

- BEA Union Investment Asian Strategic Bond Fund (the “Fund”) seeks medium to long term capital growth and regular income by primarily (i.e. at least 70% of its non-cash assets) investing in debt securities that are (a) denominated in Asian currencies, or (b) issued or guaranteed by Asian governments or entities which are incorporated in Asia or have significant operations or assets in, or derive significant portion of revenue or profits from Asia, and denominated in USD or other currencies including Asian currencies.
- The Fund invests in emerging markets and may be subject to higher liquidity and volatility risks.
- The Fund may invest in below investment grade or non-rated debt securities, which are subject to greater credit and liquidity risks than higher-rated securities.
- 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.
- 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.
- RMB is currently not freely convertible and is subject to foreign exchange control policies of the Chinese government. 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 RMB would adversely affect the value of investor’s investment in the Fund.
- The Fund may use derivative instruments for hedging purposes which may not achieve the intended purpose and may result in significant losses.
- Investors should not make an investment decision based solely on this material.

BEA Union Investment **Asian Strategic Bond Fund** 《Selective Increase in Asian High Yield Bond Exposure》

19 October 2017



Highlights:

- **The Fund has risen 3.5%¹ since its launch**
- **Reduced overall duration on investment grade bonds**
- **Selective addition of high yield Indonesian coal mining and Chinese industrial bonds**

Q1: How has the BEA Union Investment Asian Strategic Bond Fund (the “Fund”) been performing since its launch?

A1: The Fund has performed steadily since its launch, recording a positive return of 3.5%¹. As global interest rates and inflation have remained at low levels, Asian bonds with higher yields continue to attract capital flows, contributing to generally positive investor sentiment.

The Fund is an Asian bond fund seeking stable income and capital appreciation, which gains return through bond coupons, bond price appreciation, and currency appreciation. It identifies undervalued but quality Asian bonds by integrating comprehensive macro analysis and proprietary credit research, while implementing effective risk controls.

Fund Performance	3 Months	Since Launch
A USD (Distributing)	2.2% ¹	3.5% ¹

Q2 : What were the Fund's annualised dividend yields in September?

A2: In September, the annualised dividend yield for A USD (Distributing) and A HKD (Distributing) was 4.4%²; A RMB Hedged (Distributing) was at 6.3%².

BEA Union Investment seeks to distribute the dividend from net distributable income. Net distributable income means interest income net of fees and expenses, and net realised gains.

September 2017	Dividend per Unit	Annualised Dividend Yield ²
A USD (Distributing)	US\$ 0.03750	4.4%
A HKD (Distributing)	HK\$ 0.37500	4.4%
A AUD Hedged (Distributing)	AU\$ 0.04500	5.4%
A RMB Hedged (Distributing)	RMB 0.54000	6.3%

Q3 : How will the U.S. balance sheet reduction impact Asian bond markets?

A3: U.S. treasury yields jumped by 30 basis points in September due to the unwinding of quantitative easing and balance sheet reduction by the Federal Reserve (Fed). **Despite Asian high yield bonds continuing to perform well, Asian U.S. dollar bonds saw a slight correction overall due to increased U.S. treasury yields.** Generally speaking, Asian investment grade bonds were outperformed by Asian high yield bonds.

Long-dated investment-grade bonds and South Korea sovereign and quasi-sovereign bonds underperformed, impacted by the U.S. balance sheet reduction and heightened geopolitical risk. However, **Indonesian sovereign and quasi-sovereign bonds outperformed due to the interest rate cut by the country's central bank in September.**

Q4 : What has been the Fund's strategy in response to the recent performance of Asian investment grade bonds and high yield bonds?

A4: Approximately 54% of the Fund's investment is in Asian investment grade bonds, and approximately 46% in Asian high yield bonds. The Fund **reduced some investment grade bonds, and reduced the overall duration of its investment grade bond portfolio.** The Fund continued to **add high yield exposure in the Indonesian coal mining sector and in selective names from the Chinese industrial sector.**

In terms of Asian high yield bonds, Chinese high yield properties underperformed due to further tightening policies implemented by the Chinese government. Consequently, the Fund trimmed some Chinese property bonds with weaker credit quality.

The Fund reduced its overall position in Asian local currency bond markets, while Indonesian and Chinese onshore and offshore bond markets have remained our top picks.

Highly Regarded Award-Winning Fixed Income Team

- The fixed income professionals of BEA Union Investment Management Limited have been recognised as “One of the Astute Investors in Asian Local Currency Bonds – Hong Kong³” in 2017 and “One of the Astute Investors in Asian G3 Bonds – Hong Kong³” by the Asset in 2016.
- The company has been named “One of the Top Investment Houses in Asian Local Currency Bonds (Hong Kong)⁴” in 2016 and “One of the Top Investment Houses in Asian G3 Bonds (Hong Kong)⁴” in 2015 by The Asset, and “Best Fund House in Asia Fixed Income⁵” by BENCHMARK in 2015.
- The Asian Bond and Currency fund, managed by the same fixed income team, has won 25 fund awards⁶ since 2012.

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)	HK0000319381	BEABAU HK
A USD (Distributing)	HK0000319340	BEABAU HK
A HKD (Distributing)	HK0000319357	BEABA HK
A AUD Hedged (Distributing)	HK0000319365	BEAAAH HK
A RMB Hedged (Distributing)	HK0000319373	BEAARH HK

Source of the fund data: BEA Union Investment Management Limited, as at 30 September 2017.

1. Source: Lipper, as at 30 September 2017. The quoted NAV is for A USD (Distributing), performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested. Past performance for A USD (Distributing): since launch: 3.5%. A USD (Distributing) was launched on 24 February 2017.
2. Annualised dividend yield = (dividend of September 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.
3. Source: The Asset, 2017 Research for Asian Local Currency Bonds, August 2017; 2016 Research for Asian G3 Bonds, October 2016.
4. Source: The Asset, 2016 Research for Asian Local Currency Bonds, April 2016; 2015 Research for Asian G3 Bonds, November 2015.
5. Source: BENCHMARK, November 2015
6. The fund has won 25 fund awards since 2012. Organisations which have granted awards to the fund include Asia Asset Management, AsianInvestor, BENCHMARK, Fund Selector Asia, Fundsupermart.com and Lipper.

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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