

Bin Yuan Greater China Fund

SFDR status as of March 2021: Article 8
September 2024

Signatory of:




Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) increased 23.12% for the month of September (net of fees) in line with the benchmark. Consumer Discretionary and Information Technology sectors adversely impacted relative performance during this period, while Communication Services sector contributed positively. In September, the positions that contributed the most to the portfolio's return were IRAY TECHNOLOG, BILIBILI INC and MEITUAN. The positions that contributed the least were CGN POWER, EHANG HOLDINGS and DENCARE CHONGQ.

Manager's Commentary

The three-year depressed sentiment in the Chinese equities finally turned around at the end of September. We wrote a "buy" call to clients indicating that we strongly believe that the market was oversold, according to various factors, and a rebound was expected. The aggressive monetary policies to stimulate the economy announced by the Chinese government on September 24th was a positive surprise to the market and boosted investor confidence. Investors have been pouring their cash into the market to express their gratitude. Total transaction volume in A share market surged to a history high of RMB 2.6 trillion on a single day to surpass the high of RMB 2.4 trillion in 2015. SZSE Component Index jumped up 10.7% on the last trading day of September, setting a new record. From September 24 to 30, the Chinese market surged 23.1%, while our portfolio holdings recovered even faster with gains of 25.1%. Initially led by Internet, Consumption and Financials sectors, this momentum then spread to mid-cap Information Technology, Industrial, and Healthcare sectors.

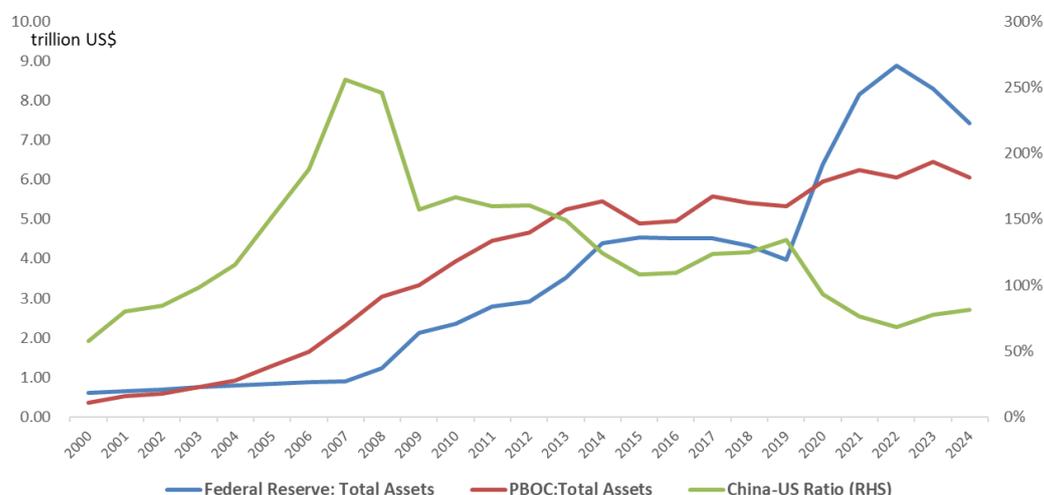
This year, we have consistently communicated to our investors that patience will be well rewarded in this extremely over sold market. With the US interest rate cut as a catalyst, followed by the Chinese government's moves towards adapting counter-cyclical economic measures, we believe **that the China market is at the beginning of an upturn cycle.**

The reduction of US interest rates, as mentioned in the August newsletter, created an opportunity for the Chinese government to implement aggressive monetary and fiscal policies to stimulate economic growth.

Broad financial support was announced by top financial authorities, targeting banking, real estate, financial sectors and the capital market on September 24th. The cuts to the reserve requirement ratio (RRR) and interest rates, including that of existing mortgages, and lower downpayments for home buyers should help to free up liquidity, lower funding costs, reduce households' financial burden, boost confidence and stimulate the economy to achieve 5% GDP target over the next quarters. Investor sentiment should be also supported by two new tools that were introduced to boost the capital market: a swap program, with an initial size of RMB 500 billion, to allow funds, insurers and brokers easier access to funding to buy stocks, and a special-purpose re-lending tool to support stock buybacks.

The monetary policies exceeded expectations, demonstrating the government's dedication to bolstering the economy and market. The People's Bank of China (PBOC) has ample room to expand its balance sheet (Chart 1).

Chart 1: Balance Sheet Expansion of Central Banks in China and US



Source: Bin Yuan Capital, Wind, iFind

We expect additional fiscal policies to reflate the economy. More positive signals were released from the Politburo meeting on September 26th to support private enterprises and low-income groups. The Politburo vowed to implement measures to boost household consumption and stop the decline in the property market. The necessary fiscal spending to spur growth has been pledged.

The easing of home-buying restrictions was announced by major cities immediately following the Politburo meeting. Guangzhou removed all restrictions on home purchases, Shanghai lowered the required tax paying period for migrant workers to buy homes in non central areas, Shenzhen scrapped previous limits on the number of homes that people can buy in some districts. Beijing also followed suit.

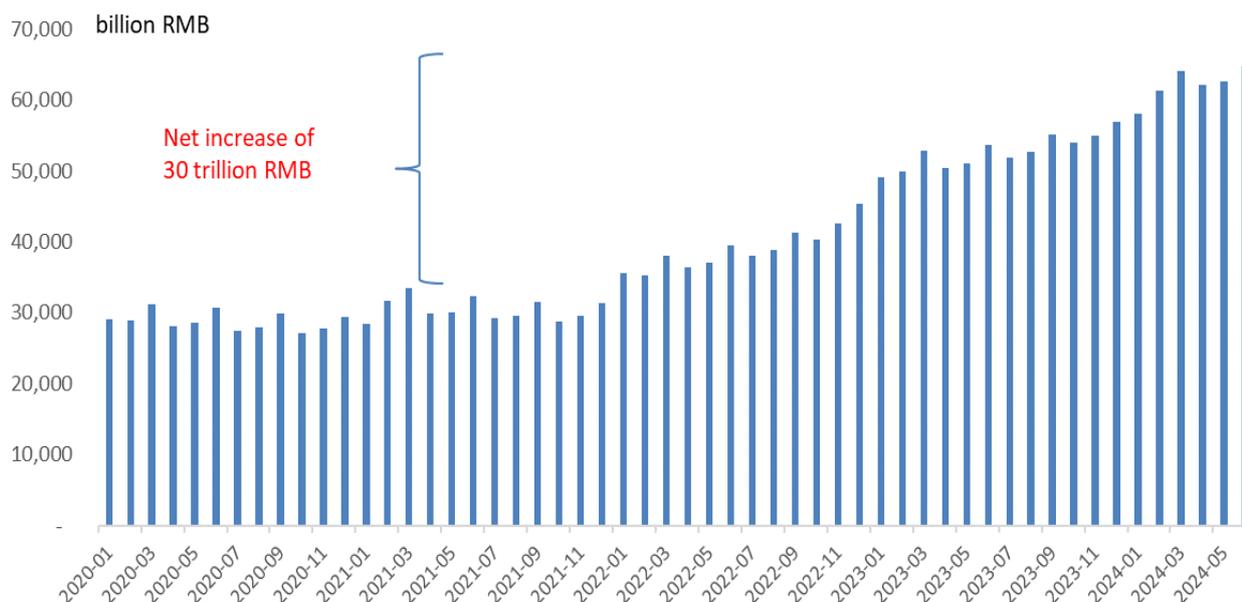
At the same time, we saw faster implementation of policies such as the previously announced trade-in program for cars and appliances. During our on-site visits to lower-tier cities, home appliance store owners told us that households' enthusiasm for the program was high. Customer visits and orders have been surging. Weekly sales of air-conditioners, refrigerators and washing machines went from -21/-30/-29% in mid-August to 140/96/92% YoY in late September.

We anticipate the government will issue long-term bonds and/or expand the PBOC's balance sheet for infrastructure investment, consumer subsidies, fund allocation to local governments, and the stabilization of the property market. The stimulus package to rejuvenate the economy could potentially reach trillions of RMB. The key time windows for policy monitoring are the end of October during the NPC Standing Committee Meeting and the December Central Economic Work Conference.

The robust policy support is the catalyst the market had been looking for and has restored investor confidence. Domestic retail investors are entering the market at a rapid pace, leaving brokers with insufficient time to open accounts for them. Last week's buyers were primarily existing funds increasing their positions, rather than new buyers. The recent surge in the Hong Kong market during the national holiday, while the A share market was closed, was primarily driven by Asian hedge fund investors rather than incremental long-only investors from the US and Europe. That capital is still skeptical but could become more positive and enter the market once more concrete policies are unveiled.

The potential inflow could be substantial. In recent years, total household deposits minus total household loan balances has reached RMB 60 trillion. There has been a net increase of RMB 30 trillion in the past three-plus years post-Covid, which could potentially serve as a funding source entering the market. (Chart 2).

Chart 2: Household Deposits Minus Household Loans

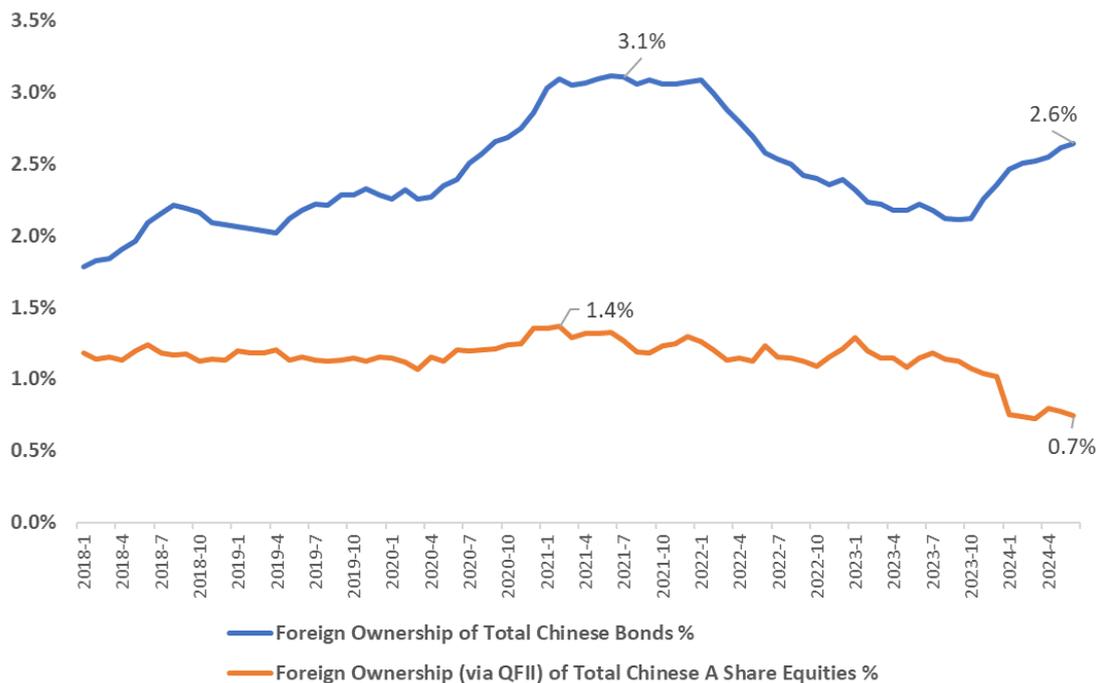


Source: Bin Yuan Capital, Wind, iFind

If the outflow of foreign capital reverses and returns to the A-share market (Chart 3), and offshore H and ADR markets (Chart 4), the potential inflow could amount to close to RMB 2 trillion by our estimate.

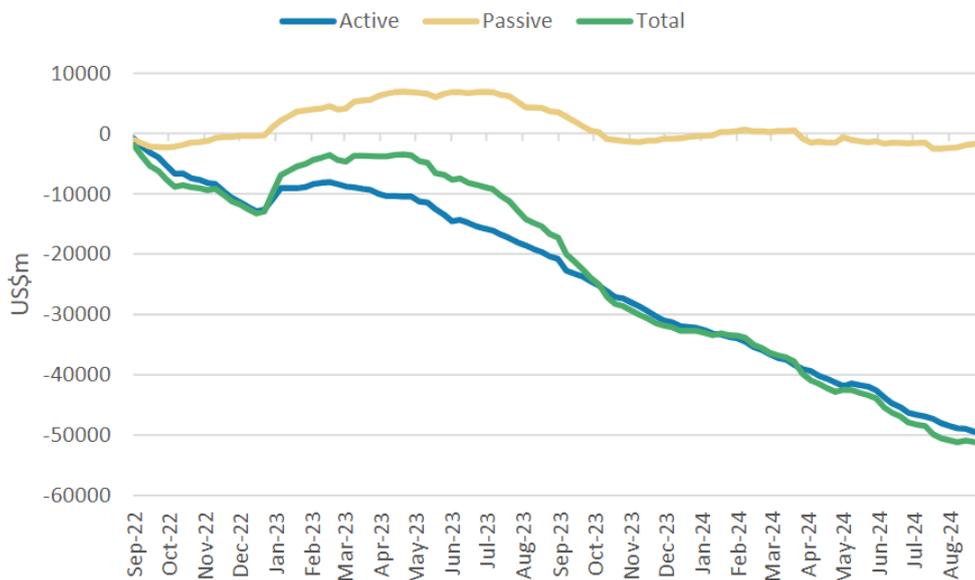


Chart 3: Foreign Ownership of China Bonds and Equities Market



Source: Bin Yuan Capital, Wind, iFind

Chart 4: Weekly Cumulative Net Fund Flows (US\$m) into China Equities by Active and Passive Funds



Source: EPFR, Morgan Stanley Research. Note: Data as of September 18, 2024. Only GEM equity funds benchmarked against MSCI EM are included

The economy is expected to gradually recover in the coming quarters due to the implementation of comprehensive measures and the low base effect. The potential for further easing has also increased as global central banks continue on a rate-cut trajectory. **A market upturn and strong expected returns of our portfolio lies ahead. Investor confidence is being restored and should be further bolstered by economic recovery, potentially leading to continued inflows into China's equity markets.**



Key Information

| | | | |
|-----------------|--|------------------|-----------------------------|
| NAV (30/09/24) | US\$ 118.65(L1)/113.62(L2)/81.7(AI)/64.43(AI EUR)/57.16(AI GBP)/84.8(BI)/129.08(CB)/95.32(DB A NOK)/86.39(DI A)/136.97(CI)/59.92(CI GBP)/63.64(PB EUR) | Strategy Assets | US\$ 1,057 m ^(a) |
| Total Fund Size | US\$ 631.5m | Fund Launch Date | 16-Apr-18 |

| Period Performance (%) data from FPS/Pictet/Bin Yuan | | | | | | | | | |
|--|-------|--------|--------|--------|-------|-------|--------|------------|------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | Cumulative | Annualized |
| Bin Yuan All China Strategy ^(b) | 7.55 | -21.17 | -29.45 | 10.02 | 83.51 | 30.60 | -22.46 | 82.25 | 7.39 |
| Index ^(c) | 25.09 | -11.53 | -23.61 | -12.91 | 33.41 | 29.74 | -26.64 | 26.53 | 2.84 |

Source: Bin Yuan, Pictet, FPS



| Monthly Performance (%) data from FPS/Pictet | | | | | | | | | | | | | | |
|--|-------|------|-------|--------|--------|------|-------|------|------|-------|-------|-------|-------|-------|
| | 2023 | | | | 2024 | | | | | | | | | |
| | Oct | Nov | Dec | YTD | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | YTD |
| Bin Yuan GC Fund | -2.92 | 0.27 | 3.01 | -21.17 | -15.26 | 8.43 | -2.03 | 2.26 | 0.38 | -2.96 | -1.68 | -0.90 | 23.12 | 7.55 |
| Index ^(c) | -3.81 | 2.01 | -1.98 | -11.53 | -9.94 | 9.17 | 0.65 | 4.75 | 1.17 | -2.47 | -0.70 | -0.02 | 23.19 | 25.09 |

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⁽⁶⁾ 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 | | | | | | Sectoral Breakdown ^(e) | | % of Assets | |
|-----------------|------------------|-------|----|------------------|-------|-----------------------------------|----|-------------|--|
| 1 | TENCENT | 5.98% | 2 | CHINA MERCH BK-A | 5.52% | Consumer Discretionary | 19 | | |
| 3 | IRAY TECHNOLOG-A | 5.23% | 4 | HAICHANG OCEAN P | 3.79% | Industrials | 16 | | |
| 5 | KANGJI MEDICAL H | 3.30% | 6 | BILIBILI INC-Z | 3.27% | Information Technology | 15 | | |
| 7 | PING AN INSURA-A | 3.05% | 8 | JIANGSU HENGLI-A | 3.04% | Health Care | 13 | | |
| 9 | MEITUAN-W | 2.98% | 10 | NARI TECHNOLOG-A | 2.94% | Financials | 10 | | |
| | | | | | | Communication Services | 10 | | |
| | | | | | | Consumer Staples | 7 | | |
| | | | | | | Materials | 6 | | |
| | | | | | | Utilities | 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 | 21.72% | 21.76% |
| Sharpe Ratio | 0.37 | 0.13 |
| Information Ratio | 0.48 | |
| Tracking Error | 10.70% | |
| Active Shares | 78% | |
| Beta | 0.93 | |

| Market Breakdown | % of Assets |
|-------------------------|-------------|
| A Share (Connect + QFI) | 52 |
| Hong Kong | 39 |
| US ADR | 7 |

| Valuation | Portfolio | Benchmark (excluding Financials) | Benchmark |
|--|------------|----------------------------------|------------|
| Period | 09/30/2024 | 09/30/2024 | 09/30/2024 |
| 2024 PE (X) –Harmonic Avg. Method ^(f) | 17.0 | 16.4 | 13.0 |
| 2024 PE (X) – Weighted Avg. Method | 18.7 | 21.3 | 19.8 |
| 2024 PB (X) | 2.6 | 3.1 | 2.1 |
| 2024 Div. Yield (%) | 2.6 | 1.5 | 1.9 |
| 2024 ROE (%) | 18.6 | 12.0 | 11.4 |
| Earning Growth (%) Forward 3 YR | 22.9 | 7.7 | 5.2 |
| 2024 PEGY | 0.7 | 2.3 | 2.8 |
| FCF Yield | 2.7 | -0.8 | 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:

$$\text{Harmonic Mean} = N / \sum \text{of } (1/\text{Value}_i)$$

Where:

- (N) is the total number of values.

- 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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- 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.