BEA Union Investment

Fund Report (Mar 2025)

Important note:

1. BU Global 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") (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 invests in emerging markets and may be subject to higher liquidity and volatility risks.
3. 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.
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 may invest in below investment grade and non-rated debt securities, which are subject to greater volatility and liquidity risks than higher-rated securities.
6. 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.
7. 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.
8. 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.
9. 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.
10. Investors should not make an investment decision based solely on this material.

BU Global Flexi Allocation Fund ("GFA")

Raised cash, favour US Treasures, investment-grade bonds; cut US equities, added China/HK, Europe

Highlights:

1. **Raised cash based on risk assessments from macroeconomic parameters**
2. **Trimmed US equities, but increased exposure in China/HK and Europe**
3. **Constructive on US Treasuries, added investment-grade bonds**

Fund Features

- A mixed asset fund invests globally in fixed income, equity, and commodity markets.
- An actively managed, risk-based portfolio construction process aims to optimize risk-adjusted returns.

Market Review & Outlook

US Treasuries and stocks had a bumpy February. Frequent policy changes under the Trump administration, along with concerns over potential cracks in the US economy, sparked a risk-off sentiment. During the month, the 3 major US indices tumbled 1.3-3.9% , with tech-heavy NASDAQ logging in the most decline, while the 10-year US Treasury yield plunged by more than 30 basis points.

Amid tariff, inflation, and economic uncertainty, the 10-year Treasury yield is expected to remain range-bound in the near term. If core inflation continues to subside, we may see lower yields in the medium term. While tariffs raise the risk of slower U.S. economic growth, we remain constructive on U.S. Treasuries.

In Asia, both investment-grade and high-yield dollar bonds continue to offer compelling investment opportunities. Japanese and South Korea credits with low valuations are appealing. Due to lower-than-expected new issuances, credit spreads for South Korean financial and corporate investment-grade bonds are narrowing. In Japan, credit spreads of Japanese corporate investment-grade bonds remain supported, while bank spread widened due to a pipeline of expected new issuances.

Chinese investment-grade and high-yield dollar bonds benefit from a rebound in investor interest. Spreads of technology, media and telecommunications investment-grade dollar bonds tightened, driven by favourable developments in AI. Chinese high-yield property bonds achieved a total return of 5.53%, bolstered after a new issuance from a developer. We expect Chinese high-yield dollar bonds to continue their robust performance.

In February, a shift in sentiment led to a decline on Wall Street, while the MSCI APxJ gave up most of its earlier gains to finish up 0.2% for the month, mainly driven by AI optimism in China and Hong Kong. The launch of DeepSeek and a major e-commerce player's commitment to AI spending signal encouraging capex growth that could help stimulate the economy. Additionally, Beijing's engagement with key private sector leaders also provides reassurance about policy direction, boosting investor confidence.

While recent macro weakness is a concern, we are staying confident in the leading position and long-term outlook of the US tech sector. In Europe, Germany's implementation of significant fiscal reforms, including increased investments in military and infrastructure, combined with the potential decrease in energy price risk premiums following the anticipated end of the Ukraine conflict and further interest rate cuts, are expected to positively impact cyclically sensitive European equities, thereby rekindling our interest in European stocks.

Looking ahead, the global macro backdrop remains challenging, with Trump's flip-flopping policies leaving countries scrambling to navigate a new trade landscape dominated by tariff threats. Elevating geopolitics and trade tension will heighten market volatility. In the near term, we will continue to monitor further policy announcements from China, developments in Trump’s tariff strategy, the ongoing ‘Make America Great Again’ agenda, and shifts in fund flows.

Investment Strategy

With risk control as the cornerstone of the investment strategy, the Fund focuses on maximising risk-adjusted returns based on the risk levels derived from the macroeconomic parameters, including economic fundamentals, inflation, liquidity and policies. The Fund substantially raised cash, remains constructive on US Treasuries and has added investment-grade bonds. In terms of equities, the Fund lowered exposure to US equities but added China/HK and Europe.

As a hedge against geopolitical risk, the Fund also seeks opportunities in commodities and metals such as gold.

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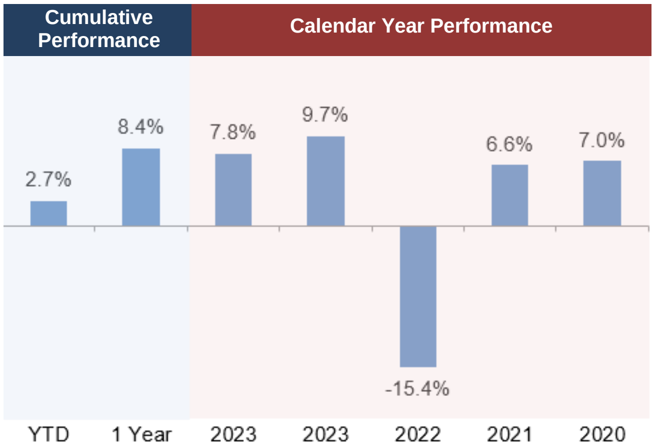
Fund Performance

Performance[1]：A USD (Distributing)



The Fund was launched on 30 September 2021 upon the restructuring of BEA Union Investment Series - BEA Union Investment Global Flexi Allocation Fund (the “Predecessor Fund”, with inception on 27 January 2016) 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.

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 (Distributing)	HK0000273588	BUGFAUD HK
A HKD (Distributing)	HK0000273596	BUGFAHD HK

Source of the fund information: BEA Union Investment Management Limited, as at 28 Feb 2025.

1. Source: Lipper, as at 28 Feb 2025. 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 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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