

Bin Yuan Greater China Fund
SFDR status as of March 2021: Article 8
 January 2025

Signatory of:



RACE TO ZERO

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) increased 1.24% for the month of January (net of fees), compared with a -0.51% return for the benchmark. Consumer Discretionary and Information Technology sectors adversely impacted relative performance during this period, while Industrials sector contributed positively. In January, the positions that contributed the most to the portfolio's return were JIANGSU HENGLI, GUIZHOU AVIATI and XI'AN SINO FUSE. The positions that contributed the least were TENCENT, NARI TECHNOLOGY and SHENZHEN MINDR.

Manager's Commentary

The Bin Yuan portfolio began 2025 with a positive return of 1.24% in January, outperforming the broader China market, which declined by 0.51%. The alpha of 1.75% was primarily driven by our strong stock selection within the value chain of Artificial Intelligence (AI) applications and infrastructure, including advanced components, high-end machinery, core materials, and software. The consumer sector lagged during the month.

With the Chinese New Year arriving earlier in 2025, the market in January was relatively quiet. Two key factors influenced the market: the feared tariff policies in Trump 2.0, as well as the rise of Chinese AI models and applications, in particular the DeepSeek R1 release. This has the potential to significantly enhance productivity and rattled the leading US AI players.

Trump announced on February 1st the imposition of a 25% tariff on imports from Mexico and Canada, now suspended for a month, along with an additional 10% tariff on China. This 10% tariff is lower than previous expectations, signaling that there is still room for negotiations between the two countries. While we can't rule out the possibility of further tariff increases, it is clear that President Trump is more likely to use tariffs as his major bargaining chip in deal negotiations with other countries. However, using tariffs alone is inflationary and will impact the US economy and corporate earnings. China, as a dominant deflationary factor, holds bargaining power for negotiation. In the meantime, China has been preparing for this by rebalancing its production value chain, substituting imports and boosting domestic demand.

DeepSeek, a rising star of Chinese AI modelling, surprised the global tech community by showcasing its ability to match the performance of the world's leading large language models - at just a fraction of the cost. While the specific cost structure and training conditions of DeepSeek's newly launched R1 model remain somewhat opaque, the algorithmic breakthroughs behind it have the potential to meaningfully reduce the expenses of model development and deployment. The significance of the Deepseek is at least twofold: this will undoubtedly stimulate the growth of AI applications at the consumer level. These include education, smartphones, PCs, robots, and smart glasses which are a strength of Chinese companies. The other is that this will keep commentators on the US AI sector on their toes and may cause asset allocators to reconsider their China weightings as they consider if they have underestimated the progress China has been making in the tech and AI area over the past few years.

The success of DeepSeek reaffirms the strength of China in application innovation. At the heart of this innovation drive lies China's unique "romanticism" cultural DNA. The philosophy of harmony between humanity and nature emphasizes the interconnection of humans with their environment, which, in turn, fosters creativity that is deeply rooted in the natural world. China's Romanticism tends to favor intuition from daily lives and a more flexible approach to problem-solving, which may offer a unique advantage in application innovation, especially in areas where the user experience is key. The country has developed a huge pool of talent dedicated to both software and hardware development. The combination of the vast consumer market creates broad and diverse demand. The strong manufacturing capabilities support the realization of these innovations which further fuel the development of innovative applications, a virtuous circle. Circa 40% of the portfolio has exposure to China AI related stocks. These are mainly AI applications and infrastructure related.

Just as the Greek poet Horace said, "Adversity reveals genius", we repeat our view that the technology ban by the US government will force Chinese firms to invent other ways to make breakthroughs. DeepSeek, TikTok, Xiaohongshu (Red) are good examples. More will emerge.

Q4 Earnings:

So far, the preliminary results for our portfolio companies look very encouraging, particularly when compared to the overall market. A full review of Q4 and 2024 earnings will be released once all the numbers are available.

- ✓ Piotech (semiconductor equipment manufacturer, focusing on thin film deposition equipment and wafer bonding equipment)
 - The company announced preliminary financial results with a revenue range of RMB 4.0–4.2 bn, +47.9~57.3% YoY in 2024, median RMB 4.1 bn, YoY +51.9%, beating market expectations.
 - Q4 median revenue RMB 1.82 bn, YoY +81.9%.
 - The company's 2024 revenue forecast exceeded consensus expectations by 5%, indicating that the company's revenue recognition pace is accelerating on a quarterly basis. It also suggests that the company's products are being validated more quickly on the client's side, and the gross margin is being maintained.
- ✓ SINFUSE (circuit protection system provider)
 - The company announced preliminary financial results with an earnings range of RMB 176.0–198.7 mm, +50.5~69.9% YoY in 2024, median RMB 187 mm, +60% YoY, 5pct better than expected.
 - Q4 median net profit RMB 67 mm, + 112.7% YoY.
 - This was due to the strong demand from EV industry (around +40% YoY), and the company is also expanding to overseas markets. In the second half of 2024, SINFUSE's Thailand factory started to manufacture products for overseas customers, which will help the company gain global market share.
- ✓ Montage Technology (leading memory interface chip provider)
 - The company announced preliminary financial results with an earnings range of RMB 1.38–1.44 bn, +205.6~218.9% YoY in 2024, median RMB 1.43 bn, +212.8% YoY.
 - Q4 median net profit RMB 430 mm, + 98% YoY.
 - Increasing demand for AI servers has driven the penetration of DDR5 (new memory chips), which has led to an increase in the volume and price of the company's memory interface chips. We expect the company will fully benefit from the AI trend and estimate strong growth over the next quarters.
- ✓ Suofeiya (leading built-in furniture manufacturer)
 - The company announced preliminary financial results with an earnings range of RMB 1.3–1.5 bn, +5~10% YoY, median RMB 1.4 bn, +7.5% YoY, better than consensus of a low-single-digit decrease.
 - Q4 median revenue RMB 3.4 bn, YoY -1.2% YoY, and Q4 median earnings RMB 465 mm, +50.5% YoY.
 - The company's earnings came out better than expectations on improved demand with effective policy stimulus and strong cost control. Policy support for real estate related consumer sectors like furniture is expected to continue in 2025 and leaders like Suofeiya will benefit from better demand.

A full review of Q4 and 2024 earnings will be released once all the numbers are available.

The preliminary numbers indicate that the portfolio's earnings are on track to show an increase of circa 25% in 2024 vs a negative circa 4% for the market. We expect the portfolio's revenues and earnings to grow strongly over the next three years and forecast 22.4% earnings CAGR vs 7.3% for the benchmark.



Key Information

NAV (27/1/25) US\$ 109.08(L1)/104.62(L2)/74.98(AI)/62.86(AI EUR)/77.89(BI)/118.66(CB)/93.49(DB A NOK)/79.48(DI A)/125.92(CI)/59.23(CI GBP)/62.24(PB EUR)

Strategy Assets US\$ 951 m^(a)

Total Fund Size US\$ 566.84m

Fund Launch Date 16-Apr-18

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

	2025	2024	2023	2022	2021	2020	2019	2018	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	1.24	-2.34	-21.17	-29.45	10.02	83.51	30.60	-22.46	67.55	6.08
Index ^(c)	-0.51	16.38	-11.53	-23.61	-12.91	33.41	29.74	-26.64	17.13	1.82

Source: Bin Yuan, Pictet, FPS



Monthly Performance (%) data from FPS/Pictet

	2024												2025	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Jan	YTD
Bin Yuan GC Fund	8.43	-2.03	2.26	0.38	-2.96	-1.68	-0.90	23.12	-5.91	-3.94	0.47	-2.34	1.24	1.24
Index ^(c)	9.17	0.65	4.75	1.17	-2.47	-0.70	-0.02	23.19	-5.27	-3.23	1.50	16.38	-0.51	-0.51

Risk and reward profile

Lower risk

Higher risk



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^(d) 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.

Top Ten Holding					
1	TENCENT	7.73%	2	CHINA MERCH BK-A	6.43%
3	GUIZHOU AVIATI-A	3.96%	4	MINISO GROUP-A	3.93%
5	KANGJI MEDICAL H	3.41%	6	YANTAI JEREH-A	3.09%
7	SHANXI XINGHUA-A	3.02%	8	HAICHANG OCEAN P	3.01%
9	SUNRESIN NEW -A	2.91%	10	NARI TECHNOLOG-A	2.84%

Sectoral Breakdown ^(e)	% of Assets
Industrials	21
Consumer Discretionary	21
Information Technology	15
Financials	12
Communication Services	10
Health Care	9
Materials	5
Consumer Staples	4
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	21.46%	21.46%
Sharpe Ratio	0.31	0.08
Information Ratio	0.46	
Tracking Error	10.52%	
Active Shares	77.96%	
Beta	0.93	

Market Breakdown	% of Assets
A Share (Connect + QFI)	48
Hong Kong	42
US ADR	9

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	1/31/2025	1/31/2025	1/31/2025
2024 PE (X) –Harmonic Avg. Method ^(f)	13.8	14.3+	11.2
2024 PE (X) – Weighted Avg. Method	16.1	18.6	17.2
2024 PB (X)	3.0	2.8	1.9
2024 Div. Yield (%)	2.6	1.7	1.9
2024 ROE (%)	18.5	12.3	11.5
Earning Growth (%) Forward 3 YR	22.3	9.1	7.3
2024 PEGY	0.7	1.7	1.9
FCF Yield	3.1	-0.7	1.6

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	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	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	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^(g) for additional information.

Order Transmission Information

Bank Pictet & Cie (Europe) AG, Succursale de Luxembourg
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 = $N / \sum (1/Value_i)$

Where:

- (N) is the total number of values.

- $\sum (1/Value_i)$ is each individual value in the set.

(g) Prospectus (English) and KIDs (English, French, German)

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. 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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