

Investment Review

The Hereford Funds – Bin Yuan Healthcare Fund (share class L1) depreciated 4.80% for the month of March (net of fees) compared to a -4.72% return for the benchmark. At the end of March, 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 8 bps. In March, the positions that contributed the most to the portfolio’s return were KANGJI MEDICAL, APT MEDICAL and JIANGSU YUYUE. The positions that contributed the least were WUXI BIOLOGICS, IRAY TECHNOLOGY and HANGZHOU TIGERMED.

Manager’s Commentary

The market took a breather from the previous months’ rebounds. But the pullback provided a great window for investors to buy China, especially as the economic recovery post the reopening continued to broaden.

From the beginning of last year, the global healthcare industry's financing amounts have sharply decreased due to factors such as the Russian-Ukrainian conflict, the US Federal Reserve's interest rate hike, and the impact of COVID-19. This deteriorating financing environment has caused a funding crunch for some smaller biotech companies, leading to significant impacts on pipeline research and development and resulting in a decline in demand for scientific research-related products and services. According to VBDATA, since 2022, the overall investment and financing amount in the global healthcare industry has sharply declined, with the total financing amount in 2022 being approximately 33% of the amount in 2021. SVB crisis brought more concern on that. As SVB Bank is one of the primary sources of funding for many biotech companies, there is a possibility they will face reduced access to funding, decreased confidence and trust from investors and customers, and stricter risk controls from other banks.

But there is an ancient Chinese saying: The duck knows first when the river becomes warm in spring. Based on our on-the-road research this year, we have witnessed that healthcare-related investment, especially in China, has begun to recover. Our conviction remains strong on the economic recovery and the structural opportunities arising from the next phase of growth.

At the stock level, KANGJI MEDICAL (9997.HK) contributed the most this month. In addition to the field of minimally invasive surgical consumables that we have mentioned before, KANGJI is continuously expanding in related fields. At the beginning of last year, KANGJI acquired 32.75% of the equity of Wiseking Surgical Robot and became its largest shareholder. Wiseking Surgical Robot is one of the pioneers of domestic surgical robots, benchmarking against Da Vinci Robot. At present, Da Vinci Robot have almost monopolized this field in China. Wiseking Surgical Robot targets to do imported substitution. According to its timeline, it shall complete clinical trials and obtain the registration certificate by the end of this year or early next year. We expect KANGJI to have a stronger competitive advantage in the field of minimally invasive surgery, mastering both automotive equipment and consumables.

Key Information

| | | | |
|-----------------|----------------|------------------|----------------------------|
| NAV (31/03/23) | US\$ 81.2 (L1) | Strategy Assets | US\$ 15.8 m ^(a) |
| Total Fund Size | US\$ 15.8 m | Fund Launch Date | 03-Dec-21 |

| Monthly Performance (%) data from FPS/Pictet | | | | | | | | | | | | | | | |
|--|--------|-------|-------|-------|-------|--------|-------|-------|------|--------|------|-------|-------|-------|--------|
| | 2022 | | | | | | | | | | 2023 | | | | ITD |
| | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD | Jan | Feb | Mar | YTD | |
| Bin Yuan HC Fund | -9.33 | 0.03 | 11.97 | -6.89 | -3.01 | -6.87 | 4.63 | 5.02 | 5.54 | -17.07 | 7.72 | -5.48 | -4.80 | -3.07 | -18.62 |
| Index ^(b) | -10.43 | -1.88 | 14.66 | -3.23 | -4.54 | -18.60 | -3.10 | 22.05 | 6.02 | -25.50 | 9.11 | -9.91 | -4.72 | -6.34 | -35.84 |

Risk and reward profile



| Top Ten Holding | | | | | |
|-----------------|------------------|--------|----|---------------------------|-------|
| 1 | KANGJI MEDICAL H | 10.00% | 2 | WUXI BIOLOGICS C | 7.07% |
| 3 | SHENZHEN MINDR-A | 6.94% | 4 | WUXI APPTec CO-A | 6.26% |
| 5 | IRAY TECHNOLOG-A | 5.58% | 6 | AIER EYE HSPTL-A | 5.05% |
| 7 | ASYMCHEM LABOR-A | 4.57% | 8 | JIANGSU HENGRU-A | 4.33% |
| 9 | INNOVENT BIOLOGI | 4.12% | 10 | NEW INDUSTRIES BIOMEDICAL | 3.99% |

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 | 68 |
| Hong Kong (Discounted Dual Listing) | 2 |
| Hong Kong | 27 |

| Sectoral Breakdown | % of Assets |
|------------------------------|-------------|
| Healthcare Equipment & Parts | 51 |
| Services | 33 |
| Biotechnology | 7 |
| Pharmaceuticals | 6 |

| Valuation | Portfolio | Benchmark |
|------------------------------------|-----------|-----------|
| Period | 3/31/2023 | 3/31/2023 |
| 2023 PE (X) – Weighted Avg. Method | 26.7 | 20.3 |
| 2023 PE (X) – Integral Method | 30.1 | 30.2 |
| 2023 PB (X) | 5.2 | 1.3 |
| 2023 Div. Yield (%) | 0.8 | 1.1 |
| 2023 ROE (%) | 19.3 | 6.3 |
| Earning Growth (%) Forward 3 YR | 26.8 | 14.0 |
| 2023 PEGY | 1.0 | 1.3 |
| FCF Yield | 2.2 | 1.0 |

| 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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Disclaimer:

- This document should be read as a marketing communication.
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