

Investment Review

The Hereford Funds – Bin Yuan Healthcare Fund (share class L1) depreciated 2.14% for the month of December (net of fees) compared with a -8.99% return for the benchmark. As of the end of December, the Sub Fund was mainly invested in Healthcare Equipment & Parts and Services, with few positions in the Pharmaceuticals sector.

For the month, the Fund outperformed the benchmark by 6.95%. Positions that contributed most to the portfolio were IRAY TECHNOLOGY, NEW INDUSTRIAL and AUTOBIO DIAGNOSTICS. KANGJI MEDICAL, UNITED IMAGING HEALTHCARE, and YIFENG PHARMACY. Positions that contributed least were WUXI BIOLOGICS, WUXI APTEC and KANGJI MEDICAL.

Manager's Commentary

2023 is another disappointing year for Chinese investors. For the full year, the China's healthcare market underwent a correction of 20.5%, while our portfolio incurred a loss of 18.1%, representing an 2.4% outperformance compared to the market. But forward looking, the long term trend of the ageing population will support China's Healthcare demand. In terms of payment capacity, we believe that the current government + BMI system + individual payment model can meet the growth of demand. Our investment focus are those companies offering advanced technology and simplified processes which will improve productivity and drive cost efficiencies. After the bear market in healthcare following VBP, the Covid period and the recent corruption crackdown in the healthcare industry; healthcare companies are the cheapest they have been for decades. Our Healthcare portfolio sells on a 2024 PER of 20.2X with 3 year estimated earnings growth of 21.9%. We believe selected companies in Healthcare offers significant investment potential over the next investment cycle. We also see a more benign regulatory environment. For a detailed outlook, please refer to the year-end review – '2024 China Healthcare Update'.

At the stock level, SNIBE (300832.SZ) outperformed significantly in 2023. The development of SNIBE in the past few years confirms our view that VBP (volume-based purchasing policy) underscores the emphasis for cost-effective products which is more an opportunity than risk for leading domestic companies. As a leading company in IVD (In-vitro diagnostic testing) field, in addition to an increasing number of early diagnostic projects, SNIBE has been pushing for increased speed in recent years, with its X8 boosting chemiluminescence testing from 300 T/h to 600 T/h. Its products are very popular not only in China but also abroad, so the high growth trend we believe can continue in next several years.

WuXi Bio (2269.HK) maintained a year of weakness. Due to geopolitical pressure and weak domestic investment willingness, the company finally lower its profit forecast for 2023-2025 at the beginning of last month. On the other side, its new projects and new orders beat. As of end November, it has added 91 new projects (vs. 46 in 1H23), excelling guidance of 80 projects. Considering its strong market position, with a 50% global market share of new orders, we believe that the stock price has already gained some appeal. But the company is very sensitive to the relationship between China and the United States, and we need closely monitor that at this stage.

Key Information

NAV (31/12/23)	US\$ 68.7 (L1)	Strategy Assets	US\$ 3.7 m ^(a)
Total Fund Size	US\$ 3.7 m	Fund Launch Date	03-Dec-21

Monthly Performance (%) data from FPS/Pictet															
	2022	2023													ITD
	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	
Bin Yuan HC Fund	-17.07	7.72	-5.48	-4.80	-2.51	-7.60	-4.98	4.34	-7.54	1.56	-0.81	3.75	-2.14	-18.13	-31.26
Index ^(b)	-25.50	9.11	-9.91	-4.72	2.99	-10.21	-6.15	8.44	-7.04	0.34	5.29	0.73	-8.99	-20.45	-45.50

Risk and reward profile



Top Ten Holding					
1	KANGJI MEDICAL H	9.49%	2	WUXI APPTec CO-A	7.08%
3	WUXI BIOLOGICS C	7.02%	4	IRAY TECHNOLOG-A	6.96%
5	SHENZHEN MINDR-A	4.85%	6	INNOVENT BIOLOGI	3.93%
7	SHANGHAI UNITE-A	3.85%	8	NEW INDUSTRIALS	3.77%
9	SUZHOu NANOMIC-A	3.57%	10	APT MEDICLA IN-A	3.48%

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.

Market Breakdown	% of Assets
A Share	64
Hong Kong (Discounted Dual Listing)	2
Hong Kong	29

Sectoral Breakdown	% of Assets
Healthcare Equipment & Parts	56
Services	27
Biotechnology	7
Pharmaceuticals	5

Valuation ^(c)	Portfolio	Benchmark
Period	12/31/2023	12/31/2023
2024 PE (X) – Weighted Avg. Method	20.3	19.2
2024 PE (X) – Harmonic Avg. Method ^(c)	19.7	28.9
2024 PB (X)	3.4	2.7
2024 Div. Yield (%)	1.1	1.2
2024 ROE (%)	18.1	7.9
Earning Growth (%) Forward 3 YR	21.9	14.5
2024 PEGY	0.9	1.2
FCF Yield	2.0	0.9

Annual Management Charge TERs as at end September 2021	
Share Class L1	0.50% NA
Share Class A	1.00% NA
Share Class P	0.50% with 10% Performance Fee NA
Minimum Investment	
Share Class L1	\$100,000 Minimum initial subscription & holding
Share Class A	\$100,000 Minimum initial subscription & holding
Share Class P	\$100,000 Minimum initial subscription & holding

Fund Codes	
Share Class	L1
Bloomberg	HEFYHUA LX
TK	
ISIN	LU2413982427
Lipper ID	
Sedol	BLBHZ45

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	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

Order Transmission Information

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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) MSCI China Health Care Index (Bloomberg Ticker MXCN0HC Index).

(c) 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.

- $\{Value_i\}$ is each individual value in the set.

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. Hereford Funds is a trading name of Hereford Funds LLP. Hereford Funds LLP is an appointed representative and tied agent of Thornbridge Investment Management LLP which is authorised and regulated by the Financial Conduct Authority (FRN: 713859). 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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