

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 India, Indonesia and Mongolia high-yield commodity names; Favour Indian firms with credit upgrade potential

Highlights:

- Asian high-yield dollar bonds rebounded in December, outperforming investment-grade peers
- Added Indian, Indonesian and Mongolian high-yield commodity bonds to position for better global growth prospect
- Remain neutral on China industrials and cautious on property

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 staged a mild rally in December, reversing some losses from the previous month as investors entered 2026 with more optimism. Asian high-yield dollar bonds outperformed Asian investment-grade dollar bonds. Despite tighter credit spreads, total returns on Asian investment-grade bonds were dragged lower by higher US Treasury yields.

Within high yield, high-beta Indian high-yield bonds, longer-tenor Macau gaming bonds, and Mongolian high-yield bonds fared well, achieving total returns of 1.2-1.9%. Indian high-yield bonds remained strongly bid as thin liquidity conditions led investors to pursue high-beta and higher-quality credits. Tighter spreads and price gains were further supported by positive corporate idiosyncratic headlines.

Apart from India, Macau long-end bonds also performed well on positive global risk sentiment, while Mongolian high-yield bonds fared well due to higher carry and positive technical fundamentals, supported by the prospect of low net new issuance this year.

In China, sentiment was hit earlier when a major mainland developer sought extensions on principal and interest payments, dragging property bonds lower. By month-end, non-distressed property names and industrial bonds recovered some ground, posting total returns of 0.6-0.7%. China's primary property market weakened further in Q4 2025, though December's year-on-year sales drop was milder than November's.

Looking ahead to 2026, we remain constructive on the Asian high-yield dollar space, with new issuance expected to pick up in an orderly manner. Higher commodity prices will likely benefit certain Asian high-yield credits, particularly in India, Indonesia, Australia, and Mongolia. China's high-yield default rate is also likely to decrease from 2025 on the back of limited maturities, while stimulus measures may lead to upside surprises. In addition, diversification with the high-yield space is set to increase as Thai investment-grade issuers tap the market with perpetual high-yield bonds.

On the other hand, high-beta Asian investment-grade were lacklustre in December, reflecting weak buying flows and more defensive positioning at year-end. With valuations already tight and new issuance expected to rise at the start of the year, spread performance is likely to remain capped.

Investment Strategy

In December, the fund added high-yield commodity names from India, Indonesia and Mongolia to position for better global growth. We also increased exposure to Indian high-yield credits with potential for rating upgrades, while taking profits on China's local government financing vehicle bonds.

The team is increasingly positive on India's non-banking financial company (NBFC) sector, as recent regulatory reforms are expected to improve the industry's corporate governance. Overall, we remain constructive on India's high-yield space, supported by a more stable credit environment and a healthy pipeline of potential credit upgrades. Rising commodity prices and improving fundamentals underpin our optimistic stance on commodity-related bonds. In China, we have turned more neutral on industrial high-yield space and remain slightly cautious on Chinese property.

Fund Performance

	Cumulative Performance %					Calendar Year Performance %					Volatility %
	YTD	1 Year	3 Years	5 Years	Since Launch	2025	2024	2023	2022	2021	3 Years (Annualised)
A USD (Acc)	6.6	6.6	16.3	-2.3	142.8	6.6	13.2	-3.6	-8.1	-8.6	6.6
A RMB (Acc)	N/A	N/A	N/A	N/A	1.0	1.0#	N/A	N/A	N/A	N/A	N/A
A RMB Hgd (Acc)*	3.3	3.3	6.2	-7.9	0.6	3.3	10.1	-6.6	-7.3	-6.4	6.6
A EUR Hgd (Acc)*	7.0	7.0	11.9	-5.4	-3.3	7.0	11.6	-6.3	-10.2	-5.9	6.6
A USD (Dis)	6.6	6.6	16.3	-3.0	141.1	6.6	13.3	-3.6	-8.7	-8.6	6.7
A RMB (Dis)	N/A	N/A	N/A	N/A	1.0	1.0#	N/A	N/A	N/A	N/A	N/A
H HKD (Dis)	6.8	6.8	16.0	-2.6	71.0	6.8	12.8	-3.6	-8.6	-8.2	6.9
A AUD Hgd (Dis)*	5.6	5.6	12.0	-7.2	29.6	5.6	12.2	-5.5	-9.0	-8.9	6.7
A RMB Hgd (Dis)*	3.4	3.4	6.2	-8.8	43.5	3.4	10.1	-6.7	-8.3	-6.4	6.6

*Hgd: Hedged.

Fund Code

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

Source: Unless otherwise specified, all data sources are BEA Union Investment & Lipper as of 31 December 2025. 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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