

**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") (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 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.

## BU China Gateway Fund ("CGF")

★★★  
Morningstar Overall Rating<sup>+</sup>

### Bracing for possible market pullbacks as US election, unwinding yen carry trades induce volatility


**Highlights:**

1. **Prefer China's dividend, value stocks across IT, financials and energy sectors**
2. **Mindful towards greater market volatility due to unwinding yen carry trade, US election**
3. **Upbeat on China's TMT investment-grade bonds on robust credit fundamentals, solid results**

**Fund Features**

- A one-stop solution for investing in Chinese stocks and bonds. Access to onshore and offshore investment channels, providing a way to capture investment opportunities in Chinese stocks and bonds fully.
- Flexible allocation in stocks and bonds to balance risk and return.

**Market Review and Outlook**

After a volatile start in early August, the MSCI China Index (USD) ended relatively flat from the previous month. Early on, global markets tumbled after a bout of weak US economic data reignited investor concerns about a potential hard landing. The sell-off was further exacerbated by the unwinding of JPY carry trades, but calm was restored as investors returned for bargain hunting.

China's economic recovery remained uneven. July imports surpassed estimates but exports lagged. Retail sales rose 2.7%, slightly exceeding forecasts, but sales declined in major cities including Beijing and Shanghai. Furthermore, January-July fixed asset investment missed forecasts. We will continue to evaluate China's recovery trajectory.

We stay focused on dividend and value plays, as the central government encourages listed companies to enhance shareholder returns through share buybacks or dividend pay-outs. Despite sluggish domestic consumption, we still favour cash-rich Chinese e-commerce and internet giants, many of which are actively repurchasing their shares.

We uphold our preference towards market leaders with strong balance sheet and free cash flow, with the potential for capital management and company specific catalysts. Other dividend plays we are attracted to include telecommunications providers, energy producers, and leading banks and insurance companies.

With the semiconductor cycle bottoming out, we stay optimistic on tech leaders with structural growth prospects. The emergence of AI as a multi-year theme, significantly supports the growth of the tech sector. But our teams are mindful of potential AI-driven pullbacks, as market volatility could pick up ahead of the US election and in light of further unwinding of yen carry trades.

In August, the spreads of China's investment-grade bonds remained relatively stable. Second-quarter earnings of China's technology, media and telecommunications companies broadly met market expectations, and several major players saw their ratings being upgraded on improved profitability and stronger credit fundamentals. Into September, spreads may face pressure and rising volatility as the US election approaches and uncertainties surrounding the magnitude of rate cut. We expect that favourable technical factors, such as limited supply, rate cut expectations and idiosyncratic corporate actions, will continue to lend support to Chinese investment-grade bonds.

### Investment Strategy

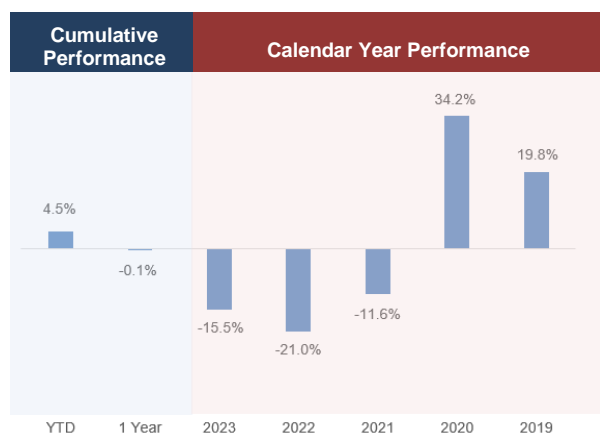
Our teams continue to favour China's dividend and value stocks across various sectors including information technology, telecommunications, and energy. Energy stocks, in particular, offer a hedge against rising geopolitical tensions that could drive market volatility.

The Fund upholds a positive stance on the IT sector, buoyed by the bottoming out of the semiconductor cycle as well as growing AI applications. We continue to see opportunities among Taiwanese and US tech leaders but are bracing ourselves against potential pullbacks, given the sector's substantial rally this year.

Regarding fixed income, our teams remain constructive towards China's TMT Investment-grade bonds due to their strong cash flow and robust credit fundamentals.

**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 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.

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Member Registration

**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
AAUD Hedged (Distributing)	HK0000375474	BUCGAAH HK

Source of the fund information: BEA Union Investment Management Limited, as of 30 Aug 2024.

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1. Source: Lipper, as of 30 Aug 2024. 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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