

Investment Review

The Hereford Funds Bin Yuan Greater China Sub-Fund depreciated 6.42% for the month of August compared to a -5.08% return for the MSCI All China Index including dividends. Since inception, the Sub-Fund recorded a return of -13.3%, among which -8.7% was due to stock price decrease and -4.6% was due to RMB depreciation. However, the Sub-Fund still outperformed the benchmark by 2.7%. At the end of August, the Sub-Fund was invested primarily in the Consumer Discretionary, Information Technology and Industrial sectors, with little weights in the energy, materials and real estates sectors. For the month, the Sub-Fund underperformed the benchmark by 1.34%. This was primarily due to the lag in Consumer discretionary and Information Technology sector. In August, the positions that contributed the most to the portfolio's return were Yongda Auto, Bilibili, and Pingan Insurance. The positions that contributed the least in the month were Sunny Optical Technology, Fuanna Bedding, Wuxi Lead Intelligent and C&S Paper.

Consumer discretionary continued to underperform due to the same reason as in July that the market feared the economic slow-down would affect consumption negatively. However, the consolidation theme is still intact and the market leaders continued to take market share from smaller players and the valuation of our holdings are very attractive. Sunny Optical underperformed in August because its earnings was missed primarily due to the low utilization of its new factory. We view Sunny Optical as an optics company instead of a pure smartphone supplier and we think that Sunny Optical will benefit from the optical upgrade on smartphone and the development of Internet of Things in the long term.

Manager's Commentary

China's economy maintained generally stable in August. The Producer Price Index (PPI) rose 4.6% year on year (YoY) in July 2018, down from 4.7% in June 2018. The Consumer Price Index (CPI) was 2.1% in July, up from 1.9% in June. The official manufacturing Purchasing Managers' Index (PMI) increased from 51.2 in July to 51.3 in August, and the official Non-Manufacturing PMI increased from 54.0 in July to 54.2 in August. Both manufacturing and non-manufacturing PMI was still well above the expansion/contraction threshold of 50. Rail cargo volume increased 8.7% YoY in July to reach 337 million tons.

The earnings growth of the listed companies slowed down but are still at healthy pace. A total of 3,537 companies listed on the Shanghai and Shenzhen stock exchanges completed releasing their 2018 interim results by the end of August. The YoY revenue growth of A-share listed companies slowed down from 19.79% in 2017 to 12.36% in H1 2018 and the YoY net profit growth also slowed down from 16.31% in 2017 to 14.07% in H1 2018. The cyclical sectors led the profit growth. A-share companies have enjoyed higher profit growth rate than revenue growth rate, indicating the supply side consolidation have shown positive results.

Despite concerns over trade frictions which added volatility to the market, A-share market saw USD23.4 billion inflows from foreign investors for the first seven months in 2018, rising approximately 36% YoY. A-share companies' profitability has continued to increase in 2018, while the benchmark Shanghai Composite Index and Shenzhen Component Index retreated 14% and 18% respectively. As a result, the PE ratio of A-share market dropped to 12 times, close to its historic low. Meanwhile, first phase of the inclusion in the MSCI emerging markets index only included 2.5% of the total number of stocks in the A-share market, while the second phase plans to include another 2.5% in early September. The money inflows and low PE ratio demonstrates the attractiveness of A-share market.

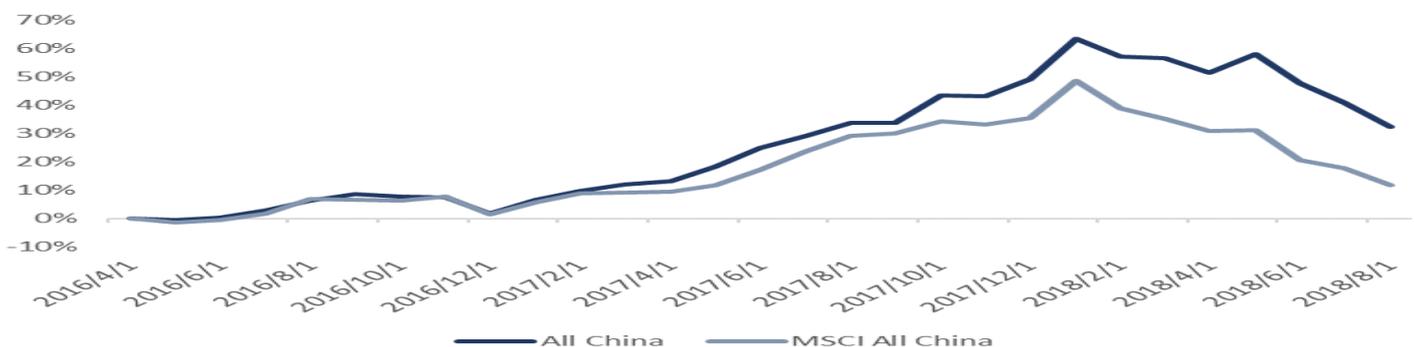
Our portfolio's stock prices were affected by the poor market sentiment and the lag of the mid-cap stocks due to liquidity preferences. We believe that those mid-cap potential industry leaders will outperform in the long-term and we will continue to accumulate high quality stocks to build our strategic positions. Our current portfolio PE ratio is 17.9x estimated 2018 earnings, which is close to their PE level during the tough period of Oct 2008 or Feb 2016. The expected earnings growth rate is 22.8% through 2021. Considering the predictable quality growth of the portfolio, we believe that our portfolio's valuation is very attractive.

Key Information

NAV (31/08/18)	US\$ 86.68 (L1) /86.73 (L2)	Strategy Assets	US\$ 216 m ^(a)
Total Fund Size	US\$ 3.9m	Fund Launch Date	16-Apr-18

Monthly Performance (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Bin Yuan GC Fund				-1.4	5.1	-6.6	-4.3	-6.4					-13.3
MSCI All China Index ^(c)				-1.5	0.1	-8.0	-2.5	-5.1					-16.0

Period Performance (%)					
	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	-11.28	46.31	1.85	32.19	12.71
MSCI All China Index ^(c)	-17.52	33.37	1.47	11.63	4.83



Top Ten Holding	
China Merchants Bank	Nari Technology
China Yongda Auto	Sunny Optical
Chaozhou Three Circle	Man Wah Holdings
ICBC - H	Jiangsu Yuyue
Wuxi Little Swan	Han's Laser Technology

Sectoral Breakdown	% of Assets
Consumer Discretionary	27
Information Technology	23
Financials	14
Industrials	12
Consumer Staples	10
Health Care	6

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.

Fund Codes		
Share Class	L1	L2
Bloomberg	HFBYL1U LX	HFBYL2U LX
TK	040149745	040149751
Lipper ID	68483958	68483959
Sedol	BFXVVR8	BFXVVS9

Since Inception ^(d)	Bin Yuan All China	MSCI All China
Volatility	13.73%	13.54%
Sharp Ratio	0.93	0.37
Information Ratio	1.26	
Tracking Error	5.79%	
Beta	0.92	

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	
Share Class A	1.25%
Share Class B	1.00%
Share Class C & L1	0.75%
Share Class L2	0.25% with 15% performance fee

Minimum Investment	
Share Class A & L	\$100,000 initial/\$10,000 subsequent
Share Class B	\$5,000,000 initial/\$100,000 subsequent
Share Class C	\$10,000,000 initial/\$100,000 subsequent

Footnote:

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

(b) Data and graph depict the Bin Yuan All China Strategy since inception of May 2016 as of April 2018. The fund follows the same strategy. Historical gross performance of the Bin Yuan All China Strategy returns (the Reference Strategy) are net of modeled fee (0.75% fee) and expenses typical of the Hereford Funds Bin Yuan Great China Fund Share Class L1 is 0.75% fee + 0.40% expense. After a longer period after the fund launch, we will use the Hereford Funds Bin Yuan Greater China Fund Share Class L1 in the graph.

(c) Total USD return including dividends.

(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.

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