

Bin Yuan Capital

April 2025

2025 Q1 REVIEW & 2025 OUTLOOK



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Agenda

- ❖ Q1 2025 Performance & Portfolio Review
- ❖ Tariffs & the Risks: China Macro update & outlook
- ❖ Portfolio Positioning
- ❖ Portfolio Earnings Outlook and Valuations

Key Points Summary

■ US Tariff Risks: Short-Term Disruption and Long-Term Rebalancing

- **Global economic uncertainty:** China may not experience the most severe impact
- **Efficient manufacturing supply chain:** China maintains the world's most streamlined and effective production infrastructure
- **Reduced dependency on US markets:** China's reliance on US supply and demand has significantly decreased since the Trump administration's initial tariffs.
- **Re-globalization:** A rebalancing of global trade dynamics is underway, shifting towards more diversified regional trading partnerships.
- **Stimulated domestic demand:** The Chinese government is actively implementing measures to boost internal economic consumption.

■ Portfolio positioning

- Low US exposure
 - Import substitution
 - AI development in China
 - IP-Driven Lifestyle consumption trends
 - Value enhancing investment assets
- **Attractive valuations and transparent earnings growth**



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Navigating strategic certainties in a shifting global landscape

Portfolio Review



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Performance

Inception Date

2018/04/16

Ending Date

2025/03/31

All China Strategy - Hereford Funds Bin Yuan Greater China Sub-Fund	1Q 2025	2024	2023	2022	2021	ITD
Bin Yuan Greater China Fund (Share Class L1) Net Performance	11.39%	-2.34%	-21.17%	-29.45%	10.02%	20.01%
Benchmark*	9.01%	16.39%	-11.53%	-23.61%	-12.91%	-3.23%
Outperformance/(Underperformance)	2.38%	-18.73%	-9.64%	-5.84%	22.93%	23.24%

* 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

2025 Q1: 2.38% vs benchmark

- Main Contributors: Strong performance in AI value chain, Industrials, Healthcare, and Consumer sectors
- Main detractors: Sector allocation



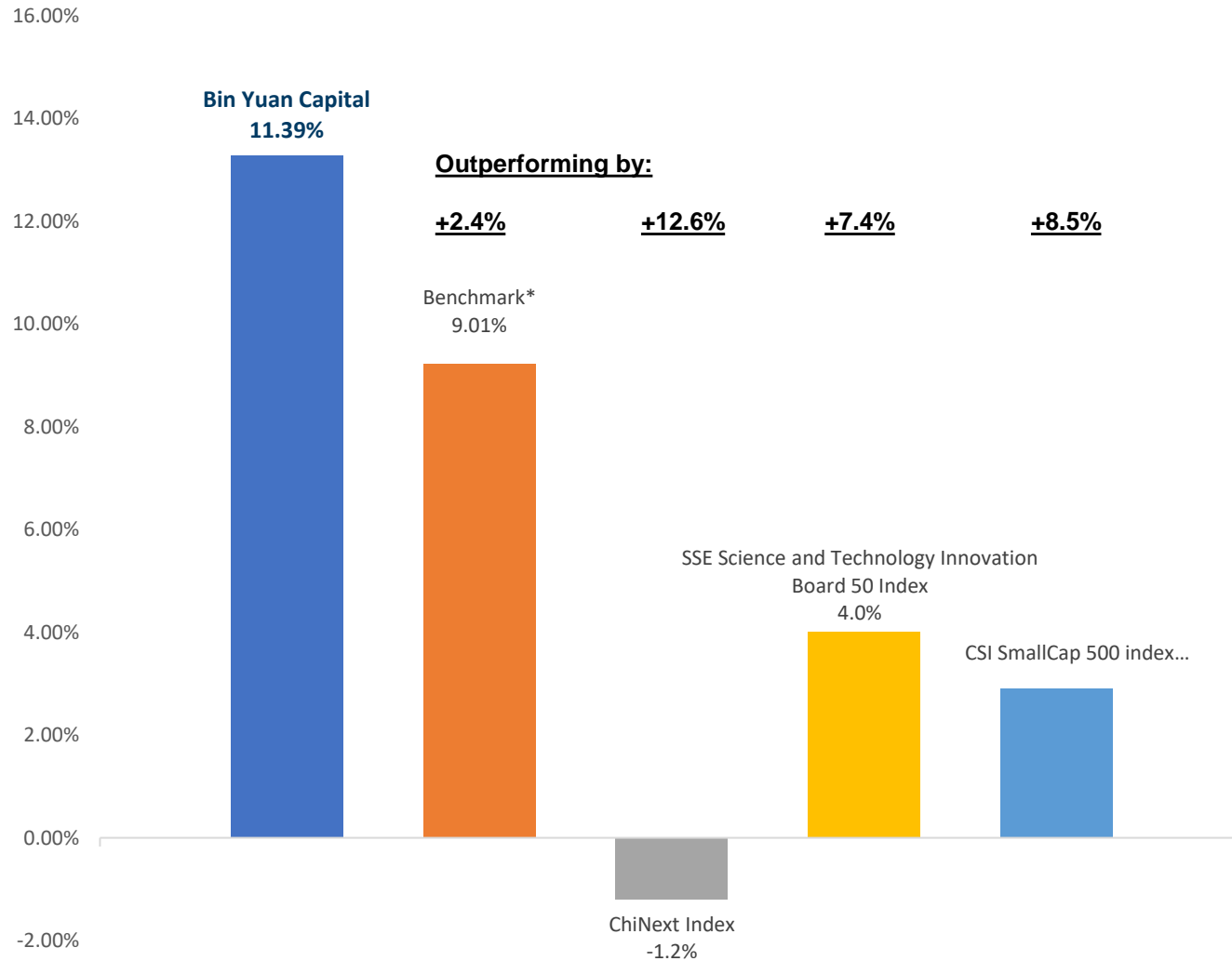
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Performance

2025Q1



Sector Attribution –2025 Q1

PORT Attribution Report: Attribution (04/01/2025 16:12:49)

Summary

Portfolio	HFBY
Benchmark	MSCI CHINA ALL SHARES INDEX
Start Date	12/31/2024
End Date	3/31/2025
Currency	USD

Detail

	Avg % Wgt		Contribution to Return (%)		Allocation Effect (%)	Selection and Interaction Effect (%)	Tot Attr (%)
	Port	Bench	Port	Bench			
HFBY	100.00	100.00	11.79	9.23	-1.78	4.35	2.57
Industrials	15.98	8.41	2.28	-0.28	-0.97	2.80	1.84
Consumer Staples	4.01	6.51	0.96	0.17	0.29	0.81	1.10
Financials	11.38	19.62	0.69	0.82	0.64	0.08	0.72
Utilities	0.02	3.00	-0.01	-0.19	0.51	-0.01	0.50
Communication Services	11.81	14.26	2.63	2.39	-0.08	0.44	0.36
Energy	2.16	2.96	-0.05	-0.25	0.05	0.19	0.24
Health Care	8.85	4.36	0.97	0.39	-1.09	1.26	0.17
Real Estate	2.32	1.52	0.24	0.08	-0.08	0.21	0.14
Cash	1.28		0.01		0.04	0.00	0.04
Materials	3.53	5.10	-0.19	0.47	0.06	-0.56	-0.50
Consumer Discretionary	21.49	22.89	3.80	4.60	-0.57	-0.26	-0.83
Information Technology	17.16	11.37	0.46	1.02	-0.58	-0.64	-1.22
Difference*			-0.40	-0.22			
Fee			0.27				
HFBY Gross Return			11.66	9.01			2.64
FX Impact			-0.25	-0.21			
HFBY Gross Return (Without FX Impact)			11.41	8.80			2.60

*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.



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Stock Contributors –2025 Q1

Performance Attribution

HFBY vs. ALL CHINA

2025 Q1

USD

Top 3

	Name	Contribution	Sector
9992 HK Equity	POP MART INTERNA	1.24	Consumer Discretionary
601100 CH Equity	JIANGSU HENGLI-A	1.10	Industrials
1357 HK Equity	MEITU INC	1.07	Communication Services

Bottom 3

	Name	Contribution	Sector
9896 HK Equity	MINISO GROUP-A	-0.60	Consumer Discretionary
600406 CH Equity	NARI TECHNOLOG-A	-0.36	Industrials
TSM US Equity	TAIWAN SEMIC-ADR	-0.22	Information Technology

Tariffs and the Risks: China macro update and outlook



Trump is breaking the global economic ecosystem



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US – China Relations

US-China Trade Tensions: Strategic Miscalculations and Structural Shifts

- The aggressive push to reshore manufacturing to the US may have been miscalculated.
- The longstanding global economic order led by the US is now under threat.
- A structural mismatch: high-end manufacturing vs. China's mid-market value chain.
- Inflationary pressures are likely to hurt the US economy and corporate earnings.
- China is relatively less impacted in the near term.
 - Reduced dependency on the US for both supply and demand is evident.
 - Chinese firms are accelerating their move up the value chain (The US loss is permanent).
 - Structural reforms in China may be catalysed by external pressures.
- Low-margin product segments face the greatest risk amid shifting global dynamics.

China's Strategic Strengths and Innovation Momentum

- China maintains a highly developed, efficient, and globally integrated supply chain.
- A vast talent pool and skilled labour force support sustained industrial and technological growth.
- A Chinese-led phase of “re-globalization” is actively taking shape.
- Domestic firms are accelerating the replacement of foreign products with homegrown alternatives.
- US trade pressures under Trump 1.0 catalysed a wave of creative innovation within China.

Markets are adjusting in anticipation of a new global trade balance equilibrium

Review of the risks

WSJ 15/4/25 "Treasury Secretary Scott Bessent wants trading partners to limit China's involvement in their economies in exchange for concessions on reciprocal tariffs...the tactic is part of a strategy being pushed by Bessent to isolate the Chinese economy"

- US pressurizes trading partners to restrict Chinese imports
 - US delists Chinese ADRs
 - US forces US disinvestment from China
 - US stops Chinese students from studying and settling in the US
 - Big impact to GDP
- An open risk – but unlikely to work as very difficult to fully replace China in mid market production and China is an integrated part of the ecosystem
 - Limited risk as most companies have opened H share trading
 - A risk – but bulk already taken place
 - Neutral: short term a positive for China technology – abundant talent pool
 - Will impact but domestic stimulus policies will provide support

Besides Trump and Vance, who else is interested in working in factories?



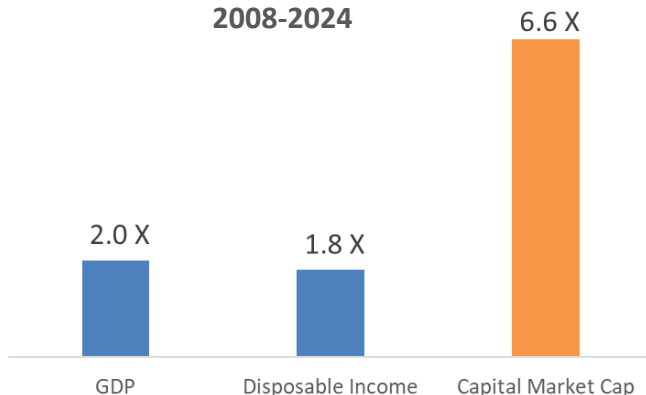
Source: AI generated content by social media

- A USD500 per month job
- Being replaced by robots
- Tariffs hurt both sides



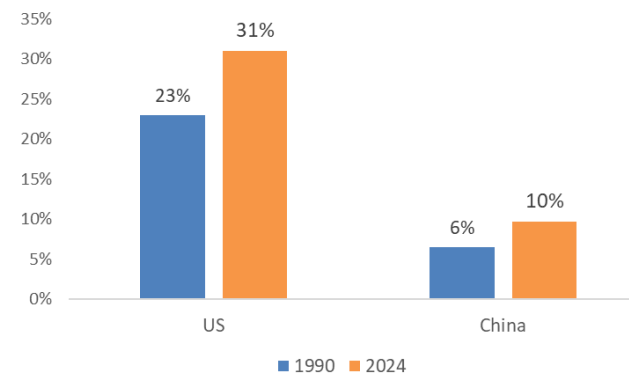
Source: AI generated content by social media

US GDP vs. Disposable Income vs. Capital Market Growth
2008-2024



Sources: Wind, Bin Yuan Capital

Percentage of Total Wealth of the Top 1% Population



Source: Dou Bao, U.S. Census Bureau, Congressional Budget Office, Bin Yuan Capital

How the trade war is viewed domestically

Shifting Perceptions and Evolving Aspirations

- Cementing determination on self-reliance
 - Erosion of US-dominated Western social norms
 - Declining trust in the US government as a reliable global actor
- Increased openness to multilateral collaboration and partnerships
- Influence of the **Deepseek phenomenon** as a catalyst for innovation and direction
- Rising aspirations for a better quality of life — though public confidence still requires strengthening

Navigating within a landscape of uncertainty

Most likely trend

- **Import substitution**
- **AI**
- **IP-Driven Lifestyle consumption**
- **Gold assets**

Risk Off Areas

- **ADR delisting**
- **US exposure** – focus on other regions with demand resilience
- **Consumer electronics and semi cycle from potential global recession** – focus on software with user stickiness and import substitution
- **Domestic overcapacity** – focus on:
 1. Companies with pricing power and strong competitiveness
 2. Tight supply industries

Optimizing Alpha with Lower Risk



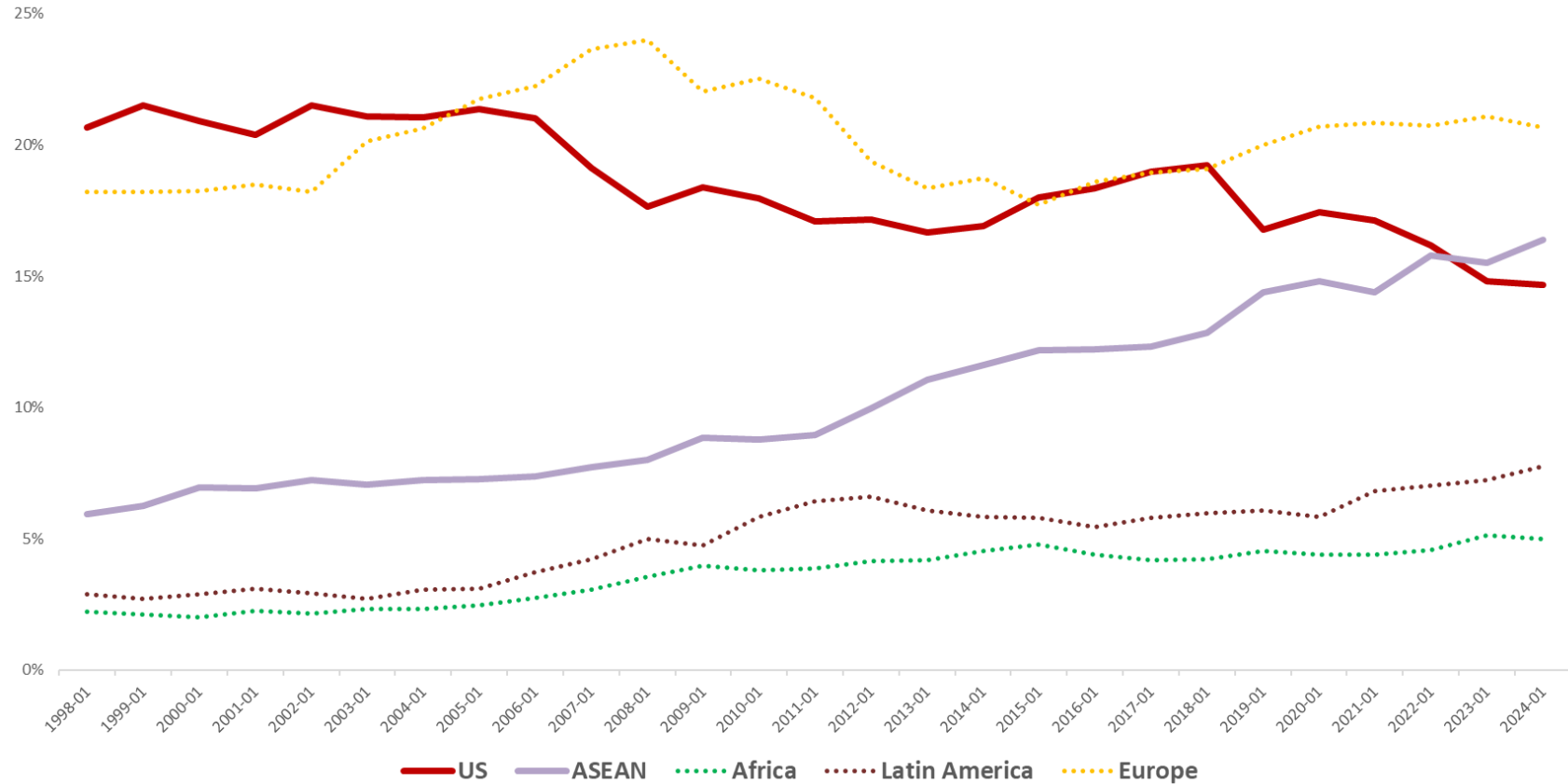
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Evolution of China Export Share % – more balanced

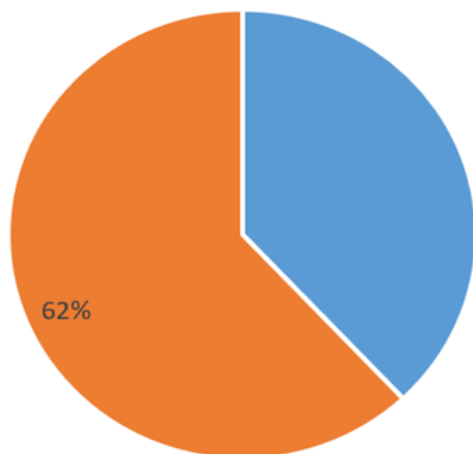


Source: Bin Yuan Capital, iFinD

Other countries have been replacing the US

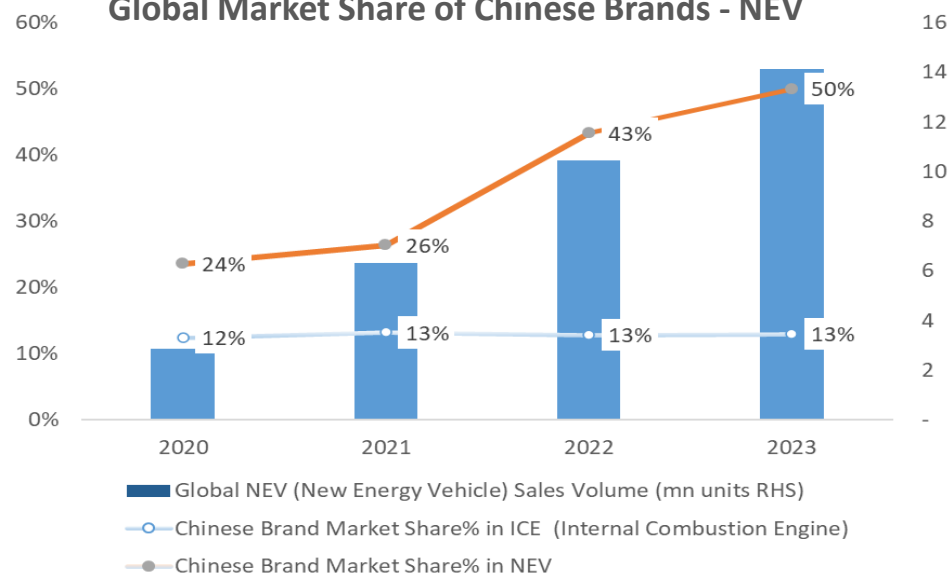
Technology Capability – the Chinese “competing” with the Chinese

Global Market Share of Chinese Brands - Smartphone

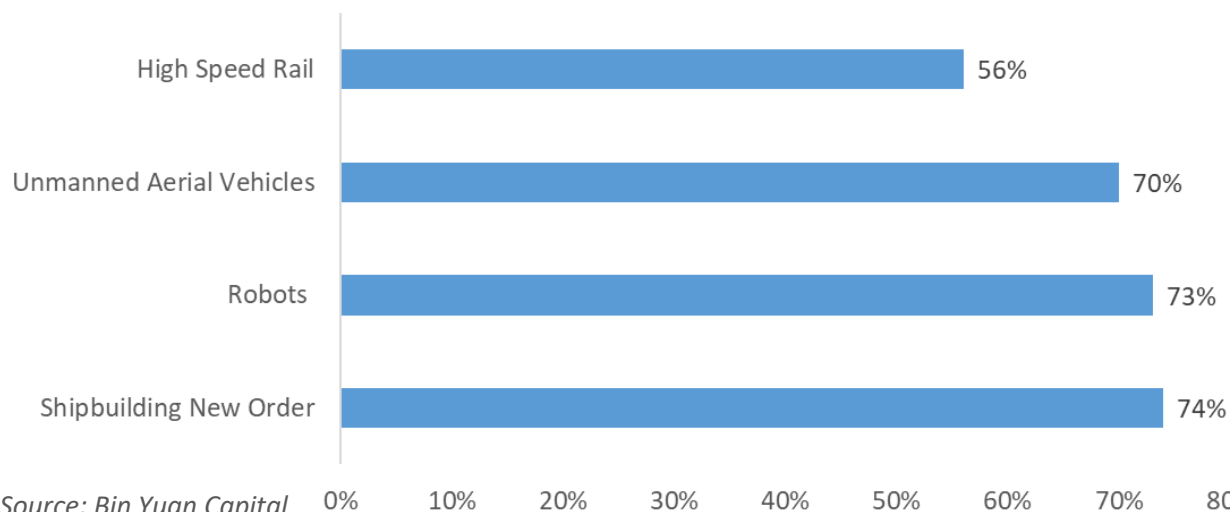


■ Chinese Brand Market Share - SmartPhone

Global Market Share of Chinese Brands - NEV

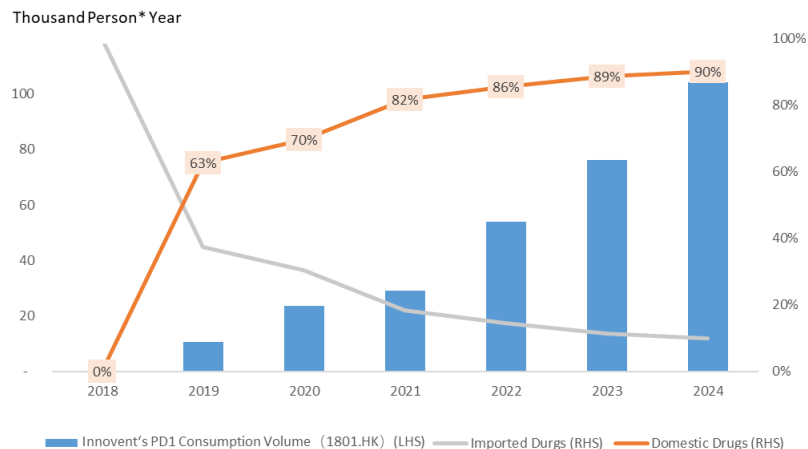


Global Market Share of Chinese Players

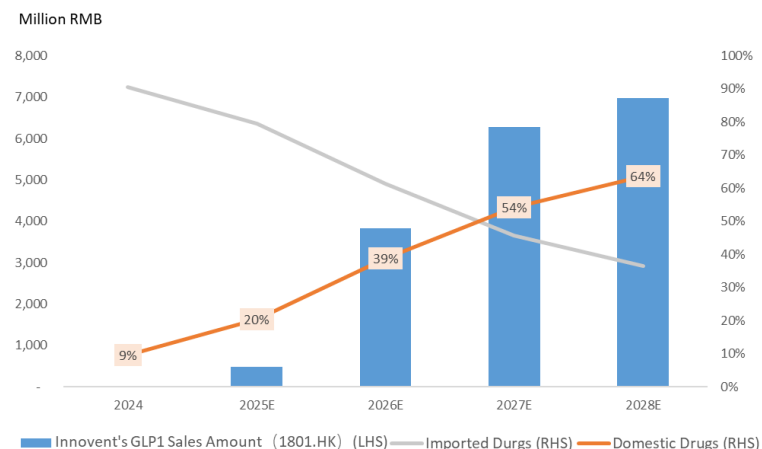


Import Substitution - Healthcare

Market Share of PD1

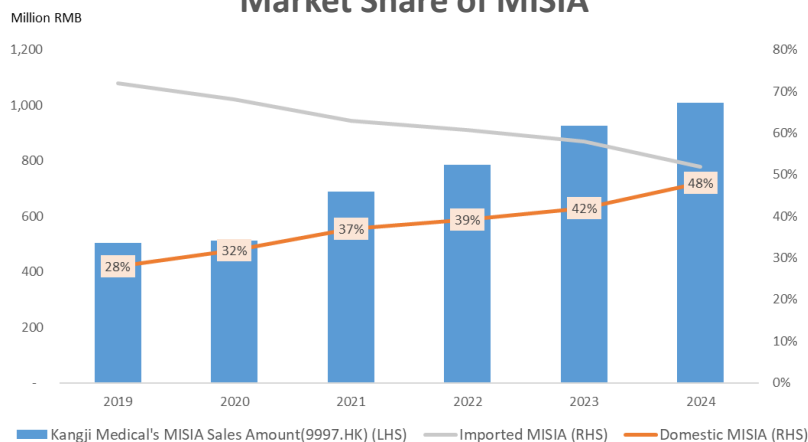


Market Share of GLP1

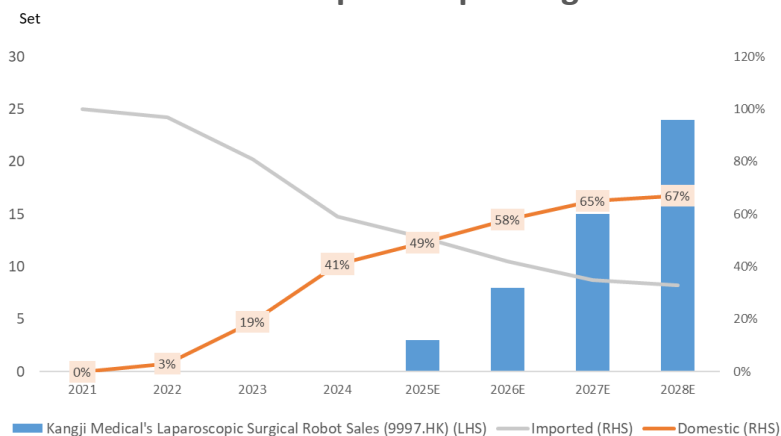


Source: Innovent Annual Report, Bin Yuan Capital

Market Share of MISIA



Market Share of Laparoscopic Surgical Robot

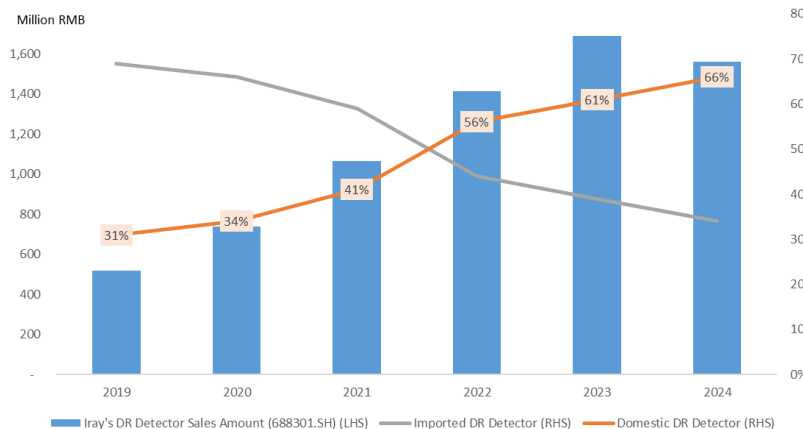


Source: Kangji Medical Annual Report, Bin Yuan Capital

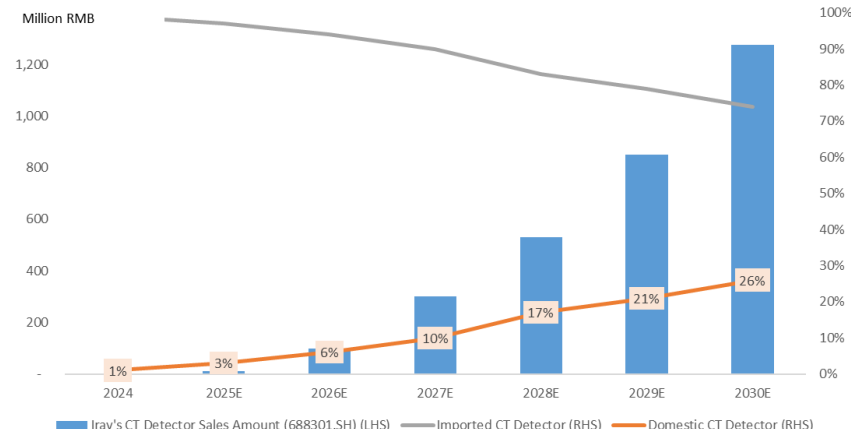
*MISIA: Minimally Invasive Surgical Instruments and Accessories

Import Substitution - Healthcare

Market Share of DR Detector



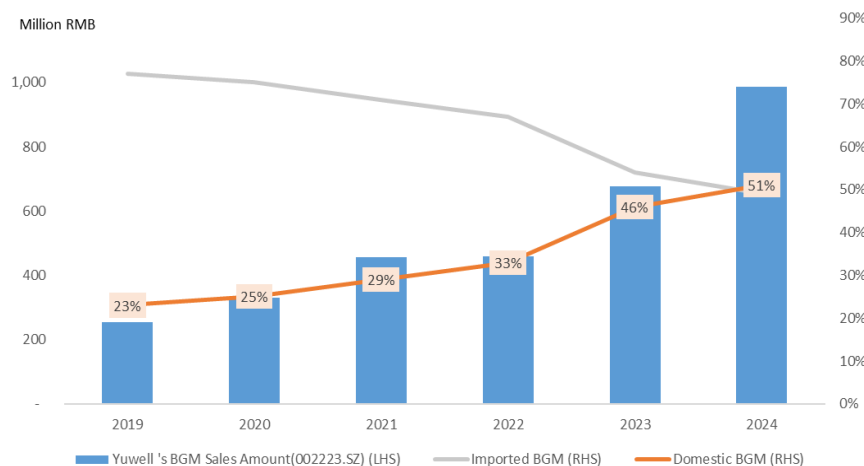
Market Share of CT Detector



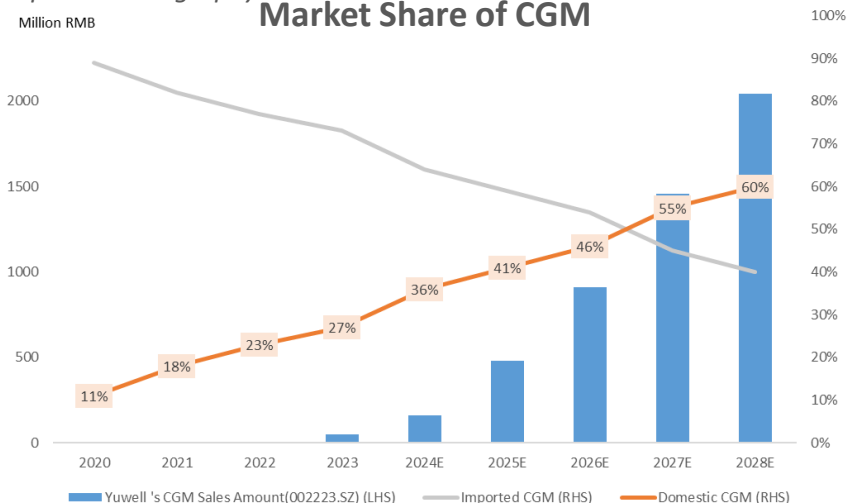
Source: iRay Annual Report, Bin Yuan Capital

*DR: Digital Radiography; CT: Computed Tomography

Market Share of BGM



Market Share of CGM

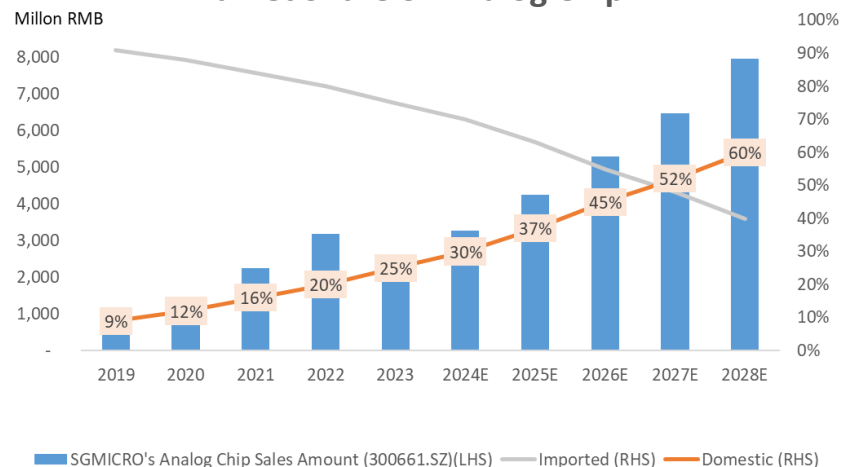


Source: Yuwell Annual Report, Bin Yuan Capital

*BGM: Blood Glucose Monitor (except CGM); CGM: Continuous Glucose Monitoring

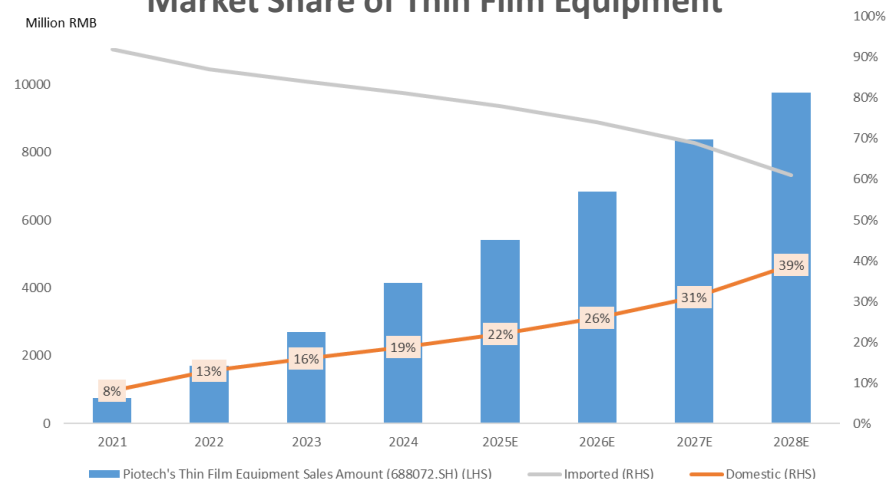
Import Substitution - Technology

Market Share of Analog Chip



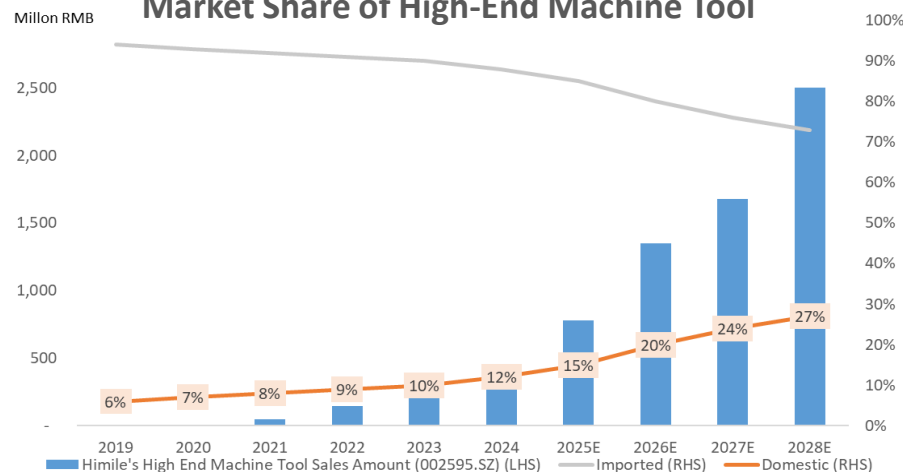
Source: SGMICRO Annual Report, Bin Yuan Capital

Market Share of Thin Film Equipment



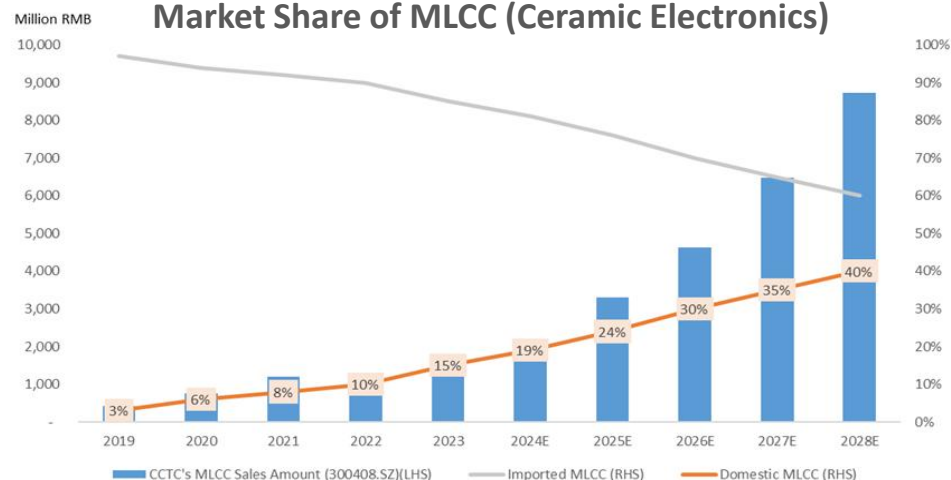
Source: Piotech Annual Report, Garner, Bin Yuan Capital

Market Share of High-End Machine Tool



Source: Himile Annual Report, Bin Yuan Capital

Market Share of MLCC (Ceramic Electronics)

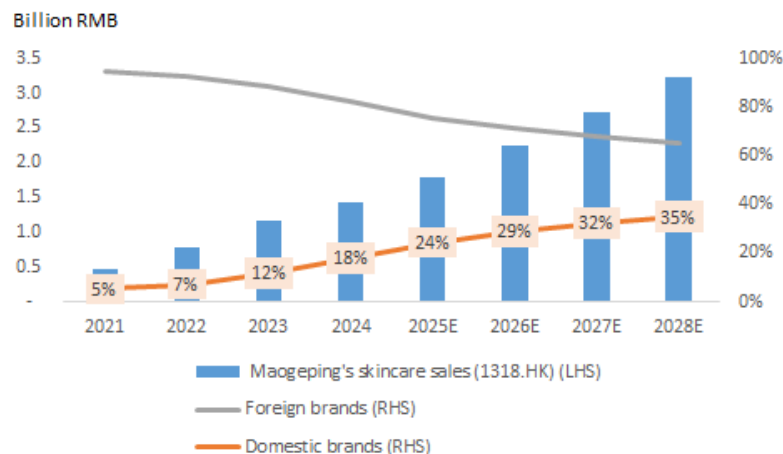


Source: CCTC Annual Report, Bin Yuan Capital

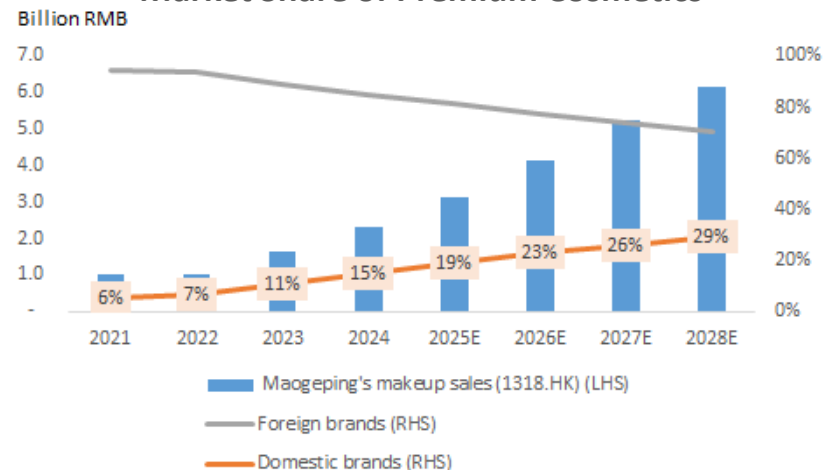
*MLCC: Multilayer Ceramic Capacitor

Import Substitution - Consumption

Market Share of Premium Skincare

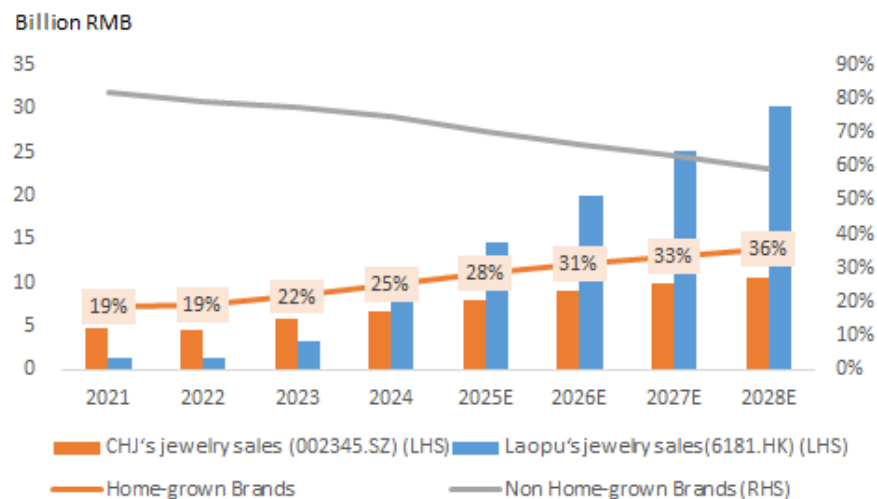


Market Share of Premium Cosmetics



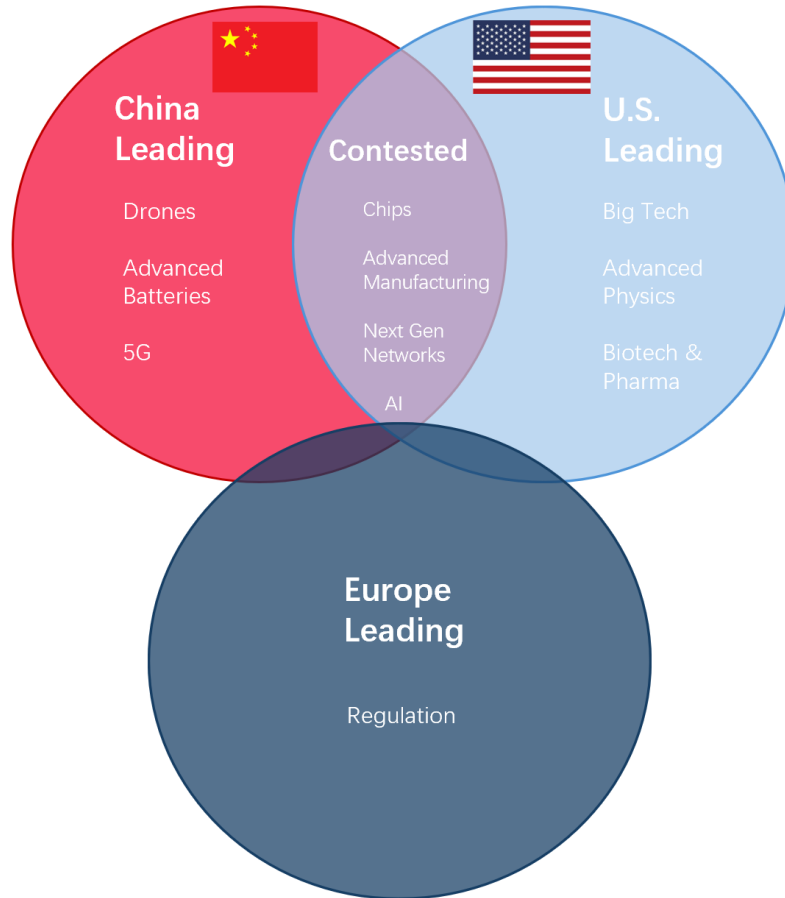
Source: Maogeping Annual Report, Bin Yuan Capital

Market Share of Premium Jewelry



Source: Laopu Annual Report, CHJ Annual Report Bin Yuan Capital

The Future of the AI



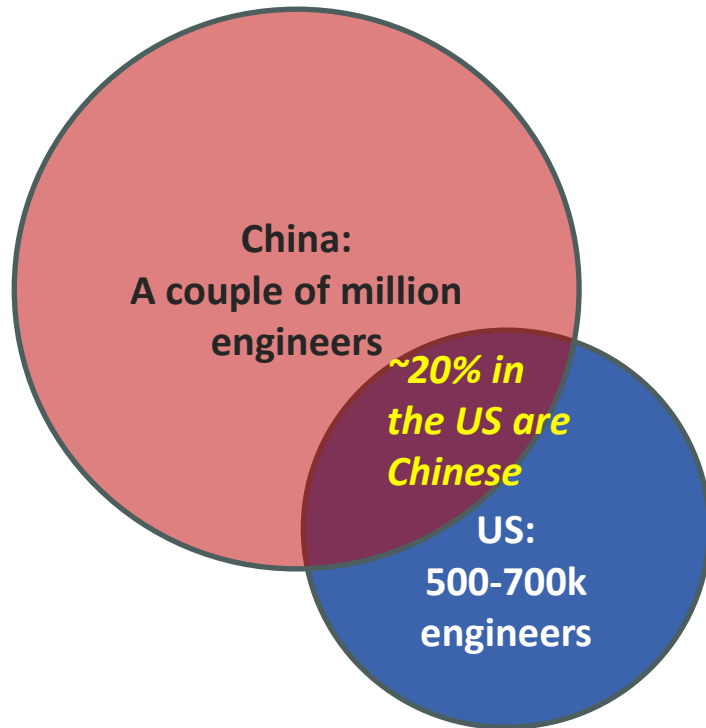
Source: Bin Yuan Capital

The US and China will dominate the AI universe

- The US will lead the breakthrough innovation
- China is strong in application innovation

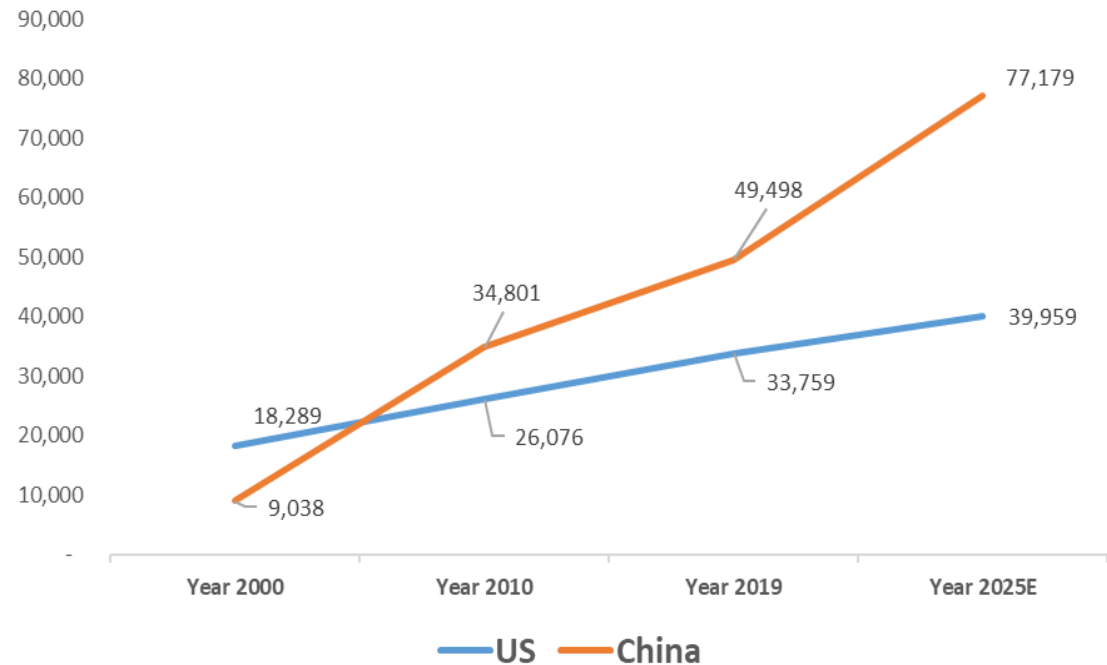
Technology Talent Pool

Inter-connected Talent Web – Software Engineers



Source: Bin Yuan Capital

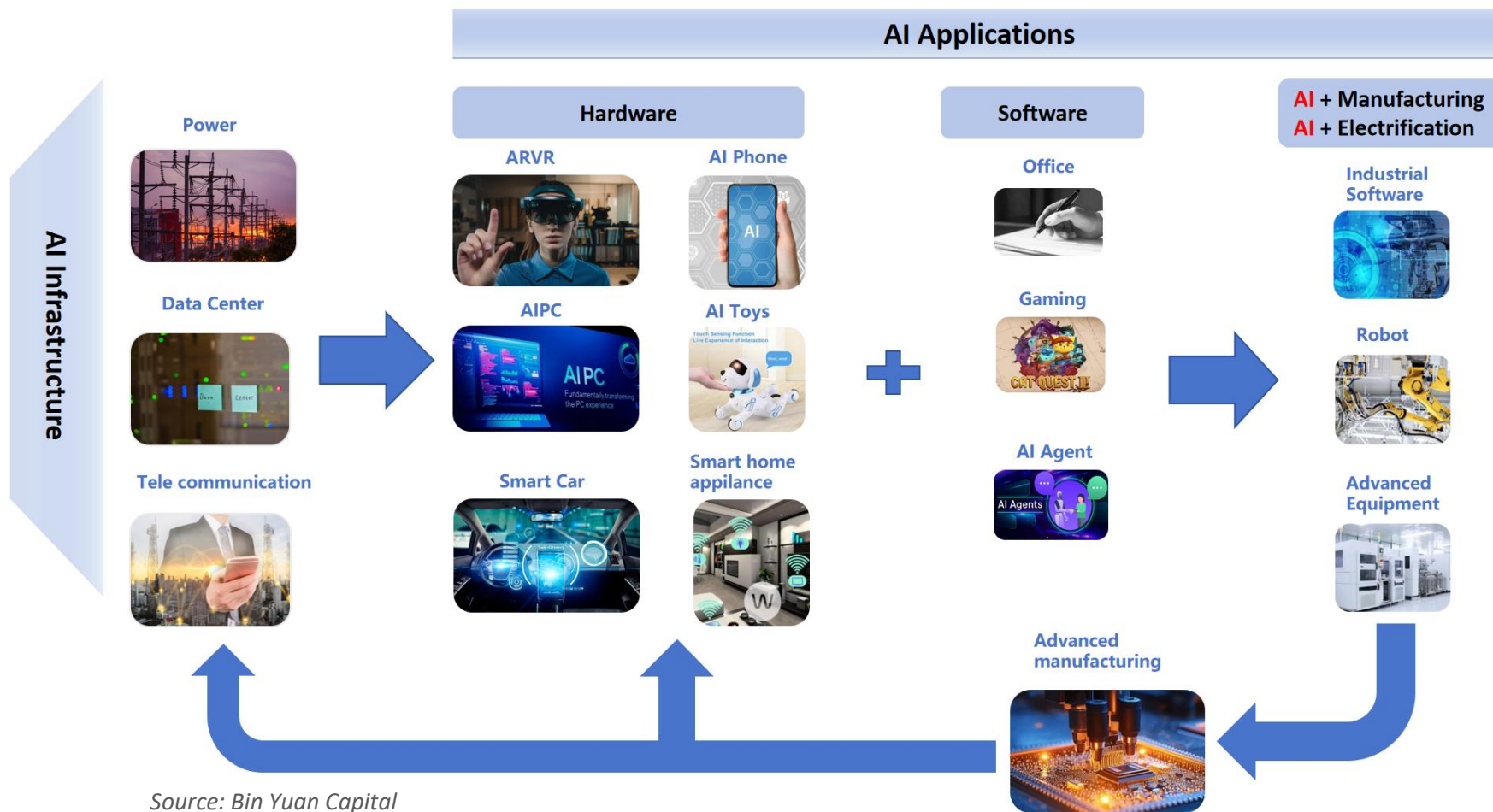
The Number of STEM PHDs Graduates in China vs. the US



Source: National Center for Education Statistics' Integrated Postsecondary Education Data System (IPEDS) for U.S. data, Ministry of Education for Chinese data

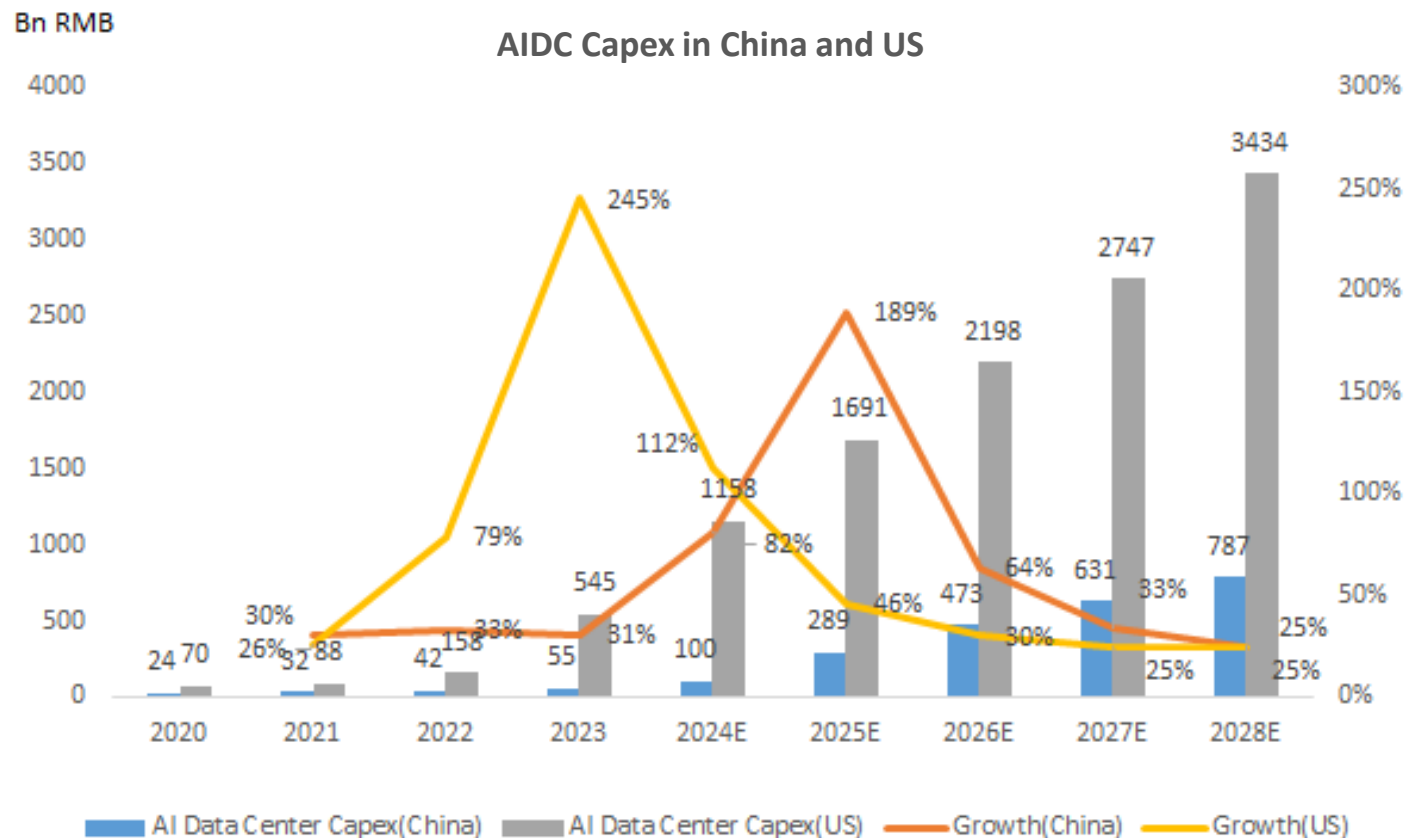
China Offers the Most Integrated and Scalable AI Value Chain Globally

The total market size rises from **RMB 3.7 trillion** in 2025 to **RMB 9.4 trillion** in 2030, with a CAGR of **20+%**



Source: Bin Yuan Capital

AI Data Center Investment Comparison between China and US



Source: Annual Report of Listed Companies, Bin Yuan Capital

China will accelerate significant investments in AI infrastructure



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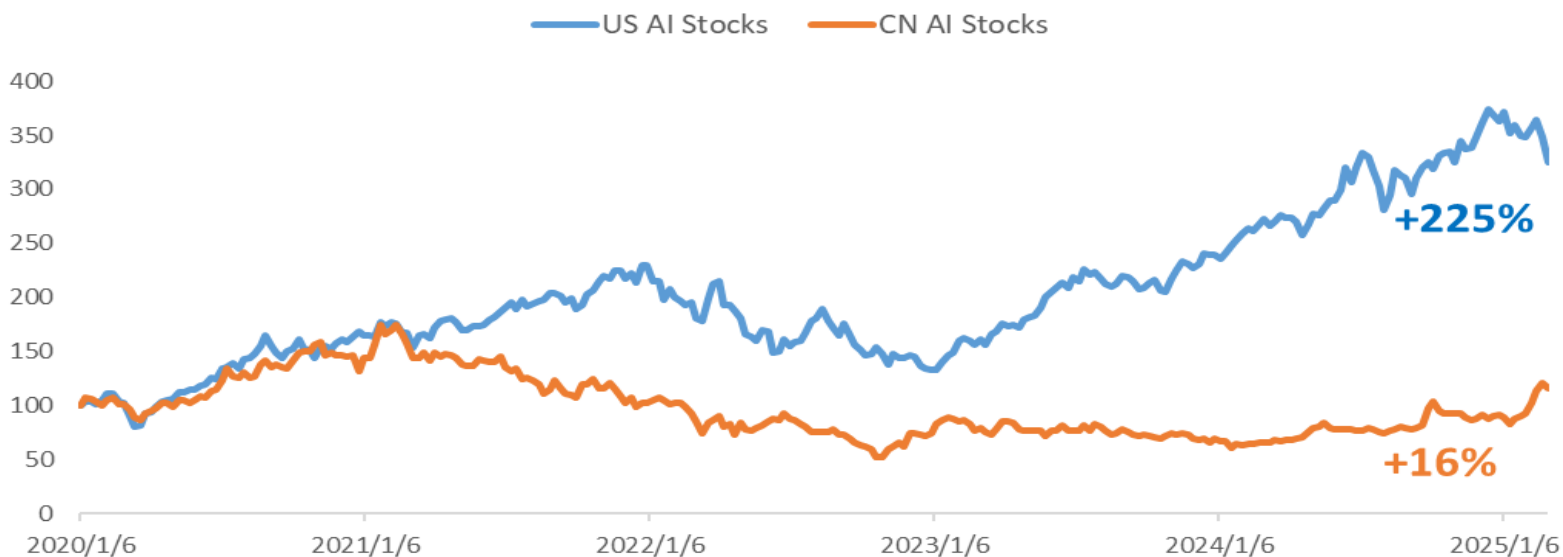
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Rising Penetration of AI in the Economy: Upside Potential for Chinese AI Stocks

Market Cap of Top AI Companies versus Total Market Cap and GDP

Region	Sum of Market Cap (tn USD)	Total Country Market Cap (tn USD)	GDP (tn USD)	Ratio to Total Market Cap	Ratio to GDP
CN	1.4	17.1	18.9	7.9%	7.1%
US	17.6	62.2	29.2	28.2%	60.2%

AI stocks performance (US vs CN, from 2020/01/06 to 2025/03/03)



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Source: Bloomberg, Wind, Bin Yuan Capital

Portfolio Positioning



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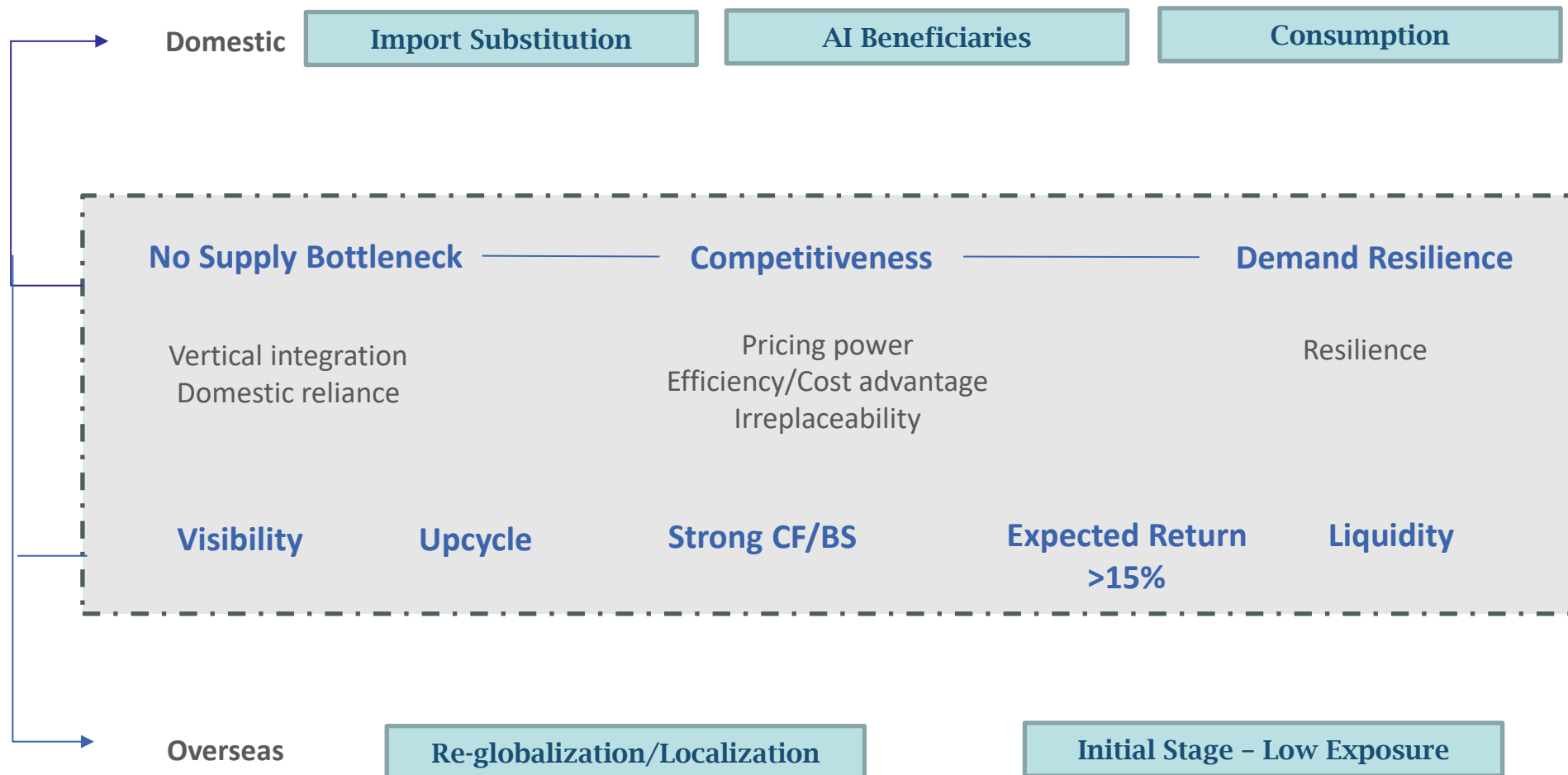
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Key Criteria of Portfolio Review



Portfolio Strategy Update Amid US-China Trade Tensions

- ❑ In response to the ongoing US-China trade war, we conducted a comprehensive review of all portfolio positions and the earnings outlook:
 - We upgraded estimates for companies positioned to benefit from accelerated import substitution trends
 - We reduced estimates for companies exposed to globally sensitive or vulnerable demand
 - We realigned the portfolio by divesting from companies likely to face earnings headwinds and increased exposure to those with a favourable outlook
- Following these adjustments, our overall portfolio earnings forecast has modestly improved to **23%+**.

Pre-adjustment
earnings growth

22%

- **BUY** - Earnings upward revision 3-10%

Post-adjustment
earnings growth

23%+

- **Sell** - Earnings downward revision >10%
- **Trim** - Earnings downward revision 5-10%



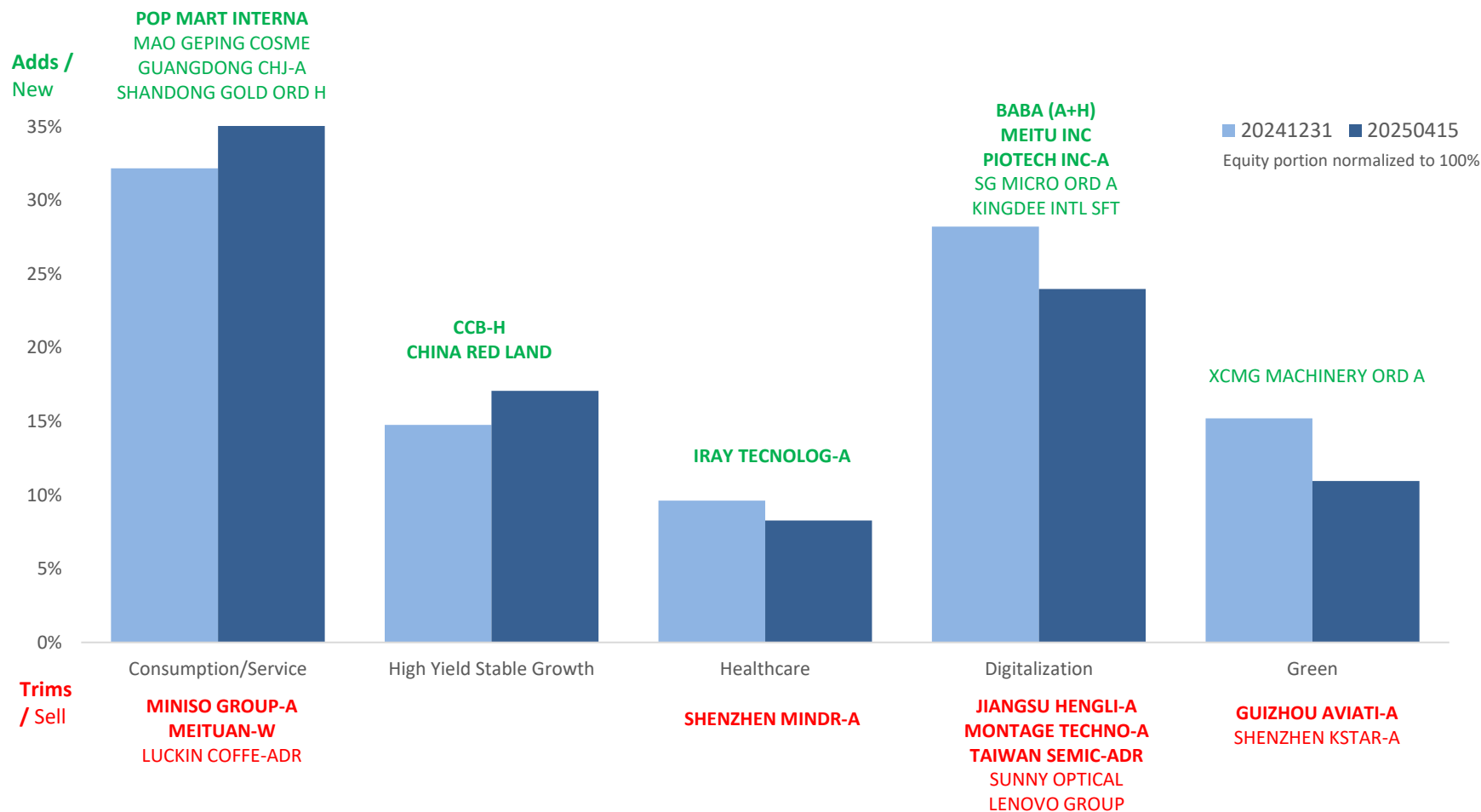
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Sector Weight Movement 2025 YTD



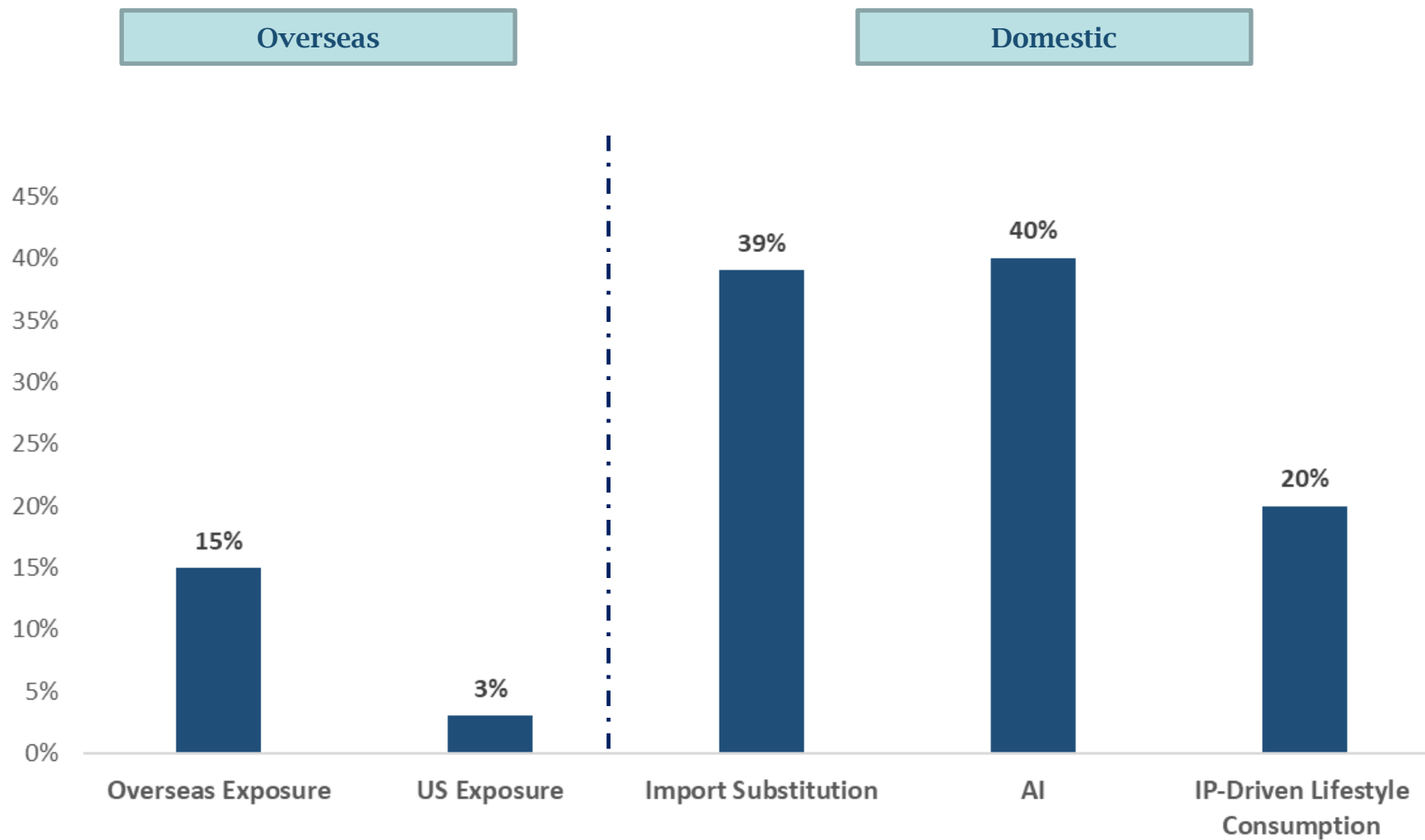
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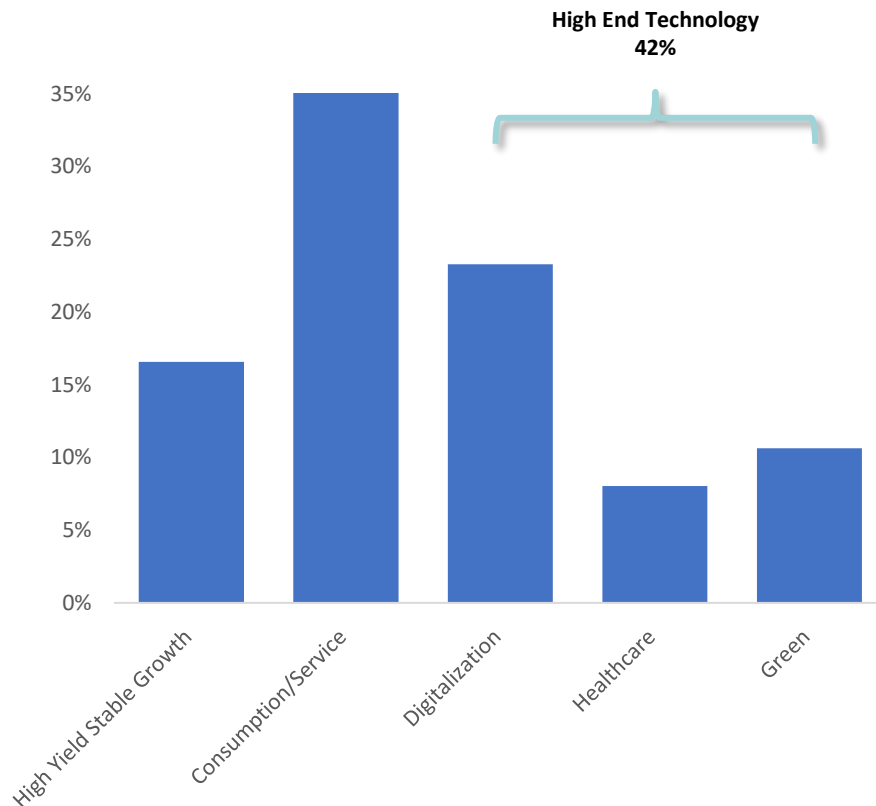
- Increased consumer sector and domestic demand areas, including food and beverages, retail, and software services.
- Decreased global market exposure such as consumer electronics, semis and components

Portfolio Exposure

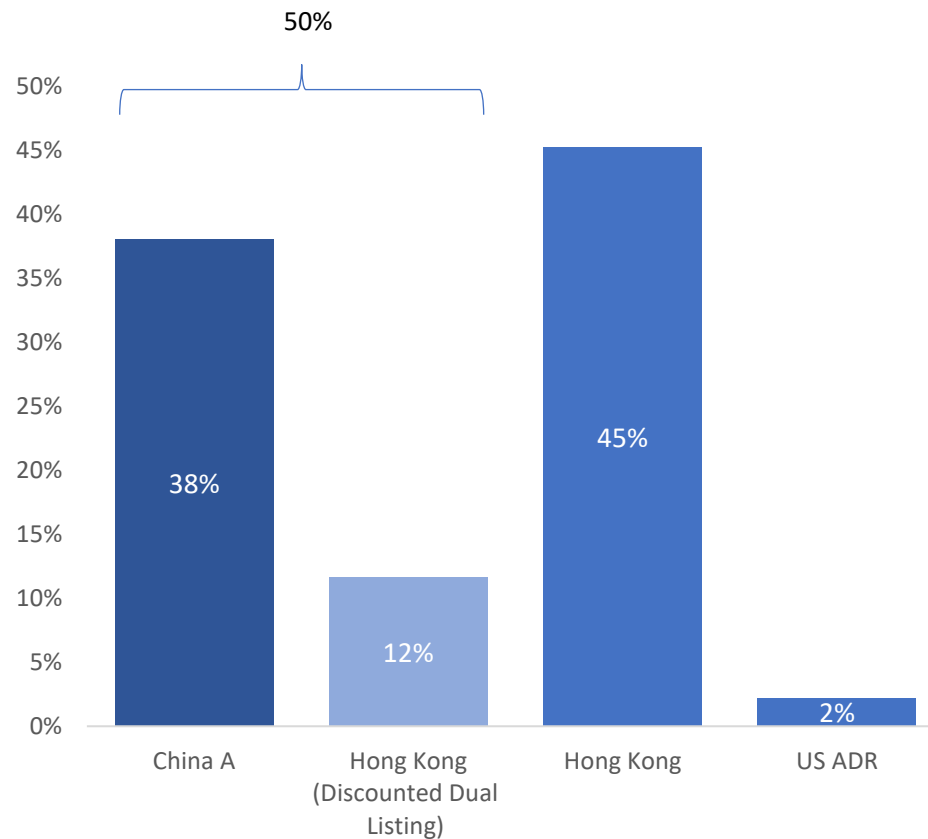


Portfolio Positioning

Sector/Theme Exposure



Exchange Exposure



Earnings Valuation Outlook

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	3/31/2025	3/31/2025	3/31/2025
2025 PE (X) – Harmonic Avg. Method*	15.8	15.8	12.1
2025 PE (X) – Weighted Avg. Method	17.2	20.6	18.6
2025 PB (X)*	3.2	3.1	2.1
2025 Div. Yield (%)	2.4	1.7	2.1
2025 ROE (%)	18.7	12.2	11.4
Earning Growth (%) Forward 3 YR	23.7	9.2	7.4
2025 PEGY	0.7	1.9	2.0
FCF Yield	2.3	-0.7	1.6

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

Where:

- (N) is the total number of values.
- $\sum (1/\text{Value}_i)$ is each individual value in the set.

Sources: Bin Yuan Capital, Wind, Bloomberg

High quality portfolio trading at a discount



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Summary - Why China and why now

Why China

- Most efficient and globally integrated manufacturing supply chain
- The containment of China competition by the US:
 - has stimulated the demand for domestic replacement of foreign products
 - sped up Chinese firm's re-globalization
- Room for significant fiscal and monetary policies
- The only country after the US in the revolutionary technology - AI

Why now

- Underweighted
- Attractive valuations
- AI is just a beginning
- Style reversion
- Potential inflow of domestic liquidity

Disclosure

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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.



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