HF Hereford Funds

Bin Yuan Greater China Fund
June 2019

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund appreciated 8.01% for the month of June compared to a 6.79% positive return for the MSCI All China Index including dividends. Since inception, the Sub-Fund recorded a return of -6.87%, however, if we exclude the impact of -4.8% 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 0.8%. During the same period, the benchmark was down by 11% in USD term. At the end of June, 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 1.22%. Compared to the benchmark, Industrials and Communication Services outperformed while Consumer Discretionary lagged. In June, the positions that contributed the most to the portfolio's return were C&S Paper, Shang Intl Airport and Bilibili. The positions that contributed the least in the month were Vitasoy, Oppein and Fortune Ng Fun.

Manager's Commentary

Shanghai Composite Index was up 2.77% and Hang Seng China Enterprise Index was up 4.76% in June.

China's economy datapoints was mixed in June. The Producer Price Index (PPI) rose 0.6% year on year (YoY) in May 2019, 0.3 percentage point lower than in April. The Consumer Price Index (CPI) was 2.7% in May, up from 2.5% in April. The official manufacturing Purchasing Managers' Index (PMI) kept unchanged at 49.4 in June 2019, which was still below the threshold of expansion/contraction, primarily dragged by new orders. The official Non-Manufacturing PMI dropped slightly from 54.3 in May to 54.2 in June. Rail cargo volume increased 6.8% YoY in May to 362 million tons.

Sino-American friction was in the spotlight in the second quarter, which drove the Chinese equity market volatile. The market got a short-term relief after the meeting between the leaders of the US and China at the end of June. President Trump agreed temporarily not to slap tariff on the last USD300 bn Chinese goods, and the negotiation would restart. US companies could resume selling products to Chinese telecommunication giant Huawei so long as it did not threaten US National Security. President Trump, even though he frequently changed his stands, described the bilateral relationship between the US and China as one of "strategic partners". This indicates that Present Trump, different from other hawkish politicians, is still seeking for a possible deal while satisfying his voters. The two leaders' meeting is a relief to the equity market, but the tension between the two countries will not be removed as the issues of the trade balance and US concerns on China economic development are still there. Both nations are still facing many challenges in the future. This newsletter aims to highlight potential long-term outcomes and impacts beyond short-term news. Recent trade frictions, we believe, will make China even more determined to possess high end technology and capture the high value-added economic interest along the global value chain, which is currently already perceived by the US as a strategic threat to its economic power and national security. China needs to focus on internal practices to strengthen the competitiveness through the initiatives of opening-up sectors and reform. The country will steadily move forward to become a high-end manufacturing base of the world as it accumulated sufficient capital, technology and talents in the past years and the massive domestic market bodes well to meet the development objectives.

In spite of the increase in June, the valuation of market is still at an attractive level for a long-term horizon. Our current portfolio PE ratio is 17.3x estimated 2019 earnings, and the expected earnings growth rate is 17.4% through 2022. In our portfolio, we keep those industry leaders in the consumer and healthcare sectors which will benefit from the consolidation trend. In technology sectors, we carefully selected those high quality companies that are domestically driven, less impacted by global value chain and benefiting from the trend of import substitution. Considering the predictable quality growth, we believe that our portfolio can get through the possible turbulence in future.

Key Information

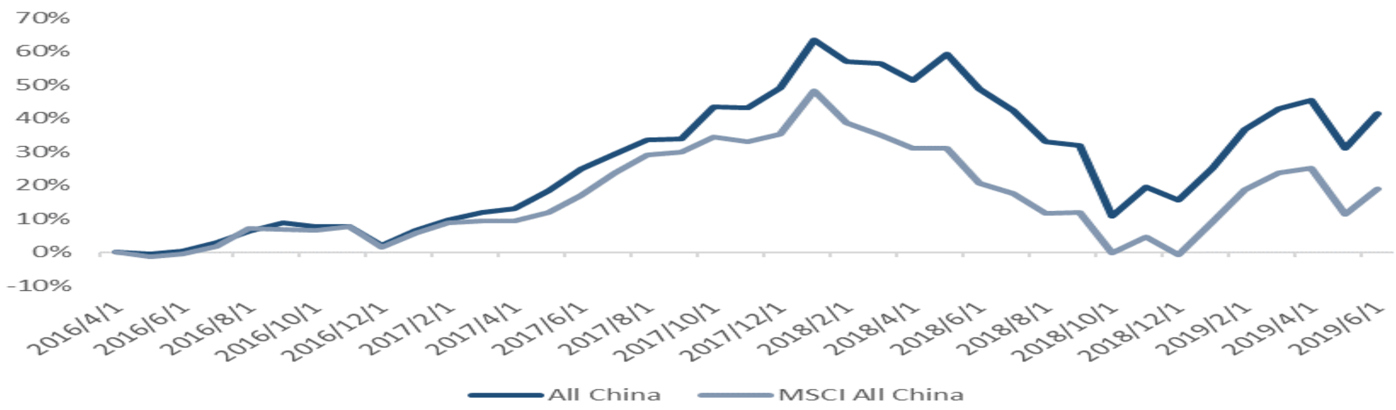
NAV (30/06/19)	US$ 92.03 (L1) /92.43 (L2)/100.12 (CB)	Strategy Assets	US$ 231 m[a]
Total Fund Size	US$ 64.5m	Fund Launch Date	16-Apr-18

Monthly Performance (%)

	Jul	Aug	Sep	Oct	Nov	Dec	2018	Jan	Feb	Mar	Apr	May	Jun	2019
Bin Yuan GC Fund	-4.3	-6.5	-1.1	-15.9	7.9	-3.3	-24.8	8.4	9.1	4.5	1.9	-9.9	7.9	22.4
MSCI All China Index[c]	-2.5	-5.1	0.2	-10.8	4.8	-5.0	-25.3	9.9	8.7	4.3	1.2	-11.1	6.8	19.8

Period Performance (%)

	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy[b]	22.35	-22.46	44.69	1.07	41.36	11.55
MSCI All China Index[c]	19.80	-26.64	33.37	1.47	18.95	5.63



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Top Ten Holding					
1	Ping An	6.57%	2	C&S Paper Co.	6.11%
3	Nari Technology	5.84%	4	Alibaba	5.28%
5	Jiangsu Yanghe	5.14%	6	Jiangsu Yuyue	4.99%
7	Shanghai Intl Air	4.81%	8	CM Bank – H	4.79%
9	Fuanna	3.92%	10	Bilibili	3.92%

Sectoral Breakdown	% of Assets
Consumer Discretionary	24
Financials	19
Consumer Staples	16
Industrials	13
Health Care	8
Communication Services	7
Information Technology	6

Market Breakdown	% of Assets
A Share	55
Hong Kong (Discounted Dual Listing)	21
Hong Kong	10
US ADR	9

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	16.63%	17.30%
Sharp Ratio	0.79	0.33
Information Ratio	1.33	
Tracking Error	5.71%	
Beta	0.97	
PE ex ADRs	17.46	

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
Period	**20081031**	**20130630**	**20160229**	**20190630**	**20190630**	**20190630**
Forward PE (X)	18.2	16.7	18.5	17.3	12.6	18.8
Forward PB (X)	2.7	2.7	3.1	3.4	1.6	3.1
Forward Div. Yield (%)	1.6	1.9	1.9	2.2	2.3	1.8
Forward ROE (%)	14.7	16.0	16.6	19.9	12.4	16.4
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	17.3	14.1	12.0
Forward PEGY	0.8	0.6	0.8	0.9	0.8	1.4
FCF Yield	3.0	5.0	10.0	6.8	10.4	2.7

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							0.8
FX Impact	-4.7	1.1	0.1	-0.2	-0.1	-1.5	0.5							-4.8
Subscription Impact	-4.0													-4.0
Net Performance	-24.7	8.4	9.1	4.5	1.9	-10.0	7.9							-8.0
Net Performance Excl. Subscription Impact	-20.7	8.4	9.1	4.5	1.9	-10.1	7.9							-4.0
Benchmark	-25.3	9.9	8.7	4.3	1.2	-11.1	6.8							-10.5

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Fund Codes			
Share Class	L1	L2	CB
Bloomberg	HFBYL1U LX	HFBYL2U LX	HFBYCBYLX
TK	040149745	040149751	040149740
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 C & 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 C	$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.