

Bin Yuan Greater China Fund

SFDR status as of March 2021: Article 8

January 2022

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) depreciated -13.24% for the month of January (net of fees) compared to a -6.73% return for the benchmark. At the end of January, the Sub Fund was mainly invested in the Information Technology, Health Care, Industrials and Consumer sectors, with zero weights in the Energy, Utilities and Real Estate sectors.

For the month, the Fund underperformed the benchmark by 6.51%. In January, the positions that contributed the most to the portfolio's return were CM BANK, SHENZHEN NEW INDUSTRIES BIOMEDICAL and KANGJI MEDICAL. The positions that contributed the least were IRAY, CHIPSEA and CHINASOFT.

Manager's Commentary

Bin Yuan strategies had strong performances in 2020 and 2021. After 2020, we had been expecting some style-based correction in 2021. However, as the result of strong stock selection, outperformance continued to mid December 2021 when the market started to pull back and the correction has extended into January 2022.

Since last December, local institutional investors started to rotate out of outperforming stocks, such as high-end technology, new energy and healthcare services, into underperforming sectors that include infrastructure investment related capital goods, properties and financials. The fundamental reason for the rotation was market worries that earnings growth in the fourth quarter would be weaker than expected due to power shortages and the spread of Omicron. The above underperforming sectors were less impacted, and they should benefit more from the expected credit easing and interest rate cuts.

Another catalyst for the rotation was the temporary liquidity crunch. With pressure from financial institutions before the long holiday, most firms consolidated their balance sheets, reduced debt, and took some money from the market. The expected US Fed interest rate hike caused some additional concerns. The PBOC started to provide liquidity by announcing monetary easing objectives.

The market volatility in January was further exacerbated by the rapid growth in quant trading funds.

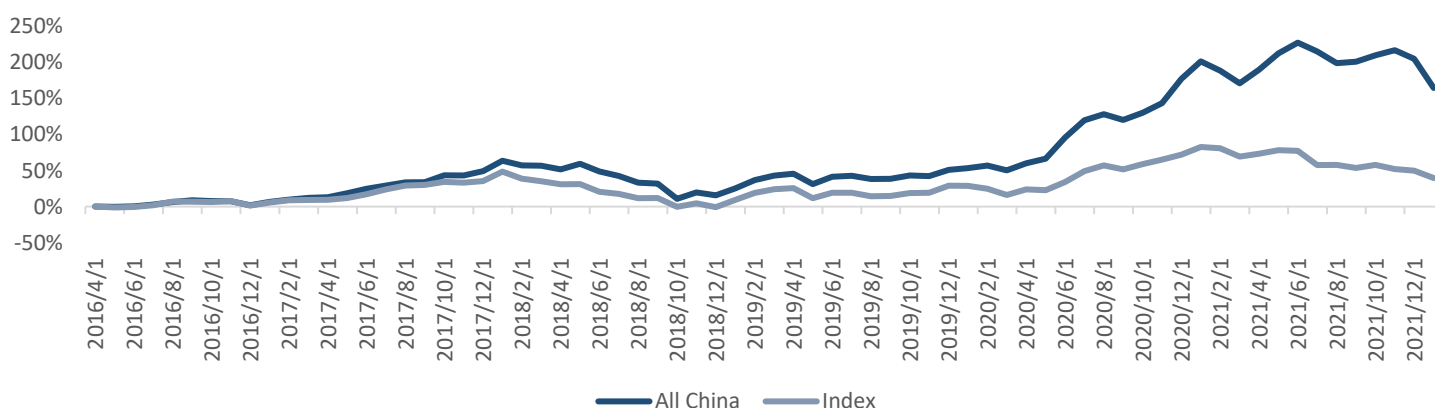
We do not think this market rotation is sustainable. Fundamentally, property and infrastructure investment are no longer core drivers of Chinese economic growth. China's future growth will be fueled by the structural upgrades to high valued added technology and consumption, which is our focus. The benign monetary and fiscal policy will provide a favorable backdrop for high valued added companies to grow over the next decade. The expected tightening regulations on speculative trading will reduce market volatility and should help the market better reflect fundamentals. Our past experiences demonstrate that every liquidity driven correction and style impacted underperformance provided a good buying opportunity for our investors.

48% of our holdings have announced positive earnings growth alerts (regulatory requirement for Shenzhen exchange or Star Board companies require alerts if estimated earnings are + / - 50%). The average earnings growth in Q4 and 2021 was 71% and 91% respectively. The fundamentals of our portfolio remain very solid and the valuation has become very attractive post correction at 29x 2022 PE and 27% growth from 2022-2025, 1.03x PEG. We encourage Bin Yuan's investors to look beyond this short-term volatility and focus on the medium to long term opportunities.

Key Information

NAV (31/01/22)	US\$ 172.09(L1)/162.67(L2)/120.09(AI)/94.68(AI EUR)/84.02(AI GBP)/123.84(BI) /187.22(CB)/123.11(DB A)/124.45(DI A)/198.67(CI)/86.91(CI GBP)/91.68(PB EUR)	Strategy Assets	US\$ 1,513 m ^(a)
Total Fund Size	US\$ 811.6m	Fund Launch Date	16-Apr-18

Period Performance (%) data from FPS/Pictet/Bin Yuan								
	2022	2021	2020	2019	2018	2017	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	-13.24	10.02	83.51	30.60	-22.46	44.69	164.34	18.42
Index ^(c)	-6.73	-12.91	33.41	29.74	-26.64	33.37	39.60	5.97



Monthly Performance (%) data from FPS/Pictet

	2021												2022	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2021	Jan	YTD
Bin Yuan GC Fund	-4.27	-6.06	6.90	7.84	4.76	-3.72	-5.17	0.72	2.93	2.27	-3.79	10.02	-13.24	-13.24
Index ^(c)	-1.03	-6.35	2.31	2.80	-0.48	-11.13	0.22	-2.71	2.78	-3.70	-1.52	-12.91	-6.73	-6.73

Risk and reward profile



Top Ten Holding					
1	IRAY Technolog-A	9.94%	2	CM Bank (A+H)	7.43%
3	Ecovacs Roboti-A	5.12%	4	Jiangsu Cnano-A	4.84%
5	Chipsea Techno-A	4.77%	6	Chaozhou Three-A	4.60%
7	Shenzhen Mindr-A	4.17%	8	Shanghai Frien-A	3.84%
9	Li Ning Co Ltd	3.06%	10	Sunny Optical	2.96%

Sectoral Breakdown ^(e)	% of Assets
Health Care	26
Information Technology	23
Industrials	11
Consumer Discretionary	8
Materials	8
Consumer Staples	8
Financials	7
Communication Services	1

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 ^(d)	Bin Yuan All China	Index
Volatility	18.72%	17.39%
Sharp Ratio	1.04	0.34
Information Ratio	1.31	
Tracking Error	10.05%	
Active Shares	94%	
Beta	0.98	

Market Breakdown	% of Assets
A Share (Connect + QFI)	73
Hong Kong (Discounted Dual Listing)	3
Hong Kong	16

Valuation	Portfolio	Benchmark	Benchmark (excluding Financials)
Period	20220131	20220131	20220131
2022 PE (X)	27.9	12.7	23.1
2022 PB (X)	5.9	1.6	3.0
2022 Div. Yield (%)	0.7	2.2	1.1
2022 ROE (%)	21.1	12.3	13.1
Earning Growth (%) Forward 3 YR	27.3	10.2	14.4
2022 PEGY	1.0	1.0	1.5
FCF Yield	1.2	5.1	2.1

Fund Codes						
Share Class	AI	AI GBP	AI EUR	BI	CI	CI GBP
Bloomberg	HEYGCAU LX	HEYGCA G LX	HEYGCAE LX	HEYGCBU LX	HFBYCIU LX	HEYGCGA LX
TK	040149630	040149699	040149698		040149734	040149736
ISIN	LU1778252558	LU1778252715	LU1778252632	LU1778253952	LU1778254844	LU1778255064
Lipper ID	68617991	68666625	68677482	68625053	68563916	68684500
Sedol	BM Y2Q30	BNLYXY6	BN4BFL5	BM Y1994	BMWWFG8	BP466G6

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 TERs as at end September 2021	
Share Class A	1.25% 1.45%
Share Class B	1.00% 1.21%
Share Class C	0.75% 0.95%
Share Class D	0.50% 0.71%

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 D	\$100,000,000 Minimum initial subscription & holding

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

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.

(e) We set sector exposure according to GICS classification, and the maximum exposure will not exceed 40%. The reason we set at 40% is some industrial and communication service companies are misclassified as information technology in GICS.

Disclaimer:

- This document should be read as a marketing communication.
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