

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund appreciated 3.96% for the month of May (net of fees) compared to a -0.91% negative return for the benchmark. At the end of May, 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 4.87%. In terms of stock selection, we did well in Consumer Staples and Communication Services while Information Technology lagged. In May, the positions that contributed the most to the portfolio's return were C&S Paper, Bilibili and PINDUODUO. The positions that contributed the least in the month were Jianguo Yuyue, Geely Auto and Luxshare Precision.

Manager's Commentary

The Chinese economy is showing signs of recovery. The Manufacturing Purchasing Managers Index (PMI) decreased from 50.8 in April to 50.6 in May while the Non-Manufacturing PMI rose from 53.2 in April to 53.6 in May, both stayed above the threshold of 50. Domestic excavator sales growth reached 64% YoY in April, up from 11% in March, showing infrastructure construction has resumed. On the consumption side, the decelerating trends narrowed. Passenger car sales dropped 2.5% YoY in April, reflecting a strong recovery compared to the 48% YoY decline seen in March. Home appliance sales growth recovered from a 30% YoY decrease in March to a 9% decrease in April. Smartphone sales increased 14.2% YoY in April, up from minus 23.3% YoY in March. As businesses actively expand their online channels, the number of express packages continued to grow steadily at 32% YoY in April, faster than the 23% YoY growth seen in March.

Two major events concerned the market during the month. On May 15th, the US government restricted Huawei's ability to use US technology and software to design and manufacture semiconductors, which caused a sell off of companies doing businesses with Huawei. As we have indicated in the past, the trade conflict with the US will push China to invest in upstream technology to prepare for the potential supply chain disruption. The import substitution progress in the high-end technology space will be further accelerated.

The second is the 13th National People's Congress that was held at the end of the month. The Congress has passed The National Security Law that applies to Hong Kong from May 28. This law, in accordance with the Basic Law of Hong Kong, targets acts of secession, subverting state power and organizing and carrying out terrorist activities. The move is aimed at protecting Hong Kong's social stability; however, some politicians believe that this change has altered the agreement of keeping the Hong Kong status quo that was agreed between China and the United Kingdom.

The 13th National People's Congress meeting gave priority to stabilizing employment and ensuring people's livelihood while the government has set no specific goals for economic growth this year. China will keep an open stance and focus on reforms that we believe are very positive.

The establishment of Hainan Free Trade Port and related laws sends a strong signal to the "higher standard" of "opening-up". Chinese authorities on 1st June released a master plan for Hainan Free Trade Port, which shows China is aiming to establish a set of policies focusing on trade and investment facilitation across the whole island of Hainan by 2025, building an open economy by 2035 and a high level free trade port of global influence by midcentury.

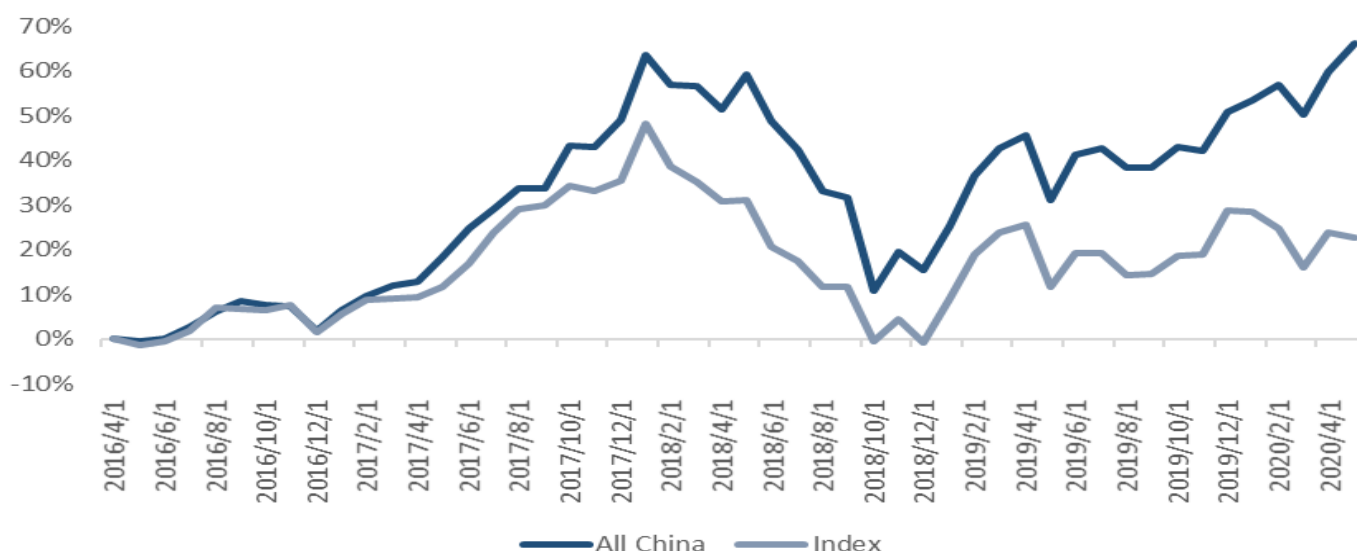
Future economic growth in China will be mainly driven by consumption. China has the largest middle-class group in the world which will be the solid base of continued consumption upgrades. Additionally, there are more than 550 million rural residents and around 600 million residents living in third-tier cities and below. As the urbanization progress continues and big city lifestyles penetrate into lower tier cities, more consumption power will be released. Consistent with these trends, we have allocated 70% of our portfolio to consumption and service sectors.

Key Information

NAV (31/05/20)	US\$ 108.25 (L1) /107.22 (L2)/117.77 (CB)/124.97 (CI)	Strategy Assets	US\$ 640 m ^(a)
Total Fund Size	US\$ 159.3m	Fund Launch Date	16-Apr-18

Period Performance (%)

	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy^(b)	10.19	30.60	-22.46	44.69	1.07	66.28	13.26
Index^(c)	-4.81	29.74	-26.64	33.37	1.47	22.61	5.12



Monthly Performance (%)														
	2019								2020					
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2019	Jan	Feb	Mar	Apr	May	YTD
Bin Yuan GC Fund	7.9	1.0	-3.1	0.1	3.3	-0.5	6.1	30.60	1.59	2.34	-4.28	6.51	3.96	10.19
Index ^(c)	6.8	0.0	-4.1	0.4	3.4	0.4	8.2	29.74	-0.71	-3.1	-6.84	6.59	-1.91	-4.81

Top Ten Holding					
1	C&S Paper Co.	7.60%	2	Tencent	6.57%
3	Aier Eye Hsptl – A	4.97%	4	Jiangsu Yuyue	4.97%
5	Alibaba	4.64%	6	Kweichow Moutai – A	4.55%
7	Bilibili	4.21%	8	CM Bank – H	3.99%
9	China Internat - A	3.93%	10	Jonjee High – Te - A	3.83%

Sectoral Breakdown	% of Assets
Consumer Staples	23
Consumer Discretionary	21
Information Technology	13
Health Care	13
Communication Services	11
Financials	6
Industrials	3
Materials	2

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	70
% of A share holding with foreign ownership below 10%	69
Mid Cap Exposure	45

Market Breakdown	% of Assets
A Share	54
Hong Kong (Discounted Dual Listing)	8
Hong Kong	18
US ADR	12

* Mid Cap stands for the market capitalization is below 15 Billion USD.

Since Inception ^(d)	Bin Yuan All China	Index
Volatility	15.43%	16.77%
Sharp Ratio	0.94	0.31
Information Ratio	1.50	
Tracking Error	6.30%	
Beta	0.91	
PE ex ADRs	18.93	

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
Period	20081031	20130630	20160229	20200531	20200531	20200531
Forward PE (X)	18.2	16.7	18.5	23.1	13.5	24.3
Forward PB (X)	2.7	2.7	3.1	4.4	1.6	3.9
Forward Div. Yield (%)	1.6	1.9	1.9	0.9	2.2	1.6
Forward ROE (%)	14.7	16.0	16.6	18.8	12.0	16.0
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	23.1	7.0	10.0
Forward PEGY	0.8	0.6	0.8	1.0	1.5	2.1
FCF Yield	3.0	5.0	10.0	3.1	9.3	3.2

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.