

Investment Review

The Hereford Funds Bin Yuan Greater China Sub-Fund appreciated 5.11% for the month of May compared to a 0.12% return for the MSCI All China Index including dividends. At the end of May, the Sub-Fund was invested primarily in the information technology, consumer discretionary and industrials sectors, with little weights in the energy, materials and real estates sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 4.99%. This was primarily the result of the Manager's selections in information technology sector. In May, the positions that contributed the most to the portfolio's return were Bilibili Inc., Sunny Optical, Fuanna, Han's Laser and Alibaba. The positions that contributed the least in the month were China Merchants Bank, China Vanke, Sany Heavy Industrials, Wuxi Little Swan and ICBC.

Manager's Commentary

China's economy maintained stable in May. The Producer Price Index (PPI) rose 3.4% year on year (YoY) in April 2018, up from 3.1% in March 2018. The Consumer Price Index (CPI) was down to 1.8% YoY, 0.3 percentage point lower than March. The official manufacturing Purchasing Managers' Index (PMI) rose from 51.4 in April to 51.9 in May, and the official Non-Manufacturing PMI also rose from 54.8 in April to 54.9 in May. Both manufacturing and non-manufacturing PMI was still above the expansion/contraction threshold of 50. Rail cargo volume increased by 1.4% YoY in April to reach about 305 million tons.

Starting from May 1, China quadrupled the daily quotas for Mainland-Hong Kong stock connect preparing for the possible capital inflow after the official inclusion of China A-shares into the widely tracked MSCI indexes in June. Per Wind and MSCI's data, China shares' weight in MSCI ACWI is 4.1%, which is too low to match China's 14.8% share of the world gross domestic product and the USD17 trillion valuation of China's equity and bond markets. The opening up of the Chinese capital markets will attract investors around the world to share growth in the Chinese market.

A total of 3,521 companies listed on the Shanghai and Shenzhen stock exchanges completed releasing their first-quarter results of 2018 by the end of April. The YoY revenue growth of A-share listed companies slowed down from 12.6% in 2017 to 11.9% in Q1 2018, while the YoY net profit growth also slowed down from 16.6% in 2017 to 15.6% in Q1 2018. Approximately 580 companies saw their profits doubled, while 336 companies saw their profits up 50% to 100%. This good result was primarily attributable to China's supply-side structural reform and improvements in the economy. The A share holdings in our portfolio recorded the average earnings growth of 23% in the first quarter, much higher rate than the overall market.

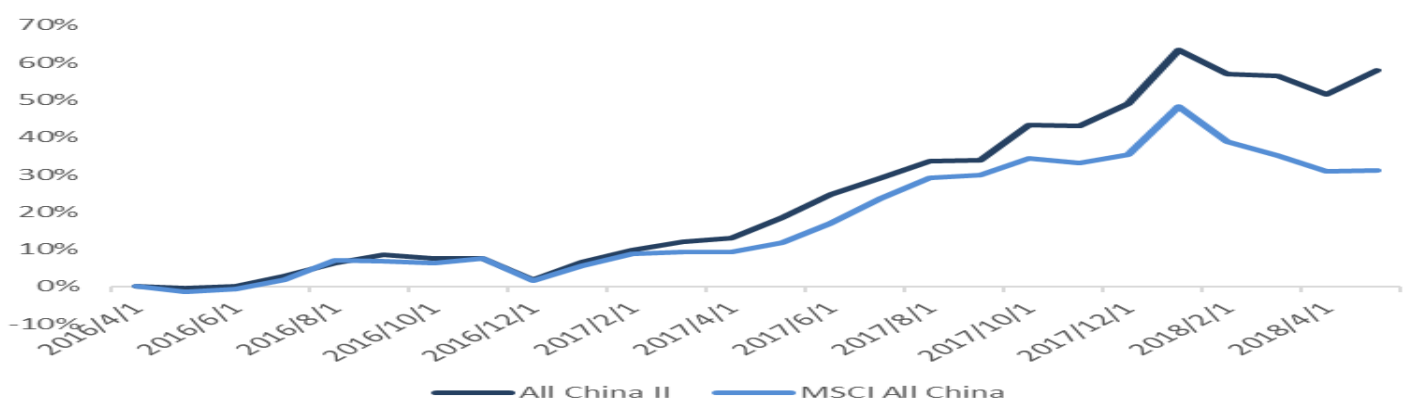
Our portfolio's current PE is 20.03x estimated 2018 earnings and expected earnings growth rate is 24.39% through 2021. Considering the predictable quality growth of the portfolio, we believe that our portfolio's valuation is quite attractive.

Key Information

NAV (31/05/18)	US\$ 103.64	Strategy Assets	US\$ 252 m ^(a)
Total Fund Size	US\$ 3.4m	Fund Launch Date	16-Apr-18

Monthly Performance (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Bin Yuan GC Fund				-1.4	5.1								3.6
MSCI All China Index ^(c)				-1.5	0.1								-1.3

Period Performance (%)					
	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China II Strategy ^(b)	5.93	46.31	1.85	57.84	24.49
MSCI All China Index ^(c)	-3.14	33.37	1.47	31.09	13.88



Top Ten Holding	
Nari Technology	China Merchants Bank
Alibaba	Sunny Optical Technology
Wuxi Little Swan	Han's Laser Technology
Jiangsu Yuyue Medical	CHINA CYTS-A
CHINA YONGDA AUT	Chaozhou Three Circle

Sectoral Breakdown	% of Assets
Information Technology	27
Consumer Discretionary	26
Industrials	15
Financials	10
Health Care	7
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.

Fund Codes		
Share Class	L1	L2
Bloomberg	HFBYL1U LX	HFBYL2U LX
TK	040149745	040149751
Lipper ID	68483958	68483959
Sedol	BFXVVR8	BFXVVS9

Since Inception ^(d)	Bin Yuan All China	MSCI All China
Volatility	11.67%	12.11%
Sharp Ratio	2.10	1.15
Information Ratio	1.59	
Tracking Error	5.66%	
Beta	0.86	

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	
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) Data and graph depict the Bin Yuan All China II Strategy since inception of May 2016 as of April 2018. The fund follows the same strategy. Historical gross performance of the Bin Yuan All China II Strategy returns (the Reference Strategy) are net of modeled fee (0.75% fee) and expenses typical of the Hereford Funds Bin Yuan Great China Fund Share Class L1 is 0.75% fee + 0.40% expense. After a longer period after the fund launch, we will use the Hereford Funds Bin Yuan Greater China Fund Share Class L1 in the graph.

(c) Total USD return including dividends.

(d) Data depict the Bin Yuan All China II 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.

Order Transmission Information

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