

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share Class L1) depreciated -6.06% for the month of March (net of fees) compared to a -6.35% return for the benchmark. At the end of March, the Sub Fund was mainly invested in the Information Technology, Consumer, and Communication Services sectors, with minimal weights in the Energy, Utilities and Real Estate sectors.

For the month, the Sub-Fund outperformed the benchmark by 29bps. In March, the positions that contributed the most to the portfolio's return were Ecovacs Robot, C&S Paper and Chaozhou Three Circle. The positions that contributed the least in the month were Bilibili, S. F. Holding and Aier Eye Hospital.

Manager's Commentary

After a strong performance in 2020, Chinese equities continued to run up pre Chinese New Year driven by hot money. The market pulled back after Chinese New Year taking inflation fears and the rise of the US treasury yield as catalysts.

The selling off was very healthy for the market and also gave us an opportunity to buy stocks at better prices for the next round of capital appreciation. Our job is to make sure the business fundamentals of our stock holdings are solid.

In recent weeks, the Bin Yuan team spent most of our time on the road visiting companies. We met with senior management to discuss their long term strategy. We spoke to divisional management, and did cross checking with peers, suppliers, customers, partners and industrial experts to understand industry trends and the competitive landscape. In the past three months, the team had 86 meetings, including 46 onsite visits, 40 calls, and 22 discussions with company chairmen. Below is a snapshot of the companies we spoke with:

1. Most of those companies are located in the Yangtze River Delta (Shanghai, Zhejiang and Jiangsu Province) and the Guangdong/Shenzhen Big Bay Area, the two regions with the most dynamic and innovative economy activity.
2. They are in the medical device, semiconductor, new energy, automation and control, new materials, connectivity, and smart/intelligence sectors, etc.
3. We were impressed by the depth of talent at these companies. They have strong entrepreneurship, technology know how, and most importantly, the management skills and global perspective gained from overseas education and working in multinational companies. They have had a strong academic and career path and the track record to prove themselves.
4. They are at inflection points gaining customer acceptance as their products and services are meeting new demands and they are becoming more competitive compared to foreign players. Some also benefit from the fast development of the whole domestic supply chain.
5. With strong talent, capital, technology, supply chain and fast adaptive culture, they have a strong competitive advantage to be in the first batch of companies benefiting from import substitution and to move ahead of foreign peers to meet new demands.
6. These future potential leaders are mostly mid cap names with market capitalization below USD 5bn. They are not well known even amongst domestic investors. Most of them are not accessible via the Stock Connects, only via QFII/RQFII. Foreign ownership accounts for only a low single digit % of total outstanding shares.
7. Valuations are attractive with current PEs circa 20x and PEG ratios less than 1, some even below 0.7, which provides great opportunities for investors.

Bin Yuan has started to use the recently approved RQFII quota to access these opportunities for our clients. We see 5-10 times upside for those companies that are still at an early stage of a long growth cycle.

Key Information

NAV (31/03/21)	US\$ 176.34 (L1) /170.30 (L2) /123.56 (AI) /127.16 (BI) /191.84 (CB) /125.88 (DB A) /127.26 (DI) /203.56 (CI)	Strategy Assets	US\$ 1,026 m ^(a)
Total Fund Size	US\$ 383.1m	Fund Launch Date	16-Apr-18

Period Performance (%)								
	2021	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	-2.19	83.51	30.60	-22.46	44.69	1.07	170.87	22.47
Index ^(c)	-1.49	33.41	29.74	-26.64	33.37	1.47	69.29	11.30



Monthly Performance (%)															
	2020											2021			
	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2020	Jan	Feb	Mar	YTD
Bin Yuan GC Fund	-4.28	6.51	3.96	17.70	12.16	3.90	-3.56	4.62	5.74	13.81	83.51	8.76	-4.27	-6.06	-2.19
Index ^(c)	-6.84	6.59	-0.91	9.29	11.27	5.27	-3.44	4.73	3.93	4.16	33.41	6.28	-1.03	-6.35	-1.49

Top Ten Holding					
1	CM Bank-H	7.63%	2	C&S Paper Co-A	6.71%
3	Tencent	5.88%	4	Ecovacs Roboti-A	5.54%
5	Bilibili	5.06%	6	Chinasoft Intl	4.78%
7	Chaozhou Three-A	4.68%	8	Aier Eye Hsptl-A	4.46%
9	Kweichow Moutai	4.11%	10	China Duty Free	3.72%

Sectoral Breakdown	% of Assets
Information Technology	23
Consumer Discretionary	14
Communication Services	14
Consumer Staples	11
Financials	11
Industrials	9
Health Care	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.

Since Inception ^(d)	Bin Yuan All China	Index
Volatility	18.27%	17.41%
Sharp Ratio	1.29	0.65
Information Ratio	1.51	
Tracking Error	8.15%	
Active Shares	82%	
Beta	1.00	
PE ex ADRs	22.68	

Market Breakdown	% of Assets
A Share (Connect + QFI)	50
Hong Kong (Discounted Dual Listing)	11
Hong Kong	20
US ADR	8

Valuation	Portfolio	Benchmark	Benchmark (excluding Financials)
Period	20210331	20210331	20210331
Forward PE (X)	26.4	16.0	49.6
Forward PB (X)	5.6	1.9	6.74
Forward Div. Yield (%)	0.8	1.7	1.1
Forward ROE (%)	21.4	11.9	13.5
Earning Growth (%) Forward 3 YR	22.2	10.0	13.6
Forward PEGY	1.1	1.4	3.4
FCF Yield	0.9	6.2	2.3

Fund Codes						
Share Class	AI	CB	CI	BI	DI A	DB A
Bloomberg	HEYGCAU LX	HFBYCBYLX	HFBYCIU LX	HEYGCBU LX	HBYCDIA LX	HEYGCD A LX
TK	040149630	040149740	040149734			055401977
ISIN	LU1778252558	LU1778255494	LU1778254844	LU1778253952	LU2200556392	LU2198582640
Lipper ID	68617991	68543207	68563916	68625053	68625729	
Sedol	BMY2Q30	BMXTP35	BMWVFG8	BMY1994		BM93CF2

Fund Details	
Dealing Day ^(d)	Daily
Dividends	None – income accumulated within the fund
Investment Manager	Bin Yuan Capital Room 1505, 15/F, 299QR 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

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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.