

## Investment Review

The Hereford Funds - Bin Yuan Greater China Fund appreciated 4.59% for the month of March compared to a 4.25% positive return for the MSCI All China Index including dividends. Since inception, the Sub-Fund recorded a return of -6.27%, among which 0.5% was due to stock price increase, -3.6% was due to RMB depreciation and -4% was impacted by subscription in October inflow last year. During the same period, the benchmark was down by 7% in USD term. At the end of March, the Sub-Fund invested primarily in the Consumer, Financials and Industrial sectors, with little weights in the Energy, Utilities, Materials and Real Estates sectors. For the month, the Sub-Fund outperformed the benchmark by 35 bps. In March, the positions that contributed the most to the portfolio's return were Nari Technology, Jiangsu Yanghe and Oppein Home. The positions that contributed the least in the month were ICBC, Yongda Auto and Huayu Auto.

## Manager's Commentary

Shanghai Composite Index was up 5.09% in March while Hang Seng China Enterprise Index was up 0.11%. China's economy recovered in March. The Producer Price Index (PPI) rose 0.1% year on year (YoY) in February 2019. The Consumer Price Index (CPI) was 1.5% in February, down from 1.7% in January. The official manufacturing Purchasing Managers' Index (PMI) up from 49.2 in February to 50.5 in March 2019, which rose above the threshold of expansion/contraction again. The official Non-Manufacturing PMI increased from 54.3 in February to 54.8 in March.

The government announced to cut taxes in different categories to execute the fiscal reform in recent months. With the support of fiscal reform, the progress of "Capital Supply Side Reform" will be accelerated and increasing portion of resources will be allocated to private enterprises and household for higher efficiency of capital deployment. The trade frictions will not disrupt long term competitiveness of China and it forces China to continue to reform to open market and focus on IP protection and technology improvement. The market driven reform and tight supervision will facilitate the improvement of efficiency, which benefits the whole economy in the long term. Our consumer holdings are in the sweetest spot because the sales volume and demand will be stimulated by lighter individual tax burden of customers and lowered product price due to VAT tax cut along the value chain. High end manufacturing companies who have great potential to move upper value-added ladder with technology will be favored by capital and grow to long term winners. Within financial spaces particularly, we believe capital market, digital financing and retail financing will become the biggest beneficiaries. The well managed finance companies who have capabilities of managing and pricing risks of small and medium sized enterprises' financing and providing comprehensive financial services to their clients will ride on the wave of the reform.

Stock market, which is the right place to allocate capital, will play crucial role in financing system and pave the way for the sustainable development of China economy. Those companies with high ROE and high value-added business will attract capital as it could generate high returns to its shareholders, and those best quality names will be our investment focus.

Our current portfolio PE ratio is 18.1x estimated 2019 earnings, and the expected earnings growth rate is 18.1% through 2022. The valuation is attractive and we have high conviction of the holdings in our portfolio.

## Key Information

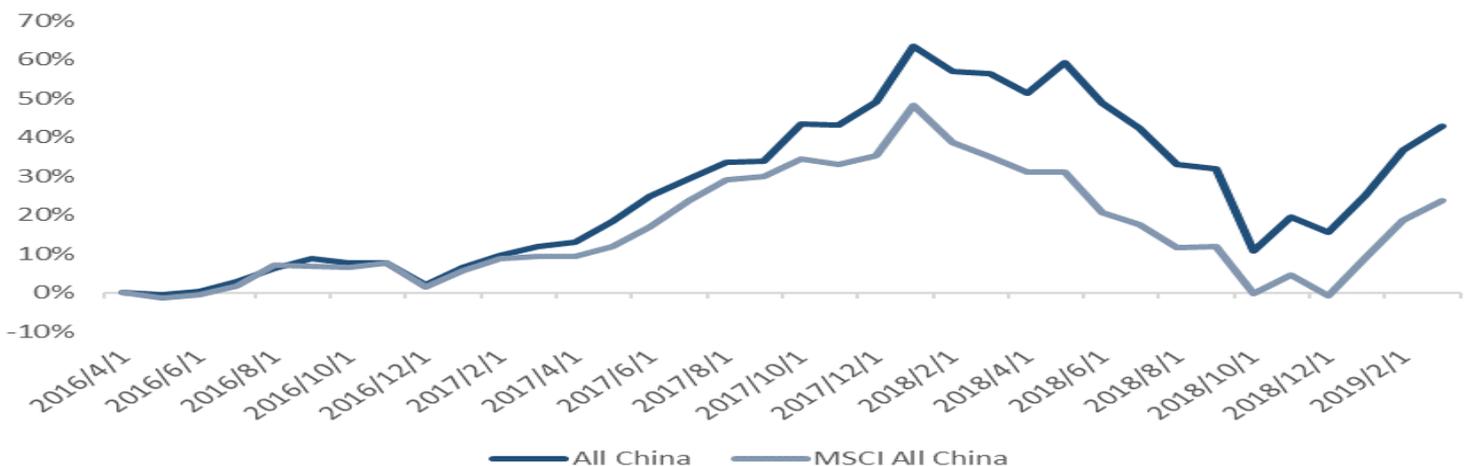
NAV (31/03/19)	US\$ 92.95 (L1) /93.22 (L2)/101.10 (CB)	Strategy Assets	US\$ 248 m <sup>(a)</sup>
Total Fund Size	US\$ 51.6m	Fund Launch Date	16-Apr-18

## Monthly Performance (%)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2018	Jan	Feb	Mar	2019
Bin Yuan GC Fund	-1.4	5.1	-6.6	-4.3	-6.5	-1.1	-15.9	7.9	-3.3	-24.8	8.4	9.1	4.5	23.6
MSCI All China Index <sup>(c)</sup>	-1.5	0.1	-8.0	-2.5	-5.1	0.2	-10.8	4.8	-5.0	-25.3	9.9	8.7	4.3	24.6

## Period Performance (%)

	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy <sup>(b)</sup>	23.57	-22.46	44.69	1.07	42.78	12.99
MSCI All China Index <sup>(c)</sup>	24.58	-26.64	33.37	1.47	23.68	7.56



Sectoral Breakdown	% of Assets
Consumer Discretionary	27
Financials	21
Consumer Staples	13
Industrials	11
Health Care	9
Information Technology	9
Communication Services	7

Top Ten Holding	
Nari Technology	Ping An
Alibaba	Jiangsu Yanghe
Fuanna Bedding	Jiangsu Yuyue
Yongda	CM Bank – H
C&S Paper Co.	ICBC – H

### 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 <sup>(d)</sup>	Bin Yuan All China	MSCI All China
Volatility	16.72%	16.29%
Sharp Ratio	0.89	0.46
Information Ratio	1.22	
Tracking Error	5.94%	
Beta	0.96	

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
	20081031	20130630	20160229	20190331	20190331	20190331
Forward PE (X)	18.2	16.7	18.5	18.1	12.4	20.5
Forward PB (X)	2.7	2.7	3.1	3.5	1.6	3.3
Forward Div. Yield (%)	1.6	1.9	1.9	2.3	2.3	1.7
Forward ROE (%)	14.7	16.0	16.6	19.2	12.8	16.3
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	18.1	13.7	14.6
Forward PEGY	0.8	0.6	0.8	0.9	0.8	1.3
FCF Yield	3.0	5.0	10.0	6.8	10.2	3.4

UCITS Fund Performance (%)													
YEAR	2018									2019			
MONTH	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	ITD
Net Performance (Local FX)	-1.1	5.9	-4.8	-3.0	-6.2	-0.9	-11.2	7.7	-3.9	7.3	9.1	4.6	0.5
FX Impact	-0.3	-0.7	-1.8	-1.3	-0.3	-0.2	-0.7	0.2	0.6	1.1	0.1	-0.2	-3.6
Subscription Impact							-4.0						-4.0
Net Performance	-1.4	5.1	-6.6	-4.3	-6.5	-1.1	-15.9	7.9	-3.3	8.4	9.1	4.5	-7.1
Net Performance Excl. Subscription Impact	-1.4	5.1	-6.6	-4.3	-6.5	-1.1	-11.9	7.9	-3.3	8.4	9.1	4.5	-3.1
Benchmark	-1.5	0.1	-8.0	-2.5	-5.1	0.2	-10.8	4.8	-5.0	9.9	8.7	4.3	-6.9

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

Fund Details	
Dealing Day <sup>(d)</sup>	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) 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) 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

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