

**Investment Review**

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) appreciated 2.33% for the month of December (net of fees) vs a 4.02% return for the benchmark, underperforming the benchmark by 1.69%. During this month, Consumer Staples and Consumer Discretionary were the top contributors. Compared to the benchmark, Financials outperformed while Communication Services underperformed.

In December, the positions that contributed the most to the portfolio’s return were FEN WINE FACTORY, CHINA MERCHANT BANK and IRAY TECHNOLOGY. The positions that contributed the least were CANSINO, CNANO TECHNOLOGY and BAILI ENGINEERING.

**Manager’s Commentary**

2022 was a very challenging year for the Chinese market. The market experienced a roller coaster type of volatility and ended with a correction of 23.61% for the full year. Our portfolio lost 29.45% of value, 5.84% worse than the market.

The underperformance resulted from both sector allocation and stock selection. In this eventful year, with rising inflation global interest rates were raised aggressively. The required return of equity as a result was lifted, which subdued the multiples of growth stocks in markets around the world. The panic selling of Chinese equities by foreign investors made the situation even worse. Investors who stayed in the market parked their money into commodities and state-owned enterprises. The year-end rally on reopening also lured capital into sectors we underweighted and were oversold in 2020 and 2021 - which included internet, financials, and the real estate sectors. Almost all the sectors we like underperformed in 2022, such as healthcare, industrials, information technology, consumption - only solar stood out. From a stock selection perspective, our consumer electronics holdings were negatively impacted by the demand slow down and reported weaker numbers than expected.

We expect the situation to be reversed in 2023. Firstly, global inflation was driven by supply disruption and the interest rate hiking cycle will lose its steam when demand goes south, and commodities and energy prices stabilize. Secondly, the more stable relations between China and western countries and the easing of Zero Covid policy triggered the large cap beta runs in November and December. The outperformance of state-owned companies in construction, financials, real estate, telecom and mega internet companies were mainly oversold bounces. Alpha generation will occur in 2023 when active investors start to come back to consumption, healthcare and technology companies with strong competitiveness, sustainable growth and attractive valuation. Thirdly, the lesson learnt in 2022 was renewed focus in identifying earnings momentum, the cycle of companies and sectors, and appropriate valuations in cycles. This will be the source of our future alpha.

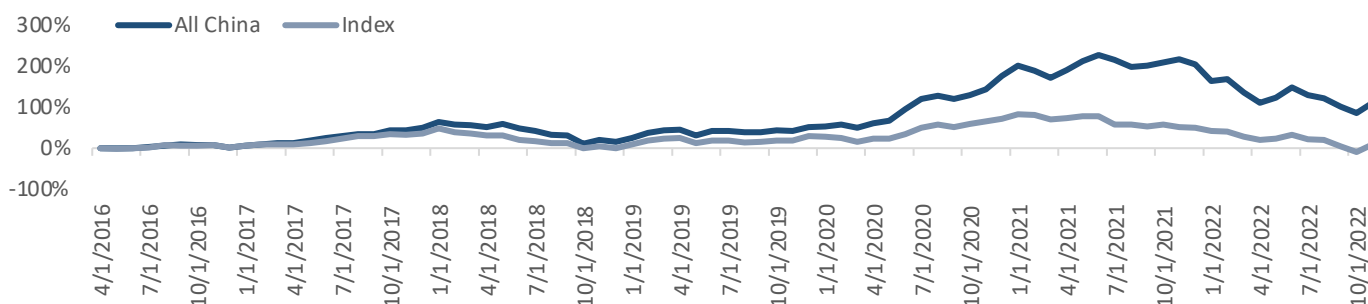
Most economists expect 4-5% GDP growth in 2023 and even lower going forward. We estimate that China should beat the street consensus. Because it is from a very low base, 2023 might see a strong rebound which may see growth close to 7-8% and 5-6% in the following 2 years, adding up to 6-7% annualized growth from 2023 to 2025 and making up most of the losses in the pandemic years. We expect the growth to come from normalized population mobility, restored consumer confidence and the accelerating new infrastructure investment, such as healthcare, environment, new energy, grid, digitalization...etc. Our portfolio resonates with the key growth contributors in the future China economy.

**Key Information**

NAV (31/12/22) US\$ 139.94(L1)/132.88(L2)/97.20(AI)/80.17(AI EUR)/75.83(AI GBP)/100.47(BI)/152.24(CB)/100.34(DB A)/104.62(DB A NOK)/101.44(DI A)/161.55(CI)/78.81(CI GBP)/78.17(PB EUR) Strategy Assets US\$ 1,315 m<sup>(a)</sup>

Total Fund Size US\$ 702.1 m Fund Launch Date 16-Apr-18

Period Performance (%) data from FPS/Pictet/Bin Yuan								
	2022	2021	2020	2019	2018	2017	Cumulative	Annualized
Bin Yuan All China Strategy <sup>(b)</sup>	-29.45	10.02	83.51	30.60	-22.46	44.69	114.96	12.16
Index <sup>(c)</sup>	-23.61	-12.91	33.41	29.74	-26.64	33.37	14.43	2.03



**Monthly Performance (%) data from FPS/Pictet**

	2021	2022												
	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Bin Yuan GC Fund	10.02	-13.24	1.23	-11.74	-10.84	5.76	11.25	-7.34	-3.75	-8.76	-7.68	12.87	2.33	-29.45
Index <sup>(c)</sup>	-12.91	-5.32	-1.23	-8.31	-6.27	1.82	7.82	-8.07	-1.61	-12.26	-13.52	21.29	4.02	-23.61

### Risk and reward profile



Top Ten Holding					
1	IRAY TECHNOLOG-A	7.59%	2	CHINA MERCH BK-A	5.20%
3	MEITUAN-B	4.03%	4	SHANXI XINGHUA-A	3.64%
5	ECOVACS ROBOTI-A	3.59%	6	JD.COM INC-CL A	3.52%
7	KANGJI MEDICAL H	3.49%	8	NARI TECHNOLOG-A	3.19%
9	H WORLD GP LTD	2.99%	10	ANJOY FOODS GR-A	2.95%

Sectoral Breakdown <sup>(e)</sup>	% of Assets
Health Care	19
Consumer Discretionary	18
Information Technology	16
Consumer Staples	13
Industrials	13
Financials	8
Materials	5
Real Estate	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	20.55%	20.44%
Sharpe Ratio	0.63	0.10
Information Ratio	1.01	
Tracking Error	10.84%	
Active Shares	87%	
Beta	0.92	

Market Breakdown	% of Assets
A Share (Connect + QFI)	70
Hong Kong	24
US ADR	1

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	20221231	20221231	20221231
2023 PE (X)	23.5	25.9	13.0
2023 PB (X)	4.4	3.6	1.3
2023 Div. Yield (%)	1.3	1.5	2.4
2023 ROE (%)	18.9	13.9	10.1
Earning Growth (%) Forward 3 YR	23.7	9.4	6.5
2023 PEGY	0.9	2.4	1.5
FCF Yield	1.2	-1.1	1.3

Fund Codes						
Share Class	AI	AI GBP	AI EUR	BI	CI	CI GBP
Bloomberg	HEYGCAU LX	HEYGCAU 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	BMV2Q30	BNLYXY6	BN4BFL5	BMV1994	BMWWFG8	BP466G6

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   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

### 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

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.

Disclaimer:

- This document should be read as a marketing communication.
- Risk Disclaimer - This current risk profile is based on historical data and may not be a reliable indication of the future risk profile of the Sub-Fund. - The risk category shown is not guaranteed and may shift over time. - The lowest category, which corresponds to Number 1, cannot be regarded as being risk-free. - The Sub-Fund does not provide any capital guarantee or asset protection measures. Why is this Sub-Fund in this category? The investment objective of the Sub-Fund is to generate long-term capital growth and income by investing in equities and equity-linked securities of Greater China Companies. Hence, the risk/reward profile of the SubFund should correspond to a high risk category on the risk/reward scale. The contents of this document are communicated by, and the property of, Hereford Funds. Hereford Funds is a trading name of Hereford Funds LLP. Hereford Funds LLP is an appointed representative and tied agent of Thornbridge Investment Management LLP which is authorised and regulated by the Financial Conduct Authority (FRN: 713859). This document is for information purposes and internal use only. It is neither an advice nor a recommendation to enter into any investment. Investment suitability must be determined individually for each investor, and the financial instruments described above may not be suitable for all investors. This information does not provide any accounting, legal, regulatory or tax advice. Please consult your own professional advisers in order to evaluate and judge the matters referred to herein. An investment should be made only on the basis of the prospectus, the annual and any subsequent semi-annual-reports of HEREFORD FUNDS (the "Fund"), a société d'investissement à capital variable, established in Luxembourg and registered under Part I of Luxembourg law of 20 December, approved by the Commission de Surveillance du Secteur Financier (CSSF). These can be obtained from the Fund, from FundPartner Solutions (Europe) SA, 15 avenue J. F. Kennedy, L-1855 Luxembourg, and any distributor or intermediary appointed by the Fund. You can obtain a summary of investors rights to the following link : <https://www.group.pictet/media/sd/176b100ab205a6e6aef82b0250138f889675b903>
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