

## Bin Yuan Healthcare Fund

SFDR status as of March 2021: Article 8  
February 2025



### Investment Review

The Hereford Funds – Bin Yuan Healthcare Fund (share class L1) increased 3.88% for the month of February (net of fees) compared with a 11.21% return for the benchmark. As of the end of February, the Sub Fund was mainly invested in Healthcare Equipment & Parts and Biotechnology, with few positions in the Pharmaceuticals sector.

For the month, the Fund underperformed the benchmark by 7.33%. Positions that contributed most to the portfolio were INNOVENT BIOLOGI, BEIGENE LTD and SHENZHEN MINDR. Positions that contributed least were QINGDAO NOVELB, SINOPHARM and SUNRESIN NEW.

### Manager's Commentary

China's healthcare sector has rebounded in February, especially for those Pharmaceuticals and AI healthcare related companies.

Some companies have rolled out their performance forecasts for the previous year. As we pointed out previously, we had observed the upturn in industry policies and tenders from the fourth quarter of last year, and that shall gradually manifest itself in the financial performance. Among the firms that have issued earning forecasts, medical consumables companies maintained a steady growth. Meanwhile, pharmaceutical companies and medical device companies experienced a notable improvement in revenue in the fourth quarter of last year. Specifically, the revenue growth rate of medical device companies rebounded from negative 3.5% in the third quarter of last year to a positive 4% growth in the fourth quarter (Table 1). We are of the opinion that this recovery momentum will persist throughout 2025.

To better benefit from the resilience of the marginal recovery, our portfolio maintains an overweight allocation to medical consumables, but increased some exposure to the medical device and pharmaceutical sectors.

Table 1: Subsegment & Core Holdings Revenue Growth and Valuation

		1Q24 Rev Gr	2Q24 Rev Gr	3Q24 Rev Gr	4Q24 Rev Gr	2025 PE	PEGY
<b>Consumable parts</b>		<b>2.6%</b>	<b>11.7%</b>	<b>10.8%</b>	<b>12.3%</b>		
688617 CH Equity	APT MEDICAL	30.2%	24.5%	23.1%	23.9%	36.5	0.90
688575 CH Equity	YHLO	-34.6%	27.4%	-7.7%	17.6%	18.8	0.90
<b>Equipment</b>		<b>-0.9%</b>	<b>-1.7%</b>	<b>-3.5%</b>	<b>4.0%</b>		
688301 CH Equity	IRAY	11.5%	3.6%	-24.9%	8.4%	24.3	0.98
688677 CH Equity	NOVELBEAM TECHNOLOGY	-20.7%	-13.9%	-9.4%	29.3%	24.8	0.93
<b>Pharmaceutical</b>		<b>5.9%</b>	<b>0.6%</b>	<b>0.7%</b>	<b>20.6%</b>		
6160 HK Equity	Beigene	74.8%	58.6%	26.9%	77.6%	-	-
600750 CH Equity	JZYY	-6.8%	-3.7%	-5.1%	17.1%	16.0	0.95

### Bin Yuan Opinion – AI's ROLE IN HEALTHCARE

In last letter, we looked at the role for AI in healthcare, including personalized health plans, medication guidance, surgical assistance, and custom-made medicines. AI application opportunities are set to take off during the AI boom. In this review, we look at the unique characteristics of AI in Healthcare, China's strategic approach, phased AI Healthcare development, and the key beneficiary companies:

- Leaders in medical imaging: United Imaging, Mindray Bio
- AI medical solution providers: Xunfei Healthcare
- Medical e-commerce platforms with AI capabilities: Alibaba Health, JD Health
- Medical AIoT: Yuyue Medical

AI is becoming deeply integrated into China's healthcare system, with the core AI medical market expected to grow at a 32% CAGR, reaching \$101 billion by 2030.

### AI medical: medical treatment is the focus

In most consumer-facing AI applications like AIoT (AI of things), AIPC, AI advertising, AI in cars and mobile phones, the emphasis remains largely on 'AI'. These industries have highly competitive bases, with standardized products (PCs, mobile phones, cars) or services (advertising) and diminishing upgrade magnitudes. The demand for these AI applications, especially for consumer-oriented mobile phones and PCs, is standardized. With Deepseek's build-up, these AI sectors can quickly meet non-professional demands as large language models rapidly iterate.

However, AI healthcare stands out as its focus remains on 'healthcare', making it distinct in several aspects:

### 1. Stringent Professionalism and Accuracy Demands

Medical practice is highly professional. Diagnosis and treatment must be tailored to each individual, resulting in a low degree of standardization. The demand for output accuracy is extremely high. While an acceptable accuracy rate for general AI may be sufficient in other fields, it falls short for AI in healthcare. There is a significant gap between merely assisting doctors in decision-making and fully replacing them.

### 2. Emphasis on Quality Data over Quantity

In other fields, you often hear that 'whoever controls the data dominates the world'. But AI application in healthcare requires high-quality data predominantly from top-tier medical institutions, rather than just a large volume of data. Large models can serve as a foundation to boost R&D efficiency in certain areas. However, the true complexity of specialized medical problems demands resolution by professional 'small' models, which need to be jointly developed by medical and computer professionals.

### 3. Heightened Data Security Requirements

Medical data security is a sensitive issue. As relevant regulations continuously improve and patient awareness strengthens, the challenge of acquiring medical data will keep growing. Companies that can make patients trust them and be willing to hand over their health information have a very strong competitive advantage.

The above-mentioned characteristics of AI medical means that ordinary Internet giants and general AI platforms need to spend a longer time examining this field. As AI technology continues to iterate and the industry threshold keeps decreasing, it is those professional medical companies that have won customer trust and can leverage their own hardware and data advantages that stand a better chance of benefiting from the popularization of AI. The collaboration between medical companies and Internet giants, along with the model of giving full play to their respective technological strengths, can emerge as a guiding trend for future development.

## AI healthcare in China: focus on equality and efficiency

AI in China's medical industry focuses on practical applications, emphasizing equality and efficiency. Unlike the broader global AI medical advancements, China's approach aligns with its current healthcare development stage, prioritizing accessibility and operational improvements.

### 1. AI in China's medical sector helps reduce the quality gap between different tiers of healthcare institutions:

While top-tier hospitals in big cities are overcrowded, primary healthcare facilities often provide lower-quality services. For example, in terms of diagnostic accuracy, data shows that the diagnostic accuracy rate in primary medical institutions is significantly lower than that in large-scale urban hospitals (Table 1). With the application of AI, it is possible to bridge the gap. According to the National Data Administration's typical cases study, the diagnostic accuracy of primary healthcare providers can be increased by 17.8% with the help of AI. This improvement not only enhances the confidence of patients in primary healthcare but also helps to distribute medical resources more evenly, reducing the over-concentration of patients in large-city hospitals. This boosts patient confidence in primary care and promotes a more balanced distribution of medical resources.

Table 1: Quality gap between different medical institutions

	Primary care organizations in China	Tertiary hospitals in China
Diagnostic accuracy of acute appendicitis	82.7%	98.2%
Diagnostic accuracy of diabetes	78.9%	96.5%
Misdiagnosis leading to unnecessary puncture rate	18%	<5%
Indoor quality control compliance rate	77%	100%
Educational level of medical staff	Bachelor's degree or above = 39%	Masters/PhD >70%

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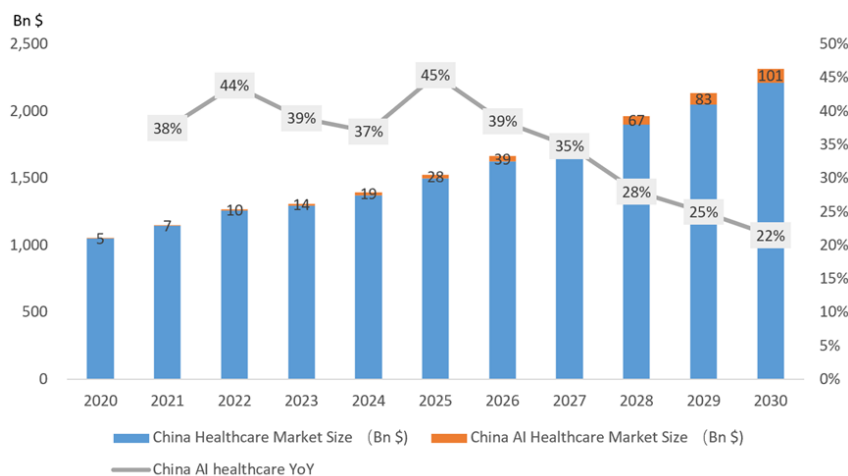


**2. Corporations and the government in China are more willing to invest in AI-driven efficiency improvements than individual consumers:**

Medical device manufacturers and pharmaceutical companies use AI to enhance diagnostics and accelerate drug development, while the government invests in AI to optimize healthcare resource allocation and streamline operations. However, individuals remain price-sensitive and hesitant to pay for premium AI services.

As a result, AI is becoming deeply integrated into China's healthcare system, with the core AI medical market expected to grow at a 32% CAGR, reaching \$101 billion by 2030 and boosting the broader healthcare sector's growth from 8% to 10% during the forecast period (Chart 1).

Chart 1: China Healthcare and AI Healthcare Market Size

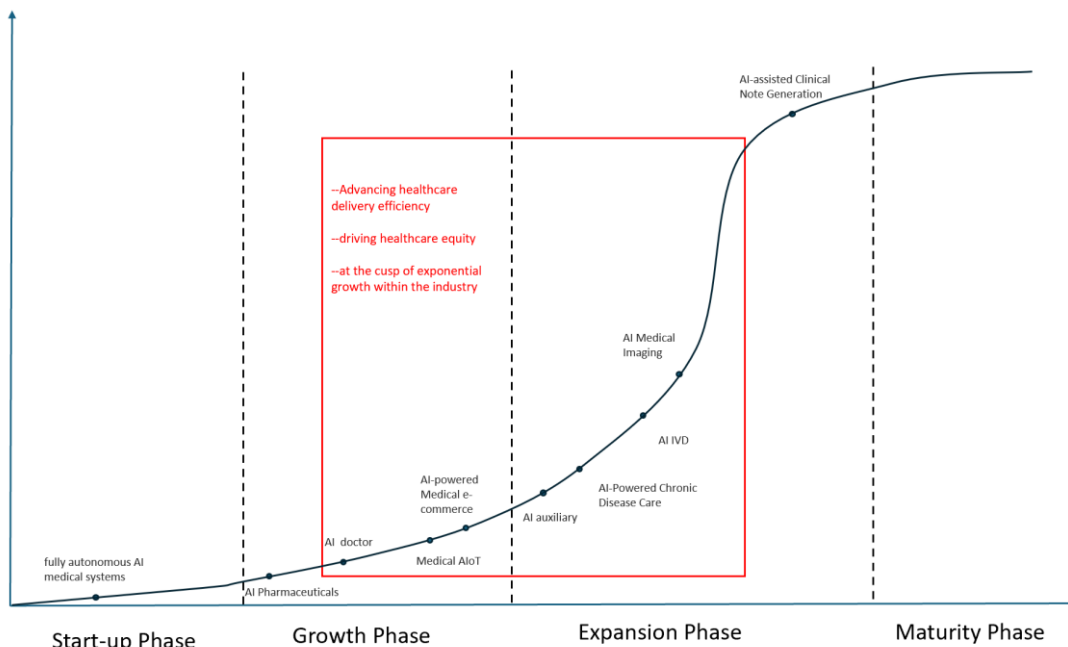


Source: Bin Yuan Capital, China AI Medical Industry Research Report, NAHIEM

**Who will benefit first?**

Considering the unique characteristics of AI healthcare and China's medical industry, we have ranked medical companies based on the sequential order of their potential to benefit (Chart 2).

Chart 2: AI healthcare applications in different phases



Source: Bin Yuan Capital

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AI hospital infrastructure and AI primary healthcare organizations infrastructure are the first to generate large-scale revenue from China's medical AI. These foundational platforms possess unique capabilities in attaining two key goals. They can optimize operations, aiming for a 30 - 40% increase in workflow efficiency, and ensure inclusive care, with a projection to extend service coverage to 78% of the rural population by 2025.

Within the realm of AI infrastructure, **AI healthcare imaging** is set to experience the most rapid growth. Many hospitals and primary healthcare organizations have already installed imaging equipment with partial AI-related features. AI imaging significantly boosts efficiency. For example, the "5G-integrated medical association image collaboration and innovation platform" in which United Imaging (688271.SH) participates can enhance diagnostic sensitivity by 15% and reading efficiency by 30%. At the primary healthcare level, since accurate image reading demands substantial knowledge and experience from doctors, AI imaging can effectively offset the disadvantages faced by primary healthcare doctors. In fact, its potential for application is even greater than in high-level hospitals.

**AI auxiliary** is another essential component of AI healthcare infrastructure. While AI-assisted solutions in Tertiary hospitals optimize triage procedures and clinical productivity, their transformative power is most pronounced in primary care. Here, intelligent diagnostic aids play a vital role in reducing the gap in medical skills, thus becoming a key driver for promoting health equity.

**Medical e-commerce** is also playing a role in promoting healthcare equality by providing AI-enabled medical services. Some medical e-commerce platforms are already offering AI services such as auxiliary diagnostic guidance, health management, and simple prescription-related functions. As the underlying AI technology used in hospitals continues to be refined, the scope and quality of these services are expected to expand and improve. Internet-giant -backed large medical e-commerce companies can collaborate with more medical enterprises to develop **medical AIoT**.

In contrast, the development of the highly complex **AI pharmaceutical** industry occurs a bit later in China. Basic AI applications such as molecular screening, crystal type prediction, and synthesis possibility analysis, which can significantly enhance efficiency, are rapidly adopted in the CRO (Contract Research Organization) field. However, in-depth prediction models that can comprehensively improve the clinical success rate of drugs still need time for validation and refinement.

### Which companies to focus on?

Considering the development of China's medical industry and the sequential development of AI application within it, we believe the companies that can benefit at this stage are required to have one or more of the following characteristics in China:

- Own a professional and accurate medical database;
- Possess the first-mover advantage of winning customers' trust;
- Make great contributions to improving efficiency and promoting equality.

We have selected these companies that meet these criteria (Table 2).

Table2: Companies' Dominance in Various Characteristics

	United Imaging	Mindray Bio	Xunfei Healthcare	Alibaba Health	JD Health	Yuyue Medical
High Quality Database	+++	+++	+++	+	+	++
First-mover	+++	+++	+++	+++	+++	+++
Medical Efficiency	+++	+++	+++	++	++	+++
Medical Equality	+++	+++	+++	+++	+++	+++
Medical Expertise	+++	+++	++	+	++	+++
AI Development Capabilities	++	++	+++	+++	+++	+

Source: Bin Yuan Capital

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**RACE TO ZERO**

**1. AI healthcare imaging:** United Imaging (688271.SH), Mindray Bio (300760.SZ)

As a leading company in China's medical imaging industry, United Imaging has a leading edge in CT (Computed Tomography), MRI (Magnetic Resonance Imaging), and MI (Molecular Imaging). Its affiliated company, United Image Intelligence, has been deeply engaged in AI for many years. The AI technology developed by United Imaging not only boosts the detection capacity of its devices but also effectively reduces the operational complexity, making them more accessible for users.

Mindray Bio, a frontrunner in the field of ultrasound and life monitoring, has seamlessly integrated AI into its relevant products. Its Qiyuan Critical Care AI Model integrates medical device data, enabling 5-second patient history consolidation, predictive trend analysis, 1-minute clinical documentation generation, and 95% accurate critical care queries, enhancing diagnostic precision and treatment quality.

The new-generation products equipped with AI offer enhanced user-friendliness, which is anticipated to substantially increase hospitals' inclination to update their equipment. Both companies' long-standing technological accumulations serve as a solid foundation, empowering them to not only maintain their leading market positions but also further fortify their competitive edges during the process of product iterations.

**2. AI auxiliary:** Xunfei Healthcare (2506.HK)

Xunfei Healthcare, a dedicated medical solution provider, centers its efforts on AI-powered healthcare solutions. Its product portfolio comprehensively covers primary care, hospital services, and patient management. Its core offering, the 'Smart Medical Assistant', has successfully passed the national licensed medical practitioner examination and is currently serving over 60,000 primary healthcare organizations.

Benefiting from the first-mover advantage amassed through long-term and professional data processing in the medical domain, Xunfei Healthcare demonstrates a pronounced edge in AI applications.

**3. AI + medical e-commerce:** Alibaba Health (0241.HK), JD Health (6618.HK)

In the context of China's medical e-commerce landscape, Alibaba Health and JD Health stand as two prominent gateways. Boasting vast customer bases, they possess the capacity to effectively utilize AI-enabled doctors to carve out a significant share in the burgeoning AI-powered primary healthcare industry. Taking JD Health's AI Physician Agent as an illustrative example, this advanced tool enables doctors to generate personalized digital replicas by analyzing their professional knowledge, decision-making paradigms, and communication styles. As a result, it can offer round-the-clock patient consultation services. When further diagnostic procedures are necessary, it automatically arranges appointments with the original doctor and compiles previous consultations into clinically-relevant briefs generated by AI for easy reference.

Currently, the AI applications in medical e-commerce primarily serve to provide medical assistance and drive traffic for the sales of medicines and medical devices. However, as the medical AI capabilities of these two companies continue to advance in the future, the in-built AI systems within medical e-commerce platforms are likely to emerge as a pivotal option for patients seeking their initial medical consultations. This transformation will enable them to evolve from merely selling products to becoming service providers.

**4. Medical AIoT:** Yuyue Medical (002223.SZ)

As a leading home medical equipment manufacturer, Yuyue Medical has developed an extensive array of products related to AI-enabled chronic disease management. This product portfolio encompasses ventilators, sphygmomanometers, blood glucose monitors, and rehabilitation equipment. The software integrated with these products is designed to be AI-accessible in the future, laying a solid foundation for intelligent upgrades. Through a strategic alliance with Alibaba, Yuyue Medical is well-positioned to become the leading terminal enterprise in the medical AIoT (Internet of Things) domain.

**In summary,** AI in healthcare has unique characteristics, including a high demand for professionalism, a focus on high-quality data over quantity, and strict data privacy requirements. In China, AI applications prioritize efficiency and equality, addressing disparities in medical services. Companies with strong medical databases, customer trust, and a commitment to improving efficiency and equality are well-positioned for success in the evolving AI healthcare landscape.

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**RACE TO ZERO**

### Key Information

NAV (28/2/25) US\$ 53.63(L1)  
Total Fund Size US\$ 2.5m

Strategy Assets US\$ 2.5 m<sup>(a)</sup>  
Fund Launch Date 03-Dec-21

Monthly Performance (%) data from FPS/Pictet														
	2024											2025		ITD
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Jan	Feb	
Bin Yuan HC Fund	-5.58	2.70	-2.74	-6.98	-0.81	-0.76	15.99	-10.07	0.36	-3.01	-21.31	-0.85	3.88	-44.29
Index <sup>(b)</sup>	-9.49	-0.79	-4.39	-3.84	4.08	3.30	22.74	-10.99	0.33	-4.87	-18.94	0.99	11.21	-50.39

Source: Bin Yuan, Pictet, FPS

### Risk and reward profile

Lower risk

Potentially lower reward

Higher risk

Potentially higher reward



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<sup>(d)</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 owned, you could lose your entire investment.

Top Ten Holding					
1	SHENZHEN MINDR-A	6.90%	2	SHANGHAI UNITE-A	5.65%
3	INNOVENT BIOLOGI	5.46%	4	AK MEDICAL HOLDI	5.13%
5	JIANGSU YUYUE-A	5.01%	6	BEIGENE LTD	4.8%
7	CHINA RESOURCES	4.7%	8	ZHEJIANG XIAN-A	4.68%
9	SINOPHARM-H	4.67%	10	KANGJI MEDICAL H	4.63%

### 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	54
Hong Kong (Discounted Dual Listing)	7
Hong Kong	31

Sectoral Breakdown	% of Assets
Healthcare Equipment & Parts	53
Biotechnology	16
Services	14
Pharmaceuticals	9

Valuation <sup>(c)</sup>	Portfolio	Benchmark
Period	2/28/2025	2/28/2025
2025 PE (X) – Weighted Avg. Method	18.8	28.0
2025 PE (X) – Harmonic Avg. Method <sup>(c)</sup>	19.2	16.4
2025 PB (X)	2.9	2.5
2025 Div. Yield (%)	1.8	1.2
2025 ROE (%)	15.5	9.4
Earning Growth (%) Forward 3 YR	22.7	14.5
2025 PEGY	0.8	1.0
FCF Yield	1.6	0.9

The Sub-Fund is actively managed. The benchmark index of the Sub-Fund is MSCI China Health Care 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.

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

Entry / Exit fees ; 0

All the costs are not disclosed into the factsheet, please refer to the prospectus for additional information.

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

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

### 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) MSCI China Health Care Index (Bloomberg Ticker MXCNOHC 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:

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

Where:

- (N) is the total number of values.

-  $\text{Value}_i$  is each individual value in the set.

(d) 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.