Your Preferred Investment Advisor for Asia Investing

Fund Report (August 2023)

BEA Union Investment Asia Pacific Multi Income Fund ("APM")

Positive on tech, energy stocks; Constructive on Asia Investment Grade bonds for attractive yields

Highlights:

1. **Turn very positive on tech stocks; constructive on energy, material sectors**
2. **Favour quality, high-beta China tech, media and telecoms (TMT) Investment Grades for valuations, easing regulatory pressures**
3. **Cautious on China property as sales remain depressing, potential credit events in 2H**

Fund Features

- The Fund aims to capture growth and dividend income opportunities by investing in Asia Pacific equities and bonds.

Market Review & Outlook

Buoyed by hopes of China's stimulus, stronger commodity prices, fund flows and extended momentum from Artificial Intelligent-related plays, the MSCI APxJ rose in July, with China, Malaysia and Singapore leading the way. China's broad-based outperformance was driven by stronger investor confidence following the earlier-than-expected Politburo meeting. The move sparked hopes that meaningful measures, especially that of the property market, could be launched to address market concerns, although specific measures have not yet been announced. As anticipated, the US implemented a 25bps rate hike in July. Our investment teams believe that regardless of whether or not the July hike was indeed the last one, the US rate hike cycle is nearing its end. Furthermore, the likelihood of a US recession has tapered off as economic activities remained solid, and price pressures continued to fall. Looking ahead, our investment teams believe global macro conditions are turning increasingly favourable and supportive for risk assets, despite structural weaknesses in China.

Thanks to softening US inflation, and the launch of China's prospective stimulus plans, Asia Investment Grade sovereign and corporate bonds traded well in July. China Premier Li Qiang met with representatives from major internet platforms, sparking hope for easing pressure on the tech sector. Going forward, our investment teams believe China's stimulus hope and lower crackdown risk could lend support to China’s high beta Investment Grade bonds, but volatility could kick in should stimulus fail to excite. In the non-China space, demand remained strong across the front end, green bonds and long duration bonds. Our teams remain positive on Asia Investment Grades as overall yields remain appealing, and the rate hike cycle is peaking out.

In July, China's property high yield bonds underperformed as the country experienced a decline in residential sales, new construction and property investments. During the Politburo meeting, policymakers acknowledged the shifting supply-demand dynamic of the property market and pledged to adjust policies accordingly. Several local housing authorities are considering relaxing policies to shore up the mass market and boost demand for upgrades. With more developers facing liquidity issues and insufficient commercial property to secure the China Bond Insurance Company guarantee to issue onshore bonds, the risk of developer defaults may increase, especially in the face of subdued property sales. We expect more credit events to emerge going into the second half.

Macau's gross gaming revenue rose 10% in July from the previous month. Our teams expect the strength will extend into the second half, bolstering the earnings of gaming operators and in turn, supporting the performances of Macau gaming high yields. Potential positive rating actions are, therefore, possible.

Investment Strategy

The Fund has turned positive on tech stocks, with expectations that the tech cycle is bottoming soon. The emergence of AI as a new secular theme strongly supports this call. Our teams are remaining constructive on the energy and material sectors, but have trimmed holdings in the communication services sector. We Underweight financials and consumer sector.

In terms of regions, the Fund has reduced weighting in China and Singapore and rotated into the US and India. We remained Overweight in Australia, the US, and Indonesia.

For Investment Grade bonds, we continue to favour South Korean financials, Indonesia quasi-sovereign, and BBB-rated Chinese state-owned companies, financials, as well as TMT. We find value in the front-end issues of green, social and sustainable (GSS) bonds issued by Korean financials and corporates. Green bonds are particularly interesting given supportive technical and as demand continues to outstrip new issues. We are positive on high quality and high beta China TMT names, due to lower regulatory crackdown risk, valuations and an improved business environment.

In terms of high yields, we remain cautious on Chinese property. Cash-strapped developers with weak contract sales and limited funding access will face ongoing cash flow pressure as buyer sentiment remains fragile. We remain optimistic towards Macau gaming high yields, which should benefit from persistently strong gaming revenue.

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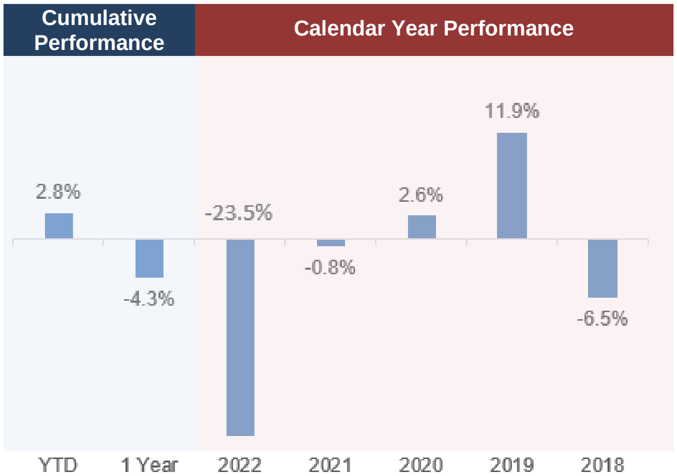
Fund Performance

Performance[1]：A USD (Distributing)



A USD (Distributing) launched on 11 May 2012.

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http://www.bea-union-investment.com/member-registration

Fund Code

	ISIN	Bloomberg
A USD (Accumulating)	HK0000122330	BEAPUAA HK
A RMB Hedged (Accumulating)	HK0000282605	BEAARHA HK
A EUR Hedged (Accumulating)	HK0000405701	BEAAEHA HK
A USD (Distributing)	HK0000107257	BEAPMIU HK
A HKD (Distributing)	HK0000107265	BEAPMIH HK
A AUD Hedged (Distributing)	HK0000162815	BEAPAAH HK
A RMB Hedged (Distributing)	HK0000194255	BEAPARH HK
A NZD Hedged (Distributing)	HK0000162849	BEANZDH HK
A EUR Hedged (Distributing)	HK0000405693	BEAAEHD HK

Source of the fund information: BEA Union Investment Management Limited, as at 31 July 2023.

1. Source: Lipper, as at 31 July 2023. The quoted return is for A USD (Distributing) launched on 11 May 2012. Performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested.

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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