

# BEA Union Investment

## RMB Core Bond Fund (“RCB”)



### Important note:

1. BEA Union Investment RMB Core Bond Fund (the “Fund”) seeks to achieve income and long-term capital growth by investing in debt securities and other assets that are denominated in RMB and other currencies.
2. The Fund invests in debts or fixed income securities are exposed to interest rates, credit/counterparty, downgrading, volatility and liquidity, valuation and sovereign debt, credit rating risks and credit rating agency risk (for mainland China onshore debt securities) risks which may adversely affect the price of the debt securities.
3. The Fund may invest in below investment grade, or rated BB+ or below by a China credit rating agency, or non-rated debt securities, which are subject to greater volatility and liquidity risks than higher-rated securities.
4. The Fund’s investments are concentrated in China and may be subject to high concentration risk and more volatility than that of funds having a more diverse portfolio of investment. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the China market.
5. The Fund invests in emerging markets and may be subject to higher liquidity and volatility risks.
6. The Fund may be subject to the “Dim Sum” bond market risk and the risks associated with China interbank bond market, and the Fund is more susceptible to volatility and/or lower liquidity.
7. 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.
8. The Fund is subject to China tax risk and any increased tax liabilities on the Fund may adversely affect the Fund’s value.
9. 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.
10. 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.
11. The Fund may acquire financial derivative instruments for hedging and investment purposes. Given the leverage effect embedded in financial derivative instruments, the Fund may be exposed to significant losses.
12. Investors should not make an investment decision based solely on this material.

★★★

Morningstar Overall  
Rating<sup>1</sup>

## Annual Review and Outlook for 2021

**RMB distributing  
classes issued a  
dividend of 4.7%  
on average<sup>2</sup>**

**Invests in RMB-  
denominated assets  
by HKD/USD to  
benefit from RMB  
appreciation**

**Selects quality RMB  
and USD bonds**



## Fund Features:

- A RMB bond fund that aims to capture stable dividends.
- At least 70% invested in debt securities, bonds and deposits that are denominated or settled in RMB.
- Investment grade average credit rating.

### Fund Performance in 2020

As of the end of December 2020, the RMB Core Bond Fund was up by 3.6% (A RMB Distributing Class)<sup>3</sup>. Benefiting from the strengthening RMB at the time, A USD Distributing Classes were even up by 10.5%, outperforming funds in its own category<sup>4</sup>. The key attributors were:

- **Overweight High Yield RMB bonds for widening credit spread:**

The monetary easing persisted by developed western countries, coupled with consistent purchase of treasury bonds, dragged down the long-term interest rates, and widened the credit spread with RMB bond. RMB bond yields are trading at 2% higher than USD bonds for the same issuers. The Fund manager increased the allocation on high yield bonds to over 25% last year which investors could benefit from the widened spread.

- **Weak USD leading an upward trend of RMB:**

Low interest-rate-environment will likely persist till the end of 2023 with a flexible US Fed's monetary policy that allowed by the average inflation targeting. The US Dollar will likely stay weak as a consequence. The USD to onshore RMB exchange rate fell from 7.167 in last May to 6.54 at the end of the year. The RMB-denominated assets performed well with the currency appreciation.

- **Policies support liquidity inflow to the market:**

The monetary policies from central banks around the world provided huge liquidity to the market and supported the bond market's performance. Last year, the Chinese government supported the growth of bond market by launching policies to facilitate the refinancing of on-shore bond market, such as setting up 'green channels' for bond issuance, extending validity period of bond quota and adjusting disclosure period. All of the policies have boosted the transaction volume of RMB onshore bond market.

### Looking Forward to 2021

- **Deleveraging campaign continues while default risk stays low:**

The deleveraging campaign run by the Chinese government in recent years was to reduce the systemic risk of the financial system. Despite the increase in the number of default cases in China bond market last year, its default rate is relatively low. SOE issuers accounted for 90% of onshore corporate bonds outstanding bringing down debt level of SOE is key to the success of the country's deleveraging agenda.

- **Most SOE bonds are investment-grade to balance the portfolio risk:**

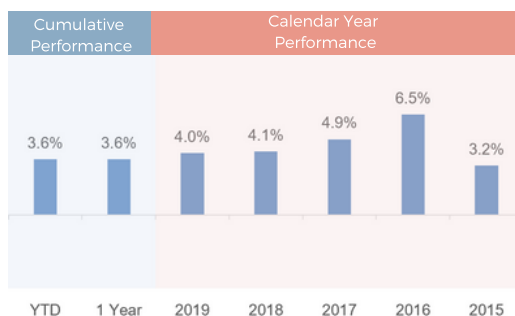
China onshore bond market is mainly made up of SOE bonds, where most of them are investment-grades coming from a number of industries. It offers a range of choice for investors and balance the portfolio risk.

- **Deploys USD bonds to hedge against forex risk:**

The Fed persists with monetary which likely keeps the interest rate at a low level till 2023. While economic recovery is getting more solid in the second half of the year, USD will have a chance to bounce back. The Fund deploys USD bonds to hedge against the risk associated with the turn of USD.

## Performance and Dividend

Performance<sup>3</sup>: A RMB (Distributing)



December 2020	Dividend per Unit	Annualized Dividend Yield <sup>5</sup>
A HKD (Distributing)	HK\$ 0.36000	4.9%
A RMB (Distributing)	RMB 0.41000	5.1%
A USD (Distributing)	US\$ 0.03600	4.9%

## Recent Award



Top Investment Houses in Asian G3 Bonds Rank 7 (Hong Kong) <sup>6</sup>



One of the Top Investment Houses in Asian Local Currency Bonds (Hong Kong) <sup>7</sup>

A RMB (Distributing) launched on 28 February 2014.

## Fund code

	ISIN	Bloomberg
A HKD (Distributing)	HK0000176740	BEARCAH HK
A RMB (Distributing)	HK0000176732	BEARCAR HK
A USD (Distributing)	HK0000176757	BEARCAU HK

Source of the fund information: BEA Union Investment Management Limited, as at 31 December 2020.

1.Source: ©2020 Morningstar. All Rights Reserved. Data as of 31 December 2020. The rating is for A RMB (Distributing).

2.Source: BEA Union Investment. The mentioned dividend yield is for A RMB (Distributing), and is the sum of the monthly annualized dividend yield for the past 12 months, from 1 January 2020 to 31 December 2020 (12 dividends), divided by 12. Annualized dividend yield = (dividend of the current month x 12) / last month end NAV x 100%. Please refer to dividend notice available on website for dividend composition information and details. Dividend only applies to distributing classes and is not guaranteed. Past dividend record is not indicative of future dividend likely to be achieved. Please note that a positive distribution yield does not imply a positive return. 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.

3.Source: Lipper, as at 31 December 2020. The quoted NAV is for A RMB (Distributing), A USD (Distributing) launched on 28 February 2014, performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested.

4.Source: Morningstar Asia, as at 31 December 2020. The average annualized return of other funds in peer group category of China Bond was 9.3%.

5. Annualized dividend yield = (dividend of December x 12) / last month end NAV x 100%. Please refer to dividend notice available on website for dividend composition information and details. The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Fund. Such distribution may result in an immediate reduction of the net asset value per unit. Dividend only applies to distributing classes and is not guaranteed. Past dividend record is not indicative of future dividend likely to be achieved. Please note that a positive distribution yield does not imply a positive return. Investors should not make any investment decision solely based on information contained above. You should read the relevant offering document (including the key facts statement) of the Fund for further details including the risk factors

6.Source: The Asset, 2020 Research for Asian G3 Bonds, October 2020.

7.Source: The Asset, 2020 Research for Asian Local Currency Bonds, October 2020.

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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