

### Investment Review

The Hereford Funds – Bin Yuan Greater China Fund depreciated 2.98% for the month of August compared to a 4.11% negative return for the MSCI All China Index including dividends. Since inception, the Sub-Fund recorded a return of -8.67%, however, if we exclude the impact of -7.8% due to RMB depreciation and -4% due to subscription in October last year, our performance driven by stock price movement and yield is an increase of 3.3%. During the same period, the benchmark was down by 14% in USD term. At the end of August, 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 1.13%. Compared to the benchmark, Information Technology and Financials outperformed while Health Care lagged. In August, the positions that contributed the most to the portfolio's return were Kweichow Moutai, Sunny Optical and SG Micro Corp. The positions that contributed the least in the month were Nari Technology, Jiangsu Yuyue and Tencent.

### Manager's Commentary

Shanghai Composite Index was down 1.58% and Hang Seng China Enterprise Index was down 5.55% in August. Consistent with previous months, service department outperformed manufacturing department in August. The official Non-Manufacturing PMI rose from 53.7 in July to 53.8 in August. The official manufacturing Purchasing Managers' Index (PMI) was 49.5 in August, down from 49.7 in July 2019, which was still below the threshold of expansion/contraction, primarily dragged by orders in hand, ex-factory prices and imports. The Producer Price Index (PPI) was -0.3% in July, 0.3 percentage point lower than in June. While the Consumer Price Index (CPI) was 2.8% in July, 0.1 percentage point higher than in June. Rail cargo volume increased 9.1% YoY in July to 368 million tons.

The State Council released 20 measures to promote consumer spending, including loosening car-buying restrictions, encouraging the purchase of new energy vehicles and expanding cross-border e-commerce. New measures also include encouraging applying new technologies, upgrading aging shopping centers, improving pedestrian shopping areas, supporting trade-ins for household appliances, promoting night markets and encouraging activities for public holidays. The new plan will better satisfy growing domestic needs for high-quality products and services.

The protest in Hong Kong accelerated in scale in August. The situation is quite complicated, and we do not expect a once for all solution to be found in the short-term. In the meanwhile, we believe that the central government of China is taking a hands-off attitude and working behind the scene is the right way to deal with the situation. The protest has damaged Hong Kong's economy for the time being, but we do not expect that it will materially affect the economy of mainland China.

A total of 3,674 companies listed on the Shanghai and Shenzhen stock exchanges completed releasing their 2019 semi-annual results by the end of August. The year-on-year (YoY) revenue growth of A-share listed companies decreased slightly from 14.7% in H2 2018 to 13.1% in H1 2019, while the YoY net profit growth improved significantly from -13.3% in H2 2018 to 10.0% in H1 2019, without considering the one-off impact of written-off of goodwill in 2018. And our holdings' YoY revenue growth increased from 10.1% in H2 2018 to 16.2% in H1 2019 and YoY net profit growth was up from 7.0% in H2 2018 to 33.8% in H1 2019.

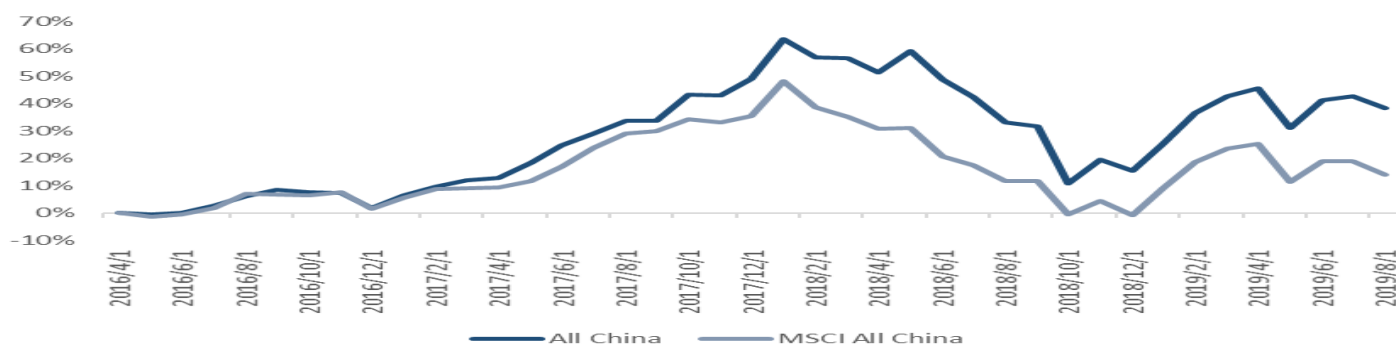
In our portfolio, we carefully select high-quality companies that are domestically driven, less impacted by global value chain and benefiting from the trend of import substitution. Our current portfolio PE ratio is 18.5x estimated 2019 earnings, the expected earnings growth rate is 18.4% through 2022 and the dividend yield is 1.8%. Considering the predictable quality growth, we believe that our portfolio can get through the possible turbulence in future.

### Key Information

NAV (31/08/19) US\$ 90.03 (L1) /90.49 (L2)/97.94 (CB)/103.93 (CI) Strategy Assets US\$ 436 m<sup>(a)</sup>  
Total Fund Size US\$ 135.0m Fund Launch Date 16-Apr-18

Monthly Performance (%)														
	Sep	Oct	Nov	Dec	2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	2019
Bin Yuan GC Fund	-1.1	-15.9	7.9	-3.3	-24.8	8.4	9.1	4.5	1.9	-9.9	7.9	1.0	-3.1	19.7
MSCI All China Index <sup>(c)</sup>	0.2	-10.8	4.8	-5.0	-25.3	9.9	8.7	4.3	1.2	-11.1	6.8	-0.0	-4.1	14.8

Period Performance (%)						
	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy <sup>(b)</sup>	19.72	-22.46	44.69	1.07	38.33	10.22
MSCI All China Index <sup>(c)</sup>	14.84	-26.64	33.37	1.47	14.02	4.01



## Top Ten Holding

1	CM Bank – H	6.94%	2	Ping An – H	6.88%
3	Alibaba	5.71%	4	C&S Paper Co.	5.70%
5	Jiangsu Yuyue	5.69%	6	Nari Technology	5.32%
7	Shanghai Intl Air	4.49%	8	Bank of Shanghai	4.44%
9	Kweichow Moutai	4.36%	10	Tencent	4.24%

## 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 <sup>(d)</sup>	Bin Yuan All China	MSCI All China
Volatility	16.34%	17.06%
Sharp Ratio	0.72	0.24
Information Ratio	1.39	
Tracking Error	5.57%	
Beta	0.96	
PE ex ADRs	16.43	

Sectoral Breakdown	% of Assets
Consumer Discretionary	20
Consumer Staples	19
Financials	18
Industrials	13
Information Technology	11
Communication Services	8
Health Care	8
Market Breakdown	% of Assets
A Share	60
Hong Kong (Discounted Dual Listing)	16
Hong Kong	11
US ADR	10
Under Discovered Holding	% of Assets
Under Discovered	51
% of A share holding with foreign ownership below 10%	76
Mid Cap Exposure	43

\* Mid Cap stands for the market capitalization is below 15 Billion USD.

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
	20081031	20130630	20160229	20190831		
Forward PE (X)	18.2	16.7	18.5	18.5	12.6	20.0
Forward PB (X)	2.7	2.7	3.1	3.9	1.5	3.3
Forward Div. Yield (%)	1.6	1.9	1.9	1.8	2.3	1.8
Forward ROE (%)	14.7	16.0	16.6	21.3	12.3	16.4
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	18.4	13.6	15.0
Forward PEGY	0.8	0.6	0.8	0.9	0.8	1.2
FCF Yield	3.0	5.0	10.0	5.9	10.3	2.8

## UCITS Fund Performance (%)

YEAR	2018	2019												
		01	02	03	04	05	06	07	08	09	10	11	12	ITD
Net Performance (Local FX)	-16.0	7.3	9.1	4.6	2.0	-8.5	7.4	0.6	0.6					3.3
FX Impact	-4.7	1.1	0.1	-0.2	-0.1	-1.5	0.5	0.4	-2.2					-7.8
Subscription Impact	-4.0													-4.0
Net Performance	-24.7	8.4	9.1	4.5	1.9	-10.0	7.9	1.0	-3.1					-8.5
Net Performance Excl. Subscription Impact	-20.7	8.4	9.1	4.5	1.9	-10.1	7.9	1.0	-3.1					-4.5
Benchmark	-25.3	9.9	8.7	4.3	1.2	-11.1	6.8	-0.0	-4.1					-14.2

Fund Codes				
Share Class	L1	L2	CB	CI
Bloomberg	HFBYL1U LX	HFBYL2U LX	HFBYCBYLX	HFBYCIU LX
TK	040149745	040149751	040149740	040149734
ISIN	LU1778255734	LU1778256203	LU1778255494	LU1778254844
Lipper ID	68483958	68483959	68543207	
Sedol	BFXVVR8	BFXVVS9		

Fund Details	
Dealing Day <sup>(d)</sup>	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 CI, CB & 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 CI & CB	\$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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