

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) depreciated -7.34% for the month of July (net of fees) compared to a -8.07% return for the benchmark. The Chinese market consolidated in July after the rally over the previous two months. Supply Chain beneficiaries of the fast-growing electric vehicle (EV) and new energy areas were the most attractive areas to investors, while property, together with its related consumption and financial sectors, were the hardest hit. Our stock selections in Industrials, Information Technology and Health Care added value, while consumer sectors dragged the performance driven by the expected weak Q2 results announcements.

For the month, the Fund outperformed the benchmark by 73 bps. In July, the positions that contributed the most to the portfolio's return were BAILI, AUTOWELL and FRIENDNESS ELECTRONIC. The positions that contributed the least were ECOVACS, CHINA MERCHANTS BANK and YUHONG WATERPROOF.

Manager's Commentary

Both intracity and intercity mobility recovered with easing travel restrictions. No Shanghai-style lockdowns happened thanks to more targeted and efficient virus control measures.

Q2 corporate earnings have started with a very mixed picture. Upstream resource companies are expected to post solid performances on strong H1 commodity prices, and clean energy and EV related companies' outlook remains robust. The earnings of real estate related companies were dragged down by the sluggish property market struggling with debt woes. Travel and dining related consumer sectors saw negative impacts from COVID lockdowns but have been improving since June.

Investors are looking beyond Q2 earnings and are focusing more on the mid to long term economic outlook.

Real estate sector issues with spreading mortgage boycotts by homebuyers in July triggered worries about a further downward spiral in the sector, a slowdown of related consumption/investment areas, and overall financial stability. We deem the possibility of systematic risk very small due to the healthy financial position in the whole economy. The government are likely to step in to aid developers to complete unfinished buildings and restore consumer confidence.

Compared to other countries, China is in a lower inflationary environment, which provides favorable conditions for pro-growth policies. The incrementally looser liquidity helps to prevent systematic risk and to shore up confidence. We remain cautious on the property sector and are expecting more effort and resources to be allocated to other strategic industries. At the same time, a release of spending power could be seen following a reduced housing burden.

With the better controlled virus situation and normalized mobility, we see an improved outlook in H2. As the market returns to more normal conditions without financial systematic risk, the Bin Yuan portfolio focuses on structural opportunities which should outperform. We are well positioned to capture the release of pent-up demand, investment in under-penetrated new infrastructure, the robust development of EV and solar energy, and the beneficiaries of innovative high-tech companies against the backdrop of the global supply chain reshaping.

Key Information

NAV (31/07/22) US\$ 149.46(L1)/141.62(L2)/104.03(AI)/89.82(AI EUR)/80.24(AI GBP)/107.42(BI)/162.60(CB)/107.05(DB A)/109.53(DB A NOK)/108.22(DI A)/172.54(CI)/83.20(CI GBP)/87.29(PB EUR)

Strategy Assets US\$ 1,347 m^(a)

Total Fund Size US\$ 665.8 m

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)	-24.65	10.02	83.51	30.60	-22.46	44.69	129.58	14.22
Index ^(c)	-18.90	-12.91	33.41	29.74	-26.64	33.37	21.39	3.15



Monthly Performance (%) data from FPS/Pictet

	2021						2022							
	Aug	Sep	Oct	Nov	Dec	2021	Jan	Feb	Mar	Apr	May	Jun	Jul	YTD
Bin Yuan GC Fund	-5.17	0.72	2.93	2.27	-3.79	10.02	-13.24	1.23	-11.74	-10.84	5.76	11.25	-7.34	-24.65
Index ^(c)	0.22	-2.71	2.78	-3.70	-1.52	-12.91	-5.32	-1.23	-8.31	-6.27	1.82	7.82	-8.07	-18.90

Risk and reward profile



Top Ten Holding					
1	IRAY Technolog-A	10.19%	2	Wuxi Autowell-A	4.68%
3	Ecovacs Roboti-A	4.25%	4	Nari Technolog-A	3.92%
5	Jiangsu Cnano-A	3.87%	6	Hunan Baili En-A	3.66%
7	Shanghai Frien-A	3.64%	8	Chipsea Techno-A	3.44%
9	China Merch BK-A	3.24%	10	Aier Eye Hosptl-A	3.18%

Sectoral Breakdown ^(e)	% of Assets
Health Care	25
Information Technology	22
Industrials	13
Consumer Staples	13
Consumer Discretionary	12
Materials	10
Financials	3

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	19.99%	17.78%
Sharpe Ratio	0.75	0.18
Information Ratio	1.17	
Tracking Error	10.18%	
Active Shares	90%	
Beta	1.03	

Market Breakdown	% of Assets
A Share (Connect + QFI)	82
Hong Kong	16

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	20220731	20220731	20220731
2022 PE (X)	28.5	24.0	12.7
2022 PB (X)	6.5	3.1	1.2
2022 Div. Yield (%)	0.9	1.5	2.3
2022 ROE (%)	22.7	13.0	9.6
Earning Growth (%) Forward 3 YR	28.6	11.5	7.5
2022 PEGY	1.0	1.8	1.3
FCF Yield	1.3	-1.4	2.1

Fund Codes						
Share Class	AI	AI GBP	AI EUR	BI	CI	CI GBP
Bloomberg	HEYGCAU LX	HEYGCAU 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	BMV2Q30	BNLYXY6	BN4BFL5	BMV1994	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

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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.
- Risk Disclaimer - This current risk profile is based on historical data and may not be a reliable indication of the future risk profile of the Sub-Fund. - The risk category shown is not guaranteed and may shift over time. - The lowest category, which corresponds to Number 1, cannot be regarded as being risk-free. - The Sub-Fund does not provide any capital guarantee or asset protection measures. Why is this Sub-Fund in this category? The investment objective of the Sub-Fund is to generate long-term capital growth and income by investing in equities and equity-linked securities of Greater China Companies. Hence, the risk/reward profile of the SubFund should correspond to a high risk category on the risk/reward scale. The contents of this document are communicated by, and the property of, Hereford Funds. Hereford Funds is a trading name of Hereford Funds LLP. Hereford Funds LLP is an appointed representative and tied agent of Thornbridge Investment Management LLP which is authorised and regulated by the Financial Conduct Authority (FRN: 713859). This document is for information purposes and internal use only. It is neither an advice nor a recommendation to enter into any investment. Investment suitability must be determined individually for each investor, and the financial instruments described above may not be suitable for all investors. This information does not provide any accounting, legal, regulatory or tax advice. Please consult your own professional advisers in order to evaluate and judge the matters referred to herein. An investment should be made only on the basis of the prospectus, the annual and any subsequent semi-annual-reports of HEREFORD FUNDS (the "Fund"), a société d'investissement à capital variable, established in Luxembourg and registered under Part I of Luxembourg law of 20 December, approved by the Commission de Surveillance du Secteur Financier (CSSF). These can be obtained from the Fund, from FundPartner Solutions (Europe) SA, 15 avenue J. F. Kennedy, L-1855 Luxembourg, and any distributor or intermediary appointed by the Fund. You can obtain a summary of investors rights to the following link : <https://www.group.pictet/media/sd/176b100ab205a6e6aef82b0250138f889675b903>
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