

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund appreciated 12.16% for the month of July (net of fees) compared to a 11.27% return for the benchmark. At the end of July, the Sub-Fund was invested primarily in the Consumer, Healthcare and Communication Services sectors, with minimal weights in the Energy, Utilities and Real Estates sectors. For the month, the Sub-Fund outperformed the benchmark by 89 bps. In terms of stock selection, we did well in Consumer Discretionary and Industrials while Healthcare lagged. In July, the positions that contributed the most to the portfolio's return were China Duty Free, Geely Automobile and S F Holding. The positions that contributed the least in the month were Bilibili, China Merchants Bank and Venus Medtech.

Manager's Commentary

China's economy rebounded in the second quarter with GDP growth of 3.2% YoY. PMI increased slightly from 50.8 in April to 50.9 in June, and non-manufacturing PMI increased from 53.2 in April to 54.4 in June. Since March, as work and production have gradually resumed, net export of goods and services have rebounded, and the decline of domestic demand has narrowed.

China took over the premises of the US consulate in Chengdu on July 27, in retaliation for the closing of the Chinese consulate in Houston on July 24. We do not expect the tension between China and US to be reversed in the near term. The Chinese government will continue to keep an open stance and focus on the domestic demand. Fiscal policies will remain expansive by cutting taxes on Small and Median Enterprises and individuals to alleviate the covid impact, stabilize employment and boost consumption. Policies in favour of foreign investment will be issued, and imports will be actively boosted. A variety of innovative policies are on the way to stimulate consumption, such as selling foreign trade goods in domestic markets, opening duty-free stores in cities, and replacing public transportation vehicles with new energy vehicles.

Recently, a batch of domestic new economy digitalization companies, such as Ant Financial, SMIC (Semiconductor Manufacturing International Corporation) and Cambricon, have been or plan to be listed on the China A share market. Those new economy companies represent the new development direction of China's economy, and the listings shows the effectiveness of China's market-oriented reforms. China capital markets have acted as an important channel and tool for capital allocation. The expansion of financing channels can effectively help enterprises obtain more efficient financing and seek faster development. High quality listed companies generate higher returns to investors in the long run and attract more long-term money to participate in the Chinese market, making it a virtuous circle. With a prosperous stock market, share based payments have also become an important means of employee motivation, which further realizes human capital value. In all, we expect China's capital markets will continue to strengthen supervision and protect the interests of minority shareholders, so as to achieve an all-win situation for companies, management, employees and investors.

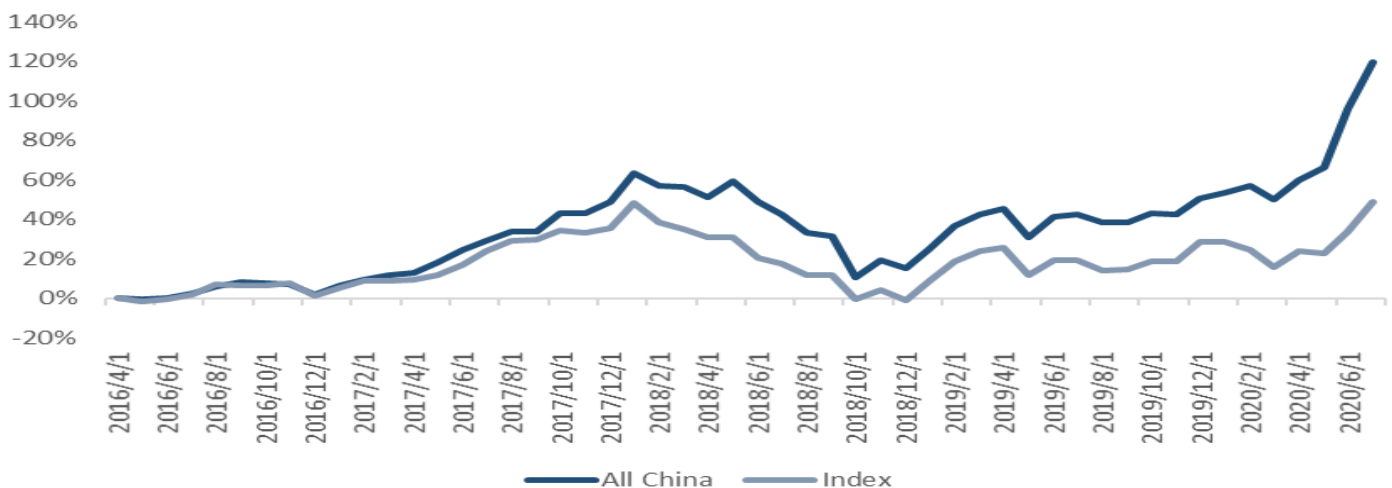
As a long only fund manager on the ground, we keep exploring stocks with predictable earnings growth and valued at reasonable prices. Consumption upgrade, digitalization and import substitution opportunities in the high-end technology space will continue to be our favourite China themes for the next decade. The current PE of stocks in our portfolio is 22x estimated 2021 earnings, and we expect earnings growth rate of 22% through 2023. Considering the predictable quality growth of the portfolio, we believe that our portfolio's valuation is quite attractive.

Key Information

NAV (31/07/20) US\$ 142.90 (L1) /139.39 (L2)/100.46 (AI)/155.46 (CB)/164.96 (CI)
 Total Fund Size US\$ 219.2m

Strategy Assets US\$ 815 m^(a)
 Fund Launch Date 16-Apr-18

Period Performance (%)							
	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy^(b)	45.46	30.60	-22.46	44.69	1.07	119.50	20.32
Index^(c)	15.76	29.74	-26.64	33.37	1.47	49.11	9.86



Monthly Performance (%)														
	2019						2020							
	Aug	Sep	Oct	Nov	Dec	2019	Jan	Feb	Mar	Apr	May	Jun	Jul	YTD
Bin Yuan GC Fund	-3.1	0.1	3.3	-0.5	6.1	30.60	1.59	2.34	-4.28	6.51	3.96	17.70	12.16	45.46
Index ^(c)	-4.1	0.4	3.4	0.4	8.2	29.74	-0.71	-3.1	-6.84	6.59	-0.91	9.29	11.27	15.76

Top Ten Holding					
1	Tencent	7.49%	2	CM Bank – H	6.92%
3	C&S Paper Co.	5.90%	4	Bilibili	4.72%
5	Luxshare Preci – A	4.47%	6	Alibaba	4.30%
7	S F Holding Co – A	4.23%	8	China Duty Free	4.04%
9	Geely Automobile	3.93%	10	Comtemporary A-A	3.87%

Sectoral Breakdown	% of Assets
Consumer Discretionary	21
Consumer Staples	16
Health Care	14
Information Technology	12
Communication Services	12
Financials	10
Industrials	8
Real Estate	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.

Under Discovered Holding	% of Assets
Under Discovered	69
% of A share holding with foreign ownership below 10%	76
Mid Cap Exposure	35

* Mid Cap stands for the market capitalization is below 20 Billion USD.

Market Breakdown	% of Assets
A Share	48
Hong Kong (Discounted Dual Listing)	10
Hong Kong	24
US ADR	13

Since Inception ^(d)	Bin Yuan All China	Index
Volatility	17.66%	17.72%
Sharp Ratio	1.23	0.56
Information Ratio	1.64	
Tracking Error	7.21%	
Active Shares	78%	
Beta	0.97	
PE ex ADRs	19.72	

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
Period	20081031	20130630	20160229	20200731	20200731	20200731
Forward PE (X)	18.2	16.7	18.5	22.2	16.8	32.8
Forward PB (X)	2.7	2.7	3.1	4.7	2.0	5.1
Forward Div. Yield (%)	1.6	1.9	1.9	0.9	1.7	1.2
Forward ROE (%)	14.7	16.0	16.6	21.1	12.0	15.6
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	21.8	5.0	12.1
Forward PEGY	0.8	0.6	0.8	1.0	2.5	2.5
FCF Yield	3.0	5.0	10.0	2.5	9.0	3.5

Fund Codes					
Share Class	L1	L2	AI	CB	CI
Bloomberg	HFBYL1U LX	HFBYL2U LX	HEYGCAU LX	HFBYCBLX	HFBYCIU LX
TK	040149745	040149751	040149630	040149740	040149734
ISIN	LU1778255734	LU1778256203	LU1778252558	LU1778255494	LU1778254844
Lipper ID	68483958	68483959		68543207	68563916
Sedol	BFXVVR8	BFXVVS9	BMV2Q30		

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	0.75%

Minimum Investment	
Share Class A	\$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

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