Trusted Asia Manager with Global Values

Fund Report (Dec 2022)

Important note:
1.BU China Gateway 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 medium to long term capital growth and income through investing primarily in equity securities and/or debt securities, that are either (a) traded in China or (b) issued by entities incorporated in China or entities which have significant operations in or assets in, or derive significant portion of revenue or profits from China.
3.The Fund is subject to general investment risk, China market concentration risk, equity market risk, asset allocation risk, risks associated with Stock Connects, risks associated with China interbank bond market, Mainland China tax risk, risks of investing in other funds, emerging market risk and currency risk.
4.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, credit rating and credit rating agency risk, which may adversely affect the price of the debt securities.
5.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.
6.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.
7.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.
8.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.
9.Investors should not make an investment decision based solely on this material.

BU China Gateway Fund ("CGF")

★★★
Morningstar Overall Rating+

China's positive policies buoy reopening stocks, Macau bonds and Chinese property bonds

Highlights:

1. **Added internet, tech hardware stocks and Macau gaming bonds on economic recovery hopes**
2. **"Three arrows" package sets opportunities to add Chinese investment-grade, high-yield property bonds**
3. **Continue to balance portfolio between cyclical and structural stocks**

Fund Features

- A one-stop solution for investing in Chinese stocks and bonds. Access to onshore and offshore investment channels, providing a way to capture investment opportunities in Chinese stocks and bonds fully.
- Flexible allocation in stocks and bonds to balance risk and return.

Market Outlook

Global market volatility continued to be elevated by the repricing of Fed rate hikes expectation, recession concerns in US and Europe, as well as escalating geopolitical tensions. These risks look set to persist in the near term. While the third-quarter result season suggested S&P companies' performances remained resilient, we detected early signs of weakening momentum in consumer and financial sectors, which could suggest slower global growth in 2023.

In contrasts, the shift of China's covid policies and the government's rollout of supportive measures to stabilize the property sector on three fronts: credit, bond and equity financing are perceived by our teams as the first steps to boost economic recovery.

While the teams are aware of the market concerns in terms of the risk of an early reopening, the shift in policy direction should support market sentiment in the near term. We will keep a close eye on the upcoming Central Economic Work Conference, which could shed more insight on next year's economic policy trend.

Investment Strategy

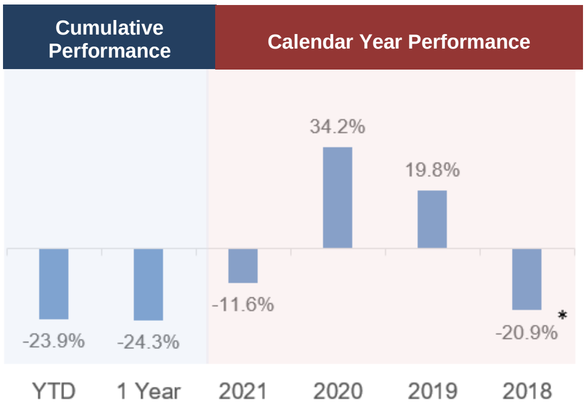
Turning more bullish on the overall market outlook. To capture economic recovery potential, the teams lifted equity exposure in growth and domestic reopening plays. We added tech hardware, on recovery expectations in the second half of next year, and the fund reduced equities with overseas exposures to fund Asian reopening plays. Defensive sectors such as utilities, telco and banks are also less preferred at this moment. But recession fears are taking hold, and without knowing how deep or how long it could go, we will ensure to strike a balance between cyclical and structural stocks in our portfolio. In terms of sectors, reopening themes we favour are internet, luggage makers, high-end consumption as well as airlines while long-term growth opportunities include electric vehicle batteries and solar power panels of the new energy sector.

As China eased its pandemic requirements and unveiled broad-based property measures, we turned less pessimistic towards Chinese bonds as well. We added investment-grade and high-yield Chinese property bonds, and also saw opportunities in investment-grade TMT, select high quality AT1 and perpetual bonds with lower non-call risk. We will also seek strategic opportunities on distressed credits to generate alpha. We will continue to manage the portfolio in a constructive manner until the end of this year.

Macau is also a beneficiary of China's gradual easing of pandemic restrictions. Macau's gaming industry has been mired by dwindling tourism figures for the past three years, weighed down by China's stringent zero-Covid policies. The sector faces one less uncertainty after the dust settled regarding the licensing of the casino operators. These positive factors supported our thesis of buying into Macau high-yield gaming bonds once again.

Fund Performance

Performance[1]：A USD (Accumulating)



The Fund was launched on 30 September 2021 upon the restructuring of BEA Union Investment Series - BEA Union Investment China Gateway Fund (the "Predecessor Fund", with inception on 31 January 2018) to the Fund. The performance/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.

* Since launch till 31 December of the same year.
Predecessor Fund - A USD (Accumulating) was launched on 31 January 2018.

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)	HK0000257458	BUCGAUA HK
A USD (Distributing)	HK0000257441	BUCGAUD HK
A HKD (Distributing)	HK0000257433	BUCGAHD HK
A RMB Hedged (Distributing)	HK0000375482	BUCGARH HK
AAUD Hedged (Distributing)	HK0000375474	BUCGAAH HK

Source of the fund information: BEA Union Investment Management Limited, as of 30 November 2022.

+ ©2022Morningstar. Data as of 30 November 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 of 30 November 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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