

Investment Review

Hereford Funds - IIFL Focused India Fund ("Fund") registered a decline of 2.5% in USD terms in the month of February, against a decline of 4.2% by MSCI India IMI Index in USD terms. At the end of February, the Sub-Fund was primarily invested in the financials, consumer discretionary, information technology, industrials, materials and healthcare sectors, amongst others.

Manager's Commentary (in INR terms)

Indian Equity Markets: Month Gone by

Indian equity markets closed the month of February'23 in red, its third consecutive month of decline, with MSCI IMI Index registering monthly losses of ~3.2% in INR terms. Investors' concerns navigated around hawkish policy stance by central banks, resurgent geopolitical tensions, and volatile move in Adani Group stocks. FPIs sold \$0.65 bn worth of Indian equities while DIIs bought \$2.3 bn in-line with the previous month's trend. The indices down the capitalization curve underperformed the key benchmark indices. S&P BSE Mid-cap index and S&P BSE Small cap index registered monthly losses of ~2.0% & ~3.1% respectively. Amongst sectoral indices FMCG, Capital Goods and Industrials were among the top performers registering monthly gains of 0.3%, 0.2% and -0.7% respectively while Utilities, Power and Metal were among the bottom three performers registering monthly losses of 15.6%, 10.2% and 9% respectively.

Other key developments in the month:

- (1) In the FY2024 Union Budget, the government (a) prioritized fiscal consolidation and (b) focused on capital expenditure to achieve higher medium-term GDP growth,
- (2) Adani Enterprises called off its FPO of Rs200 bn,
- (3) the US FOMC, in line with expectations, hiked the target range for the federal funds rate by 25 bps,
- (4) the RBI MPC hiked the repo rate by 25 bps and remained concerned about elevated inflation, especially core inflation, while being optimistic about growth,
- (5) Russia to cut oil production by 500,000 bpd in March,
- (6) meteorologists have suggested increasing risks of El Nino in 2023,
- (7) minutes of the recent meetings of the RBI and the US Fed suggest that banks are willing to increase the interest rates further as inflation remains a concern.

The Manufacturing PMI almost remained flat in the month of february'23. February'23 PMI came in at 55.3 as against 55.4 in January'23. The manufacturing industry sustained robust growth of output and new orders halfway through the final fiscal quarter but there was a slowdown in the growth rate of international sales expansion. Companies were confident on the resiliency of demand and continued to add to their inventories by purchasing additional inputs. Meanwhile, the gross GST revenue collected in February'23 was up ~12%YoY and stood at INR 1.5 trillion. This is the 12th straight month in a row that the total GST collections have crossed INR 1.4 trillion mark and hence are likely to provide more headroom on the fiscal front. Along with normalisation in economic activities and the impact of high inflation that have boosted collections, the government has also made various efforts to increase the tax base and improve compliance.

Outlook

Recent data in the US indicates stubborn inflation and healthy economic activity, prompting the Fed to adopt a more hawkish stance. As a result, the rate cycle is expected to be longer than previously anticipated. Back home, interest rate differentials between India and the US are narrowing, while inflation worries are similar. The RBI may be forced to take a slightly more hawkish stance. Rising risks of El Nino adds on to the food inflation worries. This could lead to more tightening by the RBI in the short term, which may negatively impact the equity market.

However, from a medium-term perspective, the investment cycle is in the early stages of recovery. System credit growth continues to be strong, and the government has reaffirmed its focus on infrastructure development with a target of around 25% growth in central capital expenditure next year. Domestic demand in industrial and automobile sectors remains stable, while exports have weakened.

Given the uncertainty in the global macro environment, we would stick to a bottom-up investment approach. In terms of sectors, domestic-facing sectors are viewed more positively than global-facing sectors. We are positive on the Investment cycle and therefore the domestic cyclicals like Financials, Auto and industrials are well placed in this environment. After a decade of muted growth in capital expenditure, the cycle appears to be picking up, with corporate balance sheets improving and increased lending appetite by banks driving a rebound in demand despite inflationary pressures. Given the disruptions in the global supply chain, large players are increasingly turning towards Indian manufacturing companies. India is set to become a hub for manufactured exports with supportive policies and cost competitiveness.

Source: IIFL Asset Management Ltd.

Investment Objective

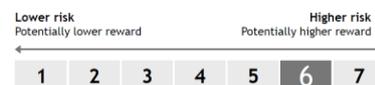
The Fund seeks to provide long-term capital growth, measured in USD, primarily through investment in equities and equity-linked securities of Indian companies or companies deriving a significant portion of their business from India.

The investment philosophy of the fund is centred around buying growing businesses, with above average return on capital, backed by managements with a track record of good governance and valued at a reasonable risk/reward ratio.

Key Information

Launch Date	30 September 2022
Fund Assets (AUM as of 28-Feb-2023)	USD 12.71 mn
Strategy Assets ^(a)	USD 1.90 bn
Number of Securities	29
Benchmark	MSCI India IMI Index USD (Ticker: MIMUINDN Index)
Dividend Policy	Accumulation
Domicile	Luxembourg
Fund Structure	UCITS V
Dealing	Daily
Cut-off for Subscriptions and Redemptions	4 p.m. (CET), 1 Luxembourg bank business day prior to the relevant Valuation Day
Valuation Day	Bank business day in Luxembourg and India and on which the Indian Stock Exchanges are open for trading
Settlement Day	Subscriptions: within 2 Luxembourg bank business day following the relevant Valuation Day Redemptions: within 5 Luxembourg bank business days following the relevant Valuation Day
Country and Tax Registrations	Please refer to website: https://herefordfunds.com/library/country-registrations

Risk Profile



Monthly performance %

	NAV per share*	2022				2023												SI**		
		Oct	Nov	Dec	2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		YTD	
IIFL Focused India Fund (Class L1)	98.81	2.2	3.7	-4.6	1.1	0.2	-2.5												-2.3	-1.2
MSCI India IMI Index	-	1.9	4.7	-5.2	1.2	-2.5	-4.2												-6.6	-5.5

NAV and Returns are in USD. Benchmark returns are shown only for comparison purposes. Past performance may or may not be sustained in future. *As on 28 Feb 2023 ** Since inception date of 30 Sept 2022

Periodic Performance % (including Reference Strategy) ^(b)

	6 months	1 year	3 years	Annualized (Since 1 Sept 2018)
Reference Strategy	-5.6	7.2	8.7	8.7
MSCI India IMI Index	-10.9	6.0	11.4	5.1

Growth of USD 100 since 1 September 2018 ^(c)



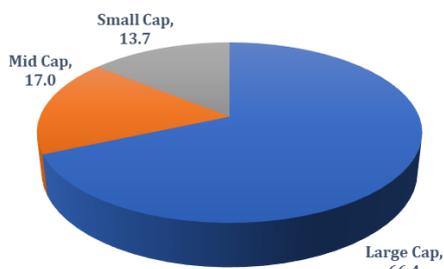
Details of Fund Portfolio

Fund Statistics ^(d)	
Ratios	Fund
P/E	17.6
P/B	3.2
ROE	18.0%
EPS Growth (FY22-24E)	23.6%

Top 10 Holdings

Security	GICS Sector	% of AUM
ICICI Bank	Financials	9.0%
HDFC Bank	Financials	9.0%
Infosys	Information Technology	7.5%
Axis Bank	Financials	5.3%
Larsen & Toubro	Industrials	5.0%
Bharti Airtel	Communication Services	4.4%
Cummins India	Industrials	3.6%
State Bank of India	Financials	3.5%
Tata Motors	Consumer Discretionary	3.3%
Apl Apollo Tubes	Materials	3.3%

Market Capitalization ^(e)



Important notes:
 (a) This refers to the total assets invested in the IIFL Multicap PMS Strategy (Reference Strategy), other funds and segregated mandates managed by the Investment Manager under its diversified public equity strategy.
 (b) The table depicts the performance of Reference Strategy from 1 September 2018 to the fund launch on 30 September 2022. The Reference Strategy was launched by the Investment Manager in December 2014, but the current investment management team started managing it from 1 September 2018 onwards. Post the fund launch on 30 September 2022, the actual returns of Share Class L1 are used. The fund follows a similar strategy to the Reference Strategy except for the investment restrictions followed as per Indian and Luxembourg regulations. Performance of the Reference Strategy is simulated by adjusting its estimated gross returns with a modeled fee of 0.75% p.a., expenses of 0.25% p.a. and estimated capital gains tax deductions of 12.94%.
 (c) The growth chart depicts the performance of Reference Strategy (gross of taxes) against MSCI India IMI Index from 1 September 2018 till the fund launch date 30 September 2022 and the actual net performance of Share Class L1 from 30 September 2022 onwards.
 (d) Source: Bloomberg estimates. P/E, P/B and ROE are based on FY24 estimates. P/E = price to earnings ratio. P/B = price to book ratio and ROE = return on equity.
 (e) Market capitalization categories have been defined using classification given by Association of Mutual Funds in India (AMFI). The consolidated list of stocks in terms of full market capitalization is as per the list uploaded by AMFI, as per SEBI circulars dated 6 October 2017 and 4 December 2017. Large Cap Companies: 1st -100th company in terms of full market capitalization. Mid Cap Companies: 101st -250th company in terms of full market capitalization. Small Cap Companies : 251st company onwards in terms of full market capitalization.

Key Fund Terms and Fees

Share Class ^(f)	ISIN	Bloomberg Ticker	Valoren / Telekurs	Available Currencies	Minimum Investment Amount (USD)	Minimum Subsequent Investment (USD)	Minimum Holding Amount (USD)	Total Expense Ratio ^(g) (Estimated)
L1 USD	LU2444714633	L1USDLX LX	116644540	USD, EUR, GBP	100,000	10,000	100,000	0.50%
L2 USD	LU2444715010	HFIFL2U LX	116644644	USD, EUR, GBP	100,000	10,000	100,000	0.75%
AI USD	LU2444713585			USD, EUR, GBP	100,000	10,000	100,000	1.25%
BI USD	LU2444715366			USD, EUR, GBP	5,000,000	100,000	5,000,000	1.00%

(f) Share Class L1 and L2 are launch share classes and available to investors only till the fund size reaches USD 25 million and USD 50 million, respectively. Please refer to the fund's prospectus for full details which is available at <https://herefordfunds.com/library/investment-prospectus>

(g) TER is estimated as of 28 February 2023.

Service Providers

Management Company	Investment Manager ^(b)	Central Administration	Custodian	Legal Advisor	Auditor
FundPartner Solutions (Europe) S.A.	IIFL Asset Management Ltd	FundPartner Solutions (Europe) S.A.	Pictet & Cie (Europe) S.A.	Elvinger Hoss Prussen	Deloitte Audit S.à r.l.
15, Avenue John F Kennedy, L-1855 Luxembourg	IIFL Centre, 7th Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai 400013, India	15, Avenue John F Kennedy, L-1855 Luxembourg	15A, Avenue John F Kennedy, L-1855 Luxembourg	2, Place Winston Churchill, L-1340 Luxembourg	20, boulevard de Kockelscheuer, L-1821 Luxembourg

(h) IIFL Asset Management Ltd is managing the assets of Hereford Funds – IIFL Focused India Fund under its SEBI Portfolio Manager license no. INP000004565.

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