

Investment Review

Hereford Funds – 360 ONE Focused India Fund (“Fund”) registered a growth of 5.2% in USD terms in the month of June, against 5.3% reported by MSCI India IMI Index in USD terms. At the end of June, the Sub-Fund was primarily invested in the financials, consumer discretionary, industrials, information technology, materials and consumer staples, amongst other sectors.

Manager’s Commentary (in INR terms)

India’s benchmark equity indices closed at a record high in June 2023, buoyed by steady inflows from Foreign Portfolio Investors (FPIs) over the past few months. Global risk sentiment improved due to the resolution of the debt ceiling impasse, easing concerns about financial stability, and the Federal Open Market Committee’s (FOMC) decision to pause the rate hike cycle.

The MSCI India IMI Index in INR terms registered monthly gains of 4.4%. FPIs purchased Indian equities worth US\$ 5.7 billion in June 2023. This marked the fourth consecutive month of FPI purchases and represents the highest investment since August 2022. Domestic Institutional Investors (DIIs) invested US\$ 540 million during the month.

The S&P BSE Mid-cap and Small-cap indices outperformed the benchmarks, with monthly gains of 6.2% and 6.8% respectively. Among the sector indices, Industrials, Healthcare, Real Estate, and Auto were the top performers, recording monthly gains of 9.8%, 9.0%, 8.6%, and 6.7% respectively. However, the banking sector underperformed, with the S&P Bankex recording gains of just 1% during the month. BSE Teck and IT also recorded muted monthly gains of 1.4% and 1.8% respectively.

Several central bank meetings were held throughout the month. The FOMC opted for a hawkish pause, with dot plot indicating a possibility of two more rate hikes this year. The ECB increased benchmark rates by 25 basis points and signalled additional rate hikes in the future. The Bank of England surprised markets by implementing a steep 50 basis points rate hike, contrary to market expectations of a 25 basis points increase. They also pledged to deliver further hikes if inflation pressures persist. In contrast, the Bank of Japan maintained its ultra-loose policy, while the People’s Bank of China (PBoC) reduced key lending rates by 10 basis points to support weak growth.

On the domestic front, the RBI Monetary Policy Committee (MPC) held interest rates and retained its stance in line with market expectations. The RBI revised its forecast for Consumer Price Index (CPI) inflation marginally lower to 5.1% YoY in June policy from 5.2% YoY in April policy for FY24. The GDP forecast for FY24 was kept unchanged at 6.5% YoY. MPC members reaffirmed commitment to bringing inflation in line with the 4% target. In May 2023, India’s CPI inflation declined to 4.25% YoY from 4.70% in the previous month. This broad-based decrease was primarily influenced by a favourable base effect, as prices had surged in May 2022. Additionally, core inflation, which excludes volatile food and fuel prices, experienced a slight easing. Refined measures of core inflation, which exclude transportation fuels and valuables, also indicated a continued reduction in inflationary pressures.

High-frequency economic activity indicators released during the month showed steady momentum in economic activity. GST collections continued to grow at a decent 12% YoY in June 2023. E-way bill generations were strong at 20% YoY in May 2023. Credit growth remained robust at 15.4% YoY. Following the withdrawal of INR 2000 denomination notes from circulation, deposit growth rebounded to 12.1% YoY in June 2023, up from 9.6% YoY in March 2023. CMIE Urban unemployment rate eased to 7.9% in June from 9.1% in May 2023.

Rural sector indicators, however, indicate sluggish growth. CMIE rural unemployment saw a sharp rise to 8.7% in June from 7% in the previous month. The demand for work under MGNREGS also increased, reflecting the limited availability of other employment opportunities in rural areas.

Consumer spending indicators were mixed. According to the RAI business survey, retail sales growth moderated to 7% YoY during April-May 2023 from 15% in the March quarter. However, vehicle registration witnessed strong growth of 11-12% YoY during May-June 2023.

RBI’s June 2023 Financial Stability Report highlighted that domestic financial system remains resilient. Key insights from the report –

- The asset quality of Scheduled Commercial Banks (SCBs) continues to improve with GNPA ratio declining to 3.9% in March 2023 – a 10-year low.
- The improvement in SCB’s asset quality has been broad based, with a steady decline in the stressed advances ratio across all major sectors.
- SCB’s capital to risk-weighted assets ratio (CRAR) and the common equity tier 1 (CET1) capital ratio reached historical highs of 17.1% and 13.9% respectively in March 2023.
- The asset quality of unsecured retail loans also improved, with the GNPA ratio declining from 3.2% in March 2021 to 2.0% in March 2023.

Outlook

Globally, equity markets have experienced a significant boost due to better-than-expected global growth. Moreover, India is poised to witness robust GDP growth of 6.5% YoY in FY24, as per the RBI June 2023 policy projection. Inflation is also projected to remain within the target band. These favourable factors continue to enhance the appeal of Indian equity markets. Nevertheless, it is important to note that recent indications from Federal Reserve members regarding potential rate hikes in the upcoming meeting could adversely affect risk sentiment and short-term flows from foreign portfolio investors (FPIs).

The emergence of El Niño and its potential impact on the Indian monsoon remains a significant near-term risk to the growth trajectory. A weak monsoon could hinder agricultural growth, potentially leading to an extended downturn in rural consumption. However, the Indian Meteorological Department (IMD) has maintained its forecast of a normal monsoon. As of 30th June 2023, the monsoon was in 8% deficit. Nevertheless, the deficit has significantly narrowed from nearly 50% in mid-June.

Given the current environment, we believe that a bottom-up investment approach is the most suitable. Over the medium term, the fundamental outlook of the economy appears attractive as the investment cycle is in the initial stages of recovery. Regarding sectors, we have a positive view of domestically inclined sectors compared to export-oriented sectors. Domestic cyclical, such as Financials, Autos, and Industrials, are well-positioned in the current environment. Our long-term view on the economic cycle remains bullish, led by a pickup in private sector capex, the government’s commitment to infrastructure spending, opportunities arising from the shift of global supply chains, and a rebound in the housing cycle. Moreover, low corporate and housing leverage, coupled with a robust banking sector, are likely to function as catalysts for economic growth in the medium to long term.

Source: 360 ONE Asset Management Ltd.

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.

Key Information

Launch Date	30 September 2022
Fund Assets (AUM as of 30-Jun-2023)	USD 24.6 mn
Strategy Assets ^(a)	USD 2.00 bn
Number of Securities	28
Benchmark	MSCI India IMI Index USD (Ticker: MIMUINDN Index)
Dividend Policy	Accumulation
Domicile	Luxembourg
Fund Structure	UCITS V
Dealing	Daily
Cut-off for Subscriptions and Redemptions	4 p.m. (CET), 1 Luxembourg bank business day prior to the relevant Valuation Day
Valuation Day	Bank business day in Luxembourg and India and on which the Indian Stock Exchanges are open for trading
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
Country and Tax Registrations	Please refer to website: https://herefordfunds.com/library/country-registrations

Risk Profile



Monthly performance %

	NAV per share*	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)	111.37	2.2	3.7	-4.6	1.1	0.2	-2.5	1.2	3.9	1.9	5.2							10.1	11.4
MSCI India IMI Index	-	1.9	4.7	-5.2	1.2	-2.5	-4.2	0.8	4.4	3.2	5.3							6.7	8.0

NAV and Returns are in USD. Benchmark returns are shown only for comparison purposes. Past performance may or may not be sustained in future. *As on 30 June 2023 ** Inception till date (ITD) returns from 30 Sept 2022.

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)	5.2	11.4	10.1	21.4	23.9	13.1
MSCI India IMI Index	5.3	13.4	6.7	16.0	21.0	7.6

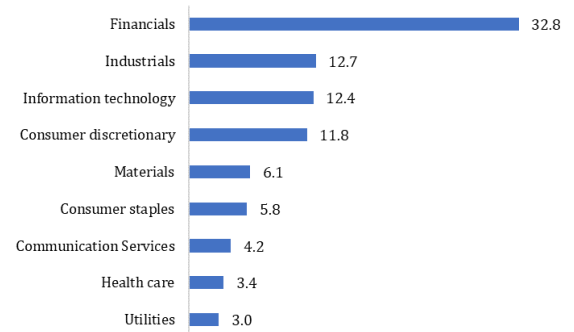
Growth of USD 100 since 1 September 2018 ^(c)



Top 10 Holdings

Securities	GICS Sector	% of AUM
HDFC Bank	Financials	9.0
ICICI Bank	Financials	8.6
Axis Bank	Financials	6.1
Infosys	Information Technology	5.4
Larsen & Toubro	Industrials	4.6
Tata Motors	Consumer Discretionary	4.5
Bharti Airtel	Communication Services	4.2
Cyient	Information Technology	3.2
Cummins India	Industrials	3.2
NTPC	Utilities	3.0

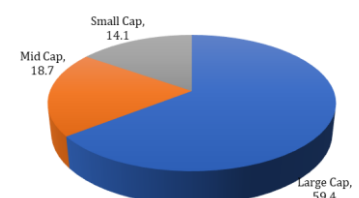
Sector Weighting %



Fund Statistics ^(d)

Ratios	Fund	Benchmark
P/E	18.1	19.7
P/B	3.2	3.0
ROE	17.7%	15.2%
EPS Growth (FY22-24E)	24.3%	19.2%

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.

Portfolio Attribution (%)					
Top-5 Contributors	Port. Average Weight	Bench. Average Weight	Port. Total Return	Bench. Total Return	Total Effect
Cyient Ltd.	3.28	0.12	17.90	17.90	0.37
Tata Motors Ltd.	4.66	0.94	14.12	14.12	0.31
APL Apollo Tubes Ltd.	2.93	0.21	15.95	15.95	0.27
Larsen & Toubro Ltd.	4.73	1.63	13.19	13.19	0.23
CMS Info Systems Ltd.	1.10	0.02	11.69	14.00	0.20
Top-5 Detractors	Port. Average Weight	Bench. Average Weight	Port. Total Return	Bench. Total Return	Total Effect
Sona BLW Precision Forgings Ltd.	3.11	0.21	-3.65	-1.97	-0.28
ICICI Bank Ltd.	9.16	4.88	-0.70	-0.70	-0.27
SRF Ltd.	1.63	0.36	-8.37	-8.37	-0.18
Motherson Sumi Wiring India Ltd.	2.73	0.10	0.59	0.59	-0.13
Coal India Ltd.	0.93	0.36	-4.94	-3.44	-0.12

Source: FactSet

Contributors :

Cyient Ltd specializes in engineering, research, and development services across various industries. With a goal of achieving USD1 billion in revenues by FY25, Cyient is working on optimizing costs and divesting low-margin businesses to improve their EBIT margins. They are expanding their capabilities through strategic acquisitions in energy transition, plant engineering, and communications. By targeting substantial deals and investing in cutting-edge digital and chip design, Cyient is positioning itself for future growth. With focus on sales, account management, and operational efficiency, they are maintaining a robust deal pipeline.

Shifting gears, we come to **Tata Motors**, an automobile manufacturer known for its focus on strategic execution. They aim to achieve double-digit EBITDA margins in the domestic commercial vehicles segment by FY24. To accomplish this, Tata Motors is placing a strong emphasis on customer value, and aiming to capture a significant market share. Tata Motors has set their sights on surpassing 1 million cars in the domestic passenger vehicles segment by FY28-30, with 40-50% being electric vehicles. To gain a competitive edge in the electric vehicle market, Tata Motors is diversifying their product offerings and establishing a cost-effective supply chain, particularly for battery production. The company's strategy for JLR is to move away from German car companies and get closer to brands like Porsche. This involves focusing on high-end luxury models and gradually transitioning to pure electric vehicles. JLR aims to achieve an EBIT margin target of 10% through a combination of mix optimization, pricing, cost reduction, and vertical integration.

APL Apollo Tubes, a manufacturer and exporter of steel pipes and tubes, is aiming to scale up their volumes from 1.75 million tonnes in FY22 to 4 million tonnes by FY25. To support this expansion, they have expanded their production capacity with a new facility in Raipur capable of producing 1.5 million 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.

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.

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.

Detractors :

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.

ICICI Bank, a leading private sector bank in India, serves a strong customer base of approximately 70 million individuals with a wide range of banking services. Focused on sustaining growth in corporate and retail segments, the bank has seen positive results with sequential disbursements holding up well and no major loan growth challenges. Confident in their business outlook, the bank offers competitive pricing in the corporate segment and can pass on lending rates in retail and other segments. Technology is viewed as a growth and revenue enabler in the medium term.

SRF Ltd operates in specialty chemicals and packaging film industries. Their specialty chemicals business thrives on expanding the customer base, product development, and capturing a larger share in the pharmaceutical industry. With a positive outlook for sustained growth, SRF plans for capital expenditure investments and aims to leverage their expertise in fluorine chemistry to ensure long-term success. Despite the challenges in the packaging films segment, SRF's operational track record and innovative capabilities make them stand out in the market.

Motherson Sumi Wiring India Ltd 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.

Coal India Ltd holds a significant position in India's energy sector as a key player in the public sector. The company plays a crucial role in exploring, producing, and marketing coal across different regions. Its mission is to meet the nation's energy demands, powering industries and providing light to homes. Their commitment lies in fuelling India's growth and ensuring a secure energy future for the country.

Key Fund Terms and Fees

Share Class ^(f)	ISIN	Bloomberg Ticker	Valoren / Telekurs	Available Currencies	Minimum Investment Amount (USD)	Minimum Subsequent Investment (USD)	Minimum Holding Amount (USD)	Total Expense Ratio ^(g) (Estimated)
L1 USD	LU2444714633	L1USDLX LX	116644540	USD, EUR, GBP	100,000	10,000	100,000	0.50%
L2 USD	LU2444715010	HFIFL2U LX	116644644	USD, EUR, GBP	100,000	10,000	100,000	0.75%
AI USD	LU2444713585			USD, EUR, GBP	100,000	10,000	100,000	1.25%
BI USD	LU2444715366			USD, EUR, GBP	5,000,000	100,000	5,000,000	1.00%

(f) Share Class L1 and L2 are launch share classes and available to investors only till the fund size reaches USD 25 million and USD 50 million, respectively. 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 30 June 2023.

Service Providers

Management Company	Investment Manager ^(h)	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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<http://www.fe-fundinfo.com>

Performance Disclosure for Reference Strategy

Scheme/ Benchmark	30-Jun-22 to 30-Jun-23	PTP (\$)	30-Jun-20 to 30-Jun-23	PTP (\$)	30-Jun-18 to 30-Jun-23	PTP (\$)	Since Inception	PTP (\$)
360 ONE Focused Equity Fund - Reg - Growth	25.7%	12,569	24.4%	19,237	14.4%	19,593	11.4%	25,486
360 ONE Focused Equity Fund - Dir - Growth	27.0%	12,698	25.7%	19,880	15.8%	20,858	12.8%	28,321
Benchmark [^]	19.3%	11,934	23.0%	18,593	9.8%	15,975	8.9%	20,919
Additional Benchmark ^{&}	19.0%	11,904	21.0%	17,734	10.1%	16,190	8.2%	19,772

Past performance may or may not be sustained in future. Different plans shall have different expense structure. As on 30 June 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


Investors understand that their principal will be at Very High Risk

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

- This document should be read as a marketing communication.
- 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/176b100ab205a6e6aef82b0250138f889675b903>
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