

**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<sup>+</sup>

### Turned positive towards Chinese equities and bonds on better growth prospects


**Highlights:**

1. **Trimmed ASEAN, Australia for Chinese/HK equities on favourable reopening policies**
2. **Added Consumer Discretionary and Insurance**
3. **Favour investment-grade Chinese TMT, AMC, property bonds**

**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

The Fed remained hawkish at its December meeting, reiterating more hikes are on the way. Markets pinned hope that rate hike pace could slow after US wage growth came in slower than expected in December while CPI was in line with expectations, falling 0.1% from November, albeit still 6.5% higher than the year-earlier. Recession theme will likely hold the long-end treasury yields more stable and the yield curve relatively inverted. We expect the US Treasury yield to be range-bound with yield likely to move in tandem with the Fed's stance, data prints and recession probability.

In Asia, both equities and bonds markets were driven by improved sentiments followed China's pandemic controls relaxation and the "three arrows" policies to rescue the property sector, leading to broad-based gains across China and Hong Kong. Although China's November economic data, such as retail sales and PMIs remained weak, our investment teams expect economic activities could pick up gradually after Chinese new year as positive impact from China's reopening. Our investment teams have turned more bullish towards the overall market and have lifted exposure in growth and domestic reopening-related stocks to capture the economy recovery ahead.

In terms of investment-grade, we hold a constructive view in the Asia credit market on the back of manageable supply and more comfortable rates prospects. We are also taking durations to reflect our positive view towards spread and also more peaked long-end rates expectation. Our investment teams were also more positive towards China high yields as the developers see better funding channels in addition to the prospect of rising housing demand prompted by the easing of covid controls.

## Investment Strategy

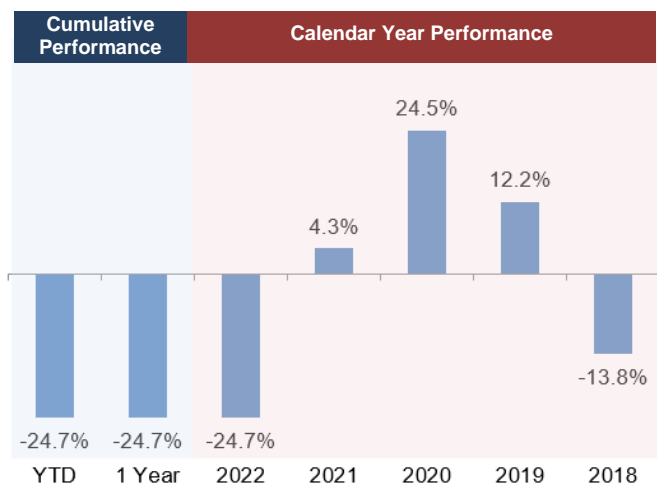
The fund trimmed ASEAN and Australia, and rotated into HK/China equities with better growth potentials. In terms of sectors, we added Consumer Discretionary and Insurance but reduced Industrial, Banks and Consumer Staple.

Our investment teams have turned more optimistic towards Chinese equities after the country's abrupt reversal on its pandemic restrictions. We remained constructive in the near term on China reopening themes, with a preference for consumer services and laggard plays. Energy and materials were also favoured, on expectation of a rebound in economic activities bolstered by the easing of pandemic curbs. Considering possible rough patches as new policies are being implemented in China, we aimed to strike a balance between high beta China exposure to capture growth, and quality, defensive plays elsewhere in the region. The fund continues to prefer market leaders with strong balance sheet and free cash flow.

In the investment-grade space, we ended the year in a constructive portfolio positioning. We held a neutral duration as US Treasury yields appeared to be near their cyclical peaks as the Fed slows its rate-hike pace. We continued to favour HK and Korea but reduced overweight to fund other beta positioning, such as China telecommunications, media and technology, asset management company and China property. We are on track to add China investment-grade bonds and bring them towards a more neutral position.

In terms of high-yield bonds, the fund further increased exposure in Chinese property, including tactical trades on distressed credit to generate alpha. Our investment teams have also added Macau names on the prospect of a rebound in Macau tourism spurred by China's reopening. We will also seek to extend duration, including those of Southeast Asian names, given US Treasury yields are likely to approach their cyclical peaks.

**Fund Performance**

 Performance<sup>1</sup> : 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	BEAFARH HK
A NZD Hedged (Distributing)	HK0000224243	BEAPANH HK

Source of the fund information: BEA Union Investment Management Limited, as at 30 December 2022.

+ ©2022 Morningstar. Data as of 30 December 2022. 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 30 December 2022. 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