

## Investment Review

Hereford Funds – 360 ONE Focused India Fund (“Fund”) registered a growth of 1.9% in USD terms in the month of May, against 3.2% growth reported by MSCI India IMI Index in USD terms. At the end of May, the Sub-Fund was primarily invested in the financials, consumer discretionary, industrials, information technology, materials and consumer staples, amongst other sectors.

## Manager’s Commentary (in INR terms)

### Indian Equity Markets: Month Gone by

In May 2023, MSCI India IMI Index recorded monthly gains of 4.4% in INR terms. The markets were supported by FOMC’s indication to pause rate hikes and subsequent comments by Fed Chair Jerome Powell on deciding the further course of action on a meeting-by-meeting basis. Domestically, RBI announced withdrawal of INR 2000 denomination banknotes from circulation in pursuance of the ‘Clean Note Policy’. As of 31st March 2023, these banknotes accounted for 10.8% of notes in circulation with a total value of INR 3.62 trillion. Markets shrugged off any concerns regarding the announcement’s potential impact on economic activity.

S&P BSE Mid-cap and Small-cap indices outperformed benchmarks, recording monthly gains of 6.3% and 5.6% respectively. Amongst the sector indices, Auto, Real Estate, IT and Consumer durables were the top performers with monthly gains of 7.9%, 7.7%, 6.7% and 6.5% respectively. BSE metals underperformed, down 2.9% MoM, as commodity prices corrected on weaker-than-expected Chinese economic activity. Concerns about recession in developed markets also weighed on commodity prices. Germany entered a technical recession in Q1CY23 with two consecutive quarters of contraction in economic activity.

Foreign Portfolio Investors (FPIs) were net buyers in Indian equities for the third consecutive month. FPI bought USD 5 bn of Indian equities, while Domestic Institutional Investors (DIIs) sold USD 0.4 bn.

India’s GDP provisional estimates for FY23 and Jan-Mar quarter, released during the month, printed above market expectations. FY23 GDP grew at 7.2% YoY, down from 9.1% in FY22 as the favourable base effect of last year faded. Weaker net exports (exports – imports) also dragged the growth lower. Quarterly GDP recovered to 6.1% YoY in Q4 from 4.5% in the previous quarter on rebound in manufacturing activity. The manufacturing sector moved out of contraction and reported a growth rate of 4.5% YoY as against -1.4% YoY in the previous quarter. Recovery in the manufacturing sector was aided by margin expansion on decline in raw material costs. The services sector remained the primary driver of growth, recording a growth rate of 9.5% YoY in FY23 and 7.4% YoY in Q4. There was a noteworthy rebound in investments during Q4. The share of Gross Fixed Capital Formation (GFCF), representing investments, in the nominal GDP rose to 31.7% in Q4 from 26.7% in the previous quarter.

High-frequency economic activity indicators released during the month show moderation in economic activity. CMIE India unemployment rate rose to 8.5% in Apr’23 from 8.1% in the previous month. E-way bill generations moderated to 12% YoY from 16% in March. Work demanded under MGNREGS also remained elevated, reflecting the lack of other employment opportunities in the rural areas. Railway freight and port cargo growth was also muted in April.

India Purchasing Managers’ Index for the month of May 2023, however, continue to post strong expansion. Manufacturing PMI rose to 58.7 in May, signalling the strongest improvement since Oct’20. In contrast, global PMIs continue to underwhelm with Manufacturing PMIs in contraction across the developed economies. Additionally, credit growth remains robust at 15.7% YoY (as of 5th May). CMIE consumer sentiment indicators for both rural and urban regions continue to show improvement which bodes well for retail credit growth and discretionary consumption.

India CPI inflation for April 2023 decreased to 4.7% YoY from 5.7% in the previous month. The broad-based decline in inflation was driven by a large favourable base effect, as prices had surged in April’22. Core inflation also eased, along with various refined measures of core, signifying that underlying inflation momentum is subsiding. There has been a steady decline in goods inflation, while the fall in services inflation has been slow and gruelling.

### Outlook

The Indian markets might remain volatile in the near term due to heightened global risks on growth and financial stability. The recent indications by Federal Reserve officials to pause the rate hike cycle bodes well for emerging markets. If the Fed were to pause its rate hike cycle in Jun’23 meeting, it could have a favourable impact on equities. Resolution of US debt ceiling impasse would also be positive for equities across emerging and developed markets.

The emergence of El Niño and its potential impact on the Indian monsoon remains the most prominent near-term risk to growth trajectory. Weak monsoon could impede agricultural growth, potentially resulting in a prolonged downturn in rural consumption. IMD, meanwhile, has retained the forecast of a normal monsoon.

Given the current environment, we believe that a bottom-up investment approach is the most suitable. Over the medium term, the fundamental outlook of the economy appears attractive as the investment cycle is in the initial stages of recovery. Regarding sectors, we have a positive view of domestically inclined sectors compared to export-oriented sectors. Domestic cyclical, such as Financials, Autos, and Industrials, are well-positioned in the current environment. Our long-term view on the economic cycle remains bullish, led by a pickup in private sector capex, the government’s commitment to infrastructure spending, opportunities arising from the shift of global supply chains, and a rebound in the housing cycle. Moreover, low corporate and housing leverage, coupled with a robust banking sector, are likely to function as catalysts for economic growth in the medium to long term.

Source: 360 ONE Asset Management Ltd.

## Investment Objective

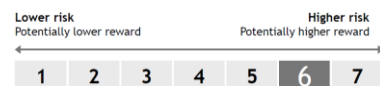
The Fund seeks to provide long-term capital growth, measured in USD, primarily through investment in equities and equity-linked securities of Indian companies or companies deriving a significant portion of their business from India.

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

<b>Launch Date</b>	30 September 2022
<b>Fund Assets (AUM as of 31-May-2023)</b>	USD 18.82 mn
<b>Strategy Assets <sup>(a)</sup></b>	USD 2.00 bn
<b>Number of Securities</b>	31
<b>Benchmark</b>	MSCI India IMI Index USD (Ticker: MIMUINDN Index)
<b>Dividend Policy</b>	Accumulation
<b>Domicile</b>	Luxembourg
<b>Fund Structure</b>	UCITS V
<b>Dealing</b>	Daily
<b>Cut-off for Subscriptions and Redemptions</b>	4 p.m. (CET), 1 Luxembourg bank business day prior to the relevant Valuation Day
<b>Valuation Day</b>	Bank business day in Luxembourg and India and on which the Indian Stock Exchanges are open for trading
<b>Settlement Day</b>	<b>Subscriptions:</b> within 2 Luxembourg bank business day following the relevant Valuation Day <b>Redemptions:</b> within 5 Luxembourg bank business days following the relevant Valuation Day
<b>Country and Tax Registrations</b>	Please refer to website: <a href="https://herefordfunds.com/library/country-registrations">https://herefordfunds.com/library/country-registrations</a>

## Risk Profile



### Monthly performance %

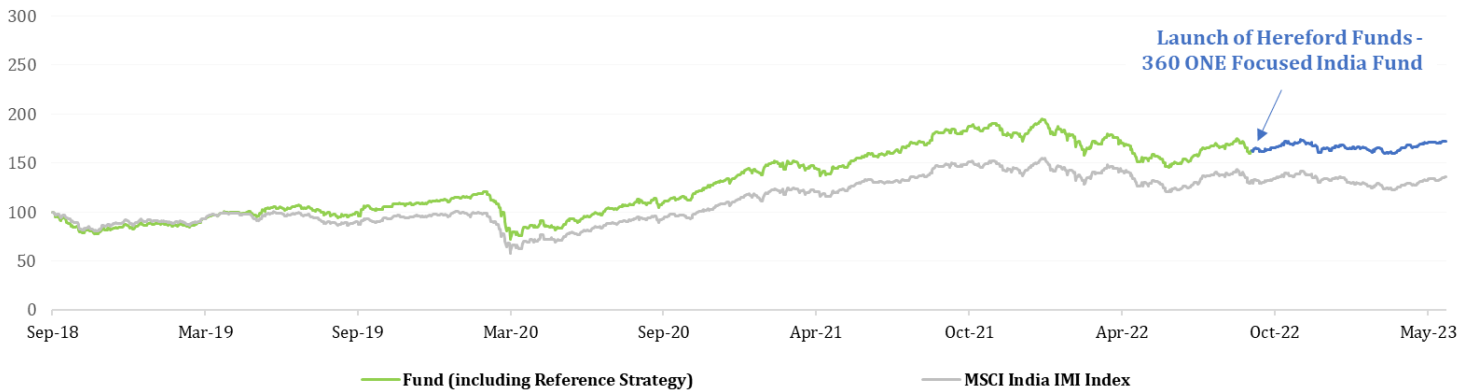
	NAV per share*	2022				2023												ITD **	
		Oct	Nov	Dec	2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		YTD
360 ONE Focused India Fund (Class L1)	105.89	2.2	3.7	-4.6	1.1	0.2	-2.5	1.2	3.9	1.9								4.7	5.9
MSCI India IMI Index	-	1.9	4.7	-5.2	1.2	-2.5	-4.2	0.8	4.4	3.2								1.4	2.6

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 31 May 2023 \*\* Inception till date (ITD) returns from 30 Sept 2022.

### Periodic Performance % (including Reference Strategy) <sup>(b)</sup>

	1 month	3 months	6 months	1 year	3 years	Annualized (Since 1 Sept 2018)
<b>Fund (incl. Reference Strategy)</b>	1.9	7.2	-0.1	7.7	22.0	10.6
<b>MSCI India IMI Index</b>	3.2	8.6	-3.9	2.7	21.9	6.6

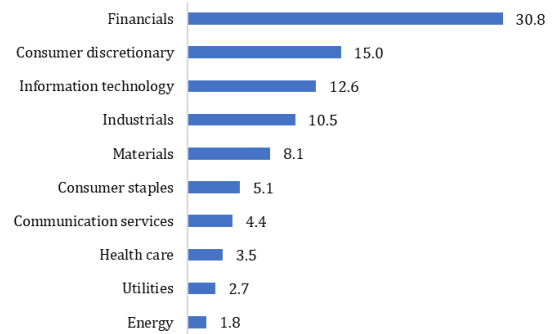
### Growth of USD 100 since 1 September 2018 <sup>(c)</sup>



### Top 10 Holdings

Securities	GICS Sector	% of AUM
ICICI Bank	Financials	9.4
HDFC Bank	Financials	8.8
Axis Bank	Financials	5.8
Infosys	Information Technology	5.7
Larsen & Toubro	Industrials	4.4
Bharti Airtel	Communication Services	4.4
Tata Motors	Consumer Discretionary	4.3
Sona BLW Precision Forgings	Consumer Discretionary	3.2
State Bank of India	Financials	3.1
Cummins India	Industrials	3.1

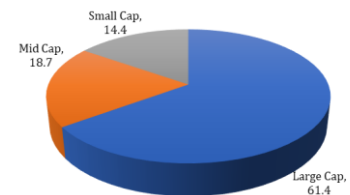
### Sector Weighting %



### Fund Statistics <sup>(d)</sup>

Ratios	Fund	Benchmark
P/E	16.7	18.8
P/B	3.0	2.9
ROE	18.3%	15.2%
EPS Growth (FY22-24E)	22.4%	18.9%

### Market Capitalization % <sup>(e)</sup>



#### Important notes:

- (a) Total assets managed by the Investment Manager under its diversified public equity strategy across various funds and segregated mandates.
- (b) Table depicts the combined performance of UCITS and Reference Strategy (360 ONE Focused Equity Fund). The Reference Strategy was launched by the Investment Manager on 30 Oct 2014, but the current investment management team started managing it from 1 Sept 2018 onwards. Hence, the table depicts the performance of Reference Strategy from 1 Sept 2018 till the UCITS launch on 30 Sept 2022. Thereafter, actual returns of UCITS Share Class L1 are included. Performance of 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. & estimated capital gains tax deductions of 12.94% for period greater than 1 year. UCITS follows a similar strategy to the Reference Strategy except for the investment restrictions followed as per Indian and Luxembourg regulations. The performance of Reference Strategy and the UCITS are strictly not comparable. The Reference Strategy may or may not be available for investments in certain jurisdictions. This document shall not be construed as solicitation of investments in the Reference Strategy.
- (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 <sup>(f)</sup>	ISIN	Bloomberg Ticker	Valoren / Telekurs	Available Currencies	Minimum Investment Amount (USD)	Minimum Subsequent Investment (USD)	Minimum Holding Amount (USD)	Total Expense Ratio <sup>(g)</sup> (Estimated)
<b>L1 USD</b>	LU2444714633	L1USDLX LX	116644540	USD, EUR, GBP	100,000	10,000	100,000	0.50%
<b>L2 USD</b>	LU2444715010	HFIFL2U LX	116644644	USD, EUR, GBP	100,000	10,000	100,000	0.75%
<b>AI USD</b>	LU2444713585			USD, EUR, GBP	100,000	10,000	100,000	1.25%
<b>BI USD</b>	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 31 May 2023.

**Service Providers**

Management Company	Investment Manager <sup>(h)</sup>	Central Administration	Custodian	Legal Advisor	Auditor
<b>FundPartner Solutions (Europe) S.A.</b>	<b>360 ONE Asset Management Ltd</b>	<b>FundPartner Solutions (Europe) S.A.</b>	<b>Pictet &amp; Cie (Europe) S.A.</b>	<b>Elvinger Hoss Prussen</b>	<b>Deloitte Audit S.à r.l.</b>
15, Avenue John F Kennedy, L-1855 Luxembourg	360 ONE 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) 360 ONE Asset Management Ltd is managing the assets of Hereford Funds – 360 ONE Focused India Fund under its SEBI Portfolio Manager license no. INP000004565.

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**Website:**

[www.herefordfunds.com](http://www.herefordfunds.com)

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<https://assetservices.group.pictet/fund-library-facilities-investors>
- UK** - Facilities agent  
FE Fundinfo  
Email: [fa\\_gfr@fefundinfo.com](mailto:fa_gfr@fefundinfo.com)  
<http://www.fe-fundinfo.com>

**Performance Disclosure for Reference Strategy**

Scheme/ Benchmark	31-May-22 to 31-May-23	PTP (\$)	31-May-20 to 31-May-23	PTP (\$)	31-May-18 to 31-May-23	PTP (\$)	Since Inception	PTP (\$)
360 ONE Focused Equity Fund - Reg - Growth	11.2%	11,118	25.2%	19,623	12.3%	17,868	10.7%	23,934
360 ONE Focused Equity Fund - Dir - Growth	12.3%	11,233	26.6%	20,286	13.7%	19,029	12.1%	26,575
Benchmark <sup>^</sup>	5.9%	10,591	24.2%	19,177	8.1%	14,738	8.3%	19,893
Additional Benchmark <sup>&amp;</sup>	7.0%	10,703	22.4%	18,320	8.9%	15,337	7.7%	18,929

Past performance may or may not be sustained in future. Different plans shall have different expense structure. As on 31 May 2023; Point to Point (PTP) returns in \$ is based on standard investment of \$10,000; Since Inception date is 30 October 2014; <sup>^</sup>S&P BSE 500 TRI; &S&P BSE Sensex TRI; Managed by the fund manager since 11 November 2019. The performance of the scheme is benchmarked to the Total Return variant of the Index. The performance is provided for illustration purposes only.

**Risk-o-meter for Reference Strategy**


Investors understand that their principal will be at Very High Risk

THIS PRODUCT IS SUITABLE FOR INVESTORS WHO ARE SEEKING:

- Capital appreciation over long term;
- Investment predominantly in equity and equity related instruments.

Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

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