

## Bin Yuan Greater China Fund

SFDR status as of March 2021: Article 8

March 2025

Signatory of:



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### Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) increased 1.87% for the month of March (net of fees), compared with a 1.39% return for the benchmark. Information Technology and Materials sectors adversely impacted relative performance during this period, while Consumer Discretionary sector contributed positively. In March, the positions that contributed the most to the portfolio's return were POP MART, MAO GEPING and TENCENT. The positions that contributed the least were PIOTECH INC, SUNNY OPTICAL and XIAOMI.

### Manager's Commentary

The AI-driven market recovery continued in March. However, the market became nervous in the second half of the month prior to the Trump tariff announcement.

Equity markets reacted strongly to the Trump tariffs announced on April 3rd and followed by the retaliatory tariffs of the Chinese government. It is very clear that the unilateral across-the-board reciprocal tariffs are very disruptive to the economic ecosystem that has lasted for at least 80 years and the 40 years of globalization. Globalization was based on one of the classic capitalist theories that let the country provide the most efficient products and, as a result, the manufacturing was outsourced from high-cost countries to lower cost countries. Now Trump wants to reverse that and bring manufacturing back to the US starting with charging tariffs as a first step.

If this continues as it is, the world will have to rebalance the economic ecosystem to a new relatively equilibrium stage. The old trading rules that have been developed by the dominant economic powers, led by the US, will be broken down. The reputation and credibility of the US government and corporations will be impacted.

### Short-term outlook: continued market volatility and weakness due to uncertainty

China will not be immune from this, even though this is less of a shock to China. If the tariff on China products increases continuously, it will be inflationary for US, increase the cost to consumption and reduce corporate profitability. There is no other way out. It is clear that the tariffs were not well prepared and thought out. Or it was just a negotiation technique, to shock everyone and then sit down to negotiate; otherwise, the shock will last much longer as this tariff strategy is very contradictory to fundamental economic theory, practice and reality.

### China's position and strategy

In the long run, it will not be all negative to China. There are contradictory issues in the US tariff strategy to balance trade and bring manufacturing back to the US. These are likely to have negative economic consequences both to the global economy and the US. The US has greatly benefited from the globalization that improved productivity and provided a lower inflation environment which enabled US companies to utilize cheaper capital to concentrate in innovation and develop the intangible value (service sector) of the economy. Table 1 illustrates the market value created by these service companies in the past thirty years.

Table 1: Market value of Top 10 US Companies in 2025 vs. in 1998

1998	Industry	Market Cap (Bn \$)	2025	Industry	Market Cap (Bn \$)
Microsoft	Software	345	Apple	Consumer Electronics	2,830
General Electric	Industrial	333	Microsoft	Software	2,675
Intel	Semiconductor	198	NVIDIA	Semiconductor	2,301
Walmart	Retail	181	Amazon	E-commerce	1,812
Exxon	Petroleum	178	Alphabet	Internet	1,775
Merck & CO	Pharma	174	Meta	Software	1,279
IBM	IT	168	Berkshire Hathaway	Investing	1,068
Coca-Cola	Beverage	166	Tesla	Automotive	770
Pfizer	Pharma	162	TSMC	Semiconductor	761
Cisco	IT	140	Broadcom	Semiconductor	688
Top 10 U.S. Companies / U.S Companies Total		14%	Top 10 U.S. Companies / U.S Companies Total		32%

Source: iFinD, Bin Yuan Capital



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The idea of “making the US great again” overlooks the \$16 trillion in value created by the service sector. Instead of focusing inward to implement reforms that redistribute wealth (as shown in Table 2) and make better use of debt, the strategy seeks external solutions through shock therapy. Bringing production back to the US will not effectively control inflation or reduce the high cost of government and household debt. Moreover, this approach is unlikely to solve the problem of low-skilled labor unemployment, as it conflicts with the rise of AI and robotics—technologies that primarily replace human labor. These contradictions may lead to even more challenges and create greater uncertainty for the global economy.

Table 2: The proportion of the total assets of the United States owned by the top wealthy people

	1990	2024
Percentage of wealth of the top 0.1%	9.0%	13.8%
Percentage of wealth of the top 1%	23.0%	31.0%

Source: U.S. Census Bureau, Congressional Budget Office, Bin Yuan Capital

China is better prepared for this as the country has been a target of tariff hikes for more than seven years. Over the past seven years, the Chinese economy has developed a much lower dependence on the US in terms of both demand and supply. China has consolidated its industries and moved towards higher value-added production with greater productivity and efficiency. China corporates have rebalanced themselves by diversifying away from the US, and this will continue in the future to meet the structural change of global trade.

### ➤ **China may benefit relatively compared to other countries**

Trump 1.0 was targeting China as a competitor and to curtail its advancement. The Trump 2.0 aims to bring manufacturing back to the US. This will impact the global economy. The mid-market production value chain and the efficient infrastructure in China cannot be built in a short time and is not overlapping with the US objective to “bring manufacturing back to the US”. In this regard, developed technology processed by developed economies, including Korea and Taiwan are more at risk than China. It would also more negatively impact other EM & Frontier economies, such as Vietnam, that serve as assembly locations for exports. The “China+1” and “friend-shoring” arguments no longer seem valid when a 30-40% plus tariff is imposed on those countries. There is very little difference between “friend shoring” and manufacturing in China. As a result, the lower efficiency and limited domestic market of those countries will limit their development potential.

In this long-term process of resetting the global economic ecosystem, the US and China will be increasingly seen as competitors. The US is forcing its allies to make “America great again” which may damage their allies. This gives China an opportunity to better cooperate with other countries. In the end, efficiency (the cost of providing high end products and services and the speed of adapting to changes in demand) will ultimately be the most critical factor for competition in the global market. The imposition of reciprocal tariffs by the US on various countries does not weaken the relative competitiveness of Chinese players; if anything, it enhances it, given that China possesses the most significant competitive advantage in terms of efficiency.

### ➤ **The Chinese government plans domestic stimulus measures to counter the tariff impact**

This deglobalization led by the US is forcing China to reform and adjust itself to the new global economic environment. The country needs to do more to support the private sector and structurally reform the allocation of the financial resources to stimulate domestic consumption. The government pledged during the “two sessions” in March that GDP growth in 2025 will remain at last year's level of ‘around 5 per cent’. The potential measures include but are not limited to RRR cuts, a larger budget deficit in 2025 (4% of GDP vs. 3% in 2024), bond issuance (we expect an increase of more than 3 trillion vs. 2024) for bank recapitalization, consumer subsidies, property stabilization and new infrastructure investment.

The unprecedented level of policy support, along with positive guidance and a stable domestic environment, makes the Chinese market more appealing in a volatile external landscape.

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### Bin Yuan Portfolio Strategy

We will position our portfolio to avoid the potential risks caused by tariffs. Our current portfolio is mainly focused on the domestic market, with overseas exposure mainly from non-US regions. We have conducted a thorough review and assessment of the impact on our portfolio. We are not only evaluating the impact of the US market but also considering the broader implications of the global market. For companies exposed to the global market, our assessment is based on the following criteria:

1. Do they possess a competitive advantage in terms of efficiency?
2. Are their products in tight supply and difficult to replace or irreplaceable within the market?
3. Is the demand for their products resilient to potential global economic recession or vulnerable to it?
4. Do they have local production facilities to meet local demands?
5. Is their international exposure critical for future growth, or can domestic demand sufficiently compensate for any shortfall?

Currently, the global market exposure of our portfolio accounts for 18%, with US exposure, including both direct and indirect sales, amounting to 4%.

The technology companies in our portfolio are mostly involved in import substitution domestically or are in the early stages of building global market share. They all demonstrate significantly stronger competitiveness in terms of efficiency, with efficiencies that are 20-40% higher than those of their foreign peers, and in some cases even greater. Some holdings have established local facilities for the local market. Some companies' products are in a tight supply and irreplaceable, so they should have the ability to withstand any cost increase. For instance, the supply of casting and forging components for aerospace and power equipment is currently under significant strain, with a demand-supply gap ranging from 25% to 30%. Lead times have extended to 18–24 months (compared to 6–8 months pre-pandemic), primarily due to a surge in orders driven by investments in artificial intelligence infrastructure and aircraft manufacturing, coupled with limited manufacturing capacity for forging and casting. Other EM countries lack the technological capability to expand production, while developed countries face a shortage of skilled labor necessary for such expansion, thereby granting Chinese players stronger bargaining power in negotiations with clients.

We will still focus in the areas where China possesses superior expertise, such as application innovations in electrification and digitalization. These include smart software and systems, high-end materials, advanced equipment, and core components. AIOT will continue develop regardless of what the US is doing, and China will be the winner in the application segment. The advance of those applications will drive productivity improvement across society, offering advantages that are difficult for other countries to replicate or replace. The domestic consumption and healthcare sectors are also expected to benefit significantly from policy support. We have been increasing our exposure to the consumer sector and domestic demand areas, including food and beverages, retail, and software services. We have also decreased some of our exposure to the global market such as consumer electronics and automotive parts, which have outperformed year to date. Even though those companies face less tariff risk, they might encounter challenges related to the slowdown in global demand.



## Key Information

NAV (31/3/25) US\$ 120.01(L1)/115.2(L2)/82.43(AI)/67.17(AI EUR)/85.66(BI)/130.56(CB)/96.5(DB A NOK)/87.49(DI A)/138.54(CI)/62.99(CI GBP)/66.59(PB EUR)

Strategy Assets US\$ 1.0 b<sup>(a)</sup>

Total Fund Size US\$ 630.35m

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 <sup>(b)</sup>	11.39	-2.34	-21.17	-29.45	10.02	83.51	30.60	-22.46	84.34	7.10
Index <sup>(c)</sup>	9.22	16.38	-11.53	-23.61	-12.91	33.41	29.74	-26.64	28.58	2.86

Source: Bin Yuan, Pictet, FPS



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

	2024										2025			
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Jan	Feb	Mar	YTD
Bin Yuan GC Fund	2.26	0.38	-2.96	-1.68	-0.90	23.12	-5.91	-3.94	0.47	-2.34	1.24	8.00	1.87	11.39
Index <sup>(c)</sup>	4.75	1.17	-2.47	-0.70	-0.02	23.19	-5.27	-3.23	1.50	16.38	-0.51	8.27	1.39	9.22

## 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 our capacity to pay you.

Please refer to the prospectus<sup>(6)</sup> 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 owed, you could lose your entire investment.

Top Ten Holding					
1	TENCENT	9.32%	2	BABA (H+ADR)	6.12%
3	CM BANK (A+H)	5.85%	4	GUIZHOU AVIATI-A	3.26%
5	HAICHANG OCEAN P	3.15%	6	CHINA RES LAND	3.01%
7	MEITUAN-W	2.85%	8	SHANXI XINGHUA-A	2.78%
9	POP MART INTERNA	2.67%	10	PIOTECH INC-A	2.43%

Sectoral Breakdown <sup>(e)</sup>	% of Assets
Consumer Discretionary	23
Information Technology	17
Industrials	15
Financials	12
Communication Services	11
Health Care	8
Consumer Staples	5
Real Estate	3
Materials	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	21.38%	21.42%
Sharpe Ratio	0.36	0.13
Information Ratio	0.46	
Tracking Error	10.43%	
Active Shares	72.92%	
Beta	0.93	

Market Breakdown	% of Assets
A Share (Connect + QFI)	40
Hong Kong	49
US ADR	8

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	3/31/2025	3/31/2025	3/31/2025
2025 PE (X) –Harmonic Avg. Method <sup>(f)</sup>	15.8	15.8	12.1
2025 PE (X) – Weighted Avg. Method	17.2	20.6	18.6
2025 PB (X)	3.2	3.1	2.1
2025 Div. Yield (%)	2.4	1.7	2.1
2025 ROE (%)	18.7	12.2	11.4
Earning Growth (%) Forward 3 YR	23.7	9.2	7.4
2025 PEGY	0.7	1.9	2.0
FCF Yield (%)	2.3	-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	BMV2Q30	BNLYXY6	BN4BFL5	BMV1994	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<sup>(g)</sup> 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>
- No warranty is given, in whole or in part, regarding performance of the Fund. There is no guarantee that its investment objectives will be achieved. Potential investors shall be aware that the value of investments can fall as well as rise and that they may not get back the full amount invested. Past performance is no guide to future performance. Future Performance is subject to taxation which depends on the personal situation of each investor and which may change in the future. Returns may increase or decrease as a result of currency fluctuations. The information provided in this document may be subject to change without any warning or prior notice and should be read in conjunction with the most recent publication of the prospectus of the Fund. Whilst great care is taken to ensure that information contained herein is accurate, no responsibility can be accepted for any errors, mistakes or omission or for future returns. This document is intended for the use of the addressee or recipient only and may not be reproduced, redistributed, passed on or published, in whole or in part, for any purpose, without the prior written consent of HEREFORD FUNDS. Neither the CSSF nor any other regulator has approved this document.
- According to the SFC climate-related disclosure requirement, please find our disclosure of [Management and Disclosure of Climate-related Risks by Fund Managers](#).
- Marketing communications should indicate that the decision to invest in the promoted fund should take into account all the characteristics or objectives of the promoted fund as described in its prospectus.