

Important note:

1. BEA Union Investment China Gateway Fund (the "Fund") seeks medium to long term capital growth and income through investing primarily in equity securities and/or debt securities, that are either (a) traded in China or (b) issued by entities incorporated in China or entities which 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, equity market risk, asset allocation risk, risks associated with stock connects, risks associated with China interbank bond market, China tax risk, risks of investing in other funds, 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, credit rating and credit rating agency risk, 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 **China Gateway Fund ("CGF")**

China Equity Market Rallies on Earnings Beat

*Highlights:*

- 1. China equity market rallied as driven by better than expected earnings**
- 2. Macau gaming outperformed resulting from the full resumption of Individual Visit Scheme (IVS)**
- 3. The Fund has increased exposure in higher beta names**

Fund

- Invests in a mixture of Hong Kong equities, A-shares, ADRs and China bonds to offer one-stop investment solution.
- Flexible allocation in stocks and bonds to balance short term risk and capture long term growth potential.

Market Review and OutlookEquities

- Both onshore and offshore markets rallied in August. The rally was driven by better than expected 2020 earnings of large cap internet companies.
- In terms of sector, Consumer Discretionary significantly outperformed due to the strong earnings of eCommerce giants. Utilities underperformed as investors favoured high-growth companies instead of defensive.
- HK market was up on the back of stabilizing the pandemic situation. Macau casinos rebounded strongly with China announcing a full resumption of the IVS and group tour visas across all provinces starting from September 23.

Bonds

- The market held up well. The continuing recovery in economic activities across the globe, gradually progressing COVID 19 development and low interest rate environment will continue to support the credit market.
- We are aware of the increasing USD bond supply and potential rollout of tightening policy measure that will affect the Chinese property sector. We are also cautious on names with tight liquidity in the Chinese industrial sector.

Investment Strategy

Equities

- Given better-than-expected earnings, undemanding valuations, supportive liquidity conditions and policy environment, we prefer equities to bonds. We are still constructive on the market.
- We will continue to focus on growth stocks supplemented by cyclical and recovery plays, like e-commerce, consumer stocks and industrials. Financials remain key underweight.
- We continue to monitor external macro risks as the U.S. presidential election gets closer. A further rise in Sino-U.S. tensions, potential rebound in virus cases could fuel market volatility.

Bonds

- The Fund increased exposure to higher beta names benefited from the yield compression and the Macau gaming sector given the full resumption of IVS and trimmed names with credit concerns.
- The Fund has adopted a more active switching and bond picking approach to capture solid laggards with bottoming out fundamentals and policy supports, while and reducing names with high refinancing risk. Cash level has increased in the expectation of increasing supply of the new issues.

Fund Performance and Dividend

Performance¹ : A USD (Distributing)



Dividend

| August 2020 | Dividend per Unit | Annualised Dividend Yield ² |
|-----------------------------|-------------------|--|
| A USD (Distributing) | US\$ 0.039 | 4.5% |
| A HKD (Distributing) | HK\$ 0.390 | 4.5% |
| A AUD Hedged (Distributing) | AU\$ 0.037 | 4.4% |
| A RMB Hedged (Distributing) | RMB 0.530 | 6.2% |

* Since launch till 31 December of the same year. A USD (Distributing) launched on 31 January 2018.

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 (Accumulating) | HK0000257458 | BUCGAUA HK |
| A USD (Distributing) | HK0000257441 | BUCGAUD HK |
| A HKD (Distributing) | HK0000257433 | BUCGAHD HK |
| A RMB Hedged (Distributing) | HK0000375482 | BUCGARH HK |
| A AUD Hedged (Distributing) | HK0000375474 | BUCGAAH HK |

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

1. Source: Lipper, as at 31 August 2020. The quoted NAV is for A USD (Distributing) launched on 31 January 2018, performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested.
2. Annualized dividend yield = (dividend of August 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.

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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