BEA Union Investment

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”)

Remain cautious in picking Chinese property names after interim result review

Highlights:

1. **Chinese properties see strong rebound after interim result review**
2. **Further rate cut in China is expected to come in Q4 to support the local economy**
3. **Resilient commodity prices supported India and Indonesia names**

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

U.S., Treasury yield moved up to 1.3% level in August as spurred by the tapering signal after Jackson Hole’s meeting although it is regarded as less hawkish than market expected. The tapper plan might be announced as early as September. However, economic figures like employment data, manufacturing and retail sales missed market expectations in the month.

In China, economic recovery seemed to slow down with weaker than expected PMI, retail sales, export and monetary growth. Economic momentum is experiencing some headwinds, a further RRR cut is expected to happen in Q4 this year. There are still a few months to go before the talk of commencing tapering by Fed’s officials where Chinese government could reverse course to briefly support the local economy.

For Chinese property sector, it sees a strong rebound as market differentiated names by the interim result where expected outflow was not realized. On the contrary, Macau gaming lagged behind the most as stricter boarder control affected tourism and its gross revenue.

17 September 2021

Fund Special Report

Market Outlook

As the event of the large property developer in China is yet to close, and tightening measures in the industry are still promoted by the Chinese government, we are cautious on the sector and the potential credit events. Although more monetary policies are expected to come in the rest of the year, it is anticipated onshore investors to remain cautious and prudent in picking names for new financing. We believe mid-to-small sized developers will face increasing headwinds and those with high leverage and weak liquidity will be exposed to further risk.

Overall, we continue to stay cautious on long-end bonds and weak names across the high yield market in view of the current market sentiment and credit risk concern.

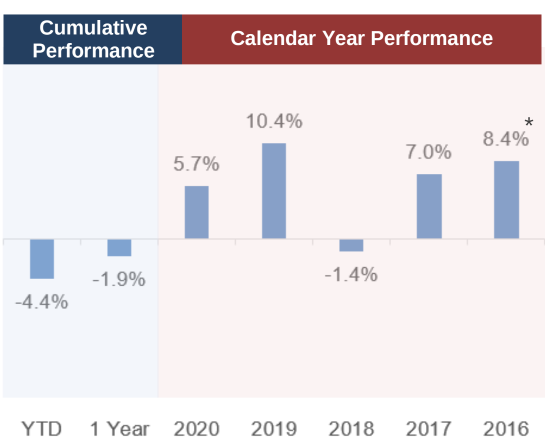
Investment Strategy

Chinese property market sees strong rebound following the interim result announcement. The fund adjusted allocation of the credits in the sector on individual names basis, with a focus on those with quality land bank, sufficient liquidity and multiple funding channels. We added back those with robust financial performance and proved to be resilient in the tightening cycle in the first half of the year, while reduced exposure on names with deteriorating credit profit especially those with potential repayment risk.

For Asian region, we continue to enhance portfolio yield by switching out tight credits into new issues with higher premium. Strong commodity prices benefit oil and mining credits especially in India and Indonesia. Besides, the uncluttering and more stabilized reported cases of Delta variant also benefits transportation and financial service credits in the region.

Fund Performance

Performance[1]：A USD (Distributing)



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

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http://www.bea-union-investment.com/member-registration

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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 August 2021.

1. Source: Lipper, as at 31 August 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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