

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share Class L1) appreciated 0.72% for the month of September (net of fees) compared to a -2.71% return for the benchmark. At the end of September, the Sub Fund was mainly invested in the Information Technology, Health Care, Industrials and Consumer sectors, with zero weights in the Energy, Utilities and Real Estate sectors.

For the month, the Sub-Fund outperformed the benchmark by 3.43%. In September, the positions that contributed the most to the portfolio's return were Fu Jian Anjoy, Aier and Shenzhen Mindr. The positions that contributed the least in the month were Guangzhou Jet, Bilibili and Li Ning.

Manager's Commentary

In September two events kept investors alert. One was the credit risk of Evergrande, the property company, and the other was power consumption controls. We have written a short note on Evergrande, and consensus has shifted to view Evergrande's risk as significant but not a Lehman type situation. Please see below a review of the power consumption situation.

At the beginning of 2021, the Chinese government implemented a strict national energy consumption control system to contain carbon emissions at the provincial level. However, both the central and some local governments realized as the end of Q3 approached that they would not be able to meet this requirement and started to cut down power consumption. In addition, as part of the energy efficiency program, there was a crackdown on the over-exploitation of thermal coal which reduced coal production. The combination of the above led to the power shortages in September.

The carbon reduction initiative is aimed at killing three birds with one stone: lifting the efficiency of energy consumption, upgrading the manufacturing sector to high value-added industries, and meeting the government goal of making China a green society. Progress on meeting the 2060 Carbon Neutralization target announced by Xi Jinping last year is in line with the global trend.

The era of purely chasing GDP growth is over. Going forward China will pursue quality growth to balance both development and social responsibility. Growth creating pollution and wasting resources will not be favored. High value-added and low energy intensive industries that are supported by the government to move up the value ladder will be the sweet spot of China investment in the long term.

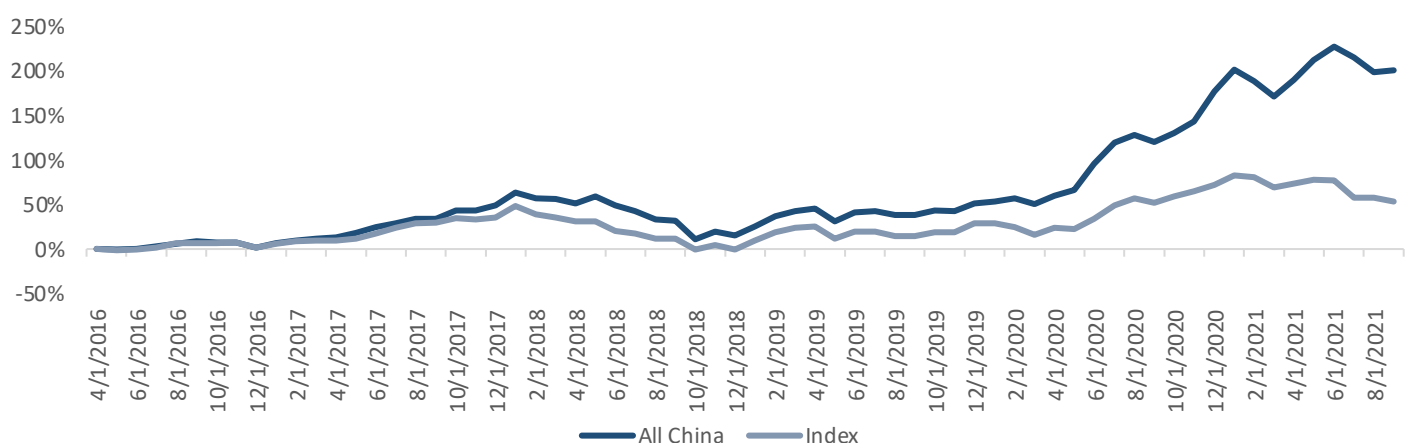
Our strong investment performance over the past five years has benefited from Bin Yuan's commitment to ESG investing. As the first investment manager in China integrating ESG in our investment process, our path has converged with Chinese society recognizing the importance of ESG. Our portfolio holdings are well positioned and in line with government initiatives to promote a better living environment. The average energy efficiency of our holdings is very high at 157 RMB revenue per kwh electricity consumed, compared to 7.1 RMB revenue/kwh in the manufacturing sector and 13.7 RMB revenue/kwh in the overall society. None of our portfolio holdings have encountered power outage problems.

Key Information

NAV (30/09/21)	US\$ 195.84(L1)/184.68(L2)/136.88(AI)/103.96(AI EUR)/95.28(AI GBP)/141.04(BI)/213.05(CB)/139.98(DB A)/141.51(DI A)/226.07(CI)	Strategy Assets	US\$ 1,330 m ^(a)
Total Fund Size	US\$ 608.2m	Fund Launch Date	16-Apr-18

Period Performance (%)

	2021	2020	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	8.63	83.51	30.60	-22.46	44.69	1.07	200.82	22.55
Index ^(c)	-10.65	33.41	29.74	-26.64	33.37	1.47	53.55	8.24



Monthly Performance (%)														
	2020				2021									
	Oct	Nov	Dec	2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	YTD
Bin Yuan GC Fund	4.62	5.74	13.81	83.51	8.76	-4.27	-6.06	6.90	7.84	4.76	-3.72	-5.17	0.72	8.63
Index ^(c)	4.73	3.93	4.16	33.41	6.28	-1.03	-6.35	2.31	2.80	-0.48	-11.13	0.22	-2.71	-10.65

Top Ten Holding					
1	IRAY Technolog-A	8.63%	2	CM Bank (A+H)	6.67%
3	Chinasoft Intl	6.40%	4	Fu Jian Anjoy-A	4.99%
5	Shenzhen MINDR-A	4.32%	6	Ecovacs Roboti-A	4.29%
7	Chaozhou Three-A	3.99%	8	SG Micro Corp-A	3.89%
9	Hunan Baili En-A	3.53%	10	Luxshare Preci-A	3.39%

Sectoral Breakdown ^(e)	% of Assets
Information Technology	27
Health Care	22
Industrials	14
Consumer Staples	12
Consumer Discretionary	11
Financials	7
Communication Services	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.

Since Inception ^(d)	Bin Yuan All China	Index
Volatility	18.11%	17.49%
Sharp Ratio	1.30	0.47
Information Ratio	1.66	
Tracking Error	9.24%	
Active Shares	88%	
Beta	0.96	
PE ex ADRs	25.47	

Market Breakdown	% of Assets
A Share (Connect + QFI)	75.1
Hong Kong (Discounted Dual Listing)	3.7
Hong Kong	15.9
US ADR	0.2

Valuation	Portfolio	Benchmark	Benchmark (excluding Financials)
Period	20210930	20210930	20210930
Forward PE (X)	26.9	15.2	19.1
Forward PB (X)	5.8	1.9	2.4
Forward Div. Yield (%)	0.7	1.8	1.1
Forward ROE (%)	21.5	12.8	12.7
Earning Growth (%) Forward 3 YR	25.3	10.0	14.6
Forward PEGY	1.0	1.3	1.2
FCF Yield	0.8	4.9	1.8

Fund Codes							
Share Class	AI	AI GBP	CB	CI	BI	DI A	DB A
Bloomberg	HEYGCAU LX	HEYGCAU LX	HFBYCBY LX	HFBYCIU LX	HEYGCBU LX	HBYCDIA LX	HEYGDA LX
TK	040149630		040149740	040149734			055401977
ISIN	LU1778252558	LU1778252715	LU1778255494	LU1778254844	LU1778253952	LU2200556392	LU2198582640
Lipper ID	68617991		68543207	68563916	68625053	68625729	
Sedol	BMY2Q30	BNLYXY6	BMXTP35	BMWWFG8	BMY1994		BM93CF2

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

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15, Avenue John F Kennedy,
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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 C	0.75%
Share Class DI A, DB A	0.50%

Minimum Investment	
Share Class A	\$100,000 Minimum initial subscription & holding
Share Class B	\$5,000,000 Minimum initial subscription & holding
Share Class C	\$10,000,000 Minimum initial subscription & holding
Share Class DI A, DB A	\$100,000,000 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.
- (e) We set sector exposure according to GICS classification, and the maximum exposure will not exceed 40%. The reason we set at 40% is some industrial and communication service companies are misclassified as information technology in GICS.