

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 business registration number 71817286), 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

Favour impact bonds issued by major South Korean and Japanese banks, Chinese TMT


Highlights:

1. **Positive towards financial, communication services and property impact bonds**
2. **Prefer South Korean social bonds and Japanese green bonds issued by banks**
3. **Favour Chinese high-beta technology, media and telecommunications (TMT) 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

Following the Fed's indication that March is premature for a shift in monetary policy suggested now is too early for a monetary policy pivot, market expectations for a rate cut this year have significantly receded, dropping from over 1.4% to a mere 0.8%. US economic resilience has also contributed to tempering these expectations, pushing 10-year US Treasury yield higher by 33bps in February. Asian investment grade corporate spread tightened by 12bps but posted flat returns impacted by the rise in US Treasury yields. We expect a constructive tone for Asian credit spreads to continue, supported by stable or improving credit fundamentals and bond redemptions by issuers.

South Korea, Japan and China have been prominent issuers of impact bonds, and will likely remain so this year. S&P Global expects the Asia Pacific region could see an increase of approximately 10% in the issuance of impact bonds, including green, social and sustainability bonds.

A lion's share of South Korea's impact bonds originated from social bonds, notably those issued by state-owned property and banks. These bonds aim at raising funds to address social housing needs, such as extending home loans to low- and middle-income families. Beyond property and banks, our investment teams also see opportunities in other South Korean sectors, such as EV battery manufacturers. In general, South Korean Investment Grade bonds offer reasonable valuations, relatively attractive yields and robust credit fundamentals. As the local bond market becomes more accessible, we expect supply in the offshore bond market to decrease, lending technical support to the market.

Alongside South Korea, Japan is another major Asian impact bond issuing country. Last year, green bonds accounted for about 40% of the total issuance, with social bonds following closely at 34%, according to data from S&P. Interest in Japan's impact bonds could rise this year, buoyed by the government's transition climate bond debut, as well as efforts from various government agencies, including a green bond offering from the Osaka City government. Within Japanese Investment Grade bonds, our investment teams find diverse investment opportunities, including green bonds issued by leading banks. The financial sector has been intensifying their support to assist the country's decarbonization initiatives, aligning with the country's goal of reaching net-zero emissions by 2050.

Chinese credit maintains remarkable resilience, which continues to see strong investor interest, pushing China's Investment Grade bonds to historically tight levels. Our investment teams continue to favour the high-beta Chinese TMT sector, which sees yield pick-up opportunities, reasonable valuations, and diminishing regulatory risk.

Investment Strategy

The Fund preferred corporate bonds over government bonds. Impact bonds issued by financial, communication services, and property firms are particularly favoured.

Our investment teams maintain a positive stance on high-beta Chinese TMT, state-owned enterprises and financial Investment Grade bonds due to their strong credit fundamentals and attractive yields. Investment Grade bonds issued by Hong Kong investment property developers as well as South Korean and Japanese banks are also preferred.

Fund Performance

Performance¹ : A USD (Distributing)

	Cumulative Performance %					Calendar Year Performance %				
	YTD	1 Year	3 Year	5 Year	Since Launch	2023	2022	2021	2020	2019
A USD (Dis)	-0.3	N/A	N/A	N/A	2.7	N/A	N/A	N/A	N/A	N/A

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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 29 February 2024.

1. Source: Lipper, as of 29 February 2024. The quoted NAV is for A USD (Distributing) launched on 26 July 2023, 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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