

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund appreciated 3.31% for the month of October (net of fees) compared to a 3.41% positive return for the MSCI All China Index including dividends. Since inception, the Sub-Fund recorded a net return of -6.89%, however, if we exclude the impact of -6.9% due to RMB depreciation and -4% due to subscription in October 2018, our performance driven by stock price movement and yield is an increase of 3.7%. During the same period, the benchmark was down by 11% in USD term. At the end of October, 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 underperformed the benchmark by 5bps. Compared to the benchmark, Communication Services and Industrials outperformed while Financials lagged. In October, the positions that contributed the most to the portfolio's return were Nari Technology, Bilibili and Pinduoduo. The positions that contributed the least in the month were Fortune Ng Fun, Chaozhou Three Circle and Shanghai Intl Airport.

Manager's Commentary

The economy data remained weak in October while consumers and services delivered better performance than manufacturing segments. The Producer Price Index (PPI) was -1.2% in September 2019, 0.4 percentage point lower than in August. And the official manufacturing Purchasing Managers' Index (PMI) was down from 49.8 in September to 49.3 in October, which was still below the threshold of expansion/contraction, primarily dragged by orders in hand and finished goods inventory. The official Non-Manufacturing PMI dropped from 53.7 in September to 52.8 in October, primarily dragged by finance and property sector. We believe this is not necessarily a bad thing as the capital resources will flow from finance and property to real economy. The Consumer Price Index (CPI) was 3.0% in September, up from 2.8% in August, which was partly contributed by the increase of the pork price due to the outbreaks of African swine fever in China. Rail cargo volume increased 5.8% YoY in September to 362 million tons.

On October 23, 2019, a new draft regulation was signed to optimize Chinese business environment to further open up its economy, spur market vitality and foster high-quality development. The draft focuses on the demand from market players and establishes basic institutional norms in business environment that give equal treatment to domestic and foreign enterprises. The government is taking solid steps towards fostering an open, transparent and fair business environment, which we believe will bring more capital into China and force China domestic players to reform to stay competitive.

A total of 3,706 companies listed on the Shanghai and Shenzhen stock exchanges completed releasing their Q3 2019 results by the end of October. Due to the slow-down economy, the year-on-year (YoY) revenue growth of A-share listed companies decreased from 14.7% in Q3 2018 to 7.9% in Q3 2019 and the YoY net profit growth decreased from 17.8% in Q3 2018 to 7.7% in Q3 2019. However, our holdings' weighted YoY revenue growth kept stable from 13.8% in Q3 2018 to 13.7% in Q3 2019, and weighted YoY net profit growth was up from 18.3% in Q3 2018 to 21.1% in Q3 2019. We keep focusing on structural opportunities in China despite overall weaker economy environment.

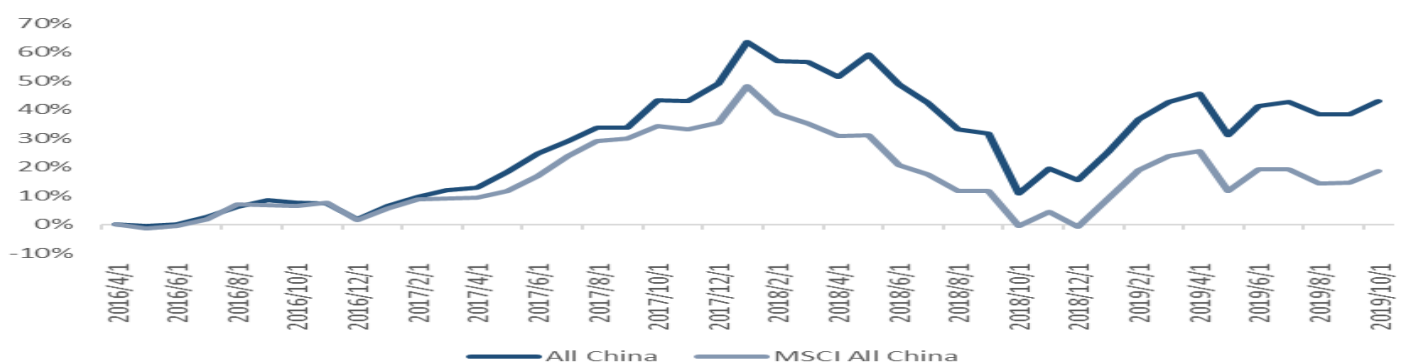
In our portfolio, we carefully select high-quality companies that are domestically driven, less impacted by global value chain and benefiting from the trend of import substitution. Our current portfolio PE ratio is 16.4x estimated 2020 earnings, the expected earnings growth rate is 18.3% through 2023 and the dividend yield is 1.8%. Considering the predictable quality growth, we believe that our portfolio can get through the possible turbulence in future.

Key Information

NAV (31/10/19) US\$ 93.11 (L1) /93.67 (L2)/101.29 (CB)/107.49 (CI) Strategy Assets US\$ 450 m^(a)
 Total Fund Size US\$ 141.8m Fund Launch Date 16-Apr-18

Monthly Performance (%)														
	Nov	Dec	2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	2019
Bin Yuan GC Fund	7.9	-3.3	-24.8	8.4	9.1	4.5	1.9	-9.9	7.9	1.0	-3.1	0.1	3.3	23.8
MSCI All China Index ^(c)	4.8	-5.0	-25.3	9.9	9.0	4.3	1.2	-11.1	6.8	-0.0	-4.1	0.4	3.4	19.5

Period Performance (%)						
	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	23.78	-22.46	44.69	1.07	43.02	10.76
MSCI All China Index ^(c)	19.46	-26.64	33.37	1.47	18.61	5.00



Top Ten Holding

1	CM Bank – H	6.95%	2	Ping An – H	6.13%
3	Nari Technology	5.51%	4	Alibaba	5.48%
5	Jiangsu Yuyue	5.46%	6	C&S Paper Co.	5.24%
7	Bank of Shanghai	4.44%	8	Bilibili	4.20%
9	Gree Electric - A	4.13%	10	Tencent	3.98%

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	15.97%	16.76%
Sharp Ratio	0.77	0.30
Information Ratio	1.33	
Tracking Error	5.47%	
Beta	0.96	
PE ex ADRs	14.79	

Sectoral Breakdown	% of Assets
Consumer Discretionary	24
Financials	18
Consumer Staples	16
Industrials	12
Information Technology	10
Health Care	10
Communication Services	8
Market Breakdown	% of Assets
A Share	58
Hong Kong (Discounted Dual Listing)	15
Hong Kong	13
US ADR	12
Under Discovered Holding	% of Assets
Under Discovered	53
% of A share holding with foreign ownership below 10%	72
Mid Cap Exposure	43

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

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
	20081031	20130630	20160229	20191031		
Forward PE (X)	18.2	16.7	18.5	16.4	12.9	21.8
Forward PB (X)	2.7	2.7	3.1	3.1	1.6	3.6
Forward Div. Yield (%)	1.6	1.9	1.9	1.8	2.3	1.5
Forward ROE (%)	14.7	16.0	16.6	18.7	12.7	16.6
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	18.3	13.4	15.5
Forward PEGY	0.8	0.6	0.8	0.8	0.8	1.3
FCF Yield	3.0	5.0	10.0	5.7	10.5	2.6

UCITS Fund Performance (%)

YEAR	2018	2019												
		01	02	03	04	05	06	07	08	09	10	11	12	ITD
Net Performance (Local FX)	-17.3	7.3	9.1	4.6	2.0	-8.5	7.4	0.6	-0.9	-0.1	2.5			3.7
FX Impact	-4.8	1.1	0.1	-0.2	-0.1	-1.5	0.5	0.4	-2.2	0.2	0.8			-6.8
Subscription Impact	-4.0													-4.0
Net Performance	-24.8	8.4	9.1	4.5	1.9	-10.0	7.9	1.0	-3.1	0.1	3.3			-6.9
Net Performance Excl. Subscription Impact	-21.2	8.4	9.1	4.5	1.9	-10.0	7.9	1.0	-3.1	0.1	3.3			-2.5
Benchmark	-25.3	9.9	10.0	4.3	1.2	-11.1	6.8	-0.0	-4.1	0.4	3.4			-11.0

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

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 initial/\$10,000 subsequent
Share Class B	\$5,000,000 initial/\$100,000 subsequent
Share Class CI & CB	\$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.

Order Transmission Information

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