Fund Report (Jul 2024)

Important note:

1. BU Asia Pacific Flexi Allocation Fund ("the Fund") is a sub-fund of BU Investment Series OFC ("the Company"), which is a public open ended fund company ("OFC") (business registration number 72687438) 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 long-term capital growth and income by investing in equity securities or debt securities, that are either (a) traded in the Asia Pacific region or (b) issued by companies incorporated in the Asia Pacific region or companies which have significant operations in or derive significant portion of revenue from the Asia Pacific region.
3. The Fund invests in emerging markets and may be subject to higher liquidity and volatility risks.
4. The Fund is subject to equity markets risk such as changes in investment sentiment, political, economic conditions and issuer-specific factors which may adversely affect the fund value.
5. The Fund invests in debts or fixed income securities are exposed to interest rates, credit/counterparty, downgrading, volatility and liquidity, valuation and sovereign debt and credit rating risks which may adversely affect the price of the debt securities.
6. The Fund may invest in below investment grade or non-rated debt securities which are subject to greater volatility and liquidity risks than higher-rated securities.
7. The Fund is exposed to concentration risk in Asia Pacific region and may be more volatile than in a more diverse portfolio of investment.
8. The Fund is also subject to risk associated with regulatory requirements and high market volatility and potential settlement difficulties of the equity markets in Asia Pacific Region.
9. 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.
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 acquire financial derivative instruments for hedging and investment purposes. Given the leverage effect embedded in financial derivative instruments, the Fund may be exposed to significant losses.
13. Investors should not make an investment decision based solely on this material.

BU Asia Pacific Flexi Allocation Fund ("AFA")

★★★★★
Morningstar Overall Rating[+]

Optimistic on Taiwan, South Korea and US tech shares; China's third plenary session in focus

Highlights:

1. **Still constructive on tech sector, driven by growing AI adoption and semi cycle recovery**
2. **Favour Taiwanese, South Korean and US tech shares; India structural growth prospects intact**
3. **Positive on South Korean, Chinese Investment-Grade bonds**

Fund Features

- The Fund is an Asia Pacific equity-biased mixed-asset income fund, which invests in a prudent selection of blue-chip stocks to seek alpha.
- The Fund employs flexible allocation in Asia Pacific bonds to enhance return potential and diversify portfolio risks.

Market Review & Outlook

The MSCI APxJ Index rose in June, rising 3.9% from the previous month, spurred by Taiwan and South Korea on the back of foreign fund inflows as well as a tech rally fuelled by artificial intelligence (AI) prospects. Taiwan led the regional advance with a jump of 8.8%, with the hosting of a prominent tech expo buoyed investor sentiment.

Our investment teams maintain a constructive stance on Taiwanese tech, which has a dominance in global supply of high-end semiconductors. The ongoing recovery in the tech cycle remains on track, propelled by mounting demand for chips amid growing AI adoption across sectors, including retail, healthcare, and financial. Beyond Taiwan, we also favour tech stocks of strategic importance in South Korea and the US, with a handful of additional opportunities in Australia.

Indian equities concluded June with a robust performance despite a volatile start that was briefly rocked by the election outcome, where Prime Minister Narendra Modi secured his third term but his party lost its parliamentary majority. Our positive stance towards India remains unchanged, underpinned by its intact structural growth prospects, including a burgeoning workforce and a rising middle class. Financials, power and infrastructure are sectors on our radar, among others.

China/HK equity markets experienced a mild pullback in June on consumption recovery and property market concerns. The real estate sector retreated significantly. Despite China's Top 100 developers seeing a smaller year-on-decline in contracted sales in June compared to May, investors were disappointed by the lack of price rebound and the slow progress in reducing housing inventory. We believe the property support measures are heading in the right direction, but achieving a meaningful recovery in home prices and restoring profitability for developers will take more time.

We are upholding a cautious stance on China's short-term economic outlook. China continues to report mixed economic indicators. While exports showed signs of improvements in May, industrial output and fixed asset investment fell short of expectations, with the latter primarily weighed down by a decline in property investment. Nevertheless, given the Chinese authorities' efforts in enhancing the capital markets and what we deem a near-trough valuation for China/HK markets, we believe downside potential is limited. We expect markets to stay range bound as the post-pandemic economic rebound has largely played out, and future growth will hinge on China's upcoming third plenum session, which investors will closely monitor. Geopolitical tensions, including trade restrictions and global elections, will likely prompt market volatility.

Shifting gears to fixed income. Asian Investment-Grade bonds remain largely stable in June with a constructive tone, albeit there has been mild profit-taking pressure due to US treasury strength. Indonesia experienced mild spread widening due to new issuance supply, while China was primarily flat with some profit taking activities across technology, media and telecommunications (TMT) and asset management companies (AMC) sectors, with the latter also facing a flux of new supply.

Heading into summer, we expect credit spreads in Asian Investment-Grade bonds will stay resilient amid a lack of meaningful new supply. Positive sentiment will likely persist through the summer months before the expected arrival of hefty new issuances in September.

Investment Strategy

The Fund continues to favour equities over bonds.

Our teams trimmed India, but remained positive towards the country for its structural growth prospects. We reduced China-H shares, and added China-A shares and Australia.

In terms of sectors, the Fund reduced weighting in Banks and Communication Services sectors and added tech. We are positive on tech shares in Taiwan, South Korea and the US on the back of the bottoming out of the semi-cycle and the advancement of AI technologies. The Fund also remains constructive on the energy sector, driven by intensifying geopolitical conflicts worldwide. Countries with structural growth prospects, such as India, will also see mounting demand for power driven by a rising middle class and investments.

In terms of fixed income, we remain constructive on South Korean financials and China's TMT Investment-Grade bonds.

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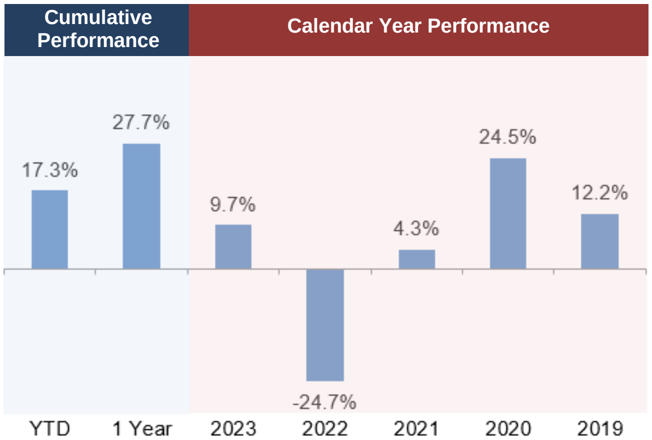
Fund Performance

Performance[1]：A USD (Accumulating)



The Fund was launched on 30 September 2021 upon the restructuring of BEA Union Investment Series - BEA Union Investment Asia Pacific Flexi Allocation Fund (the Predecessor Fund, with inception on 6 Feb 2015) to the Fund. The performance / fund price/ dividend record/ 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.

Class A USD (Accumulating) of the "Predecessor Fund" was launched on 6 February 2015.

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)	HK0000224250	BEAPAUA HK
A USD (Distributing)	HK0000224201	BEAPAUI HK
A HKD (Distributing)	HK0000224219	BEAPAHI HK
A AUD Hedged (Distributing)	HK0000224227	BEAPAUH HK
A RMB Hedged (Distributing)	HK0000224235	BEAFARH HK
A NZD Hedged (Distributing)	HK0000224243	BEAPANH HK

Source of the fund information: BEA Union Investment Management Limited, as at 28 June 2024

+ ©2024 Morningstar. Data as of 28 June 2024. 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 at 28 June 2024. 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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