

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 primarily investing in debt securities denominated in Asian or other currencies and primarily issued by Asian government or corporate entities.
2. The Fund is subject to general investment risk, Asian market concentration risk, 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 and credit rating 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 Asian Bond and Currency Fund ("ABC")★★★★★
Morningstar Overall Rating⁺**Added Chinese property, Macau gaming bonds; Target to further extend duration***Highlights:*

1. **US Treasury yield likely stay range-bound**
2. **Added exposure in Chinese property bonds, Macau gaming bonds**
3. **US rate hike cycle; Will further extend portfolio duration**

Fund Features

- The Fund adopts an unconstrained strategy, which allows a flexible allocation of assets in corporate bonds, government bonds, high yield bonds and investment grade bonds, to actively hunt for alpha opportunities.
- It aims to distribute stable dividends and capture the appreciation potential of Asian bonds.

Market Review & Outlook

The Fed remained hawkish at its last meeting of 2022. While the FOMC did deliver a fully expected downshift in the pace of hikes, raising rates by 50bp, the guidance that more hikes are on the way remained firm. December CPI came in line with expectations, falling 0.1% from November. Although they were still 6.5% higher than a year earlier, the latest data prints brought down rate hike expectations.

Recession theme will replace inflation worries, which had mostly been priced in by markets. Fear for economic downturn will likely hold the long-end treasury yields more stable and the yield curve relatively inverted. We expect the US treasury yields to be range-bound with yields likely to move in tandem with the Fed's narratives, data prints and recession probability.

In Asia, China’s economic data remained weak towards the end of last year. November retail sales dropped further while industrial production increased milder than expected year-on-year. Both manufacturing and non-manufacturing PMI remained well below 50 in December. But as China relaxes its pandemic curbs, our investment teams expect economic activities to pick up again after Chinese New Year.

In December, a number of developers issued shares to replenish capital. Certain developers were also expected to obtain offshore funding by pledging onshore properties. But the country's physical property market remained weak in December as Covid continued to struck. But our investment teams believe the easing of pandemic controls would revitalize the economy and subsequently lend support to property demand. We also expect China's real estate sector could see better funding channels as more developers are able to obtain offshore loans and guaranteed onshore MTN bond quota.

Asia aside, India's PMI figure further strengthened while its November CPI fell to 5.88% faster than market expectation, granting the central bank the flexibility in opting for a smaller magnitude of rate hike.

Investment Strategy

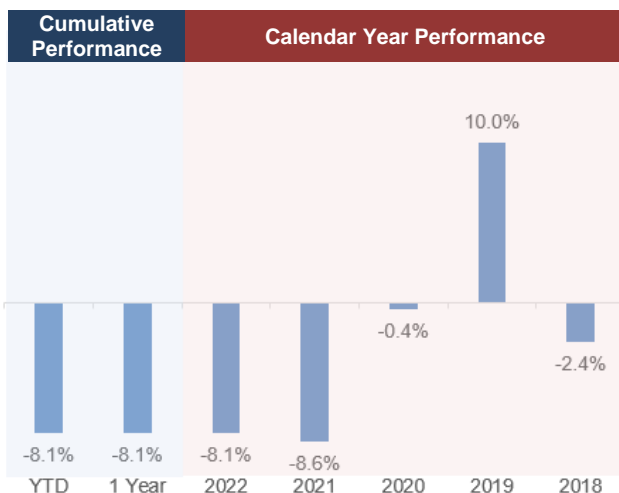
In view of China's three arrows policies to aid its real estate sector, our investment teams have increased exposure in Chinese property bonds and also tactically traded on distressed credit to generate alpha in three areas: quality and large-scale developers of both investment-grade and high-yield that have not yet defaulted; bonds that were trading at distressed levels but have not yet defaulted or have sought to extend payment as well as those that have already defaulted but may undergo restructuring.

After China lifted its travel restrictions for Chinese travelers, our investment teams adopted a more positive view towards Macau gaming sector, prompting us to add exposure in Macau high-yield gaming names.

All in all, as US rate hike cycle is coming to an end, we see limited upside with US treasury yields. As such, fund flow may return to emerging markets, lending support to South East Asian bonds, especially on the long end. The fund has reduced short-dated investment-grade bonds and will seek opportunities to further extend duration in the portfolio.

Fund Performance

Performance¹ : A USD (Accumulating)



A USD (Accumulating) launched on 28 Aug 2008.

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>

Recent Awards



Top Investment Houses in Asian G3 Bonds Rank 9 (Hong Kong)²



Top Investment House in Asian Local Currency Bond, Hong Kong, Highly Commended³



Gold Winner, Regional Bond⁴



Best-In-Class, Asia Pacific Fixed Income Hard Currency⁵



Best Bond Fund, Asia Pacific, Hard Currency (5 years)⁶

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 |
| I HKD (Accumulating)* | HK0000486685 | BEABIHK 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 |
| I HKD (Distributing)* | HK0000484854 | BEABIHA HK |

* For professional investor only

Source of the fund information: BEA Union Investment Management Limited, as at 30 December 2022

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- Source: Lipper, as at 30 December 2022. The quoted return is for A USD (Accumulating) 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.
- Source: The Asset, 2021 Research for Asian G3 Bonds, October 2021.
- Source: The Asset, 2021 Research for Asian Local Currency Bonds, October 2021.
- Source: Fund Selector Asia, January 2020.
- Source: BENCHMARK, November 2019.
- Source: From Refinitiv Lipper Awards, ©2020 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 RMB (Distributing) as at 31 December 2019.

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