

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) appreciated 3.01% for the month of December (net of fees) compared with a -1.98% return for the benchmark outperforming the benchmark by 4.99%. The positive performance was driven by our stock selections in the Health Care and Information Technology sectors, which significantly contributed to our overall gains. However, the Financials and Consumer Discretionary sectors adversely impacted relative performance during this period. In December, the positions that contributed the most to the portfolio's return were IRAY TECHNOLOGY, SHANGHAI BOCHU and SINOPHARM. The positions that contributed the least were KANGJI MEDICAL, HAICHANG OCEAN PARK and CHINA MERCHANT BANK.

Manager's Commentary

The Chinese market had a lackluster December marked by the absence of positive catalysts and active buyers ahead of the holiday season. The market declined by 1.98% in December, resulting in a quarterly loss of 3.82%. Despite these challenges, our portfolio posted a 2.76% increase in December and a 0.61% loss for the Q4, outperforming the market index by 4.74% and 3.21%, respectively. For the full year, the market underwent a correction of 11.53%, while our portfolio incurred a loss of 20.5%, representing an 8.97% underperformance compared to the market. In 2023, sectors such as Industrials and Health Care added value to our portfolio, while the Financials and Consumer Discretionary sectors weighed down overall performance.

While Bin Yuan has delivered strong long-term performance, our underperformance against the market in 2023 triggered a detailed review by the team in Q4 to identify what we have done well and what mistakes could have been avoided. Our review included Bin Yuan's proprietary fundamental research process that has been developed, executed, and improved continuously over the past 28 years, the execution of the process, and a more philosophical review that includes the dynamics of business cycles and the stages of the long- and short-term cycles. We carefully examined our methodology and concluded that our thorough research, deep in-depth knowledge of portfolio companies, and early identification of future winners is sound.

Historically, we have tended to buy and hold companies as long as their fundamentals remain intact. We have therefore bolstered our Downside Risk Management and Portfolio Positioning process. In the past a 5% loss for a stock triggered a review of the stock's fundamentals. We will now conduct a deeper dive after a 10% loss that includes the combination of both company fundamentals and market sentiment factors analysis. We are committed to continuously improve our process and execution in order to strike a better balance between capturing long-term value and navigating short-term market dynamics so as to achieve a more stable and consistent performance for our investors.

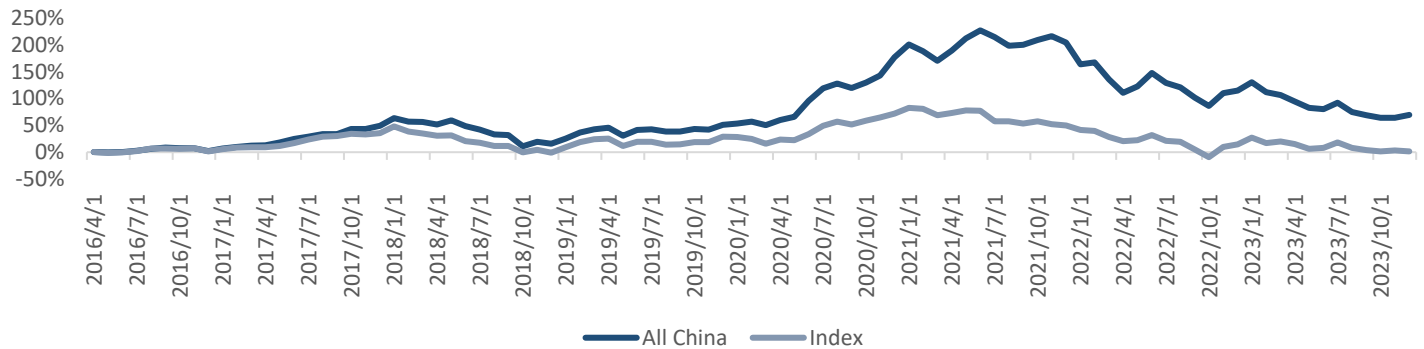
Despite our portfolio's underperformance, we remain very confident for its potential in 2024. It present investors with appealing contrarian buying opportunities, focusing on sectors less susceptible to the broader macro environment while exhibiting strong underlying fundamentals, resilience, and attractive valuations. We have carefully selected our investments and conducted thorough research to position ourselves for success, with positions on healthcare, high end technology, green initiatives, and value-for-money consumption. While the overall macroeconomic conditions may not have a powerful rebound, and external factors may impact the broader market, our portfolio are the representatives of the best possible Chinese companies to deliver good returns over the upcoming year. With close to trough valuation of 12x 2024 PE (Harmonic Method) and 23% visible growth, approximately 20% annualized return over the next three-year cycle should be expected. If you believe in the principle of "reverse to the mean", you can expect a performance turnaround to occur in 2024.

Key Information

NAV (31/12/23)	US\$ 110.32(L1)/105.26(L2)/76.24(AI)/60.75(AI EUR)/56.13(AI GBP)/79.01(BI)/120.01(CB)/85.31(DB A NOK)/80.17(DI A)/127.35(CI)/58.62(CI GBP)/59.67(PB EUR)	Strategy Assets	US\$ 984 m ^(a)
Total Fund Size	US\$ 580.4 m	Fund Launch Date	16-Apr-18

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

	2023	2022	2021	2020	2019	2018	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	-21.17	-29.45	10.02	83.51	30.60	-22.46	69.46	7.12
Index ^(c)	-11.53	-23.61	-12.91	33.41	29.74	-26.64	1.15	0.15



Monthly Performance (%) data from FPS/Pictet

	2022	2023												
	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Bin Yuan GC Fund	-29.45	7.20	-8.07	-2.44	-5.75	-6.03	-1.43	6.51	-8.91	-3.45	-2.92	0.27	3.01	-21.17
Index ^(c)	-23.61	11.06	-7.82	2.58	-3.87	-7.94	1.85	8.99	-8.61	-3.62	-3.81	2.01	-1.98	-11.53

Risk and reward profile



Top Ten Holding					
1	IRAY TECHNOLOG-A	10.19%	2	CHINA MERCH BK-A	6.08%
3	NARI TECHNOLOG-A	4.38%	4	HAICHANG OCEAN P	4.25%
5	KANGJI MEDICAL H	4.07%	6	WUXI AUTOWELL-A	4.00%
7	XI'AN SINO FUSE-A	3.34%	8	PING AN INSURA-A	3.28%
9	SINOPHARM-H	3.04%	10	H WORLD GP LTD	3.01%

Sectoral Breakdown ^(e)	% of Assets
Health Care	20
Consumer Discretionary	18
Information Technology	16
Industrials	14
Financials	13
Communication Services	7
Consumer Staples	7
Materials	1

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	20.36%	20.57%
Sharpe Ratio	0.38	0.02
Information Ratio	0.70	
Tracking Error	10.84%	
Active Shares	85%	
Beta	0.90	

Market Breakdown	% of Assets
A Share (Connect + QFI)	66
Hong Kong	29
US ADR	1



Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	12/31/2023	12/31/2023	12/31/2023
2024 PE (X) –Harmonic Avg. Method ^(f)	12.0	12.6	9.7
2024 PE (X) – Weighted Avg. Method	17.7	17.0	15.2
2024 PB (X)	1.8	2.4	1.6
2024 Div. Yield (%)	2.4	1.9	2.6
2024 ROE (%)	17.6	10.4	10.4
Earning Growth (%) Forward 3 YR	22.7	7.9	6.2
2024 PEGY	0.7	1.7	1.7
FCF Yield	2.6	-1.2	1.9

Fund Codes						
Share Class	AI	AI GBP	AI EUR	BI	CI	CI GBP
Bloomberg	HEYGAU LX	HEYGCA 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.
- (f) The harmonic average, also known as the harmonic mean, is a type of average that is useful in situations where calculating an average rate or ratio. It's particularly effective when the values we are averaging are defined in terms of a ratio of two quantities (like speed, which is distance per unit of time).

The formula for the harmonic average is:

$$\text{Harmonic Mean} = N / \sum (1/\text{Value}_i)$$

Where:

- (N) is the total number of values.
- $\{1/\text{Value}_i\}$ is each individual value in the set.

Disclaimer:

- This document should be read as a marketing communication.
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