

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund appreciated 3.90% for the month of August (net of fees) compared to a 5.27% return for the benchmark. At the end of August, the Sub Fund was invested primarily in the Consumer, Information Technology and Healthcare sectors, with minimal weights in the Energy, Utilities and Real Estates sectors.

For the month, the Sub-Fund underperformed the benchmark by 1.37%. Our underperformance in August was mostly in the consumer discretionary sector. Firstly, our holding China Duty Free experienced short term profit taking after more than 100% outperformance in the past four months. Secondly, the mega cap name in the sector Alibaba performed strongly in August driven by the potential listing of its subsidiary Ant Financial in both A and Hong Kong market. Our underweight in large cap names such as Alibaba also dragged our relative performance versus the benchmark.

In terms of stock selection, we did well in Industrials and Consumer Staples while Consumer Discretionary lagged. In August, the positions that contributed the most to the portfolio's return were Meituan Dianping, S F Holding and Yihai International. The positions that contributed the least in the month were China Duty Free, Venus Medtech and CanSino Biologics.

Manager's Commentary

China's economy is walking firmly on the recovery path. As people shop more from online channels, packages delivered in July achieved 32% YoY growth, continuing the high growth since 2020. Excavator domestic sales volume growth remained high at 59% YoY, indicating strong construction demand. Although real estate completions in July dropped 12.8% due to the rainy season, real estate sales area YoY growth increased to 9.9% in July from 4.0% in June.

"Dual-Circulation" is widely seen as the most important policy direction under the uncertainties brought by the pandemic. The pattern focuses on fully utilizing domestic resources to empower the economy while deepening opening up efforts. Digitalization will play an important role in driving continuous productivity growth. China's more resilient economy under the "dual circulation" will help companies better withstand volatility in overseas markets and attract global investors seeking relatively stable returns.

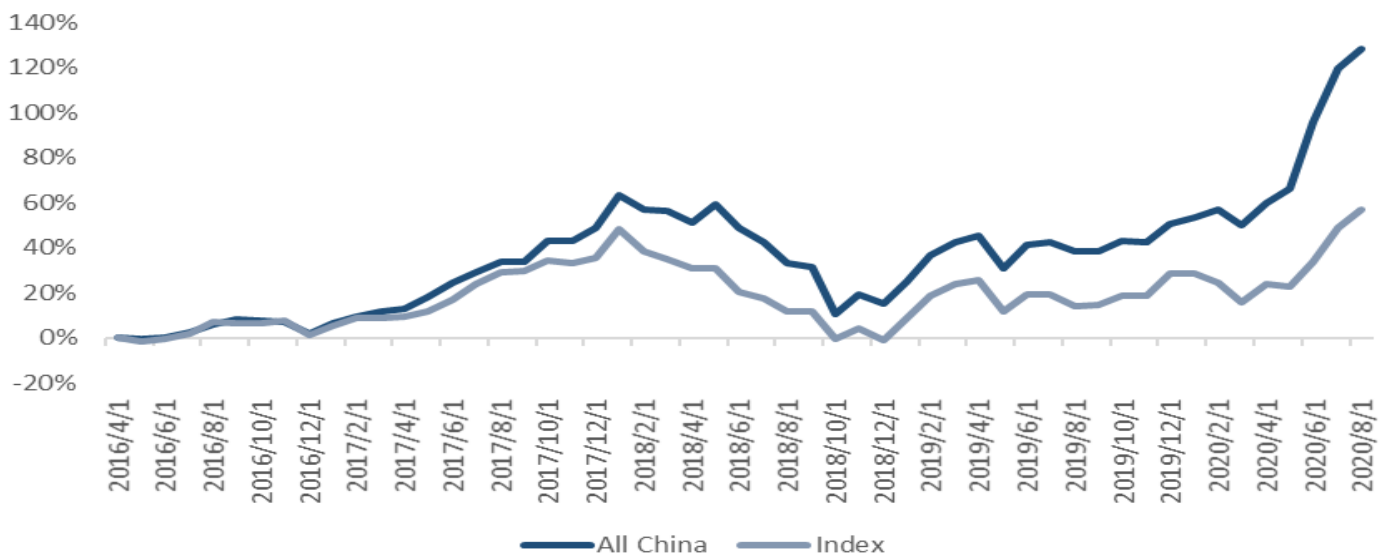
A total of 3,973 companies listed on the Shanghai and Shenzhen stock exchanges completed releasing their interim results of 2020 by the end of August. The YoY revenue growth of A share listed companies slowed down from 9.6% in 2019 to -1.7% in H1 2020, while the YoY net profit growth also slowed down from 7.2% in 2019 to -18.6% in H1 2020, primarily due to the impact of COVID-19. With the control of COVID-19 and gradual economic recovery in the second quarter, A-share listed companies' YoY revenue growth in Q2 2020 has recovered to 4.0% from -7.8% in Q1 2020, while YoY net profit growth has recovered from -24.3% in Q1 to -13.7% in Q2. Information technology and consumer staples sectors led the revenue and profit growth.

Our holdings recorded better growth and recovery trends than the market, showing strong competitiveness in their industries and the whole economy. Our holding's weighted average YoY revenue growth was 21%, while the weighted average YoY net profit growth was 31% in Q2 2020. As a long only fund manager seeking structural opportunities in China, we keep exploring stocks with robust earnings growth and valued at discounted prices. The current PE of stocks in our portfolio is 23x estimated 2021 earnings, and we expect earnings growth rate of 21% through 2023. Our portfolio's valuation is attractive considering the predictable quality growth of the portfolio.

Key Information

NAV (31/08/20) US\$ 148.48 (L1) /145.01 (L2)/104.34 (AI)/161.54 (CB)/171.41 (CI)/105.84(DB A) Strategy Assets US\$ 848 m^(e)
 Total Fund Size US\$ 232.5m Fund Launch Date 16-Apr-18

Period Performance (%)							
	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	51.14	30.60	-22.46	44.69	1.07	119.50	20.32
Index ^(c)	21.86	29.74	-26.64	33.37	1.47	49.11	9.86



Monthly Performance (%)														
	2019					2020								
	Sep	Oct	Nov	Dec	2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	YTD
Bin Yuan GC Fund	0.1	3.3	-0.5	6.1	30.60	1.59	2.34	-4.28	6.51	3.96	17.70	12.16	3.90	51.14
Index ^(c)	0.4	3.4	0.4	8.2	29.74	-0.71	-3.1	-6.84	6.59	-0.91	9.29	11.27	5.27	21.86

Top Ten Holding					
1	Tencent	7.28%	2	CM Bank – H	6.86%
3	Meituan Dianpi-B	5.46%	4	Comtemporary A-A	5.04%
5	S F Holding Co-A	5.00%	6	Bilibili	4.78%
7	Alibaba	4.68%	8	Aier Eye Hsptl-A	4.44%
9	Kweichow Mouta-A	4.15%	10	Luxshare Preci-A	4.13%

Sectoral Breakdown	% of Assets
Consumer Discretionary	21
Information Technology	16
Consumer Staples	15
Health Care	14
Communication Services	12
Industrials	10
Financials	9

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.

Under Discovered Holding	% of Assets
Under Discovered	72
% of A share holding with foreign ownership below 10%	74
Mid Cap Exposure	34

* Mid Cap stands for the market capitalization is below 20 Billion USD.

Market Breakdown	% of Assets
A Share	53
Hong Kong (Discounted Dual Listing)	9
Hong Kong	22
US ADR	13

Since Inception ^(d)	Bin Yuan All China	Index
Volatility	17.50%	17.67%
Sharp Ratio	1.27	0.62
Information Ratio	1.56	
Tracking Error	7.22%	
Active Shares	76%	
Beta	0.97	
PE ex ADRs	21.18	

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
Period	20081031	20130630	20160229	20200831	20200831	20200831
Forward PE (X)	18.2	16.7	18.5	23.1	17.4	33.6
Forward PB (X)	2.7	2.7	3.1	4.8	2.0	4.3
Forward Div. Yield (%)	1.6	1.9	1.9	0.6	1.6	1.1
Forward ROE (%)	14.7	16.0	16.6	20.8	11.7	12.8
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	20.9	5.0	9.4
Forward PEGY	0.8	0.6	0.8	1.1	2.6	3.2
FCF Yield	3.0	5.0	10.0	2.2	8.1	3.1

Fund Codes					
Share Class	L1	L2	AI	CB	CI
Bloomberg	HFBYL1U LX	HFBYL2U LX	HEYGCAU LX	HFBYCBYLX	HFBYCIU LX
TK	040149745	040149751	040149630	040149740	040149734
ISIN	LU1778255734	LU1778256203	LU1778252558	LU1778255494	LU1778254844
Lipper ID	68483958	68483959		68543207	68563916
Sedol	BFXVVR8	BFXVVS9	BMV2Q30		

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 CI, CB	0.75%

Minimum Investment	
Share Class A	\$100,000 Minimum initial subscription & holding
Share Class B	\$5,000,000 Minimum initial subscription & holding
Share Class CI & CB	\$10,000,000 Minimum initial subscription & holding

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) MSCI Inc. discontinued MSCI All China Index and the transition to MSCI China All Shares Index took effect on 27 November 2019. MSCI All China Index Total USD return including dividends (Bloomberg ticker M1ACN Index) was used as benchmark from the inception of April 2018 to November 26, 2019. MSCI China All Shares Net Total USD Return (Bloomberg ticker MXCNANM Index) is used as benchmark since November 27, 2019.
- (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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