

**Important note:**

1. BU Asia Pacific Flexi Allocation Fund ("the Fund") is a sub-fund of BU Investment Series OFC ("the Company"), which is a public open ended fund company ("OFC") (registration number OF11) regulated under the laws of Hong Kong, with variable capital and limited liability and segregated liability between sub-funds.
2. The Fund seeks to achieve long-term capital growth and income by investing in equity securities or debt securities, that are either (a) traded in the Asia Pacific region or (b) issued by companies incorporated in the Asia Pacific region or companies which have significant operations in or derive significant portion of revenue from the Asia Pacific region.
3. The Fund invests in emerging markets and may be subject to higher liquidity and volatility risks.
4. The Fund is subject to equity markets risk such as changes in investment sentiment, political, economic conditions and issuer-specific factors which may adversely affect the fund value.
5. The Fund invests in debts or fixed income securities are exposed to interest rates, credit/counterparty, downgrading, volatility and liquidity, valuation and sovereign debt and credit rating risks which may adversely affect the price of the debt securities.
6. The Fund may invest in below investment grade or non-rated debt securities which are subject to greater volatility and liquidity risks than higher-rated securities.
7. The Fund is exposed to concentration risk in Asia Pacific region and may be more volatile than in a more diverse portfolio of investment.
8. The Fund is also subject to risk associated with regulatory requirements and high market volatility and potential settlement difficulties of the equity markets in Asia Pacific Region.
9. The directors 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 shareholder'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 share.
10. In terms of currency hedged class shares, adverse exchange rate fluctuations between the base currency of the Fund and the class currency of the currency hedged class shares may result in a decrease in return and/or loss of capital for shareholders. Over-hedged or under-hedged positions may arise and there can be no assurance that the currency hedged class shares will be hedged at all times or that the manager will be successful in employing the hedge.
11. 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.
12. The Fund may acquire financial derivative instruments for hedging and investment purposes. Given the leverage effect embedded in financial derivative instruments, the Fund may be exposed to significant losses.
13. Investors should not make an investment decision based solely on this material.

**BU Asia Pacific Flexi Allocation Fund ("AFA")**

★ ★ ★ ★

 Morningstar Overall Rating<sup>+</sup>
**Overweight Australia and Indonesia. Prefer sectors benefitted from economic reopening.**

**Highlights:**

1. **Positive on equities and remain cautious on bonds**
2. **Overweight Australian and Indonesian commodities and financials**
3. **Stringent risk management by our investment team**

**Fund Features**

- The Fund is an Asia Pacific equity-biased mixed-asset income fund, which invests in a prudent selection of blue-chip stocks to seek alpha.
- The Fund employs flexible allocation in Asia Pacific bonds to enhance return potential and diversify portfolio risks.

**Market Review**

In the first quarter of 2022, the performance of global markets was volatile. The market was worried that the Fed will speed up the pace of interest rate hikes. The U.S. stocks fell and Asian markets were under pressure. Inflationary pressure in the U.S. has continued to increase since last year. The epidemic intensified the supply chain tension and rising energy prices.

US consumer price index (CPI) rose by 8.5% year-on-year in March which was a record high in 40 years. The Fed's attitude towards interest rate hikes became more hawkish. The rate hike of 0.25% in March kicked start the rate hike cycle. MSCI Asia Pacific (ex Japan) Index declined 0.6% in March 2022. MSCI China's underperformance was broad-based led by the Consumer Staples, IT and Communication Services sectors. Resurgence of COVID cases and lockdowns of a number of cities continue to weigh on sentiment as well as disrupt supply chain. It affected the economic development. Government's efforts to address capital market concerns, corporate share buybacks and property easing measures did help to lift sentiment from mid-month onwards.

MSCI Australia's outperformance was broad-based, led by the Financials, IT, Energy and Material sectors. The recently announced 2023 Budget reaffirms commitment to support economic recovery, with strategy to counter inflation through additional spending.

## Market Outlook

Stepping into 2022, inflation becomes a long-term trend. Besides US Fed, Central banks in England, New Zealand and South Korea are accelerating liquidity tightening. Investors' focus also turn to the speed of US asset reduction and rate hikes which will potentially create more market volatility. Overall, corporate earnings is expected to grow moderately in 2022 after the strong earnings rebound in 2021.

China's property contracted sales remained weak in March and is expected to continue in April and May, which will further challenge the liquidity of developers. While onshore funding channels have slightly improved for certain POE developers, most of those fundings are restricted for the M&A use but not repaying debt. We expect there will be more default cases without material supportive measures in boosting buyer sentiment. It will take longer time than expected for the sector to recover.

## Investment Strategy

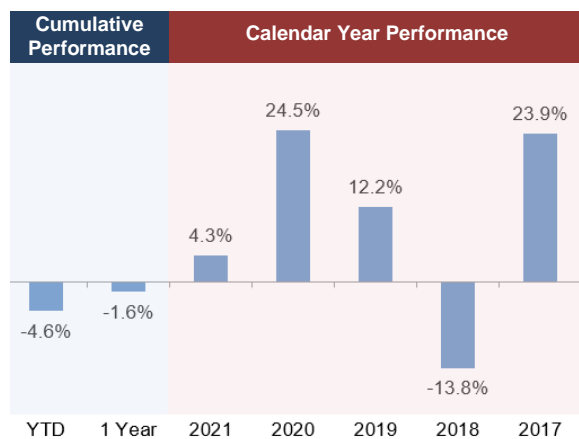
BEA Union Investment believes the impacts on stock markets will be limited in the early stages of rate hikes. Therefore, we remain bullish on stocks while more cautious on bonds. In terms of overall strategy, our view remains optimistic on stocks but conservative on bonds. When there is more clarity on economic development and policy direction, we will increase our weightings in those markets that lagged behind for the time being and look to rebuild positions in quality exporters and consumer brands which are benefited from economic reopening. We are also positive on clean energy such as EV and solar, virtual reality ("VR") and augmented reality ("AR").

Our investment team remains positive on Asian markets, in particular Australia. The resilience of the Australian stock market, coupled with their mature financial system, creates opportunities for mergers and acquisitions. Furthermore, Australia has good corporate governance and there are many quality companies. We prefer resource stocks, such as natural gas.

Geopolitical tension, high energy price and shortage on raw materials are slowing down global trade as well as economic growth. Supply chain tension continues in the short term. The Fund prefers the commodity sector, especially those in Australia and Indonesia. Regarding China, we continue to underweight the property high yield bonds in view of geopolitical tension, market liquidity crunch and continuous policy uncertainties.

With stringent risk management, our investment team is actively managing the portfolio in response to market conditions.

**Fund Performance**

 Performance<sup>1</sup> : A USD (Accumulating)


The Fund was launched on 30 September 2021 upon the restructuring of BEA Union Investment Series - BEA Union Investment Asia Pacific Flexi Allocation Fund (the Predecessor Fund, with inception on 6 Feb 2015) to the Fund. The performance / fund price/ dividend record/ Morningstar rating (if applicable) shown on or before the date of the restructuring has been simulated based on the respective information of a unit class of Predecessor Fund with the same investment objectives, risk profiles, and materially the same fee structures and investment policies of the respective share class of the Fund.

Class A USD (Accumulating) of the "Predecessor Fund" was launched on 6 February 2015.

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)	HK0000224250	BEAPAUH HK
A USD (Distributing)	HK0000224201	BEAPAUJ HK
A HKD (Distributing)	HK0000224219	BEAPAHJ HK
A AUD Hedged (Distributing)	HK0000224227	BEAPAUH HK
A RMB Hedged (Distributing)	HK0000224235	BEAFARH HK
A NZD Hedged (Distributing)	HK0000224243	BEAPANH HK

Source of the fund information: BEA Union Investment Management Limited, as at 31 March 2022.

+ ©2022 Morningstar. Data as of 31 March 2022. The rating is for Class A USD (Accumulating). The rating is for reference only and should not be construed as buy and sell recommendation of investment.

1. Source: Lipper, as at 31 March 2022. The quoted NAV is for A USD (Accumulating) launched on 30 September 2021, 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 prospectus of the Fund. Investors should also read the prospectus 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 shares 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 authorised by the Securities and Futures Commission ("SFC") in Hong Kong. SFC authorisation 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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