

#### 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<sup>+</sup>

### Favour tech and value stocks; Prefer China's TMT, financial Investment Grade Bonds



#### Highlights:

1. Remain constructive in Asia's tech stocks, state-owned enterprise value stocks
2. Favour China's financial and technology, media and telecommunications (TMT) Investment Grade Bonds
3. The outperformance for Taiwan was broad-based, spurred by strong foreign fund inflows.

#### 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 and Outlook

In the month of November, MSCI China rose 2.52% in USD terms. But the rise in the index lagged behind other Asian emerging markets on lingering investor worries in face of persistent weakness in China's economy. Within the region, the MSCI APxJ rose 7.4%, driven by a rapid shift in investor sentiment, with consensus expecting a sooner and larger rate cut from the Fed following a bigger drop in consumer prices. The prospects of lower rates propelled US-exposed markets, including South Korea and Taiwan.

The outperformance for Taiwan was broad-based, spurred by strong foreign fund inflows. Inflows went mainly into the technology sector on a robust outlook for the semiconductor and artificial intelligence sectors. China's technology firms posted stellar results in November, showing promising signs such as solid online advertising and improving margins. Our investment teams maintain a positive view on the region's technology sector. We believe that the cycles of personal computers and smartphones are bottoming out and are poised for a cyclical recovery. Pent-up inventory is expected to be gradually absorbed as consumers and corporates prepare for the next round of replacement upgrades. China's technology sector has demonstrated resilience despite China's lingering economic doldrums. China's November data prints remained lacklustre, with continued declines in manufacturing and services activities, as well as a sluggish property sector. Deflationary pressures persisted, with a decline of 0.5% from the year earlier and from the previous month.

We will keep on monitoring whether the Chinese authorities will introduce more policy support to bolster its economy or property market. Also in focus will be the elections within the region, such as India, Indonesia and Taiwan, and their potential impact on market sentiment.

Despite China's challenging economic climate, we remain positive on select Chinese Investment Grade Bonds on the back of more policy support. We continue to favour BBB rated and laggard names on compression themes and turn more constructive on long duration bonds. Approaching year end, post the strong rally seen in November, we expect the rally in Asian Investment Grade Bonds to take a breather with the overall sentiment remaining supported. Compression theme will likely remain intact but at a relatively more gradual pace. We expect a more stable backdrop for 2024 supported by all-in yield buyers and a stabilising rate outlook.

### Investment Strategy

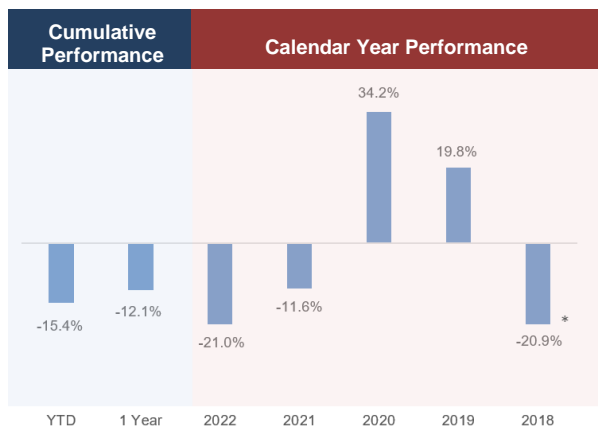
The Fund sees opportunities in select Chinese value stocks in the state-owned enterprise universe. Given this year's market correction, we believe there could be room for value stocks with strong fundamentals to recover.

In terms of sectors, we prefer technology, consumer discretionary and communication services. Following the end of China's crackdown on technology companies, our investment teams see subsiding regulatory risk for the sector. We also favour semiconductors supported by the prospect of cyclical rebound.

We find opportunities in China's BBB rated Investment-Grade financial bonds, which are supported by attractive valuations and improving technical and credit fundamentals. We also see attractive valuations across TMT names. Investment Grade Bonds issued by oil and gas state-owned enterprises that provide attractive yields are also on our radar.

## Fund Performance

Performance<sup>1</sup> : 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.

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Official Website



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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 2023.

+ ©2023 Morningstar. Data as of 30 November 2023. 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.

- Source: Lipper, as of 30 November 2023. 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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