

## Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share Class L1) appreciated 5.74% for the month of November (net of fees) compared to a 3.93% return for the benchmark. At the end of November, the Sub Fund was mainly invested in the Information Technology, Consumer, and Financials sectors, with minimal weights in the Energy, Utilities and Real Estate sectors.

For the month, the Sub-Fund outperformed the benchmark by 1.81%. In November, the positions that contributed the most to the portfolio's return were PDD, Bilibili and CM Bank. The positions that contributed the least in the month were Hualan, Alibaba and Tencent.

## Manager's Commentary

### China Stock Market Opportunities for the Next Decade

Since the beginning of 2019 China's stock market has experienced a two-year rally. Questions have been raised recently as to whether Chinese equities are still attractive compared to major global peers, and how investors should position strategically in China for the next decade. In the section below we compare China's stock market with the US and UK markets. Our conclusion is that the China investment theme remains intact as the economic structural development is still at an early stage.

I. China's Overall Stock Market Valuation is attractive: Comparing stock market capitalization to a nation's GDP is one approach to assess the health of the overall stock market. The higher the stock market capitalization above the broad economy, the more concerns are raised by investors worried about overpaying for assets. Today, China's market capitalization to GDP ratio is the lowest vs the US and UK (China 114%, US 199% and UK 120%). China's market capitalization to GDP ratio trended in a narrow range over the past 15 years with the ratio fluctuating around 100%. The Shanghai Composite Index has grown from 1,120 in January 2006 to 3,408 in November 2020, which is approximately in line with the increase of Chinese GDP which has tripled from \$3,135 billion to \$14,297 billion. China's overall market capitalization reflected GDP growth without valuation inflation over the last 15 years. Meanwhile in the US, the same ratio has doubled over the same period, with GDP up only 50% 2006-2019. The situation was similar in the UK. Over the next 5 years we expect China will maintain GDP growth of over 5%. This growth rate is much faster than the US and UK. The gap widened in 2020 after the COVID-19 pandemic. China's GDP growth rate combined with improving corporate structure and relatively attractive stock market valuation should make the Chinese market more attractive for investors.

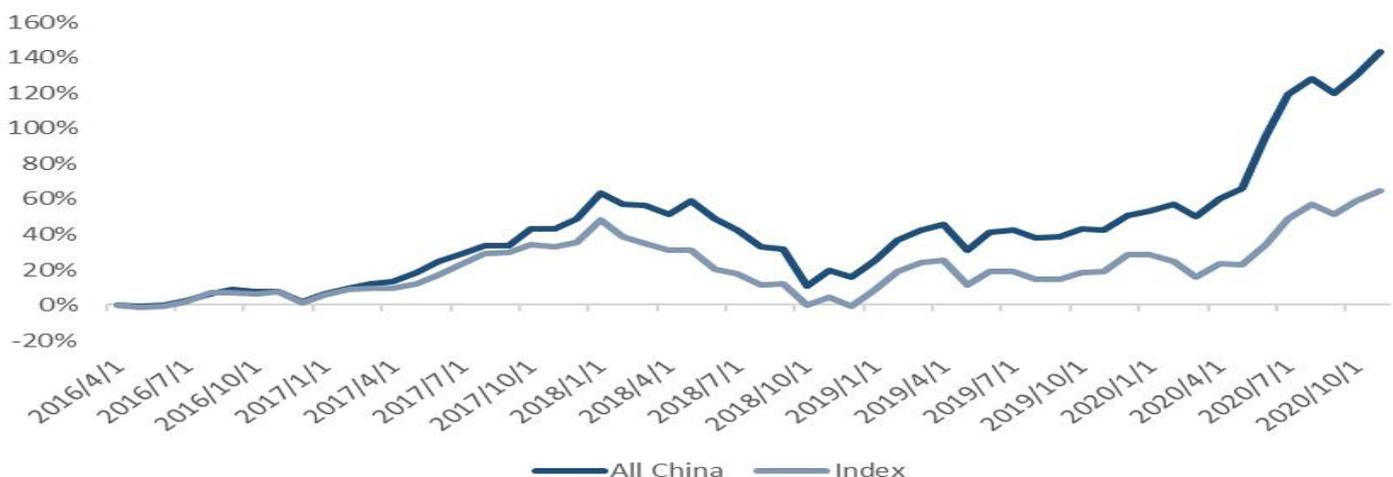
II. Information Technology (IT), Healthcare, and Consumer Sectors have the greatest potential: Despite a decade of quality economic growth, the digital and consumer areas of the economy in China are still much smaller than in the US. These are the drivers for productivity and lifestyle upgrades. China's digitalization ratio of GDP is only half that of the US, China's per capita consumption is less than 10% of US levels and China's per capita health expenditure is only 20% of the US. These gaps leave a lot of room for China to catch up. Consumer, Healthcare, and IT sectors are in short supply with potentially huge demand which should create large upside to these sectors.

Bin Yuan's portfolio is constructed to capture the structural opportunities over the next decades. Our stock selection in the digitalization, consumption and healthcare areas will continue to generate alpha over the medium to long term.

## Key Information

NAV (31/10/20)	US\$ 158.41 (L1) /154.65 (L2) /111.19 (AI) /114.33 (BI) /172.34 (CB) /112.99 (DB A) /114.23 (DI) /182.87 (CI)	Strategy Assets	US\$ 959 m <sup>(a)</sup>
Total Fund Size	US\$ 300.6m	Fund Launch Date	16-Apr-18

Period Performance (%)							
	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy <sup>(b)</sup>	61.25	30.60	-22.46	44.69	1.07	143.33	21.41
Index <sup>(c)</sup>	28.08	29.74	-26.64	33.37	1.47	64.99	11.54



Monthly Performance (%)														
	2019		2020											
	Dec	2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	YTD
Bin Yuan GC Fund	6.1	30.60	1.59	2.34	-4.28	6.51	3.96	17.70	12.16	3.90	-3.56	4.62	5.74	61.25
Index <sup>(c)</sup>	8.2	29.74	-0.71	-3.1	-6.84	6.59	-0.91	9.29	11.27	5.27	-3.44	4.73	3.93	28.08

Top Ten Holding					
1	CM Bank – H	8.27%	2	Tencent	6.52%
3	Aier Eye Hsptl-A	5.39%	4	Bilibili	5.33%
5	Comtemporary A-A	4.90%	6	Ping An	4.78%
7	PDD	4.70%	8	C&S Paper Co-A	4.09%
9	S F Holding Co-A	3.72%	10	Luxshare Preci-A	3.51%

Sectoral Breakdown	% of Assets
Information Technology	19
Consumer Discretionary	16
Financials	13
Communication Services	13
Consumer Staples	13
Health Care	11
Industrials	9
Materials	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 <sup>(d)</sup>	Bin Yuan All China	Index
Volatility	17.31%	17.45%
Sharp Ratio	1.31	0.66
Information Ratio	1.57	
Tracking Error	7.06%	
Active Shares	78%	
Beta	0.97	
PE ex ADRs	22.30	

Market Breakdown	% of Assets
A Share	49
Hong Kong (Discounted Dual Listing)	13
Hong Kong	21
US ADR	14

Valuation	Portfolio	Benchmark	Benchmark (excluding Financials)
Period	20201130	20201130	20201130
Forward PE (X)	23.5	17.9	32.3
Forward PB (X)	4.9	2.0	4.3
Forward Div. Yield (%)	0.9	1.6	0.9
Forward ROE (%)	20.8	11.4	13.3
Earning Growth (%) Forward 3 YR	20.5	10.0	13.0
Forward PEGY	1.1	1.5	2.3
FCF Yield	2.3	7.4	3.2

Fund Codes								
Share Class	L1	L2	AI	CB	CI	BI	DI A	DB A
Bloomberg	HFBYL1U LX	HFBYL2U LX	HEYGCAU LX	HFBYCBY LX	HFBYCIU LX	HEYGCBU LX	HBYCDIA LX	HEYGEDA LX
TK	040149745	040149751	040149630	040149740	040149734			055401977
ISIN	LU1778255 734	LU1778256 203	LU1778252 558	LU1778255 494	LU1778254 844	LU1778253 952	LU2200556 392	LU2198582 640
Lipper ID	68483958	68483959		68543207	68563916	68625053	68625729	
Sedol	BFXVVR8	BFXVVS9	BMV2Q30			BMV1994		BM93CF2

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

### 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

Annual Management Charge	
Share Class A	1.25%
Share Class B	1.00%
Share Class C	0.75%
Share Class DI A, DB A	0.50%

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 DI A, DB A	\$100,000,000 Minimum initial subscription & holding

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.