Hereford Funds

Signatory of:

Principles for Responsible Investment

A proud participant of: Climate Action 100+

BINYUAN CAPITAL

RACE TO ZERO

Bin Yuan Greater China Fund

SFDR status as of March 2021: Article 8

May 2026

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) increased 6.44% for the month of May (net of fees) compared with a -0.94% return for the benchmark. Information Technology contributed positively, while Industrials adversely impacted relative performance during this period. In May, the positions that contributed the most to the portfolio's return were MONTAGE TECHNO, LENOVO GROUP and PIOTECH INC. The positions that contributed the least were DONGFANG ELECT, TENCENT and SHANDONG GOLD.

Manager's Commentary

Risk appetite returned in May as the geopolitical overhang from the US–Iran/Israel conflict receded and attention shifted back to earnings and demand. AI demand remained strong, underpinning a multi-year investment cycle in compute, the components around it and the devices that deliver it.

The build-out is no longer just about the compute chip at its centre. As inference scales and autonomous agents take on more of the workload, value is migrating to the parts around the GPU: the memory interface, analogue, advanced packaging, passive components such as MLCC, edge devices and power. **This has long been how we invest**: we identify the components whose content rises with each new generation of hardware and software, and focus the value as the bottleneck shifts.

The Agent Era — Compute Re-Rates, Legacy Platforms Erode

The nature of the work is changing. Models are no longer trained once and set aside; they now run continuously, serving live queries and driving autonomous agents. That shift leans far more heavily on CPUs and the software that coordinates them, not just the GPU. The deployed CPU-to-GPU ratio has moved from 1:7–8 in the pre-training era to roughly 1:4 today and is heading towards 1:1, implying an addressable CPU TAM perhaps 3–4× consensus.

Connectivity has been similarly underestimated: memory, storage and inter-rack bandwidth are now the binding constraints, and the chokepoint increasingly sits in the data pathway rather than in compute itself.

Our largest IT positions sit at precisely these layers: **Hygon** (CPU + DCU) and **Montage** (memory interface; ~7× content per server in the next generation on MRDIMM, PCIe Retimer, CKD, and CXL).

The same shift erodes the moats of the incumbent platform layer: agents displace apps, and the user's own agent becomes the new gatekeeper:

	Legacy Platform (Centralised)	Edge Network (Decentralised, agent-driven)
Compute	Centralised cloud data centres	On-device NPU; runs at the edge
Latency	Round-trip to the cloud — high	Local — instantaneous
Privacy	Data leaves the device	Data stays on-device; private
Task	Single-task — one app per problem	Multi-task — one agent commands many tools
Moat	Network effects, data aggregation	Personal context, local integration
User	Audience and data source	Director — the agent works for the user

Incumbent platforms are now being pushed into capital-intensive AI infrastructure spending without a matching step-up in revenue. We remain underweight the internet platforms until that capex converts into earnings, and have instead added to our exposure to edge computing through **Rockchip and Lenovo**.

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Supply Tightens — Long-Term Demand Likely Underestimated

Our late-May trip to Taiwan confirmed a multi-year shortage across the AI hardware chain — leading-edge wafers, advanced packaging, test and fibre arrays — with companies raising their market forecasts almost every quarter. The more important point is that even these revised numbers understate the longer-term picture. The defining tension of this cycle is non-linear AI demand running into linear physical supply: AI does not merely make existing tasks faster, it widens the range of tasks attempted in the first place.

The consequence is two-sided: the price of physical and silicon assets rises structurally (silicon inflation), while the cost of the human services AI displaces falls (carbon deflation). The market is still pricing AI demand as a single, linear cycle; we are positioned for the non-linear case.

The takeaway from our Taiwan trip is that tightness is now spilling over in three directions, with mainland China taking share as global capacity stays tight:

- **Up and across the AI chain** — equipment and test (**Hua Feng, Piotech**), optical and connectivity (**HTGD**), and domestic foundry/memory (**SMIC, Hua Hong**).
- **Into non-AI capacity** — AI is drawing supply away from non-AI applications in **MLCC (CCTC)** and **analogue (SG Micro)**, tightening those markets in turn.
- **Into power and aviation** — the AI data-centre gas-turbine gap is now rippling into aircraft and marine propulsion. **Jereh** disclosed an FTAI Aviation partnership of USD 2.5–4.2bn over three years for ~100 Mod-1 CFM56 aero-derivative kits — the first concrete AIDC-to-aviation spillover. **Yingliu, GATD, and Himile** sit upstream on forgings and blades.

Positioned Early — Buying the Layers Ahead of Consensus

Most of May's contributors are positions we built anti-consensus, as small/mid-cap leaders, ahead of the market. **Montage, HTGD, Piotech, iRay, CCTC, SG Micro and Jereh** were each under-followed names in their respective layers when we first bought them in the past years. Our **anti-consensus position in Lenovo (992.HK)** belongs to the same lineage: we built it when the market was sceptical of both the PC and the server businesses, on our view — ahead of consensus, and now playing out — that AI would push onto the edge device and lift server profitability. Lenovo's PC business is seeing tangible upswing driven by fast-penetrating on-device AI PCs(>30%), while the infrastructure segment has turned consistent profitable on booming orders of liquid-cooled AI servers and ThinkEdge edge computing products partnering closely with Nvidia's Rubin platform. Upbeat quarterly earnings(+101% yoy)and strong AI sever backlog (USD 21.0 billion) have gradually validated our early-cycle judgment, and we still see sustained margin expansion ahead as its hybrid-AI product portfolio keeps ramping across global enterprise vertical markets.

Our conviction has strenthened along three lines: spillover through the physical supply chain; vertical AI applications with genuinely monetisable value; and reconstruction spending in new energy, machinery, machine tools and industrial control. We remain firm on the longer-term case. Nearer term, we are mindful of valuation and crowding in some names, and have begun rotating part of the winners into the less appreciated spillover and reconstruction themes.

Marketing Communication

Hereford Funds

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Key Information

NAV (31/5/26)	US$ 159.22(L1)/153.71(L2)/108.73(AI)/82.02(AI EUR)/113.32(BI)/173.22(CB)/ 112.58(DB A NOK)/116.4(DI A)/183.81(CI)/80.02(CI GBP)/82.0(PB EUR)	Strategy Assets	US$ 1.1 bil(a)
Total Fund Size	US$ 646.3m	Fund Launch Date	16-Apr-18

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	Cumulative	Annualized
Bin Yuan All China Strategy(b)	10.92	33.24	-2.34	-21.17	-29.45	10.02	83.51	30.60	-22.46	144.57	9.27
Index(c)	-2.01	28.94	16.38	-11.53	-23.61	-12.91	33.41	29.74	-26.64	48.74	4.02

Source: Bin Yuan, Pictet, FPS

Monthly Performance (%) data from FPS/Pictet

	2025									2026					
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Jan	Feb	Mar	April	May	YTD
Bin Yuan GC Fund	4.50	5.42	2.83	5.00	11.57	-4.66	-3.07	1.44	33.24	10.46	0.98	-14.75	9.58	6.44	10.92
Index(c)	2.74	3.59	4.62	7.19	7.42	-2.42	-2.41	0.57	28.94	4.12	-2.89	-7.54	5.81	-0.94	-2.01

Risk and reward profile

Lower risk **Higher risk**

1	2	3	4	5	**6**	7

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(g) 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.

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Top Ten Holding					
1	MONTAGE TECHNO-A	5.24%	2	TENCENT	4.97%
3	JIANGSU HENGLI-A	4.35%	4	YANTAI JEREH-A	3.87%
5	LENOVO GROUP	3.81%	6	HYGON INFORMAT-A	3.75%
7	XI'AN SINOFUSE-A	3.60%	8	BEIJING HUAFEN-A	3.52%
9	ROCKCHIP ELEC-A	3.47%	10	CM BANK （A+H）	3.39%

Sectoral Breakdown[e]	% of Assets
Information Technology	46
Industrials	29
Financials	7
Communication Services	5
Materials	5
Health Care	4
Consumer Discretionary	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	21.59%	20.82%
Sharpe Ratio	0.45	0.19
Information Ratio	0.53	
Tracking Error	10.78%	
Active Shares	85.51%	
Beta	0.96	

Market Breakdown	% of Assets
A Share (Connect + QFI)	66
Hong Kong	28
US ADR	3

Valuation	Portfolio	Benchmark
Period	**5/31/2026**	**5/31/2026**
2027 PE (X) –Harmonic Avg. Method[f]	19.4	12.6
2027 PE (X) – Weighted Avg. Method	25.9	19.8
2027 PB (X) [f]	3.0	2.2
2027 Div. Yield (%)	1.4	2.5
2027 ROE (%)	19.0	10.9
Earning Growth (%) Forward 3 YR	25.4	7.7
2027 PEGY	1.0	2.0
FCF Yield (%)[g]	2.5	2.8

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	HEYGCAG 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	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[(h)] 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 of (1/Value_i)
Where:
- (N) is the total number of values.
- \(\{Value}_i\) is each individual value in the set.
(g) Align the FCF yield calculation methodology for both the benchmark and the portfolio to ensure consistency, defined as the weighted average of operating cash flow (OCF) minus capital expenditures (Capex), divided by market value (MV), i.e., (OCF - Capex) / MV.
(h) Prospectus (English) and KIDs (English, French, German)

IMPORTANT INFORMATION

Hereford Funds — All Sub-Funds | Marketing Communication

This document is a marketing communication. Before investing, read the Prospectus and PRIIPs Key Information Document (KID), available at **www.herefordfunds.com/library/disclaimer**.

Risk: The Summary Risk Indicator (SRI) is based on historical data and may not reliably indicate future risk. The risk category is not guaranteed and may change. Category 1 is not risk-free. No capital guarantee is provided. The value of investments can fall as well as rise and investors may not recover the full amount invested.

Past performance does not predict future returns.

Tax treatment depends on individual circumstances and may change.

Currency risk: Returns may increase or decrease due to currency fluctuations.

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