

Investment Review

The Hereford Funds – Bin Yuan Healthcare Fund (share class L1) appreciated 11.97% for the month of June (net of fees) compared to a 14.27% return for the benchmark. At the end of June, the Sub Fund was mainly invested in the Healthcare Equipment & Parts and Services sectors, with zero weight in the Pharmaceuticals sector.

For the month, the Fund underperformed the benchmark by 2.31%. In June, the positions that contributed the most to the portfolio’s return were IRAY, KANGJI MEDICAL, and WUXI BIOLOGICS C. The positions that contributed the least were BLOOMAGE BIOTE-A, MICROTECH MEDI-H and CANSINO BOLOG-H.

Manager’s Commentary

The market sentiment on the China market is improving on reduced concerns over Covid. Currently, many local funds hold high level of cash and underweight healthcare names compared with historical level. The sentiment will continue to improve marginally, with several catalysts ahead.

After almost three months totally locked in Shanghai to contain Omicron, the residents were allowed to walk out of their living compound in early June. From what we have learned, since 2nd June, outpatient appointments in major hospitals in Shanghai have been fully booked, and many surgery operations are scheduled 1-2 months later. As we said before, the healthcare demand is very rigid, which will only be accumulated but not disappear. We deem that there is very low possibility that “the Shanghai style” lock down to happen again.

The government is also actively restarting various infrastructure projects, including ‘new infrastructure’ related to healthcare. The proportion of financial expenditure for medical treatment has increased from 7.5% in 2019 before the epidemic to 8.5% in 2020, and this proportion shall be further increased. We expect that the construction of top tier hospitals and ICUs will be significantly accelerated in the next 3-5 years. Mindray and iRay, leaders of medical equipment and machine, will benefit.

As we expected before, after the implementation of Volume Based Purchasing policy (VBP), the import substitution will be significantly accelerated. Taking Anhui Province as an example, Anhui Province completed the volume-based purchasing for IVD reagent in Aug, 2021. Roche and Beckman, the two major international IVD giants, decided to abandon the bidding due to price cuts. The bidding results show that the share of domestic players has increased from 23% to 47%. The trend will continue for a long time.

Although affected by the epidemic, many listed companies faced some difficulties in the second quarter this year, we are pretty sure that, the healthcare sector this year can achieve 17% revenue growth, with a strong rebound in the second half of the year.

Key Information

NAV (30/06/22)	US\$ 86.08(L1)	Strategy Assets	US\$ 19.1 m ^(a)
Total Fund Size	US\$ 19.1 m	Fund Launch Date	03-Dec-21

Monthly Performance (%) data from FPS/Pictet														
	2021	2022												
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Bin Yuan HC Fund	1.24	-12.74	1.37	-5.34	-9.33	0.03	11.97							-14.97
Index ^(b)	-7.55	-14.76	-2.43	-5.72	-10.47	-2.09	14.27							-21.46

Risk and reward profile



Top Ten Holding					
1	Iray Technolog-A	9.00%	2	Shenzhen Mindr-A	7.70%
3	Kangji Medical H	7.45%	4	Wuxi Apptec Co-A	6.98%
5	Wuxi Biologics C	5.46%	6	Aier Eye Hsptl-A	5.07%
7	Asymchem Labor-A	4.34%	8	New Industries Biomedical-A	3.69%
9	Suzhou Nanomic-A	3.47%	10	Hangzhou Tiger-A	3.31%

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.

Market Breakdown	% of Assets
A Share	68
Hong Kong (Discounted Dual Listing)	2
Hong Kong	20

Sectoral Breakdown	% of Assets
Healthcare Equipment & Parts	50
Services	32
Biotechnology	8

Valuation	Portfolio	Benchmark
Period	20220630	20220630
2022 PE (X)	31.0	44.6
2022 PB (X)	6.5	4.1
2022 Div. Yield (%)	0.7	0.8
2022 ROE (%)	20.8	9.3
Earning Growth (%) Forward 3 YR	27.6	14.0
2022 PEGY	1.1	3.0
FCF Yield	2.1	0.3

Annual Management Charge TERs as at end September 2021	
Share Class L1	0.50% NA
Share Class A	1.00% NA
Share Class P	0.50% with 10% Performance Fee NA

Minimum Investment	
Share Class L1	\$100,000 Minimum initial subscription & holding
Share Class A	\$100,000 Minimum initial subscription & holding
Share Class P	\$100,000 Minimum initial subscription & holding

Fund Codes	
Share Class	L1
Bloomberg	HEFYHUA LX
TK	
ISIN	LU2413982427
Lipper ID	
Sedol	BLBHZ45

Footnote:

- (a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.
 (b) MSCI China Health Care Index (Bloomberg Ticker MXCNOHC Index).

Fund Details	
Dealing Day	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

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