Trusted Asia Manager with Global Values

Fund Report (June 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+

The current market valuation provides a medium to long term support for the market

Highlights:

1. **The monetary policies of China and the United States are in opposite directions. Markets become more sensitive to interest rates**
2. **The portfolio is more focused on the sectors with growth and recovery potential**
3. **Underweight long term bonds**

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 Review

The US Federal Reserve ("Fed") announced to hike rate by 50 basis points in May, which was the first time since 2000. The latest target range for the federal funds rate is 0.75 to 1%, which indicated that Fed tends to speed up the monetary tightening policy. Fed Chairman Jerome Powell reiterated that half-point rate hikes are likely at upcoming two meetings. In addition, the plan of balance sheet reduction was also confirmed to kick off in June, with an expectation to reduce its bond holdings at a maximum pace of US$95 billion a month. 10-year US treasury yield once touched 3.12% from 2.93% during the month of May, but then retreated back to 2.84% at the end of the month.

In the face of the pandemic situation, mainland China continued to adopt the "dynamic clearing" policy. Shenzhen and Shanghai began to shut down their cities in March. Fortunately, in early May, the situation seemed to be in more control. In spite of the fact that some China's key cities were still being locked down, China's May PMI came in stronger than expected as there was gradual easing on the lockdown measures of Shanghai, the country's largest economic engine. China's property market remained quiet while land purchases continued to be supported by government related entities. The job market was weak. Unemployment rate ticked up to 6.1%.

BEA Union Investment

Trusted Asia Manager with Global Values

Fund Report (June 2022)

Market Outlook

The on-going conflict between Russia and Ukraine, high energy price and disruption to global supply chain further pushed up the Consumer Price Index (CPI). Potential embargo on Russian oil to Europe will also raise energy price. Although Western countries are actively securing their energy supply to reduce dependence on Russia's fuels, they are unable to immediately reduce the upward pressure on prices in the short term. Therefore, we expect the inflation pressure will continue, affecting the market investment sentiment. US CPI rose by 8.6% year-on-year in May, a record high in 40 years, which was also higher than the market has expected. To fight inflation, the Fed actively raises interest rates, while the People's Bank of China (PBOC) maintains an accommodative monetary policy to stabilize economic growth. The monetary policies of China and the United States are in opposite directions. Markets become more sensitive to interest rates.

In terms of the monetary policies in the mainland, BEA Union Investment believes that there is a high chance that PBOC will further reduce the reserve requirement ratio this year to support economic growth. If the Chinese government expands fiscal spending and implements looser monetary and real estate policies, the property market and the economy will further be stimulated. We believe that will bring positive impact to the stock market and overall sentiment. With the expectation of a relatively loose monetary policies, BEA Union Investment believes growth might start to pick up in the next few months, at a relatively gradual pace.

Investment Strategy

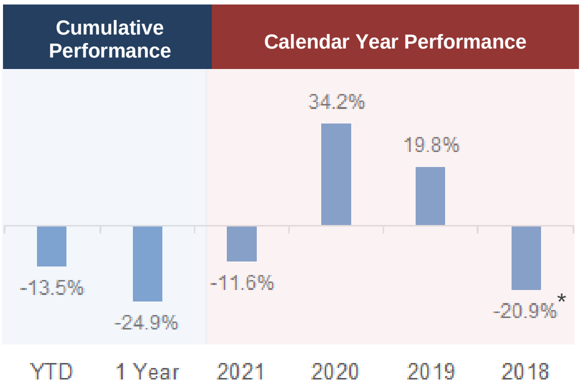
The recent volatility in global markets was mainly induced by the Fed's rapid rate hikes, the prolonged conflict between Russia and Ukraine and the new coronavirus variant, which have altogether brought uncertainty to the market. In particular, the geopolitical tension in Russia and Ukraine brought significant market impacts. Our investment team will continue to closely monitor the development. The intensifying inflation and supply chain disruption caused the slowdown of the economic growth in the recent months at an out-of-expected pace. On the positive side, we believe the recent market correction has largely priced in the factors of weak macro environment and the negative sentiment on the geopolitical concern. Based on the current market valuation, we believe it will provide support for the market in the medium to long term.

We maintain a more balanced portfolio mix between growth & cyclical/recovery names. We like clean energy plays such as EV and solar, shipping-related cyclicals, selected consumption plays in the beer and dairy field, high quality names in the internet and property sectors which will benefit from more favourable policies. Meanwhile, we underweight financials, mainly the banking and insurance stocks.

We underweight long term bonds. We believe that China's credit spreads will turn around after the mainland rolls out more support measures and eases regulatory policy risks. With stringent risk management, our investment team is actively managing the portfolio in response to market conditions.

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.

Trusted Asia Manager with Global Values

Fund Report (June 2022)

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
A AUD Hedged (Distributing)	HK0000375474	BUCGAAH HK

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

1. Source: Lipper, as of 31 May 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.