BEA Union Investment

Fund Report (Oct 2024)

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") (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 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+

Asia bond technical remains supportive; Policy shift expected to normalize market sentiment and valuations in China

Highlights:

1. **Market sentiment and valuations in China will have the opportunity to return to more normal long term levels under stimulating economic policies**
2. **India is favored for its structural growth prospects**
3. **Asian technical remains supportive, driven by limited supply, rate cut expectations, corporate actions and limited fallen angel risk.**

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

After the Fed delivered a 50-basis point rate cut coupled with China's earlier-than-expected policy pivot, the MSCI APxJ ended September 7.9% higher from the previous month, led by China and Hong Kong markets.

In late September, the Chinese government put forward a RMB 1 trillion-plus policy package that includes cuts to policy rates, mortgage rates and reserve requirement ratios. The policy raised expectations for a potential turnaround in both consumption and property market sentiment, resulting in strong performances in real estate, as well as in consumer discretionary and staples sectors during the month. Given the potential of more proactive economic stimulus plans, sentiment and valuations in China/HK markets could achieve more normalised levels in the long term.

Within Asia, Taiwanese and South Korean equities were both uninspiring in September, with the latter seeing heavy foreign fund outflows and sector rotation out of technology stocks.

In the near term, our investment teams are awaiting further details on the scale and implementation of China's stimulus package before evaluating its effectiveness in ending the country's deflation cycle. US elections and market repositioning into 2025 are also in focus. We remain mindful of the potential for an AI-driven pullback and a rotation into defensive stocks.

In fixed income, following the Fed's significant rate cut in September, US Treasury yields fell, leading to a steepening of the yield curve. US Treasuries may come under pressure from the unwinding of long positions or if inflation prints turn out higher than expected. However, downside may be capped as uncertainties related to the US election and escalating conflicts in the Middle East conflicts could lend support to bonds. Duration bonds may attract better buying interest amid rate cut expectations. Asian bond technical will remain supportive, driven by limited supply, rate cut expectations, corporate actions and limited fallen angel risk. However, tight valuations could expose spreads to widening in the event of any macroeconomic shocks.

Investment Strategy

Among equities, the Fund is positive on the industrial sector on the back of strong capex cycle and local centric policy support. We also remain constructive on the energy and material stocks given mounting geopolitical conflicts. As the AI theme remains intact, our investment teams stay optimistic on the long-term outlook of technology shares. However, given the sector's year-to-date rally, the Fund has recently locked in some profits.

While the Fund remains cautious on China for its weak economic recovery, and continued geopolitical tension, it has narrowed its Underweight position in Chinese equities owing to its policy pivot and strong liquidity momentum. Technology, consumer discretionary and energy are some of the sectors on our radar. The Fund remains constructive on India for its structural growth drivers, such as rising middle class and growing private capex.

In terms of fixed income, the Fund favours Chinese technology, media and communications, Indonesian quasi-sovereign and South Korean financial investment grade bonds. We see appeal in duration bonds on the back of rate cut expectations.

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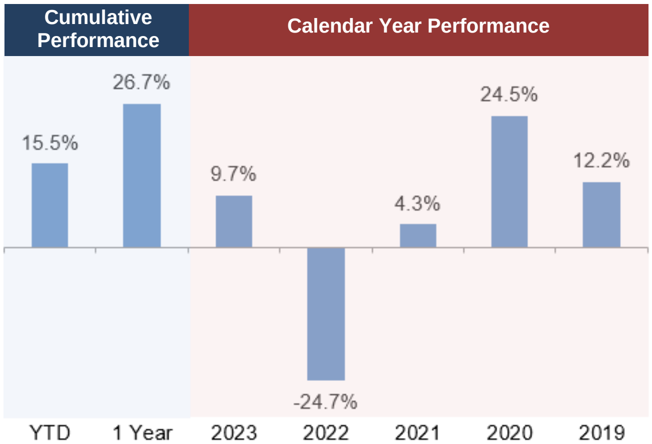
Fund Performance

Performance[1]：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.

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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

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Fund Code

	ISIN	Bloomberg
A USD (Accumulating)	HK0000224250	BEAPAUA HK
A USD (Distributing)	HK0000224201	BEAPAUI HK
A HKD (Distributing)	HK0000224219	BEAPAHI HK
A AUD Hedged (Distributing)	HK0000224227	BEAPAUH 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 Sep 2024

1. Source: Lipper, as at 30 Sep 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.

Issuer: BEA Union Investment Management Limited