but would look for secular growth trend in the upstream technology and non-smartphone exposures.

Market Review

Major Index	YTD	1 Year
MSCI China Index	18.0%	-8.0%

Source: Bloomberg, as at 31 March 2019

	Key Economic Indicators							
	GDP (YoY)		CPI (YoY)		PMI		Exports (YoY)	
	Mar 2019	Dec 2018	Mar 2019	Feb 2019	Mar 2019	Feb 2019	Mar 2019	Feb 2019
China	6.4%	6.4%	2.3%	1.5%	50.5%	49.2%	14.2%	-20.7%

Source: Bloomberg, as at respective month end.

Market Commentary

- China's onshore and offshore equity markets continued to rally in March. The property sector outperformed the most on stronger than expected results and contracted sales guidance.
- Hong Kong equities continued its upward trend in March. In terms of sectors, local property stocks outperform due to lower interest rates and better physical market condition.

BEA Union Investment China Gateway Fund ("CGF")

as at 31 March 2019

- BEA Union Investment China Gateway Fund (the "Fund") seeks medium to long term capital growth and income through investing primarily in equity securities and/or debt securities, that are either (a) traded in China or (b) issued by entities incorporated in China or entities which have significant operations in or assets in, or derive significant portion of revenue or profits from China.
- The Fund's investments are concentrated in China's equity securities and debt securities. This may result in greater volatility than a fund having a more diverse portfolio of investments. The Fund may also be subject to withholding and other taxes imposed in China.
- The Fund may invest in below investment grade, or rated BB+ or below by a China credit rating agency, or non-rated debt securities, which are subject to greater interest rate, credit and liquidity risks, higher volatility and greater risk of loss of principal and interest than higher-rated debt securities.
- The Fund may invest in China A-Shares via Stock Connects, China interbank bond market via Foreign Direct Access Regime and/or Bond Connect. Such programmes are subject to regulatory risks and various risks such as quota limitation, volatility risk, liquidity risk, settlement and counterparty risk etc.
- 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. Any such distributions may result in an immediate reduction of the net asset value per unit.
- 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 these currency hedged class units will be hedged at all times or that the manager will be successful in employing the hedge.
- RMB is currently not freely convertible and is subject to exchange controls and restrictions. Any depreciation of RMB could adversely affect the value of investor's investment in the Fund.
- The Fund may use derivative instruments for hedging purposes which may not achieve the intended purpose, and may result in significant losses.
- Investors should not make an investment decision based solely on this material.

Fund Performance

%	YTD	1 Year	Since Launch
A USD (Acc)	12.6	-6.1	-10.9
A USD (Dis)	12.7	-6.2	-10.9
A HKD (Dis)	12.9	-6.2	-10.6
A AUD Hgd (Dis)#	12.1	-7.5	-11.6
A RMB Hgd (Dis)#	12.4	-6.0	-10.4

Hgd = Hedged

Source: Lipper, as at 31 March 2019. All classes were launched on 31 January 2018. Performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested. HKD/USD based investors are exposed to foreign exchange fluctuations. Past performance is not indicative of future performance.

Portfolio Recap & Strategy

- Overall, we have increased the portfolio beta due to policy easing and improvement in the sentiment. Also, we increased the weighting in China-A shares following MSCI's announcement of increase in inclusion.
- The fund took partial profit from bonds with tight valuations. We will turn slightly defensive and trim names with tight valuations and long duration due to the supply pressure, particularly on the Chinese property sector.

Market Review

Major Indices	YTD	1 Year
MSCI China Index	18.0%	-8.0%
CSI 300 Index	28.6%	-0.7%

Source: Bloomberg, as at 31 March 2019

	Key Economic Indicators							
	GDP (YoY)		CPI (YoY)		PMI		Exports (YoY)	
	Dec 2018	Sep 2018	Mar 2019	Feb 2019	Mar 2019	Feb 2019	Feb 2019	Jan 2019
China	6.4%	6.5 %	2.3%	1.5%	50.5%	49.2%	-20.7%	9.2%
Hong Kong	1.3%	2.8 %	2.1%	2.1 %	48.0%	48.4%	-6.9%	-0.4%

Source: Bloomberg, as at respective month end.

Market Commentary

- China's onshore and offshore equity markets continued to rally in March. The property sector outperformed the most on stronger than expected results and contracted sales guidance.
- In March, overall Asian high yield bonds spread continued to tighten, supported by the risk on sentiment. Chinese high yield property bonds were supported by muted new issuance due to reporting season.

BEA Union Investment China High Yield Income Fund ("CHY")

as at 31 March 2019

- BEA Union Investment China High Yield Income Fund seeks to achieve medium to long term capital growth and regular income by primarily investing in high yield debt securities that are issued or guaranteed by entities which are incorporated in China or have significant operations in or assets in, or derive significant portion of revenue or profits from China.
- The fund may invest significantly in below investment grade or non-rated debt securities, including high yield bonds, which are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than higher rated securities.
- The fund's investments are concentrated in China. The value of the fund may be more volatile than that of a fund having a more diverse portfolio of investments.
- The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the fund. Investors should note that the 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.
- 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 these currency hedged class units will be hedged at all times or that the manager will be successful in employing the hedge.
- RMB is currently not freely convertible and is subject to foreign exchange control policies of the Chinese government. 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 would adversely affect the value of investor's investment in the fund.
- The fund may use certain financial derivative instruments for hedging and investment purposes which may not achieve the intended purpose and may result in significant losses.
- Investors should not make an investment decision based solely on this material.

▶ Fund Performance

%	YTD	1 Year	Since Launch	2018	2017	2016
A USD (Dis)	5.2	4.1	20.3	-1.4	7.0	8.4 [^]
A HKD (Dis)	5.4	4.1	21.8	-1.2	7.8	8.4 [^]
A AUD Hgd (Dis) [#]	4.8	2.6	17.9	-2.5	6.6	8.3 [^]
A RMB Hgd (Dis) [#]	5.0	4.5	25.7	-0.5	10.2	9.2 [^]

[#] Hgd = Hedged

Source: Lipper, as at 31 March 2019. All classes were launched on 22 April 2016. Performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested. HKD/USD based investors are exposed to foreign exchange fluctuations. Past performance is not indicative of future performance.

[^]Since launch till 31 December of the same year.

▶ Portfolio Recap & Strategy

- The fund has been picking up bonds in the primary market with new issue premium. We added some higher beta names with attractive valuation, improved funding access and fundamentals.
- The fund took partial profit from bonds with tight valuations. We will turn slightly defensive and trim names with tight valuations and long duration due to the supply pressure, particularly on the Chinese property sector.

▶ Market Review

Indicative Yield	Latest Month	Previous Month
Yield of Bank of America Merrill Lynch Asian Dollar High Yield Corporate China Issuers Index	6.4%	6.4%

Source: Bloomberg. Latest month: as at 31 March 2019; previous month: as at 28 February 2019.

	Key Economic Indicators					
	GDP (YoY)		CPI (YoY)		PMI	
	Dec 2018	Sep 2018	Mar 2019	Feb 2019	Mar 2019	Feb 2019
China	6.4%	6.5 %	2.3%	1.5%	50.5%	49.2%
Hong Kong	1.3%	2.8 %	2.1%	2.1%	48.0 %	48.4%

Source: Bloomberg, as at respective month end.

▶ Market Commentary

- In March, overall market spreads continued to tighten, supported by the risk-on sentiment. Chinese high yield property bonds were supported by muted new issuance due to reporting season.
- We expect there will be more beta and duration chasing in the market, names with an exceptionally attractive yield and material fundamental improvement will continue to outperform the market.

BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund

as at 31 March 2019



- BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund provides investors with long term capital growth in HK dollar terms through investing in a portfolio consisting primarily of HK dollar denominated interest bearing securities.
- The fund invests in a single market which may be subject to higher concentration risk than funds which invest in a number of different markets.
- Investors should not make an investment decision based solely on this material.

Fund Performance

%	YTD	1 Year	3 Years	5 Years	Since Launch	2018	2017	2016	2015	2014
Class R	2.0	3.5	3.7	10.6	23.9	0.7	2.9	-0.3	2.3	3.0

Source: Lipper, as at 31 March 2019. Class R was launched on 2 June 2008. Performance is calculated in HKD on a NAV to NAV basis. Gross income is re-invested. Past performance is not indicative of future performance.

Portfolio Recap & Strategy

- The fund remains neutral on duration strategy and looking to add some longer-end Hong Kong government bonds.
- Given the strong rebound in U.S. dollar credit, we look to maintain our positions in U.S. dollar bonds for tactical trading strategy.

Market Review

Indicative Deposit Rate	Latest Month	Previous Month
HKD Deposit 3-Month	0.2%	0.2%

Source: Bloomberg. Latest month: as at 31 March 2019; previous month: as at 28 February 2019.

	Key Economic Indicators					
	GDP (YoY)		CPI (YoY)		Exports (YoY)	
	Dec 2018	Sep 2018	Mar 2019	Feb 2019	Feb 2019	Jan 2019
Hong Kong	1.3%	2.8%	2.1%	2.1%	-6.9%	-0.4%

Source: Bloomberg, as at respective month end.

Market Commentary

- The interest rate of Hong Kong dollar has moved along with the U.S. dollar interest rates in March 2019. At the same time, the aggregate balance has dropped to HK\$54 billion due to Hong Kong Monetary Authority's interventions.
- We expect the interest rate of Hong Kong dollar will move in line with the U.S. interest rates and exchange rate against the U.S. dollar to remain on the weak side.

Fund Details

BEA Union Investment China Phoenix Fund

(As at 31 March 2019)

Unit Class	A HKD	A RMB (Hedged)	A USD
Launch Date	30 April 2013	12 Dec 2014	30 April 2013
Minimum Investment Amount	HK\$10,000	US\$2,000 or equivalent	US\$2,000
ISIN	HK0000141819	HK0000226156	HK0000141801
Bloomberg	BEACPAH HK	BEACPAC HK	BEACPAU HK
Base Currency	US\$		
Management Fee	1.75% p.a.		
Preliminary Charge	Up to 5.00%		
Realisation Charge	Currently waived		
Dealing Frequency	Daily (HK business days)		
NAV per Unit	HK\$108.09	RMB111.24	US\$10.7
Fund Size	US\$9.78 million		

BEA Union Investment China Gateway Fund

(As at 31 March 2019)

Unit Class	A USD (Dis)	A HKD (Dis)	A AUD Hgd (Dis) [#]	A RMB Hgd (Dis) [#]	A USD (Acc)
Launch Date	31 January 2018				
Minimum Investment Amount	US\$2,000	HK\$10,000	US\$2,000 or equivalent	US\$2,000 or equivalent	US\$2,000
Dividend Frequency	Monthly (aims to provide a monthly dividend, dividend is not guaranteed and distributions may be paid out of income and/or capital ²)				
Record Date ¹	14 th day of every month				
Ex-Dividend Date	One business day after Record Date				
ISIN	HK0000257441	HK0000257433	HK0000375474	HK0000375482	HK0000257458
Bloomberg	BUCGAUD HK	BUCGAHD HK	BUCGAAH HK	BUCGARH HK	BUCGAUA HK
Base Currency	USD				
Management Fee	1.50% p.a.				
Preliminary Charge	Up to 5.00%				
Realisation Charge	Currently waived				
Dealing Frequency	Daily (HK and PRC business days)				
NAV per Unit	US\$8.47	HK\$85.04	AU\$8.29	RMB 83.50	US\$8.91
Fund Size	US\$73.12million				

[#] Hgd = Hedged

¹ If such day is not a business day, the record date will be the immediately preceding business day.

² Dividend only applies to distributing classes and is not guaranteed. The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the fund. Investors should note that the 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.

Fund Details

BEA Union Investment China High Yield Income Fund

(As at 31 March 2019)

Unit Class	A USD (Dis)	A HKD (Dis)	A AUD Hgd (Dis) [#]	A RMB Hgd (Dis) [#]
Launch Date	22 April 2016			
Minimum Investment Amount	US\$2,000	HK\$10,000	US\$2,000 or equivalent	US\$2,000 or equivalent
Dividend Frequency	Monthly (aims to provide a monthly dividend, dividend is not guaranteed and distributions may be paid out of income and/or capital ²)			
Record Date ¹	14 th day of every month			
Ex-Dividend Date	One business day after Record Date			
ISIN	HK0000288032	HK0000288040	HK0000288057	HK0000288065
Bloomberg	BEACYAU HK	BEACYAH HK	BEACYAA HK	BEACYAR HK
Base Currency	USD			
Management Fee	1.20% p.a.			
Preliminary Charge	Up to 5.00%			
Realisation Charge	Currently waived			
Dealing Frequency	Daily (HK business days)			
NAV per Unit	US\$9.95	HK\$100.79	AU\$9.41	RMB98.26
Fund Size	US\$59.08million			

BEA Union Investment Hong Kong Dollar (HK\$) Bond Fund

(As at 31 March 2019)

Unit Class	Class R
Launch Date	2 June 2008
Minimum Investment Amount	HK\$10,000
ISIN	HK0000065166
Bloomberg	BEACAPI HK
Base Currency	HK\$
Management Fee	0.75% p.a.
Preliminary Charge	Up to 5.00%
Realisation Charge	Currently waived
Dealing Frequency	Daily (HK business days)
NAV per Unit	HK\$126.32
Fund Size	HK\$1520.35million

Hgd = Hedged

¹ If such day is not a business day, the record date will be the immediately preceding business day.

² Dividend only applies to distributing classes and is not guaranteed. The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the fund. Investors should note that the 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.

If you would like to subscribe other marketing materials of the funds, please feel free to register as a member of BEA Union Investment at this link: www.bea-union-investment.com/member-registration

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