

Bin Yuan Greater China Fund

SFDR status as of March 2021: Article 8
February 2023

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) depreciated 8.07% for the month of February (net of fees) compared to a -7.82% return for the benchmark, underperforming the benchmark by 25 bps. During this month, Health Care and Consumer Discretionary were the top contributors. Compared to the benchmark, Consumer Discretionary outperformed while Information Technology underperformed. Stock selection in consumer discretionary, industrials and healthcare sectors contributed positively to the return. But with the market chasing the hot concept of ChatGPT, some quality technology companies were not in the spotlight.

In February, the positions that contributed the most to the portfolio's return were KANGJI MEDICAL, NEW INDUSTRIES and MEGMEEET. The positions that contributed the least were IRAY TECHNOLOGY, JD.COM and MEITUAN.

Manager's Commentary

The market took a breather from the previous months' rebounds. The economic recovery post the reopening continues to broaden from travelling and dining to a much wider range of economic activities. The market pullback has provided a great window for investors to buy China.

Bin Yuan's research team had a busy schedule in the past month. We made twenty trips to nearly ninety companies for due diligence and cross-checking meetings which not only enhanced our understanding of the companies and sectors, but also helped us take the pulse of the macro economy after the country gradually looks past the pandemic. We went southwards to Guangdong province, northwards to Hebei and Shaanxi provinces and westwards to Sichuan province. Companies from various industries were covered, and dozens of cities of different tiers were included in those trips.

We confirmed that the key investment opportunities, such as in consumption recovery, digitalization & automation, localization in key sectors, etc., would lead the recovery:

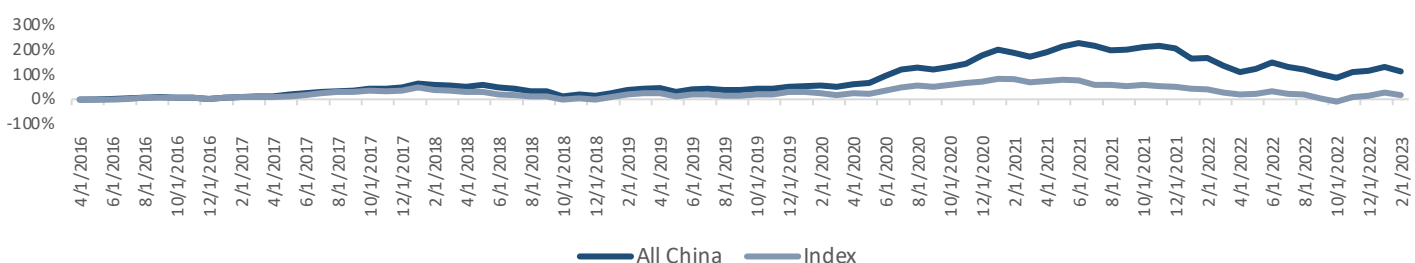
- Consumption recovery was on track. Business trips resumed after the festival holidays and are driving up room prices of hotels, and ticket prices of airlines and trains. Demand for medical products and services have been improving as medical and surgical plans delayed by previous outbreaks of the virus gradually resume. The Auto industry was actively clearing out old channel inventories to make preparations for a recovery of demand, mainly for EVs, which is expected to be stimulated by new policy support in the coming months.
- Stalled construction projects re-started, and the real estate market also saw positive signs as home buyers gradually returned. Waterproofing material manufacturers in the downstream are expecting a demand recovery, which could be strengthened by the positive catalyst of higher waterproofing standards waiting to become effective in Q2. The collapse of small players during the pandemic provides a consolidating opportunity for leaders.
- The trend of digitalization & automation in industrial sectors is increasing. Productivity of the new production line of one company we visited improved 70% compared with the old one and plans for upgrades of other old production lines have already been put on their agenda.
- Localization of some key semiconductor equipment proceeds at a good pace. The localization rate of plasma enhanced chemical vapor deposition (PECVD) equipment has jumped to 20% as of the end of 2022 from 10% in 2021. Import substitution in some areas such as orthopedic supplies also continued as expected, rising to 26% from the previous 15%, and potentially reaching 40% in the future. The progress of Chinese chip companies to break through into auto and server applications are well on track and we expect good news over the coming years.

Key Information

NAV (28/02/23)	US\$ 137.90(L1)/131.04(L2)/95.71(AI)/79.43(AI EUR)/74.19(AI GBP)/98.96(BI)/150.02(CB)/98.91(DB A)/108.33(DB A NOK)/100.00(DI A)/159.19(CI)/77.17(CI GBP)/77.55(PB EUR)	Strategy Assets	US\$ 1,374 m ^(a)
Total Fund Size	US\$ 758.2 m	Fund Launch Date	16-Apr-18

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

	2023	2022	2021	2020	2019	2018	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	-1.46	-29.45	10.02	83.51	30.60	-22.46	111.82	11.61
Index ^(c)	2.37	-23.61	-12.91	33.41	29.74	-26.64	17.04	2.33



Monthly Performance (%) data from FPS/Pictet

	2022											2023		
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Jan	Feb	YTD
Bin Yuan GC Fund	-11.74	-10.84	5.76	11.25	-7.34	-3.75	-8.76	-7.68	12.87	2.33	-29.45	7.20	-8.07	-1.46
Index ^(c)	-8.31	-6.27	1.82	7.82	-8.07	-1.61	-12.26	-13.52	21.29	4.02	-23.61	11.06	-7.82	2.37

Risk and reward profile



Top Ten Holding					
1	IRAY TECHNOLOG-A	7.85%	2	CHINA MERCH BK-A	5.36%
3	BAIDU INC-A	4.06%	4	KANGJI MEDICAL H	3.91%
5	NARI TECHNOLOG-A	3.30%	6	H WORLD GP LTD	3.29%
7	CHIPSEA TECHNO-A	3.18%	8	ECOVACS ROBOTI-A	3.17%
9	HAICHANG OCEAN P	3.06%	10	BEIJING ORIENT-A	3.02%

Sectoral Breakdown ^(e)	% of Assets
Health Care	23
Consumer Discretionary	18
Information Technology	16
Industrials	12
Financials	8
Consumer Staples	7
Communication Services	7
Materials	5
Real Estate	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	21.10%	20.83%
Sharpe Ratio	0.55	0.11
Information Ratio	0.84	
Tracking Error	11.07%	
Active Shares	89%	
Beta	0.92	

Market Breakdown	% of Assets
A Share (Connect + QFI)	66
Hong Kong	31
US ADR	1

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	2/28/2023	2/28/2023	2/28/2023
2023 PE (X) – Weighted Average Method*	24.0	24.8	22.0
2023 PE (X) – Integral Method*	16.8	13.2	9.2
2023 PB (X)	4.6	3.6	2.2
2023 Div. Yield (%)	1.0	1.5	2.3
2023 ROE (%)	18.9	14.4	9.9
Earning Growth (%) Forward 3 YR	26.2	16.7	12.1
2023 PEGY	0.9	1.4	1.5
FCF Yield	1.7	-1.1	2.7

Note: Valuation dynamics impacted by corporate quality.

*PE Weighted Avg. Method: The PE of each security in the portfolio/benchmark is multiplied by its weight and then is summed to a final PE;

*PE Integral Method: The PE is calculated by dividing the summary of each security's market capitalization in the portfolio/benchmark by the summary of each security's earning.

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	BMY2Q30	BNLYXY6	BN4BFL5	BMY1994	BMWWFG8	BP466G6

Fund Details	
Dealing Day ^(d)	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.

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