

Investment Review

The Hereford Funds – Bin Yuan Healthcare Fund (share class L1) appreciated 7.72% for the month of January (net of fees) compared to a 9.11% return for the benchmark. At the end of January, the Sub Fund was mainly invested in the Healthcare Equipment & Parts and Services sectors, with little weight in the Pharmaceuticals sector.

For the month, the Fund underperformed the benchmark 1.39%. In January, the positions that contributed the most to the portfolio’s return were KANGJI MEDICAL, WUXI APTEC CO and WUXI BIOLOGICS. The positions that contributed the least were BLOOMAGE BIOTE, AK MEDICAL and YIFENG PHARMACY.

Manager’s Commentary

China’s rapid reopening extended into January. Market and healthcare sentiment has clearly improved with business activities rebounding post reopening.

The wave of Covid infections has now passed its peak. Previous efforts at administering vaccinations and strengthening medical facilities helped the country’s healthcare system weather this outbreak. Covid patients, emergency patients and severe cases in hospitals have been declining after an estimated 80% of the population was infected.

The vitality of the economy and society has been gradually restored as evidenced by both our observations and the economic data during the holiday period. Most of our colleagues either returned to their homes in other provinces for family reunions or made short or long journeys to enjoy and celebrate the most important traditional Chinese festival. No new infection cases during Lunar New Year in our Shanghai office and amongst relatives. We hardly heard of new infections from people around us. It seems that the second wave that some people were worried about didn't happen. On the contrary, when people chat, COVID-19 is gradually not an important topic. Instead, people discuss more plans for leisure trips, both domestic and overseas.

The largest contributor this month is Kangji Medical (9997.HK). As we said before, the focus of healthcare sector this year will be shifted to long-term normal treatment. We estimate that the number of surgeries in China decreased by at least 10% last year due to periodic lock-down across the country. We expect that the number of surgeries will recover significantly this year. In addition, the need to digest the unmet demand, doctors shall prefer to choose more efficient minimally invasive surgery when performing surgery. As the leader of consumables for minimally invasive surgery, Kangji will benefit from this trend. We expect that if everything is normal, the revenue growth of Kangji shall be at least 30% this year. In contrast, 20 times 2023PE is still very attractive. So we keep Kangji as our top holding.

Key Information

| | | | |
|-----------------|----------------|------------------|----------------------------|
| NAV (31/01/23) | US\$ 90.4 (L1) | Strategy Assets | US\$ 19.0 m ^(a) |
| Total Fund Size | US\$ 19.0 m | Fund Launch Date | 03-Dec-21 |

| Monthly Performance (%) data from FPS/Pictet | | | | | | | | | | | | | | |
|--|-------|-------|--------|-------|-------|-------|-------|--------|-------|-------|------|--------|------|------|
| | 2022 | | | | | | | | | | | | 2023 | |
| | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD | Jan | YTD |
| Bin Yuan HC Fund | 1.37 | -5.34 | -9.33 | 0.03 | 11.97 | -6.89 | -3.01 | -6.87 | 4.63 | 5.02 | 5.54 | -17.07 | 7.72 | 7.72 |
| Index ^(b) | -2.43 | -5.72 | -10.43 | -1.88 | 14.66 | -3.23 | -4.54 | -18.60 | -3.10 | 22.05 | 6.02 | -25.50 | 9.11 | 9.11 |

Risk and reward profile



| Top Ten Holding | | | | | |
|-----------------|------------------|-------|----|---------------------------|-------|
| 1 | KANGJI MEDICAL H | 8.55% | 2 | WUXI BIOLOGICS C | 7.36% |
| 3 | SHENZHEN MINDR-A | 6.24% | 4 | WUXI APTEC CO-A | 6.22% |
| 5 | IRAY TECHNOLOG-A | 5.72% | 6 | NEW INDUSTRIES BIOMEDICAL | 4.60% |
| 7 | INNOVENT BIOLOGI | 4.57% | 8 | BLOOMAGE BIOTE-A | 4.37% |
| 9 | ASYMCHEM LABOR-A | 4.09% | 10 | HANGZHOU TIGER-A | 3.89% |

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 | 67 |
| Hong Kong (Discounted Dual Listing) | 1 |
| Hong Kong | 28 |

| Sectoral Breakdown | % of Assets |
|------------------------------|-------------|
| Healthcare Equipment & Parts | 50 |
| Services | 30 |
| Biotechnology | 10 |
| Pharmaceuticals | 6 |

| Valuation | Portfolio | Benchmark |
|---------------------------------|-----------|-----------|
| Period | 20230131 | 20230131 |
| 2023 PE (X) | 29.8 | 48.9 |
| 2023 PB (X) | 5.8 | 3.0 |
| 2023 Div. Yield (%) | 0.7 | 0.8 |
| 2023 ROE (%) | 19.4 | 6.2 |
| Earning Growth (%) Forward 3 YR | 27.1 | 14.0 |
| 2023 PEGY | 1.1 | 3.3 |
| FCF Yield | 2.2 | -0.6 |

| 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 |

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).

| 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 |

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