Important note:

1. BU Asia Impact Bond Fund ("the Fund") is a sub-fund of BU Fund Series OFC ("the Company"), which is a Hong Kong public open-ended fund company ("OFC") (the Company was incorporated pursuant to an Instrument of Incorporation filed to the Companies Registry of Hong Kong with registration number OF4), regulated under the laws of Hong Kong with variable capital and limited liability and segregated liability between sub-funds. The Company has been registered with the Securities & Futures Commission ("SFC") as an OFC and the Company and the Fund have been authorized by the SFC pursuant to section 104 of the Securities and Futures Ordinance. The SFC's registration or authorization is not a recommendation or endorsement of the Company or the Fund nor does it guarantee the commercial merits of the Company or the Fund or its performance. It does not mean the Company or the Fund is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.
2. The Fund seeks medium to long term capital growth and regular income by primarily investing in impact bonds including green, social and sustainability bond instruments in Asia or that are denominated in Asian currencies.
3. The Fund is subject to risk associated with investing in an impact bond strategy, general investment risk, Asian market concentration risk, emerging market risk and currency risk.
4. The Fund invests in debts securities and are subject to risks in interest rates, credit/counterparty, downgrading, volatility and liquidity, valuation, sovereign debt and credit rating risks which may adversely affect the price of the debt securities.
5. The Directors may at their discretion make distribution 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. Any such distributions 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 these 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 freely convertible and is subject to foreign exchange controls and restrictions. Non-RMB based (e.g. Hong Kong) investors are exposed to 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 may adversely affect the value of investors' investment in the Fund.
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 Asia Impact Bond Fund

Added high-beta Chinese SOE Investment Grade Bonds; South Korea continues to dominate impact bond issuance

Highlights:

1. **Added high-beta Chinese SOE Investment Grade Bonds on valuation, improving credit fundamentals**
2. **Positive on Japanese Investment Grade Bonds on valuation**
3. **Turning constructive on long duration bonds**

Fund Features

- The Fund seeks medium to long term capital growth and regular income by primarily investing in impact bonds including green, social and sustainability bond instruments in Asia or that are denominated in Asian currencies.

Market Review and Outlook

Investor sentiment took an abrupt turn in November after lower-than-expected US consumer prices and softer data prints fuelled expectations of an earlier end to the rate hike cycle, which subsequently drove US treasury yields lower. In November, US 10-year treasury yield fell 60 bps, one of the largest single month movements in history. On the prospect that the Fed could start to cut rates next year, Asian credits staged a stellar performance with spreads trading tighter and activities particularly buoyant in long-end duration bonds and high beta names.

So far this year, the supply of impact bonds in Asia remains on solid foothold with green bonds continuing to account for the majority of the issuance, followed by social bonds and sustainability bonds. Most impact bonds are primarily offered by Investment Grade issuers. In comparison to High-Yield issuers, Investment Grade issuers have stronger fundamentals and resources to adhere to the stringent guidelines pertaining impact investing.

South Korea continued to dominate the impact bond space with most of the country's issuance coming from sovereign-linked entities in the financial and property sectors, with a particular focus on social bond issuance related to housing. These Investment Grade Bonds, which offer values and enjoy ongoing resilience in technical fundamentals, remain in favour by our investment teams.

Similarly, impact bonds issued by Chinese financial institutions are SOEs or held by SOEs and enjoy robust fundamentals. Although the supply from Chinese issuers have declined this year due to the cheaper funding cost available in the onshore market, two of China's big four state-owned banks had respectively issued USD-denominated green bonds in October and November . Apart from the financial sector, we also see opportunities in China's technology, media and telecommunications (TMT) bonds, which offer attractive valuations and yields. Despite China's slow economic recovery, the sector still managed to report market-beating quarterly corporate results. In addition, the investment teams added Chinese high-beta SOE Investment Grade Bonds, on attractive valuations and improving credit fundamentals. The sector is also supported by China's compression theme.

Approaching year end, after the strong rally in Asia's Investment Grade market in November, we expect the rally to take a breather with overall sentiment being supported. Compression themes should remain intact albeit at a more gradual manner. BBB and laggard Investment Grade names will continue to be in favour on the back of the ongoing compression theme. With the Chinese authorities showing support to prop up its economy, we remain constructive on China's credit.

Investment Strategy

The Fund added exposure to China, including BBB rated financial on attractive valuations and improving technical and credit fundamentals. Equally attractive in terms of valuations are China's TMT Investment Grade Bonds, such as sustainability bonds issued by a tech leader. The sector also receives a boon from subsiding regulatory risks.

We added financial, property and communication services. In addition to South Korean and Chinese financial bonds, we also favour green bonds issued by Japanese financial institutions on the back of fair valuations and stable technical fundamentals. Green bonds issued by Hong Kong developers are also in favour.

On expectation of an earlier end of the rate hike cycle, our teams have turned more constructive on Asia's long duration bonds.

Your Preferred Investment Advisor for Asia Investing

Fund Report (Dec 2023)

Fund Performance

Past performance of the Fund may be presented only when it has an investment track record of not less than 6 months.

Please visit our website or follow us on social media to stay informed of the market development and our latest investment strategy.

Official Website

Facebook

Linkedin

Member Registration

Fund Code

	ISIN	Bloomberg
A USD (Distributing)	HK0000933579	BUASBDA HK
A HKD (Distributing)	HK0000933587	BUIMPFA HK
A RMB Hedged (Distributing)	HK0000933595	BUASIFA HK

Source of the fund information: BEA Union Investment Management Limited, as of 30 November 2023.

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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