

Bin Yuan Healthcare Fund

SFDR status as of March 2021: Article 8
March 2024



Investment Review

The Hereford Funds – Bin Yuan Healthcare Fund (share class L1) decreased 5.58% for the month of March (net of fees) compared with a -9.46% return for the benchmark. As of the end of March, 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 3.88%. Positions that contributed most to the portfolio were GIANT BIOGENE HO, KANGJI MEDICAL and HANGZHOU TIGER. Positions that contributed least were IRAY TECHNOLOG, WUXI BIOLOGICS and SHENZHEN NEW.

Manager's Commentary

In the first quarter of 2024, the Healthcare Sector underwent a very volatile correction of 20.7%. This was mainly influenced by several CRO companies, including Wuxi Biotech (2269.HK) and WuXi AppTec (603259.SH / 2359.HK), which have fallen by nearly half due to geopolitical risks. If we excluded the impact of these companies, the entire Healthcare Sector fell by 13.9% in the first quarter and showed signs of gradual stability. To control the risk, we do not hold the aforementioned two stocks in our portfolio at the end of March.

	Index Weight	24-Jan	24-Feb	24-Mar	1Q2024
Healthcare Sector	100.0	-20.9%	10.7%	-9.5%	-20.7%
CRO & CDMO	17.6	-28.7%	-2.8%	-24.8%	-47.9%
If Excl. CRO & CDMO	82.4	-19.2%	13.6%	-6.2%	-13.9%

At the stock level, Giant Biogene (2367.HK) has risen significantly in the first quarter. Its revenue increased by 49% and net profit increased by 45% to RMB 1.45 bn in 2023. As a pioneer and leader in China's recombinant human collagen market, the company continues to build its two brands, Collgene and Confime, targeting different skin needs, and researches and develops more new products to meet the needs of different facial areas, maintaining its leading position in collagen in the professional skincare field. The skincare brands are maintaining high-speed growth. Moreover, the company has a rich medical aesthetics injection pipeline including liquid formulations, solid formulations, non-crosslinked gel products, and crosslinked gel products, which can meet the needs of different areas and indications. The company plans to obtain two registration certificates for Class III medical devices (aesthetics injection) in mid-2024 and the first half of 2025, to bring new revenue and profit growth opportunities to the company. Giant Biogene is expected to earn RMB 1.78 bn in 2024, representing 22.4% net income growth and PE of 22x with 2.1% dividend yield.

Under the pressure of healthcare anti-corruption campaign in the second half of last year, Kangji (9997.HK) still achieved resilient growth. Its revenue increased by 18% and operating profit increased by 13% in 2023, excluding Wiseking investment loss. As the company with the most complete range of products in the field of MISIA (Minimally Invasive Surgical Instrument and Accessories), Kangji is constantly developing and launching new products. In addition to cash cow products such as disposable puncture devices, many other products, including polymer ligature clips and disposable electrocoagulation forceps, will gradually replace traditional products and maintain high growth rates in the long term. New products such as ultrasound knives and endoscopic systems can also leverage Kangji's existing channels to quickly boost sales. The company has more focused on exports now, and the planned proportion of exports will increase from 10% now to 18% to 20% in three years. Kangji's investment in Wiseking (surgical robots) has also made good progress. The four-arm robot is undergoing phase three clinical trial and is expected to apply for product registration in the second half of this year. Due to its abundant cash flow, RMB 3 bn cash-on-hand in the year end, Kangji announced that it will distribute annual and special dividends, resulting in a combined dividend yield of 22%. The company also announced that its annual dividend payout ratio will be maintained at a level of 50-70% in the future, and it will continue to engage in repurchasing plan. So, with the gradual release of anti-corruption pressure, Kangji's earnings' growth rate is expected to exceed 15% in the next three years with 20% ROE. As a company with long-term potential, we believe that 12X 2024 PE is definitely a value stock to hold.

Bin Yuan Healthcare Fund

SFDR status as of March 2021: Article 8
March 2024



As we mentioned before, big machine and equipment would have more significant impact from anti-corruption campaign than consumable parts. But iRay's revenue growth rate in the second half of 2023 remained in double digits, reaching 12%, and the core earnings increased by 5%. iRay's revenue increased by 22% and core profit increased by 16% in 2023. Looking ahead to 2024, iRay's global market share expansion in medical clients, which account for over 70% of revenue, shall continue. iRay has great opportunity to break through its share in top clients, including imaging and dentistry areas this year. Customer recognition in the new product CT industry chain has also entered a critical point, and we expect to see an increase in volume in the second half of the year. On the industrial side, iRay completed the product upgrade last year, and products with higher cost-effectiveness are expected to gain recognition from more downstream customers this year. So, with the gradual release of anti-corruption pressure, we expect iRay's earnings' growth rate to rebound quarter by quarter this year, and the annual profit growth rate is expected to exceed 25%, reaching a volume of over 800 million RMB. As a company with long-term potential, we believe that 25X 2024 PE is very worth to hold.

After two years of good performance, some investors took profit in the first quarter of this year on SNIBE (300832.SZ). As a prominent leader in the In Vitro Diagnostic (IVD) industry, the company continues to champion import substitution in the Chinese market through its superior product offerings and cost advantages. Its growth in the domestic market has maintained annual growth of over 15%, surpassing the industry average. Additionally, SNIBE places significant emphasis on expanding its presence in international markets. As the company's second growth curve, its overseas business now accounts for 30% of its total, having achieved a rapid growth rate of 36% in the past year. Recently, SNIBE is more focusing on medium- and large-sized equipment installations, which is set to significantly boost subsequent reagent sales and contribute to the company's continuous growth in performance. Looking forward to 2024, with the combined factors of domestic business recovery and increased international volume, the company's overall growth rate is expected to maintain at over 25%. SNIBE is expected to achieve earnings of RMB 4.3 bn by 2027. By applying a PE ratio of 25x, we estimate SNIBE's fair market value to surpass RMB 107 bn, with a substantial upside potential of 95%.

Key Information

NAV (28/03/24)	US\$ 58.25 (L1)	Strategy Assets	US\$ 3.2 m ^(a)
Total Fund Size	US\$ 3.2 m	Fund Launch Date	03-Dec-21

Monthly Performance (%) data from FPS/Pictet															
	2023										2024				ITD
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Jan	Feb	Mar	YTD	
Bin Yuan HC Fund	-2.51	-7.60	-4.98	4.34	-7.54	1.56	-0.81	3.75	-2.14	-18.13	-19.00	10.79	-5.58	-15.26	-41.75
Index ^(b)	2.99	-10.21	-6.15	8.44	-7.04	0.34	5.29	0.73	-8.99	-20.45	-20.89	10.71	-9.46	-20.70	-56.79

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^(d) 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	KANGJI MEDICAL H	9.78%	2	IRAY TECHNOLOG-A	7.09%
3	SHENZHEN MINDR-A	4.36%	4	INNOVENT BIOLOGI	3.88%
5	SHANGHAI UNITE-A	3.42%	6	AK MEDICAL HOLDI	3.14%
7	SINOPHARM-H	3.04%	8	ASYMCEM LABOR-A	2.97%
9	BEIGENE LTD	2.96%	10	SHENZHEN NEW-A	2.95%

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	48
Hong Kong (Discounted Dual Listing)	5
Hong Kong	29

Sectoral Breakdown	% of Assets
Healthcare Equipment & Parts	51
Services	14
Biotechnology	10
Pharmaceuticals	7

Valuation ^(c)	Portfolio	Benchmark
Period	03/31/2024	03/31/2024
2024 PE (X) – Weighted Avg. Method	18.4	15.7
2024 PE (X) – Harmonic Avg. Method ^(c)	21.6	26.3
2024 PB (X)	3.8	2.43
2024 Div. Yield (%)	1.0	1.4
2024 ROE (%)	20.3	7.9
Earning Growth (%) Forward 3 YR	19.8	14.0
2024 PEGY	0.9	1.0
FCF Yield	2.0	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	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

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.

- 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.