BEA Union Investment

Fund Report (Dec 2024)

Important note:

1. BU Global 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 invests in emerging markets and may be subject to higher liquidity and volatility risks.
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 and credit rating risks which may adversely affect the price of the debt securities.
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 may invest in below investment grade and non-rated debt securities, which are subject to greater volatility and liquidity risks than higher-rated securities.
6. 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.
7. 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.
8. 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.
9. 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.
10. Investors should not make an investment decision based solely on this material.

BU Global Flexi Allocation Fund ("GFA")

Added equities, reduced bonds exposure based on risk assessment from macroeconomic parameters

Highlights:

1. **Lowered bonds, added equities based on risk assessments from macroeconomic parameters**
2. **The US economy continues to exhibit resilience; US stocks and US bonds remain in favour**
3. **Added Japanese equities, cut Chinese and Hong Kong, China shares; prefer financial and tech sectors**

Fund Features

- A mixed asset fund invests globally in fixed income, equity, and commodity markets.
- An actively managed, risk-based portfolio construction process aims to optimize risk-adjusted returns.

Market Review & Outlook

Wall Street posted its strongest monthly rally in November, with the S&P 500 rising 5.7% for the month, and the Dow Jones Industrial Average jumping 7.5%. Donald Trump's decisive presidential victory removed a significant market overhang and bolstered investor sentiment on the prospects of economic growth under the president-elect's "America first" agenda. The US economy and job market continue to exhibit resilience, with inflation coming in line with expectations, while the Fed delivered a widely-anticipated 25 basis points rate cut.

Asian equities, including those in China, South Korea, and Japan, ended November lower, dragged lower by Trump's win, currency fluctuations, and capital outflow. Japanese equities edged lower on profit-taking. South Korean shares declined, primarily driven by fund outflow on worries that future US policies might rekindle trade frictions and hurt South Korean equities like they did during the previous trade war in 2018 and 2019. Chinese equities also faced headwinds, with Trump's proposed tariff hikes weighing on the market. The lack of consumption stimulus and the absence of significant balance sheet expansion from the central government also hurt sentiment.

Looking ahead, our teams will closely monitor further policy stimulus from China, Trump's stance on trade relations, as well as the repositioning of asset allocations in 2025. We will remain vigilant about any AI-driven pullbacks and the possibility of a rotation into value and defensive stocks.

Regarding fixed income, US Treasury yields ended lower in November after rising earlier in the month on investor concerns that Trump's policies could be inflationary and could potentially throw the Fed's monetary policy path off course. However, treasury yields eased towards the end of the month when the Fed delivered the widely-anticipated rate cut. US and Asian bond markets, including investment-grade credits, reacted positively after Trump secured a second term. His pro-market policies, including lowering corporate taxes and extending tax cuts, buoyed market sentiment, as investors hoping that these measures could stimulate investment and drive economic growth.

Heading into the new year, we are adopting a cautiously optimistic outlook towards US and Asian bond markets. Trump's victory will likely support risky assets, including Asian high-yield bonds. However, we remain mindful of potential volatility, as market liquidity tends to abate at year-end, and new issuance is anticipated to resume in January. If Trump's tariff and immigration policies reignite inflationary pressures, which in turn affect the Fed's policy trajectory, US Treasury yields could face volatility.

Investment Strategy

With risk control as the cornerstone of the investment strategy, the Fund focuses on maximising risk-adjusted returns based on the risk levels derived from the macroeconomic parameters, including economic fundamentals, inflation, liquidity and policies. The Fund reduced its allocation to bonds and increased its weighting in equities in November. The Fund also raised its cash level, awaiting opportunities to buy on dips.

The Fund added Japanese and US equities. The US economy remains resilient and holds a leading position in the technology industry. Japanese stocks are trading at reasonable valuations, with investment opportunities seen across value plays. On the other hand, the Fund reduced its exposure to Chinese and Hong Kong, China equities, as the investment team awaits further clarity on China's policy implementation. In terms of sector allocation, technology, financials and industrials remain our top picks.

Turning to fixed income, the team believes the prevailing valuations are relatively tight, hence reducing high-beta investment-grade bonds and rotating to low-beta, defensive names. Financials, especially industry leaders, remain our top sector pick due to their quality and defensive nature. . Regarding high-yield bonds, we remain cautiously bullish about China, awaiting further policy support from the Politburo meeting and the Central Economic Work Conference in December. Meanwhile, we are positive on the valuations of Indian high-yield bonds following recent adjustments.

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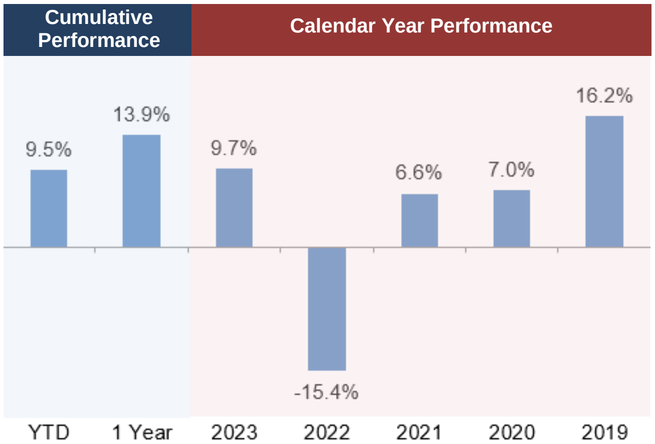
Fund Performance

Performance[1]：A USD (Distributing)



The Fund was launched on 30 September 2021 upon the restructuring of BEA Union Investment Series - BEA Union Investment Global Flexi Allocation Fund (the "Predecessor Fund", with inception on 27 January 2016) 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.

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 (Distributing)	HK0000273588	BUGFAUD HK
A HKD (Distributing)	HK0000273596	BUGFAHD HK

Source of the fund information: BEA Union Investment Management Limited, as at 30 Nov 2024

1. Source: Lipper, as at 30 Nov 2024. The quoted NAV is for A USD (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.

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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