

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's investments are concentrated in China's equity securities and debt securities. This may result in greater volatility than a fund having a more diverse portfolio of investments. The Fund may also be subject to withholding and other taxes imposed in China.
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 interest rate, credit and liquidity risks, higher volatility and greater risk of loss of principal and interest than higher-rated debt securities.
4. The Fund may invest in China A-Shares via Stock Connects, China interbank bond market via Foreign Direct Access Regime and/or Bond Connect. Such programmes are subject to regulatory risks and various risks such as quota limitation, volatility risk, liquidity risk, settlement and counterparty risk etc.
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. Any such distributions 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 these 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 freely convertible and is subject to exchange controls and restrictions. Any depreciation of RMB could adversely affect the value of investor's investment in the Fund.
8. The Fund may use derivative instruments for hedging purposes which may not achieve the intended purpose, and may result in significant losses.
9. Investors should not make an investment decision based solely on this material.

## BEA Union Investment China Gateway Fund: Investing in Chinese Stocks and Bonds to Fully Capture Their Investment Opportunities (15 January 2018)

**Mr. Henry Chan, Chief Investment Officer at BEA Union Investment, shares his views on the new product, the BEA Union Investment China Gateway Fund.**

**Q1 : What is the rationale behind the timing of the Fund's launch?**

A1 : With a number of interesting opportunities now emerging, this is the ideal time to offer a mixed-asset China fund. Key growth drivers for the Chinese economy going forward are:

- profitability improvements in the corporate sector
- broad-based growth at the consumer level

The new fund allows investors to participate in China's growth while subject to less volatility.

**Q2 : How does the Fund capture these investment opportunities?**

A2 : Initial allocation of the Fund:

- 60% in equities listed in Hong Kong, the U.S., and domestic A-share markets
- 40% in bonds

The Fund aims to participate in China's growth by investing in different listing locations and investment channels:

**Investment Channels of the Fund:**



The Shanghai and Shenzhen Stock Connects have prompted international investors to look for more unique exposure through the Shanghai and Shenzhen A-share market, while mainland Chinese investors are simultaneously drawn to openings in Hong Kong. This will lead to re-rating opportunities in the industry leaders as well as niche players.

**Q3 : What are the investment themes of the Fund?**

A3 : The stock opportunities we favour can be broadly grouped under the following themes:

- **Technology:** high growth now being seen in new business segments
- **Consumption:** set to benefit from the rise of middle-class income and consumer credit
- **Financials:** industry leaders will grow as a result of financial reforms and consolidation
- **Traditional industries:** selected companies in the materials, energy, and industrial sectors will benefit from better supply-side discipline and corporate reforms

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If you would like to subscribe for more of our funds' marketing materials, 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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