![BEA Union Investment]

16 August 2021

Fund Report

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 debts 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")

Underweight Chinese property and increase holdings in India high yields supported by government policies

Highlights:

1. China economy is recovering steadily and gaining further support by the cuts in required reserve ratio.
2. Underweight Chinese property to mitigate risk from the spill-over of the mega name issue.
3. Healthy commodity prices and supportive government policies favour India high yields.

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 July, the result of U.S. economic data is weaker than expected in terms of manufacturing and employment, while retail sales strengthened. The U.S. Treasury yields fell back to the low since February and traded within 1.13% to 1.48% due to the increase of COVID cases globally brought by the Delta variant. We expect not until the economy shows obvious improvement will the yield shoot higher again.

In China, the weaker than expected PMI figure and the broad-based cut in required reserve ratio (RRR) triggered concern in the slowing down of economic growth. However, the exports beat expectation with wide margin and industrial production and retail sales growth largely in line reflecting the economy was still under stable growth. Cutting RRR injects huge liquidity into China financial market which will briefly support the local economy prior to the commencement of U.S. tapering.

With the concern on the potential default issue of a mega name in the Chinese property sector, spill-over effect was seen in most of other sectors which posted a negative return, except banking in Asia which outperformed in the month.

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Market Outlook

The Delta variant resurgence triggered worrisome of global growth momentum, we expect treasury yields would stay low technically. Besides, we expect yields have to see better global growth expectation and therefore the recent tapering talks by Fed and other U.S. officials failed to send the yields higher.

Due to the tightening measures and the evolution of the default issue of a mega name in the Chinese property sector, we are wary about the contagion risk to the market. We expect the China market is getting volatile in near term for the recent COVID case surge which dragged the gaming sector's performance. Despite the across the board rate cut by the Chinese government in July, onshore bond investors are remaining cautious and discreet in picking names for new financing. We expect the mid-to-small sized developers will face more refinancing risk especially those heavily rely on offshore funding.

We continue to like high yield bonds with shorter term and high quality as they are more resistant to interest rate movement and resilient to market downside. The cuts in RRR will drive more liquidity flow into the financial market which will support the recovering economy and also the transaction of equity and bond markets in China.

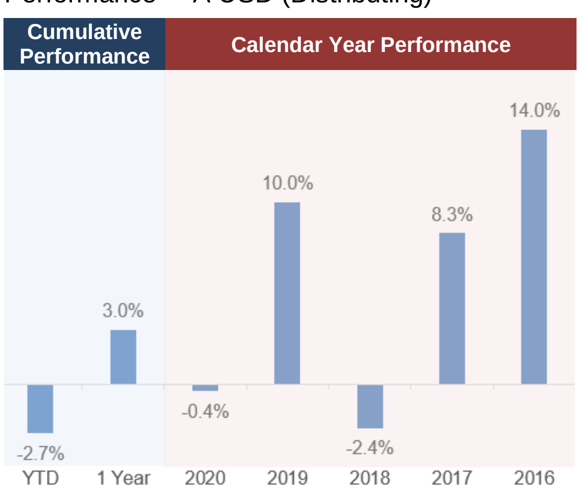
Investment Strategy

We have been actively reducing China property exposure to underweight in view of the short-to-medium term volatilities brought by the sector if the mega name runs into debt repayment problem. A spill-over in the market might be seen especially among the higher beta names. On one hand, we are also trimming names with credit concern; but on the other, we are looking into stronger names which have been severely oversold in the market correction and consider to add back to the portfolio.

Whereas, we continue to explore investment opportunities and reveal values in other high yield sectors and countries under the low yield environment. Commodity sector is performing in a stable and healthy way on the back of normalization. Certain India and Indonesia bonds are gaining support as a consequence. Moreover, the Indian and Indonesian governments are driving supportive policies to help alleviate the impact on the economy brought by the surge in Delta variant cases. We are therefore adding weights on India. Besides, the fund is also picking up high yield and investment grade bonds with new issue premium in the primary market aiming to seek alpha for the portfolio.

Fund Performance

Performance[1]：A USD (Distributing)



A USD (Distributing) launched on 28 Aug 2008.

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Fund Report

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 Bond[4]

Best-In-Class, Asia Pacific Fixed Income Hard Currency[5]

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	BEABIHK 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	BEABIHA HK

* For professional investor only

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

1. Source: Lipper, as at 31 July 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.