23 June 2021

Fund Special Report

Important note:

1. BEA Union Investment China High Yield Income Fund (the "Fund") seeks to achieve medium to long term capital growth and regular income by primarily (i.e. at least 70% of its net asset value) 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.
2. The Fund is subject to general investment risk, China market concentration risk, emerging market risk and currency risk.
3. The Fund invests in debts securities are subject to risks in interest rates, credit/counterparty, downgrading, volatility and liquidity, valuation and sovereign debt and credit rating risks which may adversely affect the price of the debt securities.
4. 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.
5. 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.
6. 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.
7. 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.
8. 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.
9. Investors should not make an investment decision based solely on this material.

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

★★★★
Morningstar Overall Rating[1]

Prefers Chinese industrials and bigger names of property developers

Highlights:

1. **Favorable industrial production and PMI data reflects the continuous recovery of Chinese economy**
2. **Chinese industrial and property high yield bonds outperformed the market**
3. **Added weights to quality Indian bonds to capture market rebound**

Fund Features

- The Fund targets to generate additional return through dynamic trading.
- Managed by seasoned investment professionals to ensure selection of China high yield bonds.

Market Review

Chinese economy showed mixed last month. The credit growth missed the expectation, but consumption, fixed asset investment, and industrial production remained strong. In terms of sectors, manufacturing outperformed, followed by property. The former mainly contributed by value-added procedure and the continuous growth in profits while the latter benefited from robust home sales. In the first four months of this year, China's commercial home sales reached 5.36 trillion yuan, 68.2% increased year-on-year basis. Macau gaming and financial names underperformed.

The investment sentiment of China onshore commodity market has slightly declined, mainly due to the government intervention. It's not notable that the asset management company's default issue has adversely affected other industries or Asian markets, which gradually restored investors' confidence at the end of last month.

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Market Outlook

Rising commodity prices, coupled with the continuous economic recovery of major developed countries raised market risk premiums. In Asia, although the pandemic is getting worse in some regions, India's economy is target to reopen in June and July, which helps boost market sentiment.

Our attitude remains cautious towards China's weaker high-yield bonds with longer durations. At the same time, the default of a state-owned-enterprise last month will also make investors more cautious about the financially weaker and high-indebted names.

It is expected that the liquidity of China's onshore bond market will continue to be tightened in the second and third quarters. The central government has yet to see any relaxation of its regulatory measures on the property market, which will pose a greater impact on the capital chain of small and medium-sized developers.

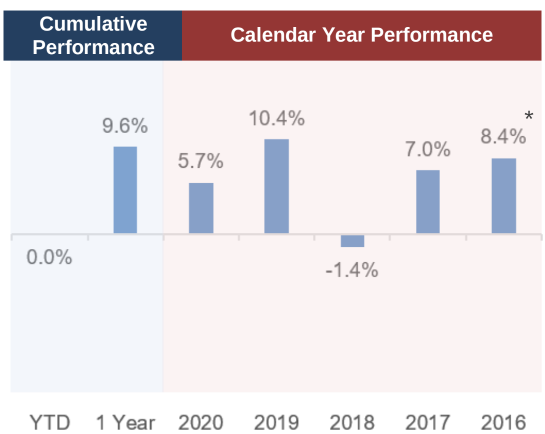
Investment Strategy

The Chinese bond market is looking promising due to the yield spread advantage and the orderly manner of how the inflation will likely to rise. With the implementation of the "Three-red-line" policy, a number of Chinese property developers started to reduce its debt while sales figures stays mostly in shape with undemanding valuations. However, we are slightly reducing our holdings in small and medium-sized developers as they are facing more pressure on the implementation of the regulatory policies. We favor stronger developers with bigger scale.

We will continue to look for companies which are financially strong and with attractive valuations and also seize the opportunity to add high beta companies that are gradually picking up. In addition, we increased our holdings in Indian and Indonesian commodity names on the back of economic reopening, continue to hold names in oil and utilities industries and trim those with credit concerns.

Fund Performance

Performance[2]：A USD (Distributing)



* Since launch till 31 December of the same year. A USD (Distributing) launched on 22 April 2016.

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

Fund Code

	ISIN	Bloomberg
A USD (Distributing)	HK0000288032	BEACYAU HK
A HKD (Distributing)	HK0000288040	BEACYAH HK
A AUD Hedged (Distributing)	HK0000288057	BEACYAA HK
A RMB Hedged (Distributing)	HK0000288065	BEACYAR HK

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

1. ©2021 Morningstar. All Rights Reserved. Data as of 31 May 2021. The rating is for A USD (Distributing).
2. Source: Lipper, as at 31 May 2021. The quoted NAV is for A USD (Distributing) 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.

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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