

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") (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 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⁺**See opportunities in China's tech stocks and bonds; watch out for more policies in third plenary session****Highlights:**

1. **Chinese tech stocks supported by solid results share buybacks**
2. **Prefer high-yielding, low valuations Chinese value plays, including banks and oil**
3. **Favourable technicals, improving outlook to support Chinese TMT, AMC Investment-Grade bonds**

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 mid-May, China rolled out historic steps to prop up the beleaguered property sector. The central bank unveiled plans to offer RMB300 billion in financing to local state-owned enterprises, enabling them to purchase unsold homes and convert them into affordable housing. In addition, the floor on mortgage interest rates nationwide was eliminated while down-payment ratios were lowered.

China's policy spurred investor sentiment, with the MSCI China Index (USD) rising 2.4% on the month. Market optimism was further fueled by budding signs of a stabilising Chinese economy despite mixed macro data. In April, industrial production posted a market-beating increase of 5.7%, despite retail sales growing less than expected. Data showed May exports exceeded anticipation, despite import growth falling short.

Amid China's ongoing structural transformation, investment prospects remain promising across both value stocks as well as tech shares. On the prospect of peaking global rates, value plays, such as Chinese bank and oil sectors, boast high steady yields at comparatively lower valuations than their global peers. Tech stocks are also favoured by our teams. The outlook of the sector is buoyed by solid earnings performances from internet giants, appealing valuations and a spate of corporate share buybacks. On the other hand, select tech stocks in Taiwan are also on our radar, driven by the continued strength in artificial intelligence (AI).

Our teams will closely monitor for potential additional policy support from the third plenary session in July. Meanwhile, geopolitical tension and fund flows are also key near-term market drivers.

Asian Investment-Grade bonds staged a strong performance in May, on lower US treasury yields and positive risk sentiment. Our investment teams maintain a preference for China's Investment-Grade bonds, which stand as a resilient play amid positive supply-demand dynamics. Net negative supply in Asia, particularly in China, has provided robust technical support to the market, a trend we anticipate will endure. China's long-end technology, media and telecommunications (TMT) bonds continue to trade on positive momentum, partly bolstered by the sector's solid results performance. In addition, we remain confident towards China's asset management companies (AMC), due to scant new issuances and positive developments in the country's real estate sector. We believe the recent issuance of floating-rate notes issued by some Chinese AMCs are appealing, as their absolute yield levels are higher than the fixed-rate notes while prices remain resilient.

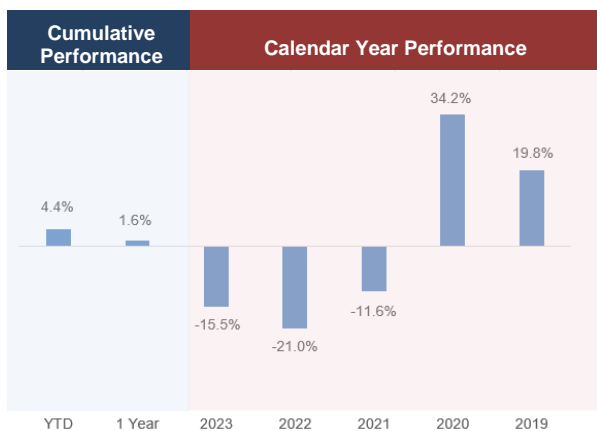
Investment Strategy

The Fund upholds a positive outlook on communication services and IT shares, on the prospect of the semiconductor-cycle bottoming. Market leaders with strong balance sheets and ample cash flow continue to be favoured by the Fund. Our investment teams remain constructive on the energy sector, considering it a hedge against geopolitical conflicts. Decarbonisation and energy transition have resulted in underinvestment in the oil and gas sector over the last decade. In the meantime, oil shares serve as an effective hedge against geopolitical risks under the current market situation.

Turning to fixed income, we remain a positive stance towards Chinese Investment-Grade credits, with a preference towards long-end state-owned enterprises and TMT. We will consider adding select quality floating-rate notes issued by AMC, banks and leasing companies via new issuance.

Fund Performance

Performance¹ : 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.

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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 31 May 2024.

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1. Source: Lipper, as of 31 May 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.

Issuer: BEA Union Investment Management Limited