Trusted Asia Manager with Global Values

**Fund Report (June 2022)**

Important note:

1. BU RMB Core Bond 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 income and long-term capital growth by investing in debt securities and other assets that are denominated in RMB and other currencies.
3. The Fund invests in debts or fixed income securities are exposed to interest rates, credit/counterparty, downgrading, volatility and liquidity, valuation and sovereign debt, credit rating risks and credit rating agency risk (for mainland China onshore debt securities) risks which may adversely affect the price of the debt securities.
4. The Fund may invest in below investment grade, or rated BB+ or below by a China credit rating agency, or non-rated debt securities, which are subject to greater volatility and liquidity risks than higher-rated securities.
5. The Fund's investments are concentrated in China and may be subject to high concentration risk and more volatility than that of funds having a more diverse portfolio of investment. The value of the Fund may be more susceptible to adverse economic, political, policy, foreign exchange, liquidity, tax, legal or regulatory event affecting the China market.
6. The Fund invests in emerging markets and may be subject to higher liquidity and volatility risks.
7. The Fund may be subject to the "Dim Sum" bond market risk and the risks associated with China interbank bond market, and the Fund is more susceptible to volatility and/or lower liquidity.
8. The director 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.
9. The Fund is subject to Mainland China tax risk and any increased tax liabilities on the Fund may adversely affect the Fund's value.
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 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.
13. Investors should not make an investment decision based solely on this material.

★★★
Morningstar Overall Rating[+]

# BU RMB Core Bond Fund ("RCB")

## Strong USD narrows China-US interest rate gap, adding pressure on RMB


*Highlights:*

1. **Remain cautious on the Chinese properties**
2. **Neutral in long term bonds**
3. **Prefer dim sum bonds that are less sensitive to interest rates**

### Fund Features

- A RMB bond fund that aims to capture stable dividends.
- At least 70% invested in debt securities, bonds and deposits that are denominated or settled in RMB.
- Investment grade average credit rating.

BEA Union Investment

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**Fund Report** (June 2022)

## Market Review

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. The US Federal Reserve ("Fed") decided to hike rate by 50 basis points in May and reiterated that half-point rate hikes are likely at upcoming two meetings. In addition, the plan of balance sheet reduction is 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. Global rate hike action by central banks and high inflation drove US Treasury yield higher. 10-year US treasury yield once touched 3.12% from 2.93% during the month of May then retreated back to 2.84% on month end.

Due to the severe pandemic situation in the past few months, several major cities in the mainland have been locked down. The Renminbi (RMB) continued to weaken in early May amid concerns about a resurgence of the pandemic. However, along with the improved situation, the mainland government began to prepare for Shanghai's reopening. RMB then rebounded subsequently.

The onshore government bond yield were lower in May. The government launched a series of stimulus measures including a massive tax rebate scheme, infrastructure projects, measures to boost car sales and easing measures to relax the tightened policies on the property sector. The People's Bank of China (PBOC) also indicated that lower the requirement reserve ratio (RRR) could also be one of the stimulus measures.

## Market Outlook

In Mainland China, the GDP growth target for 2022 was set at 5.5% at the National People's Congress. In the first quarter of 2022, the GDP growth rate was 4.8%. In spite of the fact that mainland cities gradually reopen after the epidemic, the growth outlook is still full of challenges. Market remains a wait-and-see attitude towards China's growth outlook this year. 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.

Strong USD narrows China-US interest rate gap, adding pressure on RMB. The RMB weakness is expected to continue in near term. The onshore rate market is expected to hover in the current range in short term. It is believed that it is unlikely to have large-scale monetary easing in China, however, their attitude remains dovish, which may limit the upside of onshore yields.

## Investment Strategy

BEA Union Investment continues to remain cautious on the Chinese property sector. Reasons are threefold. Contracted property sales is still weak; the lockdown measures dampen homebuyers' sentiment and the possibility of continuing default cases due to the tight liquidity of developers. Overall speaking, we believe the keys to accelerate the economic recovery lie in the possibilities of a turnaround of China's anti-epidemic strategies and a more accommodative monetary policy.

The Fund tends to be neutral on long team bonds and continues to invest in USD bonds in a currency-hedged manner. We prefer dim sum bonds as they are less sensitive to interest rates and offer better spreads. With stringent risk management, our investment team is actively managing the portfolio in response to market conditions.

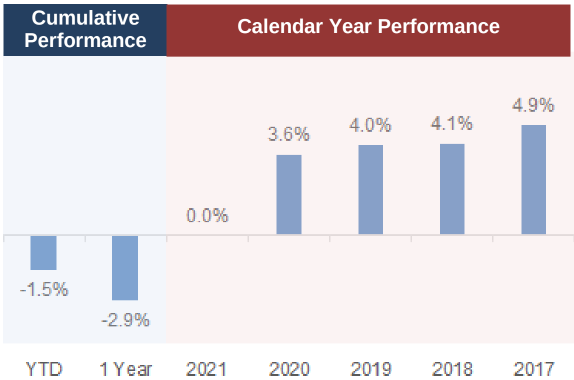
BEA Union Investment

*Trusted Asia Manager with Global Values*

# Fund Report (June 2022)

## Fund Performance

Performance[1]：A RMB (Distributing)




The Fund was launched on 30 September 2021 upon the restructuring of BEA Union Investment Series - BEA Union Investment RMB Core Bond Fund (the Predecessor Fund, with inception on 28 February 2014) 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.

Predecessor fund - A RMB (Distributing) launched on 28 February 2014.

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

### Recent Award

**Top Investment Houses in Asian G3 Bonds Rank 9 (Hong Kong, China)[2]**

**Top Investment House in Asian Local Currency Bond, Highly Commended (Hong Kong, China)[3]**

REFINITIV LIPPER FUND AWARDS 2021 WINNER HONG KONG

**Best Fund Over 5 Years - Bond Global LC[4]**

### Fund Code

| | ISIN | Bloomberg |
|---|---|---|
| A HKD (Distributing) | HK0000176740 | BEARCAH HK |
| A RMB (Distributing) | HK0000176732 | BEARCAR HK |
| A USD (Distributing) | HK0000176757 | BEARCAU HK |

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

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

1. Source: Lipper, as at 31 May 2022. The quoted NAV is for A RMB (Distributing) 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.
2. Source: The Asset, 2021 Research for Asian G3 Bonds, October 2021.
3. Source: The Asset, 2021 Research for Asian Local Currency Bonds, October 2021.
4. Source: Lipper, Lipper Fund Awards from Refinitiv Year 2021 Hong Kong, 31 December 2020.