19 June 2019

BEA Union Investment

Fund Monthly 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 of debt securities denominated in Asian or other currencies and primarily issued by Asian government or corporate entities.
2. The Fund invests in emerging markets, which are subject to higher liquidity and volatility risks.
3. The Fund may invest in lower-rated fixed income instruments, including below investment grade and non-rated debt securities, which are subject to greater credit and liquidity risks than higher-rated securities.
4. The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Fund. Investors should note that the 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 these currency hedged class units will be hedged at all times or that the manager will be successful in employing the hedge.
6. Investors may invest in RMB (Hedged) units. It should be noted that the RMB is currently not a freely convertible currency as it is subject to foreign exchange control policies of the Chinese government. There is also no assurance that the RMB will not be subject to devaluation. Any devaluation of the RMB could adversely affect the value of investors' investments. There is no guarantee that the hedging strategy will be effective and investors may still be subject to the RMB currency exchange risk.
7. The Fund may enter into futures contracts and currency forward contracts for hedging and investment purposes. Given the leverage effect embedded in futures and currency forward contracts, the Fund may be exposed to significant losses.
8. Investors should not make an investment decision based solely on this material.

BEA Union Investment Asian Bond and Currency Fund ("ABC")

★★★★★
Morningstar Overall Rating[1]

Chinese High Yield Property Bonds Show Resilience

Highlights:

1. **Chinese high yield property bonds recorded positive total return in May**
2. **The Fund increased allocation to financial sector for diversification purpose**
3. **We remain cautious on Asian local currency bond market amid strong U.S. dollar**

Fund Features

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

Market Review and Outlook

Review of Interest Rate Market

- The escalation of trade war and series of negative headlines pushed the U.S. Treasury yields to fresh year-to-date low. The 10-year U.S. Treasury yield reached the lowest level since September 2017 while the 30-year U.S. Treasury yield reached the lowest since October 2016.
- In May, the 10-year U.S. Treasury yield traded in a volatile range between 2.12% to 2.54% and has plummeted 38 basis points in one month.

Asian High Yield Bonds

- In May, Asian high yield credit market weakened overall. Chinese high yield financial and Chinese high yield property sectors outperformed with a positive total return. The yield spreads for Chinese high yield industrial, Indonesian and Indian high yield bonds have certain widening.

- Southeast Asian bonds were more affected by the trade tensions and weakening oil price. The Chinese high yield industrial bonds were dragged by several negative headlines.

Asian Local Currency Bonds

- The Asian local currency bond yields went down in May amid the sharp decline in the U.S. Treasury yields. Investors sought the safety of the U.S. Treasuries due to the conflict between U.S. and China intensified and the concerns on economic slowdown.

Market Outlook

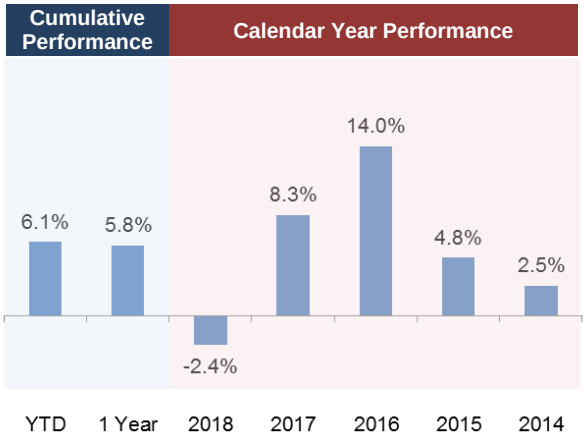
- We expect the market will remain volatile due to the evolving progress of the U.S.-China trade talk, the weakening trend of the economic data in the U.S., as well as China's effort to calm down its active land market.
- We expect investors will turn more conservative, solid names with moderate duration and higher yield pickup will likely to outperform.

Investment Strategy

- The Fund reduced higher beta names and longer duration tranches in the high yield sectors. At the same time, the Fund increased allocation to certain financial sectors for diversification purpose.
- The Fund continues to remain defensive and maintain a moderately low level of high beta and long duration names in view of the uncertain macro economy, trade talk risk and tightening property policy in China.
- We remain cautious on Asian local currency bond market in view of the weakness on Asian currencies due to the strong U.S. dollar as well as U.S.-China trade uncertainty.

Fund Performance and Dividend

Performance[2] : A USD (Distributing)



A USD (Distributing) launched on 28 August 2008.

Dividend

May 2019	Dividend per Unit	Annualised Dividend Yield[3]
A USD (Distributing)	US$ 0.07277	6.3%
H HKD (Distributing)	HK$ 0.05880	6.3%
A AUD Hedged (Distributing)	AU$ 0.05287	6.3%
A RMB Hedged (Distributing)	RMB 0.62604	7.0%

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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

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Recent Awards

One of the Top Investment Houses in Asian G3 Bonds (Hong Kong)[4]

One of the Top Investment Houses in Asian Local Currency Bonds (Hong Kong)[5]

Asia Pacific Bond, Hard Currency (3 Years & 5 Years) [6]

Best-In-Class, Asia Pacific Fixed Income Hard Currency[7]

Winner, Asian Bonds (10 Years) [8]

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
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

Source of the fund data: BEA Union Investment Management Limited, as at 31 May 2019.

1. ©2019 Morningstar. All Rights Reserved. Data as of 31 May 2019. The rating is for A USD (Distributing).
2. Source: Lipper, as at 31 May 2019. 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.
3. Annualised dividend yield = (dividend of May x 12) / last month end NAV x 100%. 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.
4. Source: The Asset, 2018 Research for Asian G3 Bonds, October 2018.
5. Source: The Asset, 2018 Research for Asian Local Currency Bonds, June 2018.
6. Source: From Refinitiv Lipper Awards, ©2019 Refinitiv. All rights reserved. Used by permission and protected by the Copyright Laws of the United States. The printing, copying, redistribution, or retransmission of this content without express written permission is prohibited. Performance for A USD (Acc) as at 31 December 2018.
7. Source: BENCHMARK, November 2018.
8. Source: Asia Asset Management, performance as at 28 September 2018.

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 authorised by the Securities and Futures Commission (“SFC”) in Hong Kong. SFC authorisation 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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