

Bin Yuan Capital

October 2024

2024 Q3 REVIEW & OUTLOOK



Signatory of:



Investing for Better Life

Agenda

- ❖ Q3 2024 Performance & Portfolio Review
- ❖ China Macro Update
- ❖ Portfolio Positioning
- ❖ Portfolio Valuations



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Key Points

- Significant change in Govt thinking & policy:
 - Open ended commitment to boost growth
 - Introduced over time
 - Govt working hard to boost confidence
- While momentum trading dominates fundamentals will become more relevant:
 - Foreigners still very sceptical – but incremental foreign flows likely
 - Confidence indicators at all-time lows / Weak MS numbers will start to pick up
 - Earnings more in focus with improved sentiment
- Massive domestic liquidity combined with improving local sentiment caps the downside and paves the way for a sustained market improvement
- Over the last three years Bin Yuan has focused on fine tuning the portfolio to reflect the best growth opportunities, and even with the recent bounce, these remain very attractively priced



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Portfolio Review



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Performance

Inception Date 2018/04/16

Ending Date 2024/09/30

All China Strategy - Hereford Funds Bin Yuan Greater China Sub-Fund	SEP	3Q	YTD	2023	2022	2021	ITD
Bin Yuan Greater China Fund (Share Class L1) Net Performance	23.12%	19.96%	7.55%	-21.17%	-29.45%	10.02%	18.65%
Benchmark*	23.19%	22.31%	25.09%	-11.53%	-23.61%	-12.91%	-4.77%
Outperformance/(Underperformance)	-0.07%	-2.35%	-17.54%	-9.64%	-5.84%	22.93%	23.42%

* 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

September: in line with benchmark

- Main Contributors: Stock selection in Communication Services, Financials, Consumer Staples, Materials
- Main Detractors: Allocation and Consumer Discretionary

Q3: -2.35% vs benchmark

- Main Contributors: Stock selection in Communication Services and Materials
- Main Detractors: Health Care and Underweight in large cap internet



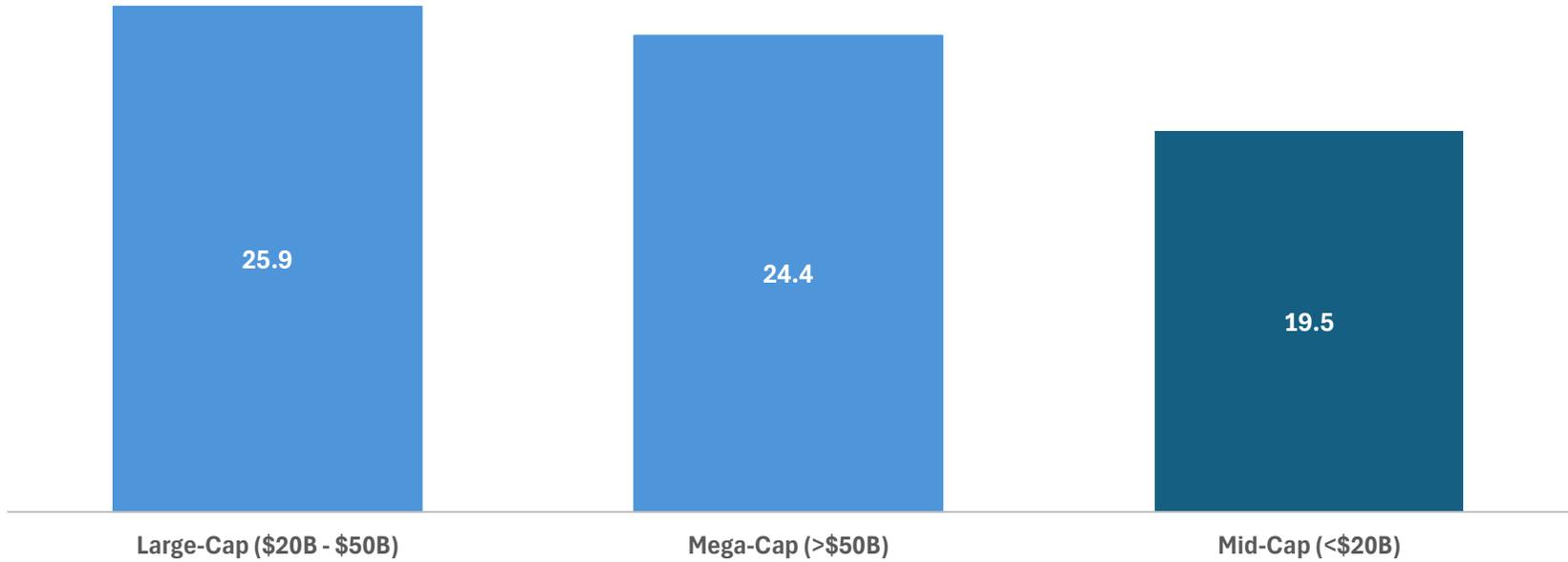
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MSCI China All Shares Index Market Cap Q3 Performance (%)

MSCI CHINA ALL SHARES INDEX MARKET CAP PERFORMANCE (%)



Bin Yuan Exposure
OW(+)/UW(-)

9.2%
-9.8%

31.0%
-16.8%

57.8%
+24.6%



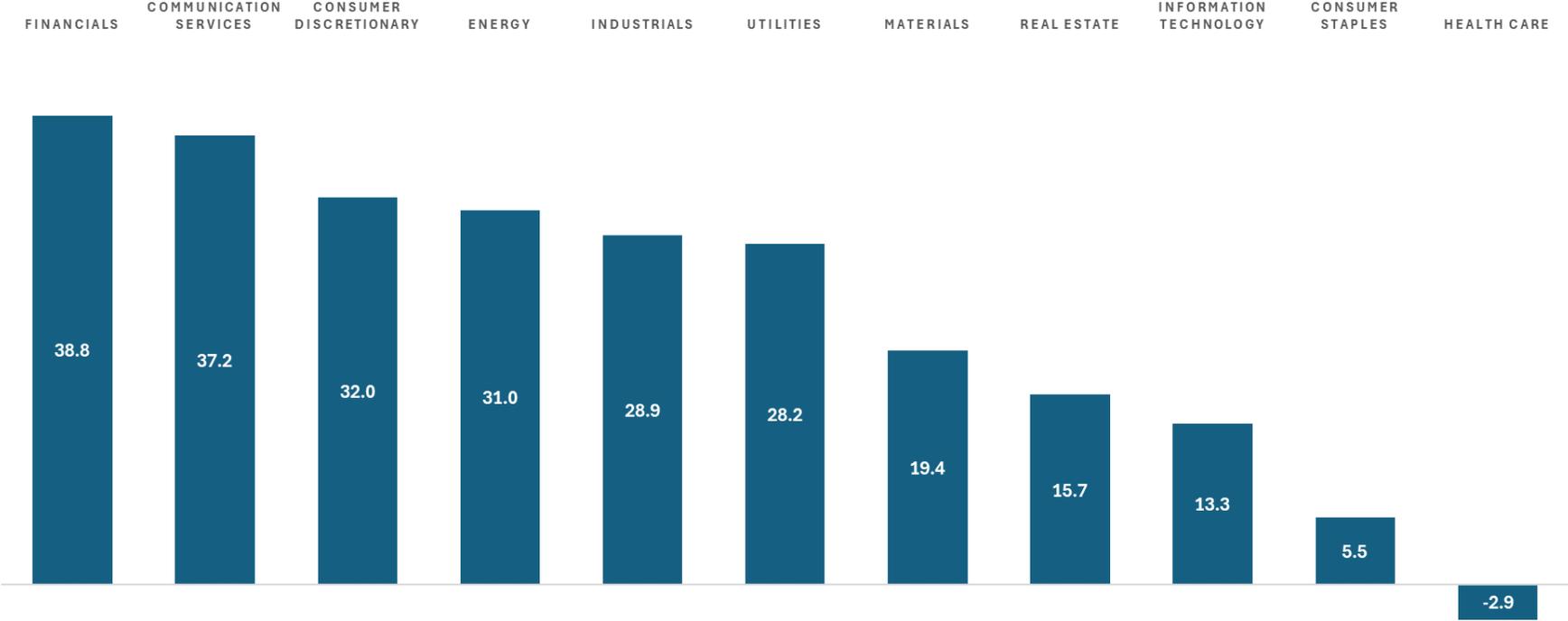
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MSCI China All Shares Index Sector YTD Performance (%)

MSCI CHINA ALL SHARES INDEX SECTOR PERFORMANCE (%)



Bin Yuan Exposure
OW(+)/UW(-)

10.4%	10.2%	19.4%	-	15.5%	1.5%	7.4%	-	14.9%	5.7%	13.0%
-8.1%	-3.9%	-3.3%	-3.4%	+6.7%	-1.8%	-0.1%	-1.7%	+5.9%	-0.1%	+8.0%

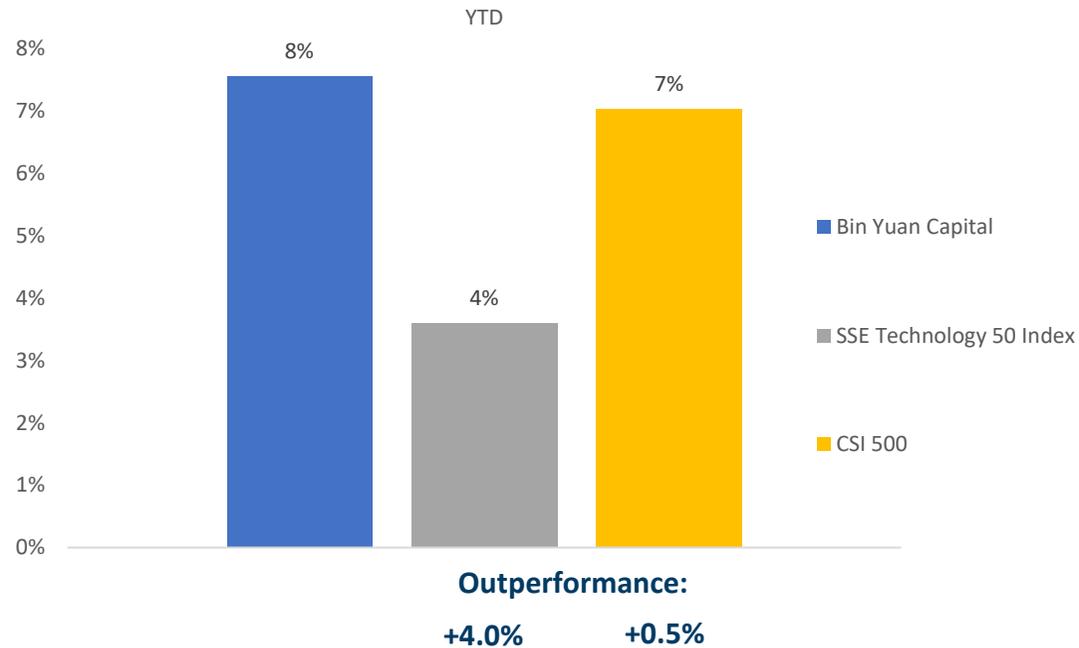


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“Fly to safety” dominated

But better than Mid Cap and Technology Focused Index



Mid cap technology growth stocks will outperform when market stabilizes



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Sector Attribution -2024 September

PORT Attribution Report: Attribution (10/02/2024 11:02:13)

Summary

Portfolio	HFBY
Benchmark	MSCI CHINA ALL SHARES INDEX
Start Date	8/30/2024
End Date	9/30/2024
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	23.24	23.29	-0.18	0.13	-0.05
Communication Services	10.18	14.72	3.05	2.87	0.19	1.14	1.33
Energy	1.97	3.79	0.26	0.17	0.37	0.16	0.53
Materials	5.54	6.05	1.66	1.30	0.04	0.40	0.44
Financials	10.52	19.03	2.19	3.87	-0.12	0.37	0.25
Consumer Staples	6.59	7.06	1.92	1.88	-0.02	0.15	0.14
Utilities	1.33	3.61	-0.10	0.25	0.36	-0.26	0.10
Health Care	13.45	5.06	2.83	1.15	0.17	-0.37	-0.20
Real Estate		1.54		0.57	-0.22	0.00	-0.22
Industrials	12.77	8.95	2.68	1.93	0.15	-0.57	-0.42
Information Technology	16.08	8.97	2.74	1.93	-0.30	-0.30	-0.59
Cash	4.43		0.05		-0.65	0.00	-0.65
Consumer Discretionary	17.14	21.22	5.95	7.36	-0.14	-0.62	-0.76
Difference*			-0.12	-0.10			
Fee			0.10				
HFBY Gross Return			23.22	23.19			0.03
FX Impact			-0.81	-0.76			
HFBY Gross Return (Without FX Impact)			22.41	22.43			-0.02

*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 –2024 September

Performance Attribution

HFBY vs. ALL CHINA

2024 Sep

USD

Top

	Name	Contribution	Sector
688301 CH Equity	IRAY TECHNOLOG-A	1.93	Health Care
BILI (ADR+H)	BILIBILI INC-Z	1.75	Communication Services
2255 HK Equity	HAICHANG OCEAN P	1.05	Consumer Discretionary

Bottom

	Name	Contribution	Sector
1816 HK Equity	CGN POWER-H	-0.10	Utilities
EH US Equity	EHANG HOLDINGS	-0.04	Industrials



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Sector Attribution -2024 Q3

PORT Attribution Report: Attribution (10/08/2024 16:08:59)

Summary

Portfolio	HFBY
Benchmark	MSCI CHINA ALL SHARES INDEX
Start Date	6/28/2024
End Date	9/30/2024
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	20.35	22.54	-1.69	-0.49	-2.18
Communication Services	10.14	14.56	2.68	2.67	0.21	0.94	1.15
Materials	6.38	6.25	1.51	0.83	-0.01	0.80	0.79
Energy	2.12	3.95	-0.13	0.00	0.45	-0.15	0.29
Utilities	1.60	3.79	-0.23	0.09	0.45	-0.35	0.09
Real Estate	0.19	1.57	0.16	0.49	-0.12	0.12	-0.01
Consumer Staples	7.16	7.25	1.38	1.60	-0.11	-0.03	-0.14
Information Technology	15.50	9.08	2.75	1.70	-0.30	0.08	-0.22
Financials	10.47	18.90	2.69	4.78	-0.67	0.43	-0.24
Industrials	12.64	8.95	2.50	1.74	0.16	-0.49	-0.33
Cash	3.35		0.09		-0.65	0.00	-0.65
Consumer Discretionary	16.72	20.68	5.37	7.32	-0.30	-1.00	-1.30
Health Care	13.73	5.02	1.58	1.33	-0.80	-0.81	-1.62
Difference*			-0.39	-0.23			
Fee			0.30				
HFBY Gross Return			20.26	22.31			-2.05
FX Impact			-2.37	-2.11			
HFBY Gross Return (Without FX Impact)			17.89	20.20			-2.31

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Stock Contributors -2024 Q3

Performance Attribution

HFBY vs. ALL CHINA

2024 Q3

USD

Top

	Name	Contribution	Sector
BILI (ADR+H)	BILIBILI INC-Z	1.42	Communication Services
601100 CH Equity	JIANGSU HENGLI-A	1.15	Industrials
2255 HK Equity	HAICHANG OCEAN P	1.04	Consumer Discretionary

Bottom

	Name	Contribution	Sector
390 HK Equity	CHINA RAIL GR-H	-0.26	Industrials
1816 HK Equity	CGN POWER-H	-0.23	Utilities



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China Update



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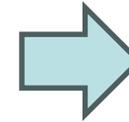
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China Market Remains Oversold

- The central government has the strong willingness and monetary and fiscal capacity to stimulate the economy

-> issue long-term bonds and/or expand the PBOC's balance sheet for:

- ✓ *Stabilizing the property market*
- ✓ *Restructuring local governments' debt*
- ✓ *Subsidizing consumers, especially for low income group*
- ✓ *Investing infrastructure*



Focus on the bottom

- The incremental negative impact from US containing China is diminishing
- Low base impact of corporate earnings
- Valuations at the bottom
- Huge liquidity on the sidelines
- Style reversion from large cap SOE to mid cap high quality information technology and healthcare

Determined to adopt counter-cyclical measures



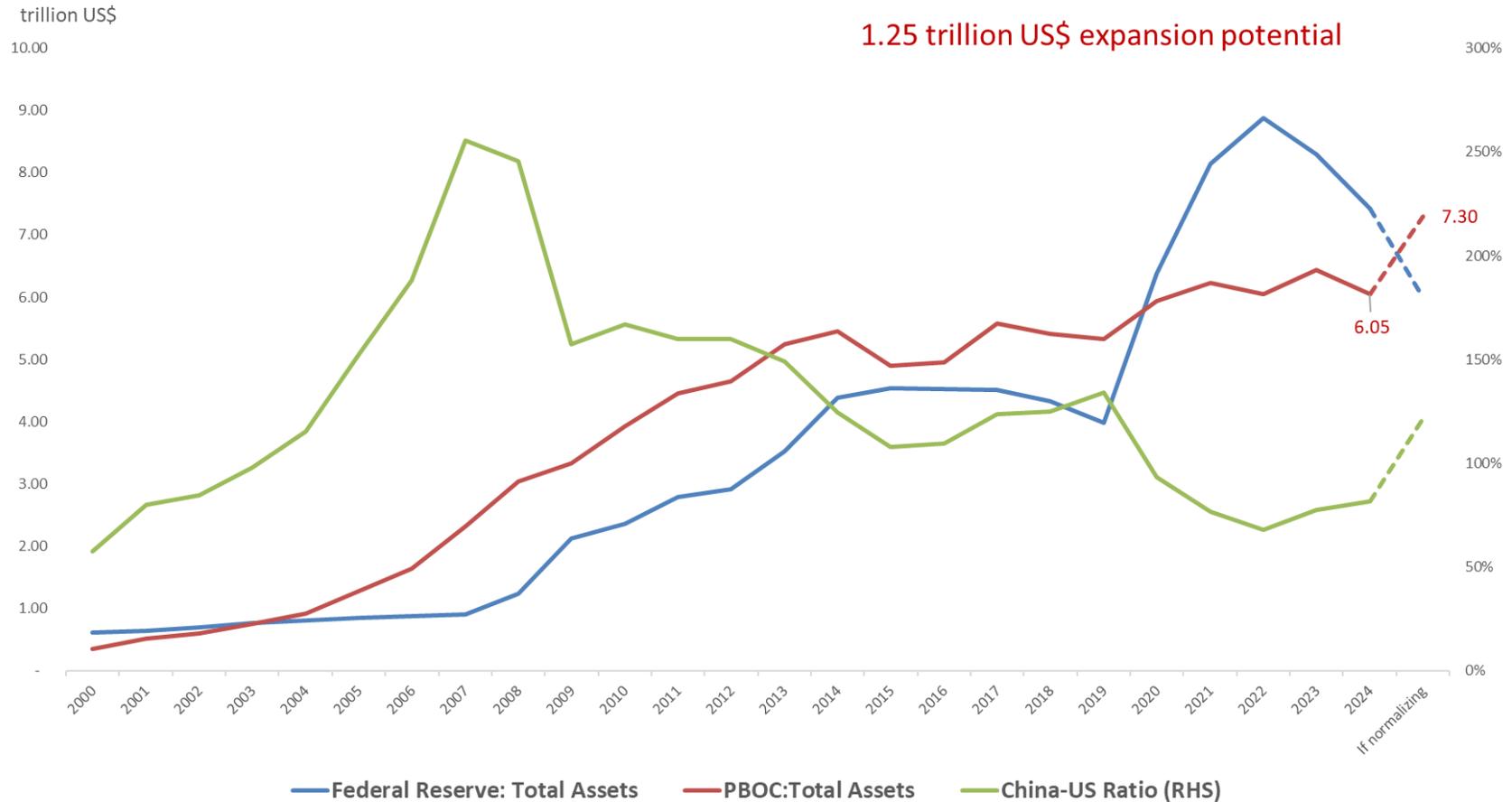
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Balance Sheet Expansion of Central Banks in China and US

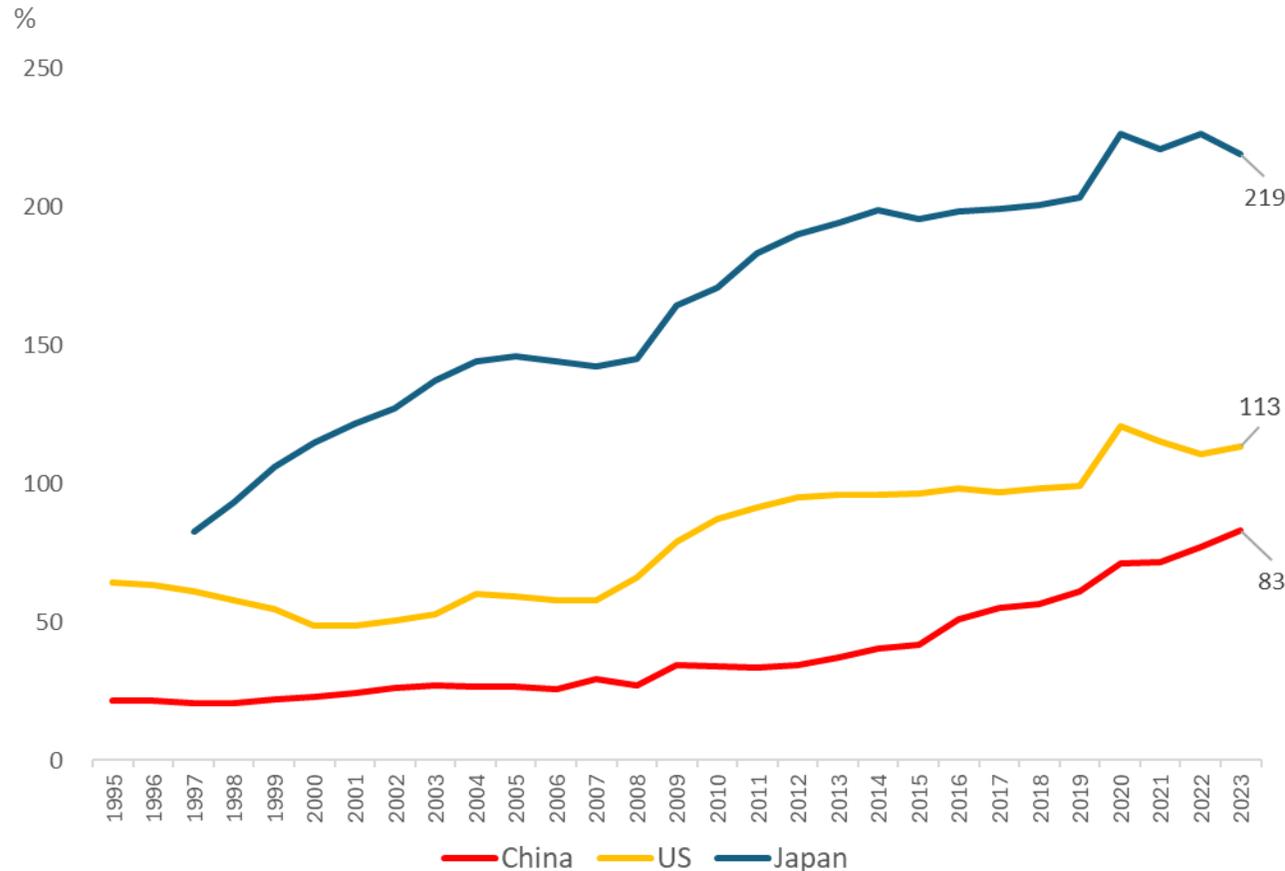


Source: Bin Yuan Capital, Wind

PBOC has ample room to expand its balance sheets

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: Bank for International Settlements, Wind, Bin Yuan Capital

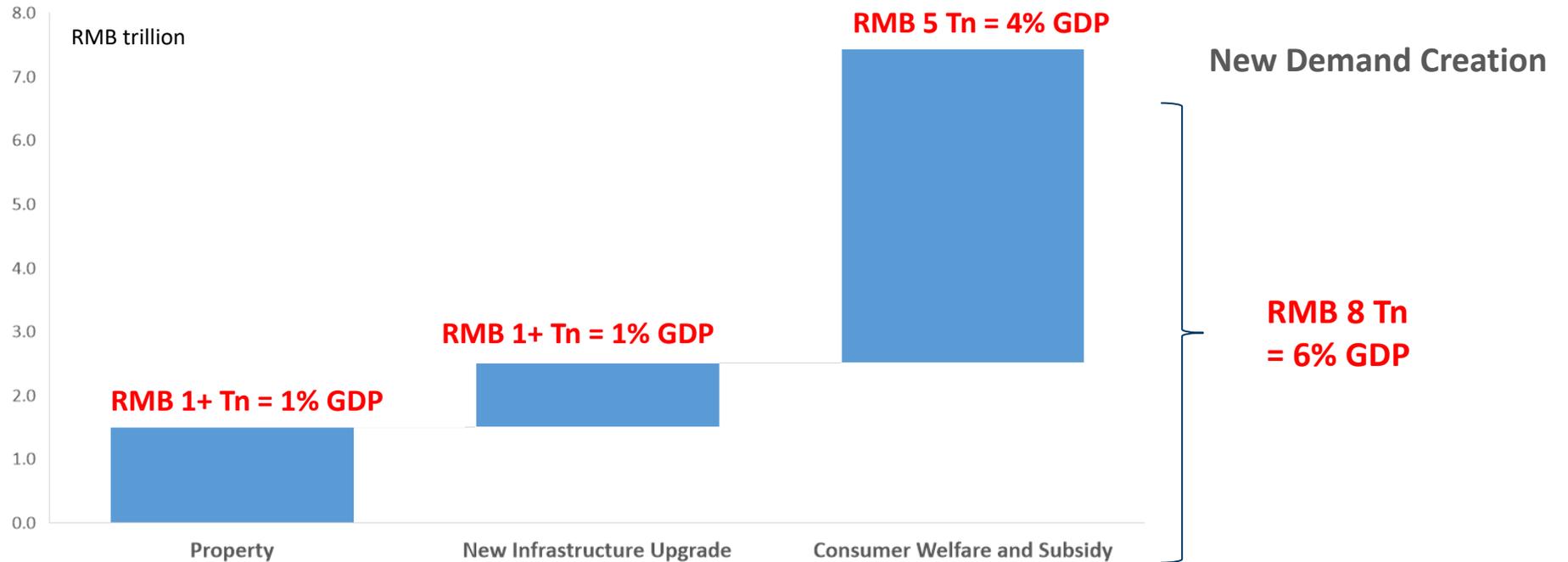


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The central government could enhance its leverage to bolster fiscal spending

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Expected Multi-Year Stimulus to Enhance both Liquidity and Demand



Financing Capability

PBOC BS Expansion

- RMB 7tn expansion room if reach US levels (vs. GDP)

Bank

- RMB 1tn with replenished capital
- 10x leverage = RMB 10tn loan supply

Government Leveraging

- RMB 17tn leveraging room if gov debt reach US level of 113%



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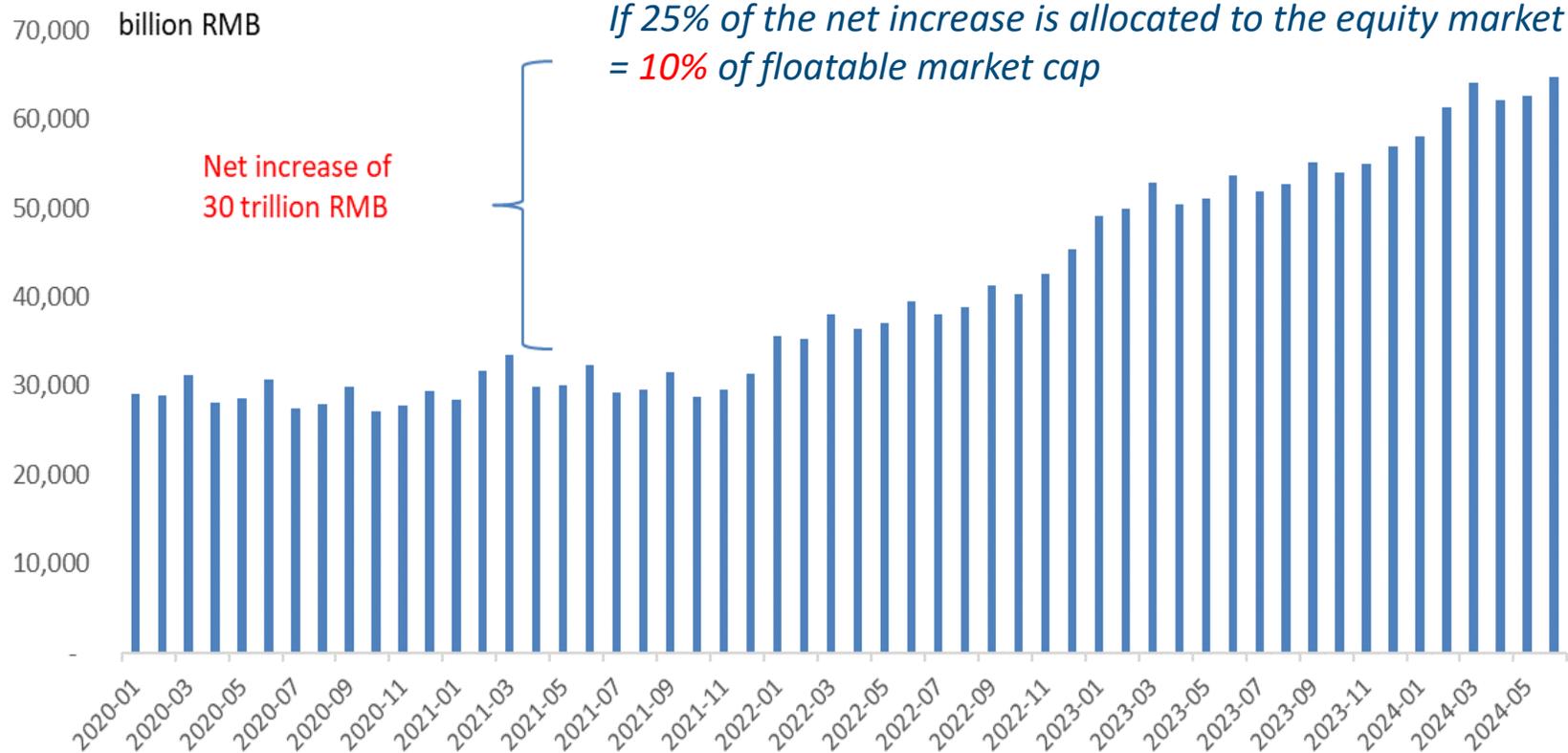
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Boost the confidence of the private sector and households

Potential Funding Source - Household Deposits Minus Household Loans

If 25% of the net increase is allocated to spending
= 6+% of GDP

If 25% of the net increase is allocated to the equity market
= 10% of floatable market cap



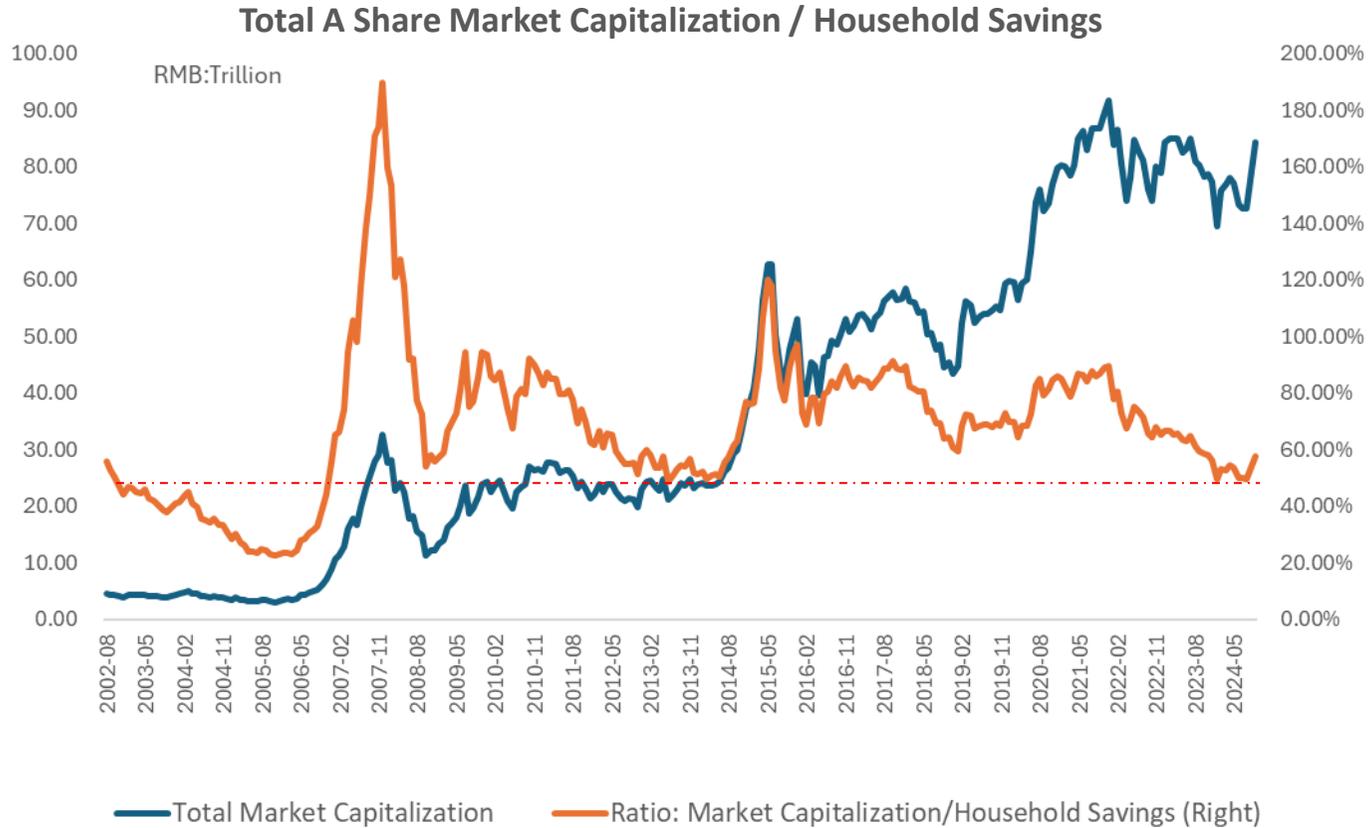
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Restoring confidence is crucial, and it has started to show its influence

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Domestic Money on the Sidelines



Source: Bin Yuan Capital, Wind

Potential inflow into the A share market could reach up to 10% of the floatable market cap



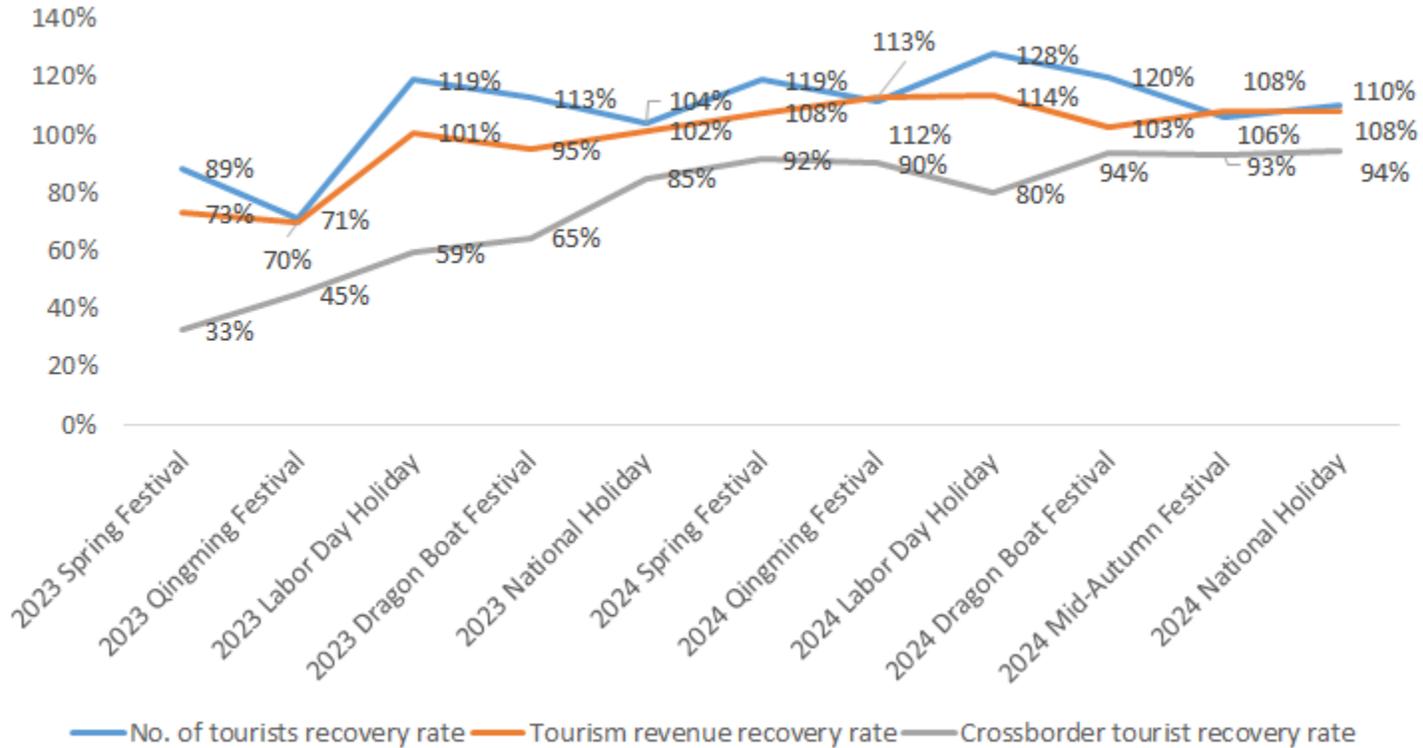
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Tourism Strong but Spending per Capita Lower

Recovery of Domestic Tourism & Revenue during Major Holidays Since 2023 (vs 2019)



Source: Ministry of Culture and Tourism, Bin Yuan Capital



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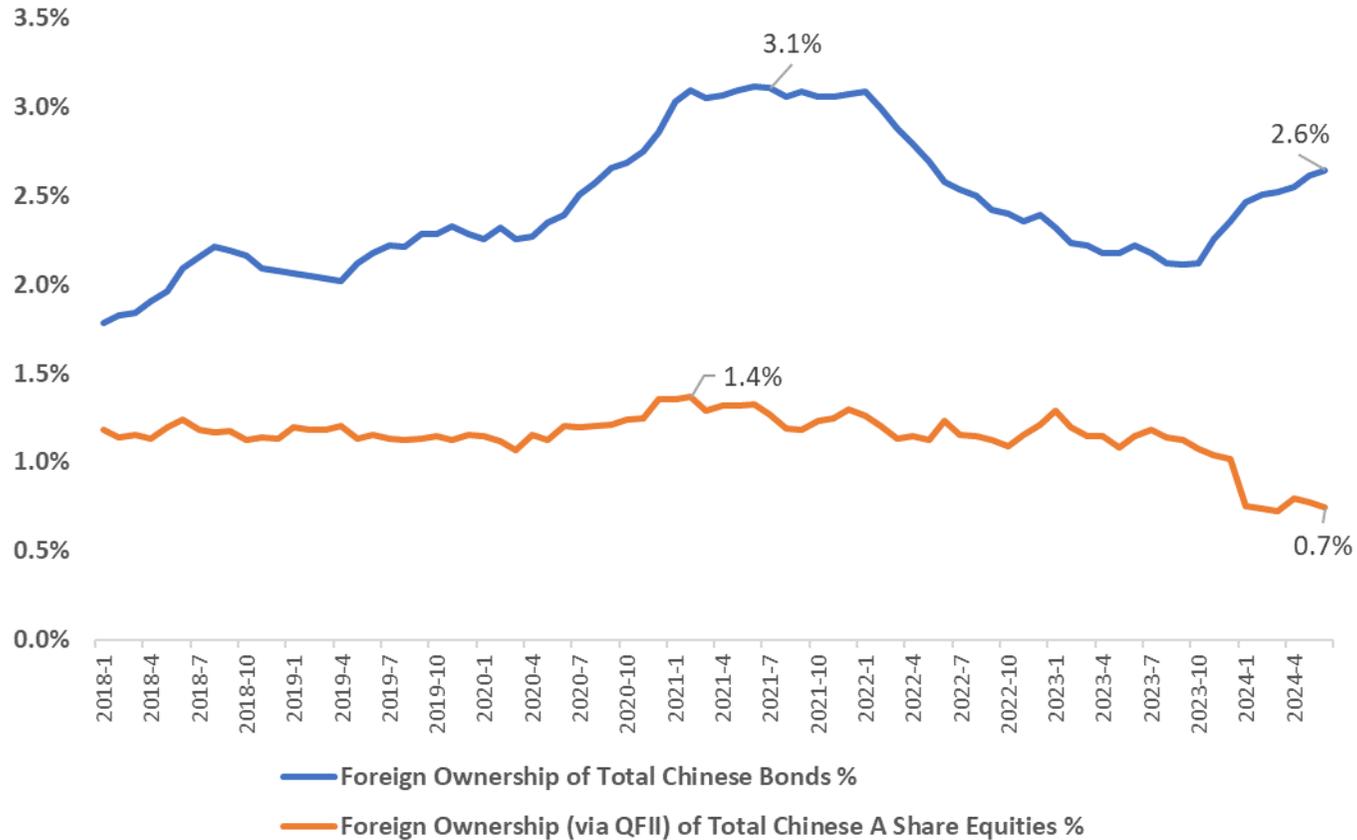
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Services gradually recovering

National Holiday – Confidence Restoring



The Divergent Trend of Foreign Ownership of Chinese Equities and Bonds

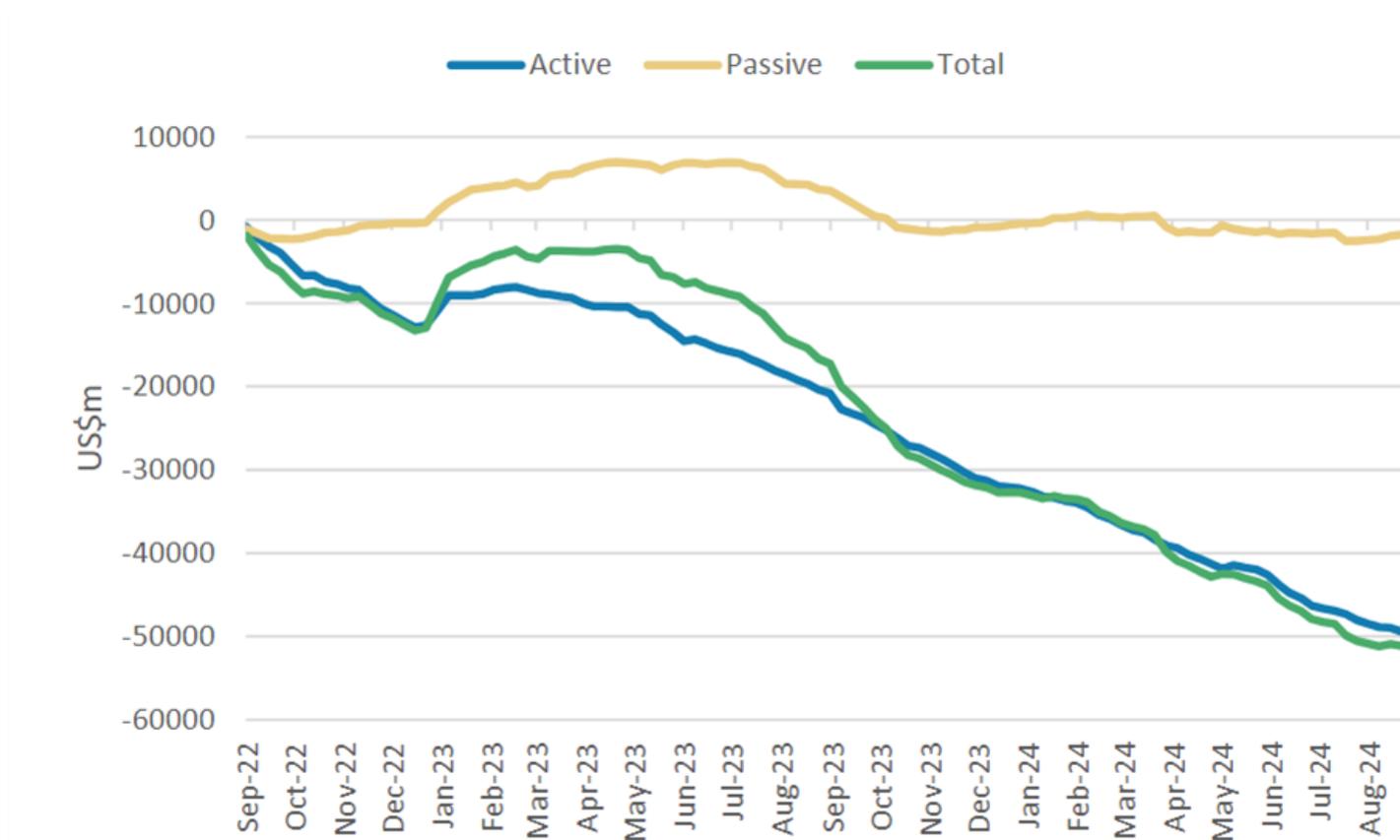


Source: Bin Yuan Capital, Wind, iFind

Some foreign fund stayed, but play defensively

Foreigners Largely Sold Out of China Equities

Weekly Cumulative Net Fund Flows (US\$m) into China Equities by Active and Passive Funds

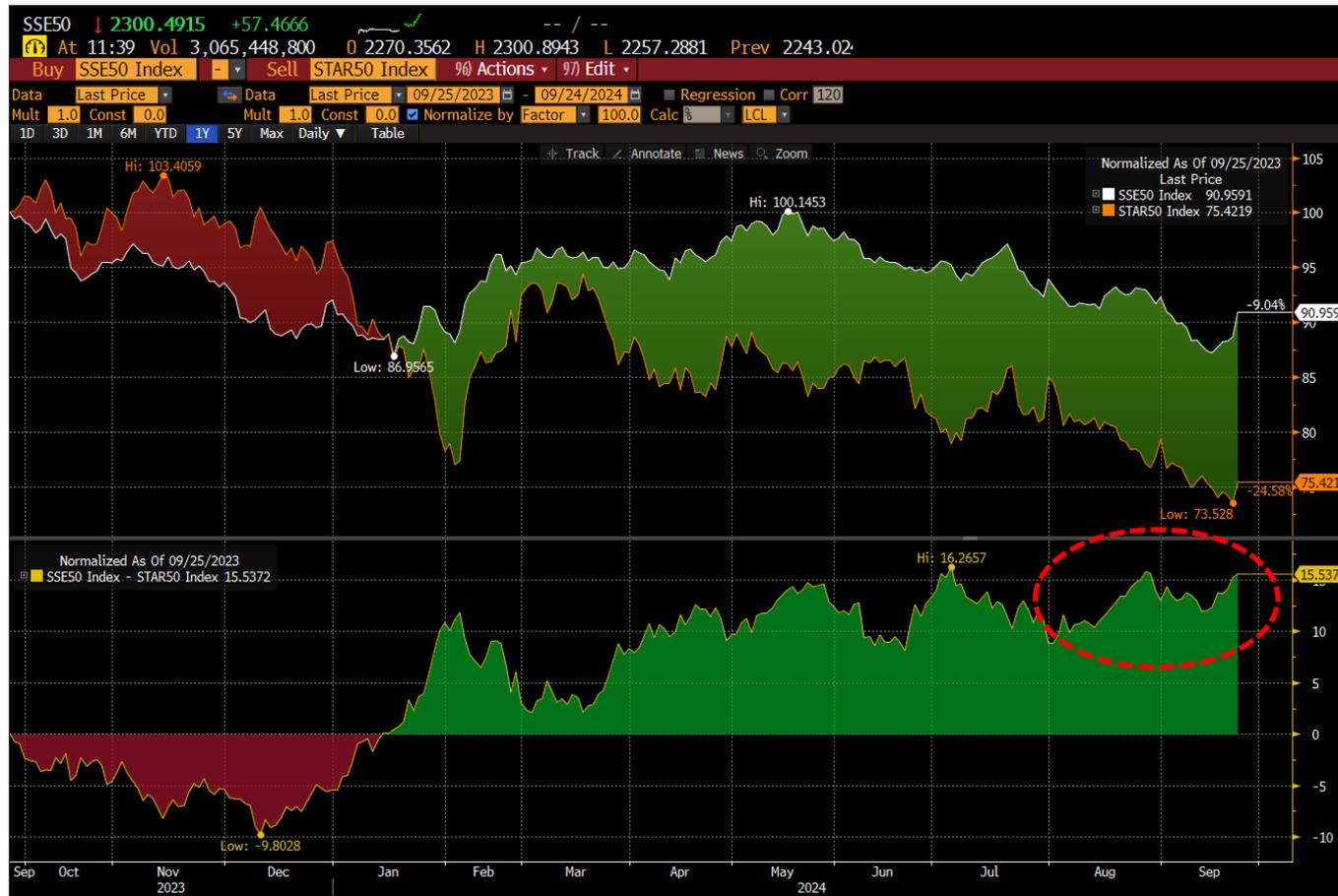


Source: EPFR, Morgan Stanley Research. Note: Data as of September 18, 2024. Only GEM equity funds benchmarked against MSCI EM are included

Any potential reversal of foreign capital outflow is positive

The Extreme End of the Pendulum

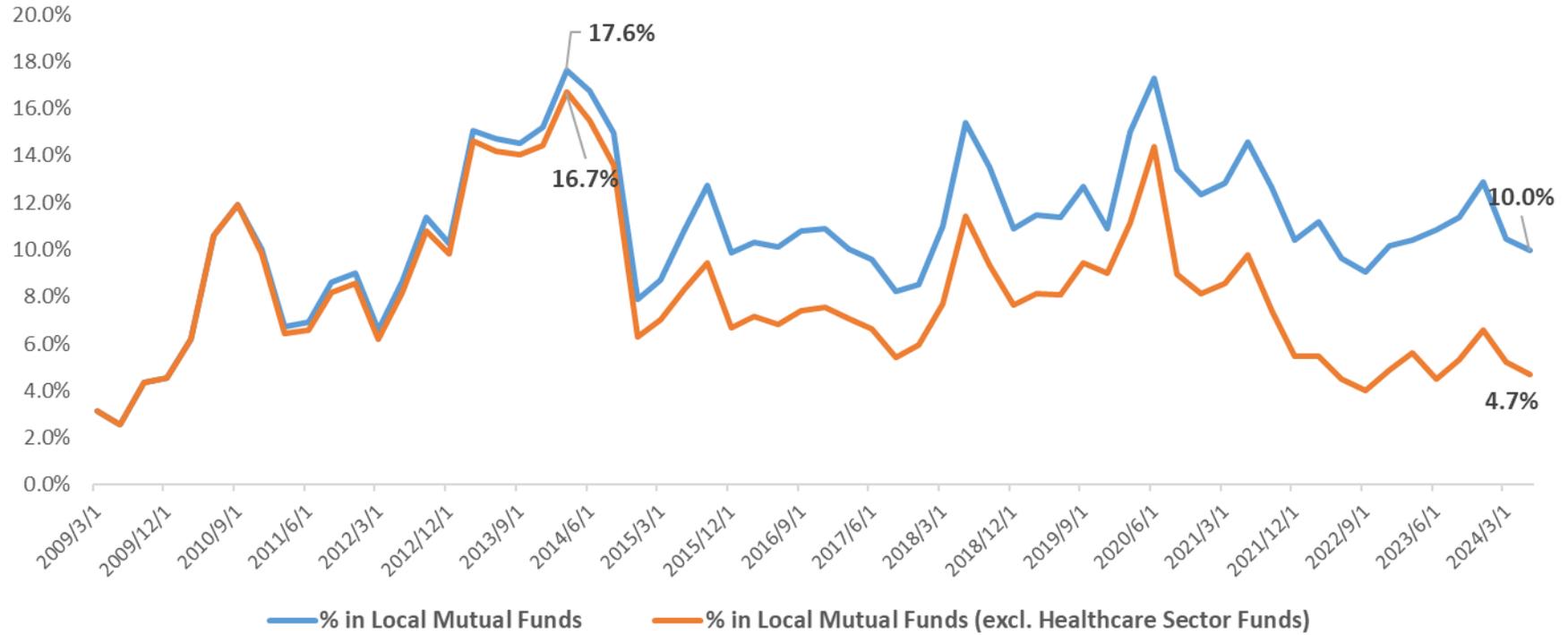
The Spread of SSE50 Index (Large Cap) vs. STAR50 Index (Mid Cap and Technology Focused)



The spread of large cap over mid cap at historical high

Healthcare Oversold

Healthcare-related Stock Weights in Local Mutual Funds



Sources: Citics Securities, Bin Yuan Capital



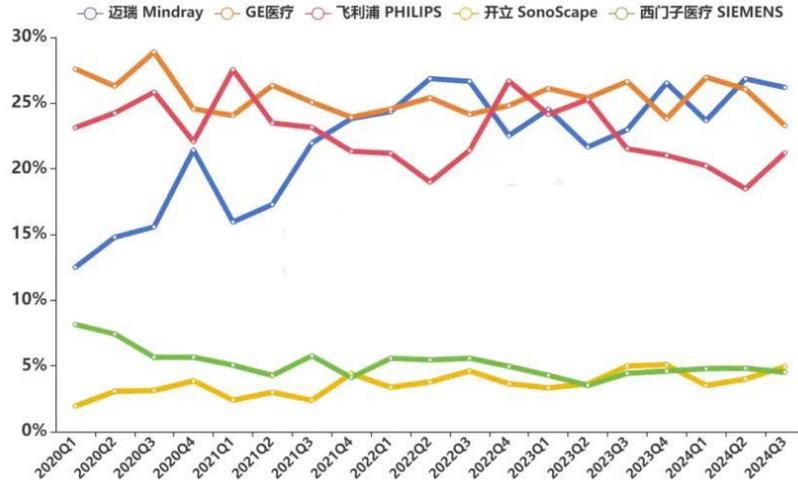
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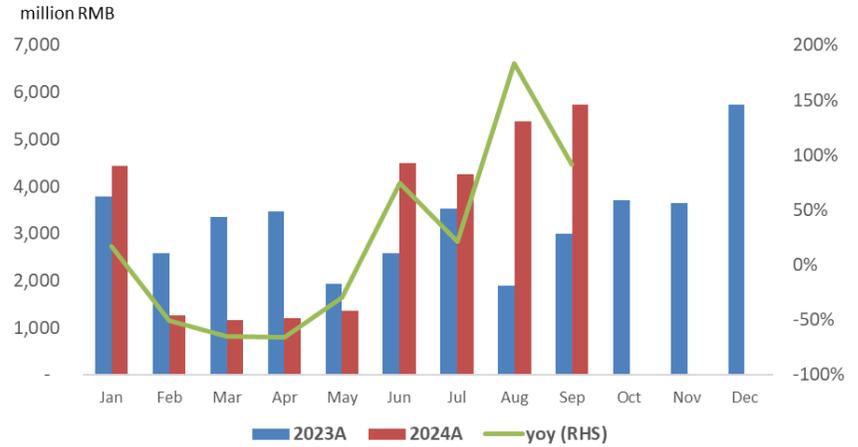
Persistently Strong Fundamentals

Ultrasound's Market Share in China



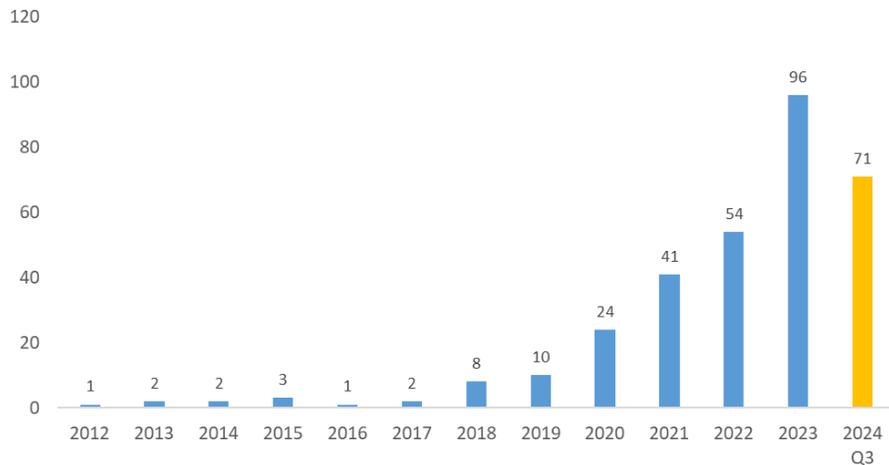
Source: Joinchain, Bin Yuan Capital

Aohua Endoscope's Bidding Amount



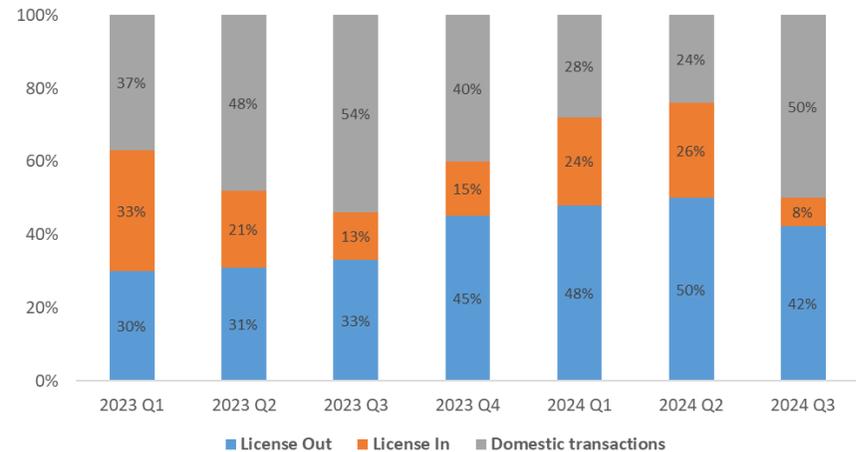
Source: Bin Yuan Capital

Number of license out transactions in China



Source: MyBio Capital, Bin Yuan Capital

Breakdown of Pharmaceutical BD Types in China



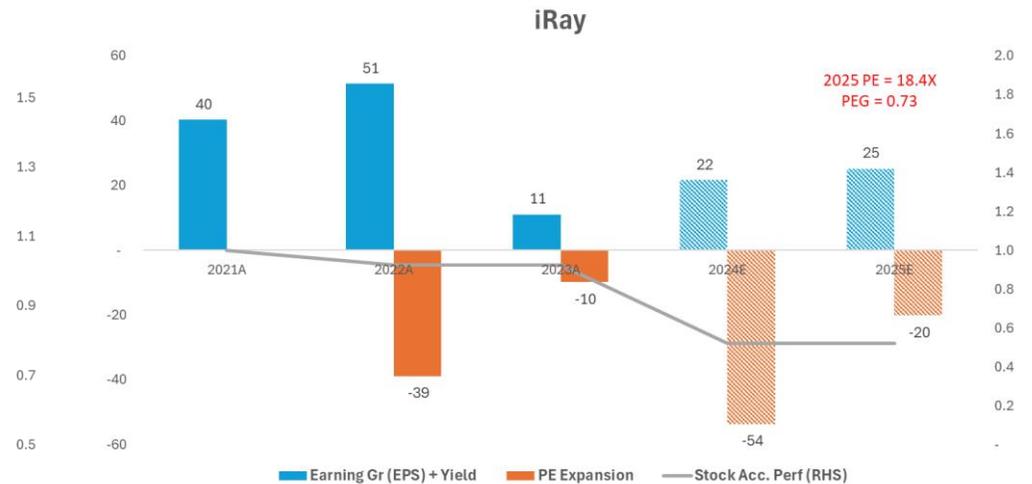
Source: MyBio Capital, Bin Yuan Capital

Historical Low Valuation for Growth Names

Strong Fundamentals but Share Prices have not followed



Source: iFinD, Bin Yuan Capital



Source: iFinD, Bin Yuan Capital

Any marginal positive news could trigger sharp rebound

Portfolio Positioning



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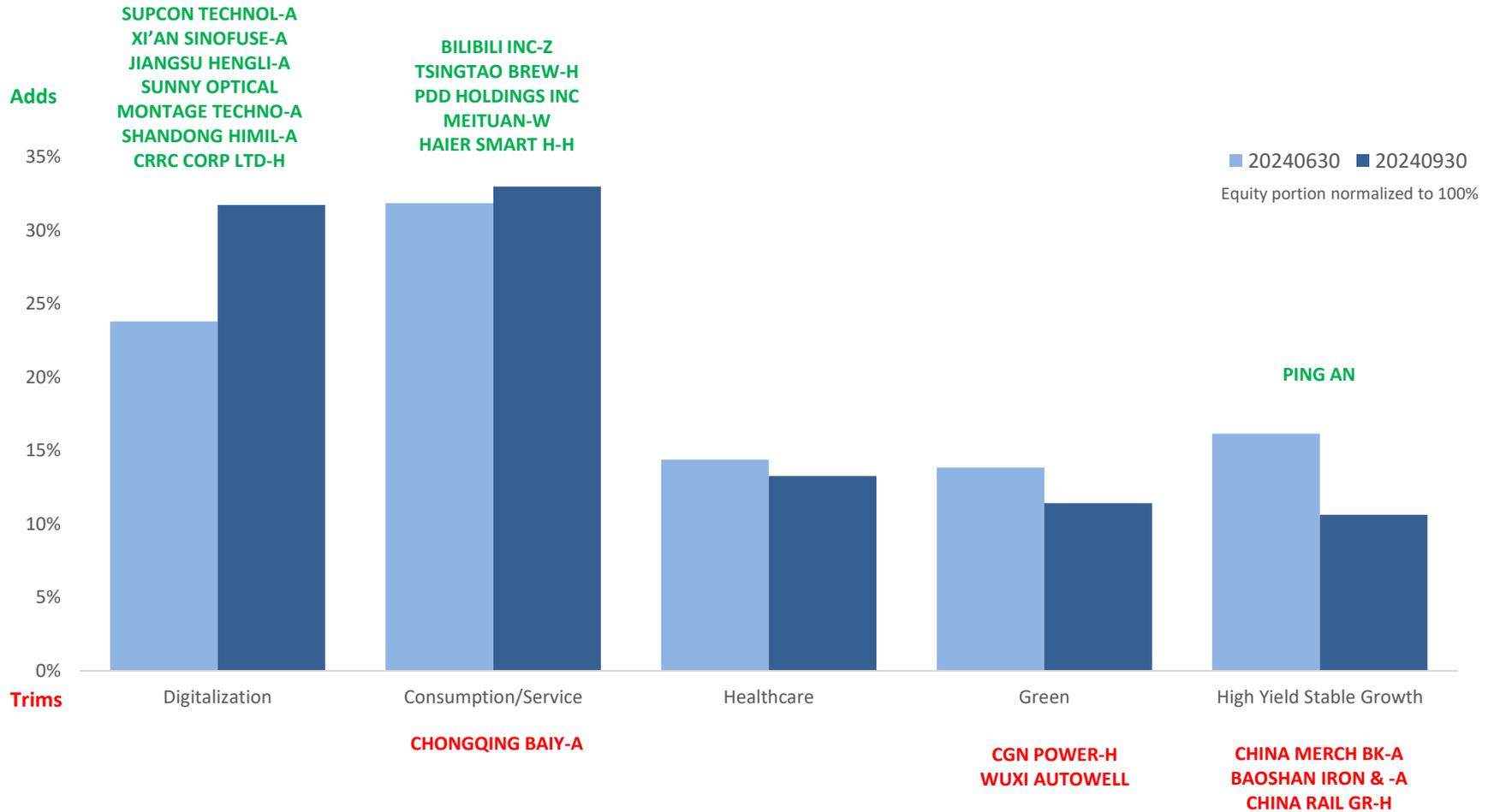
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Sector Weight Movement



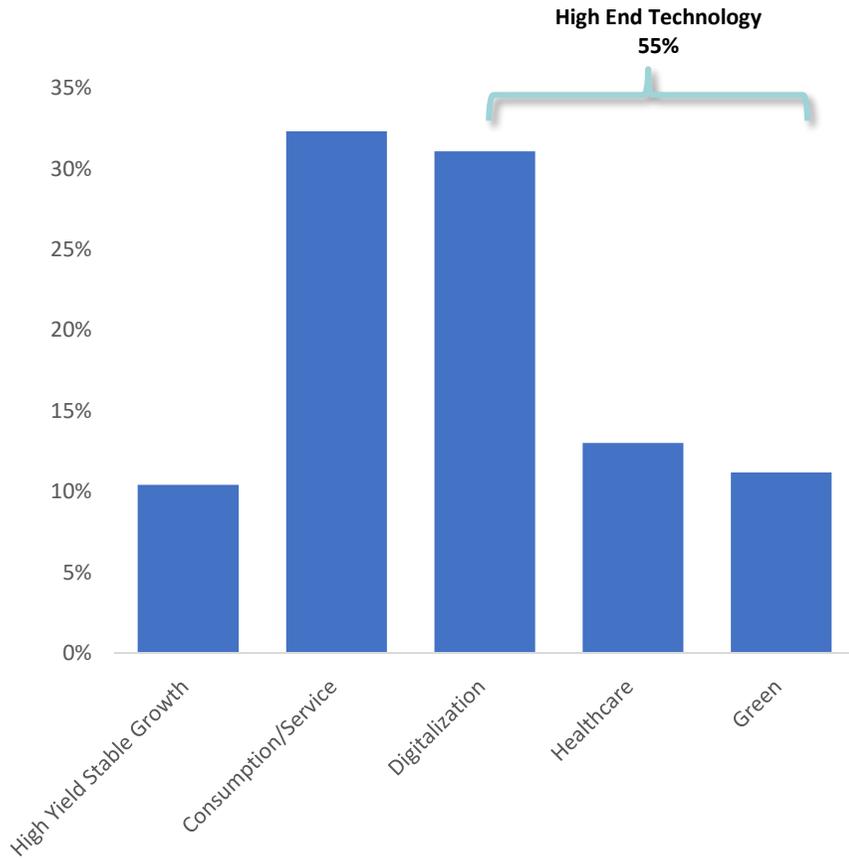
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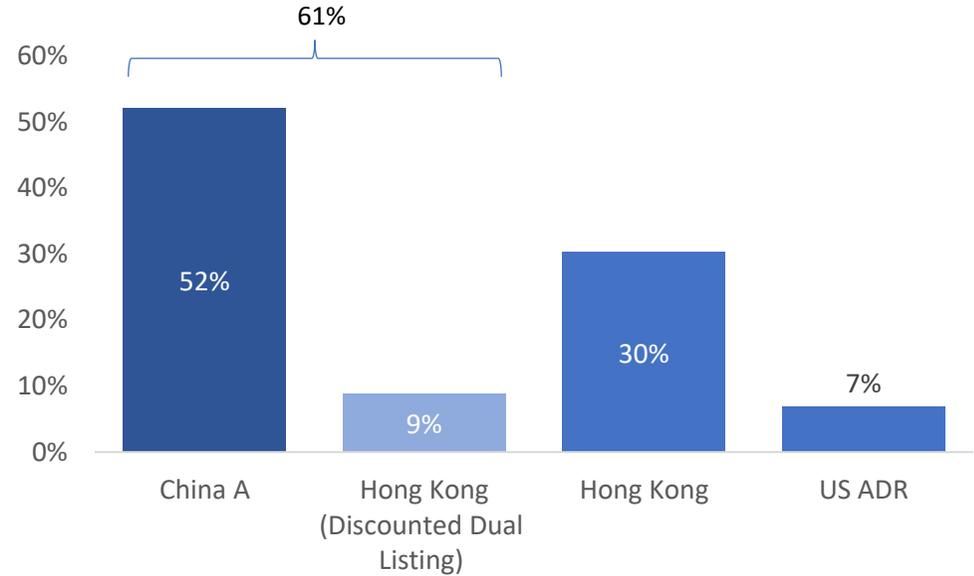
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Portfolio Positioning

Sector/Theme Exposure



Exchange Exposure



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Earnings Valuation Outlook

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	09/30/2024	09/30/2024	09/30/2024
2024 PE (X) – Harmonic Avg. Method*	17.0	16.4	13.0
2024 PE (X) – Weighted Avg. Method	18.7	21.3	19.8
2024 PB (X)*	2.6	3.1	2.1
2024 Div. Yield (%)	2.6	1.5	1.9
2024 ROE (%)	18.6	12.0	11.4
Earning Growth (%) Forward 3 YR	22.9	7.7	5.2
2024 PEGY	0.7	2.3	2.8
FCF Yield	2.7	-0.8	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.
- $\{\text{Value}_i\}$ 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
- Foreigners still very sceptical
- Fundamentals will become more relevant
- Bin Yuan portfolio offers strong secular growth at attractive valuations



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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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