BEA Union Investment

Fund Report (Oct 2026)

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+

Rate Dynamics Drive Asian HY Repricing; Navigating Volatility with Focus on Carry

Highlights:

- Volatility is expected to persist ahead of the US midterm elections and amidst heightened US-Iran tensions, exacerbated by tightening liquidity
- Asian high-yield bond repricing was primarily driven by interest rate movements and positioning, rather than deteriorating credit fundamentals
- Attractive all-in yields, limited net supply, and benign default trends are expected to provide underlying support for the broader market

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

Asian high-yield bonds were volatile in September, with the index posting a -1.36% return, due to a sharp rise in US Treasury yields and higher oil prices. Outflows were persistent, albeit of a relatively modest magnitude.

Chinese property and industrial high-yield bonds outperformed the index. Chinese property bonds showed a relatively lower correlation with broader macroeconomic risk factors, thereby demonstrating greater resilience during periods of market volatility. Indonesian and Mongolian high-yield bonds declined less than the broader market, falling 0.58% and 0.5%, respectively, supported by their relatively small universe, higher-yielding bonds and commodity-related exposure.

India's high-yield issuers continue to exhibit robust and improving fundamentals, characterised by persistent credit rating upgrades. Constrained net supply and positive idiosyncratic headlines supported the segment, which outperformed the benchmark with a milder 1.09% drop. Meanwhile, Sri Lankan high-yield bonds posted similar returns following Fitch's earlier-than-expected credit upgrade to B- alongside a stable outlook. Pakistani high-yield bond performance was in line with the index.

Rate-sensitive sectors such as Macau, the Philippines, and high-yield sovereigns underperformed in terms of total returns due to their longer duration. Another notable underperformer was Hong Kong property, which declined 3.43% on the month. Weakness was largely concentrated in one particular developer, which came under heavy profit-taking pressure ahead of earnings release despite announcements related to potential asset disposals.

The Asian high-yield bond market has undergone a meaningful repricing over the past several weeks, driven primarily by rate movements and technical positioning rather than a deterioration in credit fundamentals. Looking into the fourth quarter, attractive all-in yields, limited net supply, and still-benign default trends should provide underlying support. However, volatility is expected to persist ahead of the US midterm elections and amidst heightened US-Iran geopolitical tensions. As year-end approaches, diminishing liquidity may also result in more fragmented price action across illiquid bonds.

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Within Asian investment-grade bonds, primary issuance has slowed amid heightened rate volatility, with net supply likely marking the fourth consecutive year of net contraction. Secondary market activity has similarly cooled as investors remain on the sidelines monitoring rate moves. Looking forward, spreads will likely remain range-bound, with movements hinging on rate stability. Heading into year-end, investors are likely to maintain a defensive stance and keep benchmark-neutral positioning given ongoing rate uncertainty. While duration remains fragile due to rate fluctuations, subdued supply should help keep spread weakness manageable. Overall, total returns for Asian investment-grade bonds will continue to be anchored by US Treasury movements and carry.

Investment Strategy

Given a volatile macro backdrop, the Fund focused on reducing duration and beta while maintaining exposure to credits with improving fundamentals and attractive carry. Adopting a cautious approach, the Fund aimed to position more closely with the benchmark. Higher carry bonds remained in favour as exposure was reduced in segments most vulnerable to rising rates and renewed market volatility.

During the month, the fund took profits from its overweight in Indian bank AT1 bonds and rotated into lagging Indonesian bank AT1s. The fund also took profits on its overweight position in European bank AT1s, as well as Indonesia and Indian high beta credits. At the same time, we reduced allocations to long-end beta overweight in Macau gaming and Philippine higher-beta bonds, reflecting their greater sensitivity to US treasury yields and weak macro economy. In the Mongolian high-yield space, the fund further expanded its underweight in sovereign bonds, while staying overweight in banks and corporates. We also added new issues across Indonesia, India, and Pakistan.

Contributors

- Overweight in short-dated China high-yield property bonds: The sector outperformed due to high carry and lower sensitivity to market beta
- Overweight in Mongolian corporate vs underweight in sovereign bonds: Mongolian sovereign bonds underperformed amid a weaker macroeconomic backdrop, hence the fund's underweight position in the space helped contribute to the portfolio's performance

Detractors

- Overweight in Hong Kong property: The sector underperformed due to technicals
- Overweight in high-yield sovereign bonds: Higher oil prices and rising geopolitical tensions weighed on the asset class

Fund Performance

	Cumulative Performance %							Calendar Year Performance %					Volatility %
	YTD	3-Mo	6-Mo	1-Yr	3-Yr	5-Yr	Since Launch	2025	2024	2023	2022	2021	3-Yr (Annualised)
A USD (Acc)	3.1	-0.2	4.4	2.6	29.7	4.4	150.4	6.6	13.2	-3.6	-8.1	-8.6	4.8
A RMB (Acc)	-0.8	-1.3	1.5	-3.3	N/A	N/A	0.2	1.0#	N/A	N/A	N/A	N/A	N/A
A RMB Hgd (Acc)*	0.8	-1.0	2.8	-0.4	18.7	-5.5	1.5	3.3	10.1	-6.6	-7.3	-6.4	4.8
A EUR Hgd (Acc)*	1.8	-0.6	3.6	0.7	26.0	0.3	-1.6	7.0	11.6	-6.3	-10.2	-5.9	4.6
A USD (Dis)	3.1	-0.3	4.5	2.6	29.6	3.6	148.6	6.6	13.3	-3.6	-8.7	-8.6	4.8
A RMB (Dis)	-0.8	-1.4	1.5	-3.3	N/A	N/A	0.2	1.0#	N/A	N/A	N/A	N/A	N/A
H HKD (Dis)	3.9	-0.2	4.6	3.4	29.9	4.3	77.7	6.8	12.8	-3.6	-8.6	-8.2	4.9
A AUD Hgd (Dis)*	3.2	-0.2	4.6	2.6	26.9	-0.6	33.7	5.6	12.2	-5.5	-9.0	-8.9	4.9
A RMB Hgd (Dis)*	1.0	-0.9	2.9	-0.2	18.9	-6.3	44.9	3.4	10.1	-6.7	-8.3	-6.4	4.7

*Hgd: Hedged.

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Fund Code

	ISIN	Bloomberg
A USD (Accumulating)	HK0000065208	BEABCAA HK
A RMB (Accumulating)	HK0001088704	BEAUIBA HK
A RMB Hedged (Accumulating)	HK0000272531	BEARMHA HK
A EUR Hedged (Accumulating)	HK0000405735	BEABCAE HK
A USD(Distributing)	HK0000065216	BEABCAI HK
A RMB (Distributing)	HK0001088712	BEAUINA HK
H HKD (Distributing)	HK0000081361	BEABCHD HK
A AUD Hedged (Distribution)	HK0000162856	BEAAUHD HK
A RMB Hedged (Distribution)	HK0000194263	BEARMHD HK

Source: Unless otherwise specified, all data sources are BEA Union Investment & Lipper as of 30 September 2026 ◦ Month-end asset mixes may total greater than/less than 100% due to rounding. As such the values of the geographical and section allocation displayed may not total 100%.

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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 therefore exposed to foreign exchange fluctuations.

Investment involves risks, including the possible loss of the principal amount invested. Past performance is not indicative of future performance. Investors should refer to the relevant offering documents (including the Key Facts Statement) of the fund for further details including risk factors.

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 object to market fluctuations and to the risks inherent in all investments.
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