









Outlook and Strategy

# Income Funds



# Industry Recognitions for Asian Fixed Income Capabilities

Organiser	Award	
<b>The Asset</b>	 <p>2018 One of the Top Investment Houses in Asian G3 Bonds (Hong Kong)<sup>1</sup></p>	 <p>2018 One of the Top Investment Houses in Asian Local Currency Bonds (Hong Kong)<sup>1</sup></p>
<b>BENCHMARK</b>	 <p>BENCHMARK Fund of the Year Awards 2018: Best-In-Class, Asia Pacific Fixed Income HC<sup>2</sup></p>	 <p>BENCHMARK Fund of the Year Awards 2017: House Award, Best-In-Class, Asia Fixed Income<sup>2</sup></p>
<b>Fund Selector Asia</b>	 <p>The 2019 Fund Selector Asia Hong Kong: Platinum Winner in Regional Bond<sup>3</sup></p>	 <p>The 2018 Fund Selector Asia Hong Kong: Gold Winner in Regional Bond<sup>3</sup></p>
<b>Lipper</b>	 <p>WINNER OF THE 2018 <b>THOMSON REUTERS LIPPER FUND AWARDS HONG KONG</b></p> <p>Lipper Fund Awards Year 2018 Hong Kong: Best Bond Fund, Asia Pacific, HC (3 &amp; 5 years)<sup>4</sup></p>	 <p>WINNER OF THE 2017 <b>THOMSON REUTERS LIPPER FUND AWARDS HONG KONG</b></p> <p>Lipper Fund Awards Year 2017 Hong Kong: Best Bond Fund, Asia Pacific, Local Currency (3 &amp; 5 years)<sup>4</sup></p>

The awards mentioned above were granted to BEA Union Investment Asian Bond and Currency Fund.

1. Source: The Asset, performance as at October 2018 for 2018 Research for Asian G3 Bonds award; performance as at June 2018 for 2018 Research for Asian Local Currency Bonds award.
2. Source: BENCHMARK, performance for A USD (Acc) as at 28 September 2018 for 2018 award, performance as at November 2017 for 2017 house award.
3. Source: Fund Selector Asia, performance as at 29 June 2018 for 2019 award, as at 30 June 2017 for 2018 award.
4. Source: Lipper, performance for A USD (Acc) as at 29 December 2017 for 2018 award, as at 31 December 2016 for 2017 award. Award logo from Thomson Reuters Lipper Awards, ©2018 Thomson Reuters. 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.



## Upward Momentum to Continue

- Equity markets have maintained their upward momentum as risk premium coming down. Hong Kong and U.S. equities continue to perform well year-to-date. The market rebound has been largely driven by investors' repositioning and short covering.
- In our opinion, market re-rating always plays the most important part of the returns during the early phase of market surge, as share price is perceived as the "lead" leading indicator.



## Chinese Economy Pass Through the Worst

- We are now of the view that the Chinese economy and stock markets have passed through the worst of this cycle. The central government is actively responding to the issues which arose last year and is relaxing its stance on de-leveraging by easing liquidity.
- Chinese domestic consumption remains strong and household leverage is not high. Retail investor interest also appears to be returning to the market. These factors should all provide some support to Chinese markets for the rest of the year.



## Asian Local Bonds Attract Sizable Inflows

- Asian local bond markets benefited from the improvement in sentiment, especially the Indonesian and onshore China markets which have attracted sizable inflows over the last two months.
- Bloomberg decided to include renminbi bonds in its fixed income indices which was also positive for the market.

## BEA Union Investment

# Asian Bond and Currency Fund ("ABC")

as at 28 February 2019

• BEA Union Investment Asian Bond and Currency Fund seeks regular interest income, capital gains and currency appreciation from an actively managed portfolio of debt securities denominated in Asian or other currencies and primarily issued by Asian government or corporate entities. • The fund invests in emerging markets, which are subject to higher liquidity and volatility risks. • The fund may invest in lower-rated fixed income instruments, including below investment grade and non-rated debt securities, which are subject to greater credit and liquidity risks than higher-rated securities. • 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. • 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 and currency forward contracts for hedging and investment purposes. Given the leverage effect embedded in futures and currency forward contracts, the fund may be exposed to significant losses. • Investors should not make an investment decision based solely on this material.

## Fund Performance



Morningstar Overall Rating<sup>1</sup>

%	YTD	1 Year	3 Years	5 Years	Since Launch	2018	2017	2016	2015	2014
A USD (Acc)	3.4	1.1	23.5	35.4	134.7	-2.4	8.2	14.0	4.8	2.5
A USD (Dis)	3.4	1.1	23.5	35.3	134.6	-2.4	8.3	14.0	4.8	2.5
H HKD (Dis)	3.7	1.3	24.5	36.9	67.8	-2.2	9.1	14.0	4.8	2.5
A AUD Hgd (Dis) <sup>#</sup>	3.2	0.1	22.2	N/A	35.9	-3.1	7.7	14.8	6.9	2.9 <sup>^</sup>
A RMB Hgd (Dis) <sup>#</sup>	3.2	1.7	29.8	N/A	46.7	-1.3	11.9	15.5	8.7	2.5 <sup>^</sup>

<sup>#</sup>Hgd = Hedged

Source: Lipper, as at 28 February 2019. A USD (Acc) and A USD (Dis) were launched on 28 August 2008. H HKD (Dis) was launched on 1 June 2011. A AUD Hgd (Dis) and A RMB Hgd (Dis) were launched on 30 May 2014. 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.

<sup>^</sup> 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 have added to our position in some higher beta names in China and Indonesia with attractive valuations, improved funding access and fundamentals.

## Market Review

Indicative Deposit Rate	Latest Month	Previous Month
Dividend Yield BofA Merrill Lynch Asian Dollar High Yield Corporate Index	8.4%	9.0%

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

	Key Economic Indicators					
	GDP (YoY)		CPI (YoY)		PMI	
	Dec 2018	Sep 2018	Feb 2019	Jan 2019	Feb 2019	Jan 2019
China	6.4%	6.5%	1.5%	1.7%	49.2	49.5
U.S.	3.1%	3.0%	1.5%	1.6%	64.7	56.7

Source: Bloomberg, as at respective month end.

## Market Commentary

- In February, Chinese high yield property names outperformed the market driven by improving offshore funding environment, positive credit event of selective names and attractive valuation especially on the high beta and long tenor bonds.
- In the Southeast Asian markets, Indonesian property bonds rallied due to risk-on sentiment. Indonesian and Indian commodity names continued to benefit from commodity prices and eased global trade tensions.

1. © 2019 Morningstar. All Rights Reserved. Data as of 28 February 2019. The rating is for A USD (Dis).

## BEA Union Investment

# Asia Pacific Multi Income Fund ("APM")

as at 28 February 2019

• BEA Union Investment Asia Pacific Multi Income 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. • The fund invests in emerging markets and may be subject to higher liquidity and volatility risks. • The fund invests directly in listed REITs, equities and managed funds, and is thus subject to the risks generally associated with such asset classes, including but not limited to liquidity of the asset class, changes in investment sentiment, political environment, economic, business and social conditions in local and global marketplace. • The fund may invest in lower-rated fixed income instruments, including below investment grade and non-rated debt securities, which are subject to greater credit and liquidity risks than higher-rated securities. • 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. • 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 Years	5 Years	Since Launch	2018	2017	2016	2015	2014
A USD (Dis)	5.2	-2.6	18.7	21.8	50.6	-6.5	11.8	6.3	0.4	2.7
A HKD (Dis)	5.4	-2.4	19.7	23.1	52.2	-6.3	12.7	6.3	0.3	2.8
A USD (Acc)	5.1	-2.7	18.6	21.8	34.1	-6.5	11.8	6.3	0.3	2.8
A AUD Hgd (Dis) <sup>#</sup>	4.9	-4.0	15.5	N/A	19.0	-7.5	11.2	5.5	1.5	3.1 <sup>^</sup>
A RMB Hgd (Dis) <sup>#</sup>	5.0	-1.9	24.3	N/A	30.7	-5.5	15.0	8.1	3.8	2.0 <sup>^</sup>
A NZD Hgd (Dis) <sup>#</sup>	4.8	-3.8	15.5	N/A	16.1	-7.4	11.2	5.4	1.5	0.4 <sup>^</sup>

<sup>#</sup>Hgd = Hedged

Source: Lipper, as at 28 February 2019. A USD (Dis) and A HKD (Dis) were launched on 11 May 2012, A USD (Acc) was launched on 28 September 2012. A AUD Hgd (Dis) and A RMB Hgd (Dis) were launched on 30 May 2014. A NZD Hgd (Dis) was launched on 12 December 2014. 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.

<sup>^</sup>Since launch till 31 December of the same year.

## Portfolio Recap & Strategy

- In terms of Asian investment grade bonds, the fund continues to overweight selective BBB names and we are comfortable with the long-end bonds with good technical support.
- With equities, the fund took profit on outperforming stocks and switched into laggards with attractive dividend yields.

## Market Review

Indicative Dividend Yield	Latest Month	Previous Month
Dividend Yield of JACI Non-Investment Grade Index	7.9%	8.1%
Dividend Yield of Hang Seng Index	3.7%	3.8%
Dividend Yield of Bloomberg Asia REIT Index	4.3%	4.3%

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

	Key Economic Indicators									
	GDP (YoY)		CPI (YoY)		PMI		Imports (YoY)		Exports (YoY)	
	Dec 2018	Sep 2018	Feb 2019	Jan 2019	Feb 2019	Jan 2019	Jan 2019	Dec 2018	Jan 2019	Dec 2018
China	6.4%	6.5%	1.5%	1.7%	49.2	49.5	-1.6%	-7.6%	9.3%	-4.4%
Hong Kong	1.3%	2.8%	2.1%	2.4%	48.4	48.2	-6.0%	-7.0%	-0.4%	-5.8%
Singapore	1.9%	2.4%	0.5%	0.4%	50.4	50.7	4.9%	3.3%	-0.4%	-3.8%

Source: Bloomberg, as at respective month end.

## Market Commentary

- In the Southeast Asian markets, Indonesian property bonds rallied due to risk-on sentiment. Indonesian and Indian commodity names continued to benefit from commodity prices and eased global trade tensions.
- China's onshore and offshore equity markets continued to rally strongly in February, mainly driven by the positive developments in the U.S.-China trade negotiations and favourable global liquidity environment.

1. © 2019 Morningstar. All Rights Reserved. Data as of 28 February 2019. The rating is for A USD (Dis).

# BEA Union Investment Asian Strategic Bond Fund ("ASB")

as at 28 February 2019

• BEA Union Investment Asian Strategic Bond Fund seeks medium to long term capital growth and regular income by primarily (i.e. at least 70% of its non-cash assets) investing in debt securities that are (a) denominated in Asian currencies, or (b) 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, and denominated in USD or other currencies including Asian currencies. • The fund invests in emerging markets and may be subject to higher liquidity and volatility risks. • The fund may invest in below investment grade or non-rated debt securities, which are subject to greater credit and liquidity risks than higher-rated securities. • 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 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	2018	2017
A USD (Acc)	2.3	1.8	4.9	-1.6	4.2 <sup>^</sup>
A USD (Dis)	2.4	1.9	5.0	-1.6	4.2 <sup>^</sup>
A HKD (Dis)	2.6	2.1	6.2	-1.5	5.0 <sup>^</sup>
A AUD Hgd (Dis) <sup>#</sup>	1.9	0.1	2.4	-2.9	3.4 <sup>^</sup>
A RMB Hgd (Dis) <sup>#</sup>	2.1	2.2	7.5	-0.8	6.1 <sup>^</sup>

<sup>#</sup> Hgd = Hedged

Source: Lipper, as at 28 February 2019. All classes were 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. HKD/USD based investors are exposed to foreign exchange fluctuations. Past performance is not indicative of future performance.

<sup>^</sup> Since launch till 31 December of the same year.

## Portfolio Recap & Strategy

- In terms of Asian investment grade bonds, we will continue overweight selective BBB names and are comfortable with holding the long-end bonds which have good technical support.
- In terms of Asian high yield bonds, the fund added to our position in some higher beta names in China and Indonesia with attractive valuations, improved funding access and fundamentals.

## Market Review

Indicative Yield	Latest Month	Previous Month
Dividend Yield BofA Merrill Lynch Asian Dollar Corporate Index	8.4%	9.0%

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

	Key Economic Indicators					
	GDP (YoY)		CPI (YoY)		PMI	
	Dec 2018	Sep 2018	Feb 2019	Jan 2019	Feb 2019	Jan 2019
China	6.4%	6.5%	1.5%	1.7%	49.2	49.5
U.S.	3.1%	3.0%	1.5%	1.6%	64.7	56.7

Source: Bloomberg, as at respective month end.

## Market Commentary

- The 10-year U.S. Treasuries yield traded at low volatility in February in a tight range between 2.63% and 2.72% as the market continued to await the potential trade deal outcome.
- We remain constructive on selective Asian local bond markets in the near term with a more dovish stance of Asian central banks, encouraging development on U.S.-China trade talks and commitment of Chinese government to launch more stimulus measures to support the economy.

# Fund Details

## BEA Union Investment Asian Bond and Currency Fund

Unit Class	A USD (Dis)	H HKD (Dis)	A AUD Hgd (Dis) <sup>#</sup>	A RMB Hgd (Dis) <sup>#</sup>	A USD (Acc)	A EUR Hgd (Acc) <sup>#</sup>
Launch Date	28 Aug 2008	1 Jun 2011	30 May 2014	30 May 2014	28 Aug 2008	21 Jun 2018
Minimum Investment Amount	US\$2,000	HK\$10,000	US\$2,000 or equivalent	US\$2,000 or equivalent	US\$2,000	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 <sup>2</sup> )				—	—
Record Date <sup>1</sup>	14 <sup>th</sup> day of every month				—	—
Ex-Dividend Date	One business day after Record Date				—	—
ISIN	HK0000065216	HK0000081361	HK0000162856	HK0000194263	HK0000065208	HK0000405735
Bloomberg	BEABCAI HK	BEABCHD HK	BEAAUHD HK	BEARMHD HK	BEABCAA HK	BEABCAE HK
Base Currency	US\$					
Management Fee	1.20% p.a.					
Preliminary Charge	Up to 5.00%					
Realisation Charge	Currently waived					
Dealing Frequency	Daily (HK business days)					

## BEA Union Investment Asia Pacific Multi Income Fund

Unit Class	A USD (Dis)	A HKD (Dis)	A AUD Hgd (Dis) <sup>#</sup>	A NZD Hgd (Dis) <sup>#</sup>	A RMB Hgd (Dis) <sup>#</sup>	A USD (Acc)
Launch Date	11 May 2012	11 May 2012	30 May 2014	12 Dec 2014	30 May 2014	28 Sep 2012
Minimum Investment Amount	US\$2,000	HK\$10,000	US\$2,000 or equivalent	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 <sup>2</sup> )					—
Record Date <sup>1</sup>	14 <sup>th</sup> day of every month					—
Ex-Dividend Date	One business day after Record Date					—
ISIN	HK0000107257	HK0000107265	HK0000162815	HK0000162849	HK0000194255	HK0000122330
Bloomberg	BEAPMIU HK	BEAPMIH HK	BEAPAAH HK	BEANZDH HK	BEAPARH HK	BEAPUAA HK
Base Currency	US\$					
Management Fee	1.40% p.a.					
Preliminary Charge	Up to 5.00%					
Realisation Charge	Currently waived					
Dealing Frequency	Daily (HK business days)					

# Hgd = Hedged

<sup>1</sup> If such day is not a Business Day, the Record Date will be the immediately preceding Business Day.

<sup>2</sup> 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 Asian Strategic Bond Fund

Unit Class	A USD (Dis)	A HKD (Dis)	A AUD Hgd (Dis) <sup>#</sup>	A RMB Hgd (Dis) <sup>#</sup>	A USD (Acc)
Launch Date	24 Feb 2017				
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 <sup>2</sup> )				–
Record Date <sup>1</sup>	14 <sup>th</sup> day of every month				–
Ex-Dividend Date	One business day after Record Date				–
ISIN	HK0000319340	HK0000319357	HK0000319365	HK0000319373	HK0000319381
Bloomberg	BEABAUD HK	BEABAHD HK	BEAAAHD HK	BEAARHD HK	BEABAU HK
Base Currency	US\$				
Management Fee	1.00% p.a.				
Preliminary Charge	Up to 5.00%				
Realisation Charge	Currently waived				
Dealing Frequency	Daily (HK business days)				

# Hgd = Hedged

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

<sup>2</sup> 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 stay informed of the market development and our latest investment strategy, please feel free to register as a member of BEA Union Investment at this link: [www.bea-union-investment.com/member-registration](http://www.bea-union-investment.com/member-registration)**

Investments in the fund(s) are subject to investment risks, including the possible loss of the principal amount invested. For full details and risk factors of the fund(s), please refer to the explanatory memorandum of the fund(s). Investors should also read the explanatory memorandum of the fund(s) for detailed information prior to any subscription. The information contained herein is only a brief introduction to the fund(s). Investors should be aware that the price of units may go down as well as up as the investments of the fund(s) 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(s) have been authorized by the Securities and Futures Commission ("SFC") in Hong Kong. SFC authorisation 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 website have not been reviewed by the SFC in Hong Kong.

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Retail Hotline: (852) 3608 0321  
[www.bea-union-investment.com](http://www.bea-union-investment.com)

