Fund Report (Jul 2025)

Important note:

1. BEA Union Investment Asian Bond and Currency Fund (the "Fund") is subject to general investment risk, Asian market concentration risk, emerging market risk and currency risk.
2. 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.
3. 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.
4. 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.
5. 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.
6. 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.
7. 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 exposure to laggards in Indian high-yield and Macau higher-beta, long-end bonds

Highlights:

1. **Given valuations and tariff risks, stay neutral on high-yield beta risk overall**
2. **Added higher-beta long-end bonds exposure in Macau gaming sector**
3. **In China's industrial sector, switched into bullet bonds from higher-beta perpetual bonds**

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

Both Asian high-yield and investment-grade dollar bonds posted solid returns in June, supported by risk-on sentiment driven by positive progress in Sino-US trade talks held in London.

During the month, Asian high-yield dollar bonds achieved a total return of 1.43%, with Chinese industrial bonds, Indian high-yield bonds, and Macau gaming bonds outperforming. Supported by supply shortage, relatively higher returns with shorter duration, and a supportive macro risk sentiment, China's industrial bullet bonds and Indian high-yield bonds continued to see credit spreads tighten. The outperformance of Indian high-yield bonds primarily came from laggards or credits with positive fundamental developments. Macau long-end gaming bonds played catch up on stronger-than-expected gaming revenue in June, which rose 19% from the previous year.

Underperformers in June included Mongolian high-yield bonds, weighed down by heightened supply expectations. While Chinese property bonds remained relatively stable overall. It was reported that China has issued directives to about 20 state-owned developers to avoid defaulting on public debt. While we believe public defaults by state-owned developers are unlikely, this should facilitate their access to onshore financing. On the other hand, we are turning slightly more cautious on coal-related Indonesian high-yield bonds. Fitch Ratings expects that the shift in structural demand will extend the sharp decline in coal -- seen since 2024 -- over the next three years, with prices likely to fall further in the second half of this year as demand remains relatively subdued.

We remain cautiously optimistic on the Asian high-yield dollar bond market, underpinned by robust technical factors driven by net negative issuance. From a macro perspective, as a result of progress in tariff talks, risk sentiment is expected to remain stable to slightly bullish over the summer. However, the risk of a slower US job market and delayed tariff deals cannot be ruled out. Since valuations of Asian high-yield bonds are no longer considered cheap, we prefer to maintain a more neutral stance on beta risks overall.

Credit spreads on Asia's investment-grade dollar bonds tightened across the board in June, with flows remaining constructive, supported by relatively high all-in yields and progress in Sino-US trade talks. Investors are likely to stay constructive and fully invested to capture the relatively high all-in absolute yield. Although new supplies have been rather hefty of late, they have been well digested by the market. With issuance expected to ease into the summer, and US treasury yields likely to remain stable, beta compression and duration buying are likely to continue. We may see a resumption of hefty new issuance in September, which could spur healthy, mild widening in credit spreads.

Investment Strategy

In June, the Fund added some laggards in Indian high-yield bonds and higher beta, long-end bonds in the Macau gaming space. We also switched into bullet bonds from higher-beta perpetual bonds in China's industrial sector. In addition, we continue to see opportunities in financials, including issues from Thailand, China/HK, India, and Mongolia. Consumer discretionary and utilities also present investment opportunities.

In the face of possible volatility due to the looming July tariff deadline, we tend to remove off-benchmark bets and adopt a more neutral overall positioning in Asian high-yield bonds. In the near term, we perceive any market correction driven by tariff headlines as a buy-on-dip opportunity.

In terms of Asian investment-grade dollar bonds, we look to overweight duration and constructive on credit beta to capture the beta compression and attractive yields. We favour high quality corporate and bank perpetual bonds. We prefer high-beta names, including financials, on the back of the compression theme and higher carry.

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Fund Performance

	Cumulative Performance %					Calendar Year Performance %					Volatility %
	YTD	1 Year	3 Years	5 Years	Since Launch	2024	2023	2022	2021	2020	3 Years (Annualised)
A USD (Acc)	3.1	6.6	15.9	1.8	134.8	13.2	-3.6	-8.1	-8.6	-0.4	6.8
A RMB Hgd (Acc)*	1.5	3.3	7.2	-1.5	-1.1	10.1	-6.6	-7.3	-6.4	0.8	6.7
A EUR Hgd (Acc)*	4.6	7.5	10.9	-0.9	-5.4	11.6	-6.3	-10.2	-5.9	-2.1	6.7
A USD (Dis)	3.1	6.6	15.6	1.1	133.2	13.3	-3.6	-8.7	-8.6	-0.4	6.8
H HKD (Dis)	4.2	7.3	15.8	2.3	66.8	12.8	-3.6	-8.6	-8.2	-0.9	7.0
A AUD Hgd (Dis)*	2.4	5.6	11.4	-3.6	25.7	12.2	-5.5	-9.0	-8.9	-2.1	6.8
A RMB Hgd (Dis)*	1.5	3.3	6.5	-2.6	40.9	10.1	-6.7	-8.3	-6.4	0.8	6.7

Past performance of the share class A RMB (Acc) & A RMB (Dis) may be presented only when it has an investment track record of not less than 6 months.
*Hgd: Hedged.

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)	HK0000065208	BEABCAA HK
A RMB Hedged (Accumulating)	HK0000272531	BEARMHA HK
A EUR Hedged (Accumulating)	HK0000405735	BEABCAE 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
A RMB (Accumulating)	HK0001088704	BEAUIBA HK
A RMB (Distribution)	HK0001088712	BEAUINA HK

Source: Lipper, BEA Union Investment Management Limited, as at 30 Jun 2025.

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Fund performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested. For funds/share classes denominated in foreign currencies, HKD/USD based investors are exposed to foreign exchange fluctuations.

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