

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”)

Continue to seek opportunities in Chinese property, Macau gaming bonds



Highlights:

1. China government bond yields likely to trade higher along reopening
2. Offshore RMB expected to outperform Asian peers
3. Still favour Chinese property, Macau gaming bonds

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.

Market Review and Outlook

China's economic prints have showed positive signs since the country dropped its pandemic restrictions. February PMI data came out markedly better than expected and the property market also saw better sales. National People's Congress took center stage in March, where the authorities announced a relatively conservative GDP growth target of 5%. We expect the country's monetary policy will be prudent, precise and forceful. Our investment teams also believe the country's economic growth could be self-sustaining even without further stimulus. Budget details suggested room for larger government bond supply than 2022.

In China's property market, sentiment was partly damped by the failure of some distressed developers to generate sufficient investor interest in their guaranteed onshore bonds. But not all is gloom. Several top developers successfully applied for more medium-term note quota while some privately-owned enterprise developers acquired land banks in select cities, which suggested ample liquidity. In general, our investment teams expect China's property market to stabilise further on the back of more favourable policies. For instance, Wuhan and Changsha, among other cities, have relaxed home purchase restrictions as well as lowered mortgage rate and down payment ratio. The authorities are expected to remain supportive towards the sector by bolstering demand in the real estate sector, which accounts for a lion's share of the country's GDP.

In early March, the PBOC signaled it will embrace a more flexible FX regime and the level of 7 is no longer perceived as critical. Albeit the RMB was weighed down by bond outflow and narrowing trade balance due to growing travel service deficit, the currency's weakness would be partially offset by equity inflow and China's reopening. While China's return to global markets could lead to faster economic recovery, government bond yields may trade higher as a result. In terms of offshore RMB, we expect the CNH to be driven by the greenback and upcoming economic data prints, with a bias to trade at weakness. But the CNH is still expected to outperform its Asian peers, which may see some pressure in the short term given the Fed's hawkish stance following a spate of stronger-than-expected economic data.

Investment Strategy

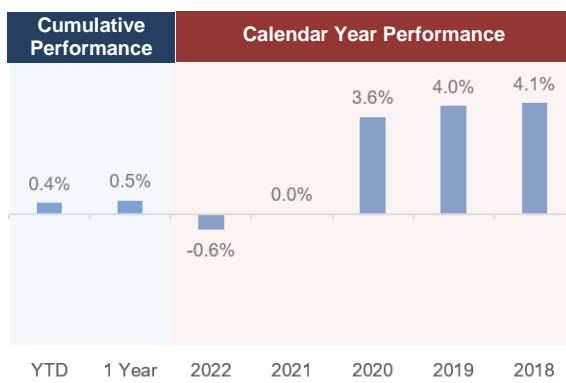
We continue to see select opportunities in better quality Chinese developers with liquidity support from MTN bond issuance guarantee or loans from onshore banks. The objective for the government to improve the balance sheet of top quality developers will likely be a key driver, especially if new policies are to be announced.

The fund continues to favour Macau gaming names on strong pick-up in demand for travel and entertainment after China eased its covid restrictions. In February, Macau's gaming revenue recorded a bigger-than-expected increase of 33% year on year.

The fund tends to maintain underweight in duration with a more neutral Beta. We also continue to stay neutral on RMB.

Fund Performance

Performance¹ : 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 3 (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 LC⁴

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 28 February 2023.

+ ©2023 Morningstar. Data as of 28 February 2023. 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 28 February 2023. 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, 2022 Research for Asian G3 Bonds, performance as at June 2022.
3. Source: The Asset, 2021 Research for Asian Local Currency Bonds, performance as at June 2021.
4. Source: Lipper, Lipper Fund Awards from Refinitiv Year 2021 Hong Kong, performance for Class A RMB (Distributing) as at 31 December 2020.

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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