

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*

Maintain a more balanced portfolio mix with both growth & cyclical/recovery names


Highlights:

1. **Mainland China's pandemic strategies and industrial regulatory policies are indicative**
2. **The overall economic development will become more solid and stable when market uncertainty vanishes gradually**
3. **Stringent risk management by our investment team**

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 U.S. Federal Reserve ("Fed") discussed a timetable for rate hikes at its January meeting and was ready to raise interest rates in March 2022. US 10 year treasury yield ended at 1.82% by February as rounds of rate hike have been priced-in in March which drove the yield as high as 2.05% but lowered due to the geo-political concerns.

In terms of China's real estate sector, impacted by the central government's comprehensive policy of regulating the property market, many developers suffered insufficient liquidity. A number of tightening policies have been passed with an aim to suppress excessive corporate borrowing, leading to structural changes in fundamentals and reducing the risk of rapid market expansion and the formation of a bubble economy. Coupled with the national policy of "common prosperity", the market still takes time to digest.

In February, Hong Kong market was up. Regional and HK banks outperformed due to the increase in interest rate. The Macau gaming sector also outperformed on the back of higher expectation of pandemic relief.

Market Outlook

BEA Union Investment believes inflation is becoming a long-term trend in 2022 and we are cautious on the overall market outlook. Recent global market volatility was mainly triggered by the geo-political tension, uncertainty driven by the spread of Omicron as well as the more hawkish stance by the US Fed, including faster tapering, earlier rate hikes and balance sheet normalization, leading to the rising US treasury yield.

The overall economic activities in China have been sluggish since the second half of last year, mainly due to COVID resurgence, slowdown in property and related sectors, and power and component shortages in the 4th quarter of 2021. Short-term fluctuations are inevitable. However, when the market is consolidated or the government sends a positive policy signal of loosening restrictions, the credit environment for domestic housing is expected to improve. China's attitude on the pandemic, industry regulation and the implementation of policies all play an indicative role.

Investment Strategy

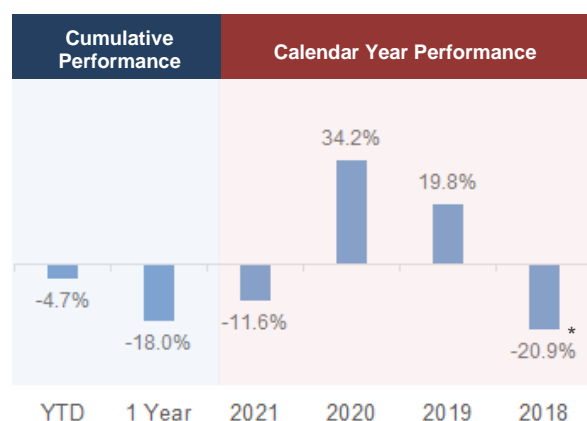
BEA Union Investment expects the U.S. Treasury bond yields will rise. China and Taiwan financials, which were believed to be favoured by rate hikes, were added in the portfolio.. Furthermore, the People's Bank of China has further relaxed mortgage loan quotas and accelerated disbursement. Under the Three Red Line policy, developers can draw out M&A loans, and asset-backed bonds will resume approval and issuance. State-owned enterprises and substantial private enterprises can benefit from this round of policy relaxation on the back of their better credit ratings. Our investment team switched to a total underweight position in China property.

We maintain a more balanced portfolio mix of both growth & cyclical/recovery names, particularly on clean energy plays (EV/solar), cyclicals (shipping-related), selected consumption plays (sportswear), selected tech (servers/selected PC plays/VR/AR) and telecom. Regarding the gaming industry in Macau, we remain cautious on the gambling stocks as the date for border reopening is still uncertain and there is a major change in the mainland government's policy on the VIP gaming industry.

The investment team tends to underweight the bond duration. We reduced beta names to stay more high quality and added into sovereign from corporates. 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.

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 28 February 2022.

+ ©2022Morningstar. Data as of 28 February 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 28 February 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.

Issuer: BEA Union Investment Management Limited