

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 debt 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")

Overweight recovery names in India to capture the opportunities in market rebound



Highlights:

1. With the yield spread advantage, capital continues to flow into the emerging markets in Asia.
2. Overweight India travel and financials to capture the opportunities in market rebound.
3. Prefers financially strong Chinese property developers with multi-funding channels.

Fund Features

- The Fund adopts an unconstrained strategy, with maximum flexibility allowed in allocating assets among corporate bonds, government bonds, high yield bonds and investment grade bonds, while actively hunting for alpha opportunities.
- Seeks stable dividends and exploits the appreciation potential of Asian bonds.

Market Review

In May, U.S. job market data, consumer price index and commodity prices have all risen to reflect the ideal economic recovery, the U.S. treasury yield range-bounded at 1.56% to 1.67%. Market expected the Fed might start the discussions on tapering and yet, Fed officials reiterated that the current inflation was transitory and had no intention to shift the monetary policy which withheld the yield to hike further for the time being.

China economic figures were mixed, retail market and credit growth missed market expectations, while fixed asset investment and industrial production performed strongly possibly due to the reopening of economies in western countries where consumption was resumed and industrial manufacturing and exports of China were boosted as a result.

Indonesian and Chinese industrials outperformed in May on the back of global economic recovery. The pandemic in India was relieved in May and the government was contemplating reopening plan in June and July which supported the property market.

Market Outlook

In recent months, retail and job markets continued to recover in the U.S. The decline in inventories and the higher openings evident economic recovery is on the right track. The minutes of the Federal Reserve Board's meeting showed that members tended to discuss the timetable for tapering. We expect a more gradual upward movement of the yield for the rest of the year unlike the drastic movement seen in the first quarter. Comparing with European and U.S. bonds, Asian bonds offer considerable yield spread which continues to attract capital inflow to the emerging markets to seek for yields.

Rising commodity prices, coupled with the continual economic recovery of major developed countries raised market risk premiums. India is planning to reopen its economy in June and July that enhances investment sentiment. As the vaccination rate in Asia continues to grow, the market has greater expectation for economic restart. The prices for metals, mining and chemicals went up for growing market demand which favors Asian countries with rich natural resources.

We continue to like bonds with shorter term and high quality as they are more resistant to rate hike. In addition, the tightening policies in China have no significant impact on the home sales, systemic risk seems to have been transferred to the market.

Investment Strategy

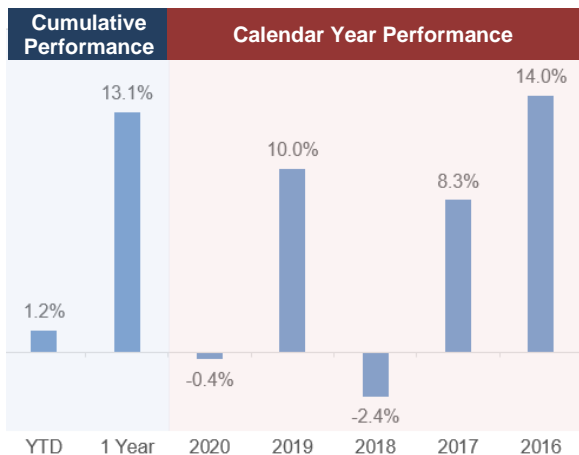
We continue to add weights on Asian high-yield bonds. The treasury yields will likely rise on robust economic data. High-yield bonds are mostly with shorter duration and are less sensitive to interest rate movement that will likely outperform under the rate hike cycle. We seize the opportunity to add financially strong names with undemanding valuations and trimmed those with credit concern.

In May, we increased our holdings of Indian high-yield bonds. India is severely hit by the pandemic, and the bond price adjusted quite a bit giving rise to plenty of investment opportunities. The number of daily new cases have dropped from 400,000 at the peak to around 100,000. The vaccination rate in India ranked the third in the region. We believe after the pandemic is more contained, Indian bonds will become more performing. We have increased our holdings in travel and finance related names including airports. Most of these bonds are rated BB or above and the duration is moderate that explains why we have it as our investment focus.

Chinese bonds offer considerable yield spread. With inflation being expected to be up in an orderly manner plus the implementation of the "Three-red-line" policy, a number of Chinese property developers are deleveraging actively. The market is still looking positive, the valuation of the property developers which are financially strong is turning to be attractive and helps support their bond prices.

Fund Performance

Performance¹ : A USD (Distributing)



A USD (Distributing) launched on 28 Aug 2008.

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 Rank 7 (Hong Kong)²



One of the Top Investment Houses in Asian Local Currency Bonds (Hong Kong)³



Gold Winner, Regional Bond⁴



Best-In-Class, Asia Pacific Fixed Income Hard Currency⁵

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	BEABIA 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	BEABIA HK

* For professional investor only

Source of the fund information: BEA Union Investment Management Limited, as at 31 May 2021.

1. Source: Lipper, as at 31 May 2021. The quoted return is for A USD (Distributing) 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, 2020 Research for Asian G3 Bonds, October 2020.
3. Source: The Asset, 2020 Research for Asian Local Currency Bonds, October 2020.
4. Source: Fund Selector Asia, January 2020.
5. Source: BENCHMARK, November 2019.

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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