

# BU China Gateway Fund (“CGF”)

## 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”) (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 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.

## Annual Review and Outlook for 2022

**Shipping and exports provide strong support for fund performance**

**The fund will increase its holdings in A-shares on valuation**

**Monetary easing policy will likely be introduced in the coming year to support the steady growth of the Chinese economy**



## Fund Features:

- Invests in a mixture of Hong Kong equities, A-shares, ADRs and China bonds to offer one-stop investment solution.
- Flexible allocation in stocks and bonds to balance short term risk and capture long term growth potential.

### Fund Performance in 2021

Market conditions was volatile this year and our investment team has made the following deployment to minimize the portfolio volatility:

- **Avoided sectors facing political risks:**

Since June and July, a number of industries have been facing headwinds by the policy changes in China. Our investment team tried to avoid investing in related industries, such as the Internet, education and properties in order to reduce portfolio risks.

- **Shipping and exports brought considerable returns to the portfolio:**

Facing the escalated impact of Delta variant, supply bottleneck drives up shipping prices. The Baltic Index (BDI), which represents the trading volume of the shipping industry surged to a record high of the year in October.

- **A-shares trended up:**

A-shares continued to trend up this year due to structural growth. The P/E ratio of Shanghai and Shenzhen 300 index was discounted by 20% comparing with global stock markets which attracted foreign capital inflows. Among them, cyclicals, electric vehicles and individual consumption names outperformed.

### Looking Forward to 2022

- **Continues to overweight A-shares:**

As more A-shares will be included to MSCI index, the trading volume of the A-share market will likely be stimulated, the fund will continue to overweight A-shares. Our tick will be on consumption and new energy related names. For electric vehicles, we prefer battery manufacturing and material supply.

- **Shipping industry is still looking favorable:**

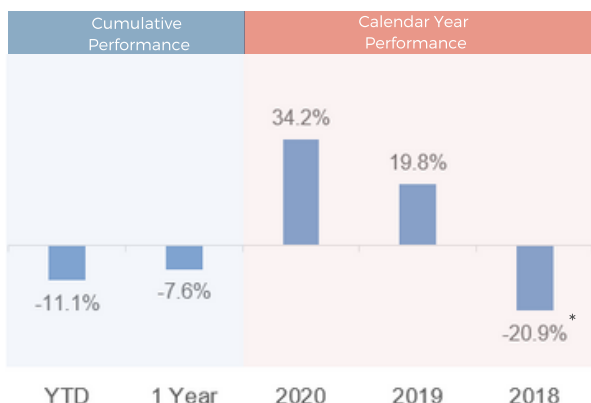
The fund continues to be bullish on the shipping industry due to the imbalances of demand and supply which support the freight charges. We expect shipping will be looking favorable in medium term despite the bottleneck will probably relieve in the second half of next year.

- **Consumption stocks regain their favor in the second half of the year:**

We expect that the Chinese government will continue to adopt a zero-tolerance policy in 2022 on the prevention of COVID. We believe by the second half of 2022, when the vaccination rate reaches the effective base, economic activities will largely resume normal. While more effective COVID antiviral pills are expected to be launched in the market, the pandemic is likely put better under control, where consumption and tourism-related stocks will be the key beneficiaries.

## Performance

Performance<sup>1</sup> : A USD (Accumulating)



\* Predecessor fund, since launch till 31 December of the same year.

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.

Predecessor fund - A USD (Accumulating) launched on 31 January 2018.

## 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 |
| A AUD Hedged (Distributing) | HK0000375474 | BUCGAAH HK |

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

1.Source: Lipper, as at 30 November 2021. 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 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.

Issuer: BEA Union Investment Management Limited

