

Investment Review

The Hereford Funds - Bin Yuan Greater China Fund appreciated 2.02% for the month of April compared to a 1.23% positive return for the MSCI All China Index including dividends. Since inception, the Sub-Fund recorded a return of -4.38%, among which 3.3% was due to stock price increase, -3.7% was due to RMB depreciation and -4% was impacted by subscription in October inflow last year. During the same period, the benchmark was down by 6% in USD term. At the end of April, the Sub-Fund invested primarily in the Consumer, Financials and Industrial sectors, with little weights in the Energy, Utilities, Materials and Real Estates sectors. For the month, the Sub-Fund outperformed the benchmark by 78 bps. Compared to the benchmark, Consumer Discretionary and Industrials outperformed while Consumer Staples lagged. In April, the positions that contributed the most to the portfolio's return were Yongda Auto, Huayu Auto and C&S Paper. The positions that contributed the least in the month were Yanghe Brewery, Fuanna Bedding and Nari Technology.

Manager's Commentary

Shanghai Composite Index was down 0.40% in April while Hang Seng China Enterprise Index was up 1.43%. China's economy maintained stable in April. The Producer Price Index (PPI) rose 0.4% year on year (YoY) in March 2019, 0.3 percentage point higher than in February. The Consumer Price Index (CPI) was 2.3% in March, up from 1.5% in February. The official manufacturing Purchasing Managers' Index (PMI) dropped from 50.5 in March to 50.1 in April 2019 and the official Non-Manufacturing PMI dropped from 54.8 in March to 54.3 in April. Both are still above the threshold of expansion/contraction.

A total of 3,611 companies listed on the Shanghai and Shenzhen stock exchanges completed releasing their 2018 annual results and the first-quarter results of 2019 by the end of April. The year-on-year (YoY) revenue growth of A-share listed companies increased from 10.5% in Q4 2018 to 11.8% in Q1 2019, while the YoY net profit growth improved significantly from -25.4% in Q4 2018 to 10.0% in Q1 2019, without considering the one-off impact of written-off of goodwill in 2018. And our holdings' YoY revenue growth increased from 3% in Q4 2018 to 16% in Q1 2019 and YoY net profit growth was up from 1.1% in Q4 2018 to 17.8% in Q1 2019. Both are better than the universe average. What is more, 3,124 listed companies disclosed their 2018 R&D information, spending RMB728 billion last year, up 23.2% YoY. 74% of the companies invested more in R&D than in 2017, and 218 companies doubled their R&D expenditures. Our holdings' R&D expenses increased even faster by 33.1%. These figures confirmed that the economy is recovering, and Chinese companies emphasized more on the R&D trying to move up the value chain.

China's State Administration for Market Regulation (SAMR) has taken measures to protect intellectual property rights, including strengthening oversight on low enforcement, broadening sources of infringement clues, promoting the connectivity of administrative and criminal law enforcement, enhancing cooperation between government departments and firms, and improving the regulatory system. Protecting intellectual property rights will create a good business environment and an innovative environment in China and provide strong support for high-quality development.

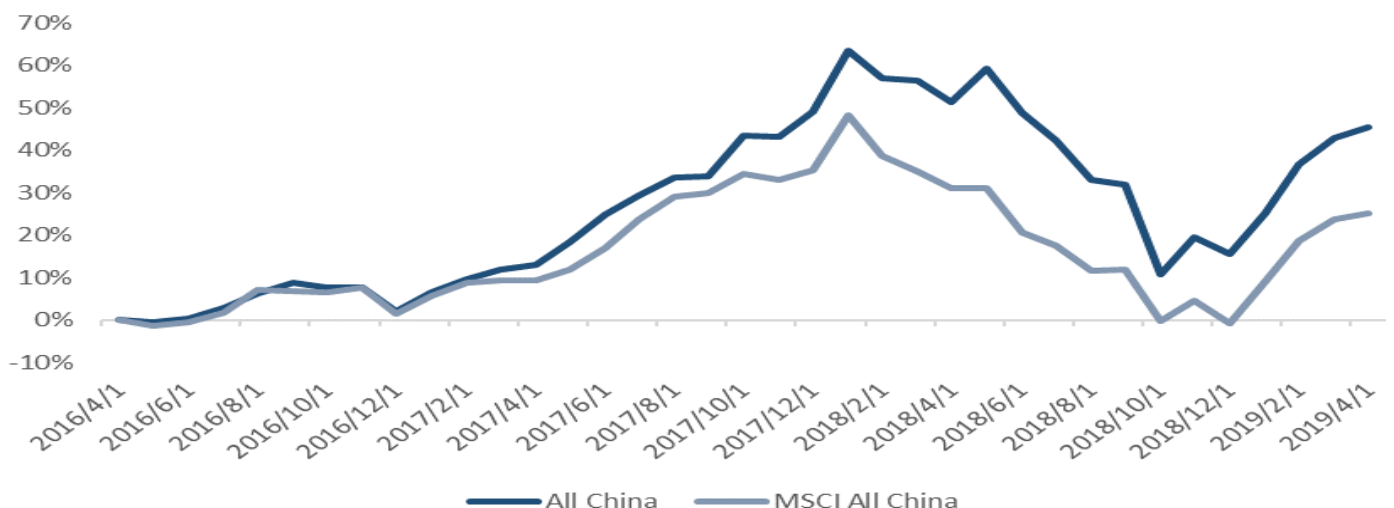
Our current portfolio PE ratio is 17.4x estimated 2019 earnings, and the expected earnings growth rate is 17.8% through 2022. The valuation is attractive and we have high conviction of the holdings in our portfolio.

Key Information

NAV (30/04/19) US\$ 95.09 (L1) /95.42 (L2)/103.45 (CB) Strategy Assets US\$ 249 m^(a)
Total Fund Size US\$ 61.8m Fund Launch Date 16-Apr-18

Monthly Performance (%)														
	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2018	Jan	Feb	Mar	Apr	2019
Bin Yuan GC Fund	5.1	-6.6	-4.3	-6.5	-1.1	-15.9	7.9	-3.3	-24.8	8.4	9.1	4.5	1.9	26.0
MSCI All China Index ^(c)	0.1	-8.0	-2.5	-5.1	0.2	-10.8	4.8	-5.0	-25.3	9.9	8.7	4.3	1.2	26.1

Period Performance (%)						
	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	25.91	-22.46	44.69	1.07	45.58	13.31
MSCI All China Index ^(c)	26.11	-26.64	33.37	1.47	27.46	8.42



Top Ten Holding					
1	Ping An	6.49%	2	Nari Technology	5.92%
3	Alibaba	5.92%	4	C&S Paper Co.	5.01%
5	Jiangsu Yanghe	4.96%	6	CM Bank – H	4.83%
7	Yongda	4.78%	8	Jiangsu Yuyue	4.50%
9	Livzon Pharm	4.37%	10	Fuanna Bedding	4.35%

Investment Objective

The investment objective of the Compartment is to provide long term capital growth, measured in USD, primarily through investment in equities and equity-linked securities of Greater China Companies, as defined hereafter.

Since Inception ^(d)	Bin Yuan All China	MSCI All China
Volatility	16.50%	16.06%
Sharp Ratio	0.92	0.48
Information Ratio	1.15	
Tracking Error	5.90%	
Beta	0.96	
PE ex ADRs	17.75	

Sectoral Breakdown	% of Assets
Consumer Discretionary	26
Financials	21
Consumer Staples	13
Industrials	10
Health Care	9
Information Technology	8
Communication Services	8

Market Breakdown	% of Assets
A Share	51
Hong Kong (Discounted Dual Listing)	22
Hong Kong	16
US ADR	11

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
Period	20081031	20130630	20160229	20190430	20190430	20190430
Forward PE (X)	18.2	16.7	18.5	17.4	12.6	21.3
Forward PB (X)	2.7	2.7	3.1	3.4	1.6	3.5
Forward Div. Yield (%)	1.6	1.9	1.9	2.2	2.3	1.8
Forward ROE (%)	14.7	16.0	16.6	19.6	12.4	16.2
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	17.8	12.1	14.4
Forward PEGY	0.8	0.6	0.8	0.9	0.9	1.3
FCF Yield	3.0	5.0	10.0	6.9	12.2	3.4

UCITS Fund Performance (%)														
YEAR	2018									2019				
MONTH	04	05	06	07	08	09	10	11	12	01	02	03	04	ITD
Net Performance (Local FX)	-1.1	5.9	-4.8	-3.0	-6.2	-0.9	-11.2	7.7	-3.9	7.3	9.1	4.6	2.0	2.4
FX Impact	-0.3	-0.7	-1.8	-1.3	-0.3	-0.2	-0.7	0.2	0.6	1.1	0.1	-0.2	-0.1	-3.7
Subscription Impact							-4.0							-4.0
Net Performance	-1.4	5.1	-6.6	-4.3	-6.5	-1.1	-15.9	7.9	-3.3	8.4	9.1	4.5	1.9	-5.3
Net Performance Excl. Subscription Impact	-1.4	5.1	-6.6	-4.3	-6.5	-1.1	-11.9	7.9	-3.3	8.4	9.1	4.5	1.9	-1.3
Benchmark	-1.5	0.1	-8.0	-2.5	-5.1	0.2	-10.8	4.8	-5.0	9.9	8.7	4.3	1.2	-5.8

Fund Codes			
Share Class	L1	L2	CB
Bloomberg	HFBYL1U LX	HFBYL2U LX	HFBYCBYLX
TK	040149745	040149751	040149740
Lipper ID	68483958	68483959	68543207
Sedol	BFXVVR8	BFXVVS9	

Fund Details	
Dealing Day ^(d)	Daily
Dividends	None – income accumulated within the fund
Investment Manager	Bin Yuan Capital Room 1505, 15/F, 299QRC 287-299 Queen's Road Central Sheung Wan, Hong Kong
Management Company	FundPartner Solutions (Europe) S.A. 15, Avenue John F Kennedy , L-1855 Luxembourg
Custodian	Pictet & Cie (Europe) S.A. 15, Avenue John F Kennedy, L-1855 Luxembourg
Legal Advisors	Elvinger Hoss Prussen S.A. 2, Place Winston Churchill, L-1340 Luxembourg
Auditor	Deloitte Audit S.à r.l. 560, route de Neudorf, L-2220 Luxembourg

Annual Management Charge	
Share Class A	1.25%
Share Class B	1.00%
Share Class C & L1	0.75%
Share Class L2	0.25% with 15% performance fee

Minimum Investment	
Share Class A & L	\$100,000 initial/\$10,000 subsequent
Share Class B	\$5,000,000 initial/\$100,000 subsequent
Share Class C	\$10,000,000 initial/\$100,000 subsequent

Footnote:

- (a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.
- (b) The graph depicts the Bin Yuan All China Strategy (Reference Strategy) from inception in May 2016 to the fund launch on 16/4/18. After launch date actual fund data of Share Class L1 is used. The fund follows the same strategy as the Reference Strategy and simulated returns of the Reference Strategy are net of a modeled fee of 0.75% pa and expenses of 0.40%.
- (c) Total USD return including dividends.
- (d) Data depict the Bin Yuan All China Strategy since inception of May 2016 as of April 2018. The fund follows the same strategy. After a longer period after the fund launch, we will use the Hereford Funds Bin Yuan Greater China Fund Share Class L1 in the table.

Order Transmission Information

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