HF Hereford Funds

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A proud participant of: Climate Action 100+ Global Investors Driving Business Transition

BINYUAN CAPITAL

RACE TO ZERO

Bin Yuan Greater China Fund

SFDR status as of March 2021: Article 8

April 2026

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) increased 9.58% for the month of April (net of fees) compared with a 5.81% return for the benchmark. Information Technology contributed positively, while Materials adversely impacted relative performance during this period. In April, the positions that contributed the most to the portfolio's return were MONTAGE TECHNO, YANTAI JEREH and HYGON INFORMAT. The positions that contributed the least were SHANDONG GOLD, TENCENT and CHINA LONGYUAN.

Manager's Commentary

April marked a return to the fundamental environment we have long been positioned for. In contrast to March when market sentiment was largely dominated by geopolitical developments surrounding Iran,investor focus shifted decisively back to underlying fundamentals. AI-driven demand has remained resilient. The structural case for sustained capital expenditure across computing infrastructure, power systems, and upstream key materials has reasserted itself with increasing conviction, supported by continued visibility into deployment.

Our portfolio returned **+9.58%** in April, compared with **+5.81%** for the benchmark, generating **+3.77%** of alpha. This outperformance reflects our positioning in areas where fundamentals are strengthening and market expectations continue to re-rate.

We believe it is important to use this letter to reiterate the core convictions guiding our strategy. Over the next 5–10 years, returns will be driven by a set of structural shifts that remain materially underappreciated and underpriced by investors.

AI Efficiency Inflection and the Industrialization of Intelligence

The paradigm of AI competition is shifting from a singular focus on absolute computing power toward performance per dollar, the efficiency metric that ultimately determines whether AI transitions from technical demonstration to scalable commercial deployment. In this context, China has reached a notable inflection point. Token-level inference efficiency has achieved a step-change improvement, with models such as DeepSeek V4 demonstrating that domestic chips can now support frontier-level inference workloads at performance levels comparable to global peers. This gain in efficiency anchors real-world deployment demand and converts market enthusiasm into durable, structurally grounded growth.

This dynamic is consistent with the Jevons Paradox, whereby improvements in efficiency lead to higher, rather than lower, aggregate resource consumption. Unlike the internet era characterized by near-zero marginal costs, the AI economy is inherently constrained by physical infrastructure. The marginal cost of delivering digital intelligence remains meaningfully positive, governed by limits across token usage, compute availability, and power supply.

Even the few seconds required to process a prompt through a AI agent reflect the complexity of this underlying industrial system: constrained production cycles for AI chips, semiconductor equipment ramping within fabrication, optoelectronic architectures designed to maximize data throughput and power generation capacity required to sustain data center loads. AI, in this sense, is not purely a digital paradigm, but a deeply integrated industrial ecosystem.

As a result, the entire value chain is lifted in tandem, spanning compute, memory, semiconductor equipment, advanced packaging, optical communication, power infrastructure, edge devices, and core materials.

Our investment framework follows a two-step approach. First, we assess whether demand is genuine and durable, rather than narrative-driven. Second, once durability is established, we identify the most value-critical nodes within the value chain—segments characterized by technological bottlenecks, structural supply constraints, and improving pricing power—and build positions in leading incumbents ahead of market repricing.

The following sections outline the most compelling areas of opportunity we see across this evolving value chain, together with our corresponding portfolio exposures.

Key Value Nodes Across the AI Industrial Chain

1. CPU: Re-emergence of the System Orchestrator

Within domestic AI computing, the most underappreciated structural shift is the renewed strategic importance of the CPU. After a decade of commoditization, the CPU has reasserted itself as the central system orchestrator—managing memory allocation, token scheduling, and I/O operations—while regaining pricing power. Supported by import substitution tailwinds and accelerating AI demand, CPU is set to become one of the fastest-growing segments in domestic computing. Hygon is uniquely positioned to capture this opportunity as China's only vendor with a commercially deployed dual-engine architecture of high-end x86 CPUs and fully compatible DCUs for AI training. Following solid Q1 results, its growth trajectory is poised to accelerate.

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2. Connectivity: Data Transmission as the New Bottleneck

A second structural shift lies in the data pathways extending from the CPU/GPU into memory and storage. As inference workloads now account for roughly two-thirds of AI compute (versus one-third two years ago), system bottlenecks have migrated to data transmission efficiency. The adoption of MRDIMM and CXL is driving a 7–10x increase in value per socket for memory interface chips. The competitive landscape is consolidating into a three-player oligopoly—Montage, Renesas (ex-IDT), and Rambus—with Montage leading the current upgrade cycle. Its DDR5 RCD has become the global standard, with over 40% share in first-generation MRDIMM and strong positioning for the next generation. In CXL, Montage holds a clear technological lead, as Renesas and Rambus has scaled back investment. Strong Q1 results and expanding margins reflect a richer DDR5 mix.

3. Advanced Packaging: Integration as the Core Value Driver

As compute and connectivity approach physical limits, value creation is shifting toward advanced packaging. The bottleneck is no longer confined to silicon performance, but increasingly lies in how chips are integrated. This is driving demand for advanced packaging equipment, particularly testing and inspection solutions tailored to chiplet architectures. AI-related packaging test costs have risen to 10–15% of total cost (versus ~5% for traditional SoCs), implying a structural 2–3x uplift in testing value. Hua Feng Test is a direct beneficiary, with strong Q1 performance and full-year order guidance approaching RMB 2 billion, signaling acceleration into Q2–Q3. Piotech sits further along this value migration curve, with hybrid bonding equipment positioned to benefit from scaling 3D chiplet integration. Near term, over 65% of its revenue is still driven by memory-related demand amid ongoing domestic capacity expansion.

4. Power Semiconductors: GaN Disruption

A further inflection point is emerging in power semiconductors, where third-generation gallium nitride (GaN) technology is disrupting traditional silicon-based devices. Driven by superior efficiency, GaN enables performance levels beyond the physical limits of silicon and is increasingly applied across AI data centers, robotics, and smart mobility. Compared with silicon-based DrMOS solutions, GaN offers structural advantages that position it as a long-term replacement. Innoscience, a global leader in third-generation power semiconductors, remains materially underappreciated by the market.

5. Edge AI: Expanding the Deployment Frontier

In parallel, AI deployment is rapidly extending toward the edge, enabled by continued gains in energy efficiency. Applications across smartphones, NEVs, robotics, and industrial automation are accelerating. Value creation is concentrated in three areas: SoC vendors with integrated NPU capabilities, power protection components, and precision actuators. Rockchip leads in edge SoCs, with broad design wins across smart home, automotive cockpit, AR, and robotics applications. Sinofuse is a leading player in the power protection layer, expanding from NEVs and energy storage into AIDC, supported by strong Q1 growth. Hengli Hydraulics leads in precision actuators, with humanoid robot ball screw production scheduled for July 2026, underpinned by collaboration with Tesla Optimus. Cloud AI (Hygon, Montage) and edge AI (Rockchip, Sinofuse, Hengli) represent complementary exposures within the same efficiency-driven paradigm.

6. Analog: Quiet Mix Upgrades

Another emerging value chain lies in analog semiconductors for AI servers and optical systems. SG Micro is undergoing a notable mix shift, with mobile revenue declining to below 15% while network and computing exposure has reached 20%, progressing toward a long-term USD 5 billion revenue target by 2035. Strong Q1 results reinforce this transition, with mix evolution serving as a leading indicator of where analog value will accrue over the next decade.

7. Power Infrastructure: A Structural Bottleneck

Finally, power infrastructure represents a critical constraint in the AI buildout, particularly in the U.S., where manufacturing capacity is insufficient to meet demand. AI data center electrification, covering gas turbines and the upstream forging and casting supply chain, is governed by a tight global oligopoly led by GE Vernova and Siemens, together with key supplier Howmet, leaving limited near-term capacity to scale. This creates an opening for Chinese suppliers to gain share. Jereh has secured six consecutive North American AI data center gas turbine generator contracts across five U.S. customers, totaling over USD 1.1 billion. Its partnership with FTAI in aero-derivative turbines further extends its growth runway, with this segment alone potentially matching the scale of its legacy business. GATD and Himile are positioned along the adjacent forging and casting value chain, capturing related demand.

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Portfolio Earnings and Valuation

Across our holdings, Q1 earnings have been consistently strong, validating the structural theses outlined in the previous sections. Detailed company-level results, along with comparisons versus sector and global peers, are presented in the tables that follow.

Our edge derives from a disciplined and repeatable framework: first, verifying that demand is genuine and durable; second, identifying the precise nodes within the value chain where economic value concentrates; and third, maintaining the patience to compound returns through periods of market noise. We are maintaining our current portfolio positioning and appreciate the enduring trust and long-term perspective that enable us to execute this approach.

At the market level, A-share earnings have inflected from a trough in Q4 2025 back into growth in Q1 2026, with aggregate sales rising +4.7% and earnings increasing +6.6%. However, this recovery remains narrow. Excluding Energy, Materials, and IT, the broader A-share universe contracted by approximately –5% year-on-year. Earnings growth is highly concentrated in select sectors, reinforcing our focus on structurally advantaged areas where visibility and momentum remain strong.

Sector and Holding Earnings: 2025 Full-Year and Q1 2026

Each portfolio holding is presented alongside its respective sector's earnings growth for full-year 2025 and Q1 2026. Holding-level figures reflect core net profit (NP) year-on-year growth, excluding foreign exchange impacts. We believe this provides a clearer view of underlying operating performance and competitive positioning by removing non-operational volatility.

Sector	2025 FY Sector	Q1 26 Sector	Holding	2025 FY Holding Core NP	Q1 26 Holding Core NP
Electronics (incl. semis)	+32.7%	+68.3%	Hygon	+26.9%	+35.0%
			Montage	+62.0%	+56.7%
			Piotech	+96.8%	+156.7%
			SG Micro	–1.9%	+194.9%
			Rockchip	+93%	+53.8%
			Hua Feng Test	+44.7%	+42.4%
Power equipment	+41.2%	+54.9%	Sinofuse	+118.1%	+83.2%
			Jereh	+18.7%	+86.0%
			GATD	+3%	+63.4%
Non-ferrous metals(incl. precious)	+53%	+90%	Zijin	+61.6%	+97.5%
			Shandong Gold-H	+60.6%	+40.9%
Mechanical equipment	+12.6%	–4.9%	Hengli	+9.2%	+80%
			Himile	+18%	+13.6%
Tele Communication	+8.6%	+5.2%	HTGD	-0.4%	+107.7%
Auto (selective)	+3.5%	–22.4%	BYD (UW)	–19.6%	-14.8%
F&B (UW)	–18.3%	–10.2%	Moutai (only)	–4.6%	+1.5%

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The pattern across our holdings remains consistent. Within leading sectors, our companies have broadly matched or outperformed sector-level earnings growth for both full-year 2025 and Q1 2026. Where individual holdings have temporarily lagged their sectors, they have exceeded consensus expectations. We expect growth in these names to re-accelerate, supported by the structural inflections outlined earlier.

In contrast, our exposure to structurally challenged sectors remains highly selective or, in many cases, zero, reflecting our focus on areas with clear earnings visibility and durable demand.

Portfolio vs. A-Share Market

At the portfolio level, aggregate earnings momentum continues to run at an order of magnitude above the broader A-share market, with forward growth expectations remaining well ahead of consensus. We believe that the full earnings impact of the AI infrastructure buildout and the broader physical-AI paradigm has yet to be fully reflected in reported results.

Metric	Portfolio	Benchmark
2025 Revenue Growth (FY)	23.9%	+1.2%(1)
2025 Profit Growth (FY)	41.7%	+2.6%(1)
Q1 2026 Revenue Growth (YoY)	24.8%	+4.7%(1)
Q1 2026 Profit Growth (YoY)	49.0%	+6.6%(1)
2026E Profit Growth	35.2%	+11.0%
Forward 3-Year Earnings CAGR	24.0%	+7.7%
2026 P/E	26.3x	20.9x
PEG	1.0	2.1

(1) The market data is calculated based on all China A-shares.

Portfolio vs. Foreign Peers — Discount to International Comparables

Our portfolio continues to trade at a meaningful discount to global peers operating in the same end markets, despite exhibiting comparable or superior growth profiles.

Within the AI data center electrification theme, the strongest-performing global names have been GE Vernova and Howmet. In contrast, our Chinese exposures to the same structural theme are delivering similar strong growth, yet trade at a 35–60% discount to these international comparables.

This valuation gap reflects a lag in market recognition and represents a compelling opportunity as earnings delivery continues to validate the structural thesis.

Theme / Role	Foreign Peer	2027 P/E	BYC Holding	2027 P/E
Gas-turbine OEM and services	GE Vernova (GEV)	~46x	**Jereh (002353)**	~25x
Forgings and precision castings	Howmet (HWM)	~48x	**GATD (688239)**	~30x
			Himile (002595)	~20x

Marketing Communication

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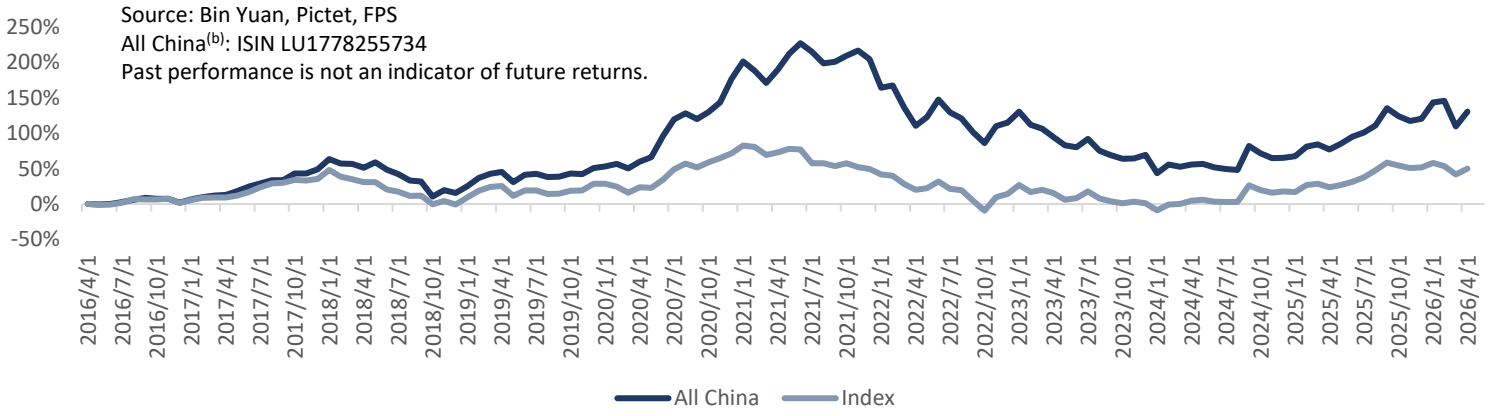
Key Information

NAV (30/4/26)	US$ 149.59(L1)/144.36(L2)/102.19(AI)/76.68(AI EUR)/106.49(BI)/162.74(CB)/ 106.51(DB A NOK)/109.34(DI A)/172.69(CI)/74.58(CI GBP)/76.63(PB EUR)	Strategy Assets	US$ 1.1 bil[a]
Total Fund Size	US$ 605.7m	Fund Launch Date	16-Apr-18

Period Performance (%) data from FPS/Pictet/Bin Yuan

	2026	2025	2024	2023	2022	2021	2020	2019	2018	Cumulative	Annualized
Bin Yuan All China Strategy[b]	4.21	33.24	-2.34	-21.17	-29.45	10.02	83.51	30.60	-22.46	129.78	8.68
Index[c]	-1.09	28.94	16.38	-11.53	-23.61	-12.91	33.41	29.74	-26.64	50.14	4.15

Source: Bin Yuan, Pictet, FPS



Monthly Performance (%) data from FPS/Pictet

	2025										2026				
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Jan	Feb	Mar	April	YTD
Bin Yuan GC Fund	-3.84	4.50	5.42	2.83	5.00	11.57	-4.66	-3.07	1.44	33.24	10.46	0.98	-14.75	9.58	4.21
Index[c]	-3.85	2.74	3.59	4.62	7.19	7.42	-2.42	-2.41	0.57	28.94	4.12	-2.89	-7.54	5.81	-1.09

Risk and reward profile

Lower risk — **Higher risk**

1	2	3	4	5	**6**	7

The risk indicator assumes you keep the product for 4 years. We have classified this product as 6 out of 7, which is the second –highest risk.
This rates the potential losses from future performance at a high level, and poor market conditions are very likely to impact out capacity to pay you.
Please refer to the prospectus[g] for more information on the specific risks relevant to this product not included in the summary risk indicator.
This product does not include any protection from future market performance, so you could lose some or all of your investment. If we are not able to pay you what is owned, you could lose your entire investment.

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Top Ten Holding					
1	TENCENT	5.81%	2	MONTAGE TECHNO-A （A+H）	5.05%
3	JIANGSU HENGLI-A	4.43%	4	HYGON INFORMAT-A	3.99%
5	YANTAI JEREH-A	3.99%	6	CM BANK （A+H）	3.83%
7	XI'AN SINOFUSE-A	3.50%	8	TAIWAN SEMIC-ADR	3.33%
9	BEIJING HUAFEN-A	3.06%	10	SHANDONG GOLD -H	2.98%

Sectoral Breakdown[e]	% of Assets
Information Technology	32
Industrials	30
Financials	10
Materials	8
Communication Services	6
Health Care	5
Consumer Discretionary	4
Consumer Staples	2
Utilities	2

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[d]	Bin Yuan All China	Index
Volatility	21.62%	20.9%
Sharpe Ratio	0.42	0.2
Information Ratio	0.47	
Tracking Error	10.6%	
Active Shares	83.02%	
Beta	0.96	

Market Breakdown	% of Assets
A Share (Connect + QFI)	63
Hong Kong	33
US ADR	3

Valuation	Portfolio	Benchmark
Period	**4/30/2026**	**4/30/2026**
2026 PE (X) –Harmonic Avg. Method[f]	20.5	13.6
2026 PE (X) – Weighted Avg. Method	26.3	20.9
2026 PB (X) [f]	3.1	2.2
2026 Div. Yield (%)	1.2	2.5
2026 ROE (%)	19.8	11.1
Earning Growth (%) Forward 3 YR	24.0	7.7
2026 PEGY	1.0	2.1
FCF Yield (%)[g]	2.5	2.9

The Sub-Fund is actively managed. The benchmark index of the Sub-Fund is MSCI China All Shares Index. It is used for the calculation of the performance fee and for performance comparison purposes. The Investment Manager is not in any way constrained by the benchmark index in its portfolio positioning. This means the Investment Manager is taking investment decisions without reference to a benchmark index. The Sub-Fund can deviate significantly from the index.

Fund Codes						
Share Class	AI	AI GBP	AI EUR	BI	CI	CI GBP
Bloomberg	HEYGCAU LX	HEYGCAG LX	HEYGCAE LX	HEYGCBU LX	HFBYCIU LX	HEYGCGA LX
TK	040149630	040149699	040149698		040149734	040149736
ISIN	LU1778252558	LU1778252715	LU1778252632	LU1778253952	LU1778254844	LU1778255064
Lipper ID	68617991	68666625	68677482	68625053	68563916	68684500
Sedol	BMY2Q30	BNLYXY6	BN4BFL5	BMY1994	BMWWFG8	BP466G6

Fund Details	
Dealing Day	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	HF Arode Asset Management S.A. 93, Route d'Arlon , L-1140 Luxembourg
Custodian	Bank Pictet & Cie (Europe) AG, Succursale de Luxembourg 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 | TERs as at end September 2021	
Share Class A	1.25% | 1.45%
Share Class B	1.00% | 1.21%
Share Class C	0.75% | 0.95%
Share Class D	0.50% | 0.71%
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 D	$100,000,000 Minimum initial subscription & holding

Entry / Exit fees ; 0

All the costs are not disclosed into the factsheet, please refer to the prospectus(h) for additional information.

Order Transmission Information

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15, Avenue John F Kennedy,
L-1855 Luxembourg
Via fax +352 46 71 71 7667 or SWIFT PICTLULXTAS

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.
(e) We set sector exposure according to GICS classification, and the maximum exposure will not exceed 40%. The reason we set at 40% is some industrial and communication service companies are misclassified as information technology in GICS.
(f) The harmonic average, also known as the harmonic mean, is a type of average that is useful in situations where calculating an average rate or ratio. It's particularly effective when the values we are averaging are defined in terms of a ratio of two quantities (like speed, which is distance per unit of time).
The formula for the harmonic average is:
Harmonic Mean = N / sum of (1/Value_i)
Where:
- (N) is the total number of values.
- \(\{Value}_i\) is each individual value in the set.

(g) Align the FCF yield calculation methodology for both the benchmark and the portfolio to ensure consistency, defined as the weighted average of operating cash flow (OCF) minus capital expenditures (Capex), divided by market value (MV), i.e., (OCF - Capex) / MV.
(h) Prospectus (English) and KIDs (English, French, German)

IMPORTANT INFORMATION
Hereford Funds — All Sub-Funds | Marketing Communication

This document is a marketing communication. Before investing, read the Prospectus and PRIIPs Key Information Document (KID), available at **www.herefordfunds.com/library/disclaimer**.

Risk: The Summary Risk Indicator (SRI) is based on historical data and may not reliably indicate future risk. The risk category is not guaranteed and may change. Category 1 is not risk-free. No capital guarantee is provided. The value of investments can fall as well as rise and investors may not recover the full amount invested.
Past performance does not predict future returns.
Tax treatment depends on individual circumstances and may change.
Currency risk: Returns may increase or decrease due to currency fluctuations.

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Neither the CSSF nor any other supervisory authority has approved this marketing communication. Any investment decision should consider all characteristics and objectives described in the Prospectus and PRIIPs KID.

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