

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund appreciated 4.62% for the month of October (net of fees) compared to a 4.73% return for the benchmark. At the end of October, the Sub Fund was invested primarily in the Consumer, Information Technology and Communication Services sectors, with minimal weights in the Energy, Utilities and Real Estates sectors.

For the month, the Sub-Fund underperformed the benchmark slightly by 11 bps. In October, the positions that contributed the most to the portfolio's return were Contemporary, Tencent and Aier Eye Hospital. The positions that contributed the least in the month were Yihai, China Duty Free and Hualan.

Manager's Commentary

China's domestic economy has recovered strongly during the National Day and Mid-Autumn Festival holiday in October. The total number of domestic tourists during the holiday was 618 million, exceeding the expectation of 550 million. Average daily passenger flow recovered to 91% of the National holiday in 2019. Sales revenue of key Chinese retail and catering businesses reached RMB1.6 trillion, representing 4.9% YoY growth. The 2020 National Day box office reached RMB3.92 billion, which was the second largest National Day box office in the history. Hainan recorded RMB1.04 billion in offshore duty-free shopping, 146,800 tourist trips and 998,900 products, up respectively 148.7%, 43.9% and 97.2% year-on-year. The domestic consumption upgrade trend is well on track.

China is currently the safest place in the world for manufacturing with COVID-19 virus being well under control. China's stable production is helping support the global supply chain, evidenced by the good export growth data. Foreign trade with ASEAN countries, China's largest trading partner, increased 7% YoY to RMB2.93 trillion from January to August. China's trade with the EU, its second-largest trading partner, grew by 1.4% YoY during the same period. China's exports were up 9.9% YoY in September, the fourth consecutive month of positive growth this year.

China Securities Regulatory Commission (CSRC) has publicly released a clear signal that the IPO registration system reform will be fully implemented. In the future, the IPO system is expected to be fully liberalized with market-oriented pricing. At the same time, a more rigorous delisting mechanism will also be established. The reform will facilitate the financing of high-quality companies, accelerate the exit of low-quality companies, which will improve the overall governance of A-share listed companies.

The current PE of stocks in our portfolio is 25.1x estimated 2021 earnings and expected annual earnings growth rate is 21% through 2023. Considering the predictable quality growth of the portfolio, we believe that our portfolio's valuation remains attractive.

Key Information

NAV (31/10/20)	US\$ 149.81 (L1) /146.56 (L2) /105.19 (AI) /108.14 (BI) /162.97 (CB) /106.83 (DB A) /108.00 (DI) /172.93 (CI)	Strategy Assets	US\$ 911 m ^(e)
Total Fund Size	US\$ 279.1m	Fund Launch Date	16-Apr-18

Period Performance (%)							
	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy^(b)	52.49	30.60	-22.46	44.69	1.07	130.12	20.35
Index^(c)	23.24	29.74	-26.64	33.37	1.47	58.75	10.82



Monthly Performance (%)														
	2019			2020										
	Nov	Dec	2019	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	YTD
Bin Yuan GC Fund	-0.5	6.1	30.60	1.59	2.34	-4.28	6.51	3.96	17.70	12.16	3.90	-3.56	4.62	52.49
Index ^(c)	0.4	8.2	29.74	-0.71	-3.1	-6.84	6.59	-0.91	9.29	11.27	5.27	-3.44	4.73	23.24

Top Ten Holding					
1	Tencent	7.94%	2	Comtemporary A-A	6.41%
3	CM Bank – H	6.29%	4	Aier Eye Hsptl-A	5.77%
5	Meituan Dianpi-B	4.81%	6	S F Holding Co-A	4.69%
7	Bilibili	4.42%	8	PDD	4.38%
9	C&S Paper Co-A	4.25%	10	Luxshare Preci-A	4.03%

Sectoral Breakdown	% of Assets
Consumer Discretionary	18
Information Technology	16
Consumer Staples	16
Communication Services	14
Health Care	13
Industrials	11
Financials	8

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	17.38%	17.55%
Sharp Ratio	1.24	0.62
Information Ratio	1.52	
Tracking Error	7.11%	
Active Shares	76%	
Beta	0.97	
PE ex ADRs	23.28	

Market Breakdown	% of Assets
A Share	51
Hong Kong (Discounted Dual Listing)	8
Hong Kong	23
US ADR	14

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
	20081031	20130630	20160229	20201031		
Period				20201031	20201031	20201031
Forward PE (X)	18.2	16.7	18.5	25.1	17.7	38.4
Forward PB (X)	2.7	2.7	3.1	5.3	2.0	6.0
Forward Div. Yield (%)	1.6	1.9	1.9	0.8	1.6	1.1
Forward ROE (%)	14.7	16.0	16.6	21.2	11.5	15.5
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	20.9	5.0	10.4
Forward PEGY	0.8	0.6	0.8	1.2	2.7	3.3
FCF Yield	3.0	5.0	10.0	2.1	8.3	3.5

Fund Codes						
Share Class	L1	L2	AI	CB	CI	BI
Bloomberg	HFBYL1U LX	HFBYL2U LX	HEYGCAU LX	HFBYCBYLX	HFBYCIU LX	HEYGCBU LX
TK	040149745	040149751	040149630	040149740	040149734	
ISIN	LU1778255734	LU1778256203	LU1778252558	LU1778255494	LU1778254844	LU1778253952
Lipper ID	68483958	68483959		68543207	68563916	68625053
Sedol	BFXVVR8	BFXVVS9	BMY2Q30			BMY1994

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	0.75%

Minimum Investment	
Share Class A	\$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.

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