

Bin Yuan Greater China Fund

SFDR status as of March 2021: Article 8

May 2023

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) depreciated 6.03% for the month of May (net of fees) compared to a -7.94% return for the benchmark, outperforming the benchmark by 1.91%. Positive contributions came from our stock selection in the Industrials and Health Care sectors, while our underweight position in Financials negatively impacted the performance. As previously outlined, our portfolio holdings delivered positive results in Q1 and much better than the market. This supported performance post the results announcements. Looking ahead, the upcoming H1 results in August, along with expected improvements in business performance in Q3 and Q4, could be potential catalysts to regain investor attention. In May, the positions that contributed the most to the portfolio's return were BAIDU, WUXI AUTOWELL and NARI TECHNOLOGY. The positions that contributed the least were H WORLD, BILIBILI, and PING AN INSURANCE.

Manager's Commentary

The Chinese market was not immune to the "Sell in May" phenomenon. The post reopening recovery has not been in a straight line up as the macro data for April and May were weaker compared to February and March. Concerns over a potential second wave of COVID infections have resurfaced, although people are less scared as symptoms have been mild with short recovery periods. The prevailing negative macroeconomic headlines have overwhelmed global investors who had been betting on a much stronger recovery which led them to sell their China stocks. Local investors have been also struggling to find direction; some of them have engaged in speculative ChatGPT concepts, and some have been chasing SOEs.

We have expected a gradual economic recovery. The prolonged three-year pandemic has taken a toll on the economy, including the government's budget. Given the fiscal constraints faced by local governments, we do not foresee significant stimulus packages aimed at revamping old infrastructure. The property market has passed its peak, and concerns regarding oversupply and leverage persist. It will take time for households to restore their balance sheets before engaging in property purchases. The sluggish global demand obviously is not helping exports. Having said that, we expect the economy in the second half should be stronger than the first half.

While much of the attention has been focused on the negative aspects, it is important to highlight several silver linings that have been mainly overlooked. The Bin Yuan team has been actively visiting companies over the past few months, and had 82 company meetings in April and May. The feedback we received provide encouraging insights from a bottom-up perspective. Many of the firms we visited expressed expectations of a demand recovery in Q3, indicating a potential return to normalized economic growth in Q4.

Our portfolio is strategically positioned to take advantage of the ongoing structural economic recovery, focusing on high value-added products and services, consolidated industries in underpenetrated markets, and rising demand driven by lower costs. We expect these companies to benefit from limited supply and a structural increase in demand, leading to robust earnings growth in 2023 and beyond.

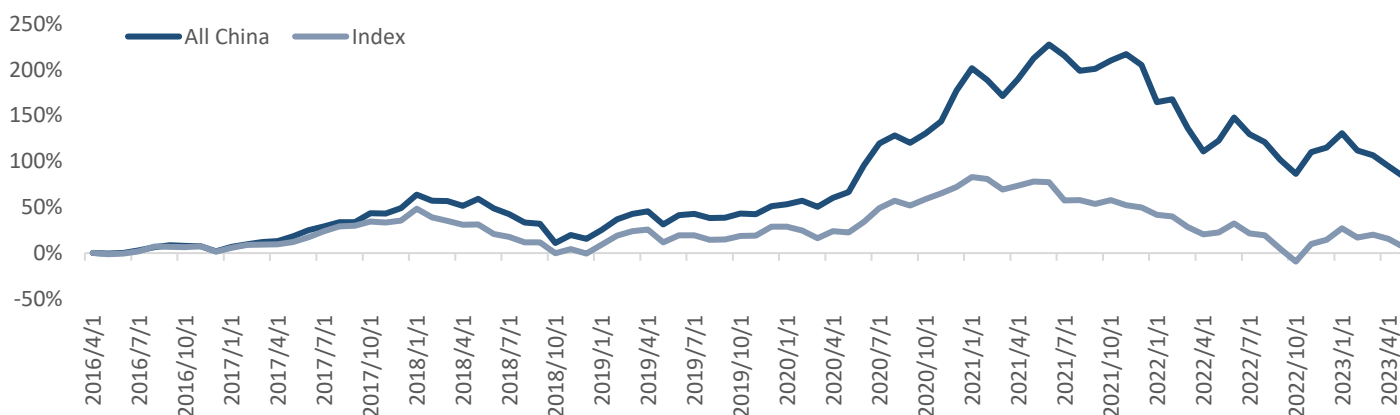
The concerns about the broader macroeconomic situation in China are overdone. The strong fundamental companies in China are currently oversold and trading at very attractive prices, particularly compared to global peers. The economic structural shift in China is ongoing. Patience is needed at this moment in order for long-term investors to see superior returns over the next few years.

Key Information

NAV (31/05/23)	US\$ 119.15(L1)/113.37(L2)/82.59(AI)/68.19(AI EUR)/62.54(AI GBP)/85.46(BI)/129.62(CB)/85.52(DB A)/100.84(DB A NOK)/86.46(DI A)/137.55(CI)/65.12(CI GBP)/66.69(PB EUR)	Strategy Assets	US\$ 1,269 m ^(a)
Total Fund Size	US\$ 738.6 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)	-14.86	-29.45	10.02	83.51	30.60	-22.46	83.02	8.91
Index ^(c)	-7.08	-23.61	-12.91	33.41	29.74	-26.64	6.24	0.86



Monthly Performance (%) data from FPS/Pictet

	2022								2023					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Jan	Feb	Mar	Apr	May	YTD
Bin Yuan GC Fund	11.25	-7.34	-3.75	-8.76	-7.68	12.87	2.33	-29.45	7.20	-8.07	-2.44	-5.75	-6.03	-14.86
Index ^(c)	7.82	-8.07	-1.61	-12.26	-13.52	21.29	4.02	-23.61	11.06	-7.82	2.58	-3.87	-7.94	-7.08

Risk and reward profile



Top Ten Holding					
1	IRAY TECHNOLOG-A	10.58%	2	CHINA MERCH BK-A	5.21%
3	HAICHANG OCEAN P	4.50%	4	BAIDU INC-A	4.25%
5	CHAOZHOU THREE-A	4.11%	6	WUXI AUTOWELL-A	4.07%
7	SHANGHAI FRIEN-A	4.03%	8	KANGJI MEDICAL H	3.84%
9	ECOVAS ROBOTI-A	3.63%	10	NARI TECHNOLOG-A	3.57%

Sectoral Breakdown ^(e)	% of Assets
Health Care	21
Information Technology	18
Consumer Discretionary	18
Industrials	12
Financials	9
Communication Services	7
Consumer Staples	6
Materials	1

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	20.67%	20.77%
Sharpe Ratio	0.47	0.04
Information Ratio	0.80	
Tracking Error	10.95%	
Active Shares	89%	
Beta	0.91	

Market Breakdown	% of Assets
A Share (Connect + QFI)	64
Hong Kong	27
US ADR	1

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	5/31/2023	5/31/2023	5/31/2023
2023 PE (X) – Weighted Average Method*	22.6	22.7	19.9
2023 PE (X) – Integral Method*	13.7	12.1	10.9
2023 PB (X)	4.3	3.1	2.0
2023 Div. Yield (%)	1.1	1.8	2.7
2023 ROE (%)	19.0	13.6	10.2
Earning Growth (%) Forward 3 YR	26.6	12.9	11.1
2023 PEGY	0.8	1.6	1.5
FCF Yield	1.5	-1.2	2.2

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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- This document should be read as a marketing communication.
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