Bin Yuan Capital

April 2024

2024 Q1 REVIEW & OUTLOOK

Signatory of:

Investing for Better Life

- **Q1 review**: disappointing market for us despite improving fundamentals for the portfolio

- **Macro update**:
  - ➢ Manufacturing and technology's contribution to GDP increasing – very supportive of our portfolio positioning
  - ➢ Property having a smaller impact going forward

- **Valuations** - very compelling

- **Portfolio positioning** - our focus remains mid cap secular growth opportunities:
  - ➢ Mainly in high end manufacturing, tech and healthcare
  - ➢ Domestic upgrade demand + import substitution
  - ➢ Improved governance – 15-20% in stable dividend stocks

- **Earnings**: very good numbers for 2023 and Q4 - ahead of our expectations
  - ➢ Full review in the April monthly

- **Healthcare update**: structural opportunities remain powerful:
  - ➢ Anti corruption impact fading / sector oversold

- **Wrap up and Q&A**

Signatory of:

彬元资本
BINYUAN CAPITAL

PRI | Principles for Responsible Investment

Investing for Better Life

Portfolio Review

Investing for Better Life

Performance

Inception Date	2018/04/16
Ending Date	2024/03/28

| All China Strategy - Hereford Funds Bin Yuan Greater China Sub-Fund	Mar	Q1	2023	2022	2021	ITD
Bin Yuan Greater China Fund (Share Class L1) Net Performance	-2.03%	-9.99%	-21.17%	-29.45%	10.02%	-0.70%
Benchmark*	0.34%	-1.35%	-11.53%	-23.61%	-12.91%	-24.90%
Outperformance/(Underperformance)	**-2.37%**	**-8.64%**	**-9.64%**	**-5.84%**	**22.93%**	**24.20%**

* Benchmark represents MSCI China All Shares Net Total USD Return Index (Bloomberg ticker MXCNANM Index). It is used as benchmark since November 27, 2019. Before that, MSCI All China Net Total USD Return Index (Bloomberg ticker M1ACN Index) was used as benchmark from the inception of May 2016 to November 26, 2019.

Reporting Currency: USD

- *Market Cap* – underweight in large cap and overweight in mid cap   **-3.7%**

- *Sector* – underweight in commodities and SOEs and overweight in healthcare, technology and consumption   **-3.4%**

- *Concentration* – top holdings like iRay   **-5.0%**

Investing for Better Life

Highly divergent performance by market cap

MSCI CHINA ALL SHARES INDEX MARKET CAP PERFORMANCE (%)

Mega-Cap (>$50B): 2.6
Large-Cap ($20B - $50B): 0.9
Mid-Cap ($1B - $20B): -4.5
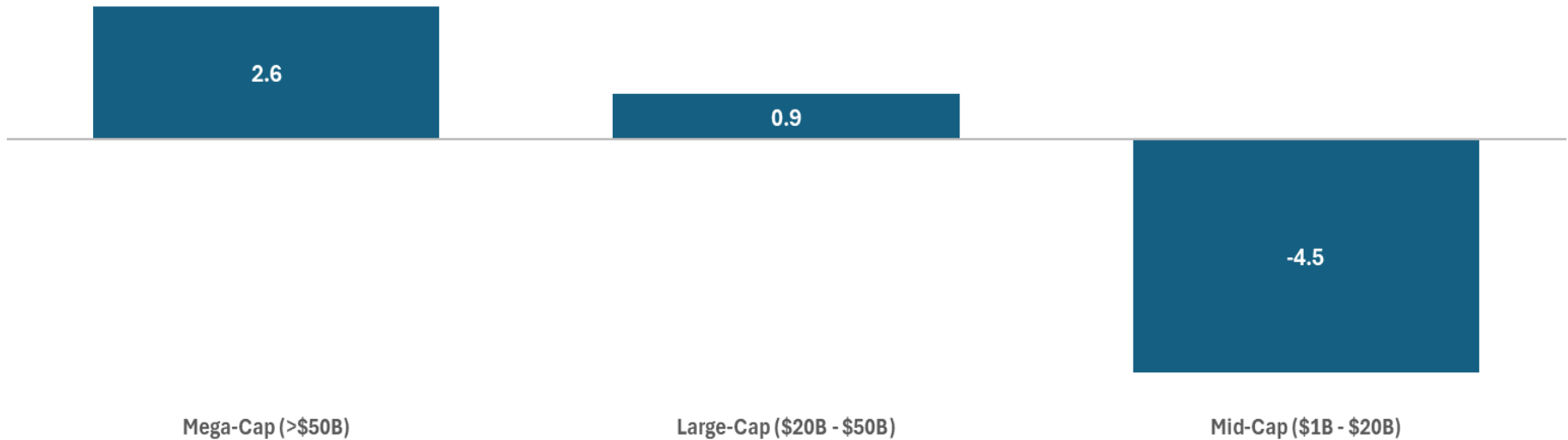
Sources: MSCI All Share Index, Bin Yuan Capital
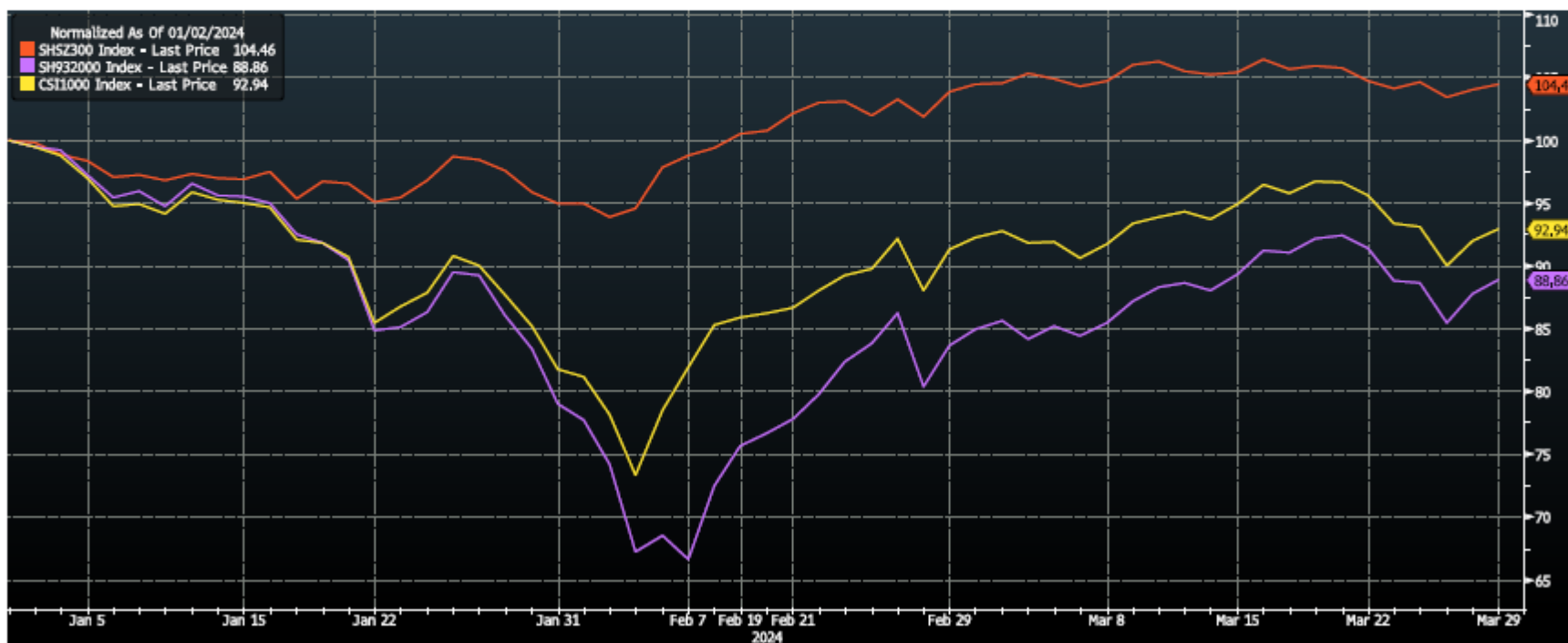
Investing for Better Life

In Q1 the CSI 1000 underperformed the CSI 300 index by over 11%

Bloomberg

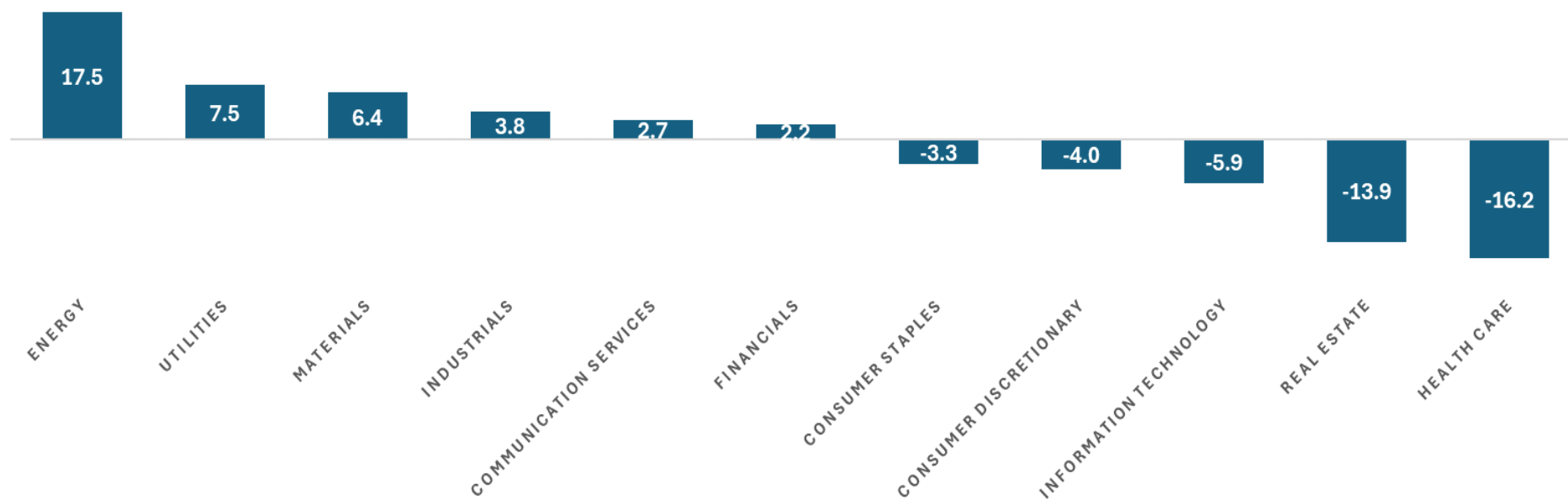SHSZ300 Index (Shanghai Shenzhen CSI 300 Index)
SH932000 Index (CSI 2000 Index)
CSI1000 Index (CSI 1000 Index)

Normalized As Of 01/02/2024	
SHSZ300 Index - Last Price	104.46
SH932000 Index - Last Price	88.86
CSI1000 Index - Last Price	92.94

Sources: Bloomberg

Investing for Better Life

5

Mixed sector performance

MSCI CHINA ALL SHARES INDEX SECTOR PERFORMANCE (%)

Sector	Performance (%)
ENERGY	17.5
UTILITIES	7.5
MATERIALS	6.4
INDUSTRIALS	3.8
COMMUNICATION SERVICES	2.7
FINANCIALS	2.2
CONSUMER STAPLES	-3.3
CONSUMER DISCRETIONARY	-4.0
INFORMATION TECHNOLOGY	-5.9
REAL ESTATE	-13.9
HEALTH CARE	-16.2

Sources: MSCI All Share Index, Bin Yuan Capital

Investing for Better Life

6

Sector Attribution –2024 Q1

PORT Attribution Report: Attribution (04/08/2024 13:20:34)

Summary

Portfolio	HFBY
Benchmark	MSCI CHINA ALL SHARES INDEX
Start Date	12/29/2023
End Date	3/28/2024
Currency	USD

Detail

		Avg % Wgt		Contribution to Return (%)		Allocation Effect (%)	Selection and Interaction Effect (%)	Total Attribution (%)
		Port	Bench	Port	Bench			
HFBY		100.00	100.00	-9.53	-1.27	-2.57	-5.69	-8.26
	Financials	12.96	17.73	0.59	0.40	0.43	-0.10	0.33
	Materials	3.67	6.24	0.51	0.23	0.06	0.03	0.08
	Real Estate	0.58	2.01	-0.28	-0.31	0.07	-0.15	-0.08
	Utilities	0.43	3.40	-0.07	0.21	-0.27	-0.03	-0.29
	Communication Services	7.62	12.67	0.10	0.36	-0.45	0.13	-0.32
	Cash	4.60		-0.01		-0.39	0.00	-0.39
	Energy	0.36	3.70	-0.05	0.53	-0.57	-0.01	-0.57
	Consumer Staples	5.65	8.82	-1.23	-0.32	0.06	-0.81	-0.75
	Consumer Discretionary	19.15	20.16	-1.59	-0.82	0.53	-1.44	-0.91
	Information Technology	14.67	9.73	-2.11	-0.64	-0.14	-1.23	-1.37
	Industrials	11.61	9.06	-1.70	0.25	-0.07	-1.51	-1.58
	Health Care	18.70	6.49	-3.71	-1.17	-1.82	-0.57	-2.39
	Difference*			-0.46	-0.08			
	Fee			0.20				
	HFBY Gross Return			**-9.78**	**-1.35**			**-8.44**
	FX Impact			1.15	0.97			
	HFBY Gross Return (Without FX Impact)			**-8.63**	**-0.38**			**-8.26**

*The Attribution Report is the raw data directly generated by Bloomberg Port Function. The differences on the return of Portfolio
and Benchmark between Bin Yuan's data and Bloomberg's attribution report is caused by:
  1. Rounding Issue: Bloomberg calculation only allows 2 decimal points;
  2. Foreign Exchange Rate: Bloomberg applies in-house exchange rate;
  3. Uploading Frequency: Benchmark is uploaded on a monthly basis.

Signatory of:
PRI Principles for Responsible Investment

彬元资本

Investing for Better Life

Stock Contributors –2024 Q1

Performance Attribution

HFBY vs. ALL CHINA

2024 Q1

USD

Top Performers

	Name	Contribution	Sector
600036 CH Equity	CHINA MERCH BK-A	0.72	Financials
688516 CH Equity	WUXI AUTOWELL -A	0.66	Information Technology
1179 HK Equity	H WORLD GP LTD	0.47	Consumer Discretionary

Bottom Performers

	Name	Contribution	Sector
688301 CH Equity	IRAY TECHNOLOG-A	-3.35	Health Care
2255 HK Equity	HAICHANG OCEAN P	-0.92	Consumer Discretionary
300782 CH Equity	MAXSCEND - A	-0.60	Information Technology

Signatory of:

Investing for Better Life

China Macro Outlook

Investing for Better Life

Manufacturing Resilience – the cornerstone of China's growth

Manufacturing PMI Index
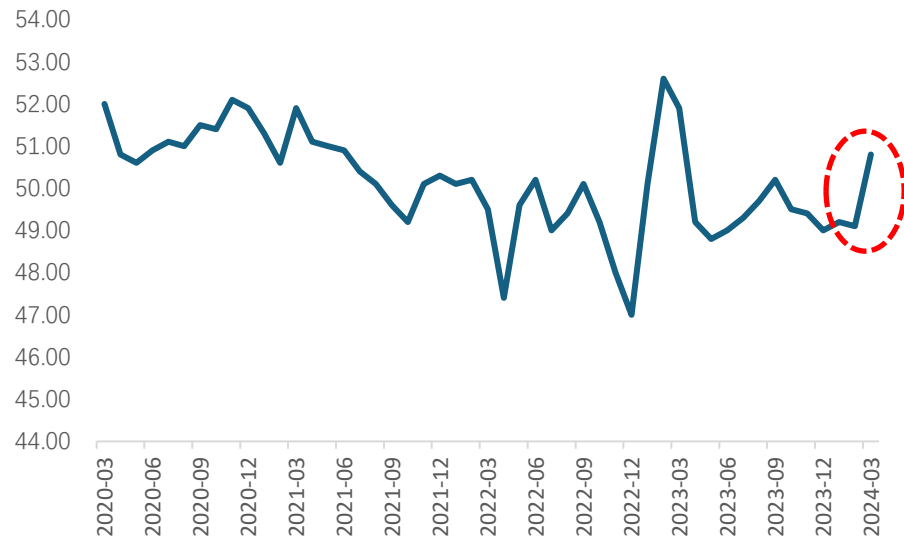
Manufacturing PMI New Orders Index

Sources: Bin Yuan Capital, Wind

Investing for Better Life
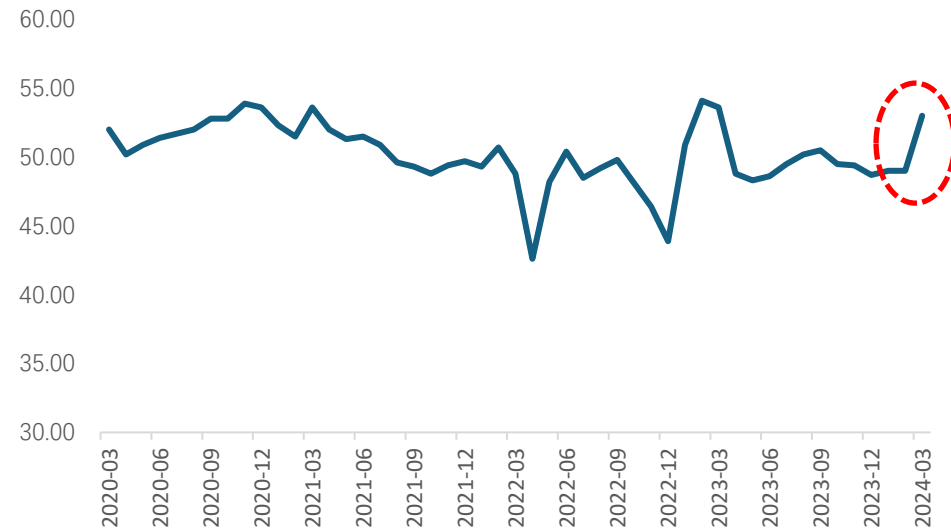
Accelerating trend of higher value added & higher Tech

Industrial Added Value YoY Growth (Accumulative)

Sources: Bin Yuan Capital, Wind

High Tech Contribution
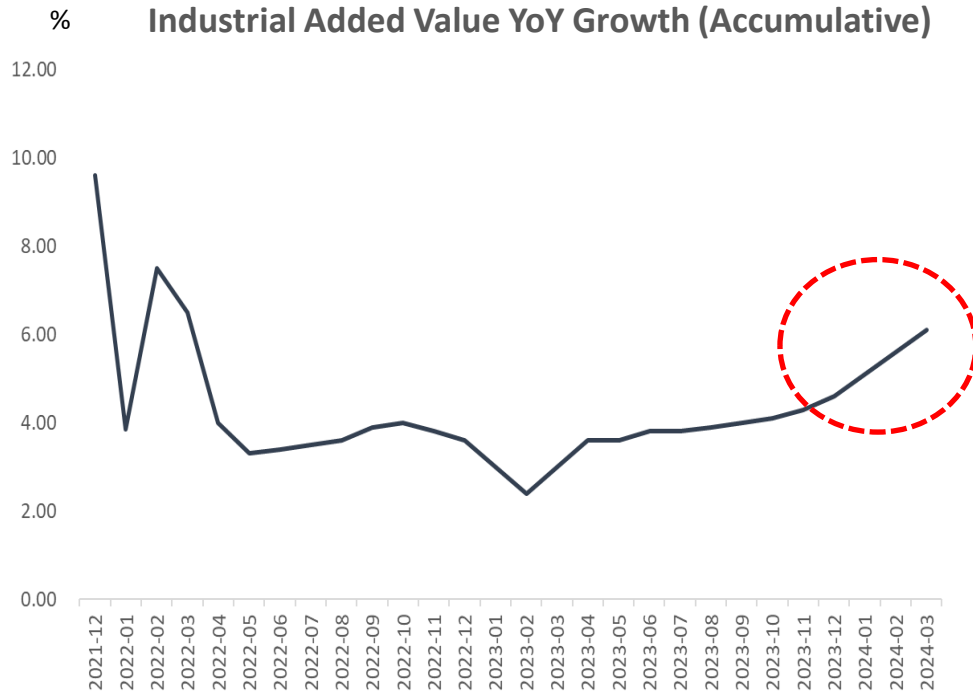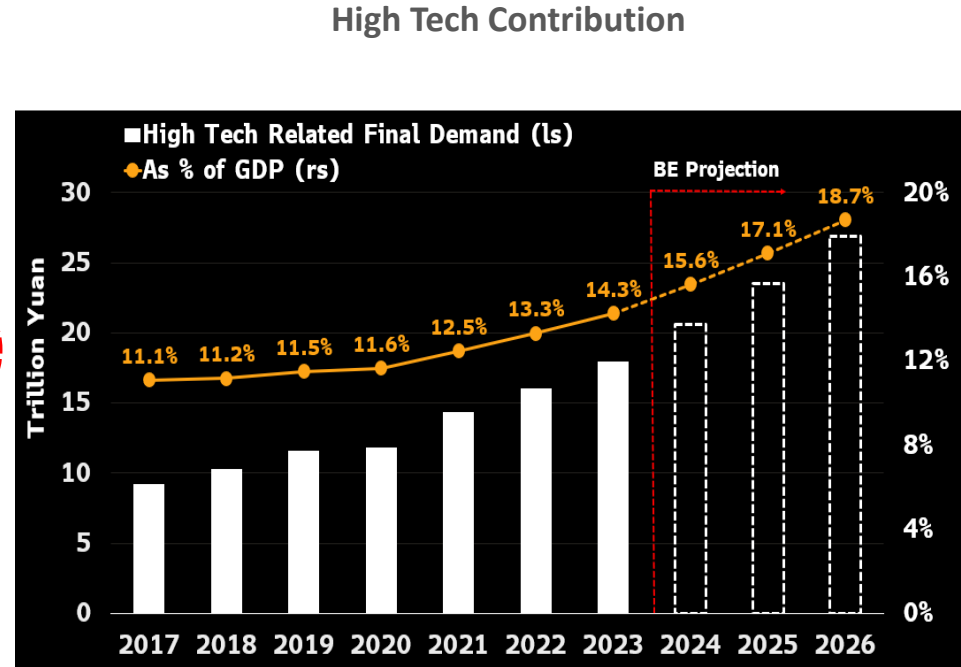
Sources: NBS, Bloomberg Economics

Investing for Better Life

Manufacturing and technology contribution to GDP increasing

Contribution to GDP Growth

Property Contribution to GDP Growth
Manufacturing Contribution to GDP Growth
Information Technology Contribution to GDP Growth

Sources: Atlantic Council, Bin Yuan Capital, iFind, Wind

Investing for Better Life
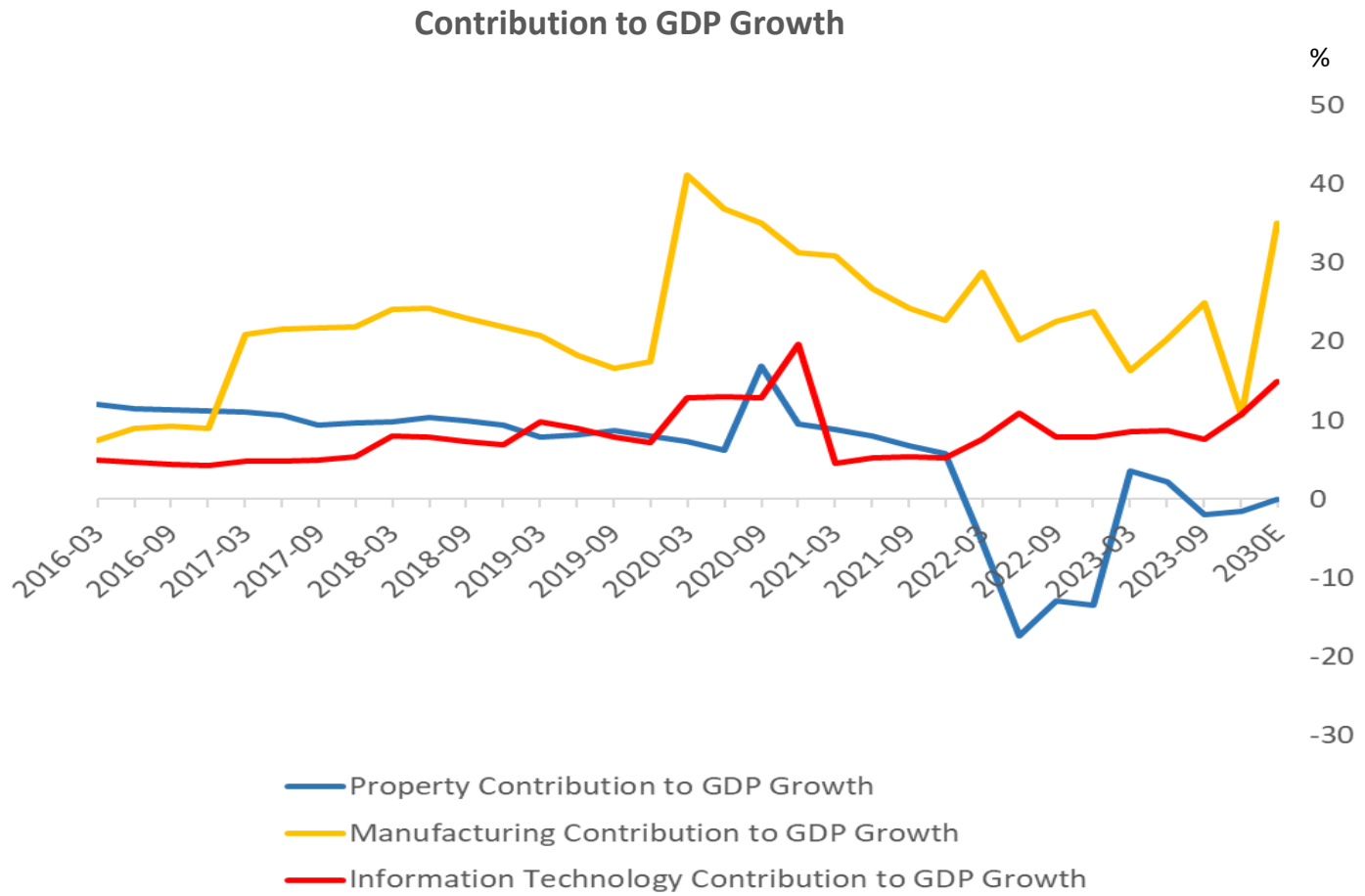
Return of the Real Economy

Bn RMB

Expansion of Total Bank Loans, YoY Balance Increase

Legend: Real Estate, Manufacturing
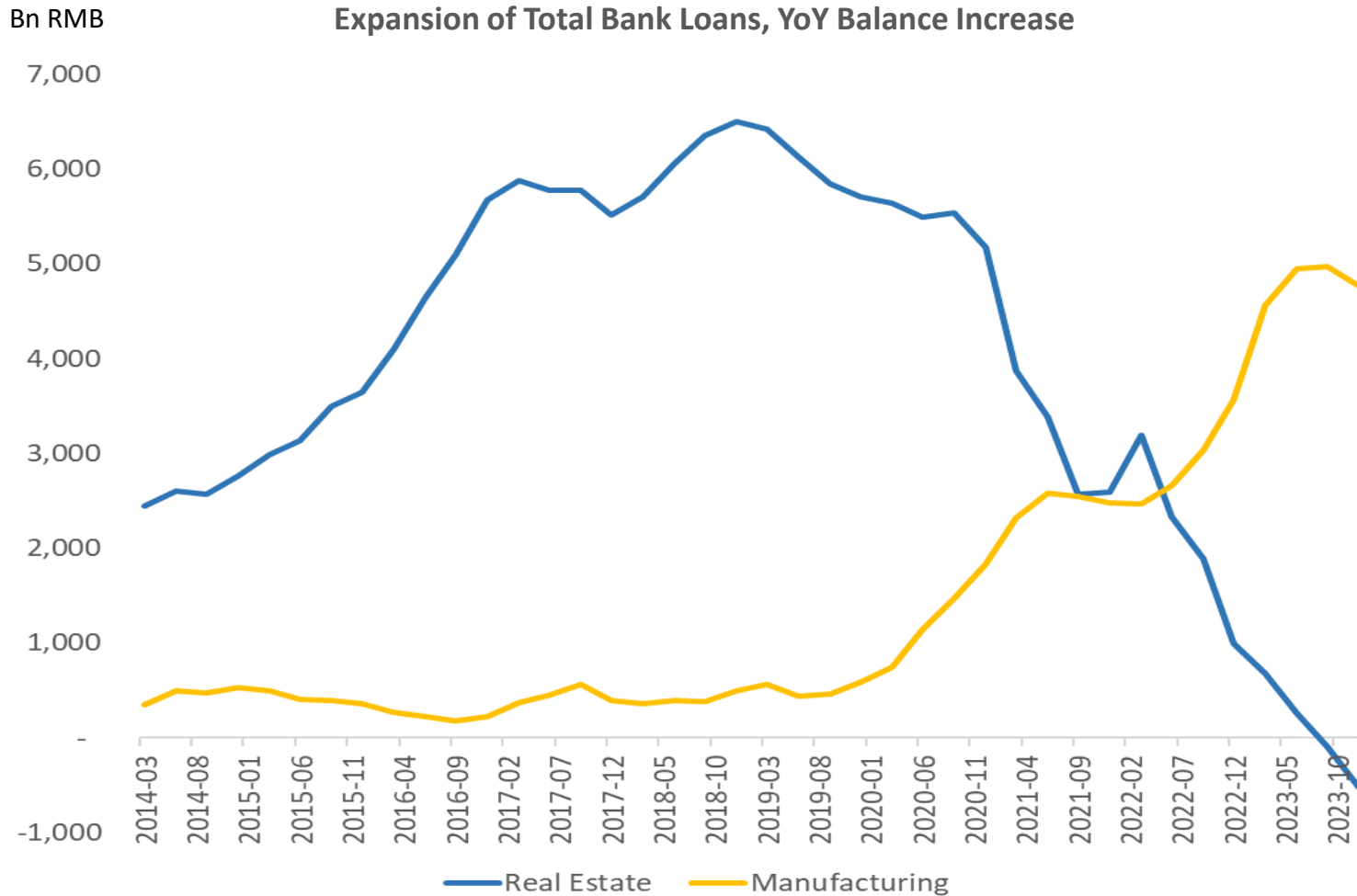
Electrification, digitalization, AI impact on power consumption

Power Consumption YoY Growth (Accumulative)
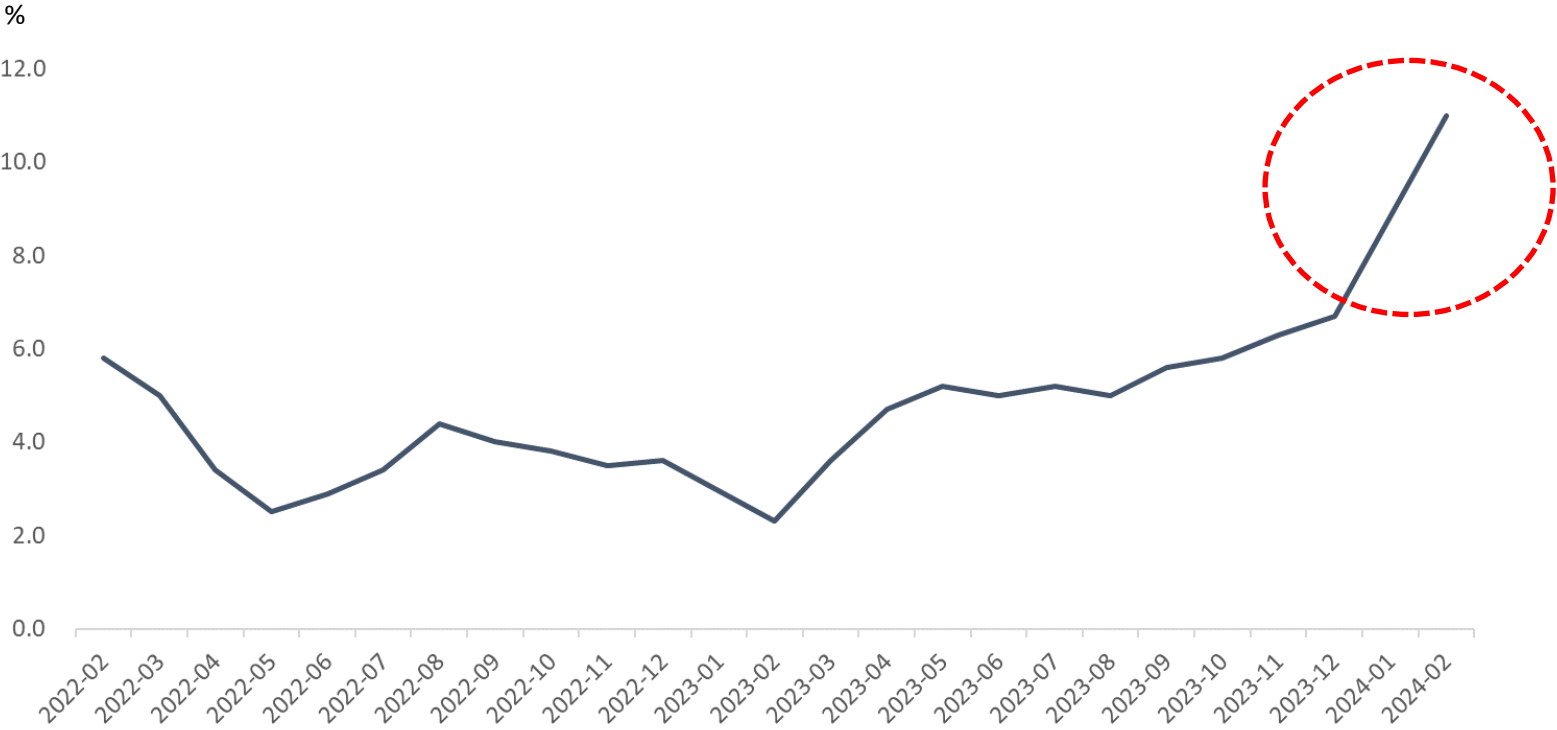
Sources: Bin Yuan Capital, Wind

Non-Property Investments have started to pick up

Fixed Assets Investment YoY Growth (Accumulative)
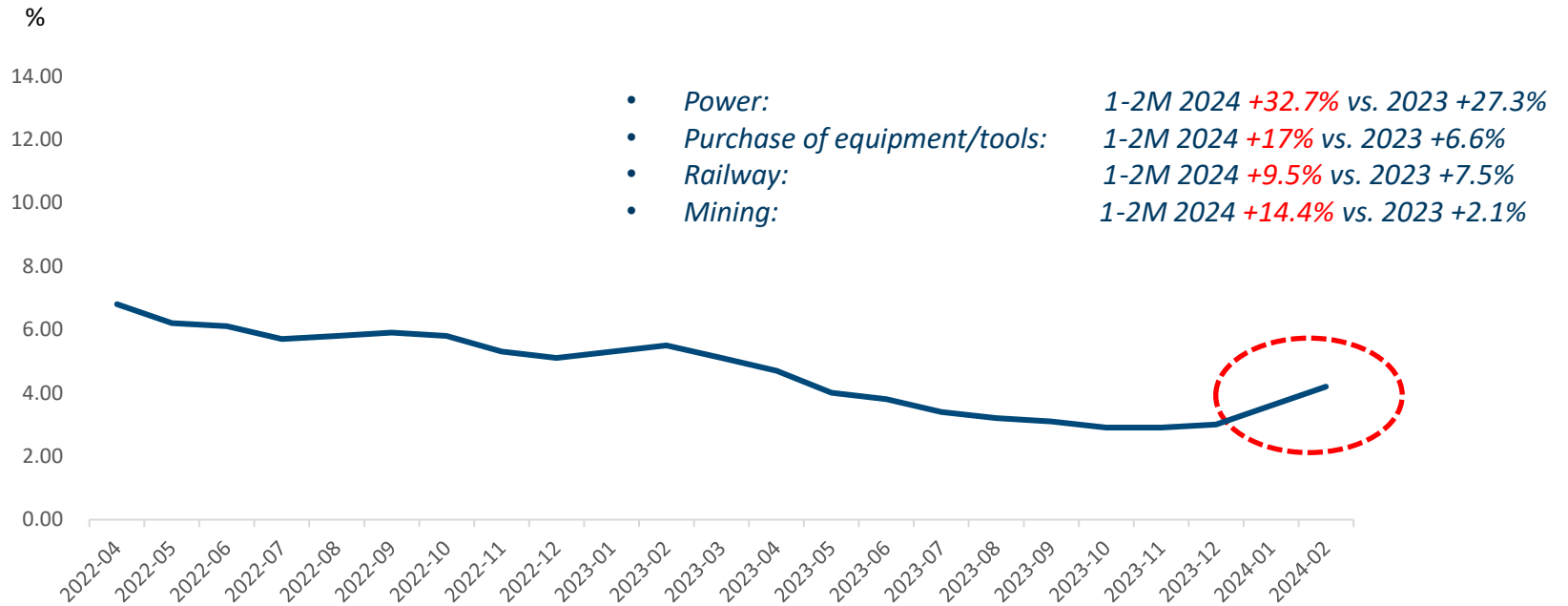
- Power: 1-2M 2024 *+32.7%* vs. 2023 +27.3%
- Purchase of equipment/tools: 1-2M 2024 *+17%* vs. 2023 +6.6%
- Railway: 1-2M 2024 *+9.5%* vs. 2023 +7.5%
- Mining: 1-2M 2024 *+14.4%* vs. 2023 +2.1%

Sources: Bin Yuan Capital, Wind

- Property: 1-2M 2024 *-7.5%* vs. 2023 -8.1%
- New start: 1-2M 2024 *-19.8%* vs. 2023 -17.6%

Investing for Better Life

Signatory of: PRI Principles for Responsible Investment

15

Property Market – stabilizing

Top 100 Cities Land Transactions

100mn sqm

vs. Past 15 Year Average 5.1
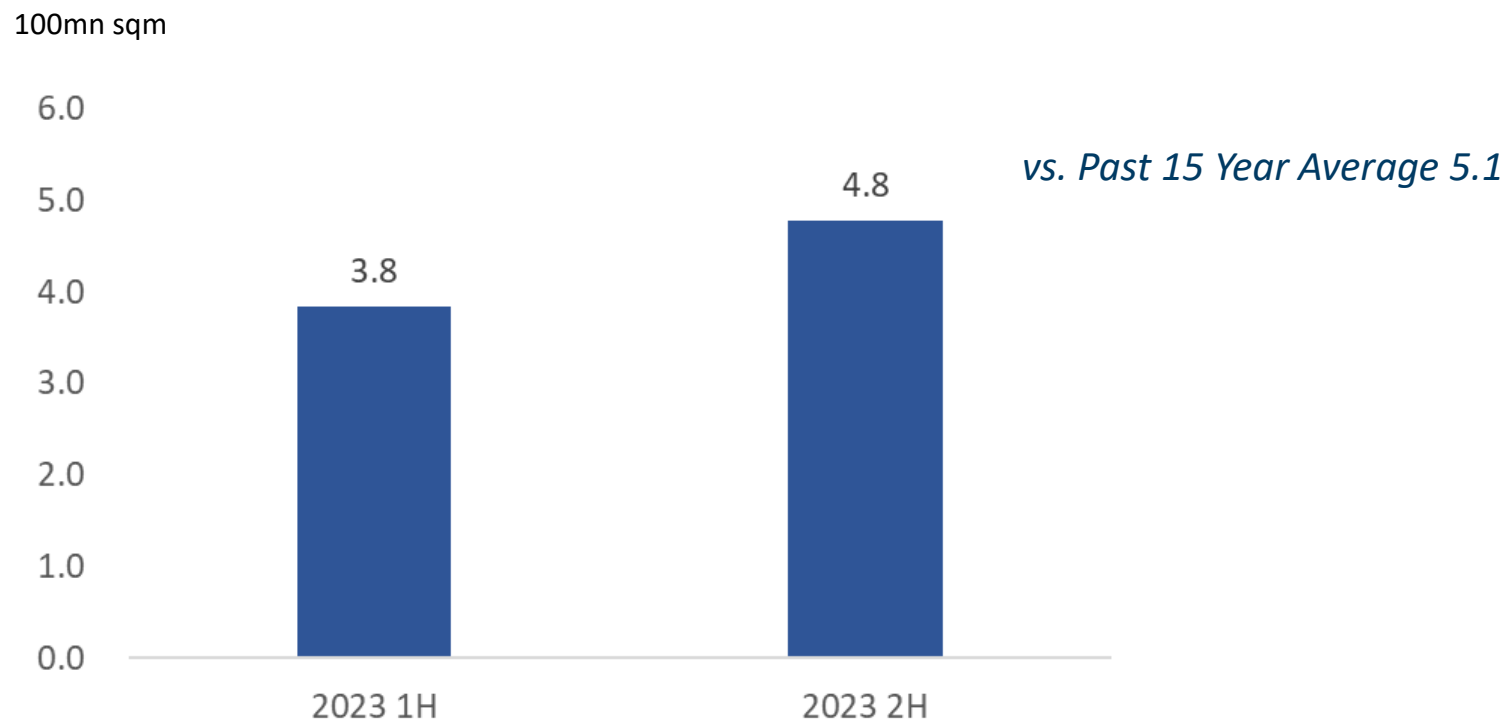
Sources: Bin Yuan Capital, Wind, GTJA Securities

Investing for Better Life

Mild Inflation positive for China Consumption

CPI YoY Growth

Legend: CPI, No Food CPI, Service CPI
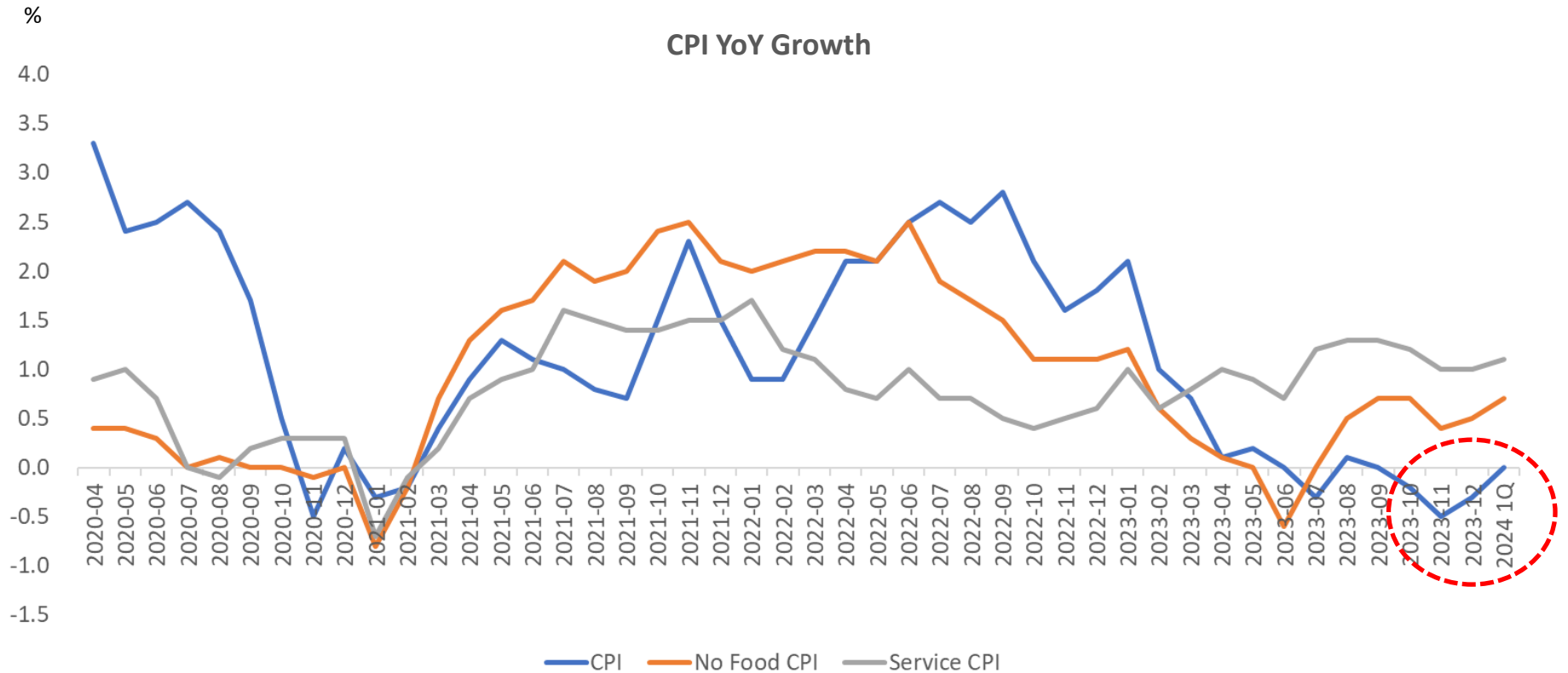
Sources: Bin Yuan Capital, iFind, Wind

Investing for Better Life

Recovery of Domestic Tourism & Revenue during Major Holidays Since 2023 (vs 2019)
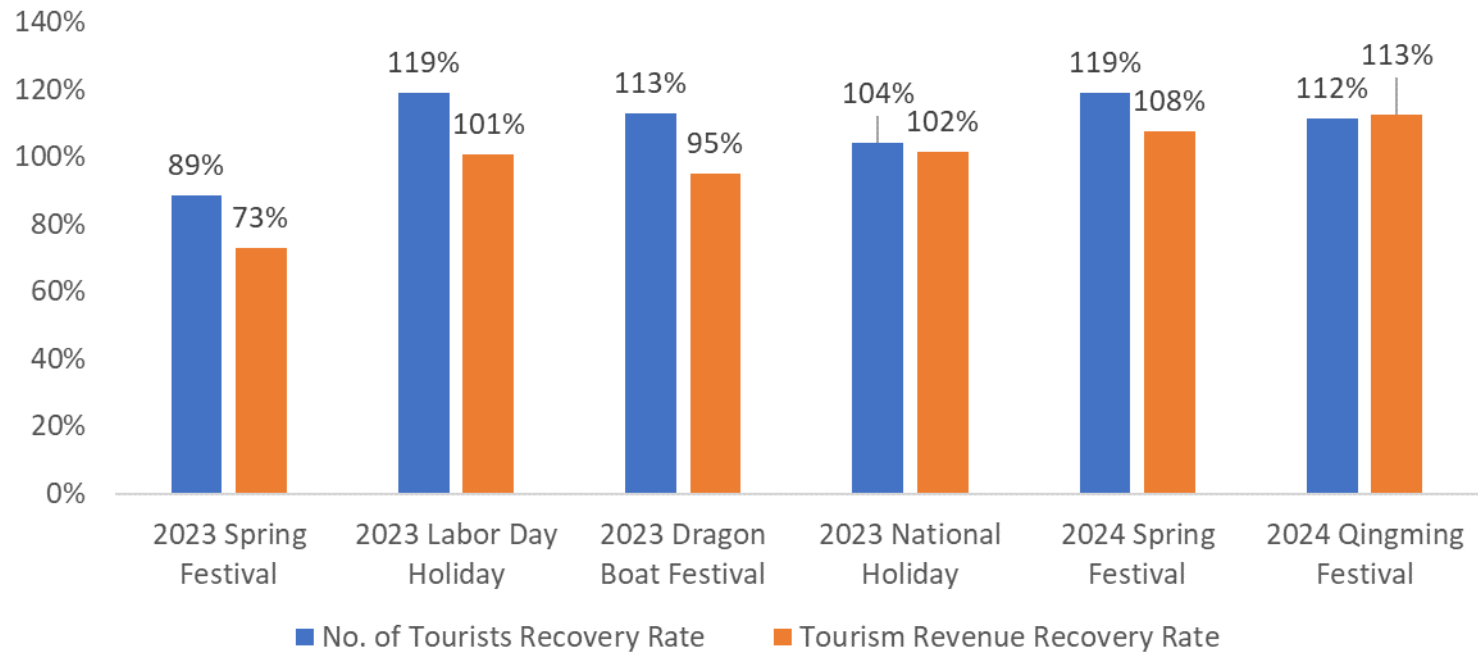
Source: Ministry of Culture and Tourism, Bin Yuan Capital

Investing for Better Life

Valuations compelling

Investing for Better Life

Mismatch to fundamentals

Very attractive Equity Market for Long-term Local Investors

CSI 300 Index Risk Premium* vs. CSI 300 Index Performance

Legend: CSI300 Index — CSI300 Risk Premium (Right)

CSI 300 Index Risk Premium = Earnings/Price % - yield of 10-year government treasury bond

Sources: Bin Yuan Capital, Wind

Investing for Better Life

Share buybacks & dividends have increased significantly

Figure 16: Capital return: payout and buyback are significantly higher than 2015/16 levels
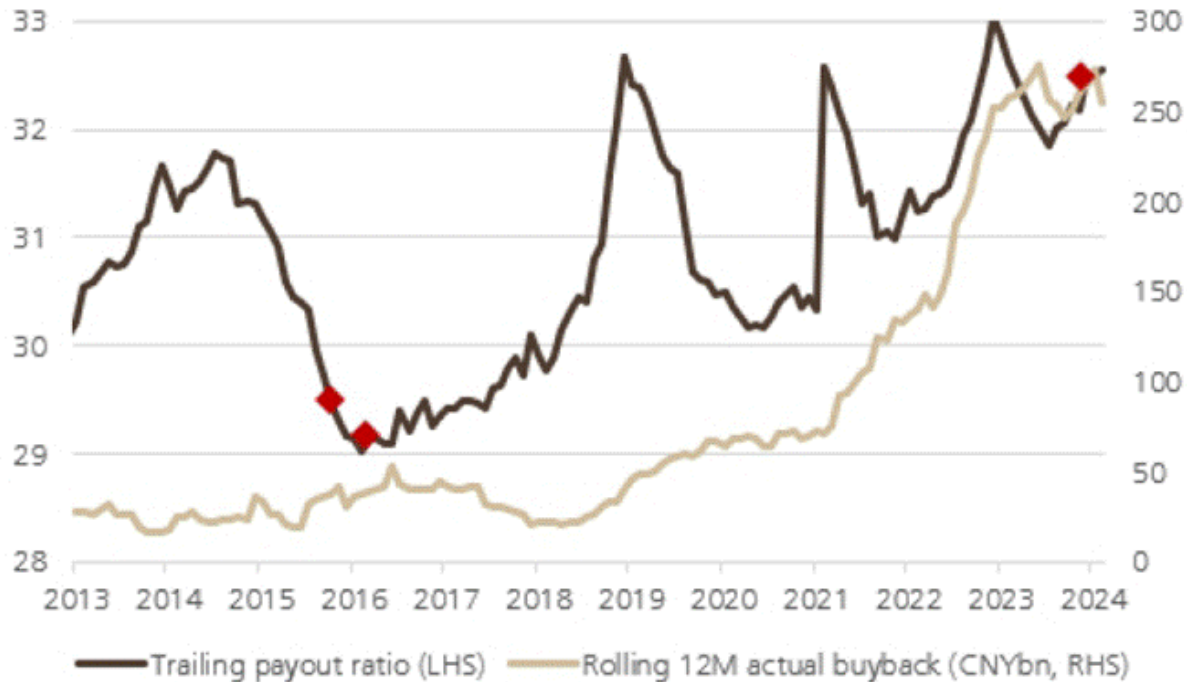
Source: FactSet, UBS. Note: MSCI China is used as universe. Red dots representing Nov 2015, Mar 2016 and Feb 2024, actual buyback amount is shown

Portfolio Positioning

Signatory of:

Investing for Better Life

Structural Opportunities in 2024

- Domestic **upgrade** demand - Equipment/appliances replacement
  - ✓ Grid and railway
  - ✓ New energy and energy efficient equipment
  - ✓ Healthcare devices
  - ✓ Digitalization

- Import substitution
  - ✓ Semiconductor equipment
  - ✓ Electronics
  - ✓ Machine tools
  - ✓ Control systems

- Consumption/Services
  - ✓ Tourism
  - ✓ Catering with beer, pre-made food, condiment
  - ✓ Undervalued property chain – customized furniture

Sector Weight Movement
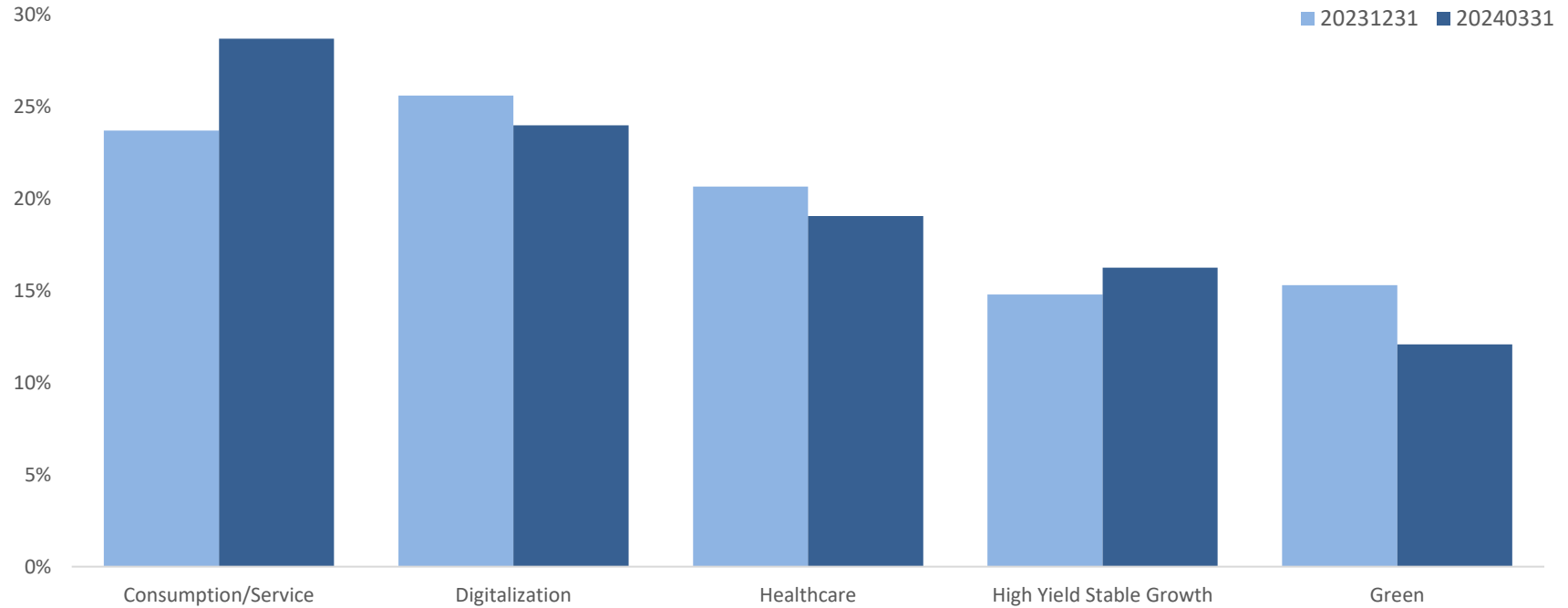
Equity portion normalized to 100%

Portfolio Positioning

Sector/Theme Exposure

High End Technology 55%
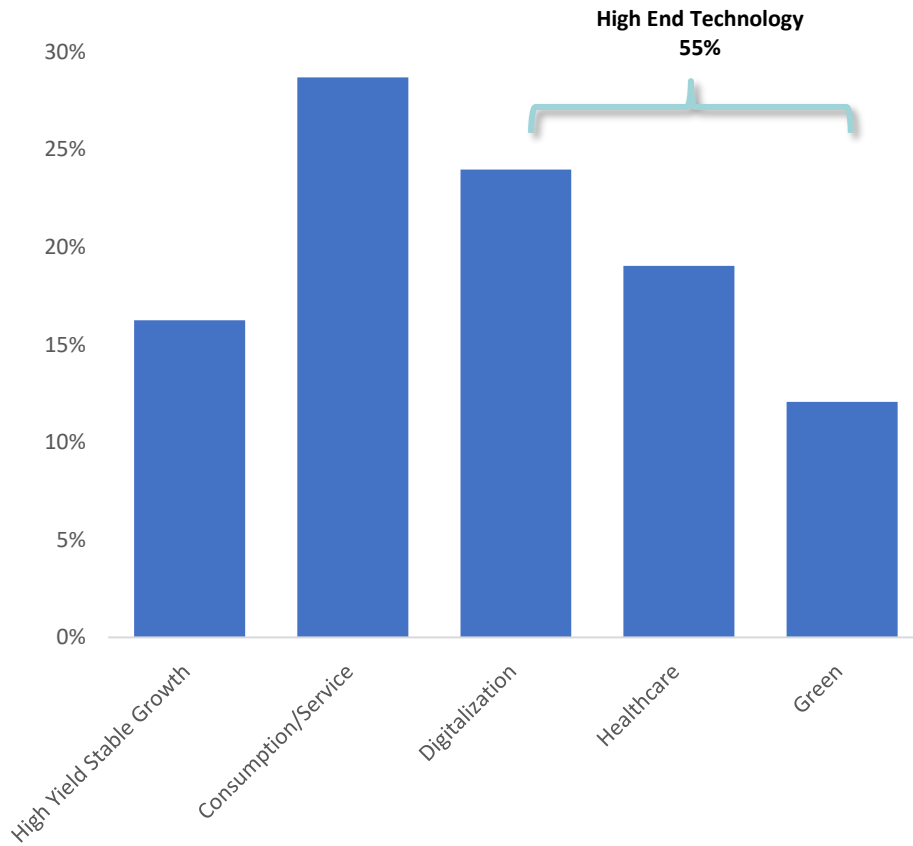
Exchange Exposure

65%
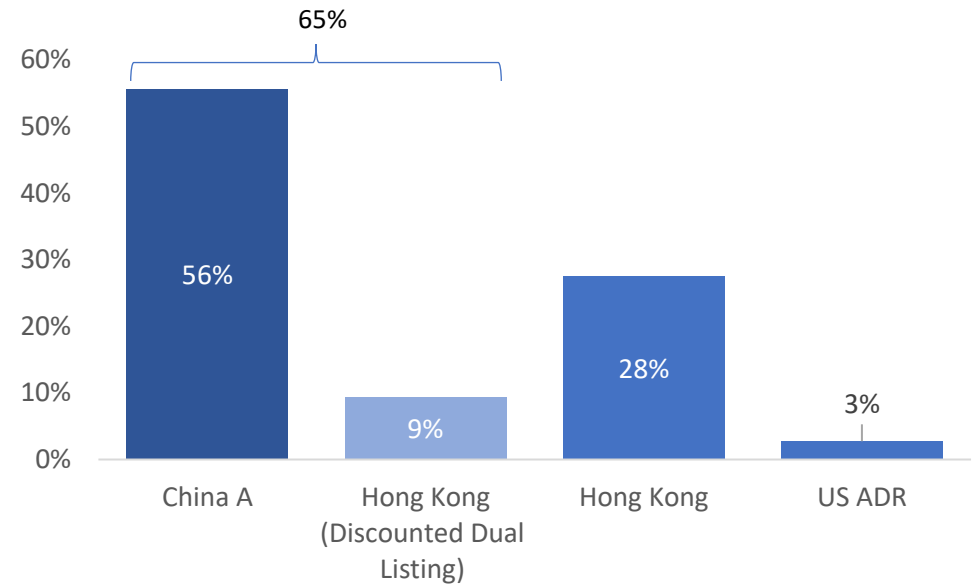
Investing for Better Life

Portfolio Positioning by Growth Stage

33%	63%
Stable Growth	**Upcycle Growth**

Stable Growth

- Well known dominant leaders
- Stable cash flow and earnings growth
- Large cap
- High dividend yield

Core Positions

- SINOPHARM
- CHINA MERCHANT BANK

Upcycle Growth

- Under discovered industry leaders
- Strong cash flow and earnings growth
- Mid cap
- Potential of growing to dominant leader

- iRAY... (STAR board - Sci-Tech innovAtion boaRd)
- FRIENDESS
- KANGJI
- CCTC-A

Valuation

Stable Growth:
- PE: 9.4
- PB: 1.6
- PEGY: 0.7
- ROE: 14%
- NI Growth: 11%
- Dividend yield: 3.8%
- Market Cap Average ($ Billion): 119.92
- Market Cap Median ($ Billion): 93.37

Upcycle Growth:
- PE: 20.9
- PB: 3.8
- PEGY: 1.0
- ROE: 19%
- NI Growth: 22%
- Dividend yield: 1.3%
- Market Cap Average ($ Billion): 14.51
- Market Cap Median ($ Billion): 5.00

*PE: 2024 PE
PEGY: Price to Earnings Ratio/(Earnings Growth + Dividend Yield)
NI: Net Income
Market Cap: Market Capitalization

Signatory of:
PRI Principles for Responsible Investment

Investing for Better Life

Portfolio Earnings – strong growth trend vs the Market

Sources: Bin Yuan Capital, Wind, Bloomberg

Earnings Valuation Outlook

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	**03/31/2024**	**03/31/2024**	**03/31/2024**
2024 PE (X) – Harmonic Avg. Method*	11.3	13.5	10.3
2024 PE (X) – Weighted Avg. Method	16.2	17.4	15.6
2024 PB (X)*	1.6	2.5	1.6
2024 Div. Yield (%)	2.4	1.5	2.6
2024 ROE (%)	17.6	10.5	10.5
Earning Growth (%) Forward 3 YR	18.6	8.3	6.0
2024 PEGY	0.8	1.8	1.8
FCF Yield	3.0	-1.1	1.9

Note: Valuation dynamics impacted by corporate quality.

*Harmonic Avg. Method: 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 of (1/Value_i)

Where:

- (N) is the total number of values.

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

Sources: Bin Yuan Capital, Wind, Bloomberg

High quality portfolio trading at a discount

Investing for Better Life

Wrap Up

- Factors driving negative sentiment receding and factored into market valuations:
  - ➢ Geopolitics with US…**competitiveness rebalancing**
  - ➢ Diminishing negative property market impact
  - ➢ Signs of strong economic recovery

- Ongoing transition from a property driven economy to one based on high end manufacturing gaining momentum:
  - ➢ The Government's goal to grow productivity supports our portfolio positioning
  - ➢ Two-pillar growth: infrastructure upgrade (beta) + high barrier technology (alpha)

- Mismatched valuation vs. fundamentals:
  - ➢ Encouraging earnings growth of portfolio holdings
  - ➢ Increased share buybacks and higher dividends
  - ➢ Equity market attractive for local investors vs bond market

Dawn around the corner

Healthcare Update

Investing for Better Life

Key structural changes

- Ageing population – Improving penetration rate is urgent

- Healthcare equipment – from 'Following' to 'Winning'

- Pharmaceutical – from 'Learning' to 'Following'

- Healthcare in China very attractively priced

Long-term Needs & Catalysts

+) Innovative drugs: encouraging innovation policies & improving cash flow
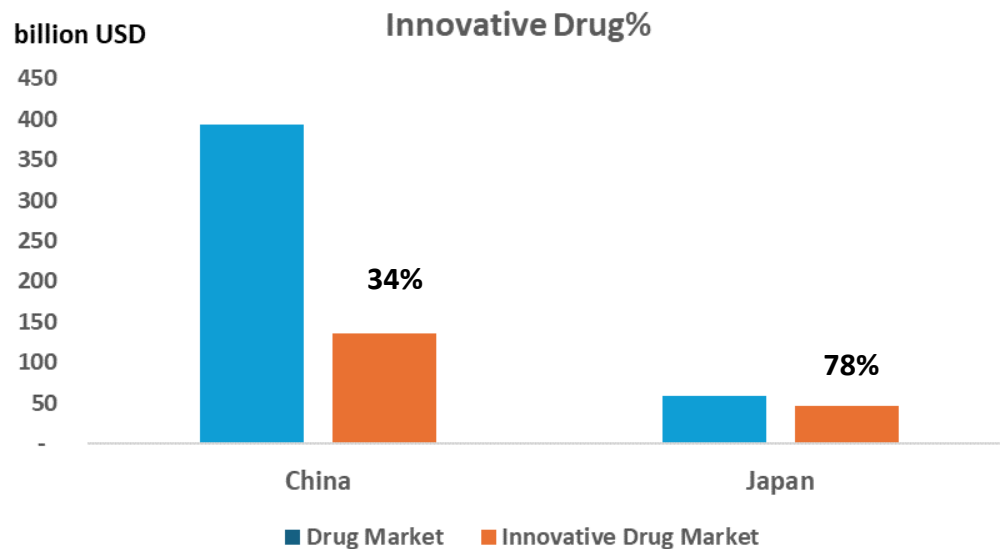
Healthcare in China very attractively priced

PE of Healthcare Sector

Source: Wind, Bin Yuan Capital

Healthcare market cap/ Total Market Cap
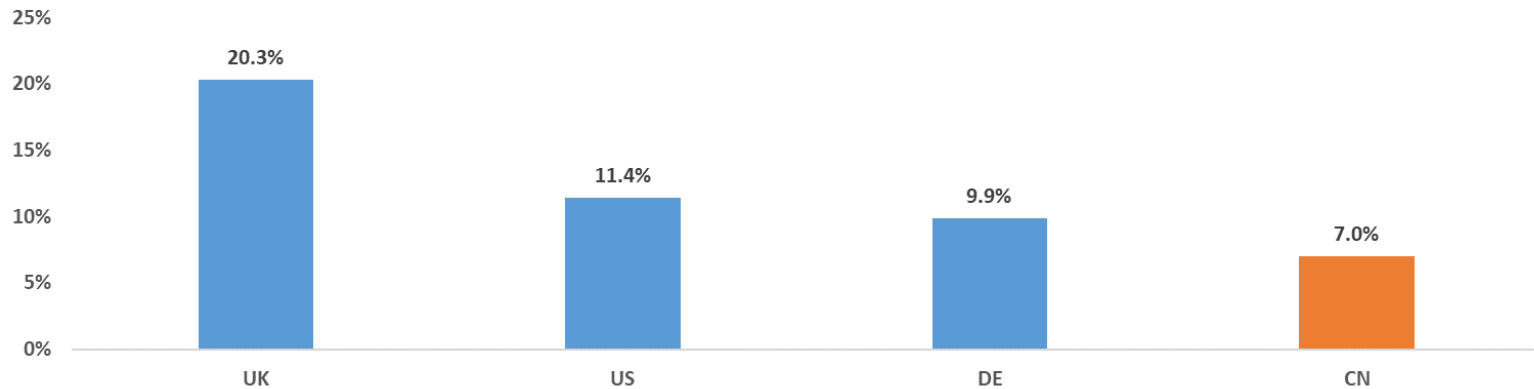
Source: Wind, Bin Yuan Capital

Investing for Better Life

Q&A

Signatory of:

Principles for
Responsible
Investment

Investing for Better Life

Appendix: Healthcare Strategy Update

Investing for Better Life

Performance QTD

Inception Date	2021/12/03

Ending Date	2024/03/31

All China Strategy - Hereford Funds Bin Yuan Health Care Sub-Fund	Jan	Feb	Mar	QTD	2023	ITD
Bin Yuan Health Care Fund (Share Class L1) Net Performance	-19.00%	10.79%	-5.58%	-15.26%	-18.13%	-41.75%
MSCI China Health Care Index (Bloomberg Ticker MXCN0HC Index)	-20.89%	10.71%	-9.46%	-20.70%	-20.45%	-56.79%
Outperformance/(Underperformance)	**1.89%**	**0.08%**	**3.88%**	**5.44%**	**2.32%**	**15.04%**

	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%**

Stock Contributors – 2024 Q1

Performance Attribution

HFHC vs. MSCI Health Care

2024 Q1

USD

Top 3

	Name	Contribution	Sector
2367 HK Equity	GIANT BIOGENE HO	0.45	Biotechnology
688617 CH Equity	APT MEDICAL IN-A	0.27	Healthcare Equipment & Parts
300896 CH Equity	IMEIK TECHNOLO-A	0.11	Biotechnology

Bottom 3

	Name	Contribution	Sector
688301 CH Equity	IRAY TECHNOLOG-A	-3.09	Healthcare Equipment & Parts
2269 HK Equity	WUXI BIOLOGICS C	-2.69	Services
603259 CH Equity	WUXI APPTEC CO-A	-1.69	Services

Sub Segment Allocation v.s. Benchmark

Hereford Healthcare Fund

- Healthcare Equipment & Parts: **57.4%**
  - IVD, 6.4%
  - Consumable Parts 24.0%
  - Healthcare Equipment, 27.0%
- Services: **17.1%**
  - Private Hospitals, 3.3%
  - Distributors, 3.7%
  - Pharmacy, 4.4%
  - CRO & CDMO, 5.7%
- Biotechnology: **17.6%**
  - Vaccines 1.2%
  - Cosmetics, 6.1%
  - Innovative Drugs, 10.3%
- Pharmaceuticals: **7.9%**
  - Pharmaceuticals, 7.9%

MSCI China Healthcare Index

- Healthcare Equipment & Parts: **8.4%**
  - IVD 0.3%
  - Healthcare Equipment 3.0%
  - Consumable Parts 5.1%
- Services: **38.3%**
  - Private Hospitals 4.5%
  - CRO & CDMO 28.2%
  - IT services 0.1%
  - ICL 0.6%
  - Distributors 4.9%
- Biotechnology: **25.3%**
  - Vaccines 3.8%
  - Innovative Drugs 20.6%
  - Cosmetics 0.8%
- Pharmaceuticals: **28.1%**
  - Pharmaceuticals 24.9%
  - TCM 3.2%

Sub Segment Weight Movement
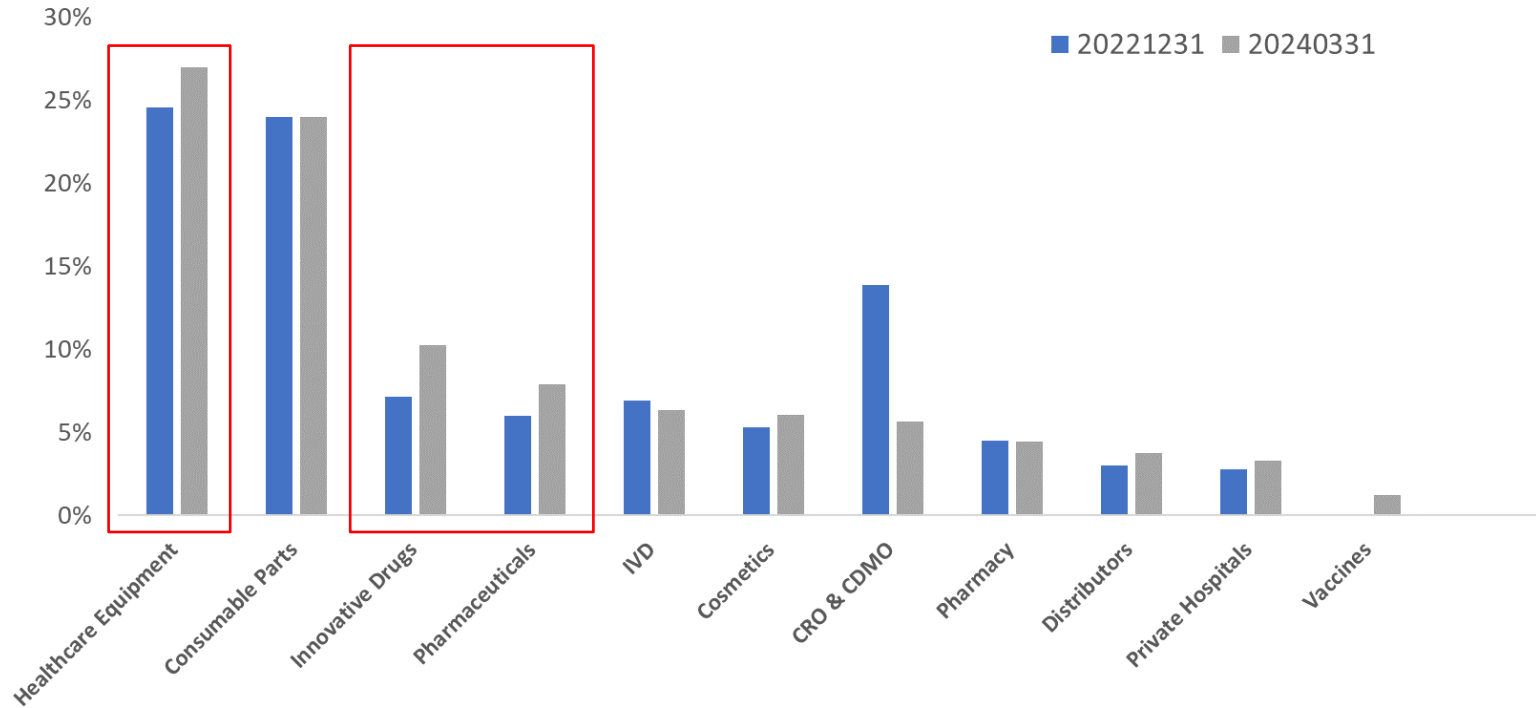
+) Healthcare Equipment: replacement policy
+) Innovative drugs: encouraging innovation policies & improving cash flow
+) Pharmaceuticals – API: improving competition landscape

Signatory of:

Investing for Better Life

Bin Yuan Healthcare Portfolio Growth – Resilient Growth

Year-on-Year Revenue Growth of Bin Yuan Healthcare Strategy
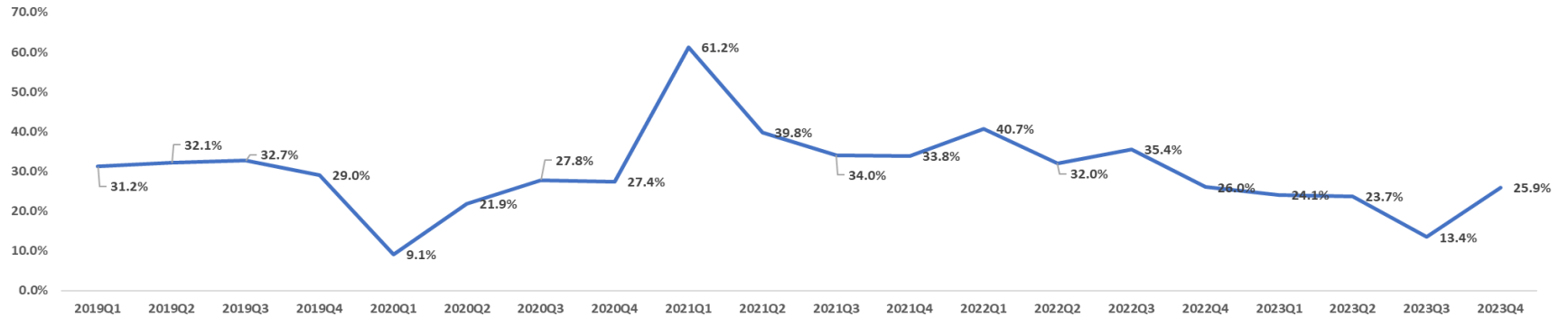
Year-on-Year Earnings' Growth of Bin Yuan Healthcare Strategy

Sources: Bloomberg, Bin Yuan Capital

Investing for Better Life
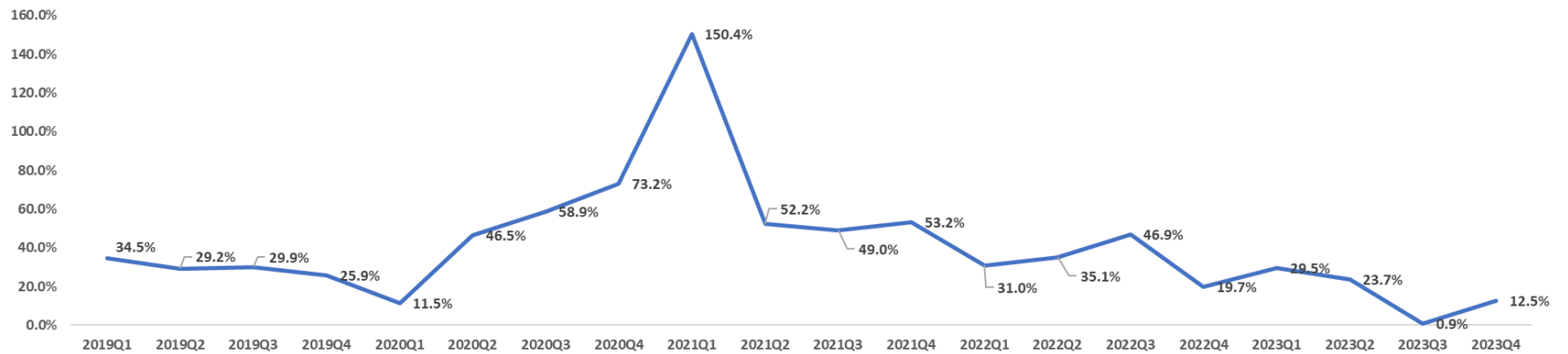
Core Holdings

✓ **Kangji Medical** (China's largest manufacturer of minimally invasive surgical instrument and robots):

➢ 2023 revenue RMB 930 mm, +17.8% YoY (export revenue RMB 86.5 mm, +20.6% YoY)

➢ New products sales growth: Ultrasonic Scalpels +109%, 4K Endoscope System +57%, Disposable Electrocoagulation Forceps +30%

➢ 2023 operating profit RMB 668 mm, +13.2% YoY, excluding the Wiseking investment loss

➢ 2023-end OCF RMB 420 mm, +31.4% YoY

➢ RMB 3 bn cash on hand, dividend yield 22%. 50-70% dividend payout ratio in the next 3 years.

➢ Wiseking four-arm robot is undergoing phase three clinical trials, apply for product registration in the second half of this year.

➢ >15% earnings' growth in the next three years with a 20% ROE. 12X 2024 PE.

✓ **iRay Technology** (a manufacturer of image detectors):

➢ 2023 revenue RMB 1.89 bn, +22% YoY

➢ 2023 core net profit RMB 600 mm, +16% YoY

➢ Overseas proportion 35% in 2023, with higher growth rate.

➢ Gain recognition from global first-tier customers in the medical and dental area.

➢ CT related products shall contribute earnings in the second half of this year.

➢ Recover quarter by quarter in 2024.

➢ 25% earnings' growth in 2024. 21X 2024 PE.

Signatory of:

Investing for Better Life

Core Holdings

✓ **Mindray** (China's leading provider of medical imaging and laboratory equipment):

➢ 2023 domestic revenue: ~+15% YoY , domestic net profit: ~+20% YoY

➢ 2023 IVD business growth +25% (Overseas growth +30%, 60% are high-speed machines)

➢ MT 8000 Phase II assembly line launched, target to surpass No.3 player – Beckman in 2024

➢ Expansion into Cardiovascular category

➢ 20% earnings' growth in the next three years with a 30% ROE. 22X 2024 PE.

✓ **Innovent Biologics** (A prominent Chinese biopharmaceutical company specializing in innovative drugs):

➢ 2023 revenue: RMB 6,206 mm, +36.2% YoY

➢ Target 2027 revenue RMB 20 bn, +35% CAGR

➢ Target to reach break-even in 2025

➢ Portfolio expansion: Commercialized products increased from 8 to 10

➢ Mazdutide (GLP-1) can be the first innovative GLP-1 drug, target to launch in 2025

Earnings Valuation Outlook - Bin Yuan Healthcare Portfolio

Valuation	Portfolio	Benchmark
Period	**03/31/2024**	**03/31/2024**
2024 PE (X) – Harmonic Avg. Method*	21.6	26.3
2024 PE (X) – Weighted Avg. Method	18.4	15.7
2024 PB (X)*	3.8	2.3
2024 Div. Yield (%)	1.0	1.4
2024 ROE (%)*	120.3	7.9
Earning Growth (%) Forward 3 YR	19.8	14.0
2024 PEGY	0.9	1.0
FCF Yield	2.0	0.9

Note: Valuation dynamics impacted by corporate quality.

*Harmonic Avg. Method: 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 of (1/Value_i)

Where:

- (N) is the total number of values.

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

Sources: Bin Yuan Capital, Wind

High quality portfolio trading at a discount

Investing for Better Life

Signatory of:

PRI | Principles for Responsible Investment

Disclosure

The MSCI China Index is a free-float weighted equity index. It was developed with a base value of 100 as of December 31, 1992.

The MSCI All China Index is a free float weighted equity index, capturing large/mid cap representation across all China securities listed in China, Hong Kong, US, and Singapore. The index was developed with a base value of 1000 as of May 30, 2008. The index has been discontinued as of November 27, 2019.

The MSCI China All Shares Index is a free float weighted equity index, based on the concept of the integrated MSCI China equity universe with China A-shares included. It was developed with a base value of 1000 as of November 25, 2008.

The MSCI China A Index is a free-float weighted equity index, designed to measure performance of China A share securities listed on either the Shanghai or Shenzhen Stock Exchanges. The index was developed with a base value of 1000 as of November 30, 2004.

The CSI 300 Index is a free-float weighted index that consists of 300 A-share stocks listed on the Shanghai or Shenzhen Stock Exchanges. Index has a base level of 1000 on 12/31/2004.

The Fund is an actively managed portfolio as compared to the indices which are unmanaged. In addition, there may be significant differences between the Fund and indices including liquidity and volatility.

Signatory of:

Investing for Better Life