

BU Asia Pacific Flexi Allocation Fund (“AFA”)



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”) (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 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.

★★★★

Morningstar Overall Rating¹

Annual Review and Outlook for 2022

The fund performance was outstanding and ranked high among its peers

Positioned in shipping and renewable stocks successfully boosted portfolio performance

Zero carbon emissions benefits the middle to downstream of EV supply chain, solar and hydrogen providers



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 for alpha.
- The Fund employs flexible allocation in Asia Pacific bonds to enhance returns potential and diversify portfolio risks.

Fund Performance in 2021

BU Asia Pacific Flexi Allocation Fund performed well throughout the year, mainly due to the following factors:

- **Timely reduced holdings in Chinese stocks and increased that in Australia and India leading to a strong turnaround:**

Since the second quarter, the fund has reduced its holdings in Chinese stocks and bonds, especially Chinese property bonds, to avoid policy risks, and at the same time shifted its focus to Australian and Indian stocks to capture investment opportunities.

- **Positioned in shipping, renewable energy technology and semiconductor stocks successfully boosted portfolio performance:**

The fund positioned in shipping stocks early this year and locked in profit before its correction in the third quarter and successfully drove up the return of the fund. In addition, the renewable energy, U.S. techs, Indian IT and support services, Taiwan semiconductor and chip stocks invested by the fund have brought considerable returns.

- **Investing in resources stocks to beat inflation and drive up return:**

In view of the rising inflationary pressure, the fund increased its holdings in resources stocks, including aluminum and steel, to offset the impact of inflation. Until now, the fund is still holding Australian iron ore stocks for its ample cash reserve. The fund added energy names before the energy shortage came in Q3.

Looking Forward to 2022

- **Take a cautious approach to deal with interest rate hikes and policy risks:**

In 2022, the bond repurchase program in the U.S. will terminate and interest rate hike will come earlier than expected, the market will be fully "opened up" again, and our investment will be more cautious. In addition, we will closely monitor the China market as Sino-US relations and China policies are still playing a key role in market movement. We will take a cautious approach to select stock and bonds to balance the overall portfolio risks.

- **Zero carbon emissions creates opportunities for renewable energy:**

At the COP26 meeting, world leaders pledged to achieve zero carbon emissions as soon as possible, which creates a great opportunity for investment in renewable energy. We will increase our holdings in new energy such as electric vehicles and the related battery and material stocks. We have deployed in the upstream industry and are now paying more attention to the middle and downstream markets. In addition, the solar and hydrogen supply related industries turn to be favorable in the light of "carbon neutral" environment. Our investment team will particularly be eyeing the hydrogen supply facilities which carries considerable room for growth.

- **Optimistic about the ASEAN and Indian stock markets:**

We expect that the China market will still be affected by policy risks in the first half of next year. We are more optimistic about stocks over bonds. We also plan to redeploy the ASEAN and Indian stock markets and see if there are opportunities to add them back into the portfolio.

Fund Performance

Performance²: A USD (Distributing)



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 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 USD (Distributing) launched on 6 February 2015.

Fund Code

	ISIN	Bloomberg
A USD (Accumulating)	HK0000224250	BEAPAU HK
A USD (Distributing)	HK0000224201	BEAPAU HK
A HKD (Distributing)	HK0000224219	BEAPAH HK
A AUD Hedged (Distributing)	HK0000224227	BEAPAU HK
A RMB Hedged (Distributing)	HK0000224235	BEAFAR HK
A NZD Hedged (Distributing)	HK0000224243	BEAPAN HK

Source of the fund information: BEA Union Investment Management Limited, as at 30 November 2021.

1. ©2021 Morningstar. Data as of 31 October 2021. The rating is for Class A USD (Distributing). The rating is for reference only and should not be construed as buy and sell recommendation of investment.
2. Source: Lipper, as at 30 November 2021. 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 authorized by the Securities and Futures Commission ("SFC") in Hong Kong. SFC authorization 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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