

## Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share Class L1) appreciated 8.76% for the month of January (net of fees) compared to a 6.28% return for the benchmark. At the end of January, the Sub Fund was mainly invested in the Information Technology, Consumer, and Financials sectors, with minimal weights in the Energy, Utilities and Real Estate sectors.

For the month, the Sub-Fund outperformed the benchmark by 2.49%. In January, the positions that contributed the most to the portfolio's return were Bilibili, China Merchants Bank and Tencent. The positions that contributed the least in the month were Xiaomi, PDD and Hundsun.

## Manager's Commentary

In January the number of COVID-19 cases increased in China because of the cold winter weather. There were 2,016 new diagnosed cases which is the largest number in a single month since March last year. After a pickup of cases at the beginning of January, the number of local confirmed cases and asymptomatic infections began to decline in the last week of January, and the prevention and control effect of areas with the early clustering epidemic situation has begun to show. For example, in Shanghai, after the first local case was identified on the 21st January, all close contacts were tested within 3 days and new cases cleared to 0 in just one week. With the prevention and control measures being promoted in different regions and levels, the overall risk of the epidemic situation in China is controllable.

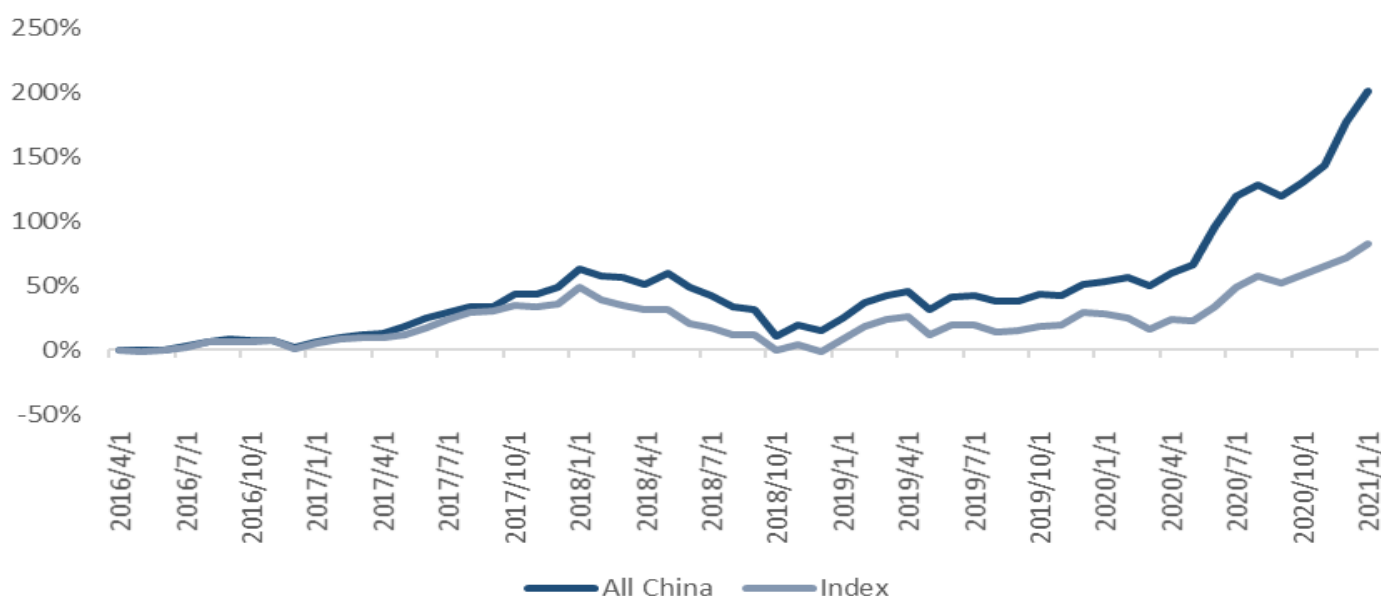
In January, the launch of new funds reached RMB490.14 billion, of which equity funds accounted for more than 90%. This issuance scale exceeded the two historical highs in May 2015 and July 2020, setting a new record for monthly issuance of equity funds. Institutional fund managers have been attracting large amounts of capital and their participation portion in A share market has risen rapidly. Strong liquidity moved to the institutionally favored names as a result. While the CSI300 gained 2.79% in January, only 10% of A-share companies saw share price rises and 90% saw share prices declines. Although this has led to some concern, we believe that the A-share market as a whole is still looking healthy. Firstly, the leverage of the A-share market is still at a low level. As of February 1st, margin trading accounted for 8.88% of total trading in the A-share market, which is less than half the level of 19.2% in February 2015. Secondly, unlike in 2015 when all stock prices rose, in 2021 only companies with good earnings growth are moving. Finally, the percentage of Chinese residents' wealth in the stock market is still very low at only 13%, compared with 58% of wealth in cash and deposits. The trend of residents gradually moving assets to the stock market has just begun.

We will continue to look for mid cap opportunities that have not been fully recognized by the market to generate alpha. At the same time we are staying cautious on consensus stocks whose PE expansion has been significantly higher than their earnings growth rates.

## Key Information

NAV (31/01/21)	US\$ 196.08 (L1) /188.18 (L2) /137.51 (AI) /141.46 (BI) /213.32 (CB) /139.92 (DB A) /141.45 (DI) /226.36 (CI)	Strategy Assets	US\$ 1,078 m <sup>(a)</sup>
Total Fund Size	US\$ 432.5m	Fund Launch Date	16-Apr-18

Period Performance (%)								
	2021	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy <sup>(b)</sup>	8.76	83.51	30.60	-22.46	44.69	1.07	201.19	26.13
Index <sup>(c)</sup>	6.28	33.41	29.74	-26.64	33.37	1.47	82.46	13.52



Monthly Performance (%)															
	2020													2021	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020	Jan	YTD
Bin Yuan GC Fund	1.59	2.34	-4.28	6.51	3.96	17.70	12.16	3.90	-3.56	4.62	5.74	13.81	83.51	8.76	8.76
Index <sup>(c)</sup>	-0.71	-3.1	-6.84	6.59	-0.91	9.29	11.27	5.27	-3.44	4.73	3.93	4.16	33.41	6.28	6.28

Top Ten Holding					
1	CM Bank-H	9.17%	2	Bilibili	6.34%
3	Tencent	5.46%	4	Aier Eye Hsptl-A	5.26%
5	C&S Paper Co-A	4.77%	6	Contemporary A-A	3.98%
7	S F Holding	3.73%	8	Ping An	3.59%
9	Kweichow Moutai	3.58%	10	Chinasoft Intl	3.57%

Sectoral Breakdown	% of Assets
Information Technology	22
Consumer Discretionary	13
Financials	13
Consumer Staples	12
Communication Services	12
Industrials	11
Health Care	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	18.04%	17.36%
Sharp Ratio	1.52	0.78
Information Ratio	1.72	
Tracking Error	8.06%	
Active Shares	79%	
Beta	0.99	
PE ex ADRs	27.05	

Market Breakdown	% of Assets
A Share	50
Hong Kong (Discounted Dual Listing)	13
Hong Kong	21
US ADR	11

Valuation	Portfolio	Benchmark	Benchmark (excluding Financials)
Period	20210131	20210131	20210131
Forward PE (X)	29.0	17.5	37.7
Forward PB (X)	6.7	2.0	5.1
Forward Div. Yield (%)	0.8	1.5	1.0
Forward ROE (%)	23.2	11.7	13.6
Earning Growth (%) Forward 3 YR	23.5	10.0	13.6
Forward PEGY	1.2	1.5	2.6
FCF Yield	2.6	7.7	2.4

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.