

Investment Review

Hereford Funds – 360 ONE Focused India Fund (“Fund”) registered 1.7% returns in USD terms in the month of September, against 1.5% reported by MSCI India IMI Index in USD terms. At the end of September, the Sub-Fund was primarily invested in the financials, industrials, consumer discretionary, information technology, materials and communication services, amongst other sectors.

Manager’s Commentary (in INR terms)

Indian Equity Markets: September 2023

In September 2023, India’s benchmark equity indices reached new record highs, but subsequently experienced a partial correction due to stretched valuations, FII outflows and the Federal Reserve’s hawkish pause.

MSCI India IMI Index registered monthly gains of 2.0% in INR terms. Foreign Portfolio Investors (FPIs) turned into net sellers with outflows totalling US\$ 1.8 billion. This marked a reversal after six consecutive months of inflows. Domestic Institutional Investors (DIIs), however, bought US\$ 2.4 bn during the month.

The S&P BSE Mid-cap index outperformed the benchmarks, registering a monthly gain of 3.7%, while the S&P BSE Small-Cap index underperformed, posting a monthly gain of only 1.1%. Among the sector indices, PSU, Utilities, Power, and Metals were the top performers, with monthly gains of 10.6%, 9.2%, 7.1%, and 6.4%, respectively. FMCG and Bankex, on the other hand, relatively underperformed for the second consecutive month, with monthly gains of just 1.2% and 1.6%, respectively.

In August 2023, India’s Consumer Price Index (CPI) inflation eased to 6.83% YoY from 7.44% in July. Headline inflation was largely driven by elevated food prices. Vegetable prices witnessed partial correction in August while other food segments, such as cereals, pulses, and spices, experienced significant price increases. Core inflation declined to 4.8% YoY in August 2023 from 5.0% YoY in the previous month.

In Q1FY24, India’s current account deficit (CAD) rose to 1.1% of GDP, marking a significant increase from 0.2% deficit in the preceding quarter. CAD increased on account of a higher merchandise trade deficit and weaker services surplus. On the other hand, the capital account showed improvement due to increased Foreign Portfolio Investment (FPI) driven by equity, as well as banking capital inflows. Overall, balance of payments (BoP) surplus increased to US\$ 24 bn, from US\$ 6 bn in the previous quarter.

JP Morgan announced inclusion of Indian government securities in the Government Bond Index-Emerging Markets (GBI-EM) Global index suite. In the near term, the index’s inclusion could strengthen India’s balance of payments, trigger INR appreciation, and result in a decrease in yields on Indian government bonds (IGBs). In the medium term, it has the potential to reduce the cost of capital and stimulate long-term growth.

High-frequency economic activity indicators released during the month showed steady momentum in economic activity. The unemployment rate declined, and consumer sentiment improved in both rural and urban regions in September 2023. India manufacturing PMI remained healthy at 57.5 in September 2023. Indicators like GST Collections/Eight core industries/ Vehicles registration remained strong at 10%/12.1%/17% YoY, respectively. Retail credit growth (adjusted for merger of a non-bank with a bank) also remained robust at 18.3% YoY in August 2023.

The monsoon season concluded with below-normal rainfall. Throughout the monsoon season (June-September 2023), the country received 94% of its long-term average (LPA) rainfall. In the monsoon core zone, encompassing most of the rainfed agricultural regions, rainfall reached 101% of the LPA, classifying it as normal. Nevertheless, the uneven distribution of the monsoon could have an impact on crop yields, despite overall normal sowing conditions.

Outlook

Currently, the BSE Sensex is trading at a price-to-book ratio of approximately 3.6x, this represents a 16% premium compared to its 20-year historic average. Strong macroeconomic conditions like stable current account, healthy corporate balance sheets, resilient banking sector and fiscal consolidation partly alleviate the concerns about the premium valuations, offering a measure of comfort. Looking at the medium-term perspective, the fundamental outlook seems reasonable as corporate earnings are projected to grow at a compound annual growth rate (CAGR) of 15-17%, accompanied by an improving return on equity (RoE).

We advocate for a bottom-up investment approach given the current economic landscape. Over the medium term, the economy’s fundamental outlook remains appealing. There are clear signs of recovery as evident in robust revenue growth, order bookings, and cash flows of industrial companies. Additionally, Indian banks continue to remain in a favourable position. Credit growth has been picking up, while margins are normalizing from peak levels. Overall, we expect banks to deliver strong performance over the medium term.

Another space that is experiencing strong traction is the renewable industry. Share of overall renewable in the overall power capacity mix to substantially increase by 2030 with both wind and solar co-existing. India is looking to auction of 50GW of renewables per year in next five years. Of this, it has directed to do 10GW of bids for wind-specific renewables while the balance 40GW is likely to be solar, solar-wind hybrid, round-the-clock renewable energy power, etc. The underlying policy changes have increased the overall visibility of growth and cashflows for the companies that can address this opportunity.

In a broader sense, our outlook leans more favourably towards inward-looking sectors that rely on domestic factors, as opposed to outward-looking sectors contingent upon global influences.

Source: 360 ONE Asset Management Ltd.

Investment Objective

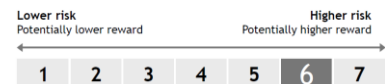
The Fund seeks to provide long-term capital growth, measured in USD, primarily through investment in equities and equity-linked securities of Indian companies or companies deriving a significant portion of their business from India.

The investment philosophy of the fund is centred around buying growing businesses, with above average return on capital, backed by managements with a track record of good governance and valued at a reasonable risk/reward ratio.

Key Information

Launch Date	30 September 2022
Fund Assets (AUM as of 30-Sep-2023)	USD 45.6 million
Strategy Assets ^(a)	USD 2.25 billion
Number of Securities	31
Benchmark	MSCI India IMI Index USD (Ticker: MIMUINDN Index)
Dividend Policy	Accumulation
Domicile	Luxembourg
Fund Structure	UCITS V
Dealing	Daily
Cut-off for Subscriptions and Redemptions	4 p.m. (CET), 1 Luxembourg bank business day prior to the relevant Valuation Day
Valuation Day	Bank business day in Luxembourg and India and on which the Indian Stock Exchanges are open for trading
Settlement Day	Subscriptions: within 2 Luxembourg bank business day following the relevant Valuation Day Redemptions: within 5 Luxembourg bank business days following the relevant Valuation Day
Country and Tax Registrations	Please refer to website: https://herefordfunds.com/library/country-registrations

Risk Profile



Monthly performance %

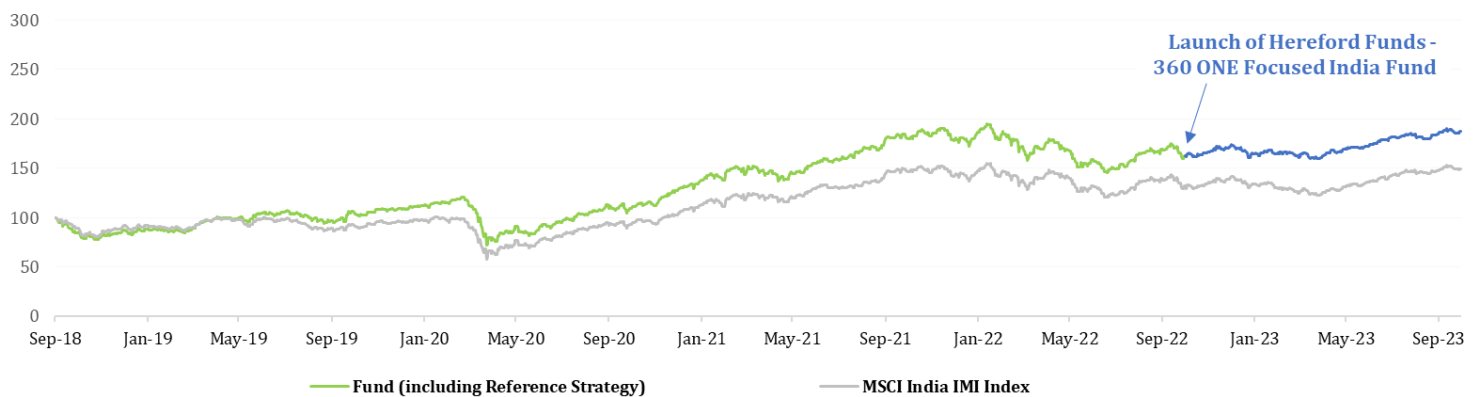
	NAV per share*	2022				2023													ITD **
		Oct	Nov	Dec	2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	
360 ONE Focused India Fund (Class L1)	115.14	2.2	3.7	-4.6	1.1	0.2	-2.5	1.2	3.9	1.9	5.2	1.8	-0.2	1.7				13.9	15.1
MSCI India IMI Index	-	1.9	4.7	-5.2	1.2	-2.5	-4.2	0.8	4.4	3.2	5.3	3.7	-0.5	1.5				11.7	13.1

NAV and Returns are in USD. Benchmark returns are shown only for comparison purposes. Past performance may or may not be sustained in future. *As on 30 Sept 2023 ** Inception till date (ITD) returns from 30 Sept 2022.

Periodic Performance % (including Reference Strategy) ^(b)

	1 month	3 months	6 months	1 year	3 years	Annualized (Since 1 Sept 2018)
Fund (incl. Reference Strategy)	1.7	3.4	15.2	15.1	19.7	13.2
MSCI India IMI Index	1.5	4.7	18.8	13.1	17.0	8.2

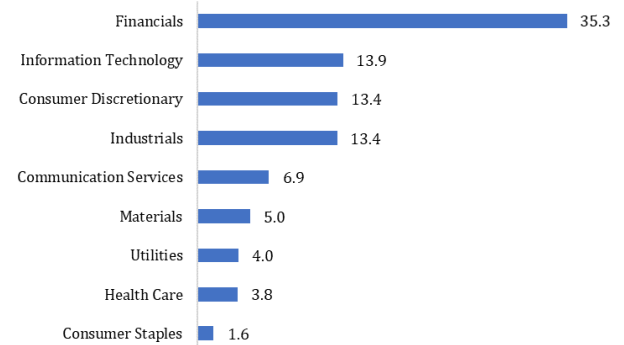
Growth of USD 100 since 1 September 2018 ^(c)



Top 10 Holdings

Securities	GICS Sector	% of AUM
ICICI Bank	Financials	8.3
HDFC Bank	Financials	8.2
Axis Bank	Financials	6.3
Infosys	Information Technology	5.5
Tata Motors	Consumer Discretionary	5.3
Larsen & Toubro	Industrials	5.2
Bharti Airtel	Communication Services	4.5
NTPC	Utilities	4.0
Cholamandam Investment and Finance Co.	Financials	3.6
Cyient	Information Technology	3.4

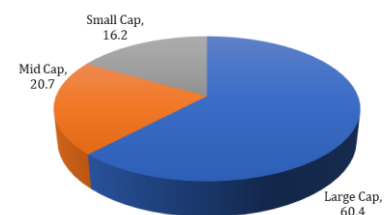
Sector Weighting %



Fund Statistics ^(d)

Ratios	Fund	Benchmark
P/E	18.5	20.4
P/B	3.3	3.1
ROE	17.6%	15.4%
EPS Growth (FY23-25E)	22.6%	19.6%

Market Capitalization % ^(e)



Important notes:

- (a) Total assets managed by the Investment Manager under its diversified public equity strategy across various funds and segregated mandates.
- (b) Table depicts the combined performance of UCITS and Reference Strategy (360 ONE Focused Equity Fund). The Reference Strategy was launched by the Investment Manager on 30 Oct 2014, but the current investment management team started managing it from 1 Sept 2018 onwards. Hence, the table depicts the performance of Reference Strategy from 1 Sept 2018 till the UCITS launch on 30 Sept 2022. Thereafter, actual returns of UCITS Share Class L1 are included. Performance of Reference Strategy (gross of taxes) is simulated by adjusting its estimated gross returns with a modeled fee of 0.75% p.a. and expenses of 0.25% p.a. UCITS follows a similar strategy to the Reference Strategy except for the investment restrictions followed as per Indian and Luxembourg regulations. The performance of Reference Strategy and the UCITS are strictly not comparable. The Reference Strategy may or may not be available for investments in certain jurisdictions. This document shall not be construed as solicitation of investments in the Reference Strategy.
- (c) The growth chart depicts the performance of Reference Strategy (gross of taxes) against MSCI India IMI Index from 1 September 2018 till the fund launch date 30 September 2022 and the actual net performance of Share Class L1 from 30 September 2022 onwards.
- (d) Source: Bloomberg estimates. P/E, P/B and ROE are based on FY24 estimates. P/E = price to earnings ratio. P/B = price to book ratio and ROE = return on equity.
- (e) Market capitalization categories have been defined using classification given by Association of Mutual Funds in India (AMFI). The consolidated list of stocks in terms of full market capitalization is as per the list uploaded by AMFI, as per SEBI circulars dated 6 October 2017 and 4 December 2017. Large Cap Companies: 1st -100th company in terms of full market capitalization. Mid Cap Companies: 101st -250th company in terms of full market capitalization. Small Cap Companies: 251st company onwards in terms of full market capitalization.

Portfolio Attribution (%)					
Top 5 Performers	Port. Average Weight	Bench. Average Weight	Port. Total Return	Bench. Total Return	Total Effect
Larsen & Toubro	5.03	1.81	11.53	11.53	0.31
NTPC	3.78	0.95	11.12	11.12	0.25
Axis Bank	6.09	2.10	6.17	6.17	0.18
Cholamandalam Investment and Finance Co.	3.13	0.44	8.20	8.20	0.18
Bharti Airtel	4.30	1.84	7.84	7.84	0.15
Top 5 Detractors	Port. Average Weight	Bench. Average Weight	Port. Total Return	Bench. Total Return	Total Effect
Data Patterns (India)	1.61	0.04	-11.70	-11.70	-0.31
HDFC Bank	8.52	4.06	-3.17	-3.17	-0.22
Sumitomo Chemical India	2.18	0.04	-4.40	-4.40	-0.13
APL Apollo Tubes	2.94	0.25	-3.04	-3.04	-0.13
Sona BLW Precision Forgings	3.03	0.22	-2.35	-2.35	-0.11

Source: FactSet. Data for the month of September 2023.

Performers :

Larsen & Toubro Limited (L&T), an Indian conglomerate, operates across multiple sectors including realty, EPC, thermal, hydrogen, and defense. L&T emphasizes on cash flow and profitability, evident through their collaborations with PSUs, the central government, and JICA-financed projects, reflecting their commitment to sustainable growth. With a strong focus on establishing a prominent position in the hydrogen sector, L&T plans on capitalizing on the shift of multinational companies from China to India, particularly in petrochemicals and life sciences.

The National Thermal Power Corporation Limited (NTPC) is a major Indian power generation company. It's known for producing thermal, renewable, and hydroelectric power. NTPC's subsidiary, NGEL (NTPC Green Energy Limited), aims to achieve 60 GW of renewable energy capacity by FY32. Leveraging its cost advantage, NTPC plans to expand its power generation across various modes. It's also venturing into green hydrogen and chemicals. To ensure coal supply, NTPC established a separate coal mining entity. NTPC's management believes market coupling and the increase in participation of other exchanges are crucial for the growth of the energy market, and the company is a shareholder in PXIL (Power Exchange India Limited).

Axis Bank, a prominent private sector bank in India, aims to increase retail deposits, decrease reliance on bulk deposits, and improve its Cost of Deposits (CoD). Prioritizing high-yield loans for better margins, the bank maintains a focus on sustaining a predictable Return on Assets (ROAs) at 1.8% and a Return on Equity (ROE) of 17%+. Axis Bank has undergone a turnaround phase, emphasizing core Pre-Provision Operating Profit (PPOP) while closely monitoring indicators such as Net Interest Margins (NIMs), fees, and expenses. With prudent provisioning, including contingency provisions, the bank is confident in its strategy and doesn't currently plan to raise capital.

Cholamandalam Investment and Finance Company Limited (CIFIC) is a financial institution that provides a range of financial services, including consumer loans, small business loans, secured business and personal loans, SME financing, and affordable housing loans. The company has a deep geographical penetration and decades of experience in these sectors, gained through its vehicle finance business. CIFIC places a significant focus on collections and underwriting, with an emphasis on building a strong collections culture in all of its divisions. The company has a deeply ingrained CIFIC culture and often hires experienced professionals from successful competitors to ensure the right team is in place. CIFIC also has partnerships with various fintech companies to enhance its lending capabilities. Overall, CIFIC aims to scale up its new businesses rapidly and expects them to contribute around 15% of its overall portfolio in the near future.

Bharti Airtel Limited is a leading telecommunications company in India. They provide a wide range of telecom services, including mobile, broadband, and digital TV. Airtel is known for its extensive network coverage and innovative offerings. The company focuses on customer satisfaction and technological advancements to stay competitive in the market. Airtel aims to maintain its position as a key player in India's telecommunications industry through ongoing growth and innovation.

Detractors :

Data Patterns is a private sector defense player with strong capabilities in Radar and Electronic warfare. The company has engaged with key players like HAL and Tata to source large opportunities for its products. With a strong order book and government policies supporting domestic procurement and exports, Data Patterns is well-positioned for growth in the near to medium term. The company has experienced an uptick in order inflows due to the government's push to build locally, resulting in a doubling of its order backlog. Data Patterns has a competency model for delivering end-to-end, customized electronic sub-systems, which allows for better margins and profitability. Data Patterns aims to shift its focus from being a sub-system player to a complete system/product vendor, seeking system contracts directly from the Ministry of Defense (MoD). This may require tie-ups with other players and a sacrifice on profitability over the medium term, but it is necessary to scale up the business in the defense sector. The company is also exploring larger opportunities in the export market and has expanded its manufacturing facility to support this growth.

HDFC Bank is a leading financial institution in India. It is known for its strong presence in retail banking and provides a wide range of financial services to individuals and businesses. The bank focuses on customer-centric digital solutions and has a significant number of branches across the country. HDFC Bank has a robust credit and risk management system in place and has been investing in technology to enhance its digital capabilities. It has a diversified loan portfolio, including housing loans, personal loans, and business loans. The bank has a strong emphasis on maintaining a high-quality loan book and has implemented rigorous underwriting and credit assessment processes. HDFC Bank has a strong capital base and has consistently delivered healthy financial performance. Overall, HDFC Bank is well-positioned in the Indian banking industry and has a reputation for its strong financials, customer-centric approach, and commitment to technological innovation.

Sumitomo Chemical is a company that focuses on creating demand for its products rather than relying on selling through traditional channels. The company's inventory is relatively low compared to the channel inventory due to its philosophy. They have plans to launch multiple new products in the domestic market and ramp up exports through generic and combination products. Sumitomo aims to maintain strong growth by focusing on dealer management, offering necessary credit periods, and closely monitoring collection cycles. Additionally, the company has a strategic focus on the launch of specialty products and is positive about its growth outlook in the exports market.

APL Apollo Tubes is a manufacturer and exporter of steel pipes and tubes, is aiming to scale up their volumes from 17.5lac tonnes in FY22 to 40lac tonnes by FY25. To support this expansion, they have expanded their production capacity with a new facility in Raipur capable of producing 15lac tonnes. APL Apollo Tubes funds its growth through internal accruals, while achieving improved return on capital employed (ROCE) and reducing net working capital (NWC). Witnessing significant growth in their market share, APL Apollo Tubes continues to target further expansion.

Sona BLW Precision Forgings has undergone a significant transformation, evolving from a Maruti supplier to a global leader in precision forgings. They have established themselves as a key player in the electric vehicle (EV) market, capitalizing on partnerships with renowned customers such as Tesla. With a strong focus on sustained growth, Sona BLW aims to achieve revenue of \$1-1.5 billion while reducing customer concentration and enhancing engineering-oriented products, particularly in motors and sensors.

Key Fund Terms and Fees

Share Class ^(f)	ISIN	Bloomberg Ticker	Valoren / Telekurs	Available Currencies	Minimum Investment Amount (USD)	Minimum Subsequent Investment (USD)	Minimum Holding Amount (USD)	Management Fees	Total Expense Ratio ^(g) (Estimated)
L1 USD	LU2444714633	L1USDLX LX	116644540	USD, EUR, GBP	100,000	10,000	100,000	0.25%	0.50%
L2 USD	LU2444715010	HFIFL2U LX	116644644	USD, EUR, GBP	100,000	10,000	100,000	0.50%	0.75%
AI USD	LU2444713585			USD, EUR, GBP	100,000	10,000	100,000	1.00%	1.25%
BI USD	LU2444715366			USD, EUR, GBP	5,000,000	100,000	5,000,000	0.75%	1.00%

(f) Share Class L1 and L2 are launch share classes and available to investors only till the fund size reaches USD 25 million and USD 50 million, respectively. Please refer to the fund's prospectus for full details which is available at <https://herefordfunds.com/library/investment-prospectus>

(g) TER is estimated as of 30 September 2023.

Service Providers

Management Company	Investment Manager ^(h)	Central Administration	Custodian	Legal Advisor	Auditor
FundPartner Solutions (Europe) S.A.	360 ONE Asset Management Ltd	FundPartner Solutions (Europe) S.A.	Pictet & Cie (Europe) S.A.	Elvinger Hoss Prussen	Deloitte Audit S.à r.l.
15, Avenue John F Kennedy, L-1855 Luxembourg	360 ONE Centre, 7th Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai 400013, India	15, Avenue John F Kennedy, L-1855 Luxembourg	15A, Avenue John F Kennedy, L-1855 Luxembourg	2, Place Winston Churchill, L-1340 Luxembourg	20, boulevard de Kockelscheuer, L-1821 Luxembourg

(h) 360 ONE Asset Management Ltd is managing the assets of Hereford Funds – 360 ONE Focused India Fund under its SEBI Portfolio Manager license no. INP000004565.

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- UK** - Facilities agent
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Email: fa_gfr@fefundinfo.com
<http://www.fe-fundinfo.com>

Performance Disclosure for Reference Strategy

Scheme/ Benchmark	30-Sep-22 to 30-Sep-23	PTP (\$)	30-Sep-20 to 30-Sep-23	PTP (\$)	30-Sep-18 to 30-Sep-23	PTP (\$)	Since Inception	PTP (\$)
360 ONE Focused Equity Fund - Reg - Growth	20.6%	12,059	20.7%	17,578	17.2%	22,147	11.6%	26,589
360 ONE Focused Equity Fund - Dir - Growth	21.8%	12,181	22.0%	18,149	18.7%	23,545	12.9%	29,619
Benchmark [^]	15.1%	11,508	19.5%	17,051	12.0%	17,647	9.1%	21,801
Additional Benchmark ^{&}	13.8%	11,379	16.8%	15,937	11.0%	16,838	8.0%	19,934

Past performance may or may not be sustained in future. Different plans shall have different expense structure. As on 30 September 2023; Point to Point (PTP) returns in \$ is based on standard investment of \$10,000; Since Inception date is 30 October 2014; [^]S&P BSE 500 TRI; &S&P BSE Sensex TRI; Managed by the fund manager since 11 November 2019. The performance of the scheme is benchmarked to the Total Return variant of the Index. The performance is provided for illustration purposes only.

Risk-o-meter for Reference Strategy


THIS PRODUCT IS SUITABLE FOR INVESTORS WHO ARE SEEKING:

- Capital appreciation over long term;
- Investment predominantly in equity and equity related instruments.

Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Disclaimers

- This document should be read as a marketing communication.
- Risk Disclaimer:** This current risk profile is based on historical data and may not be a reliable indication of the future risk profile of the Sub-Fund. The risk category shown is not guaranteed and may shift over time. The lowest category, which corresponds to Number 1, cannot be regarded as being risk-free. The Sub-Fund does not provide any capital guarantee or asset protection measures. Why is this Sub-Fund in this category? The investment objective of the Sub-Fund is to generate long-term capital growth and income by investing in equities and equity-linked securities of Indian Companies. Hence, the risk/reward profile of the Sub-Fund should correspond to a high-risk category on the risk/reward scale. The contents of this document are communicated by, and the property of, Hereford Funds. Hereford Funds is a trading name of Hereford Funds LLP. Hereford Funds LLP is an appointed representative and tied agent of Thornbridge Investment Management LLP which is authorised and regulated by the Financial Conduct Authority (FRN: 713859). This document is for information purposes and internal use only. It is neither an advice nor a recommendation to enter into any investment. Investment suitability must be determined individually for each investor, and the financial instruments described above may not be suitable for all investors. This information does not provide any accounting, legal, regulatory or tax advice. Please consult your own professional advisers in order to evaluate and judge the matters referred to herein. An investment should be made only on the basis of the prospectus, the annual and any subsequent semi-annual-reports of HEREFORD FUNDS (the "Fund"), a société d'investissement à capital variable, established in Luxembourg and registered under Part I of Luxembourg law of 20 December, approved by the Commission de Surveillance du Secteur Financier (CSSF). These can be obtained from the Fund, from FundPartner Solutions (Europe) SA, 15 avenue J. F. Kennedy, L-1855 Luxembourg, and any distributor or intermediary appointed by the Fund. You can obtain a summary of investors rights to the following link: <https://www.group.pictet/media/sd/176b100ab205a6e6aef82b0250138f889675b903>
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