

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.

BU Asia Pacific Flexi Allocation Fund (“AFA”)

★★★★
Morningstar Overall Rating*

Added equities as rate hike cycle nears end; Continue to favour Asian credits on positive rate outlook



Highlights:

1. Favour Taiwan tech on improving outlook, India for structural growth
2. Strategic allocation to energy and technology stocks outside of Asia
3. Stay optimistic towards Asian Investment-Grade bonds on net negative supply prospect on 2024

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

Market Review & Outlook

MSCI APxJ gained 4.5% in December from the previous month as prospects of an earlier rate cut from the Fed lifted market sentiment. Australia, India and Singapore led the region, with broad-based outperformance across the board in all three markets. Taiwanese equities staged a stellar performance. MSCI Taiwan Index gained 5.3% in December. Driven by market-beating revenues, personal computer names outperformed.

Markets looked past slowing PC momentum in the second half of last year, and expect growth to remain intact for 2024. Within Taiwanese equities, we retain our preference for tech stocks given our constructive outlook on the tech cycle. We see a pickup in momentum across smartphones and personal computer recovery. In addition, the Artificial Intelligence (AI) cycle is still in its budding stage, with ample growth opportunities. Risk-reward is also turning more attractive following the recent correction on AI names supported by promising fundamentals.

The China market concluded the last month of 2023 with a mild decline of 2.6% in the MSCI China Index. In December, policy stimuli from the Central Economic Working Conference (CEWC) came in line without too much expectations. In the face of a lack of effective policy support, investors expect China's economy to remain lacklustre. Our teams uphold our cautious stance towards the country's property market, which continues to remain in doldrums. Private-owned enterprises (POEs) developers, in particular, could stay beleaguered by liquidity issues, amid a lack of sustainable recovery in their contracted sales.

In the near term, we will be keeping a close eye on the election progress across a number of markets, including India, Indonesia and Taiwan, as well as their potential impacts on market sentiment and fund flows. We expect the broader macro backdrop to remain challenging as markets seek confidence in the pace of China's economic recovery. Also in focus will be the direction of US monetary policy and the risk of a US recession. Persistent geopolitical tensions may add to market volatility.

In terms of fixed income, both Asian Investment-Grade and High-Yield bonds staged a strong performance in December, driven by declining US treasury yields. An improving rates outlook buoyed demand for long duration bonds. Asian Investment-Grade USD-denominated bonds saw yield premiums narrowed after the Fed gave out dovish signals. But given new issuance will likely return to the market in January, the strong rally in spread that took place in December could take a pause. While the market will probably need more time to absorb new supplies in the short-term, our investment teams remain constructive on Asian Investment-Grade bonds as net supply is expected to stay negative for 2024, providing favourable technical support to Asian Investment-Grade bonds. Furthermore, we believe the positive rate trend could benefit High-Yield bonds. We are particularly optimistic towards the outlook of Macau High-Yield gaming bonds, buoyed by strong gross gaming revenue and improving cash flow of gaming operators. India's long duration bonds are also projected to be in demand, since markets should be at the very tail end of the rate hike cycle.

Investment Strategy

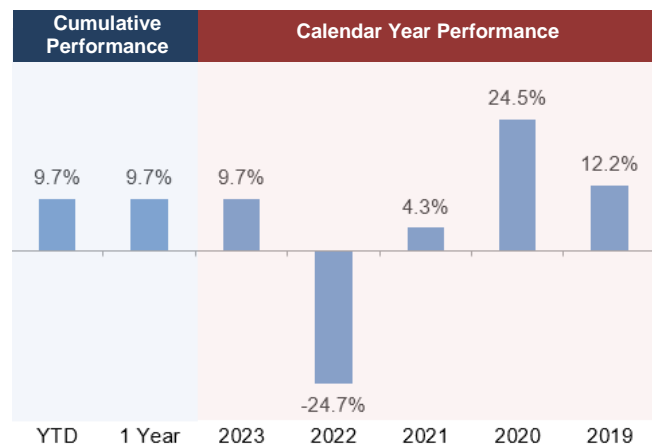
As the market nears the end of this latest rate hike cycle, the Fund deployed cash and added equities, including Taiwan tech stocks. We currently overweight Taiwan tech on brighter industry outlook, but underweight non-tech sectors, such as consumer, materials and financials on a lack of catalysts. The Fund remains positive on Indian equities for the country's structural growth prospect, buoyed by government reform as well as a rise in the middle class, domestic investors and private capex. We are optimistic about Indian infrastructure company stocks.

All in all, we overweight India, Taiwan, Indonesia and Australia. Our Overweight in off-index US included positions in sectors such as energy and tech. Our investment teams remain cautious on Chinese equities, due to the country's weak economic recovery, unclear policy guidance and continued geopolitical tension.

In terms of Asian Investment-Grade bonds, we continue to opt for BBB rated and high beta names, seeking to buy on dips or via new issuance. On the back of a brighter rate outlook, we also look to increase our duration to slightly Overweight on dips. The fund will tactically invest in Investment-Grade names with wide spread.

Across Asian High-Yield bonds, the Fund remains Underweight China property and Overweight Indian renewable and Macau gaming names.

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 Asia Pacific Flexi Allocation Fund (the Predecessor Fund, with inception on 6 Feb 2015) 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.

Class A USD (Accumulating) of the "Predecessor Fund" was launched on 6 February 2015.

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 (Accumulating)	HK0000224250	BEAPUA HK
A USD (Distributing)	HK0000224201	BEAPUI HK
A HKD (Distributing)	HK0000224219	BEPAHI HK
A AUD Hedged (Distributing)	HK0000224227	BEPAUH 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 31 December 2023

+ ©2023 Morningstar. Data as of 31 December 2023. The rating is for Class A USD (Accumulating). The rating is for reference only and should not be construed as buy and sell recommendation of investment.

1. Source: Lipper, as at 31 December 2023. 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.

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