Hereford Funds

Signatory of: Principles for Responsible Investment; Climate Action 100+; LuxFLAG ESG; BinYuan Capital; Race to Zero

Bin Yuan Greater China Fund

SFDR status as of March 2021: Article 8

January 2024

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) depreciated 15.26% for the month of January (net of fees) compared with a -9.94% return for the benchmark underperforming the benchmark by 5.32%. The Health Care and Industrials sectors adversely impacted relative performance during this period, while Consumer Discretionary and Financials sectors contributed positively. In January, the positions that contributed the most to the portfolio's return were CHINA MERCH BANK, JIANGSU PHOENI and CHINA CONSTRUCTION BANK. The positions that contributed the least were IRAY TECHNOLOG, XI'AN SINOFUSE and SUNNY OPTICAL.

Manager's Commentary

After a short rebound in December, the China equity market had a horrible January characterized by panic selling. A few factors were behind the market drop. Some foreign active funds took advantage of the December rebound and sold US$2.5 billion in January, but still less than the average monthly net outflows of over US$3 billion in Q4 2023. The more critical factor was redemptions by local funds as many investors lost patience with the market. The average return of active long-only local funds in 2023 was negative 20+% and negative 40+% over two years. The market decline triggered further selling by margin calls and forced liquidation of those structured products and funds that launched in early 2021 with a three-year lock-up period with NAV losses exceeding 60%.

To prevent further stock market turmoil, government funds (Stabilizing Funds) intervened to support the market by purchasing large index stocks and ETFs that were mainly composed of SOEs (large-cap State-Owned Enterprises). As a result, the large-cap indices dropped less than the broad market with the SSE Composite Index, SSE 50 Index, and CSI 300 down only 6.3%, 3.1% and 6.3%, respectively. However, the mid- and small-cap universe saw the ChiNex Index and CSI 2000 dropping by 16.8% and 21% which were their most substantial monthly drawdowns since 2016. With our focus on quality mid-caps, our holdings did not benefit from the government intervention.

We believe that the panic selling this month is close to the end. It is possible that the margin calls and fund redemptions are not totally completed, but the scale of the liquidation should be reduced as most of the damage was done at the end of January. We strongly advise our investors to stay in the market because, according to our experience, any marginally positive changes should bring a very good market rebound as Chinese stocks are oversold and very cheap.

The government strongly intends to support the stock market to boost confidence in the financial markets. In addition to providing Stabilizing Funds, and injecting liquidity into the economy by cutting the bank Reserve Requirement Ratio by 50bps, the following policies were adopted to support the economy and the market: 1) property sector: financial support to property sector; removal of some home purchase restrictions; cut 25bps off the re-finance mortgage rate and lowered downpayment ratio; 2) stock regulations such as curbing any business activities and behavior that may hurt shareholder interests, cracking down on fraud, encouraging dividend paying; 3) increased foreign institutions ownership to 100%.

We also see less negative trends or catalysts in the market: 1) The intensity of foreign selling pressure has eased. Margin calls and redemptions are close to the end. 2) Share buybacks from listed companies have been increasing. 22 of our holdings have bought back shares in the past three months, and 16 are doing so or will do so in the months ahead. We do not expect these moves to bolster stock prices quickly, but this will provide support and boost confidence.3) 17 of our portfolio companies have announced their preliminary earnings results range or positive warnings as of the end of January, all meeting or exceeding our expectations, with over 30% surpassing consensus estimates.

After the January drop, our portfolio sells on a forward PE of 10.7x (Harmonic method) and we project annual earnings growth of 20% plus over the next three years. As we navigate through the final phase of panic selling, we anticipate an enhancement in market and economic confidence stemming from the potential stimulus and catalysts mentioned above. As time progresses, fundamental factors will inevitably become increasingly significant in shaping market dynamics and companies valuations.

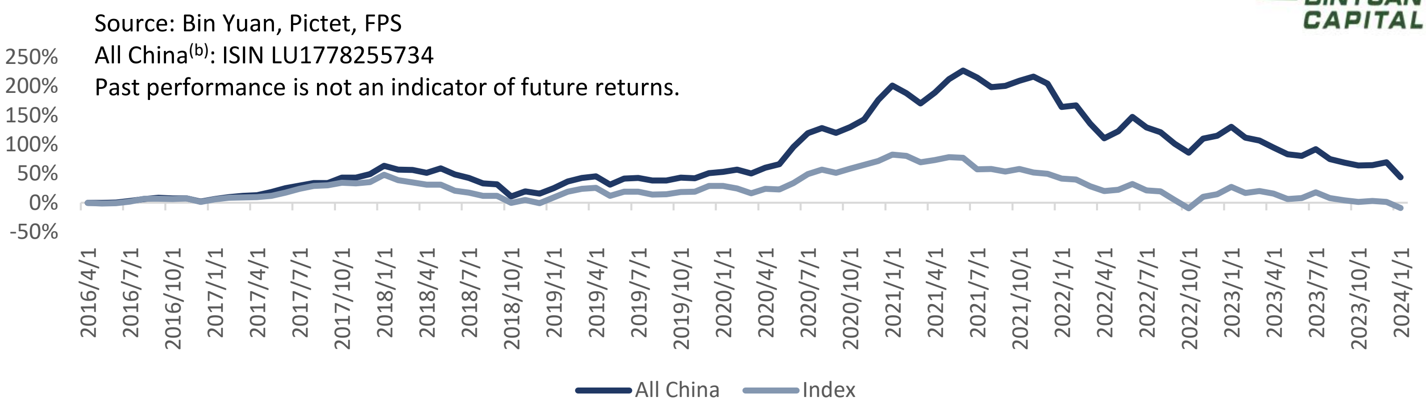
Key Information

NAV (31/01/24)	US$ 93.48(L1)/89.23(L2)/64.58(AI)/52.33(AI EUR)/47.60(AI GBP)/66.93(BI)/ 101.70(CB)/74.45(DB A NOK)/67.95(DI A)/107.91(CI)/49.73(CI GBP)/51.43(PB EUR)	Strategy Assets	US$ 884 m[(a)]
Total Fund Size	US$ 480.7 m	Fund Launch Date	16-Apr-18

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

	2024	2023	2022	2021	2020	2019	2018	Cumulative	Annualized
Bin Yuan All China Strategy[(b)]	-15.26	-21.17	-29.45	10.02	83.51	30.60	-22.46	43.59	4.78
Index[(c)]	-9.94	-11.53	-23.61	-12.91	33.41	29.74	-26.64	-8.9	-1.2

Source: Bin Yuan, Pictet, FPS



Monthly Performance (%) data from FPS/Pictet

	2023													2024	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Jan	YTD
Bin Yuan GC Fund	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	-15.26	-15.26
Index[c]	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	-9.94	-9.94

Risk and reward profile

Lower risk **Higher risk**

1	2	3	4	5	6	7

The risk indicator assumes you keep the product for 4 years. We have classified this product as 6 out of 7, which is the second –highest risk. This rates the potential losses from future performance at a high level, and poor market conditions are very likely to impact out capacity to pay you.
Please refer to the prospectus[g] for more information on the specific risks relevant to this product not included in the summary risk indicator. This product does not include any protection from future market performance, so you could lose some or all of your investment. If we are not able to pay you what is owned, you could lose your entire investment.

Sectoral Breakdown[e]	% of Assets
Consumer Discretionary	22
Health Care	18
Information Technology	14
Financials	14
Industrials	12
Communication Services	8
Consumer Staples	4
Materials	3
Real Estate	1

Top Ten Holding

1	IRAY TECHNOLOG-A	8.16%	2	CHINA MERCH BK-A	6.25%
3	HAICHANG OCEAN P	4.63%	4	NARI TECHNOLOG-A	4.45%
5	KANGJI MEDICAL H	4.13%	6	CCB-H	3.53%
7	H WORLD GP LTD	3.40%	8	TENCENT	3.32%
9	WUXI AUTOWELL -A	3.20%	10	XI'AN SINOFUSE-A	3.12%

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	21.00%	20.78%
Sharpe Ratio	0.26	-0.06
Information Ratio	0.60	
Tracking Error	10.99%	
Active Shares	84%	
Beta	0.92	

Market Breakdown	% of Assets
A Share (Connect + QFI)	59
Hong Kong	35
US ADR	2

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	**01/31/2024**	**01/31/2024**	**01/31/2024**
2024 PE (X) –Harmonic Avg. Method[f]	10.7	11.6	9.1
2024 PE (X) – Weighted Avg. Method	15.4	15.5	13.8
2024 PB (X)	1.6	2.2	1.5
2024 Div. Yield (%)	2.4	2.1	2.8
2024 ROE (%)	16.5	11.5	11.3
Earning Growth (%) Forward 3 YR	20.5	7.8	6.1
2024 PEGY	0.7	1.6	1.6
FCF Yield	3.2	-1.2	1.9

The Sub-Fund is actively managed. The benchmark index of the Sub-Fund is MSCI China Health Care Index. It is used for the calculation of the performance fee and for performance comparison purposes. The Investment Manager is not in any way constrained by the benchmark index in its portfolio positioning. This means the Investment Manager is taking investment decisions without reference to a benchmark index. The Sub-Fund can deviate significantly from the index.

Fund Codes						
Share Class	AI	AI GBP	AI EUR	BI	CI	CI GBP
Bloomberg	HEYGCAU LX	HEYGCAG 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	BMY2Q30	BNLYXY6	BN4BFL5	BMY1994	BMWWFG8	BP466G6

Fund Details	
Dealing Day	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	Bank Pictet & Cie (Europe) AG, Succursale de Luxembourg 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

Entry / Exit fees ; 0
All the costs are not disclosed into the factsheet, please refer to the prospectus(g) for additional information.

Order Transmission Information
Bank Pictet & Cie (Europe) AG, Succursale de Luxembourg
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:
Harmonic Mean = N / sum of (1/Value_i)
Where:
- (N) is the total number of values.
- \(\{Value}_i\) is each individual value in the set.
(g) Prospectus (English) and KIDs (English, French, German)

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. 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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- Marketing communications should indicate that the decision to invest in the promoted fund should take into account all the characteristics or objectives of the promoted fund as described in its prospectus.