Signatory of:

July 2021

## **Investment Review**

The Hereford Funds – Bin Yuan Greater China Fund (share Class L1) depreciated -3.72% for the month of July (net of fees) compared to a -11.13% return for the benchmark. At the end of July, the Sub Fund was mainly invested in the Information Technology, Consumer, Health Care and Industrials sectors, with minimal weights in the Energy, Utilities and Real Estate sectors.

For the month, the Sub-Fund outperformed the benchmark by 7.41%. In July, the positions that contributed the most to the portfolio's return were SG Micro Corp, Chipsea Technology and Shanghai Bright. The positions that contributed the least in the month were Bilibili, Ecovacs Robot and C&S Paper.

## **Manager's Commentary**

At the end of July, we sent out a China Regulatory update letter to our clients and organized a webinar to interpret recent government policy changes on the tutoring sector. Please advise if you missed these and would like these to be resent.

In Ray Dalio's statement on July 30,2021, he mentioned "I do think that it is unfortunate that Chinese policy makers don't publicly communicate the reasoning behind their moves more clearly". In fact, the policy trend on the tutoring sector was stated in President Xi's speech at the Chinese National Education Conference in 2018, when he pointed out that the tutoring sector development was not healthy to children and not appropriate for the education system. A lot of government discussion on reforming the sector took place over the past three years, which had not seen enough attention by investors.

The complexity of government regulations means investors need to have a clear understanding of the social and political conditions in each country which can be difficult without local knowledge and expertise. China is evolving from a focus on GDP growth to a focus on developing a socially, economically and politically fair society. This is in line with the global trend of ESG investing. We believe this movement will create long term value for investors.

## ESG Engagement - Bilibili

After our engagement efforts over the past twelve months, Bilibili issued their first standalone ESG report on July 28<sup>th</sup>. We will continue to engage with portfolio companies on ESG matters. During company visits in July, we shared with management our preference for applying more green initiatives in office buildings in addition to social responsibilities. With regard to the article on Xinhua (though deleted and replaced with a softer word version) on how detrimental video gaming is to China's youth, the social responsibilities of online gaming producers and operators are receiving close attention. They need to take more responsible action regarding teenagers, such as implementing stricter gaming time controls, grading entertainment content, and distributing fair educational resources. We expect they will face more regulation if they do not adopt these policies.

## **Key Information**

Total Fund Size

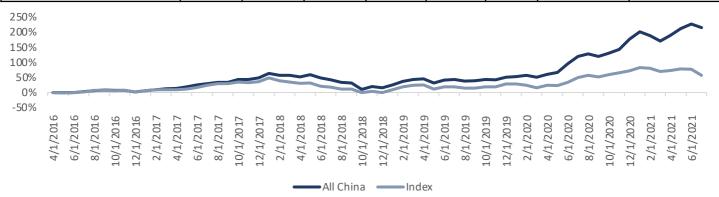
NAV (31/07/21) US\$ 205.05(L1)/192.42(L2)/143.44(AI)/96.83(AI GBP)/147.74(BI)/223.07(CB)

Strategy Assets US\$ 1,248 m<sup>(a)</sup>

/146.50 (DB A) /148.10 (DI A) /236.71 (CI)

US\$ 478.9m Fund Launch Date 16-Apr-18

Period Performance (%)								
	2021	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy <sup>(b)</sup>	13.74	83.51	30.60	-22.46	44.69	1.07	214.97	24.43
Index <sup>(c)</sup>	-8.37	33.41	29.74	-26.64	33.37	1.47	57.47	9.03





Monthly Performance (%)														
2020								20	21					
	Aug	Sep	Oct	Nov	Dec	2020	Jan	Feb	Mar	Apr	Мау	Jun	Jul	YTD
Bin Yuan GC Fund	3.90	-3.56	4.62	5.74	13.81	83.51	8.76	-4.27	-6.06	6.90	7.84	4.76	-3.72	13.74
Index <sup>(c)</sup>	5.27	-3.44	4.73	3.93	4.16	33.41	6.28	-1.03	-6.35	2.31	2.80	-0.48	-11.13	-8.37

То	Top Ten Holding							
1	IRAY Technolog-A	7.05%	2	Chinasoft Intl	6.52%			
3	Bilibili (H+ADR)	6.52%	4	SG Micro Corp-A	5.83%			
5	Ecovacs Roboti-A	5.16%	6	Chaozhou Three-A	4.89%			
7	CM Bank (A+H)	4.74%	8	Anta Sports	4.23%			
9	Chipsea Techno-A	3.84%	10	Guangzhou Jet	3.82%			

Sectoral Breakdown <sup>(e)</sup>	% of Assets
Information Technology	37
Health Care	16
Consumer Discretionary	13
Industrials	13
Communication Services	9
Financials	6
Consumer Staples	4

# **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	18.15%	17.69%
Sharp Ratio	1.41	0.51
Information Ratio	1.86	
Tracking Error	8.88%	
Active Shares	86%	
Beta	0.96	
PE ex ADRs	32.64	

Market Breakdown	% of Assets
A Share (Connect + QFI)	66
Hong Kong (Discounted Dual Listing)	5
Hong Kong	19
US ADR	8

Valuation	Portfolio	Benchmark	Benchmark (excluding Financials)
Period	20210731	20210731	20210731
Forward PE (X)	33.4	14.6	33.3
Forward PB (X)	7.4	1.8	4.2
Forward Div. Yield (%)	0.6	1.9	1.0
Forward ROE (%)	22.1	12.3	12.5
Earning Growth (%) Forward 3 YR	28.5	10.0	14.6
Forward PEGY	1.1	1.2	2.1
FCF Yield	0.7	4.4	1.0



Fund Codes							
Share Class	Al	AI GBP	СВ	CI	ВІ	DI A	DB A
Bloomberg	HEYGCAU LX	HEYGCAG LX	HFBYCBYLX	HFBYCIU LX	HEYGCBU LX	HBYCDIA LX	HEYGCDA LX
TK	040149630		040149740	040149734			055401977
ISIN	LU17782525 58	LU17782527 15	LU17782554 94	LU17782548 44	LU17782539 52	LU22005563 92	LU21985826 40
Lipper ID	68617991		68543207	68563916	68625053	68625729	
Sedol	BMY2Q30	BNLYXY6	BMXTP35	BMWWFG8	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

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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.
- (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.

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