

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) depreciated -3.75% for the month of August (net of fees) compared to a -1.61% return for the benchmark. The pullback from the post lockdown recovery in May extended into August with heightened geopolitical concerns post Mrs. Pelosi's Taiwan visit and sporadic COVID outbreaks with short-term quarantines. Local investors took profits in EV and EV-related areas following outperformance and added to the resilient consumer staple sector. Our stock selections in Health Care, Consumer Staples, and Information Technology sectors contributed positive alpha, while Materials lagged. Our underweight in Internet and Energy sector also contributed negatively to the relative performance.

For the month, the Fund underperformed the benchmark by 2.14%. In August, the positions that contributed the most to the portfolio's return were IRAY, AUTOWELL and AK MEDICAL. The positions that contributed the least were CNANO TECHNOLOGY, CHIPSEA and YUHONG WATERPROOF.

Manager's Commentary

The Chinese government was upset with the Mrs. Pelosi's Taiwan visit, as they believed that the US intended to encourage the island to move to independence. The military drill in the Taiwan Strait caused concerns that military action was possible. We strongly believe that the drill is purely symbolic to show that Taiwan is a part of China. The risk of a war is very low.

The continued zero covid policy has made the economy recover more slowly than expected. Small businesses face a challenging environment with reduced household income, and the tightening of the private property developers' balance sheets cuts off local government's revenue for investment. Consumer spending has not returned to normal, as consumer savings has risen to the highest level in recent years.

Covid cases in China rose again in August. While lockdowns occurred in some cities, they are different from the Shanghai lockdown from March to May when the city was at a full stop for three months. With lessons learnt that the economy was significantly slowed, future lockdowns will be imposed for much shorter periods and without the interruption of logistics. Travel restrictions continued to loosen as the government leans towards more scientific and precise virus-control measures to reduce negative impacts on the economy. The travel recovery in the 2H should be gradual, but continued improvement is expected as the government is gaining more confidence in handling Covid. Bin Yuan's onsite due diligence activities within China are mostly back to normal. Since the beginning of July, we have conducted over 60 face-to-face meetings.

The Q2 earnings season ended with all listed companies' results released in August. Our portfolio's revenue and earnings have recorded high teens growth which are a lot higher than market average. New energy-related equipment and materials, semiconductor/semiconductor manufacturing equipment and energy outperformed, driven by the global energy transition wave, import substitution and higher commodity prices. Consumer services and real estate underperformed affected by the reduced mobility in H1 and the ongoing deleveraging of real estate developers.

Our portfolio is mainly focused on information technology, new energy, healthcare, and emerging consumer sectors. We expect the earnings of those sectors will continue to outperform the market with strong and resilient mid-cycle growth characteristics.

Key Information

NAV (31/08/22) US\$ 143.85(L1)/136.36(L2)/100.08(AI)/87.61(AI EUR)/80.72(AI GBP)/103.36(BI)/156.49(CB)/103.05(DB A)/108.27(DB A NOK)/104.18(DI A)/166.05(CI)/83.74(CI GBP)/85.22(PB EUR)

Strategy Assets US\$ 1,303 m^(a)

Total Fund Size US\$ 661.0 m

Fund Launch Date 16-Apr-18

Period Performance (%) data from FPS/Pictet/Bin Yuan

	2022	2021	2020	2019	2018	2017	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	-27.48	10.02	83.51	30.60	-22.46	44.69	120.96	13.34
Index ^(c)	-20.20	-12.91	33.41	29.74	-26.64	33.37	19.43	2.84



Monthly Performance (%) data from FPS/Pictet

	2021					2022								
	Sep	Oct	Nov	Dec	2021	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	YTD
Bin Yuan GC Fund	0.72	2.93	2.27	-3.79	10.02	-13.24	1.23	-11.74	-10.84	5.76	11.25	-7.34	-3.75	-27.48
Index ^(c)	-2.71	2.78	-3.70	-1.52	-12.91	-5.32	-1.23	-8.31	-6.27	1.82	7.82	-8.07	-1.61	-20.20

Risk and reward profile



Top Ten Holding					
1	IRAY Technolog-A	9.80%	2	Wuxi Autowell-A	5.22%
3	Nari Technolog-A	3.92%	4	Ecovacs Roboti-A	3.78%
5	China Merch BK-A	3.54%	6	Shanxi Xinghua-A	3.46%
7	Jiangsu Cnano-A	3.45%	8	Hunan Baili En-A	3.28%
9	Aier Eye Hosptl-A	3.11%	10	Anjoy Foods GR-A	2.93%

Sectoral Breakdown ^(e)	% of Assets
Health Care	22
Information Technology	20
Consumer Staples	14
Industrials	13
Consumer Discretionary	12
Materials	7
Financials	4

Investment Objective

The investment objective of the Compartment is to provide long term capital growth, measured in USD, primarily through investment in equities and equity-linked securities of Greater China Companies, as defined hereafter.

Since Inception ^(d)	Bin Yuan All China	Index
Volatility	19.95%	17.68%
Sharpe Ratio	0.71	0.16
Information Ratio	1.11	
Tracking Error	10.19%	
Active Shares	90%	
Beta	1.04	

Market Breakdown	% of Assets
A Share (Connect + QFI)	78
Hong Kong	14



Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	20220831	20220831	20220831
2022 PE (X)	28.5	23.5	12.7
2022 PB (X)	6.2	3.0	1.2
2022 Div. Yield (%)	0.9	1.5	2.3
2022 ROE (%)	21.7	12.9	9.7
Earning Growth (%) Forward 3 YR	27.3	11.0	7.5
2022 PEGY	1.0	1.9	1.3
FCF Yield	1.0	-1.2	1.6

Fund Codes						
Share Class	AI	AI GBP	AI EUR	BI	CI	CI GBP
Bloomberg	HEYGCAU LX	HEYGCAU LX	HEYGCAE LX	HEYGCBU LX	HFBYCIU LX	HEYGCGA LX
TK	040149630	040149699	040149698		040149734	040149736
ISIN	LU1778252558	LU1778252715	LU1778252632	LU1778253952	LU1778254844	LU1778255064
Lipper ID	68617991	68666625	68677482	68625053	68563916	68684500
Sedol	BMV2Q30	BNLYXY6	BN4BFL5	BMV1994	BMWWFG8	BP466G6

Fund Details	
Dealing Day ^(d)	Daily
Dividends	None – income accumulated within the fund
Investment Manager	Bin Yuan Capital Room 1505, 15/F, 299QRC 287-299 Queen's Road Central Sheung Wan, Hong Kong
Management Company	FundPartner Solutions (Europe) S.A. 15, Avenue John F Kennedy , L-1855 Luxembourg
Custodian	Pictet & Cie (Europe) S.A. 15, Avenue John F Kennedy, L-1855 Luxembourg
Legal Advisors	Elvinger Hoss Prussen S.A. 2, Place Winston Churchill, L-1340 Luxembourg
Auditor	Deloitte Audit S.à r.l. 560, route de Neudorf, L-2220 Luxembourg

Annual Management Charge TERs as at end September 2021	
Share Class A	1.25% 1.45%
Share Class B	1.00% 1.21%
Share Class C	0.75% 0.95%
Share Class D	0.50% 0.71%

Minimum Investment	
Share Class A	\$100,000 Minimum initial subscription & holding
Share Class B	\$5,000,000 Minimum initial subscription & holding
Share Class C	\$10,000,000 Minimum initial subscription & holding
Share Class D	\$100,000,000 Minimum initial subscription & holding

Order Transmission Information

FundPartner Solutions (Europe) S.A.

15, Avenue John F Kennedy,

L-1855 Luxembourg

Via fax +352 46 71 71 7667 or SWIFT PICTLULXTAS

Footnote:

(a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.

(b) The graph depicts the Bin Yuan All China Strategy (Reference Strategy) from inception in May 2016 to the fund launch on 16/4/18. After launch date actual fund data of Share Class L1 is used. The fund follows the same strategy as the Reference Strategy and simulated returns of the Reference Strategy are net of a modeled fee of 0.75% pa and expenses of 0.40%.

(c) MSCI Inc. discontinued MSCI All China Index and the transition to MSCI China All Shares Index took effect on 27 November 2019. MSCI All China Index Total USD return including dividends (Bloomberg ticker M1ACN Index) was used as benchmark from the inception of April 2018 to November 26, 2019. MSCI China All Shares Net Total USD Return (Bloomberg ticker MXCNANM Index) is used as benchmark since November 27, 2019.

(d) Data depict the Bin Yuan All China Strategy since inception of May 2016 as of April 2018. The fund follows the same strategy. After a longer period after the fund launch, we will use the Hereford Funds Bin Yuan Greater China Fund Share Class L1 in the table.

(e) We set sector exposure according to GICS classification, and the maximum exposure will not exceed 40%. The reason we set at 40% is some industrial and communication service companies are misclassified as information technology in GICS.

Disclaimer:

- 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 Greater China Companies. Hence, the risk/reward profile of the SubFund 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>
- No warranty is given, in whole or in part, regarding performance of the Fund. There is no guarantee that its investment objectives will be achieved. Potential investors shall be aware that the value of investments can fall as well as rise and that they may not get back the full amount invested. Past performance is no guide to future performance. Future Performance is subject to taxation which depends on the personal situation of each investor and which may change in the future. Returns may increase or decrease as a result of currency fluctuations. The information provided in this document may be subject to change without any warning or prior notice and should be read in conjunction with the most recent publication of the prospectus of the Fund. Whilst great care is taken to ensure that information contained herein is accurate, no responsibility can be accepted for any errors, mistakes or omission or for future returns. This document is intended for the use of the addressee or recipient only and may not be reproduced, redistributed, passed on or published, in whole or in part, for any purpose, without the prior written consent of HEREFORD FUNDS. Neither the CSSF nor any other regulator has approved this document.