

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund appreciated 1.59% for the month of January (net of fees, the end month NAV is the January 24th as the markets were closed for the Chinese New Year) compared to a 0.17% negative return for the benchmark. At the end of January, the Sub-Fund invested primarily in the Consumer, Financials and Health Care sectors, with little weights in the Energy, Utilities, Materials and Real Estates sectors. For the month, the Sub-Fund outperformed the benchmark by 1.75%. In terms of stock selection, we did well in Health Care and Financials while Consumer Discretionary lagged. In January, the positions that contributed the most to the portfolio's return were Yuyue, Bilibili and Livzon. The positions that contributed the least in the month were Huazhu, Nari Technology and Shanghai International Airport.

Manager's Commentary

Wuhan City (Provincial Capital of Hubei Province) encountered the outbreak of novel coronavirus, 2019-nCoV and the virus spread fast to other cities of China. On 30 January 2020, WHO declared the outbreak of coronavirus 2019-nCoV a PHEIC (public health emergency of international concern), which is a call for global financial and political support to contain the outbreak. By 4 February 2020, the total confirmed cases in China was 24,324 with 490 fatalities and there were 23,260 suspected cases.

Chinese government has launched a series of preventive and control measures to contain the spread of the pneumonia epidemic since 20 January 2020. Wuhan and some other cities in Hubei province were locked down temporarily to prevent high risk travelers leaving the city. The Chinese New Year holiday was also extended, and people are recommended to stay at home to avoid cross infection. Some early good signs proving the effect of the current self-quarantine measures might appear. We estimate that the next 10 plus days are crucial to see whether the transmissions will decrease.

- The growth rate of the total accumulated confirmed and suspected cases kept decreasing for 8 straight days until 4 February.
- The suspected cases, which is a leading indicator, started to stay stable since 1 February until 4 February.
- Cured cases exceeded death cases for the first time on 1 February until 4 February.
- Excluding Hubei province, the new confirmed cases has maintained the current level and new monitored cases kept decreasing since 30 January to 4 February.
- The death rate outside Hubei (excluding the impact of shortage of medical services) seems to be as low as 1%, significantly lower than SARS's 9.8% and not much big difference from a Flu.

One-off negative impact on the economy will be inevitable in the first quarter as business activities will slow down. Hubei province, the severely afflicted area, accounts for 4% and 4.8% of China's GDP and retail sales, respectively. According to a preliminary assessment, the direct loss from industries such as restaurants, travel, movie, retail and transportation will be close to RMB 900 billion if we assume the situation will be stabilized in three-month time, dragging down 2020 GDP by approximately 1%.

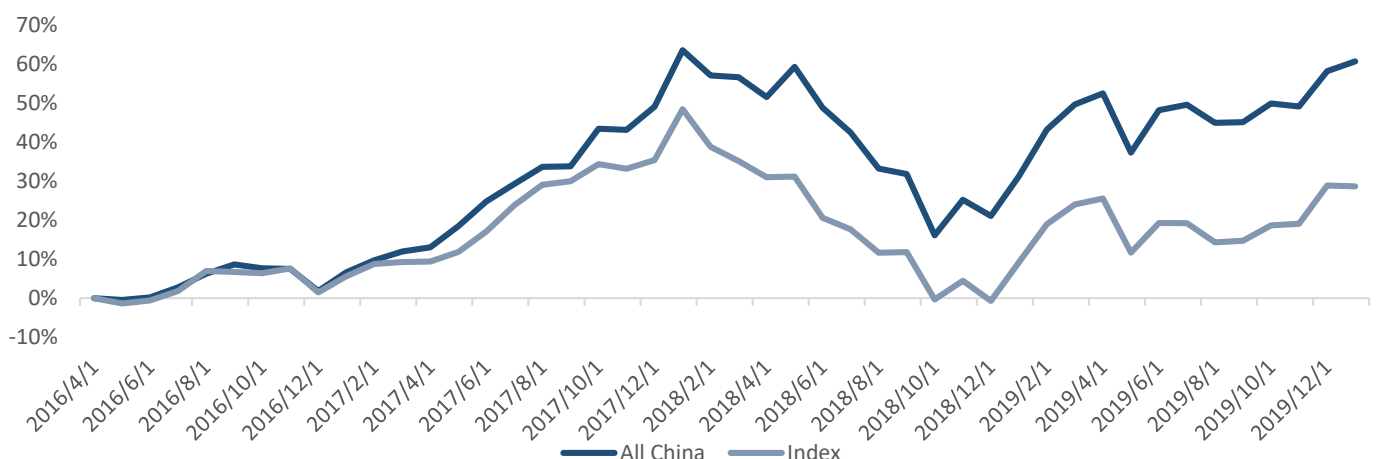
With regard to the impact on the portfolio, corporate earnings of our holdings to a greater or lesser extent will be affected this quarter and maybe next quarter. However, the impact will be temporary so any sell off should be short lived. The outbreak becomes a catalyst to promote some brand names and increase products penetration. In the long term, the event will stimulate the online penetration in industries such as education, entertainment, E-commerce, office tools. People's rising awareness of health will drive the growth of household healthcare device, health insurance, wet tissues and software for smart cities. Most of our other holdings as better managed leading companies will benefit from the industry consolidation after the event. We will take advantage of the price weakness to increase exposure to the long-term high-quality names.

22 of our holding companies showed strong social awareness and leadership by donating money and pharmaceutical goods, providing special logistics to hospitals, among a lot of other things. The total amount reached RMB2 billion. Bin Yuan also has collaborated with our holding company Yuyue Medical Equipment (002223.SZ) to donate Yuyue's products that are in urgent needs such as Ear Thermometer, Oxygenator, Atomizer, Pulse Oximeter Continuous Positive Airway Pressure (CPAP) to hospitals in HongAn County, Hubei province directly. Bin Yuan views social responsibility as important mission of the firm and we will continue our contribution efforts to the society.

Key Information

NAV (31/01/20)	US\$ 99.80 (L1) /100.51 (L2)/108.57(CB)/115.21 (CI)	Strategy Assets	US\$ 466 m ^(a)
Total Fund Size	US\$ 153.6m	Fund Launch Date	16-Apr-18

Period Performance (%)							
	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy^(b)	1.59	30.60	-22.46	44.69	1.07	53.30	12.07
Index^(c)	-0.17	29.74	-26.64	33.37	1.47	28.60	6.94



Monthly Performance (%)

	2019												2020	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2019	Jan	YTD
Bin Yuan GC Fund	9.1	4.5	1.9	-9.9	7.9	1.0	-3.1	0.1	3.3	-0.5	6.1	30.60	1.59	1.59
Index ^(c)	9.0	4.3	1.2	-11.1	6.8	-0.0	-4.1	0.4	3.4	0.4	8.2	29.74	-0.71	-0.71

Top Ten Holding

Rank	Company	Weight	Count	Company	Weight
1	Jiangsu Yuyue	7.12%	2	CM Bank – H	6.06%
3	Ping An – H	5.33%	4	Tencent	5.32%
5	Alibaba	5.21%	6	C&S Paper Co.	5.04%
7	Gree Electric – A	4.04%	8	Chaozhou Three – A	3.87%
9	Oppein Home	3.75%	10	S F Holding Co – A	3.74%

Sectoral Breakdown

Sector	% of Assets
Consumer Discretionary	23
Consumer Staples	16
Financials	13
Information Technology	12
Health Care	12
Communication Service	9
Industrials	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.

Market Breakdown

Market	% of Assets
A Share	51
Hong Kong (Discounted Dual Listing)	14
Hong Kong	15
US ADR	14

Under Discovered Holding

Category	% of Assets
Under Discovered	58
% of A share holding with foreign ownership below 10%	72
Mid Cap Exposure	44

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

Since Inception ^(d)	Bin Yuan All China	Index
Volatility	15.62%	16.67%
Sharp Ratio	0.86	0.42
Information Ratio	1.18	
Tracking Error	5.57%	
Beta	0.94	
PE ex ADRs	14.66	

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
	20081031	20130630	20160229	20200131	20200131	20200131
Forward PE (X)	18.2	16.7	18.5	18.8	12.0	28.7
Forward PB (X)	2.7	2.7	3.1	3.6	1.6	4.9
Forward Div. Yield (%)	1.6	1.9	1.9	1.6	2.4	1.6
Forward ROE (%)	14.7	16.0	16.6	19.3	13.0	17.1
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	20.6	16.7	15.8
Forward PEGY	0.8	0.6	0.8	0.8	0.6	1.6
FCF Yield	3.0	5.0	10.0	4.9	10.6	2.7

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 ^(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 & L1	0.75%
Share Class L2	0.25% with 15% performance fee

Minimum Investment	
Share Class A & L	\$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

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