

## Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share Class L1) appreciated 83.51% for 2020 compared to a 33.41% return for the benchmark. The fund appreciated 13.81% for the month of December (net of fees) compared to a 4.16% return for the benchmark. At the end of December, the Sub Fund was mainly invested in the Information Technology, Consumer, and Communication Services sectors, with minimal weights in the Energy, Utilities and Real Estate sectors.

For the month, the Sub-Fund outperformed the benchmark by 9.64%. In December, the positions that contributed the most to the portfolio's return were Contemporary, Bilibili and China Duty Free. The positions that contributed the least in the month were SG Micro, Alibaba and Hualan Biological.

## Manager's Commentary

### China Stock Market Opportunities for the Next Decade

2020 has been a strange year. We have achieved strong investment results both in absolute and relative terms. However, people globally had a very disruptive year with close to 1.8 million lives lost from the COVID-19 pandemic. China has done the best in controlling the pandemic. Work and life have been gradually getting back to normal since April. The expected second wave has not been seen in China while the rest of the world is experiencing peak infected cases entering December. The Chinese economy is expected to be the only one to deliver growth in 2020 with many corporates reporting strong earnings increases. The equity market has echoed those positive signs.

After 40 years of economic reforms, the Chinese economy and living standards have dramatically improved. Manufacturing has changed from cheap labor to a highly skilled work force, the structure of the value-added economy from fixed investment to services, and recently China has become one of the leading nations in digitalization of the economy. The GDP per capita increase from less than USD80 per annum in the 1980s to USD10,000 today has fundamentally changed the economy, society and people's lives. For example, there were no privately owned cars in the early 1990s, today out of every three cars sold globally one is purchased by a Chinese family. There was almost no Chinese outbound leisure travel in 1995, while today, Chinese speaking staff are the busiest in duty free shops in all major international airports.

According to our near 30 years investment experience, predicting short term market direction is always difficult. We believe that if we can find a good qualified company to buy, and hold on to the shares, we will be rewarded by superior capital appreciation. Instead of forecasting the short term market situation, we hope investors will leave us to navigate short term market risks and invest their capital for the longer run. For the next five to ten years, we believe three trends will support China's next stage of growth: carbon emission reduction, replacement of foreign products in both manufacturing and consumption (service) sectors, and the digitalization of the economy (IOT). Many quality companies will benefit from these trends and provide strong investment returns for equity investors.

As a team effort, we have put together a longer than usual letter (a paper) for clients to understand how we analyze and identify investment opportunities, and also help to understand China. Please request the paper for further details and analysis.

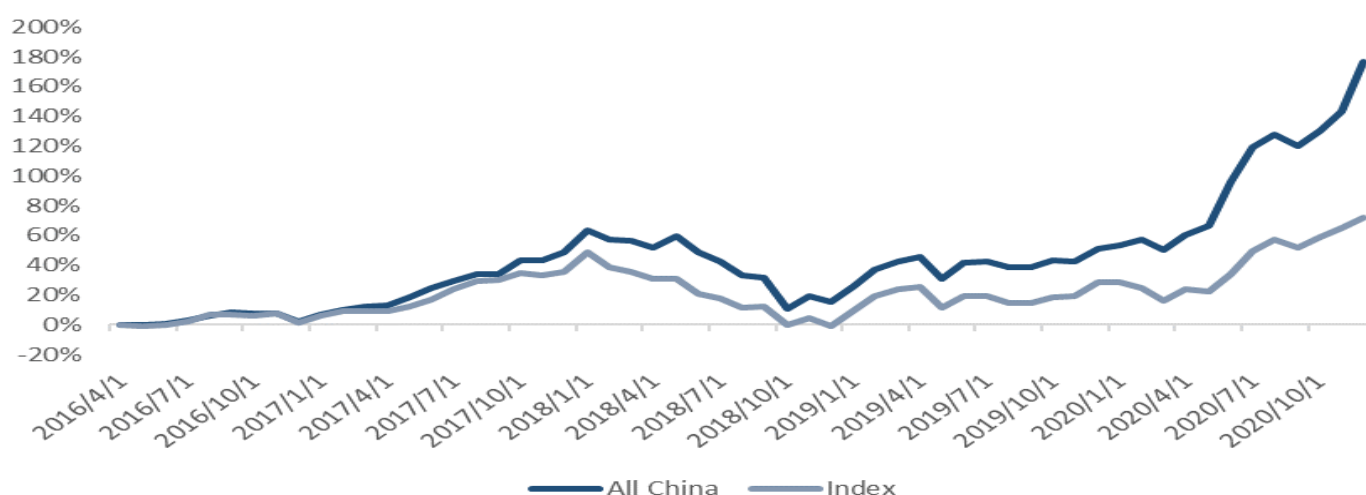
## Key Information

NAV (31/12/20) US\$ 180.28 (L1) /173.68 (L2) /126.48 (AI) /130.08 (BI) /196.12 (CB) /128.61 (DB A) /130.02 (DI) /208.11 (CI) Strategy Assets US\$ 1,022 m<sup>(a)</sup>

Total Fund Size US\$ 370.5m

Fund Launch Date 16-Apr-18

Period Performance (%)							
	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy <sup>(b)</sup>	83.51	30.60	-22.46	44.69	1.07	176.92	24.39
Index <sup>(c)</sup>	33.41	29.74	-26.64	33.37	1.47	71.85	12.30



**Monthly Performance (%)**

	2019	2020												
	2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>Bin Yuan GC Fund</b>	<b>30.60</b>	<b>1.59</b>	<b>2.34</b>	<b>-4.28</b>	<b>6.51</b>	<b>3.96</b>	<b>17.70</b>	<b>12.16</b>	<b>3.90</b>	<b>-3.56</b>	<b>4.62</b>	<b>5.74</b>	<b>13.81</b>	<b>83.51</b>
<b>Index<sup>(c)</sup></b>	<b>29.74</b>	<b>-0.71</b>	<b>-3.1</b>	<b>-6.84</b>	<b>6.59</b>	<b>-0.91</b>	<b>9.29</b>	<b>11.27</b>	<b>5.27</b>	<b>-3.44</b>	<b>4.73</b>	<b>3.93</b>	<b>4.16</b>	<b>33.41</b>

**Top Ten Holding**

1	CM Bank-H	7.20%	2	Contemporary A-A	6.32%
3	Aier Eye Hsptl-A	5.80%	4	Bilibili	5.48%
5	Tencent	5.02%	6	C&S Paper Co-A	4.77%
7	PDD	4.46%	8	Ping An	4.27%
9	China Duty Free	3.88%	10	Kweichow Moutai	3.74%

**Sectoral Breakdown**
**% of Assets**

Information Technology	23
Consumer Staples	14
Consumer Discretionary	13
Financials	12
Health Care	11
Communication Services	11
Industrials	10
Materials	2

**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	Index
Volatility	17.96%	17.35%
Sharp Ratio	1.43	0.71
Information Ratio	1.65	
Tracking Error	8.10%	
Active Shares	83%	
Beta	0.99	
PE ex ADRs	24.44	

Market Breakdown	% of Assets
A Share	53
Hong Kong (Discounted Dual Listing)	9
Hong Kong	24
US ADR	10

Valuation	Portfolio	Benchmark	Benchmark (excluding Financials)
Period	20201231	20201231	20201231
Forward PE (X)	25.5	19.1	36.2
Forward PB (X)	5.2	2.2	4.2
Forward Div. Yield (%)	0.7	1.5	0.9
Forward ROE (%)	20.5	11.5	11.7
Earning Growth (%) Forward 3 YR	22.8	8.4	13.6
Forward PEGY	1.1	1.9	2.5
FCF Yield	1.9	7.5	3.3

Fund Codes						
Share Class	AI	CB	CI	BI	DI A	DB A
Bloomberg	HEYGCAU LX	HFBYCBYLX	HFBYCIU LX	HEYGCBU LX	HBYCDIA LX	HEYGCD A LX
TK	040149630	040149740	040149734			055401977
ISIN	LU1778252558	LU1778255494	LU1778254844	LU1778253952	LU2200556392	LU2198582640
Lipper ID		68543207	68563916	68625053	68625729	
Sedol	BMY2Q30			BMY1994		BM93CF2

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

### Order Transmission Information

FundPartner Solutions (Europe) S.A.  
15, Avenue John F Kennedy,  
L-1855 Luxembourg  
Via fax +352 46 71 71 7667 or SWIFT PICTLULXTAS

Annual Management Charge	
Share Class A	1.25%
Share Class B	1.00%
Share Class C	0.75%
Share Class DI A, DB A	0.50%

Minimum Investment	
Share Class A	\$100,000 Minimum initial subscription & holding
Share Class B	\$5,000,000 Minimum initial subscription & holding
Share Class C	\$10,000,000 Minimum initial subscription & holding
Share Class DI A, DB A	\$100,000,000 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.