HF Hereford Funds

Bin Yuan Greater China Fund
July 2019

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund appreciated 1.09% for the month of July compared to a 0.03% negative return for the MSCI All China Index including dividends. Since inception, the Sub-Fund recorded a return of -5.86%, however, if we exclude the impact of -6.1% due to RMB depreciation and -4% due to subscription in October last year, our performance driven by stock price movement and yield is an increase of 3.0%. During the same period, the benchmark was down by 11% in USD term. At the end of July, the Sub-Fund invested primarily in the Consumer, Financials and Industrial sectors, with little weights in the Energy, Utilities, Materials and Real Estates sectors. For the month, the Sub-Fund outperformed the benchmark by 1.12%. Compared to the benchmark, Information Technology and Financials outperformed while Health Care lagged. In July, the positions that contributed the most to the portfolio's return were C&S Paper, Sunny Optical and Huayu Auto. The positions that contributed the least in the month were Jiangsu Yuyue, Fuanna and Bilibili.

Manager's Commentary

Shanghai Composite Index was down 1.56% and Hang Seng China Enterprise Index was down 1.90% in July. GDP growth slowdowns were mostly due to decelerated investments, especially investments in the manufacturing sector. This is a strategic step for China to lower leverage. Consumer sectors, which consist of 65% of GDP, still showed strong resilience, for example, C&S Paper in our holding achieved 40% earnings growth in the first half of 2019. Non-manufacturing PMI stayed above 50. Both positive outcomes result from the reformation of Chinese economy structures and tax reductions.

Three major short-term events made a soft equity market for July. The government re-emphasized that it will not change its stand to curb real estate investment to stimulate the economy and two listed companies defaulted on debt payments, both increased investors' concerns. The trade talk with US at the end of the month also added uncertainty to the market.

The longer term strategic reforms which include supply-side structural change, fiscal reform to boost domestic consumption, further opening up the economy have not changed. After over a year of trade talks with US and US tough stands on controlling technology products shipment to China, China is now more determined to possess high-end technology and climb up the global value chain. We believe China will steadily move forward to become a high-end manufacturing base of the world as it has accumulated sufficient capital, technology and talents in the past years and the massive domestic market bodes well to meet the development objectives. On August 1, the announcement by US President Trump to impose a 10% tariff on additional USD300 billion worth of Chinese goods starting from 1st September has shocked market. RMB has depreciated more than 6% against USD at a point and both US and China stock markets have dropped. This is in line with our previous expectation that the tension between the two countries will continue while seeking for a possible deal. In the short term, to curb the impact of the US tariff increase, the RMB will not go stronger to match the country's productivity, but we do not expect a sharp devaluation. The negative impact of the RMB movement to the regional currencies and economies, and spill over to global economy will, hopefully, make President Trump reconsider his strategies toward trade issues. In the end, we still believe that the huge domestic market of China will act as a cushion to defend global headwinds.

In our portfolio, we carefully select high-quality companies that are domestically driven, less impacted by global value chain and benefiting from the trend of import substitution. Currently, our portfolio's USD exposure in revenue and cost of sales are 3.9% and 5%. And only 1.0% of the revenue are from the US. We will continue to focus on consumer sectors which are more resilient and will keep steady growths. Our current portfolio PE ratio is 18.4x estimated 2019 earnings, the expected earnings growth rate is 18.3% through 2022 and the dividend yield is 2%. Considering the predictable quality growth, we believe that our portfolio can get through the possible turbulence in future.

Key Information

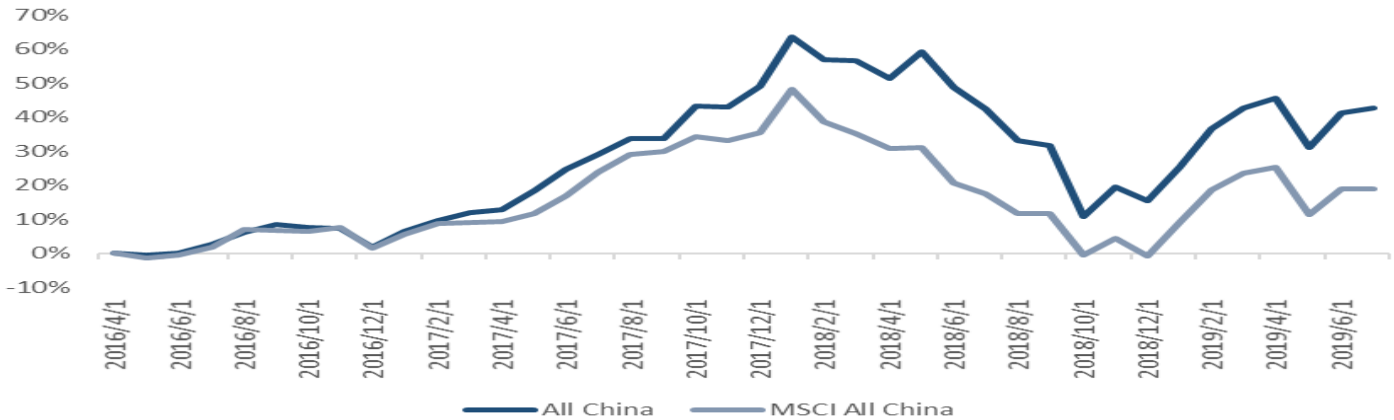
NAV (31/07/19)	US$ 92.91 (L1) /93.36 (L2)/101.08 (CB)	Strategy Assets	US$ 354 m[(a)]
Total Fund Size	US$ 79.6m	Fund Launch Date	16-Apr-18

Monthly Performance (%)

	Aug	Sep	Oct	Nov	Dec	2018	Jan	Feb	Mar	Apr	May	Jun	Jul	2019
Bin Yuan GC Fund	-6.5	-1.1	-15.9	7.9	-3.3	-24.8	8.4	9.1	4.5	1.9	-9.9	7.9	1.0	23.5
MSCI All China Index[(c)]	-5.1	0.2	-10.8	4.8	-5.0	-25.3	9.9	8.7	4.3	1.2	-11.1	6.8	-0.0	19.8

Period Performance (%)

	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy[(b)]	23.52	-22.46	44.69	1.07	42.72	11.57
MSCI All China Index[(c)]	19.76	-26.64	33.37	1.47	18.91	5.47



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Top Ten Holding					
1	Ping An	6.86%	2	C&S Paper Co.	6.57%
3	Nari Technology	5.85%	4	Alibaba	5.39%
5	Jiangsu Yuyue	5.36%	6	CM Bank – H	4.82%
7	Tencent	4.59%	8	Shanghai Intl Air	4.32%
9	Bank of Shanghai	4.21%	10	Kweichow Moutai	4.02%

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	MSCI All China
Volatility	16.41%	17.08%
Sharp Ratio	0.80	0.32
Information Ratio	1.37	
Tracking Error	5.64%	
Beta	0.97	
PE ex ADRs	16.16	

Sectoral Breakdown	% of Assets
Consumer Discretionary	22
Financials	17
Consumer Staples	17
Industrials	13
Information Technology	10
Health Care	9
Communication Services	8

Market Breakdown	% of Assets
A Share	59
Hong Kong (Discounted Dual Listing)	16
Hong Kong	12
US ADR	9

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
Period	**20081031**	**20130630**	**20160229**	**20190731**	**20190731**	**20190731**
Forward PE (X)	18.2	16.7	18.5	18.4	12.6	17.9
Forward PB (X)	2.7	2.7	3.1	3.8	1.6	2.9
Forward Div. Yield (%)	1.6	1.9	1.9	2.0	2.3	2.0
Forward ROE (%)	14.7	16.0	16.6	20.7	12.4	16.5
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	18.3	14.2	14.5
Forward PEGY	0.8	0.6	0.8	0.9	0.8	1.1
FCF Yield	3.0	5.0	10.0	6.1	10.1	2.8

UCITS Fund Performance (%)														
YEAR	**2018**	**2019**												
MONTH		**01**	**02**	**03**	**04**	**05**	**06**	**07**	**08**	**09**	**10**	**11**	**12**	**ITD**
Net Performance (Local FX)	-16.0	7.3	9.1	4.6	2.0	-8.5	7.4	0.6						3.0
FX Impact	-4.7	1.1	0.1	-0.2	-0.1	-1.5	0.5	0.4						-6.1
Subscription Impact	-4.0													-4.0
Net Performance	-24.7	8.4	9.1	4.5	1.9	-10.0	7.9	1.0						-7.1
Net Performance Excl. Subscription Impact	-20.7	8.4	9.1	4.5	1.9	-10.1	7.9	1.0						-3.1
Benchmark	-25.3	9.9	8.7	4.3	1.2	-11.1	6.8	-0.0						-10.5

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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

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 CI, CB & L1	0.75%
Share Class L2	0.25% with 15% performance fee

Minimum Investment	
Share Class A & L	$100,000 initial/$10,000 subsequent
Share Class B	$5,000,000 initial/$100,000 subsequent
Share Class CI & CB	$10,000,000 initial/$100,000 subsequent

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) Total USD return including dividends.
(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.