

Bin Yuan Greater China Fund

SFDR status as of March 2021: Article 8
July 2023

Signatory of:



RACE TO ZERO

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) appreciated 6.51% for the month of June (net of fees) compared to a 8.99% return for the benchmark, underperforming the benchmark by 2.48%. Compared to the benchmark, our stock selection in Information Technology, Communication Services and Consumer Staples contributed positively to the performance while iRay in healthcare was a laggard (details below). Excluding the impact from iRay, the rest of portfolio recovered faster than the market. In July, the positions that contributed the most to the portfolio's return were H WORLD GROUP LIMITED, CHINA MERCHANTS BANK and SHANGHAI FRIENDESS. The positions that contributed the least were IRAY TECHNOLOGY, WUXI AUTOWELL and SANHE TONGFEI.

Manager's Commentary

Sentiment improved in July as the Politburo announced increased and stronger support for growth, with a focus on domestic demand and employment. Various authorities such as the State Council, National Development and Reform Commission, the Central Bank, etc. drafted a series of plans to support private enterprises, consumption, capital markets, internet platforms, real estate, and other sectors. The confidence of private enterprises is expected to gradually recover which should boost employment, income and consumption. One positive move is that a number of companies we recently visited told us that their borrowing rate has been lowered to 2.5%.

There are signs of a gradual recovery of consumption. Retail sales in June posted a four-year compounded growth of 4% in 2019-2023, up from 3.5% in April and May. As the summer holidays began, tourists packed into beer festivals, music festivals, study tours, amusement parks, etc. for vacations. We were in Qingdao during the opening day of the city's 33rd Beer Festival, and were impressed by the enthusiasm of tourists there, with over 24,000 visitors attending the opening ceremony the first night. In Shanghai, Disneyland also saw the peak of tourists this month, with daily visits reaching the upper limit of over 70,000. Visitors to Haichang Ocean Park exceeded 2019 levels by 20% since the start of the summer holidays. According to Ctrip, the largest online travel agency in China, the amount of daily airline passengers has recovered to 112% of the pre-pandemic level in 2019, with average ticket prices up to 114% of 2019 as of the week July 22-July 28. The amount of scheduled airline passengers for the next 15 days is estimated to reach 114% of 2019 levels at 121% of the 2019 price.

Recent company visits confirmed a decrease in inventories and increase in orders in certain manufacturing sectors. This was confirmed by the slightly upbeat official manufacturing PMI in July, which was up to 49.3 from the previous 49.2. We expect some of our key tech holdings like Autowell, Sanhe Tongfei, Jiangsu Hengli Hydraulic, Shanghai Friendess, Shenzhen Megmeet, Xi'an Sinofuse Electric to benefit from the demand recovery on healthier industry inventory levels and the ongoing localization trend. They are also expanding their global market share.

With earnings releases, companies with solid fundamentals regained market attention. Huazhu Hotels (hotel chain), Anjoy Foods (premade food), Chaozhou Three-Circle (ceramic electronics) and Shenzhen Megmeet (power electronics and industrial controls) were among those posting consensus-beating results.

- Chaozhou Three-Circle's Q2 earnings grew 25% Q/Q as the positive impact of previous price hikes passed through and demand improved with better capacity utilization. For the second half, recovery in demand for consumer electronics and market share expansion are expected to continue to drive its growth.
- Shenzhen Megmeet's earnings hiked 39% Q/Q on improving gross margins and robust demand in downstream sectors like EV, solar, energy storage, and EV chargers. For the second half, improving gross margins and the launch of new products should act as growth drivers.
- Huazhu Hotel's Q2 operations data beat consensus with RevPar recovering to 121% of 2019 levels, up from the 118% in Q1; and the average daily rate (ADR) to 129% of 2019, up from 125%. We expect the company to continue benefiting from strong travel demand in the second half as consumption continues to recover.
- Anjoy Foods' earnings increased 50% year-on-year and in Q2 beat estimates. The robust performance was driven mainly by increasing market share with the recovery of the restaurant and catering markets. High-quality operations, new product launches, and sales channel expansion is expected to continue to drive market share expansion.

Key Information

NAV (31/07/23)	US\$ 125.10(L1)/119.12(L2)/86.64(AI)/69.17(AI EUR)/63.20(AI GBP)/89.68(BI)/136.09(CB)/89.83(DB A)/96.21(DB A NOK)/90.81(DI A)/144.41(CI)/65.86(CI GBP)/67.73(PB EUR)	Strategy Assets	US\$ 1,169 m ^(a)
Total Fund Size	US\$ 702.4 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)	-10.60	-29.45	10.02	83.51	30.60	-22.46	92.16	9.43
Index ^(c)	3.15	-23.61	-12.91	33.41	29.74	-26.64	17.94	2.30



Monthly Performance (%) data from FPS/Pictet

	2022						2023							
	Aug	Sep	Oct	Nov	Dec	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	YTD
Bin Yuan GC Fund	-3.75	-8.76	-7.68	12.87	2.33	-29.45	7.20	-8.07	-2.44	-5.75	-6.03	-1.43	6.51	-10.60
Index ^(c)	-1.61	-12.26	-13.52	21.29	4.02	-23.61	11.06	-7.82	2.58	-3.87	-7.94	1.85	8.99	3.15

Risk and reward profile



Top Ten Holding					
1	IRAY TECHNOLOG-A	8.82%	2	CHINA MERCH BK-A	5.41%
3	SHANGHAI FRIEN-A	4.63%	4	BAIDU - SW	4.60%
5	CHAOZHOU THREE-A	4.56%	6	ECOVAS ROBOTI-A	4.34%
7	HAICHANG OCEAN P	4.19%	8	H WORLD GP LTD	4.15%
9	KANGJI MEDICAL H	4.14%	10	PING AN INSURA-A	4.09%

Sectoral Breakdown ^(e)	% of Assets
Information Technology	21
Consumer Discretionary	19
Health Care	16
Industrials	15
Financials	10
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	20.53%	20.79%
Sharpe Ratio	0.49	0.11
Information Ratio	0.71	
Tracking Error	10.98%	
Active Shares	89%	
Beta	0.90	

Market Breakdown	% of Assets
A Share (Connect + QFI)	65
Hong Kong	30
US ADR	1

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	7/31/2023	7/31/2023	7/31/2023
2023 PE (X) – Weighted Average Method*	23.2	24.6	21.8
2023 PE (X) – Integral Method*	16.0	13.4	12.2
2023 PB (X)	4.4	3.4	2.2
2023 Div. Yield (%)	1.5	1.7	2.3
2023 ROE (%)	19.1	13.7	10.1
Earning Growth (%) Forward 3 YR	27.0	11.6	8.6
2023 PEGY	0.8	1.9	2.0
FCF Yield	1.8	-1.2	2.1

Note: Valuation dynamics impacted by corporate quality.

*PE Weighted Avg. Method: The PE of each security in the portfolio/benchmark is multiplied by its weight and then is summed to a final PE;

*PE Integral Method: The PE is calculated by dividing the summary of each security's market capitalization in the portfolio/benchmark by the summary of each security's earning.

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.

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- 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>
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