BEA Union Investment

PRODUCT KEY FACTS

BEA Union Investment Series -
BEA Union Investment China High Yield Income Fund

30 April 2021

This statement provides you with key information about this product.
This statement is a part of the offering document.
You should not invest in this product based on this statement alone.

Quick facts

Manager:	BEA Union Investment Management Limited
Trustee:	Bank of East Asia (Trustees) Limited
Ongoing charges over a year:	Class A Units: 1.47% p.a.^ Class A AUD (Hedged) Units: 1.54% p.a.^ Class A RMB (Hedged) Units: 1.53% p.a.^ Class A RMB, Class A CAD (Hedged), Class A EUR (Hedged), Class A GBP (Hedged) and Class A NZD (Hedged) Units: 1.54% p.a.*
Dealing frequency:	Daily (Hong Kong business days)
Base currency:	US$
Dividend policy:	Class A (Accumulating), Class A RMB (Accumulating), Class A AUD (Hedged) (Accumulating), Class A CAD (Hedged) (Accumulating), Class A EUR (Hedged) (Accumulating), Class A GBP (Hedged) (Accumulating), Class A NZD (Hedged) (Accumulating) and Class A RMB (Hedged) (Accumulating) Units: No dividends will be declared or distributed. Class A (Distributing), Class A RMB (Distributing), Class A AUD (Hedged) (Distributing), Class A CAD (Hedged) (Distributing), Class A EUR (Hedged) (Distributing), Class A GBP (Hedged) (Distributing), Class A NZD (Hedged) (Distributing) and Class A RMB (Hedged) (Distributing) Units: Monthly distributions, if any, are discretionary and may be paid out of income and/or capital. Making distributions will immediately reduce the net asset value of the relevant class of units. **A positive distribution yield also does not imply a positive return.**
Financial year end of this Sub-Fund:	31 December
Minimum investment:	Class A Units: US$: US$2,000 initial, US$1,000 additional HK$: HK$10,000 initial, HK$5,000 additional Class A RMB, Class A AUD (Hedged), Class A CAD (Hedged), Class A EUR (Hedged), Class A GBP (Hedged), Class A NZD (Hedged) and Class A RMB (Hedged) Units: US$2,000 initial (or its equivalent), US$1,000 additional (or its equivalent)

^ This figure is based on the ongoing expenses for the period ended 31 December 2020 and may vary from year to year.

* This figure is an estimate only and may vary from year to year. The figure is calculated based on the estimated ongoing expenses chargeable to the Sub-Fund expressed as a percentage of the Sub-Fund's estimated average net asset value.

What is this product?

BEA Union Investment China High Yield Income Fund (the "Sub-Fund") is a sub-fund of BEA Union Investment Series (the "Fund"), which is a unit trust established as an umbrella fund under the laws of Hong Kong.

Objective and Investment Strategy

Objective

The investment objective of the Sub-Fund is to seek medium to long term capital growth and regular income by primarily investing in China high yield debt securities.

Strategy

The Sub-Fund aims to provide medium to long term capital growth and regular income by primarily (i.e. at least 70% of its Net Asset Value) investing in high yield debt securities that are issued or guaranteed by entities which are incorporated in China or have significant operations in or assets in, or derive significant portion of revenue or profits from China. The debt securities as described above, which may be denominated in USD, RMB or other currencies, are hereinafter referred to as "Debt Securities". For the remaining assets, the Manager has the freedom to invest outside Sub-Fund's principal geographies, market sectors, industries or asset classes.

Debt Securities may be issued or guaranteed by governments, regional governments, municipal governments, government agencies, quasi-government organisations, financial institutions, investment trusts and property trusts, multi-national organisations and other corporations. Debt Securities also include asset backed securities and mortgage-backed securities (in aggregate of no more than 20% of the Sub-Fund's Net Asset Value), as well as money market funds and fixed income funds (in aggregate of less than 30% of the Sub-Fund's Net Asset Value and in compliance with 7.11 to 7.11D of the Code) for purposes consistent with the investment objective of the Sub-Fund.

Debt Securities that the Sub-Fund will invest in will not be subject to any duration or minimum credit rating requirements. The Sub-Fund will invest at least 70% of its Net Asset Value in high yield Debt Securities which are below investment grade (rated as Ba1 or below by Moody's Investor Services, Inc. or BB+ or below by Standard & Poor's Corporation or equivalent rating by other recognised rating agencies) or non-rated. The Sub-Fund may also invest in investment grade Debt Securities.

The Sub-Fund's expected investment in debt instruments with loss-absorption features is less than 30% of its Net Asset Value, and may include contingent convertible debt securities (of less than 10% of the Sub-Fund's Net Asset Value), senior non-preferred debt and subordinated debt issued by financial institutions. These instruments may be subject to contingent write-down or contingent conversion to ordinary shares on the occurrence of trigger event(s).

The Sub-Fund will have no more than 20% aggregate exposure to onshore investments which may include no more than 20% of its assets in debt securities denominated in RMB and issued in Mainland China ("Onshore Debt Securities") through direct investment in the China interbank bond markets via Foreign Direct Access Regime and/or Bond Connect. Onshore Debt Securities that the Sub-Fund will invest in will not be subject to any duration or minimum credit rating requirements. The Sub-Fund may invest in investment grade, below investment grade (rated as BB+ or below by a Mainland China credit rating agency) and non-rated Onshore Debt Securities including high yield bonds that meet the standards as determined by the Manager.

The Sub-Fund may invest less than 30% of its assets in debt securities denominated in RMB and issued outside of Mainland China (i.e. "Dim Sum" bonds). The Sub-Fund will have less than 30% aggregate exposure to investments denominated in RMB including Onshore Debt Securities and Dim Sum bonds.

The Sub-Fund will not invest more than 10% of its assets in securities issued by or guaranteed by any single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade. For the avoidance of doubt, such securities would not include "quasi-government" securities or securities issued or guaranteed by issuers which are separate legal entities having their own balance sheets and assets, while at the same time being government-owned or related entities.

Before investing in a debt security, the Manager will consider the credit rating of the security, if the debt security is not rated by any recognised rating agencies, it will be classified as non-rated.

In normal market conditions, the Sub-Fund may also hold less than 30% of its Net Asset Value in cash or cash equivalents. Under exceptional circumstances (e.g. market crash or major crisis), this percentage may be temporarily increased to up to 100% for cash flow management.

The Manager currently does not intend to enter into any securities financing transactions on behalf of the Sub-Fund.

The Sub-Fund may acquire financial derivative instruments for hedging and investment purposes.

Use of derivatives / investment in derivatives

The Sub-Fund's net derivative exposure may be up to 50% of its Net Asset Value.

What are the key risks?

Investment involves risks. Please refer to the Explanatory Memorandum for details including the risk factors.

1. Investment risk

- The Sub-Fund's investment portfolio may fall in value and therefore your investment in the Sub-Fund may suffer losses. There is no guarantee of the repayment of principal.

2. Risks associated with debt securities

- Interest rates – The Sub-Fund is subject to interest rate risk. In general, the prices of debt securities rise when interest rates fall, whilst their prices fall when interest rates rise.

- Credit / Counterparty risk – The Sub-Fund is also exposed to the credit/default risk of issuers or guarantors of the debt securities that the Sub-Fund may invest in. If the issuer or guarantor of any of the securities in which the Sub-Fund invests defaults or suffers insolvency or other financial difficulties, the value of the Sub-Fund will be adversely affected and may lead to a loss of principal and interest.

- Downgrading risk – The credit rating of a debt instrument or its issuer or guarantor may subsequently be downgraded. In the event of such downgrading, the value of the Sub-Fund may be adversely affected. The Manager may or may not be able to dispose the debt instruments that are being downgraded.

- Below investment grade and non-rated securities – The Sub-Fund may invest significantly in below investment grade or non-rated debt securities including high yield bonds. Such debt securities are generally subject to lower liquidity, higher volatility and greater risk of loss of principal and interest than higher-rated securities. The Sub-Fund's ability to liquidate its holdings in response to changes in the economy or the financial markets may be further limited by factors such as adverse publicity and investor perception.

- Volatility and liquidity risk – The debt securities in China may be subject to higher volatility and lower liquidity compared to more developed markets. The prices of such securities may be subject to fluctuations. The bid and offer spreads of the price of such securities may be large and the Sub-Fund may incur significant trading costs.

- Sovereign debt risk – The Sub-Fund's investment in securities issued or guaranteed by governments may be exposed to political, social and economic risks. In adverse situations, the sovereign issuers may not be able or willing to repay the principal and/or interest when due or may request the Sub-Fund to participate in restructuring such debts. The Sub-Fund may suffer significant losses when there is a default of sovereign debt issuers.

- Valuation risk – Valuation of the Sub-Fund's investments may involve uncertainties and judgmental determinations. If such valuation turns out to be incorrect, this may affect the net asset value calculation of the Sub-Fund.

- Credit rating risk – Credit ratings assigned by rating agencies are subject to limitations and do not guarantee the creditworthiness of the security and/or issuer at all times.

3. **Concentration risk/China market risk**

- The Sub-Fund's investments are concentrated in China. The value of the Sub-Fund may be more volatile than that of a fund having a more diverse portfolio of investments.

- The value of the Sub-Fund may be more susceptible to economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event adversely affecting the China market.

4. **Emerging market risk**

- The Sub-Fund invests in emerging markets which may involve increased risks and special considerations not typically associated with investment in more developed markets, such as liquidity risks, currency risks/control, political and economic uncertainties, legal and taxation risks, settlement risks, custody risk and the likelihood of a high degree of volatility.

5. **Currency risk**

- Underlying investments of the Sub-Fund may be denominated in currencies other than the base currency of the Sub-Fund, i.e. US dollars. Also, a class of Units may be designated in a currency other than the base currency of the Sub-Fund. The net asset value of the Sub-Fund may be affected unfavourably by fluctuations in the exchange rate between these currencies and US dollars and by changes in exchange rate controls.

6. **Derivative risk**

- Risks associated with derivative instruments include counterparty/credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk. The leverage element/component of a derivative instrument can result in a loss significantly greater than the amount invested in the derivative instrument by the Sub-Fund. Exposure to derivative instruments may lead to a higher risk of significant loss by the Sub-Fund.

- The Sub-Fund may use derivative instruments for hedging purposes which may not achieve the intended purpose. In an adverse situation, the Sub-Fund's use of derivative instruments may become ineffective in achieving hedging and may result in significant losses.

7. **Effect of distribution out of capital**

- The Manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Sub-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. Any such distributions may result in an immediate reduction of the net asset value per Unit.

- The distribution amount and net asset value of the currency hedged class units may be adversely affected by differences in the interest rates of the reference currency of the currency hedged class units and the Sub-Fund's base currency, resulting in an increase in the amount of distribution that is paid out of capital and hence a greater erosion of capital than other non-hedged unit classes.

8. **Currency hedging risk**

- Adverse exchange rate fluctuations between the base currency of the Sub-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 these currency hedged class units will be hedged at all times or that the Manager will be successful in employing the hedge.

- The costs of the hedging transactions will be reflected in the net asset value of the currency hedged class units and therefore, an investor of such currency hedged class units will have to bear the associated hedging costs, which may be significant depending on prevailing market conditions.

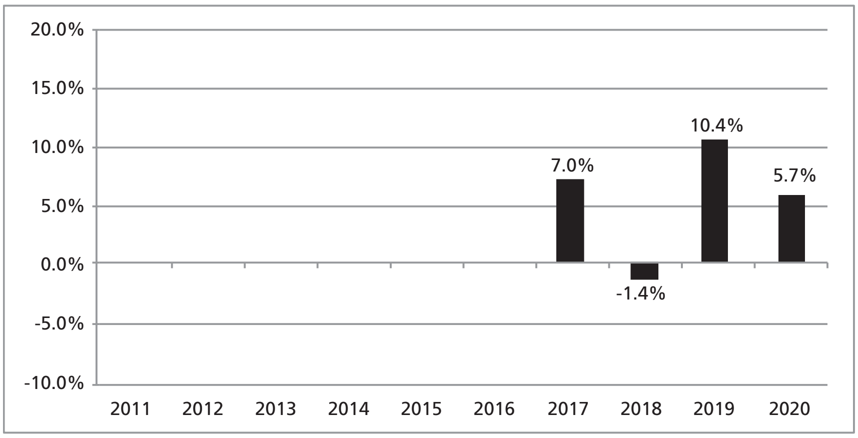
- If the counterparties of the instruments used for hedging purpose default, investors of the currency hedged class units may be exposed to currency exchange risk on an unhedged basis and may therefore suffer further losses.

- While hedging strategies may protect investors in the currency hedged class units against a decrease in the value of the Sub-Fund's base currency relative to the class currency of the currency hedged class units, it may also preclude investors from benefiting from an increase in the value of the Sub-Fund's base currency.

9. RMB currency and conversion risks

- RMB is currently not freely convertible and 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 RMB would adversely affect the value of investor's investment in the Sub-Fund.
- Although offshore RMB (CNH) and onshore RMB (CNY) are the same currency, they trade at different rates. Any divergence between CNH and CNY may adversely impact investors.
- Under exceptional circumstances, payment of redemptions and/or dividend payment in RMB may be delayed due to the exchange controls and restrictions applicable to RMB.

How has the Sub-Fund performed?



- Past performance information is not indicative of future performance. Investors may not get back the full amount invested.
- The computation basis of the performance is based on the calendar year end, NAV-to-NAV, with dividend reinvested.
- These figures show by how much Class A USD (Distributing) Units increased or decreased in value during the calendar year being shown. Performance data has been calculated in US$ including ongoing charges and excluding subscription fee and redemption fee you might have to pay.
- Where no past performance is shown there was insufficient data available in that year to provide performance.
- Sub-Fund / Class A USD (Distributing) Units launch date: 2016

Is there any guarantee?

The Sub-Fund does not have any guarantees. You may not get back the full amount of money you invest.

What are the fees and charges?

References to Class A Units include Class A RMB, Class A AUD (Hedged), Class A CAD (Hedged), Class A EUR (Hedged), Class A GBP (Hedged), Class A NZD (Hedged) and Class A RMB (Hedged) Units.

Charges which may be payable by you

You may have to pay the following fees when dealing in the units of the Sub-Fund.

Fee	What you pay
Subscription fee (Preliminary Charge)	Class A Units: up to 5% of issue price
Switching fee (Conversion Charge)	Up to 2.0% of issue price of new units
Redemption fee (Realisation Charge)	Class A Units: 0.5% of realisation price; but currently waived

Investors may be subject to pricing adjustments when they subscribe, realise or convert (if applicable) Units of the Sub-Fund. For details, please refer to "**Adjustment of Prices**" under the section headed "**VALUATION**" in the main part of the Explanatory Memorandum.

Ongoing fees payable by the Sub-Fund

The following expenses will be paid out of the Sub-Fund. They affect you because they reduce the return you get on your investments.

	Annual rate (as a % of the Sub-Fund's value)
Management Fee	Class A Units: 1.20% p.a.*
Trustee Fee	0.15% p.a.*
Performance Fee	N/A
Administration Fee	N/A
Registrar's Fee	0.015% – 0.05% p.a. subject to minimum of US$3,000 p.a.
Holders Servicing Fee	Class A Units: Nil*

Other fees

You may have to pay other fees and charges when dealing in the units of the Sub-Fund.

* You should note that these fees may be increased, up to a specified permitted maximum, by giving unitholders at least one month's prior notice. For details, please refer to the Explanatory Memorandum.

Additional Information

- You generally buy, redeem and switch units at the Sub-Fund's next-determined net asset value (NAV) after Authorised Distributor receives your request in good order on or before 4:00p.m. (Hong Kong time) on a Dealing Day. The Authorised Distributor(s) may impose an earlier cut-off time before the dealing deadline for receiving instructions for subscriptions, realisations or conversions. Investors should confirm the arrangements with the Authorised Distributor(s) concerned.
- The net asset value of the Sub-Fund is calculated on each Dealing Day, and the price of units is published on the Manager's website: www.bea-union-investment.com (this website has not been reviewed or authorized by the SFC).
- Investors may obtain information on BEA Union Investment Management Limited from the following website: www.bea-union-investment.com.
- Compositions of the distributions (if any) (i.e. the relative amounts/percentages paid out of (i) net distributable income and (ii) capital) for the last 12 months are available from the Manager on request and also on the following website: www.bea-union-investment.com. The Manager may amend the distribution policy subject to SFC's prior approval and by giving not less than one month's notice to investors.

Important

If you are in doubt, you should seek professional advice.

The SFC takes no responsibility for the contents of this statement and makes no representation as to its accuracy or completeness.