

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund appreciated 17.70% for the month of June (net of fees) compared to a 9.29% positive return for the benchmark. At the end of June, the Sub-Fund invested primarily in the Consumer, Information Technology, and Health Care sectors, with little weights in the Energy, Utilities and Real Estates sectors. For the month, the Sub-Fund outperformed the benchmark by 8.41%. In terms of stock selection, we did well in Information Technology and Consumer Discretionary while Consumer Staples lagged. In June, the positions that contributed the most to the portfolio's return were China Duty Free, Luxshare Precision and Bilibili. The positions that contributed the least in the month were Oppein Home, Anhui Conch and China Merchants Bank.

Manager's Commentary

The recent COVID-19 situation in Beijing has been well controlled. 325 people were tested positive by June 29, and the local government acted quickly to chase the close contacts. As of June 30, 7.687 million novel coronavirus tests have been completed in Beijing, and all contacts of confirmed cases have been tested. Since June 28, the number of new confirmed cases per day in Beijing has dropped to a single digit level. The high alert level and the experience dealing with the pandemic has made the situation under control. However, we should not expect the virus to disappear soon. The control of the mobility of people and the economy growth still need to be balanced.

China's economic recovery continued in May. Electricity generation, which is a sign of the economy dynamics in China, rose by 4.3% YoY in May, up from 0.3% YoY in April. The industrial output also expanded by 4.4% YoY in the current month. Excavator sales remained a high YoY growth of 68%, indicating strong construction needs. The property industry growth also returned to the positive territory in May. The real-estate contract sales increased by 9% and completed area rose by 10%.

Domestic consumption power remained strong. Parcel numbers, which reflected the performance of the E-commerce, hit 7.4 billion with a 41% YoY growth in May, averagely each person in China received 5.28 parcels. The growth of household air-conditioner installations YoY growth turned positive for the first 5 months of 2020, which is actually quite good considering the COVID-19 epidemic impacted the installation a lot. The travel industry also started to recover, so did the travel retail. Hainan duty-free retail sales surged by 148% to reach RMB2 billion in May.

Digitalization progress has been accelerated post outbreak. Mobility will be shifted from offline to online. Remote working, online services such as shopping, medical consultation and online education based on mobile platforms will continue to spring up. Infrastructure of digitalization, namely cloud investment, will pave the way for the digital applications. The digitalization in the information era will significantly lift productivity, change peoples' lifestyles, and generate enormous value over the next decades. The US and China will be the dominant leaders and largest beneficiaries. China which has the most efficient manufacturing supply chain, the largest group of software engineers, a well-established consumer market, is perfectly positioned to lead the digitalization society. The scale of the digital economy in China is estimated to hit RMB 35 trillion in 2019 which is equal to 35.4% of total GDP. It is a China investment theme that an investor should not miss for the next decade.

Our portfolio continues to invest in the top companies that benefit from the trend of consumption upgrade and digital transformation, which will serve as two major growth engines of China economy for the next decades.

Key Information

NAV (30/06/20) US\$ 127.41 (L1) /124.65 (L2)/138.61 (CB)/147.08 (CI) Strategy Assets US\$ 722 m^(a)
 Total Fund Size US\$ 195.6m Fund Launch Date 16-Apr-18

Period Performance (%)							
	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	29.69	30.60	-22.46	44.69	1.07	95.71	17.49
Index ^(c)	4.03	29.74	-26.64	33.37	1.47	34.01	7.28



Monthly Performance (%)														
	2019							2020						
	Jul	Aug	Sep	Oct	Nov	Dec	2019	Jan	Feb	Mar	Apr	May	Jun	YTD
Bin Yuan GC Fund	1.0	-3.1	0.1	3.3	-0.5	6.1	30.60	1.59	2.34	-4.28	6.51	3.96	17.70	29.69
Index ^(c)	0.0	-4.1	0.4	3.4	0.4	8.2	29.74	-0.71	-3.1	-6.84	6.59	-0.91	9.29	4.03

Top Ten Holding					
1	Tencent	6.83%	2	C&S Paper Co.	6.41%
3	China Duty Free	5.75%	4	Bilibili	5.63%
5	Luxshare Preci – A	5.34%	6	Jiangsu Yuyue	5.17%
7	Aier Eye Hsptl – A	4.63%	8	Geely Automobile	4.02%
9	S F Holding Co – A	3.85%	10	CM Bank – H	3.53%

Sectoral Breakdown	% of Assets
Consumer Discretionary	22
Information Technology	18
Consumer Staples	18
Health Care	15
Communication Services	12
Industrials	7
Financials	7

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	76
% of A share holding with foreign ownership below 10%	70
Mid Cap Exposure	46

Market Breakdown	% of Assets
A Share	57
Hong Kong (Discounted Dual Listing)	6
Hong Kong	22
US ADR	14

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

Since Inception ^(d)	Bin Yuan All China	Index
Volatility	17.13%	17.14%
Sharp Ratio	1.10	0.42
Information Ratio	1.58	
Tracking Error	7.28%	
Beta	0.97	
PE ex ADRs	22.05	

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
Period	20081031	20130630	20160229	20200630	20200630	20200630
Forward PE (X)	18.2	16.7	18.5	22.1	15.2	29.1
Forward PB (X)	2.7	2.7	3.1	4.4	1.8	4.5
Forward Div. Yield (%)	1.6	1.9	1.9	0.9	1.9	1.2
Forward ROE (%)	14.7	16.0	16.6	20.0	12.0	15.6
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	23.4	5.0	10.0
Forward PEGY	0.8	0.6	0.8	0.7	2.2	2.6
FCF Yield	3.0	5.0	10.0	2.1	9.5	3.5

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 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.