

Bin Yuan Capital

January 2025

2024 Q4 REVIEW & 2025 OUTLOOK



彬元资本

Signatory of:



Principles for
Responsible
Investment

Investing for Better Life

Agenda

- ❖ Q4 2024 Performance & Portfolio Review
- ❖ China Macro update & outlook
- ❖ Portfolio Positioning
- ❖ Portfolio Valuations



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Key Points

- **Downside limited:**
 - The negative impact of the property collapse diminishing - trend stabilizing
 - The Chinese government will implement whatever measures are needed to meet their growth targets and support the market
 - Sentiment remains subdued with foreigners largely absent
 - Very low expectations for US / China relations
 - Depressed Valuations: the portfolio has a PEG of 0.6, near an all-time low, vs 1.7 for the market excluding financials.
- **High potential positive upside:**
 - Mid-cap underperformance reversing - reversion to the mean
 - The reflation of the economy and the booming of AI benefit mid-cap companies
 - The portfolio's earnings will grow by 22% annually over the next three years and is trading on the widest discount to the market we have seen.
 - Any positive news would give the market a major boost ie while maybe unlikely, any constructive re-engagement between the US and China would be a big positive
- **Potential catalysts:**
 - Fiscal and monetary announcements
 - Better than expected macro and corporate earnings



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The worst is over for Bin Yuan holdings

Portfolio Review

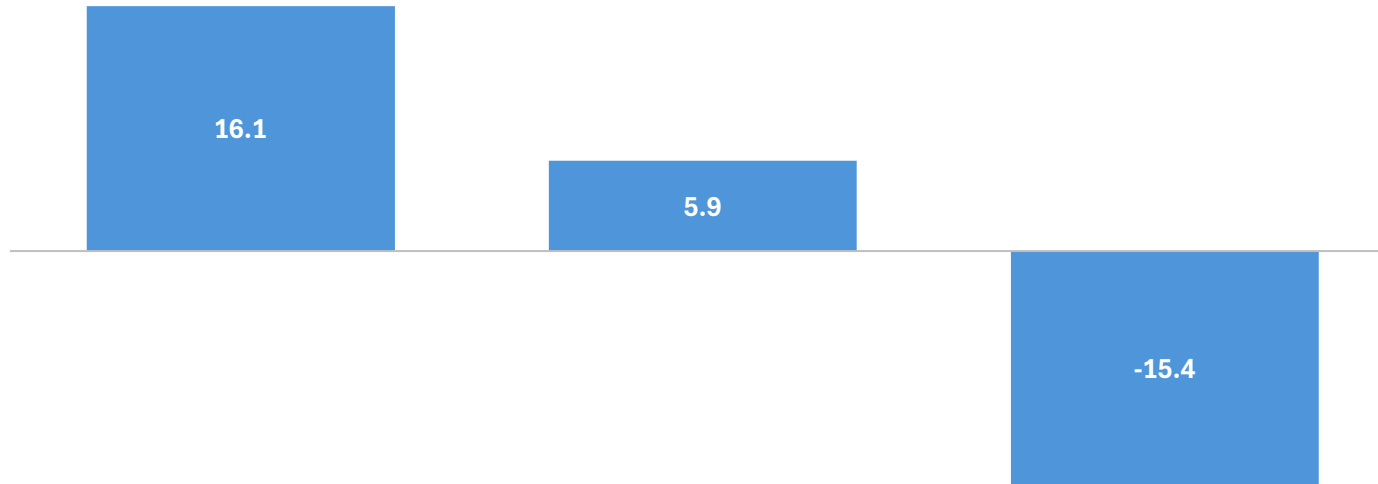


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MSCI China All Shares Index Market Cap 2024 Performance (%)



	Mega-Cap (>\$50B)	Large-Cap (\$20B - \$50B)	Mid-Cap (<\$20B)
Bin Yuan Exposure	28.2%	16.3%	54.1%
OW(+)/UW(-)	-19.8%	-1.8%	+ 20.1%
Allocation Impact	-2.6%	-0.4%	-8.4%
Impact	-12.3%		

Mega and large cap dominated

Performance

Inception Date

Ending Date

All China Strategy - Hereford Funds Bin Yuan Greater China Sub-Fund	4Q	2024	2023	2022	2021	ITD
Bin Yuan Greater China Fund (Share Class L1) Net Performance	-9.20%	-2.34%	-21.17%	-29.45%	10.02%	-10.18%
Benchmark*	-6.95%	16.39%	-11.53%	-23.61%	-12.91%	-27.55%
Outperformance/(Underperformance)	-2.24%	-18.73%	-9.64%	-5.84%	22.93%	17.37%

* 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

2024: -18.73% vs benchmark

- Main detractors:

1. **- 12.3%** Underweight the large caps and overweight mid caps
2. **- 4.3%** Underweight the outperforming financials and communication services sectors and overweight the lagging healthcare sectors

- Main Contributors: Stock selection in high-end materials, semiconductors, advanced machinery, consumer services and financials



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Mkt Cap Attribution -2024 Q4

PORT Attribution Report: Attribution (01/02/2025 14:43:46)

Summary

Portfolio	HFBY
Benchmark	MSCI CHINA ALL SHARES INDEX
Start Date	9/30/2024
End Date	12/31/2024
Currency	USD

Detail

	Avg % Wgt		Contribution to Return (%)		Allocation Effect (%)	Selection Effect (%)	Tot Attr
	Port	Bench	Port	Bench			
HFBY	100.00	100.00	-8.86	-6.91	-2.71	0.76	-1.95
Mid Cap	42.55	33.82	-0.67	-2.98	-0.07	2.67	2.59
Cash	2.47		-0.05		0.03	0.00	0.03
Mega Cap	29.09	47.60	-2.66	-3.08	-0.09	-0.86	-0.95
Large Cap	16.13	18.58	-1.95	-0.85	-0.08	-1.06	-1.14
Small Cap	9.77		-3.53		-2.49	0.00	-2.49
Difference*			-0.34	-0.04			
Fee			0.22				
HFBY Gross Return			-8.97	-6.95			-2.02
FX Impact			1.96	1.77			
HFBY Gross Return (Without FX Impact)			-7.01	-5.18			-1.83

*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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Sector Attribution -2024 Q4

PORT Attribution Report: Attribution (01/02/2025 15:47:16)

Summary

Portfolio	HFBY
Benchmark	MSCI CHINA ALL SHARES INDEX
Start Date	9/30/2024
End Date	12/31/2024
Currency	USD

Detail

	Avg % Wgt		Contribution to Return (%)		Allocation Effect (%)	Selection and Interaction Effect (%)	Tot Attribution (%)
	Port	Bench	Port	Bench			
HFBY	100.00	100.00	-8.86	-6.91	-0.34	-1.61	-1.95
Consumer Discretionary	20.78	22.03	-2.68	-3.25	0.04	0.38	0.43
Energy	2.39	3.29	0.13	-0.29	0.07	0.30	0.37
Materials	5.23	5.45	-0.46	-0.82	0.02	0.30	0.32
Cash	2.47		-0.05		0.03	0.00	0.03
Utilities	0.39	3.21	-0.07	-0.22	-0.04	0.01	-0.03
Information Technology	14.41	10.15	0.41	0.80	0.52	-0.56	-0.03
Real Estate	1.92	1.69	-0.35	-0.31	-0.10	0.00	-0.09
Consumer Staples	5.84	7.07	-1.39	-1.03	0.03	-0.37	-0.34
Health Care	10.84	4.76	-1.65	-0.70	-0.29	-0.20	-0.48
Communication Services	8.78	13.73	-1.18	-1.06	-0.04	-0.46	-0.50
Industrials	15.31	9.05	-1.48	-0.51	0.14	-0.65	-0.51
Financials	11.64	19.58	-0.09	0.48	-0.74	-0.38	-1.13
Difference*			-0.34	-0.04			
Fee			0.22				
HFBY Gross Return			-8.97	-6.95			-2.02
FX Impact			1.96	1.77			
HFBY Gross Return (Without FX Impact)			-7.01	-5.18			-1.83

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Stock Contributors -2024 Q4

Performance Attribution

HFBY vs. ALL CHINA

2024 Q4

USD

Top 3

	Name	Contribution	Sector
9896 HK Equity	MINISO GROUP-A	0.74	Consumer Discretionary
2382 HK Equity	SUNNY OPTICAL	0.51	Information Technology
9992 HK Equity	POP MART INTERNA	0.28	Consumer Discretionary

Bottom 3

	Name	Contribution	Sector
2255 HK Equity	HAICHANG OCEAN P	-1.42	Consumer Discretionary
688301 CH Equity	IRAY TECHNOLOG-A	-0.99	Health Care
600809 CH Equity	SHANXI XINGHUA-A	-0.72	Consumer Staples



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Mkt Cap Attribution -2024

PORT Attribution Report: Attribution (01/02/2025 14:59:02)

Summary

Portfolio	HFBY
Benchmark	MSCI CHINA ALL SHARES INDEX
Start Date	12/29/2023
End Date	12/31/2024
Currency	USD

Detail

	Avg % Wgt		Contribution to Return (%)		Allocation Effect (%)	Selection Effect (%)	Tot Attr
	Port	Bench	Port	Bench			
HFBY	100.00	100.00	-0.73	16.88	-12.34	-5.27	-17.60
Cash	3.45		0.03		-1.08	0.00	-1.08
Mid Cap	46.96	38.50	-1.89	-0.87	-0.99	-1.50	-2.49
Large Cap	14.69	17.87	-0.03	4.00	-0.36	-2.36	-2.73
Mega Cap	26.23	43.63	7.18	13.75	-2.55	-0.93	-3.48
Small Cap	8.68	0.00	-6.01	0.00	-7.35	-0.47	-7.82
Difference*			-1.61	-0.49			
Fee			0.95				
HFBY Gross Return			-1.39	16.39			-17.78
FX Impact			1.29	1.13			
HFBY Gross Return (Without FX Impact)			-0.10	17.52			-17.62

*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;
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Sector Attribution -2024

PORT Attribution Report: Attribution (01/02/2025 15:52:45)

Summary

Portfolio	HFBY
Benchmark	MSCI CHINA ALL SHARES INDEX
Start Date	12/29/2023
End Date	12/31/2024
Currency	USD
Method	MAC

Detail

	Avg % Wgt		Contribution to Return (%)		Allocation Effect (%)	Selection and Interaction Effect (%)	Tot Attribution (%)
	Port	Bench	Port	Bench			
HFBY	100.00	100.00	-0.73	16.88	-4.31	-13.28	-17.60
Materials	5.75	6.06	1.35	0.22	-0.05	1.10	1.05
Utilities	1.16	3.48	0.59	0.64	-0.11	0.32	0.21
Energy	1.75	3.73	0.30	0.70	-0.34	0.35	0.01
Communication Services	8.73	13.69	2.62	3.64	-1.06	0.94	-0.12
Real Estate	0.94	1.78	-0.62	-0.14	-0.17	-0.12	-0.30
Cash	3.45		0.03		-1.08	0.00	-1.08
Consumer Staples	7.25	7.86	-2.19	-0.89	-0.17	-1.17	-1.34
Financials	11.53	18.51	3.92	7.16	-1.43	-0.06	-1.49
Consumer Discretionary	18.45	20.89	0.39	3.00	1.90	-3.90	-2.00
Industrials	12.63	9.13	-0.80	1.88	0.47	-3.34	-2.87
Information Technology	13.66	9.54	-0.56	1.94	0.55	-3.69	-3.13
Health Care	14.69	5.34	-5.75	-1.27	-2.81	-3.73	-6.54
Difference*			-1.61	-0.49			
Fee			0.95				
HFBY Gross Return			-1.39	16.39			-17.78
FX Impact			1.29	1.13			
HFBY Gross Return (Without FX Impact)			-0.10	17.52			-17.62

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Stock Contributors -2024

Performance Attribution

HFBY vs. ALL CHINA

2024

USD

Top 3

	Name	Contribution	Sector
CMB (A+H)	CHINA MERCH BK-A	2.22	Financials
9626 HK Equity	BILIBILI INC-Z	1.13	Communication Services
002683 CH Equity	GUANGDONG HONG-A	0.97	Materials

Bottom 3

	Name	Contribution	Sector
688301 CH Equity	IRAY TECHNOLOG-A	-5.42	Health Care
2255 HK Equity	HAICHANG OCEAN P	-1.83	Consumer Discretionary
300782 CH Equity	MAXSCEND MICRO-A	-1.41	Information Technology



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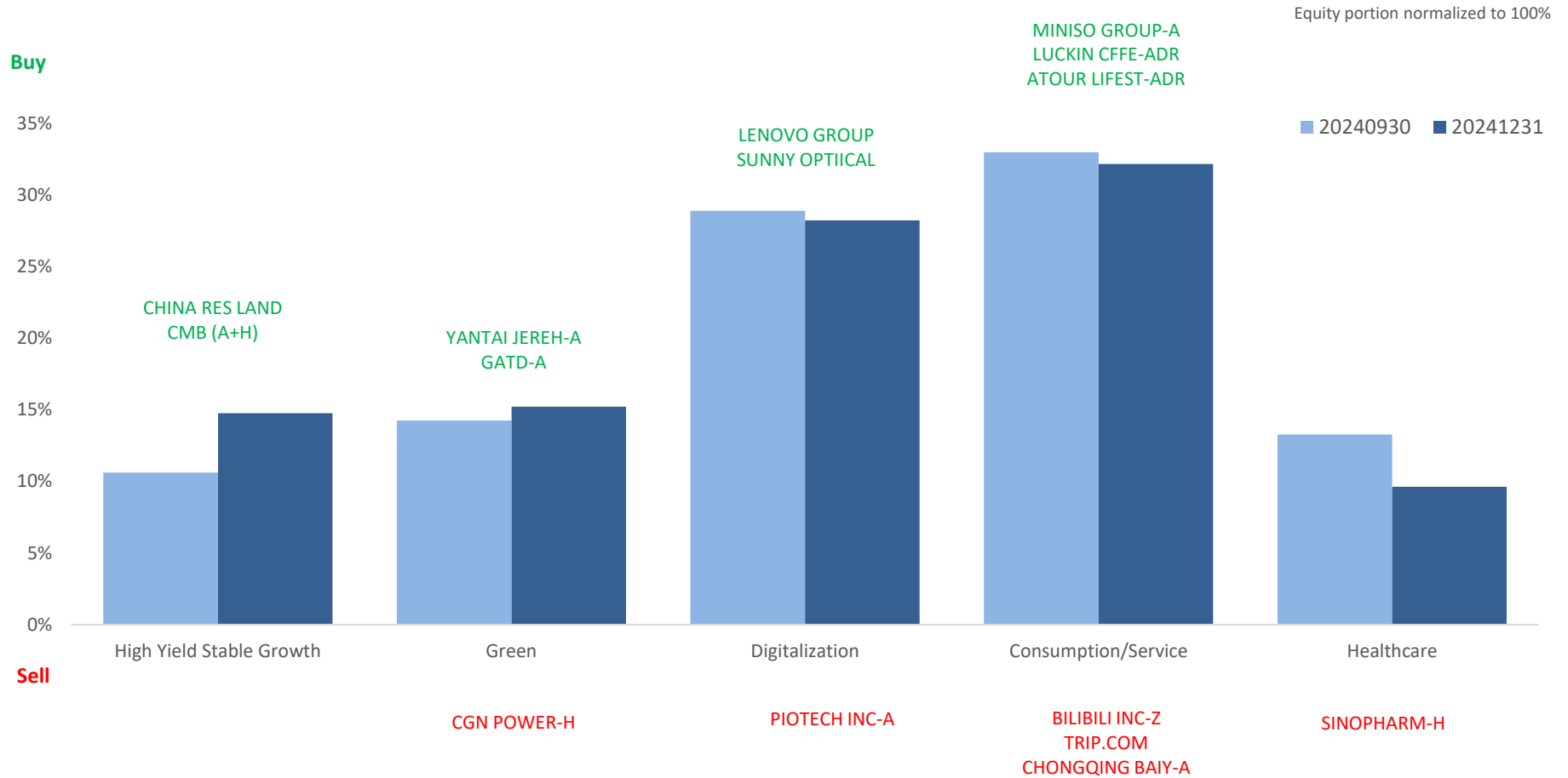
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Principles for
Responsible
Investment

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Sector Weight Movement



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China Macro update & outlook



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Internal Structural Problems/Mismatches

1. **High finance cost of private companies and households – they are effectively subsidizing SOEs and state banks.**
2. **The wealth gap among citizens has widened – this has eroded the confidence of lower-income households and makes it difficult to stimulate consumption.**
3. **GDP growth relies more on manufacturing and investment rather than consumption.**



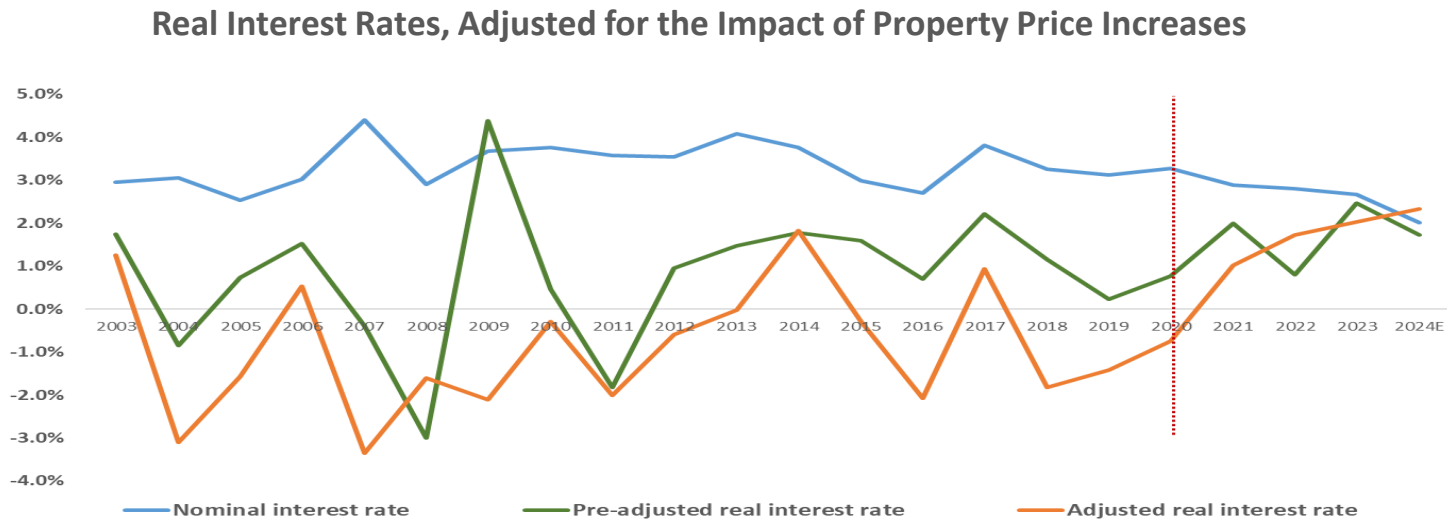
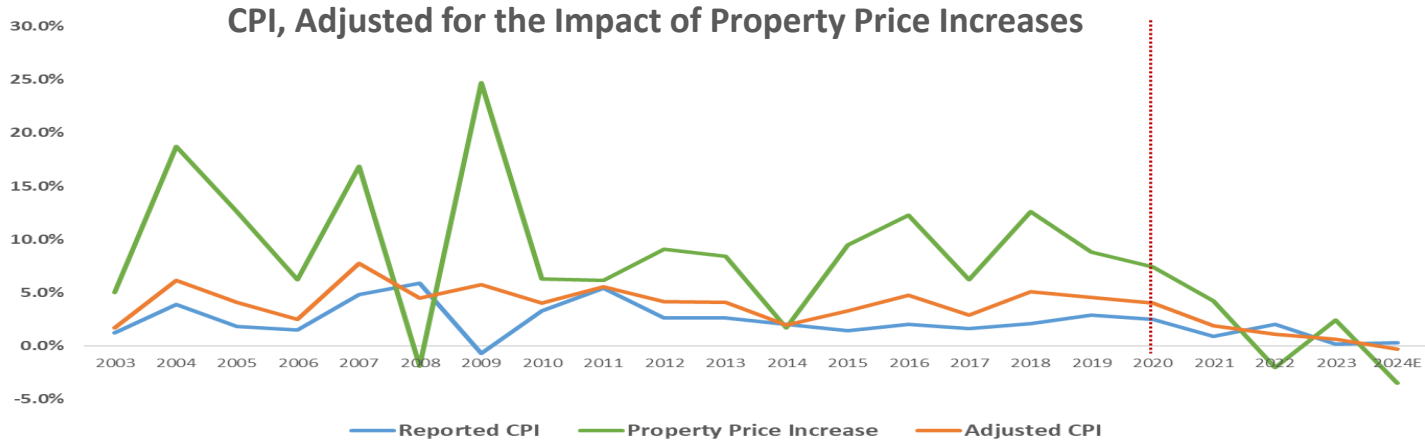
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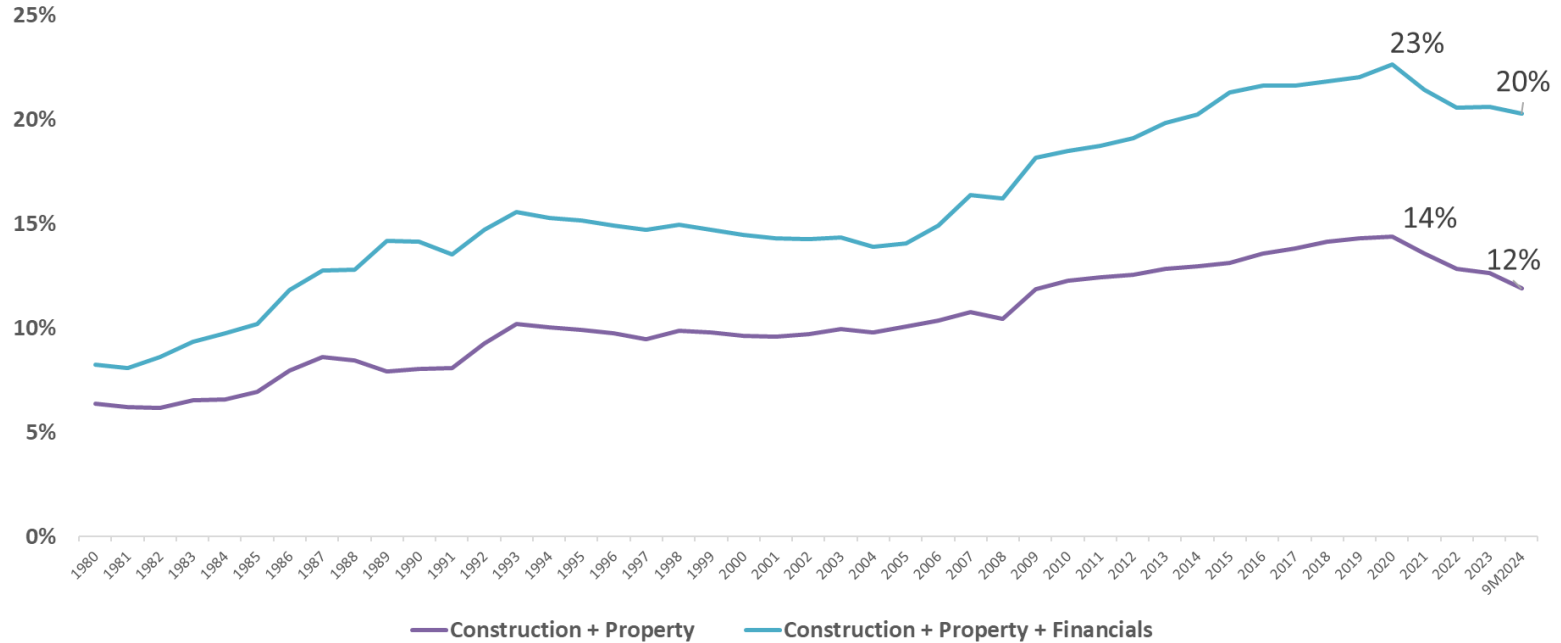
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Real Interest Rates - adjusted for the impact of Property Price changes



Adjusted real interest rates needs to be lowered to boost economy

Property related contribution to China GDP



Source: Bin Yuan Capital, iFinD

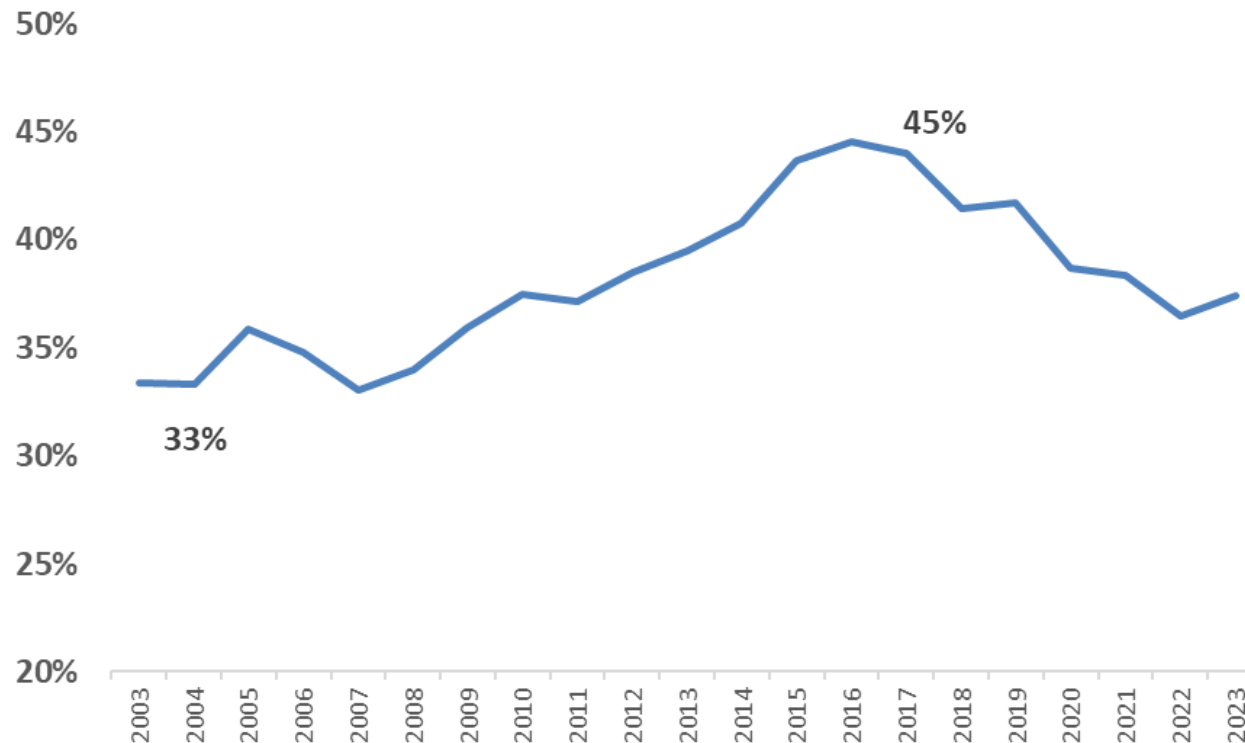
Peaked in 2020 and has now become less of a drag on GDP



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Total Retail Sales of Consumer Goods as % of GDP



Source: Bin Yuan Capital, iFinD

Weak appetite for consumer spending

Long Term Solutions – reverse the mismatches

The central government to issue long term bonds to support households and private sectors

✓ Households

- Improve local social welfare services
- Boost the income of the bottom tier of households
- Lower mortgage rates and increase the supply of affordable and public rental housing

✓ Private sectors

- Resolve local governments' debt burden to pay their outstanding debts to private companies
- Reduce financing cost

Restore the confidence of households and private sectors to boost domestic demand



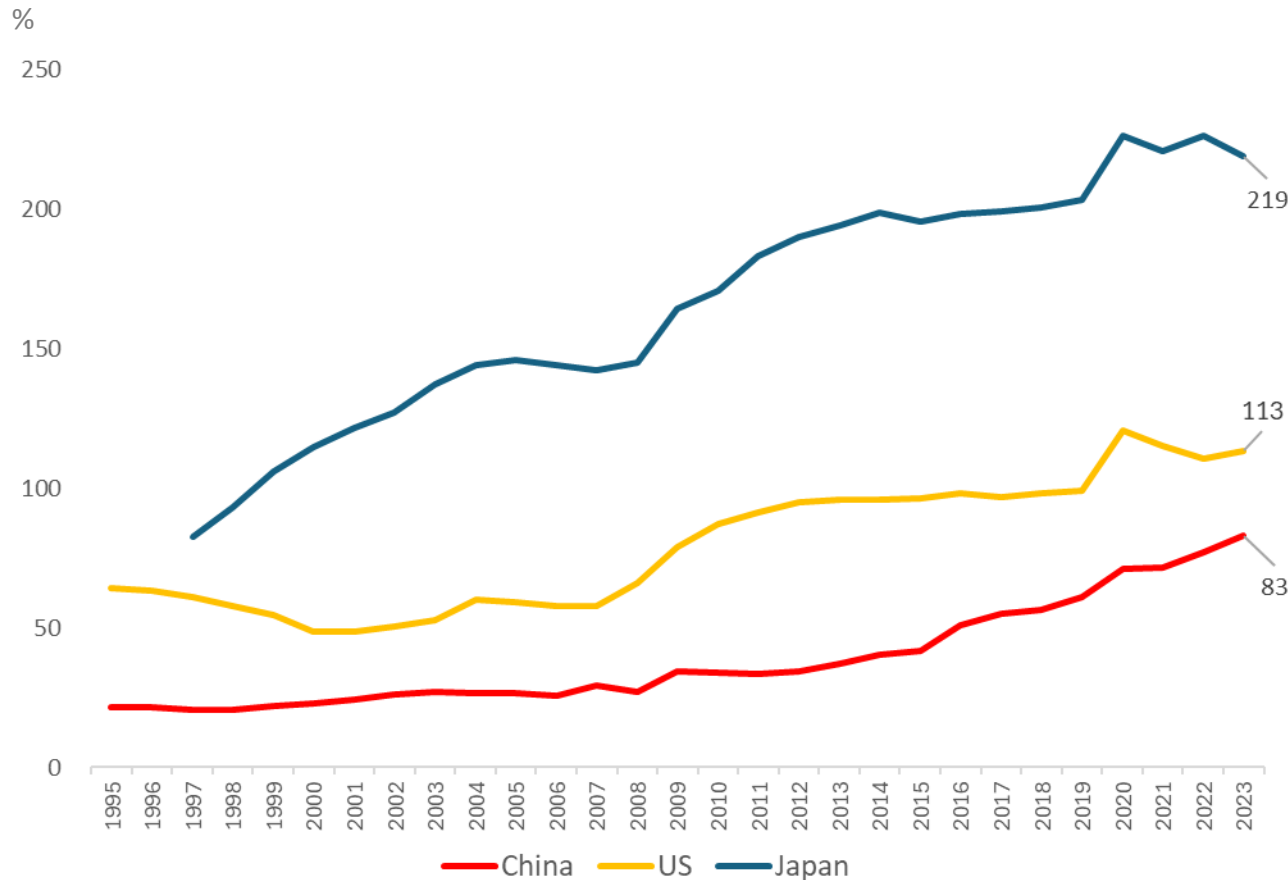
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Government Balance Sheet healthier than US and Japan

Government Debt/GDP % by Countries



Broadest Debt Measure 100%
 (includes non-bond borrowings of local govt and quasi govt backed vehicles)
 Vs.
SOEs Equity Holdings = 50+% of GDP

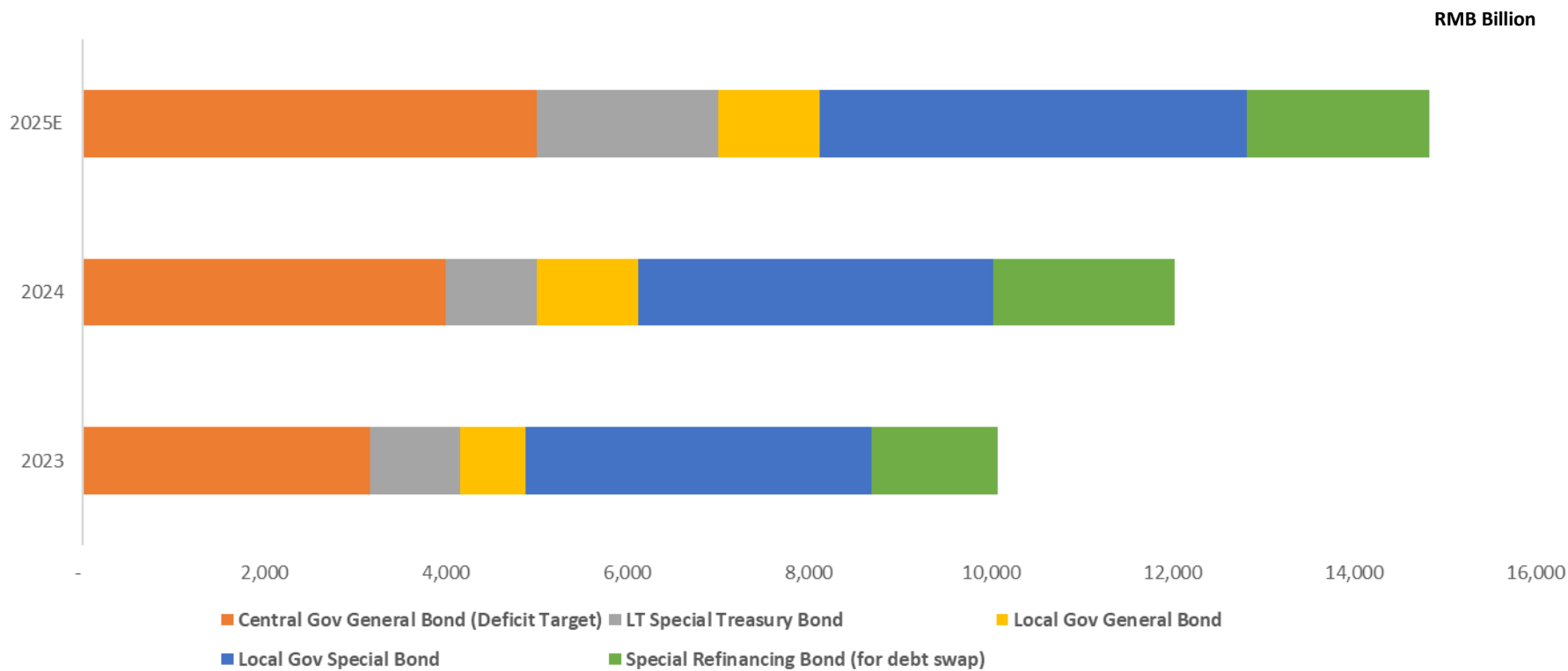
Source: Wind, Bin Yuan Capital



The central government could enhance its leverage to bolster fiscal spending

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Potential Government Bond Issuance



Source: Bin Yuan Capital, iFinD

The potential increase of government bonds exceeds 3 trillion RMB



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China A Market Style Performance

Spread of CSI500 Net Total Return Index (mid-caps) over SSE50 Net Total Return Index (large-caps)



Source: Bin Yuan Capital, Bloomberg



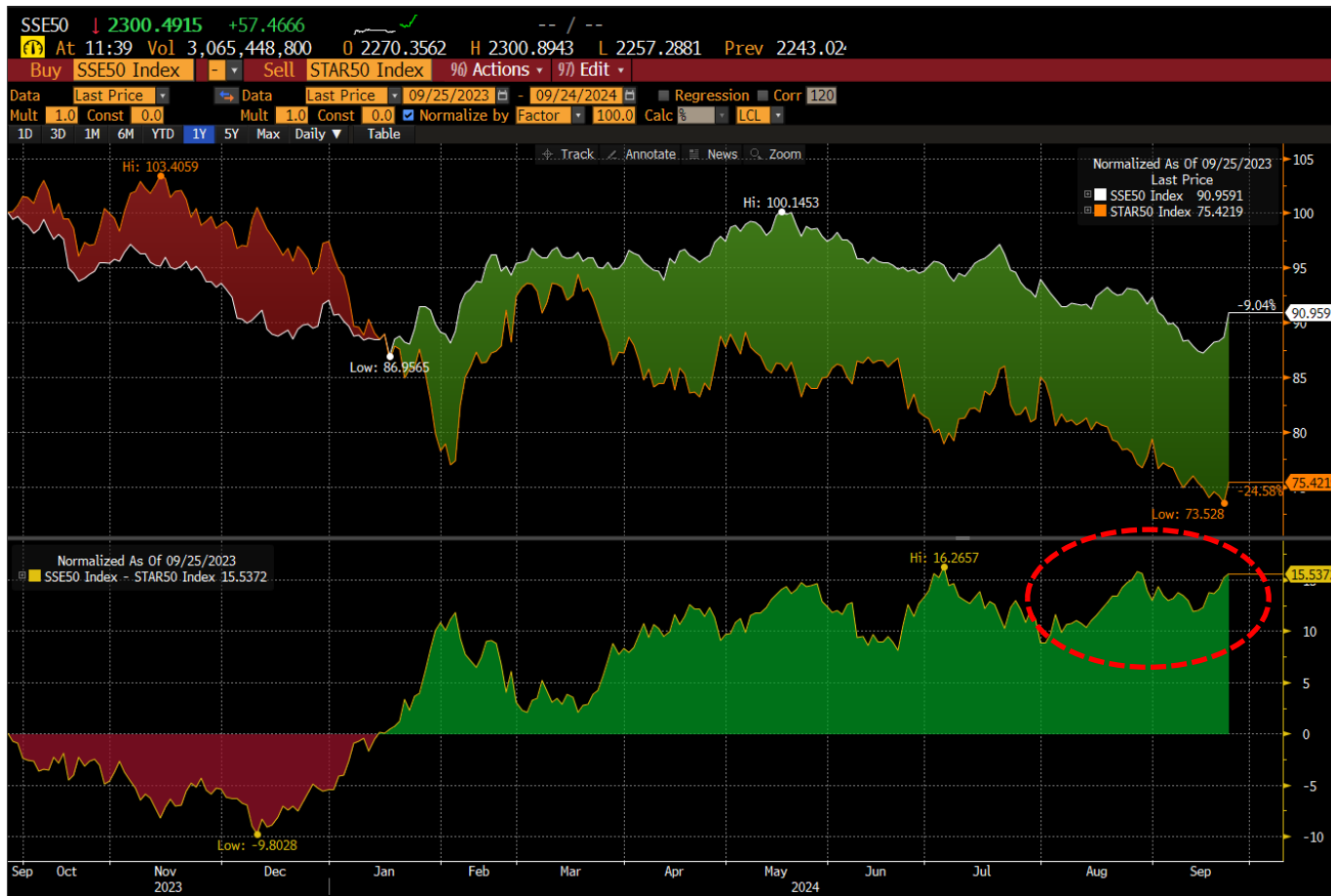
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Mid-cap outperformed large-caps over the long term

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The Extreme End of the Pendulum

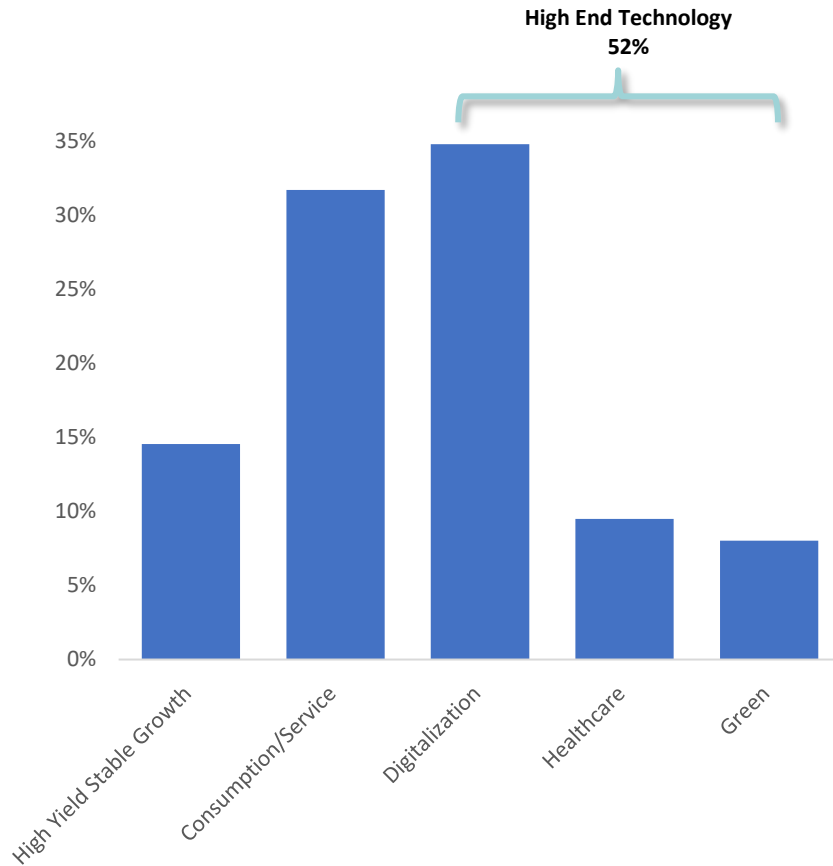
The Spread of SSE50 Index (Large Cap) vs. STAR50 Index (Mid Cap and Technology Focused)



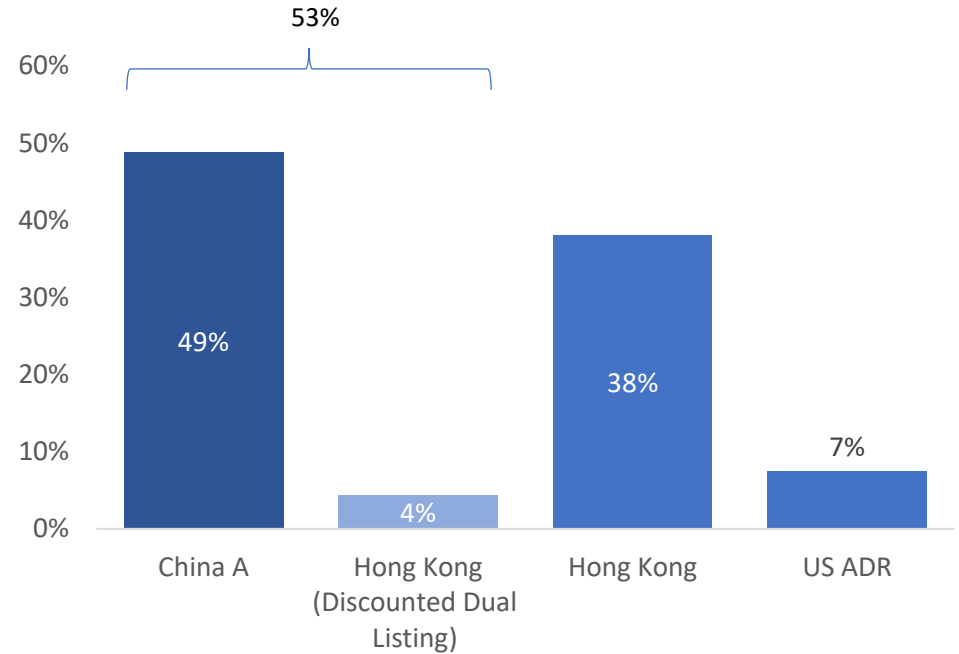
The spread of large cap over mid cap at historical high

Portfolio Positioning

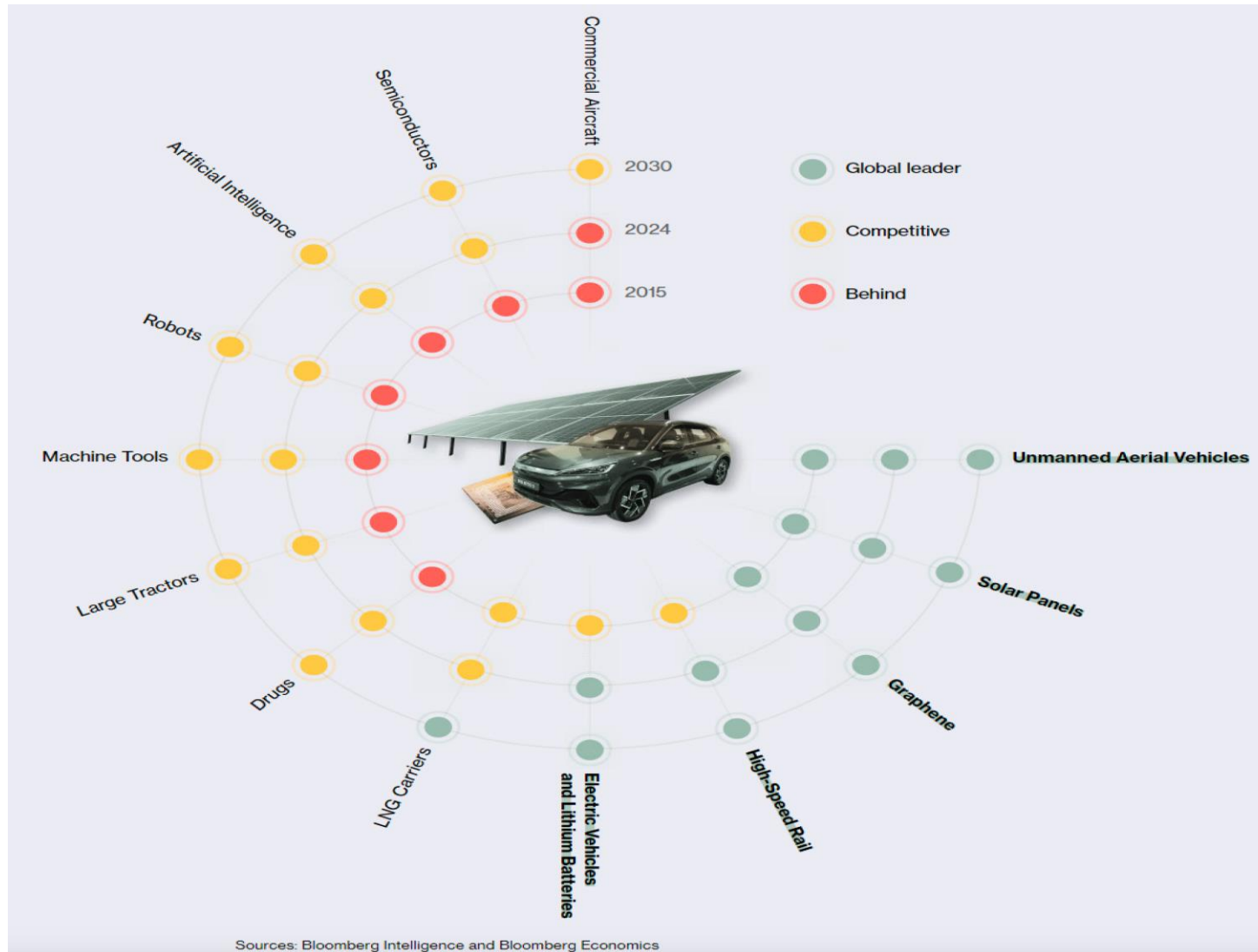
Sector/Theme Exposure



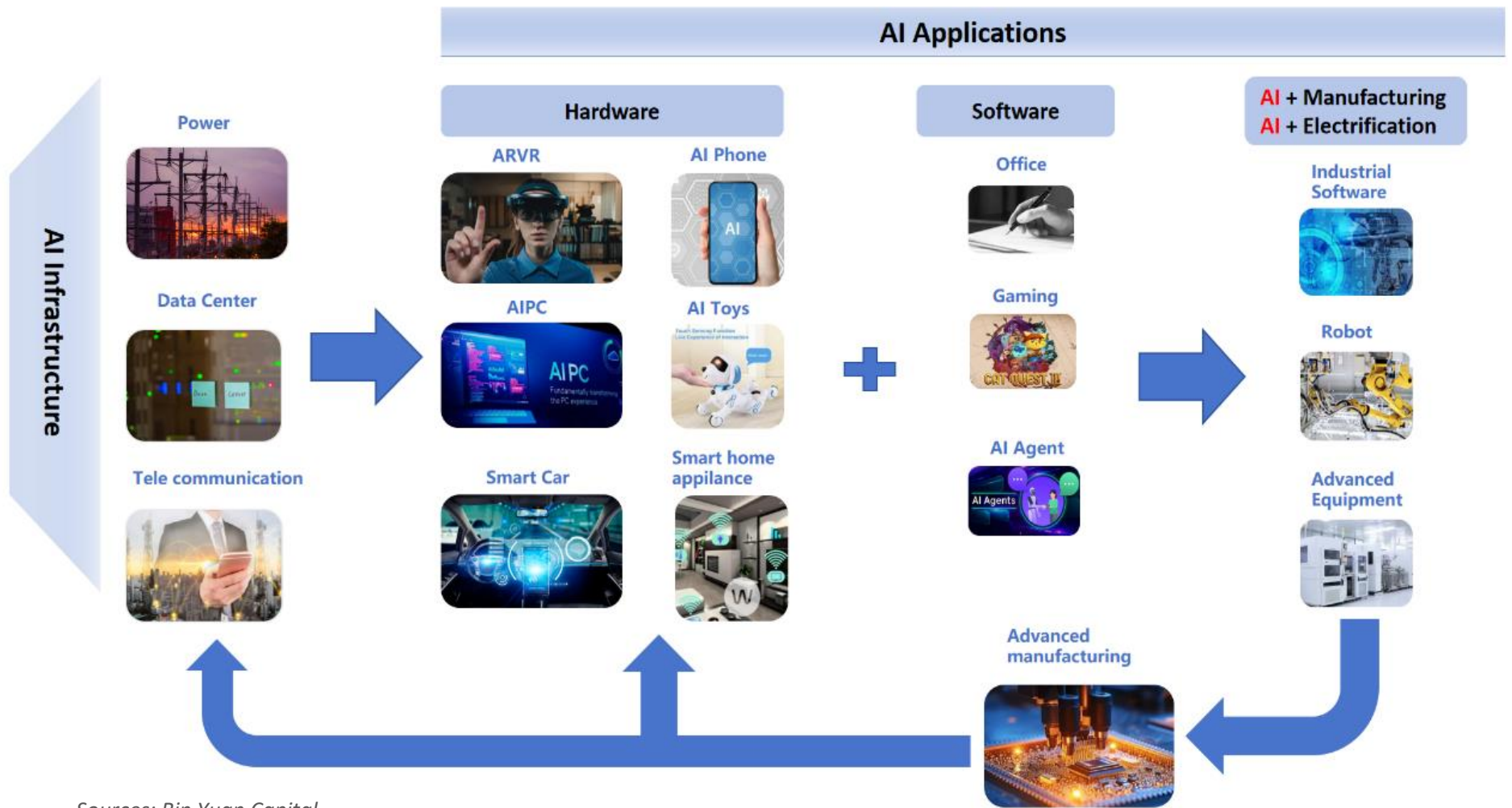
Exchange Exposure



China Has Achieved a Global Leadership Position in Key Technologies



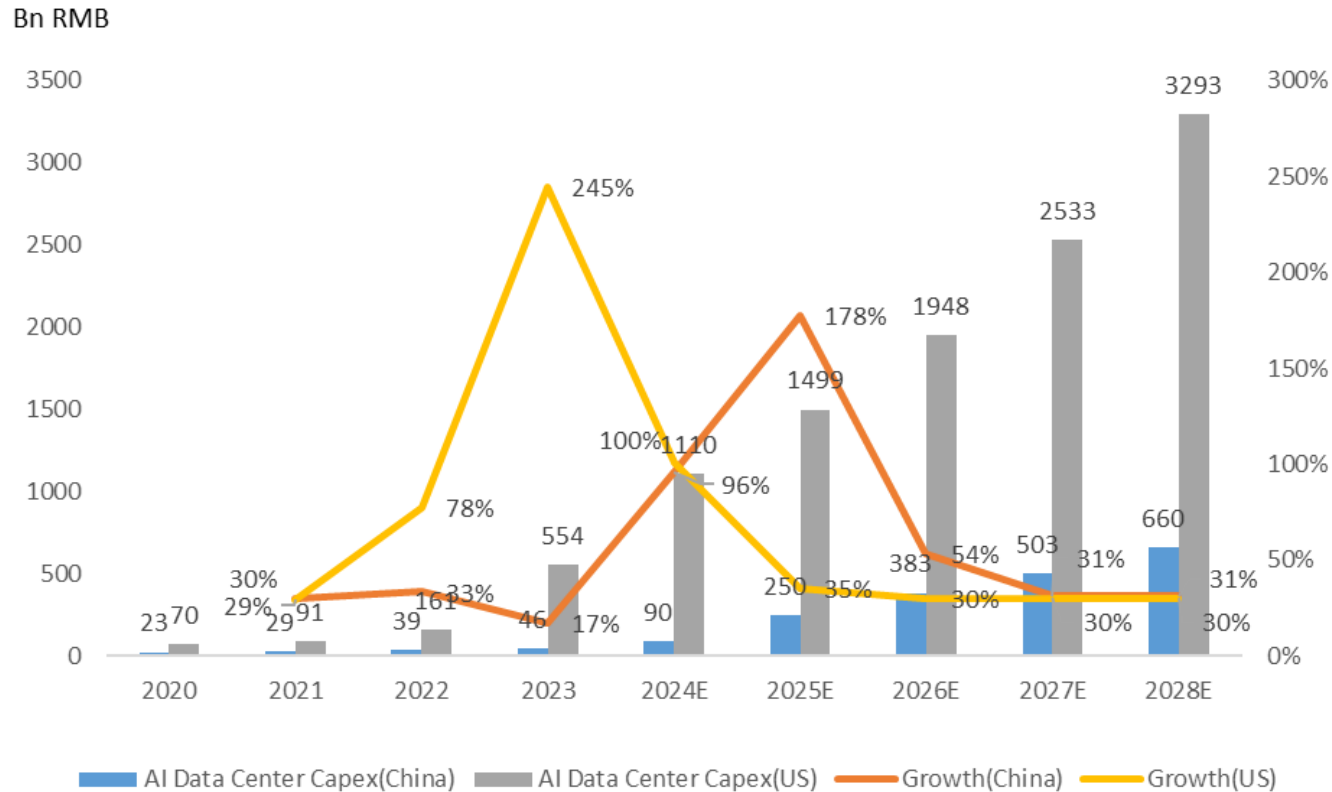
A Pivotal Driver of Productivity - Artificial Intelligence



Sources: Bin Yuan Capital

China has great potential to cultivate a batch of powerful application companies in the AI era

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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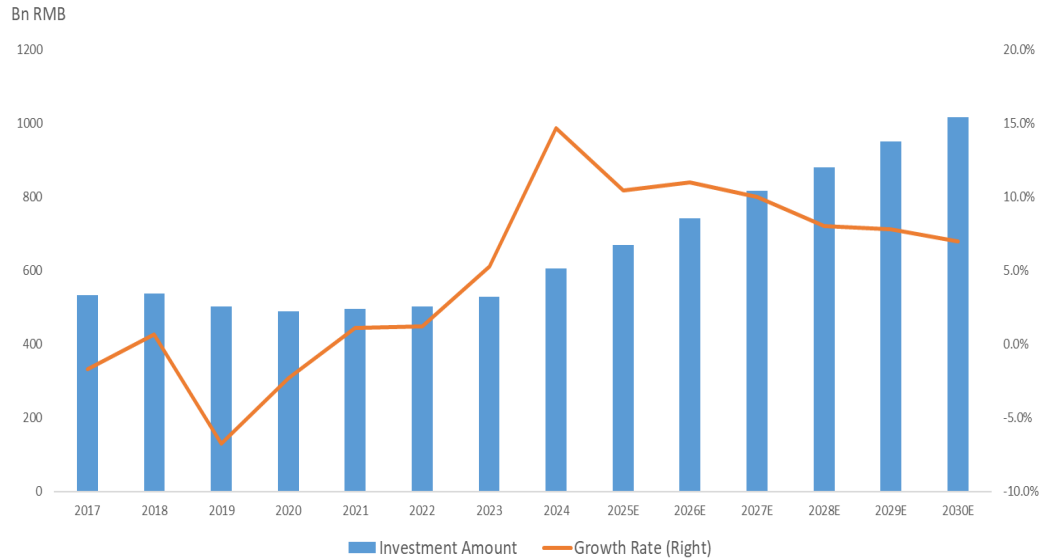
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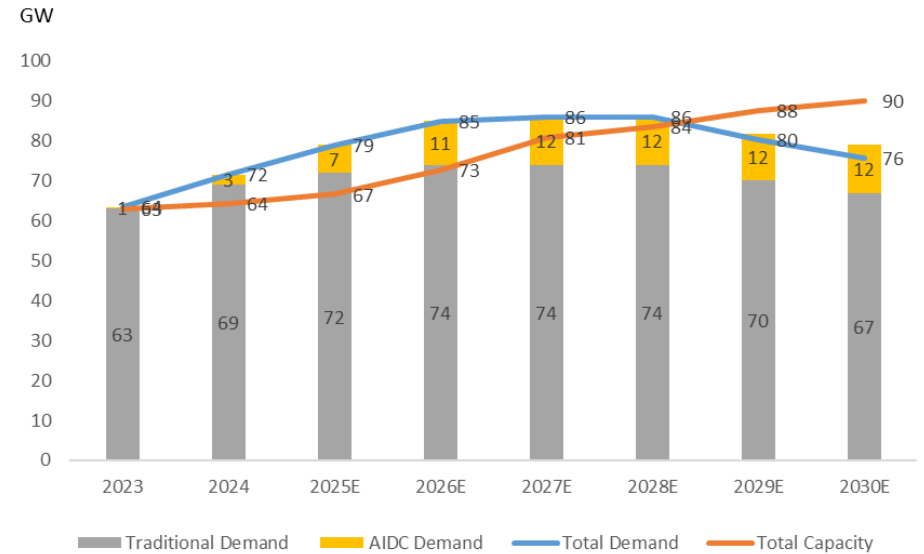
Power Demand Driven by AI

Power Grid Investment in China



Source: State Grid Corporation of China, Bin Yuan Capital

Gas Power Demand and Supply (mainly driven by AI in US)



Source: US Department of Energy, Bin Yuan Capital

Benefit Chinese smart grid and high-end forging and casting leaders



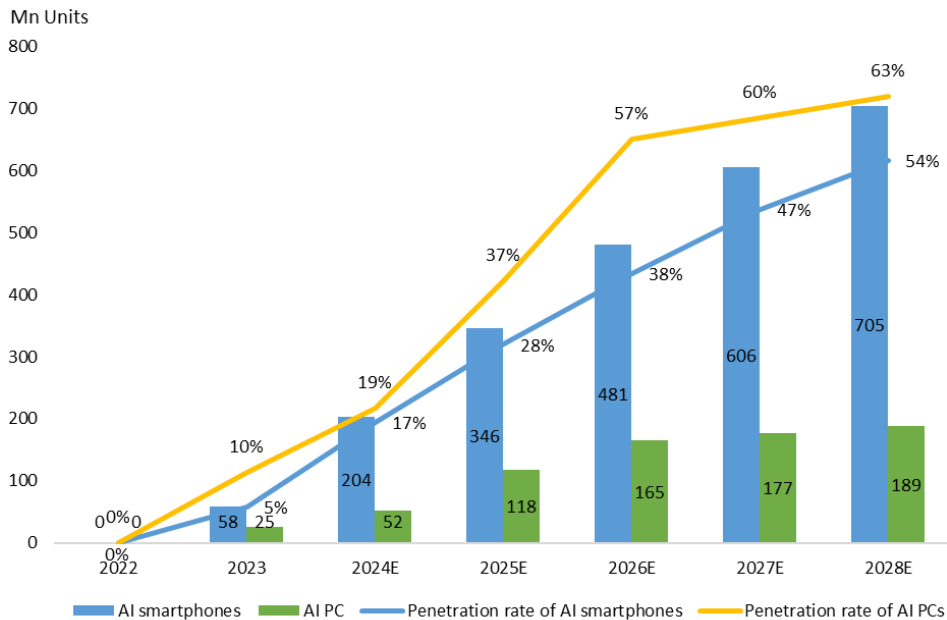
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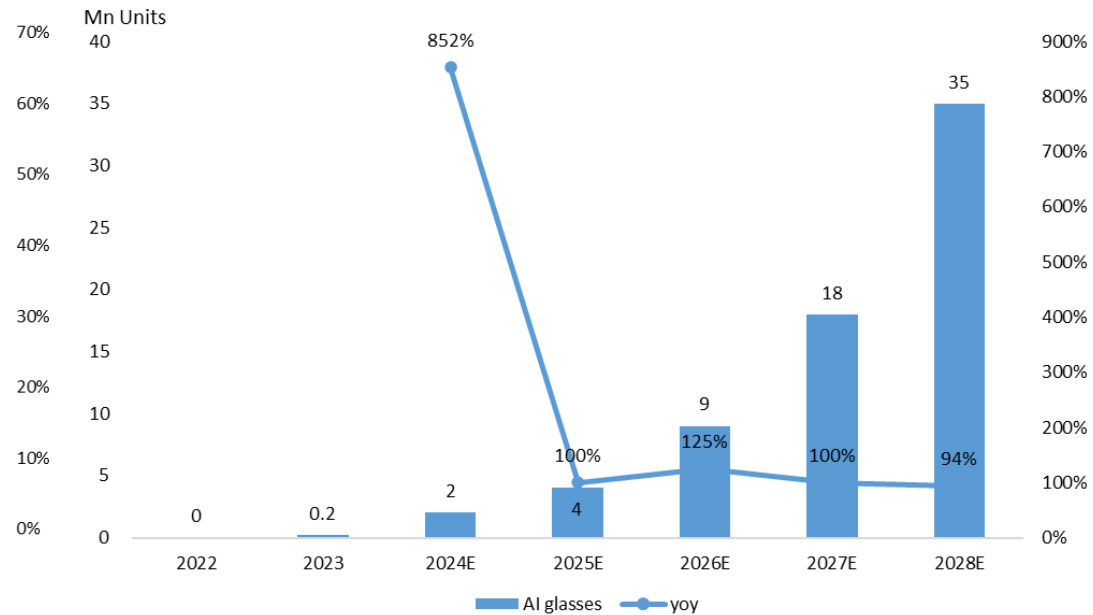
Fast Growth of AI Applications

AI Penetration Rate in Smart Phones and PCs



Source: Canalys, Bin Yuan Capital

The Growth Forecast of AI Glasses (mn units)



Source: Wellsenn XR

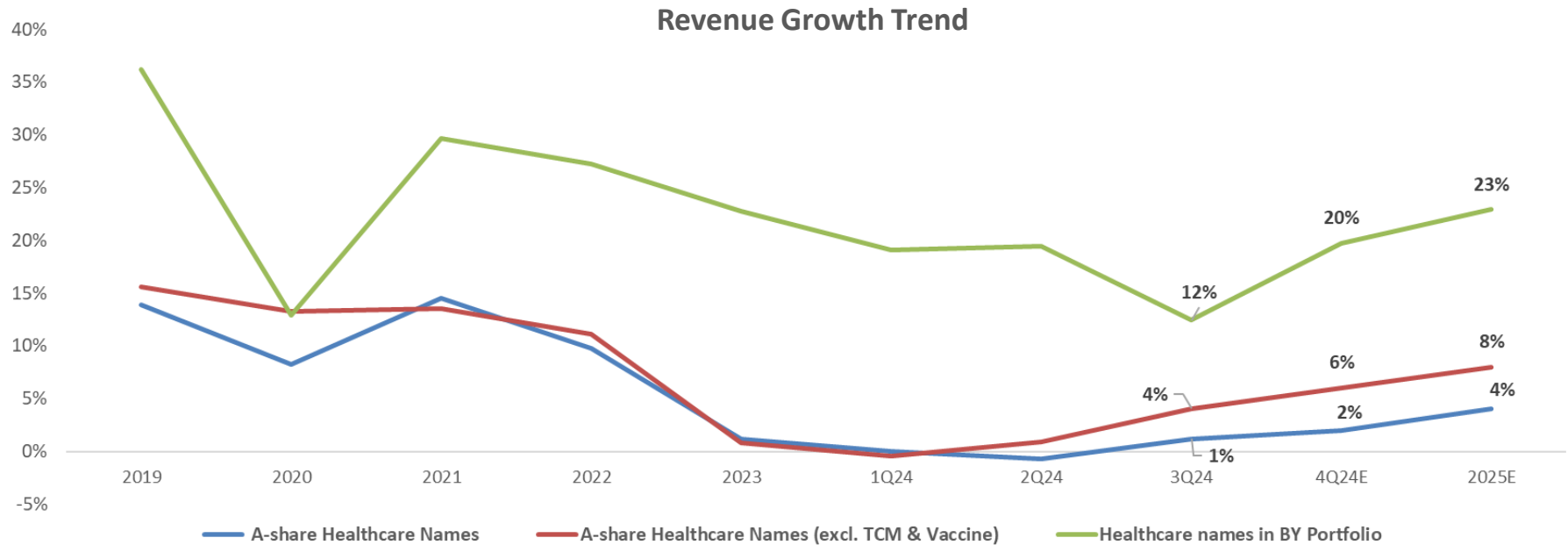
China will continue to take the lead in application innovations

AI Beneficiaries ~40% of the Portfolio AI Related

Company	BBG Code	Market Cap (billion USD)	Forward 3-year Earnings CAGR	2025 PE	2026 PE
NARI	600406 CH Equity	28.6	18%	22	19
HIMILE	002595 CH Equity	5.4	18%	17	15
GATD	688239 CH Equity	0.9	29%	19	14
CCTC	300408 CH Equity	10.7	21%	27	23
KSTAR	002518 CH Equity	1.8	30%	18	14
Lenovo	992 HK Equity	17.1	19%	10	8
Montage	688008 CH Equity	12.3	37%	36	26
Sunny optical	2382 HK Equity	10.0	20%	23	19
iRay	688301 CH Equity	1.9	19%	21	17
Anker	300866 CH Equity	7.0	24%	21	16
JSHL	601100 CH Equity	10.1	20%	22	19
Sinofuse	301031 CH Equity	1.0	36%	22	15
MEITU	1357 HK Equity	1.8	35%	15	11
AMEC	688012 CH Equity	15.4	28%	45	35
PIOTECH	688072 CH Equity	5.6	28%	40	31
Ehang	EH US Equity	1.0	/	/	/
Jereh	002353 CH Equity	5.0	15%	11	9

Source: Annual Report of Listed Companies, Bin Yuan Capital

Healthcare Industry has been Picking Up



Sources: iFinD, Bin Yuan Capital

2024 performance:

Kangji	+10%	Shenwan Healthcare Index (A)	-14.3%
Mindray	-6.5%	MISCI Healthcare Index (A+H)	-21.0%
Sunresin	-6.5%		
iRay	-57%		



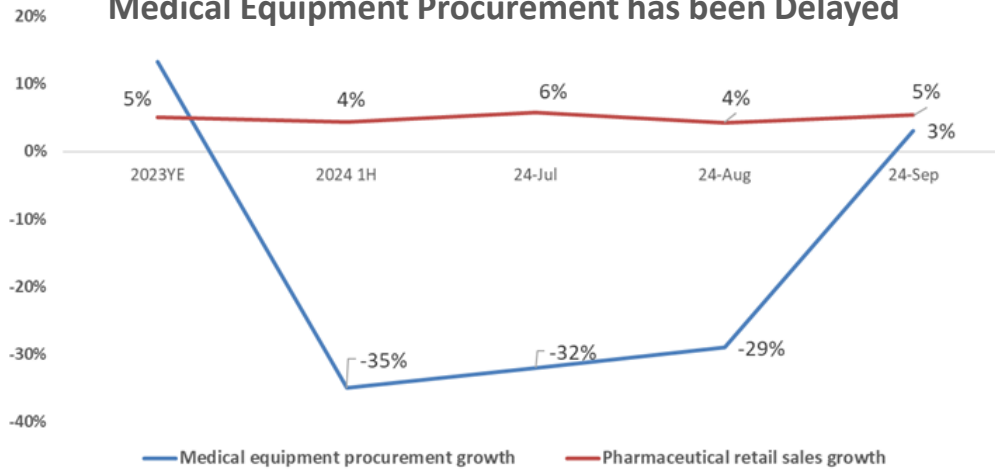
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Our holdings significantly outperformed the industry average

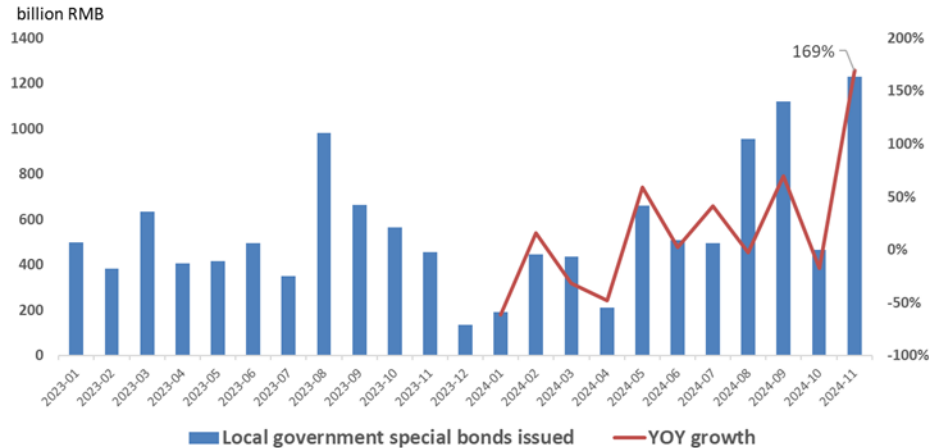
Driver 1: New Medical Infrastructure has been Picking Up

Medical Equipment Procurement has been Delayed



Sources: iFinD, Dou Bao, Bin Yuan Capital

Local Government Special Bonds Accelerated since 3Q2024



Sources: iFinD, Bin Yuan Capital

Medical Equipment Orders Accelerated in Dec24

	2024 YoY	2024 Q4 YoY	2024 Dec YoY
All Healthcare Equipment	-17%	18%	59%
MRI	-12%	97%	203%
CT	-19%	35%	107%
Ultrasonic	-16%	27%	70%
Endoscopy	-30%	-3%	19%
DSA	-25%	24%	76%
United Imaging	Total	25%	84%
	MRI	52%	172%
	CT	0%	14%
	PET-CT	51%	141%
Mindray	Total	-12%	6%
	Ultrasonic	3%	31%
	Rigid Endoscope	-6%	-1%
	Patient Monitoring	-19%	-8%
	Ventilator	-60%	-48%
Sonoscape	Total	-20%	12%
	Ultrasonic	-9%	8%
	Flexible Endoscope	-27%	15%
Aohua	Total	16%	24%
	Endoscope	15%	23%

Source: MD Cloud, Bin Yuan Capital



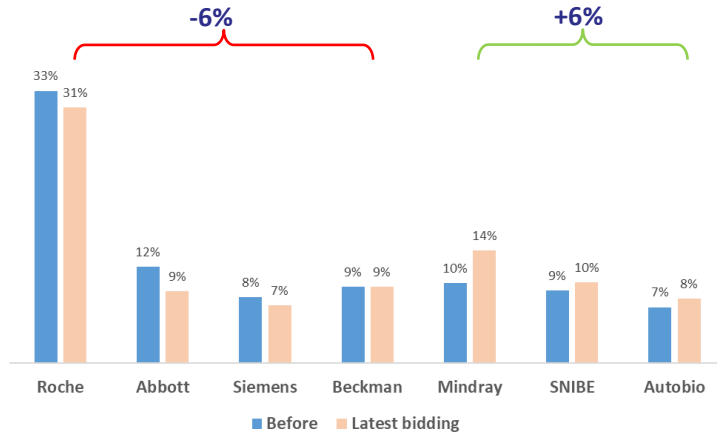
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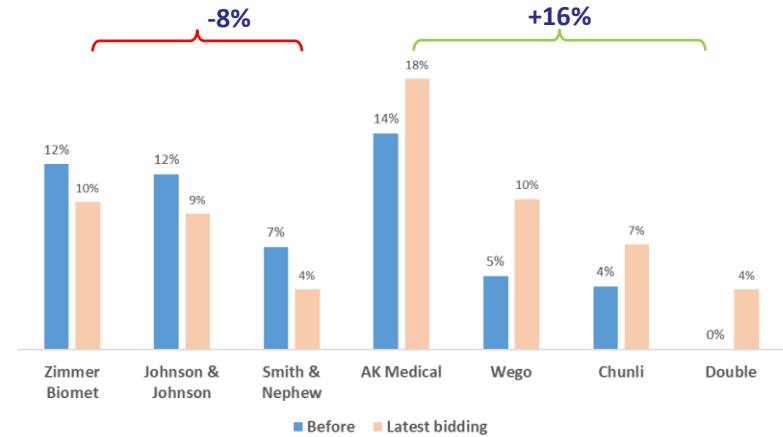
Driver 2: Import Substitution Continues

IVD* Leaders' Market Share in China



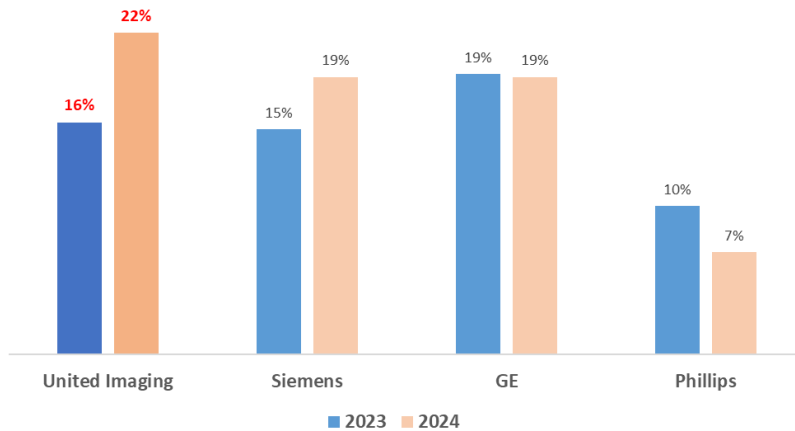
Sources: iFinD, Bin Yuan Capital
*IVD: In - Vitro Diagnostic

Hip and Knee Joints Leaders' Market Share in China



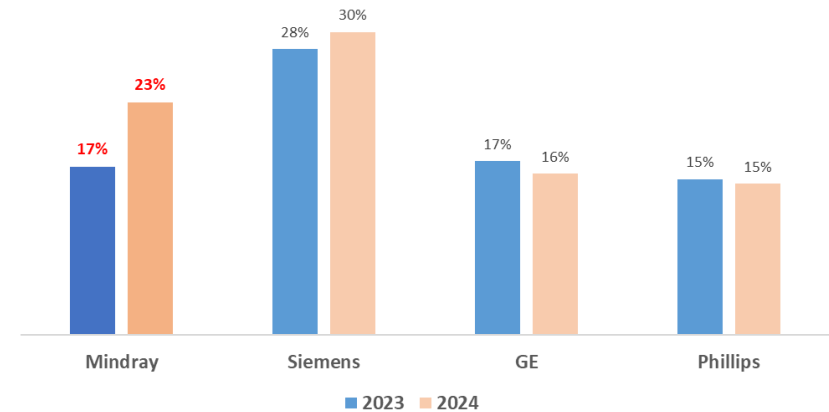
Sources: iFinD, Bin Yuan Capital

CT Leaders' Market Share in China



Sources: MD Cloud, Bin Yuan Capital
*CT: In - Computed Tomography

Ultrasound Leaders' Market Share in China



Source: MD Cloud, Bin Yuan Capital

Driver 3: The Diversified Overseas Market is the Next Growth Engine

Ticker	Name	Sub-sector	Oversea Revenue%	1H24 Total Revenue Growth	1H24 Domestic Revenue Growth	1H24 Overseas Revenue Growth
002901.SZ	DOUBLE MEDICAL	Consumables	11%	29%	27.3%	40.5%
002223.SZ	YUYUE MEDICAL	Equipment	12%	-14%	-16.9%	26.2%
688553.SH	HUIYU PHARMACEUTIC	Pharm	13%	18%	12.4%	76.6%
688271.SH	UIH	Equipment	17%	1%	-3.4%	29.9%
002422.SZ	KELUN PHARMA	Pharm	19%	10%	9.8%	12.1%
688212.SH	AOHUA ENDOSCOPY	Equipment	19%	22%	22.3%	22.4%
300487.SZ	SUNRESIN	Consumables	27%	28%	21.9%	50.2%
300832.SZ	SNIBE	Consumables	36%	19%	16.3%	22.7%
300760.SZ	MR	Equipment	39%	11%	7.2%	18.1%

Sources: iFinD, Bin Yuan Capital

Higher overseas revenue growth has compensated for domestic sluggishness



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Portfolio Valuation – very attractive vs US Peers

Sector / Country	2025E PE	2025E PS	Net Income CAGR	PEG Ratio
AI Applications				
China	20.6	4.1	25%	0.8
US	24.0	6.1	10%	3.3
AI Infrastructure				
China	19.0	2.9	27%	0.9
US	28.2	3.7	17%	2.2
Healthcare				
China	16.8	6.5	23%	0.9
US	24.1	6.6	15%	2.1

Sources: Bin Yuan Capital, Wind, Bloomberg

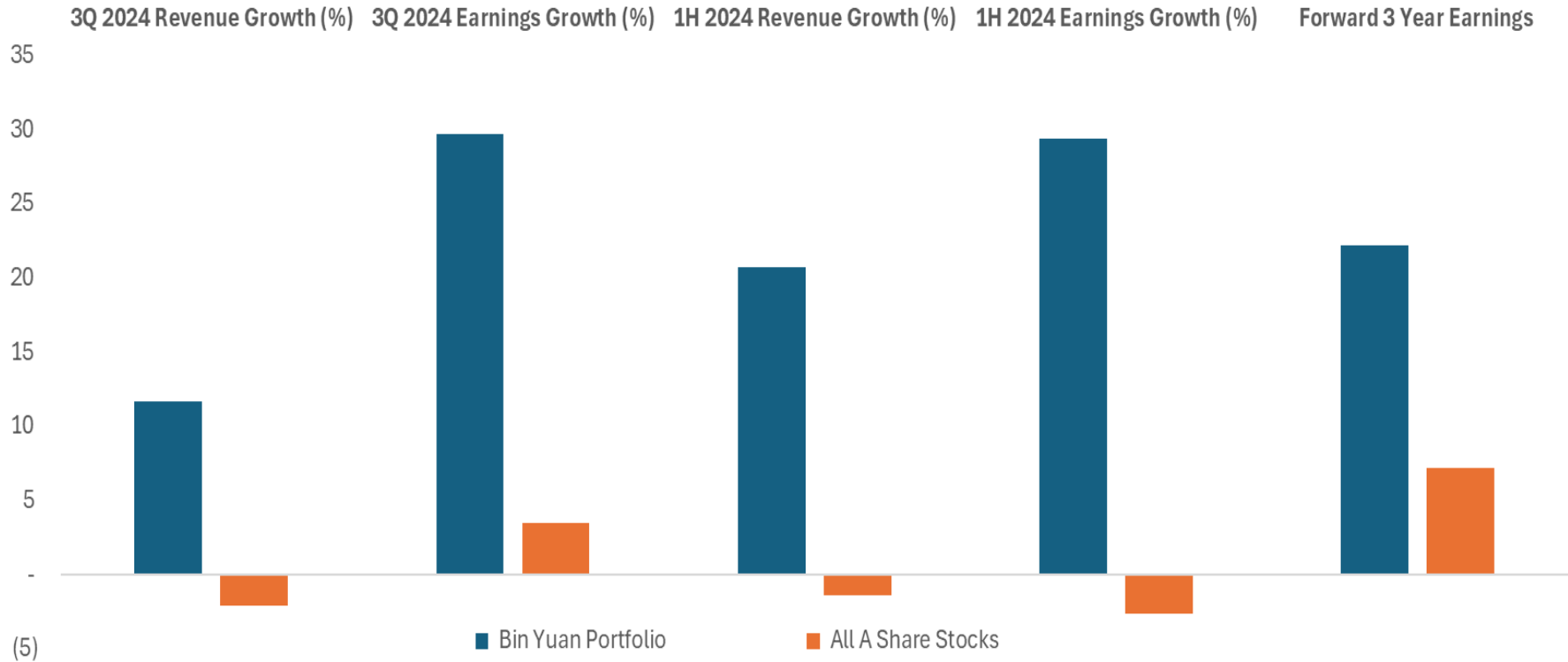


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Portfolio Earnings – strong growth trend vs the Market



Sources: Bin Yuan Capital, Wind, Bloomberg



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Earnings Valuation Outlook

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	12/31/2024	12/31/2024	12/31/2024
2025 PE (X) – Harmonic Avg. Method*	14.1	14.3	11.4
2025 PE (X) – Weighted Avg. Method	15.4	18.8	17.4
2025 PB (X)*	2.8	2.8	1.9
2025 Div. Yield (%)	2.7	1.6	1.9
2025 ROE (%)	18.0	12.2	11.3
Earning Growth (%) Forward 3 YR	22.2	9.1	7.2
2025 PEGY	0.6	1.8	1.9
FCF Yield	3.1	-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

- There has been a significant change in Government Policy – we now have an Open-ended commitment by the Government to boost growth
- Downside is limited
- Massive domestic liquidity paves the way for a sustained market improvement
- Fundamentals will become more relevant
- Bin Yuan portfolio offers strong secular growth at attractive valuations:
 - "Corporate profits in China for companies with more than Rmb20mn (\$2.7mn) in revenue declined by an average of 4.7 per cent year on year between January and November" (National Bureau of Statistics 13/1/25).
 - Bin Yuan estimate earnings for their portfolio in 2024 grew by 25%+
 - This really underscores the BY portfolio's upside potential



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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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