

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund appreciated 0.23% for the month of September compared to a 0.35% positive return for the MSCI All China Index including dividends. Since inception, the Sub-Fund recorded a return of -8.46%, however, if we exclude the impact of -7.7% due to RMB depreciation and -4% due to subscription in October last year, our performance driven by stock price movement and yield is an increase of 2.4%. During the same period, the benchmark was down by 14% in USD term. At the end of September, 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 12 bps. Compared to the benchmark, Industrials and Information Technology outperformed while Consumer Staples lagged. In September, the positions that contributed the most to the portfolio's return were Nari Technology, SG Micro Corp and China Merchants Bank. The positions that contributed the least in the month were C&S Paper, Alibaba and Vitasoy.

Manager's Commentary

We are glad to announce that Bin Yuan Capital has been recently approved by Principles for Responsible Investments (UNPRI), the world's leading proponent of responsible investment. Inherited from our prior working history with one of the largest US corporate pension institutions, environmental, social and governance (ESG) factors are embedded in our mindset. Since the starting date in 2012, we have integrated these ESG factors into a systematic ESG rating system, which is part of our stock selection process. The registration with UNPRI is a recognition of our efforts from a reputable organization. ESG is a very fresh concept in China and the public available ESG reports may not be necessarily reflecting the real ESG conditions of the companies. To give a closer to reality rating, more research including on-the-ground investigation and engagement with firms is needed instead of just relying on public available information.

Our ESG rating system is incorporated with our fundamental company research and extensive due diligence/on company site meetings with different levels of staffs in the firms. We will verify the information we collected from different sources and interview stakeholders on the reputation of the companies. Bin Yuan will not invest in those companies that have a low ESG rating and on-the-ground due diligence has helped to steer away from investing in low corporate governance companies. We are highly aware of climate change matters and we only focus on carbon emission efficient industries. When conducting on-site visits to factories, we observe the energy saving practices of the companies, including limiting air-conditioning temperatures, shifting to clean energy, and moving to third-party certified energy-saving office buildings, etc. We pay attention to industrial waste treatment with our own eyes combined with analyzing company provided data and interviewing with the neighborhood. By speaking to different level employees in a company, we understand whether workers have reasonable working hours and are provided with protective clothing.

An ESG engagement system is used to reinforce the ESG rating process. Engagement is integrated with our ESG work and is the interaction between us and companies. Since ESG is new to China, it becomes a part of our job to engage with the management to provide our opinion and advices, share best practices and make sure the companies are improving. After the communication, we will track the actions of the company and re-rate the ESG factors from the management dimension based on the progress.

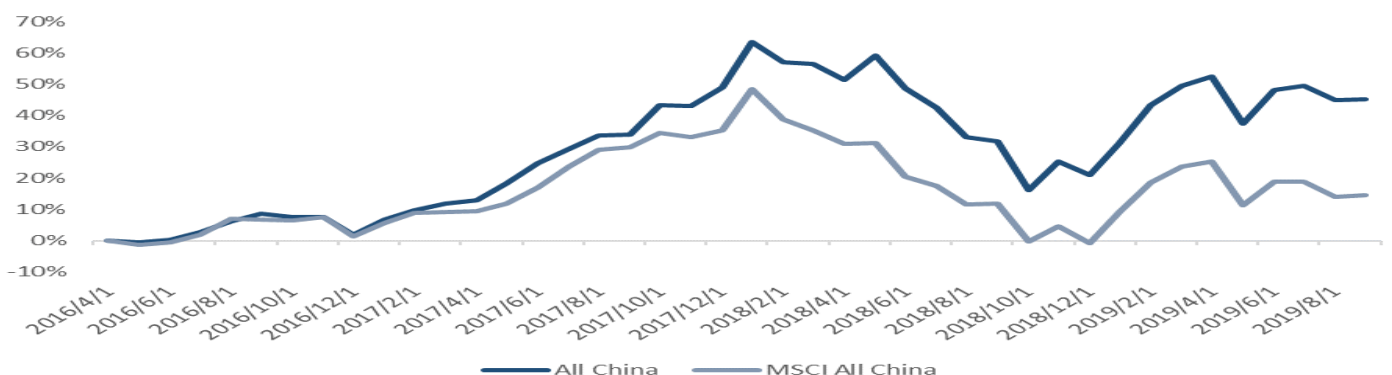
With continued education and engagement, the ESG awareness of Chinese companies was raised gradually in the past years. The government initiatives, including strict environmental policy have also fueled the improvements. However, corporate ESG reporting quality is still behind the progress they have accomplished. This is one of the inefficiencies at the investment universe that a fund manager could take advantage of. Through on-the-ground research and engagement with companies, we could possess earlier and better understanding of the companies' culture and execution in terms of ESG. In our past experiences, high ESG rating companies (ESG rating > 3 in our system) outperformed benchmark by almost 300% in the past 11 years. Our portfolio only focuses on stocks with good ESG ratings, which we believe could grant us long term sustainable returns.

Key Information

NAV (30/09/19) US\$ 90.13 (L1) /90.64 (L2)/98.06 (CB)/104.05 (CI) Strategy Assets US\$ 437 m^(a)
Total Fund Size US\$ 136.5m Fund Launch Date 16-Apr-18

Monthly Performance (%)														
	Oct	Nov	Dec	2018	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	2019
Bin Yuan GC Fund	-15.9	7.9	-3.3	-24.8	8.4	9.1	4.5	1.9	-9.9	7.9	1.0	-3.1	0.2	20.0
MSCI All China Index ^(c)	-10.8	4.8	-5.0	-25.3	9.9	8.7	4.3	1.2	-11.1	6.8	-0.0	-4.1	0.4	15.2

Period Performance (%)						
	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	19.92	-22.46	44.69	1.07	38.33	10.22
MSCI All China Index ^(c)	15.24	-26.64	33.37	1.47	14.02	4.01



Top Ten Holding

1	CM Bank – H	7.18%	2	Ping An – H	6.82%
3	Nari Technology	5.73%	4	Jiangsu Yuyue	5.60%
5	Alibaba	5.39%	6	C&S Paper Co.	5.37%
7	Bank of Shanghai	4.55%	8	Tencent	4.26%
9	Shanghai Intl Air	4.22%	10	Gree Electric - A	4.12%

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	16.13%	16.85%
Sharp Ratio	0.71	0.24
Information Ratio	1.36	
Tracking Error	5.52%	
Beta	0.96	
PE ex ADRs	15.73	

Sectoral Breakdown	% of Assets
Consumer Discretionary	19
Financials	19
Consumer Staples	17
Industrials	13
Information Technology	11
Health Care	8
Communication Services	8
Market Breakdown	% of Assets
A Share	59
Hong Kong (Discounted Dual Listing)	16
Hong Kong	11
US ADR	9
Under Discovered Holding	% of Assets
Under Discovered	51
% of A share holding with foreign ownership below 10%	74
Mid Cap Exposure	41

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

Valuation	Portfolio				Benchmark	Benchmark (excluding Financials)
	20081031	20130630	20160229	20190930		
Forward PE (X)	18.2	16.7	18.5	18.4	12.5	19.6
Forward PB (X)	2.7	2.7	3.1	3.6	1.5	3.2
Forward Div. Yield (%)	1.6	1.9	1.9	1.9	2.3	1.8
Forward ROE (%)	14.7	16.0	16.6	19.7	12.3	16.4
Earning Growth (%) Forward 3 YR	22.0	27.0	21.0	18.3	15.6	14.8
Forward PEGY	0.8	0.6	0.8	0.9	0.7	1.2
FCF Yield	3.0	5.0	10.0	5.8	10.1	2.7

UCITS Fund Performance (%)

YEAR	2018	2019												
		01	02	03	04	05	06	07	08	09	10	11	12	ITD
Net Performance (Local FX)	-16.0	7.3	9.1	4.6	2.0	-8.5	7.4	0.6	0.6	0.0				2.4
FX Impact	-4.7	1.1	0.1	-0.2	-0.1	-1.5	0.5	0.4	-2.2	0.2				-7.7
Subscription Impact	-4.0													-4.0
Net Performance	-24.7	8.4	9.1	4.5	1.9	-10.0	7.9	1.0	-3.1	0.2				-9.4
Net Performance Excl. Subscription Impact	-20.7	8.4	9.1	4.5	1.9	-10.1	7.9	1.0	-3.1	0.2				-5.4
Benchmark	-25.3	9.9	8.7	4.3	1.2	-11.1	6.8	-0.0	-4.1	0.4				-13.9

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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