

Investment Review

Hereford Funds – 360 ONE Focused India Fund (“Fund”) registered a return of 5.3% in USD terms in the month of December, against 7.7% reported by MSCI India IMI Index in USD terms. At the end of December, the Sub-Fund was primarily invested in financials, industrials, consumer discretionary, information technology, utilities & communication services, amongst others.

Manager’s Commentary (in INR terms)
India Equity Markets: 2023

In 2023, India's equity markets reached historic highs, propelled by robust economic momentum, the conclusion of the global central banks' rate hike cycle, substantial Foreign Portfolio Investment (FPI) inflows, healthy domestic flows, and solid macro fundamentals. S&P BSE Sensex and Nifty-50 delivered 18.7% and 20% INR returns, respectively, in CY2023. However, mid-cap and small-cap indices significantly outperformed the large-caps during the year. S&P BSE Mid-cap and S&P BSE Small-cap registered yearly gains of 45.5% and 47.5%, respectively.

Real Estate emerged as the top-performing sector in 2023, recording a gain of 79.5%, followed closely by Industrials, which posted a 69.3% increase. PSU and Auto sectors also demonstrated strong performances, securing gains of 55.3% and 46%, respectively. On the other hand, Bankex, Finance, and Tech sectors underperformed, showing comparatively modest gains of 11.2%, 17.1%, and 18.8%, respectively.

Indian Equity Markets: December 2023

In December 2023, India's benchmark equity indices achieved record highs, with the NSE Nifty 50 and BSE Sensex posting monthly INR gains of 7.9% and 7.8%, respectively. The markets initially surged following the announcement of the State Legislative Assembly results in crucial states, as the results suggested policy continuity at the Centre. Later, the markets rallied due to a dovish FOMC policy and expectations of aggressive rate cuts in 2024. Strong FPI inflows and robust economic momentum further supported the equities.

Foreign Portfolio Investors (FPIs) remained net buyers in October 2023 with total inflows of US\$ 7.9 bn, while Domestic Institutional Investors (DIIs) made purchases amounting to US\$ 1.6 bn during the month. The S&P BSE Mid-cap index and S&P BSE Small-Cap index underperformed the benchmark, recording monthly gains of 7.5% and 5.7%, respectively. Among the sector indices, Utilities, Power, PSU, and Metals are the top performers, with monthly gains of 20.0%, 18.2%, 15.3%, and 11.3%, respectively. Auto and Healthcare, on the other hand, relatively underperformed, with monthly gains of 5.4% and 3.9%, respectively.

In the December 2023 meeting, the RBI Monetary Policy Committee (MPC) decided to maintain the repo rate at 6.5% and retained the policy stance. The RBI revised the FY24 real GDP growth to 7% YoY, up from 6.5% YoY in the previous policy. The RBI expects demand conditions to benefit from the continued strengthening of manufacturing activity, healthy bank and corporate balance sheets, gradual recovery in the rural sector, and improving business optimism. However, the growth outlook faces headwinds from geopolitical tensions, volatile financial markets, and geo-economic fragmentation.

In Q2 FY24, India's Current Account Deficit (CAD) marginally narrowed to 1.0% of GDP from 1.1% in the previous quarter. The current account was broadly stable because an improvement in services exports offset the higher merchandise trade deficit. The capital account surplus fell substantially to US\$ 10 bn in Q2 from US\$ 34 bn in the previous quarter due to lower FPI equity, FDI, and banking capital inflows. Consequently, the Balance of Payments (BoP) surplus decreased to US\$ 2.5 bn from US\$ 24.4 bn in the previous quarter.

High-frequency economic activity indicators continue to reflect steady momentum in economic activity. Steel consumption and cement production continue to post double-digit growth, reflecting strong construction activity. Freight/cargo indicators across air, rail, and port have witnessed improvement in recent months. Retail credit growth remained healthy at 18.6% YoY in November 2023. However, the slow progress of rabi sowing poses a risk to rural recovery.

Outlook

The BSE Sensex is trading at a price-to-book ratio of approximately 3.73x; this represents a 20% premium compared to its 20-year historical average. However, large-caps offer a better risk/reward ratio than small and mid-caps. Given the frothy valuations, we maintain caution regarding the small-cap and mid-cap segments.

Favourable macroeconomic conditions, such as a stable current account, robust corporate balance sheets, a resilient banking sector, and fiscal consolidation, provide comfort on long-term growth prospects. The fundamental outlook seems reasonable as corporate earnings are projected to grow at a compound annual growth rate (CAGR) of 15-17%, accompanied by an improving return on equity (RoE).

We advocate for a bottom-up investment approach, given the current economic landscape. Over the medium term, the economy's fundamental outlook remains appealing. The investment cycle continues to ramp up, as evidenced by robust revenue growth, order bookings, and cash flows of industrial companies.

We maintain a positive outlook on the banking sector due to healthy credit growth and low stress levels. However, the increase in term deposit rates and the declining CASA ratio are raising the cost of deposits for banks, leading to normalisation in net interest margins from the peak levels. Additionally, regulatory measures announced by the RBI to limit unsecured personal loans will require higher capital requirements. This may also slow down growth in this segment. Nevertheless, the banking sector is sufficiently capitalised to meet these requirements.

Another space that is experiencing strong traction is the Indian power sector. India has been experiencing significant growth in power demand due to industrialisation, urbanisation, and a rising population. Peak power shortages have resurfaced in the system, reaching 4% in FY23, marking a departure from the country's previous trend of a secular decline in peak power shortages—from 12% in FY02 to 0.4% in FY21. Power demand has remained in the high single digits to early double digits over the last 24 months.

Several exciting developments are unfolding in the power market. A conscious slowdown in adding fresh thermal capacity over the last few years, coupled with ambitious targets in renewable energy, is adding to the challenges. The Power Minister has significantly increased the target for coal-based thermal power plants from 40 GW in the pipeline to 80 GW recently. Overall, Indian companies in the power utilities and equipment segments are poised to benefit from the strong capacity addition across thermal and renewables.

In a broader sense, our outlook leans more favourably towards inward-looking sectors that rely on domestic factors, as opposed to outward-looking sectors contingent upon global influences.

Key Information :

NAV (as of 31 Dec 2023)	USD 124.80 (Share Class L1)	Strategy Assets ^(a)	USD 2.48 billion
Total Fund Size	USD 58.4 million	Fund Launch date	30 September 2022

Monthly performance %

	2022				2023													ITD*
	Oct	Nov	Dec	2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	
360 ONE Focused India Fund (Class L1)	2.2	3.7	-4.6	1.1	0.2	-2.5	1.2	3.9	1.9	5.2	1.8	-0.2	1.7	-3.6	6.8	5.3	23.4	19.4
MSCI India IMI Index	1.9	4.7	-5.2	1.2	-2.5	-4.2	0.8	4.4	3.2	5.3	3.7	-0.5	1.5	-2.9	7.2	7.7	25.1	20.8

NAV and Returns are in USD. Benchmark returns are shown only for comparison purposes. Past performance may or may not be sustained in future. * Inception till date (ITD) returns represent CAGR from 30 Sept 2022.

360 ONE Focused India Fund

SFDR status: Article 6

31 December 2023

Periodic Performance % (including Reference Strategy) ^(b)

	1 month	3 months	6 months	1 year	3 years	Annualized (Since 1 Sept 2018)
Fund (incl. Reference Strategy)	5.3	8.4	12.1	23.4	13.9	14.2
MSCI India IMI Index	7.7	12.0	17.3	25.1	14.0	10.1

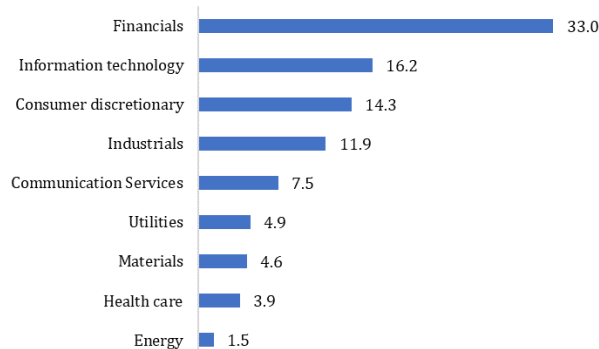
Growth of USD 100 since 1 September 2018 ^(c)



Top 10 Holdings

Securities	GICS Sector	% of AUM
HDFC Bank	Financials	8.2
ICICI Bank	Financials	7.8
Tata Motors	Consumer Discretionary	6.1
Axis Bank	Financials	5.9
Infosys	Information Technology	5.8
Larsen & Toubro	Industrials	5.5
NTPC	Utilities	4.9
Bharti Airtel	Communication Services	4.2
Cholamandalam Investment and Finance Co.	Financials	3.6
Cyient	Information Technology	3.6

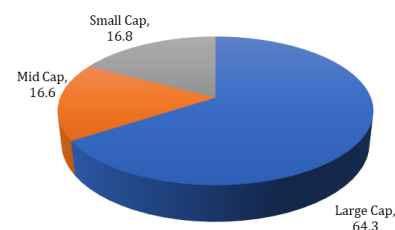
Sector Weighting %



Fund Statistics ^(d)

Ratios	Fund	Benchmark
P/E	19.7	22.5
P/B	3.6	3.6
ROE	18.1%	15.8%
EPS Growth (FY23-25E)	27.5%	19.1%

Market Capitalization % ^(e)



Important notes:

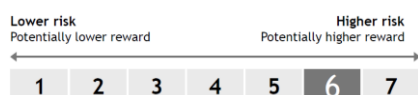
- (a) Total assets managed by the Investment Manager under its diversified public equity strategy across various funds and segregated mandates.
- (b) Table depicts the combined performance of UCITS and Reference Strategy (360 ONE Focused Equity Fund). The Reference Strategy was launched by the Investment Manager on 30 Oct 2014, but the current investment management team started managing it from 1 Sept 2018 onwards. Hence, the table depicts the performance of Reference Strategy from 1 Sept 2018 till the UCITS launch on 30 Sept 2022. Thereafter, actual returns of UCITS Share Class L1 are included. Performance of Reference Strategy (gross of taxes) is simulated by adjusting its estimated gross returns with a modeled fee of 0.75% p.a. and expenses of 0.25% p.a. UCITS follows a similar strategy to the Reference Strategy except for the investment restrictions followed as per Indian and Luxembourg regulations. The performance of Reference Strategy and the UCITS are strictly not comparable. The Reference Strategy may or may not be available for investments in certain jurisdictions. This document shall not be construed as solicitation of investments in the Reference Strategy.
- (c) The growth chart depicts the performance of Reference Strategy (gross of taxes) against MSCI India IMI Index from 1 September 2018 till the fund launch date 30 September 2022 and the actual net performance of Share Class L1 from 30 September 2022 onwards.
- (d) Source: Bloomberg estimates. P/E, P/B and ROE are based on FY24 estimates. P/E = price to earnings ratio. P/B = price to book ratio and ROE = return on equity.
- (e) Market capitalization categories have been defined using classification given by Association of Mutual Funds in India (AMFI). The consolidated list of stocks in terms of full market capitalization is as per the list uploaded by AMFI, as per SEBI circulars dated 6 October 2017 and 4 December 2017. Large Cap Companies: 1st -100th company in terms of full market capitalization. Mid Cap Companies: 101st -250th company in terms of full market capitalization. Small Cap Companies: 251st company onwards in terms of full market capitalization.

Investment Objective

The Fund seeks to provide long-term capital growth, measured in USD, primarily through investment in equities and equity-linked securities of Indian companies or companies deriving a significant portion of their business from India.

The investment philosophy of the fund is centred around buying growing businesses, with above average return on capital, backed by managements with a track record of good governance and valued at a reasonable risk/reward ratio.

Risk Profile



Portfolio Attribution (%)					
Top 5 Performers	Port. Average Weight	Bench. Average Weight	Port. Total Return	Bench. Total Return	Total Effect
NTPC Limited	4.82	1.07	19.34	19.34	0.40
Cyient Limited	3.41	0.15	18.75	18.75	0.34
Sona BLW Precision Forgings Ltd.	2.65	0.20	15.75	15.75	0.20
Larsen & Toubro Ltd.	5.42	1.93	13.65	13.65	0.20
Cholamandalam Investment and Finance Co. Ltd.	3.52	0.42	12.98	12.98	0.16
Top 5 Detractors	Port. Average Weight	Bench. Average Weight	Port. Total Return	Bench. Total Return	Total Effect
APL Apollo Tubes Limited	2.28	0.22	-8.74	-8.74	-0.36
HDFC Life Insurance Co. Ltd.	2.69	0.54	-6.17	-6.17	-0.32
CMS Info Systems Ltd.	2.02	0.04	-5.31	-5.31	-0.28
Motherson Sumi Wiring India Ltd	3.54	0.09	0.46	0.46	-0.26
Computer Age Management Services Ltd	1.41	0.08	-8.21	-5.14	-0.22

Source: FactSet. Data for the month of December 2023.

Performers :

The National Thermal Power Corporation Limited (NTPC) is a major Indian power generation company. It's known for producing thermal, renewable, and hydroelectric power. NTPC's subsidiary, NGEL (NTPC Green Energy Limited), aims to achieve 60 GW of renewable energy capacity by FY32. Leveraging its cost advantage, NTPC plans to expand its power generation across various modes. It's also venturing into green hydrogen and chemicals. To ensure coal supply, NTPC established a separate coal mining entity. NTPC's management believes market coupling and the increase in participation of other exchanges are crucial for the growth of the energy market, and the company is a shareholder in PXIL (Power Exchange India Limited).

Cyient provides global services in engineering, manufacturing, and operations across industries. It aims for USD1 billion revenues by FY25, focusing on cost optimization for improved EBIT margins. Cyient plans to spin off its low-margin DLM business in six months, enhancing its ER&D sector. Acquiring in automotive and healthcare, and recent additions in energy transition, plant engineering, and communications, enhance its offerings. Leadership changes and operational improvements support Cyient's growth and profitability goals.

Sona BLW Precision Forgings has undergone a significant transformation, evolving from a Maruti supplier to a global leader in precision forgings. They have established themselves as a key player in the electric vehicle (EV) market, capitalizing on partnerships with renowned customers such as Tesla. With a strong focus on sustained growth, Sona BLW aims to achieve revenue of \$1-1.5 billion while reducing customer concentration and enhancing engineering-oriented products, particularly in motors and sensors.

Larsen & Toubro Limited (L&T), an Indian conglomerate, operates across multiple sectors including realty, EPC, thermal, hydrogen, and defense. L&T emphasizes on cash flow and profitability, evident through their collaborations with PSUs, the central government, and JICA-financed projects, reflecting their commitment to sustainable growth. With a strong focus on establishing a prominent position in the hydrogen sector, L&T plans on capitalizing on the shift of multinational companies from China to India, particularly in petrochemicals and life sciences.

Cholamandalam Investment and Finance Company Limited (CIFIC) is a financial institution that provides a range of financial services, including consumer loans, small business loans, secured business and personal loans, SME financing, and affordable housing loans. The company has a deep geographical penetration and decades of experience in these sectors, gained through its vehicle finance business. CIFIC places a significant focus on collections and underwriting, with an emphasis on building a strong collections culture in all of its divisions. The company has a deeply ingrained CIFIC culture and often hires experienced professionals from successful competitors to ensure the right team is in place. CIFIC also has partnerships with various fintech companies to enhance its lending capabilities. Overall, CIFIC aims to scale up its new businesses rapidly and expects them to contribute around 15% of its overall portfolio in the near future.

Detractors :

APL Apollo Tubes is a manufacturer and exporter of steel pipes and tubes, is aiming to scale up their volumes from 17.5lac tonnes in FY22 to 40lac tonnes by FY25. To support this expansion, they have expanded their production capacity with a new facility in Raipur capable of producing 15lac tonnes. APL Apollo Tubes funds its growth through internal accruals, while achieving improved return on capital employed (ROCE) and reducing net working capital (NWC). Witnessing significant growth in their market share, APL Apollo Tubes continues to target further expansion.

HDFC Life Insurance Company Limited, a prominent Indian insurer, provides diverse life insurance solutions to individuals and corporations. Renowned for customer-centricity and innovation, it has notably expanded market share and product diversity. Prioritizing outreach in tier 2 and tier 3 markets, HDFC Life capitalizes on bancassurance ties for wider coverage and enhanced customer relations. Its steadfast commitment lies in achieving sustainable growth and ensuring stable VNB margins.

CMS Info Systems provides comprehensive cash management services, excels in ATM management, retail cash management, branch automation, and document management solutions. CMS Info Systems ensures continuous cash availability, regulatory compliance, and optimal ATM maintenance. By driving growth and enhancing profitability for their clients in the banking and financial sector, CMS Info Systems has become a trusted partner in the industry.

Motherson Sumi Wiring India Limited is dedicated to localizing components for low-volume high-value programs, with a particular focus on electric vehicles. Their goal is to reduce import content and increase the involvement of the Sumitomo group to accelerate research and development initiatives. Motherson Sumi aims to lower manpower costs, expand capacity, and achieve improved margins and returns on equity through revenue growth and strategic capital investments. Motherson Sumi, with its commitment to progress and innovative approaches, stands prepared for ongoing achievements within the automotive industry.

Computer Age Management Services (CAMS) is a financial services company that provides technology solutions for the asset management industry. It offers a wide range of services, including mutual fund transfer agency, registrar and transfer agent services, alternative investment fund services, electronic payment collection services, and electronic insurance account services. CAMS helps mutual fund companies streamline their operations and enhance investor experience through its innovative technology platforms. The company has been experiencing strong growth in its mutual fund assets under management (AUM), as well as in its non-mutual fund revenue streams.

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Key Fund Terms and Fees

Share Class ^(a)	ISIN	Bloomberg Ticker	Valoren / Telekurs	Available Currencies	Minimum Investment Amount (USD)	Minimum Subsequent Investment (USD)	Minimum Holding Amount (USD)	Management Fees	Total Expense Ratio ^(a) (Estimated)
AI USD	LU2444715366			USD, EUR, GBP	100,000	10,000	100,000	1.00%	1.25%
BI USD	LU2444715796			USD, EUR, GBP	5,000,000	100,000	5,000,000	0.75%	1.00%

^(f) Please refer to the fund's prospectus for full details which is available at <https://herefordfunds.com/library/investment-prospectus> ^(g) TER is estimated as of 31 December 2023.

Fund Details

Dividend Policy	Accumulation	Cut-off for Subscriptions / Redemptions	4 p.m. (CET), 1 Luxembourg bank business day prior to the relevant Valuation Day
Domicile	Luxembourg	Valuation Day	Bank business day in Luxembourg and India and on which the Indian Stock Exchanges are open for trading
Fund Structure	UCITS V	Settlement Day	Subscriptions: within 2 Luxembourg bank business day following the relevant Valuation Day Redemptions: within 5 Luxembourg bank business days following the relevant Valuation Day
Dealing	Daily	Country and Tax Registrations	Please refer to website: https://herefordfunds.com/library/country-registrations

Service Providers

Management Company	Investment Manager ^(b)	Central Administration	Custodian	Legal Advisor	Auditor
FundPartner Solutions (Europe) S.A.	360 ONE Asset Management Ltd	FundPartner Solutions (Europe) S.A.	Pictet & Cie (Europe) S.A.	Elvinger Hoss Prussen	Deloitte Audit S.à r.l.
15, Avenue John F Kennedy, L-1855 Luxembourg	360 ONE Centre, 7th Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai 400013, India	15, Avenue John F Kennedy, L-1855 Luxembourg	15A, Avenue John F Kennedy, L-1855 Luxembourg	2, Place Winston Churchill, L-1340 Luxembourg	20, boulevard de Kockelscheuer, L-1821 Luxembourg

^(h) 360 ONE Asset Management Ltd is managing the assets of Hereford Funds – 360 ONE Focused India Fund under its SEBI Portfolio Manager license no. INP000004565.

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• UK - Facilities agent

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Performance Disclosure for Reference Strategy

Scheme/ Benchmark	31-Dec-22 to 31-Dec-23	PTP (\$)	31-Dec-20 to 31-Dec-23	PTP (\$)	31-Dec-18 to 31- Dec-23	PTP (\$)	Since Inception	PTP (\$)
360 ONE Focused Equity Fund - Reg - Growth	29.1%	12,905	15.5%	15,405	18.3%	23,183	12.4%	29,192
360 ONE Focused Equity Fund - Dir - Growth	30.3%	13,034	16.7%	15,892	19.7%	24,607	13.7%	32,597
Benchmark [^]	25.8%	12,582	15.3%	15,321	13.5%	18,876	10.2%	24,443
Additional Benchmark ^{&}	19.6%	11,964	11.3%	13,773	12.2%	17,818	8.9%	21,874

Past performance may or may not be sustained in future. Different plans shall have different expense structure. As on 31 December 2023; Point to Point (PTP) returns in \$ is based on standard investment of \$10,000; Since Inception date is 30 October 2014; [^]S&P BSE 500 TRI; &S&P BSE Sensex TRI; Managed by the fund manager since 11 November 2019. The performance of the scheme is benchmarked to the Total Return variant of the Index. The performance is provided for illustration purposes only.

Risk-o-meter for Reference Strategy



THIS PRODUCT IS SUITABLE FOR INVESTORS WHO ARE SEEKING:

- Capital appreciation over long term;
- Investment predominantly in equity and equity related instruments.

Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Disclaimers

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- Risk Disclaimer: This current risk profile is based on historical data and may not be a reliable indication of the future risk profile of the Sub-Fund. The risk category shown is not guaranteed and may shift over time. The lowest category, which corresponds to Number 1, cannot be regarded as being risk-free. The Sub-Fund does not provide any capital guarantee or asset protection measures. Why is this Sub-Fund in this category? The investment objective of the Sub-Fund is to generate long-term capital growth and income by investing in equities and equity-linked securities of Indian Companies. Hence, the risk/reward profile of the Sub-Fund should correspond to a high-risk category on the risk/reward scale. The contents of this document are communicated by, and the property of, Hereford Funds. Hereford Funds is a trading name of Hereford Funds LLP. Hereford Funds LLP is an appointed representative and tied agent of Thornbridge Investment Management LLP which is authorised and regulated by the Financial Conduct Authority (FRN: 713859). This document is for information purposes and internal use only. It is neither an advice nor a recommendation to enter into any investment. Investment suitability must be determined individually for each investor, and the financial instruments described above may not be suitable for all investors. This information does not provide any accounting, legal, regulatory or tax advice. Please consult your own professional advisers in order to evaluate and judge the matters referred to herein. An investment should be made only on the basis of the prospectus, the annual and any subsequent semi-annual-reports of HEREFORD FUNDS (the "Fund"), a société d'investissement à capital variable, established in Luxembourg and registered under Part I of Luxembourg law of 20 December, approved by the Commission de Surveillance du Secteur Financier (CSSF). These can be obtained from the Fund, from FundPartner Solutions (Europe) SA, 15 avenue J. F. Kennedy, L-1855 Luxembourg, and any distributor or intermediary appointed by the Fund. You can obtain a summary of investors rights to the following link: <https://www.group.pictet/media/sd/176b100ab205a6e6ae82b0250138f889675b903>
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