

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) depreciated -8.76% for the month of September (net of fees) compared to a -12.26% return for the benchmark. Our stock selections in Health Care, Consumer Discretionary and Consumer Staples sectors contributed positive alpha, while Industrials lagged. The portfolio had nil weight in the Communication Services sector, which contributed positively to the relative performance. September was another poor month for the Chinese market with negative sentiment from both domestic and international factors. Domestically, after a good economic recovery in July and August, September was below expectations as COVID infection numbers rose again reducing overall mobility. Business sales were soft for the month. Combined with the US fed rate increase to curb strong inflation, the dollar strengthened against RMB (RMB moved from 6.8 to 7.1 against the dollar). With top-down factors dominating, stocks were sold across the board and trading volumes declined.

For the month, the Fund outperformed the benchmark by 3.50%. In September, the positions that contributed the most to the portfolio's return were AK MEDICAL, BEIJING KINGSO and BLOOMAGE BIOTE. The positions that contributed the least were ECOVACS ROBOTI, CHIPSEA and WUXI AUTOWELL.

Manager's Commentary

We expect the exchange rate of RMB against USD to stabilize between 7.2-7.3, otherwise the Chinese government may intervene. We believe the market has largely discounted this. Relative to other countries, the FX on China's balance sheet is much healthier. US dollar assets (estimated 70% of the foreign currency reserve) are more than the dollar debt (more than 85% of foreign currency debt). This provides a strong buffer to ongoing dollar strength. From a bottom-up perspective, we have re-examined our holdings and continue to reduce companies with net dollar debt that have a potential risk in a strong dollar environment.

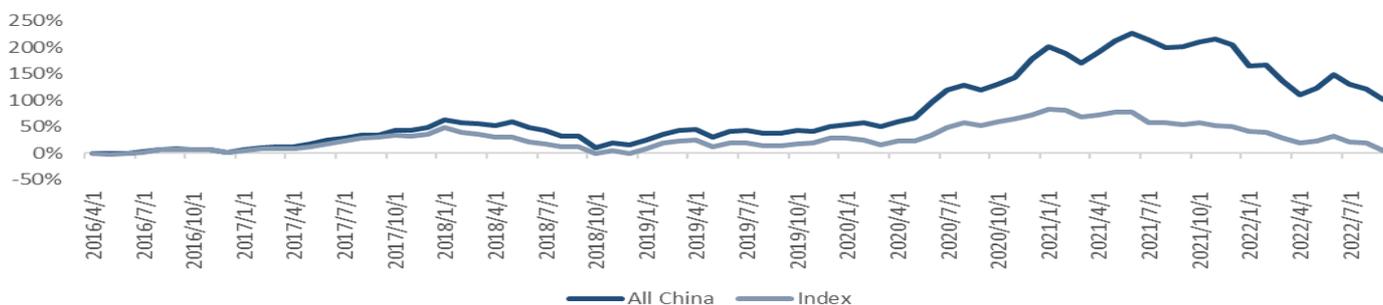
In this very gloomy market, the Bin Yuan team observed some positive signs on both COVID rules implementation and the economy during on-site company visits and call meetings.

- Travel restrictions are not as strict as before with relaxed implementation in some developed provinces that are major contributors to the country's economy, such as Jiangsu, Anhui, and Zhejiang. We made 15 on-site visits in September, using both public and private transportation without much inconvenience.
- The economy is becoming more of a focus for local governments, although on the surface, virus containment is still top of their priority list. They have not exhausted their toolkit on policy support yet, and there are still drivers to leverage growth.
- We are expecting less strict COVID rules and a clearer roadmap to improve momentum after all the political dust has settled. The central bank recently announced a 200 billion RMB subsidized loan (interest rate of 0.7% versus a normal rate of 3.25%) for purchases of medical equipment. This is fueling more hopes of a step-by-step re-opening of the mainland, especially after the removal of the mandatory hotel quarantine policy for international arrivals in Hong Kong. A stronger healthcare infrastructure system is one of the key premises for the government to shift its focus to treatment of the disease from restricting the movement of people and goods. We just need patience for now.

Key Information

NAV (30/09/22)	US\$ 131.25(L1)/124.47(L2)/91.28(AI)/82.02(AI EUR)/76.74(AI GBP)/94.29(BI)/142.79(CB)/94.05(DB A)/108.54(DB A NOK)/95.08(DI A)/151.51(CI)/79.65(CI GBP)/79.82(PB EUR)	Strategy Assets	US\$ 1,210 m ^(a)
Total Fund Size	US\$ 634.4 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)	-33.83	10.02	83.51	30.60	-22.46	44.69	101.61	11.55
Index ^(c)	-29.98	-12.91	33.41	29.74	-26.64	33.37	4.79	0.73



Monthly Performance (%) data from FPS/Pictet														
	2021				2022									
	Oct	Nov	Dec	2021	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	YTD
Bin Yuan GC Fund	2.93	2.27	-3.79	10.02	-13.24	1.23	-11.74	-10.84	5.76	11.25	-7.34	-3.75	-8.76	-33.83
Index ^(c)	2.78	-3.70	-1.52	-12.91	-5.32	-1.23	-8.31	-6.27	1.82	7.82	-8.07	-1.61	-12.26	-29.98

Risk and reward profile



Top Ten Holding					
1	IRAY TECHNOLOG-A	9.67%	2	WUXI AUTOWELL -A	4.35%
3	NARI TECHNOLOG-A	4.03%	4	SHANXI XINGHUA-A	4.01%
5	ECOVACS ROBOTI-A	3.47%	6	CHINA MERCH BK-A	3.46%
7	ANJOY FOODS GR-A	2.98%	8	CHAOZHOU THREE-A	2.96%
9	HUNAN BAILI EN-A	2.95%	10	HAIER SMART H-A	2.93%

Sectoral Breakdown ^(e)	% of Assets
Health Care	22
Information Technology	18
Consumer Staples	15
Industrials	14
Consumer Discretionary	11
Materials	7
Financials	3

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	20.18%	18.25%
Sharpe Ratio	0.61	0.04
Information Ratio	1.14	
Tracking Error	10.17%	
Active Shares	90%	
Beta	1.02	

Market Breakdown	% of Assets
A Share (Connect + QFI)	78
Hong Kong	12

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	20220930	20220930	20220930
2023 PE (X)	21.9	22.1	10.4
2023 PB (X)	4.3	3.0	1.1
2023 Div. Yield (%)	1.4	1.7	2.7
2023 ROE (%)	19.7	13.4	10.3
Earning Growth (%) Forward 3 YR	23.8	10.6	7.1
2023 PEGY	0.9	1.8	1.1
FCF Yield	1.4	-1.5	1.2

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	BMY2Q30	BNLYXY6	BN4BFL5	BMY1994	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>
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