

# Hereford Funds

Société d'Investissement à Capital Variable incorporated in Luxembourg

Annual report, including audited financial statements,  
as at September 30, 2022



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No subscription can be received on the basis of these financial statements. Subscriptions are only valid if made on the basis of the current prospectus accompanied by the Key Investor Information Documents ("KIIDs"), the latest annual report, including audited financial statements, and the most recent unaudited semi-annual report if published thereafter.

# Hereford Funds

## Table of contents

Organisation of the Fund	4
General information	5
Distribution abroad	6
Managers' reports	7
Report of the Réviseur d'Entreprises Agréé / Auditor's report	34
Financial statements	
Statement of net assets	38
Statement of operations and changes in net assets	40
Number of shares outstanding and net asset value per share	42
Sub-fund : Hereford Funds - DSM US Large Cap Growth Fund	
- Statement of investments and other net assets	43
- Geographical and industrial classification of investments	44
Sub-fund : Hereford Funds - Bin Yuan Greater China Fund	
- Statement of investments and other net assets	45
- Geographical and industrial classification of investments	47
Sub-fund : Hereford Funds - Bin Yuan Healthcare Fund (note 1)	
- Statement of investments and other net assets	48
- Geographical and industrial classification of investments	49
Notes to the financial statements	50
Total Expense Ratio ("TER") (unaudited appendix)	57
Performance (unaudited appendix)	58
Other information to Shareholders (unaudited appendix)	59
Sustainable Finance Disclosure Regulation ("SFDR") (unaudited appendix)	60

# Hereford Funds

## Organisation of the Fund

REGISTERED OFFICE	15, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
BOARD OF DIRECTORS OF THE FUND	
Chairman	Mr Anthony GALLIERS-PRATT, Chairman, Hereford Funds Advisory S.à r.l., 25B, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg
Directors	<p>Mr Jérôme WIGNY, Partner, Elvinger Hoss Prussen, <i>société anonyme</i>, 2, place Winston Churchill, L-1340 Luxembourg, Grand Duchy of Luxembourg</p> <p>Mr Yves DE VOS, Independent Director, VHC Capital Management S.A., 8, Zeilewee, L-6751 Grevenmacher, Grand Duchy of Luxembourg</p> <p>Mr Mark HENDERSON, Managing Partner, Hereford Funds Advisory S.à r.l. 25B, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg</p> <p>Mr Enrico MELA, Independent Director, 79, rue de Kiem, L-8030 Strassen, Grand Duchy of Luxembourg</p>
MANAGEMENT COMPANY	FundPartner Solutions (Europe) S.A., 15, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
CENTRAL ADMINISTRATION	FundPartner Solutions (Europe) S.A., 15, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
DEPOSITARY BANK	Pictet & Cie (Europe) S.A., 15A, avenue J. F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
ADVISORY COMPANY	Hereford Funds Advisory S.à r.l., 25B, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg
INVESTMENT MANAGERS	<p>DSM Capital Partners LLC, 7111 Fairway Drive, Suite 350, Palm Beach Gardens, FL-33418, United States for the sub-fund:</p> <ul style="list-style-type: none"><li>• Hereford Funds - DSM US Large Cap Growth Fund</li></ul> <p>Bin Yuan Capital, Room 1505, 15/F, 287-299 Queen's Road Central, Sheung Wan, Hong Kong for the sub-fund:</p> <ul style="list-style-type: none"><li>• Hereford Funds - Bin Yuan Greater China Fund</li><li>• Hereford Funds - Bin Yuan Healthcare Fund (note 1)</li></ul> <p>IIFL Asset Management Limited, IIFL Centre, 7th Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai- 400013, India</p> <ul style="list-style-type: none"><li>• Hereford Funds - IIFL Focused India Fund (note 1)</li></ul>
CABINET DE RÉVISION AGRÉÉ /AUDITOR	Deloitte Audit, <i>Société à responsabilité limitée</i> , 20, boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg
LEGAL ADVISER IN LUXEMBOURG	Elvinger Hoss Prussen, <i>société anonyme</i> , 2, place Winston Churchill, L-1340 Luxembourg, Grand Duchy of Luxembourg

## General information

The business year of Hereford Funds (the "Fund") runs from October 1 until September 31 of the next year.

The Fund publishes an annual report, including audited financial statements, within 4 months after the end of the business year and an unaudited semi-annual report within 2 months after the end of the year to which it refers.

The annual report including audited financial statements, includes accounts of the Fund and of each sub-fund.

The Net Asset Value ("NAV") per Share of each sub-fund as well as the issue and redemption prices are made public at the registered office of the Fund. The NAV per Share and the issue and redemption price are also published on the website of the Fund ([www.herefordfunds.com](http://www.herefordfunds.com)) and may, in addition, be published in any such other media as determined by the Board of Directors of the Fund. The Fund cannot accept responsibility for any errors or delays in the publication or non-publication of prices and reserve the right to discontinue or change publication in any media without notice.

Any amendments to the articles of incorporation ("the Articles") are published in the *Recueil Électronique des Sociétés et Associations* ("RESA").

The prospectus, the Articles of the Fund, the annual report, including audited financial statements, and unaudited semi-annual reports, the Key Investor Information Documents ("KIIDs") as well as the portfolio movements of the Fund are available free of charge at the sales agencies and at the registered office of the Fund.

# Hereford Funds

## Distribution abroad

### Offer in Switzerland

Offer in Switzerland	The Fund has been authorised by the Swiss Financial Market Supervisory Authority FINMA as a foreign open-ended investment collective fund pursuant to article 119 of the Federal Act on Collective Investment Schemes of June 23, 2006 on Capital Investment Schemes Ordinance.
Representative in Switzerland authorised by the FINMA	The representative in Switzerland is FundPartner Solutions (Suisse) SA (the "Representative"), 60, route des Acacias, CH-1211 Geneva 73, Switzerland.
Paying Agent in Switzerland authorised by the FINMA	The paying agent in Switzerland is Banque Pictet & Cie SA with its registered office in 60, route des Acacias, CH-1211 Geneva 73, Switzerland.
Place of distribution of reference documents	The prospectus, the key investor information documents, the Articles of Incorporation, the annual reports, including audited financial statements, and unaudited semi-annual reports of the Fund, and a breakdown of the purchases and sales of the Fund can be obtained free of charge from the registered office of the Representative in Switzerland.



# Hereford Funds - DSM US Large Cap Growth Fund

## Managers' reports

### Review

For the period October 1, 2021, through September 30, 2022, the Hereford Funds - DSM US Large Cap Growth sub-fund decreased approximately 25.5% (NAV USD 399.50 to NAV USD 297.56) while the total returns (including dividends) of the Russell 1000 Growth and the S&P 500 decreased 22.6% and 15.5% respectively.

The investment manager, DSM Capital Partners, commented as follows:

It appears the past decade of artificially low interest rates and "free money" has transitioned to a period of rising inflation and interest rates, the driving factors behind the decline in global markets this year. Many central banks have begun to raise interest rates, some aggressively so. As rates have risen, equity markets (and other asset classes) have declined as they systematically correct the valuation distortions fashioned by artificially low interest rates over the last decade. This process began last November when global equity markets generally peaked, as investors became convinced that central banks would raise interest rates in order to stop inflation. Although current interest rates appear "high" relative to recent history, they are in fact relatively "low" when compared to the decades before the financial crisis of 2008/9.

Investor focus today is on how high and how fast interest rates will rise in order to stop inflation. The critical questions are how high must interest rates be raised for inflation to decline to the 2% target, and can this be accomplished by January of 2023, or will it take until September 2023 or beyond. Last year in anticipation of higher interest rates, DSM sold entirely or trimmed higher P/E positions and reinvested the proceeds of those sales into quality, lower P/E growth stocks. They took these steps in order to bring the portfolios' valuations to levels they felt were more reflective of a higher interest rate environment. Even though some stocks with extreme valuations have declined significantly over the past ten months, those whose valuations remain stretched might fall further. DSM believes companies with more moderate P/Es should help insulate the portfolio from further valuation compression, as this process of normalizing valuations will likely continue for some time.

### Portfolio

At September 30, 2022, the portfolio was invested in the information technology, health care, financials, communication services, consumer discretionary, consumer staples and materials sectors.

Over the twelve-month period ended September 30, 2022, DSM's selections in communication services and overweight of the sector versus the Russell 1000 Growth Index were primarily responsible for the sub-fund's underperformance. DSM's selections in the information technology sector also detracted from performance. DSM's selections in the health care and financials sectors benefitted performance in the period.

The strongest contributors to performance over the reporting period were UnitedHealth Group (health insurance), United Parcel Service (supply chain services), Automatic Data Processing (business outsourcing), Neurocrine Biosciences (specialty pharmaceuticals) and Keurig Dr. Pepper (beverages).

The weakest contributors to performance were Meta Platforms (social technology), PayPal Holdings (digital payments), Alphabet (internet search and advertising), Netflix (entertainment streaming services) and Amazon.com (online retail and cloud services).

*Past performance is not an indicator of current or future returns.*

# Hereford Funds - DSM US Large Cap Growth Fund

## Managers' reports (continued)

### Changes in Holdings

In general, the common thread across DSM's purchases in recent months was their focus on transforming the portfolio into an ever-higher quality, predictable group of companies with stellar long-term growth prospects. While they will continue to initiate and add to positions opportunistically, they believe careful attention to the valuation of each equity within the portfolio is warranted. With GDP forecasts being cut, they are also closely monitoring the resiliency of earnings growth for companies in the portfolio. That said, they believe the portfolio's growth remains quite solid at this time especially relative to the overall earnings stability of the market.

During the reporting period, Netflix was sold after the company reported disappointing first quarter earnings. After several trims over prior months, Zoetis was sold due to valuation. More recently, United Parcel Service was sold on various concerns including a slower economy, reduced consumer spending and a possible strike next year.

The proceeds from these sales were used to initiate positions in O'Reilly Automotive (auto aftermarket parts retailer), Accenture (technology consulting), EPAM Systems (IT services), Autodesk (design and engineering software), Entegris (semiconductor manufacturing materials), SolarEdge Technologies (solar power optimization solutions) and Burlington Stores (off-price retailer).

### Outlook

Without question the global economic outlook has weakened while the risk of a global recession has increased as central banks raise interest rates to ensure price stability over the longer term. In DSM's view, over recent years major central banks led by the Federal Reserve (the "Fed") and European Central Bank (the "ECB") made politically driven decisions instead of economically driven decisions. The banks waited too long to raise rates and "fell behind the curve" allowing inflation to rise to levels not seen since the 1970s. In a complete change of direction from one year ago, the Fed, ECB, and others are now willing to continually raise interest rates, and potentially create a recession, in order to curb inflation. For years their mantra was "lower for longer"- it has now shifted to "higher for longer".

The ten-year US Treasury yield has moved above 4% for the first time since 2008, and thirty-year mortgage rates are at twenty-year highs. Clearly, the Federal Reserve has committed to stopping inflation even if their actions result in a recession. A hard landing, perhaps with higher unemployment rates as collateral damage, is certainly possible. With the Fed Funds rate headed to 4.5%, and a relatively superior outlook for the US economy versus the rest of the world, the US dollar is hitting a twenty-year high versus many currencies.

Europe faces similar inflationary headwinds as the United States. Rates have been raised by the ECB, Bank of England and others. An ECB rate of 3% or more is possible by the summer of 2023. As in the US, the approach seems to be higher-rates-for-longer in order to tame inflation although it is worth noting that wage inflation in Europe is better contained than in the US. However, the ECB's response is made much more complicated by the war in Ukraine. Limited supplies of Russian oil and gas, especially as winter approaches, creates a significant economic hurdle.

# Hereford Funds - DSM US Large Cap Growth Fund

## Managers' reports (continued)

In China, Premier Xi appears to be leading an ideological shift away from capitalism and back towards Mao Zedong's socialism. International companies are diversifying production and investments away from China due to Xi's policies, as well as China's rising antagonism towards the west and Taiwan. Regulations have led technology companies to curtail spending, risk-taking and innovation, and to instead focus on cost cutting resulting in the furloughs of thousands of skilled workers. Perhaps most damaging, Xi continues China's zero tolerance Covid policy even as the rest of the world has learned to manage the virus and largely reopen. Furthermore, the Biden administration has kept former President Trump's tariffs intact and US regulatory bodies continue to broaden the scope of technology export bans to China.

Global investors have many concerns at this time including aggressive interest rate increases by central banks, as well as the Russia/Ukraine war and seemingly punitive lockdowns in China. However, while investors are clearly worried about the negative impact of higher interest rates, DSM believes the anti-inflation actions of the central banks are actually beginning to work as the year-over-year growth rate of M2 (money supply) has fallen below its historic sixty-year average level. Historically, M2 leads inflation thus, lower money supply growth should lead to a lower inflation rate over the not-too-distant future.

Going forward, lower inflation will enhance investor confidence and may well cause a rebound in the stock market. Furthermore, although the historical data is not available as it for US rates and the S&P 500, DSM believes this analysis is applicable to Europe as well given that the ECB is following a similar policy path as the Fed. When the US market finally turns and moves consistently upward, it is likely to serve as a positive catalyst for markets across the rest of the world too.

Established by DSM Capital Partners LLC

October 28, 2022

# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports

### Review

For the period of October 1, 2021, through September 30, 2022, Hereford Funds - Bin Yuan Greater China Fund (Share Class L2) depreciated by 32.60%. This compares to the total return (including dividends) of the benchmark, the MSCI All China which dropped 31.75%.

The investment manager, Bin Yuan Capital, commented as follows:

As a long-only fund manager, company quality continue to be our priority. We like businesses with predictable earnings growth, strong cash flow, healthy financial positions and which are valued at discounted prices. Currently, the portfolio's PE is 21.9x estimated 2023 earnings with estimated annualized earnings growth rate of 23.8% for the next three years. We believe that our portfolio's valuation is quite attractive.

The China market fluctuated due to both domestic and international factors during the year.

While the weakness of ADRs and Hong Kong listed China stocks continued throughout 2021, the China A share market was flat for most of the period. In December 2021 and January 2022, local institutional investors started to rotate out of outperforming stocks, such as high-end technology, new energy and healthcare services, into underperforming sectors including infrastructure investment related capital goods, properties and financials. The rotation was a top-down driven decision as the above underperforming sectors were perceived to benefit more from the expected credit easing and interest rate cuts.

The market was then further dragged down in February and March by the Russia and Ukraine war and then in April by Covid outbreaks. Risk appetite was mainly dampened by domestic growth worries following lockdowns of some large cities, especially Shanghai, and geopolitical concerns which have persisted by the long-lasting Russia and Ukraine war. The rising energy, metal and agricultural prices due to supply disruptions have caused inflationary pressure to downstream manufacturers and consumers globally. The Chinese government was upset with the Mrs. Pelosi's Taiwan visit in August as they believed that the US was trying to change Taiwan's status quo. The military drills in the Taiwan Straits caused concerns that a military action could be possible. With the US Fed rate increase to curb strong inflation, the dollar strengthened against RMB (RMB moved from 6.5 to 7.1 against the dollar in the past one year) causing forex concerns.

We strongly believe that the drill was a warning to prevent Taiwan from moving to independence. The risk of a war is very low. We expect the exchange rate of RMB against USD to stabilize between 7.2-7.3, otherwise the Chinese government is likely to intervene. We believe the market has largely discounted this. Relative to other countries, the FX on China's balance sheet is much healthier. US dollar assets (estimated 70% of the foreign currency reserve) are more than the dollar debt (more than 85% of foreign currency debt). This provides a strong buffer to ongoing dollar strength.

In this very gloomy market, the Bin Yuan team observed some positive signs on both COVID rule implementations and the economy during on-site company visits and call meetings.

- Travel restrictions are not as strict as before with relaxed implementation in some developed provinces that are major contributors to the country's economy, such as Jiangsu, Anhui, and Zhejiang. Bin Yuan made 49 on-site visits in 3Q 2022 post lockdown, using both public and private transportation without much inconvenience.

*Past performance is not an indicator of current or future returns.*

# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

- The economy is becoming more of a focus for local governments, although on the surface, virus containment is still top of their priority list. They have not yet exhausted their toolkit on policy support, and there are still drivers to leverage growth.

We are expecting less strict COVID rules and a clearer roadmap to improve momentum after all the political dust has settled. The central bank recently announced a 200 billion RMB subsidized loan (interest rate of 0.7% versus a normal rate of 3.25%) for purchases of medical equipment. This is fueling hopes of a step-by-step re-opening of the mainland, especially after the removal of the mandatory hotel quarantine policy for international arrivals in Hong Kong. A stronger healthcare infrastructure system is one of the key premises for the government to shift its focus to treatment of the disease from restricting the movement of people and goods.

Despite macro headwinds, the sub-fund's portfolio on average achieved much better earnings growth than the universe in the first half of 2022 (28% YoY growth vs. -8.5% for total A share listed companies excluding financials). The sub-fund's portfolio is mainly focused on information technology, new energy, healthcare, and emerging consumer sectors. We expect the earnings of those sectors will continue to outperform the market with strong and resilient mid-cycle growth characteristics.

### Portfolio

The majority of the sub-fund's portfolio is invested in the Health Care, Information Technology, Industrials and Consumer sectors, with zero weights in the Energy, Utilities and Real Estate sectors.

The strongest contributors to performance over the reporting period were iRay technology (a Medical Equipment Manufacturer), Wuxi Autowell Technology (a Photovoltaic Module Stringers Manufacturer), and Luxshare Precision (an Electronic Mfg Service Provider).

**iRay Technology** outperformed from October 2021 to September 2022. The company's stock price experienced a panic sell-off in Q1 and Q2 due to the epidemic, but with strong earnings results in Q1 and H1 2022 and favorable nationwide policy announcement for medical equipment sector, market confidence resumed. iRay is an X-ray detector provider that is strengthening its global competitiveness and increasing global market share. The market confidence relies not only on the strong sales of iRay's products in the medical field this year, but also on their expansion capability in the industrial field and other high-precision products, such as X-ray and CT chips, and high-voltage power supplies.

**Autowell** outperformed from October 2021 to September 2022. The company is a world leading manufacturer of photovoltaic ("PV") cell stringers with a market share of 80% in 2021, which should fully benefit from energy transformation. Solar energy is an indispensable way to achieve the net zero carbon emission objectives announced by the governments of many countries and is growing rapidly around the world. Recently, because of the high price of oil and gas, many countries around the world especially European countries highlighted the need to build more solar panels to reduce dependency on Russian gas and oil imports, which will accelerate the development of solar industry. To build an advanced equipment platform, Autowell has expanded its business into single crystal furnaces, semiconductor bonding equipment and lithium battery assembly equipment. For example, Autowell's new product - single crystal furnace, which is used to produce PV wafers, is on track to increase market share.

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# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

**Luxshare Precision** outperformed when we held a position in 2021. Luxshare is one of the largest advanced electronics manufacturing platform companies in China. With the capability of quick response and customer-centric service, it has become one of the most important suppliers of Apple's hardware. The complicated electronics components are setting higher standards for manufacturing services suppliers, and Luxshare is a beneficiary of the industry upgrading and consolidation.

The weakest contributors to performance were Ecovacs Robotics (a Vacuum Robot Manufacturer), Chinasoft International (a Comprehensive IT Service Provider), and Chipsea Technologies (an Analog and MCU Design Company).

**Ecovacs** underperformed with continued market concerns on weak global demand and with battered consumer confidence. Although the penetration is still low at 5-6%, the high-ticket price of the item made customers hesitant to purchase, thus lowering the previously rapid speed of increased market penetration. With the irreversible trend of intelligent home devices and the company's lead in technology advances and cost reduction to improve affordability, the company is well positioned to tap into the under-penetrated population over the next few years.

**Chinasoft International** underperformed from October 2021 to September 2022. In the short term, the shrinkage of Huawei's (one important customer) mobile phone business brought Chinasoft some pressure and caused investor concern. However, in the long term, Harmony OS will boost IT services demand for Chinasoft. Chinasoft is Huawei's first HiLink ecological partner and the first to join the Harmony OS Ecosystem helping dozens of vendors to connect to the HiLink cloud ecology. Over the next decade, the IT service industry should see strong growth. The percentage of the IT industry in GDP is increasing and the market of IT services in China is still consolidating. Chinasoft will benefit from this trend and become a comprehensive IT solutions supplier. We will continue to closely monitor and assess the development of the business. At the same time, we trimmed the weight and shifted to more certain names.

**Chipsea** underperformed because semiconductor downstream production slowed down due to the epidemic and weak consumer electronics demand. Chipsea is a fabless IC company which designs analog and mixed-signal IC and MCU (microcontroller units). Benefiting from US-China frictions, Chipsea is taking market share from overseas competitors. Its high-end products saw strong momentum to substitute imported products. It has an extensive pipeline of new products to be launched in 1H 2023, with positive feedback from their potential customers. Chipsea has allocated 27% of its revenue to R&D, which while not favorable for near-term earnings, the value accumulated will be realized as the company scales up revenues with new product sales.

# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

### Changes in Holdings

During the reporting period, the following new names were added to the portfolio:

**Autowell** as described above.

**Shanxi Fenjiu** is a leading sub high-end baijiu brand. We remain positive on the sub high-end (500-700 yuan per bottle) Baijiu market, which is expected to grow at a CAGR of 15% over the next 5 years. In the short term, Fenjiu was less impacted by scattered lock downs because it is mostly consumed in daily drinking while other sub high-end brands are more consumed in business gatherings. And in the mid-term Fenjiu shows strong growth potential, both in selling volume and in average selling price because it has a low price base while its popularity among consumers is increasing. Currently the consumption market is weak, and the brands with strong brand image will become more competitive and consolidate the market. Fenjiu is the leader in the clear aroma type, which will benefit from the market consolidation. Our crosscheck from selling channels reported that Fenjiu's turnover is very fast in the channel, reflecting strong consumption demand.

**Haier Smart Home** is a leading home appliance manufacturer both in China and overseas. Haier's broad brand range and proactive innovation based on consumer insights has enabled the company to achieve twice the industry growth globally and deliver more competitive home appliances to consumers. In the future, Haier's growth drivers will come from technology upgrades and innovative user experience. This is to meet the home appliance replacement and upgrade demand in China. Haier has the best domestic high-end brand Casarte to provide high value-added products tailored to Chinese household user habits. It has also built a strong sales channel that penetrates to low-tier cities. In addition to increasing revenues, the company is also actively improving ESG management by the privatization of H share Haier Appliances and the injection of assets into the A share listed company to decrease connected transactions. The privatization and group listing should also increase internal management efficiency, reduce management expenses and therefore increase overall profit margins.

**Kangji Medical** is China's largest domestic minimally invasive surgical instrument and accessories (MISIA) platform with a strong sales network, more than 200 independent distributors. Its products have covered more than 1,000 "Class-3" hospitals, which represents 70% of hospitals that are able to conduct minimally invasive surgery in China. The company is taking market share from foreign competitors in China's MISIA market due to strong R&D and the accumulation of know-how. In the future, the MISIA market has strong growth potential due to 1) the increasing demand for surgical operations in China as per capital income increase, 2) the increasing demand for minimally invasive surgery which is a surgical model that has obvious advantages for patients and hospitals, and 3) increasing use of single-use products, the type of products the company mainly sells, to protect patients from intraoperative risks. We expect the company to increase market as the import substitution trend and market integration has been accelerated by the national volume-based purchasing and medical insurance payment reform.

**Cnano Technology** is a leading new material manufacturer, which focuses on the research and development, production, and sales of carbon nanotubes, as well as commercial development. Its carbon nanotube products can help improve lithium battery's fast-charging performance, so the carbon nanotube products will fully benefit from the rapid penetration increase of new energy vehicles. The downstream applications include lithium batteries, conductive polymer composites, and other applications. The global CNT (carbon nanotube) market size is RMB 4,049 million in 2021 and expected to reach RMB 23,469 million in 2025. Currently, carbon nanotubes are mainly used in LFP and high-nickel NCM batteries. The proportion of high-nickel high-voltage batteries will continue to increase.

*Past performance is not an indicator of current or future returns.*



# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

The following five stocks' weight decreased most:

We trimmed **China Soft International** because its Harmony business from Huawei was below expectations. While majority of the business remained unchanged in the listed company, some projects that are national security sensitive were moved out of the listed company due to its foreign shareholder structure. This caused investors' concern. We sold **China Merchants Bank** because we used the stock as a funding source and shifted to other companies with a better risk reward ratio. Also, the impact of exposure to real estate non-performing loans (NPL) at CMB due to the increased risk of real estate companies led to higher credit costs on loans year-on-year. The changes in the management team also led to short-term market concern. Although CMB has the best retail business among Chinese banks with a rich reserve of NPL provision and sticky retail user base, we trimmed the positions to lower the impact of the short-term risks. We sold **Luxshare** because 90% of its revenue is related with Apple. Since continued friction between US and China, the risk for Luxshare is increasing. Also, global inflation is increasing, lengthening the replacement cycle of smartphone. We sold **CATL** to rebalance weight in the new energy sector to upstream material suppliers with less cost pressure. We estimate that CATL is not able to pass through cost pressures to downstream companies immediately, which raised our concern for its mid-term margin visibility. We sold **Li Ning** because it was added on the Norges Bank exclusion list, and we followed the guideline to take action.

### Investment outlook

In our newsletters we have written about the development of Chinese society and the economy. In our white paper published in January 2021, we applied **Metcalf's** theory to explain the scope of the Chinese economy. As a financial market participant for the past 30 years and an observer of the broad society and economy in late 1970s and the 1980s, I have witnessed the significant development of China's wealth creation and dramatically improved lifestyle. China's development is much more broadly based than any other emerging country. Over the past 20 years, China is the only BRIC country to emerge as a global economic power.

The Chinese government's economic policies have allowed the economy to flourish. You need to be on the ground and see with your own eyes to understand what has happened. From our conversations with some prospective clients in North America and Europe, there are still a number of asset allocators with a negative view of China. We understand that a large part of this negativity is due to the differences between Chinese and Western ideologies and political issues. This masks the real changes that are taking place and the opportunities that we see.

In this section we will show that China today is totally different compared to 40 years ago, very different compared to 30 years ago, and is the only country where "**everything is being turned upside down**" in one generation. China is still evolving so rapidly that it looks different today from even 3 to 5 years ago. Most importantly, China is at a starting point to move to the next level of growth with many new high-quality companies emerging.

Looking back from today, we could call those early years the "**barbaric growth period**" where the main economic characteristics were cheap labor with low education (the majority had only a primary school education), operating in mining, construction, manufacturing OEM plus processing, assembling, and garments. All the products were commodities with low margins and low value added. I still remember when we analyzed the difference between Indian and Chinese companies. Indian listed companies had much higher profit margins and ROEs (dominated by mainly software firms) than Chinese listed firms (in the 2000s), representing low value-added Chinese firms.

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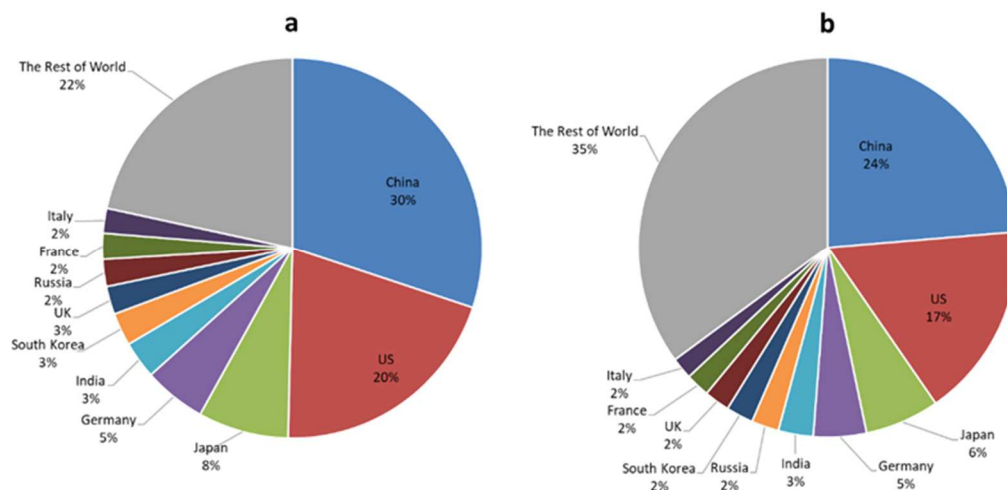
# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

With a GDP of USD 16 trillion (per capita of USD 11,400 increased from USD 250 50 years ago), China is the second largest economy in the world. China today has four globally competitive strengths: i) **abundant capital**; ii) **the largest population of middle-class consumers**; iii) **the largest engineer population**; and iv) **the most advanced and broad-based manufacturing value chain**.

Charts 1a shows that in 2020 (the pandemic period) China was able to expand its dominant market share in manufacturing value added compared to 2019 in Chart 1b. Unfortunately, some of the other less developed countries have lost market share. The trend of the strong getting stronger continues. This trend has continued in 2021 and, we believe, will continue for the next several years.

Chart 1: Manufacturing Value Added by Country (USD Billion)



Source: Wind, Bin Yuan Capital

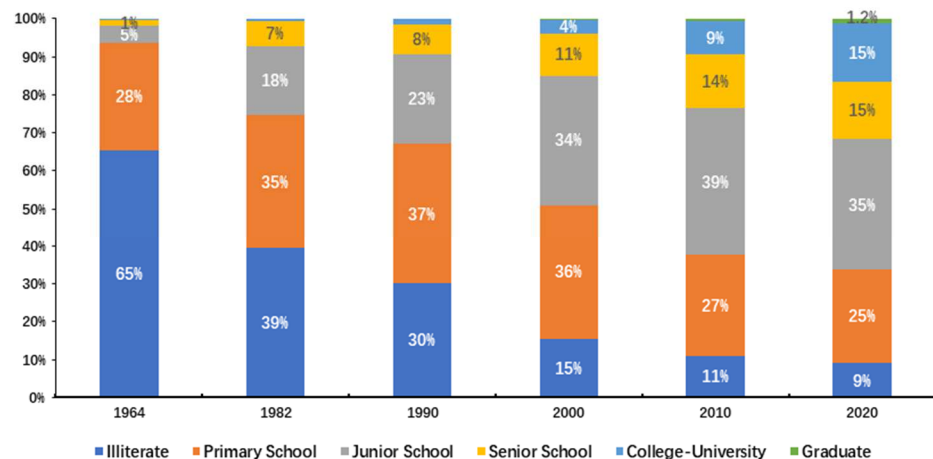
In this section, we will reveal **the importance of high-level talent and how this has reached critical mass. Combining this with the strong base of advanced manufacturing infrastructure, a large consumer market and abundant capital, China will move to the next level of growth.**

In recent years, we witnessed how the productivity improvement in China has shifted from a low-priced, well-organized labor force to a technologically advanced workforce. Chart 2 shows that in 1964, 93% of the labor force was below primary school education and 65% had no education at all. By 2020, 16% or circa 160 million were college graduates. This has provided a skilled labor base to operate more sophisticated machinery.

# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

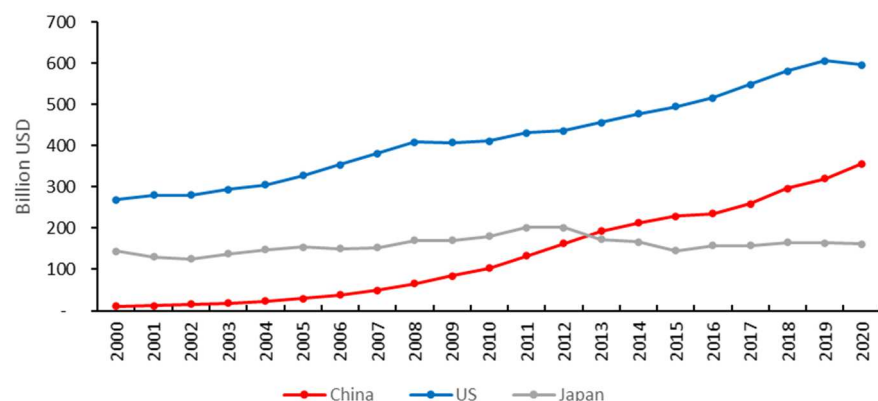
Chart 2: Educational Attainment Composition of Employment



Source: Wind, Bin Yuan Capital

With an increasingly well-educated population and the government's strategic objective to develop high technology, we have seen China move from "Made in China" to "Created in China." The research and development (R&D) budgets in both the public and private sectors have increased rapidly. Chart 3 shows that in 2000 China's R&D expenditure was USD 13.4bn compared with USD 102.4bn in Japan and USD 236.8bn in the US. China has been catching up. China invested more than all European countries combined and was getting closer to that of the US in 2020.

Chart 3: Total R&D Expense of China, US, and Japan



Source: Wind, Bin Yuan Capital

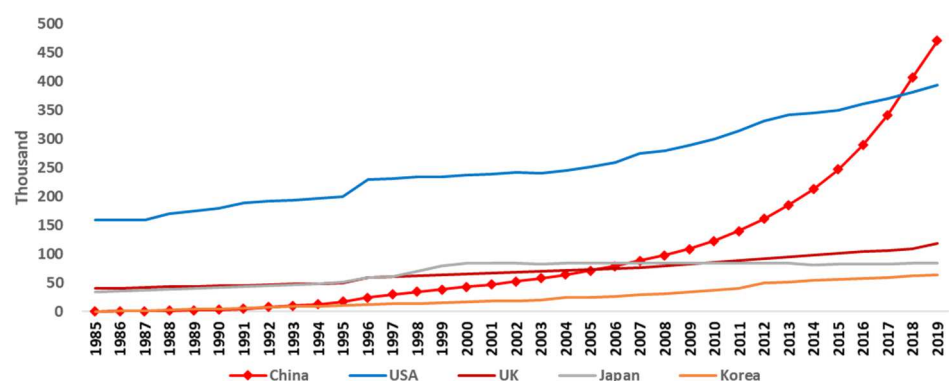
Past performance is not an indicator of current or future returns.

# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

R&D spending has resulted in a significant increase in published research papers. In 2018, the top 10% of the most read theses globally were from China, surpassing the US as the top contributor (see Chart 4 below). The quality of the papers also followed. Among the top 1% of papers, China contributed 25% in 2018, closely behind the US at 27.2%.

Chart 4: Number of Papers in Major Countries



Source: Clarivate, Bin Yuan Capital

### The Reverse Brain Drain

Many of these high-quality papers were contributed by returnees (who went overseas to study and returned to China). In the 1980s and early 1990s, US universities were the number one choice for the most talented Chinese college graduates. Many went to study in doctoral programs in the science and engineering fields at the top universities in the US. In most cases these provided full scholarship with PhD students working part time as graduate teaching assistants.

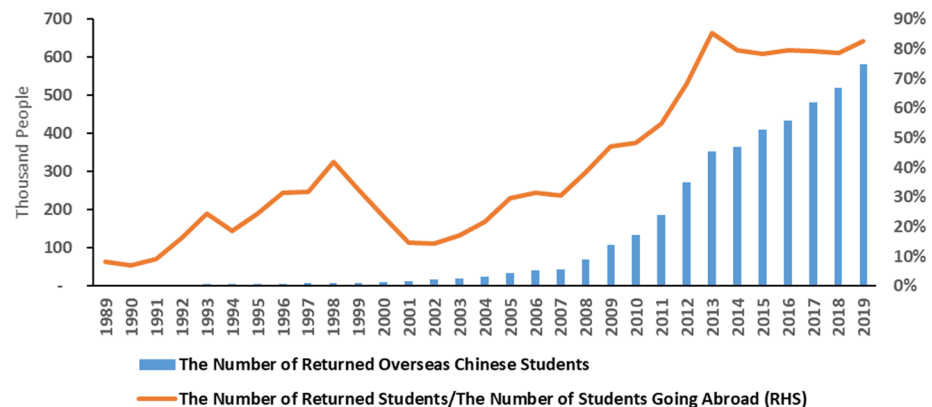
Thanks to the globalization trend, most top global firms and research institutions offered positions to Chinese PhD graduates with the objective of having them help to tap into the Chinese market. After working in the US within those institutions, a number of those became corporate executives and were repatriated back to China to lead their firm's China development efforts.

These days, with growing wealth and opportunities in China, most students now come back to China in what we call the "**reverse brain drain**" phenomenon. Chart 5 below shows this trend. The "reverse brain drain" students have grown from a negligible number in the 1990s to 75% in 2019.

# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

Chart 5: Number of Returned Overseas Chinese Students

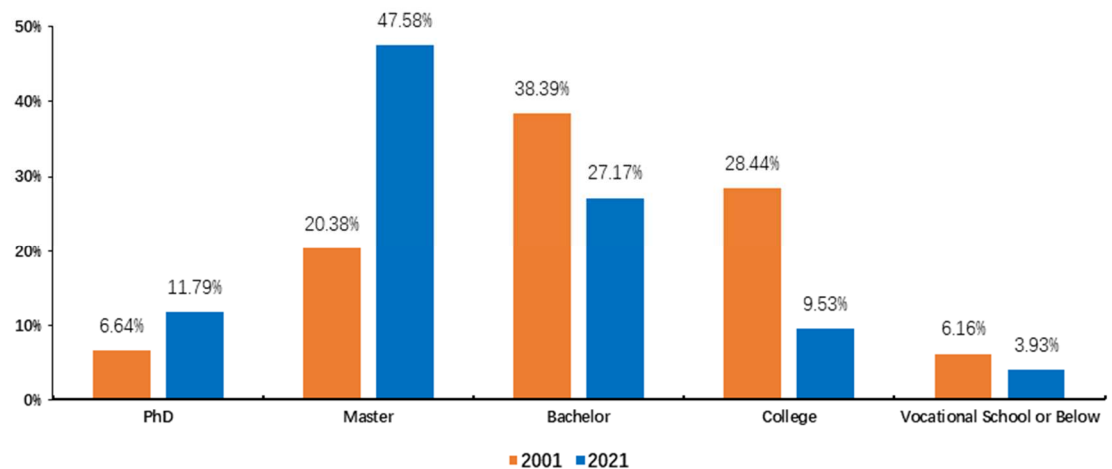


Source: Wind, Bin Yuan Capital

We now turn our focus to analyzing investment opportunities. The "reverse brain drain" has helped high quality companies to emerge. The characteristics of new high quality growth companies in this era differ from the **"barbaric" growth period**. Entrepreneurs now mostly have a high education compared to most having less than a high school education in the 1990s.

Chart 6 shows that in 2021 the percentage of Company Chairs with a Master's degree or higher was 60% vs 27% in 2001. The proportion goes up to 65% in the Sci-Tech Innovation Board (Chart 7). In addition, more non-Chinese researchers are coming to China from Japan, Korea, and European countries.

Chart 6: Evolution of Educational Background of the Chairman of A-share Listed Companies from 2001 to 2021



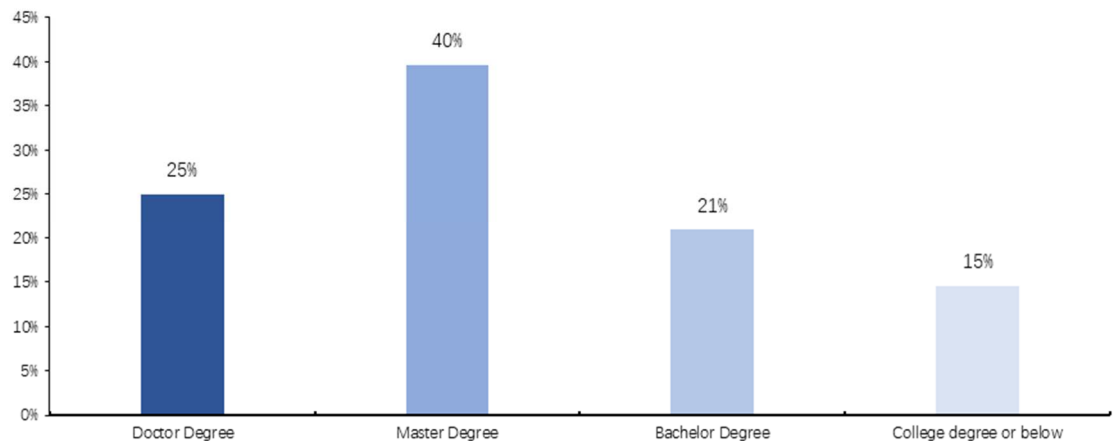
Source: Wind, Bin Yuan Capital

Past performance is not an indicator of current or future returns.

# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

Chart 7 : Distribution of the Educational Background of the Founders of Companies in Sci-Tech Innovation Board (2021)



Source: Wind, Bin Yuan Capital

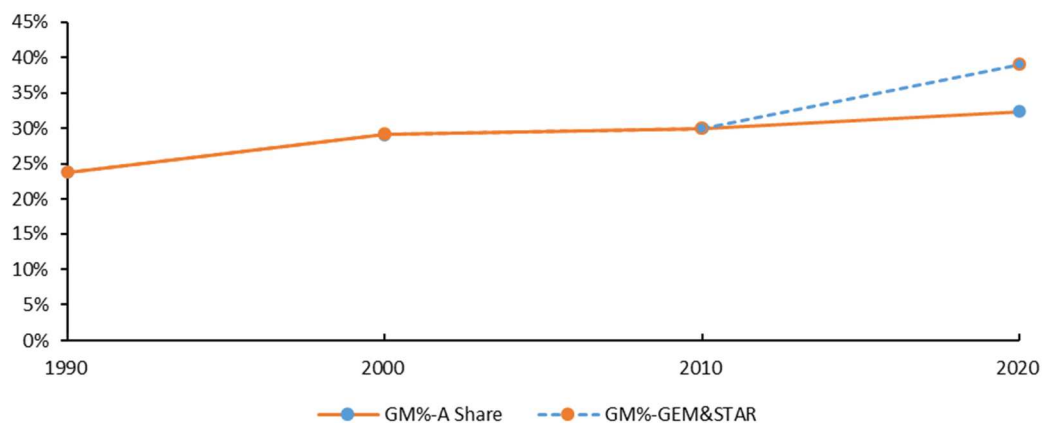
This new round of entrepreneurs is western trained with many having worked in leading global research institutions and firms. **They stand on the "giant's shoulders" to start their businesses.** In addition to technological know-how and western management style, they have had exposure to the best global practices and understand social responsibilities and the importance of good corporate governance. The firms led by this group accelerate the speed of replacing imported technology components and some of them have taken global market share from the multinational firms that dominated in the past.

Chart 8 below shows that the profitability of these firms is much higher than the general A share market. The emergence of these newly established firms can be described as "*bamboo shoots after a spring rain*".

# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

Chart 8: Gross Margin: Overall A Share vs GEM&STAR Board



Source: Wind, Bin Yuan Capital

### The Move Upstream

One important recent development in the high technology area is that **Chinese firms are shifting from downstream (applications) to upstream in production value chains.** Upstream applications use mostly advanced technology and have high barriers to entry. This requires many years of research and experience in production techniques. This technology know-how includes but is not limited to advanced materials, semiconductor chips, nanotechnology, and optoelectronic technology (see the detailed company-level discussions provided in our monthly newsletters) and has been controlled historically by foreign multinationals. Some created monopolies with high profitability.

Chinese domestic firms have been developing upstream components. In the past, the most difficult hurdle was getting downstream application firms to even test their products. Thanks to former President Trump's blocking the supply of some upstream products, domestic upstream suppliers have now gotten their "foot in the door" with downstream assemblers and have had their products tested and approved. The downstream firms help their upstream suppliers improve quality. Once the relationship has been established, it is sticky and difficult to replace. We have seen foreign dominance of upstream components start to loosen. For example, in analog chips, local firms are taking market share away from Texas Instruments.

COVID 19 has been another catalyst leading to the replacement of foreign suppliers due to the supply shortages of components.

The "reverse brain drain" combined with accumulated manufacturing know-how is helping China develop a virtuous circle in many sectors of the economy.

*Past performance is not an indicator of current or future returns.*

# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

Going forward, we believe that more Chinese firms will dominate the Chinese market. No foreign consumer company has won market share in China over the past 30 years. For example, the home appliance sector was well-developed 30 years ago. At that time, the Chinese market was dominated by brand-name products from Japan, Korea, and Germany. Today, Chinese home appliance brand names have 90% of the market. Applying the same logic, we predict iRobot, the US vacuum robot, will face the same future. The fundamental reason for leading global companies losing China market share is that multinationals are not able to be properly rooted in China. They are bureaucratic with home-based-centric decision-making power, and do not truly trust their Chinese staff. Chinese entrepreneurs are hungry for success and energetic. Now that they are armed with advanced technology and have a clear target many are likely to be successful.

GE is another example where many advanced technologies were developed but were not commercialized due to the bureaucratic home-centric corporate structure. The main reason GE has lost out in the whole development of the renewables industry was because it was too strong in the traditional energy business supplying coal and gas turbines. The conglomerate has a finite lifespan if its leadership does not have a revolutionary mindset. Most of the global firms have similar weaknesses and this has provided opportunities for new Chinese entrants. **The Chinese understand that today's technology will be tomorrow's commodity.** Chinese companies will become the dominant players in China and the best way to benefit from this trend is to invest in the leading mid-cycle growth companies.

With changing demographics, China going forward will be very different from China in the past 10 to 15 years. China needs to promote technology to improve productivity to replace declining access to a cheap labor force. Looking at China from the inside, the government will emphasize prudent management of the economy and monetary policy and prudent corporate financial management. Private sector companies making profits from resource-based assets, such as property and mining, will be discouraged. Fixed asset investment in infrastructure and property development will decline. It will be difficult for property developers to leverage their balance sheets like they did in the past. The sector is already moving capital into non-property sectors, including establishing family offices. The government is also discouraging the use of monopoly-like powers to protect internet platforms and discourage newcomers. Emphasizing quality growth will lead to slower growth but also a low-inflationary environment and stable RMB. This provides a good backdrop for the innovative mid-growth cycle businesses that Bin Yuan focuses on.

Looking at China from outside, some investors are concerned that increasingly strong government oversight and regulation may stifle the emergence of this new wave of entrepreneurial companies. We re-emphasize that this is a misunderstanding of the government's intentions. With the emergence of the economy and the fast-changing society, the legal system and regulatory policies needed to catch up and be followed. It may not be perfect, but it is moving in the right direction. The government's objective is to provide an environment of fair competition and redistribute wealth to narrow the gap between the rich and poor. Any companies and products that improve people's living quality and the environment are strongly supported and promoted. My recent conversations with local government officials and people with access to the top leadership confirm this assessment. We have seen that the emergence of a new wave of higher quality entrepreneurial companies is accelerating.

# Hereford Funds - Bin Yuan Greater China Fund

## Managers' reports (continued)

Having said this, there will still be questions as to whether the Chinese government can provide a stable regulatory environment. The simple answer is no, it will not be stable. The regulatory environment will continue to evolve to meet new challenges. This view was echoed by a recent statement of Elon Musk of Tesla, "*there's a general problem, not just in the U.S., but in most countries, where the rules and regulations keep increasing every year.*" To restate this, it is not just in China, but in other developed countries too that the rules and regulations keep changing. The difference is in people's perception of the changes. The universal rule is that a regulatory change is clear to the people living in each political region but is often confusing to people in other regions. History has shown that China has done quite well in the past 30 years both economically and socially. Most Chinese people are happy.

As we have shown above, China has changed remarkably over the past 3 to 5 years, let alone the past 30 to 40 years. Keeping pace with the rapid development of technology, new products and changing lifestyles requires constant learning, active research, and an open mind. Just kicking the tires with your own boots is no longer sufficient. You need a team you can trust to guide you profitably and safely through this rapidly evolving market.

We at Bin Yuan have been fortunate in building an extensive business network over the past 30 to 40 years. This network is enhanced by our contact with many former GE researchers and engineers. Our network combined with our unique investment process has enabled us to outperform the market and our peers and deliver above market returns this past year.

There are many more companies with new technologies that offer great potential still to discover. We are happy that you have joined us as we continue to uncover them.

*Slacking is the biggest enemy in this profession and the most difficult challenge is the passive slacking.*

Established by Bin Yuan Capital

October 20, 2022



## Hereford Funds - IIFL Focused India Fund (note 1)

### Managers' reports

The sub-fund was launched on September 30, 2022.

# Hereford Funds - Bin Yuan Healthcare Fund (note 1)

## Managers' reports

### Review

For the period from the launch of the sub-fund on December 3, 2021, through September 30, 2022, Hereford Funds - Bin Yuan Healthcare Fund (Share Class L1) depreciated by 27.60% while the total return (including dividends) of the MSCI China Health Care Index dropped 45.36%.

The investment manager, Bin Yuan Capital, commented as follows:

As a long-only fund manager, company quality continues to be our priority. We like businesses with predictable earnings growth, strong cash flow, healthy financial positions and valued at discount prices. Currently, our portfolio's PE is 25.7x estimated 2023 earnings and expected earnings growth rate is 28.4% through 2026. We believe that our portfolio's valuation is attractive.

Across all sub-segments, we prefer Healthcare Equipment & Parts to Biotech Pharma, because we believe this segment has higher visibility with the benefit of import substitution and increasing domestic penetration rates.

### Portfolio

The majority of the portfolio is mainly invested in the Healthcare Equipment & Parts and Services sectors, with little weight in the Pharmaceuticals sector.

The strongest contributors to performance over the reporting period were iRay technology (a medical equipment manufacturer), AK Medical (An Orthopedic Consumables Company), and Qingdao Novelbeam (a medical equipment manufacturer).

**iRay Technology** outperformed during the reporting period on the back of strong numbers in Q1 2022 and H1 2022 and favorable nationwide policy announcements for the medical equipment sector. iRay is an X-ray detector provider that is strengthening its global competitiveness and increasing global market share. The market confidence relies not only on the good sales of iRay's products in the medical field but on their expansion capability in the industrial field and other high-precision products, such as X-ray and CT chips, and high-voltage power supplies.

**AK Medical** outperformed during the reporting period, even during a period of policy headwinds in the orthopedic consumables industry. At the end of September 2022, the bidding results of the volume-based purchasing (VBP) for the spine consumables sector were announced, and the price cut was less than expected for leading domestic companies. The company is a leading domestic orthopedic consumables manufacturer, who had won the No.1 bidding position in the joint implant consumable sector last year, and now is expanding into the spine consumable business. We expect the benefit brought by the volume surge after the VBP would outweigh the loss from the price cut. Meanwhile, the company is taking market share from imported brands. We are confident that the trend of "import substitution" will continue to benefit the company.

# Hereford Funds - Bin Yuan Healthcare Fund (note 1)

## Managers' reports (continued)

**Novelbeam Technology** outperformed during the reporting period. Novelbeam is a domestic manufacturer of medical endoscope equipment and optical products. The company is the core supplier of the global endoscopy giant Stryker since 2022. The demand for medical device procurement resumed after the global epidemic was brought under control. Stryker's business increased demand for the company. In addition, the company has continued to use their underlying optical technology to expand into new fields. In Q3 2022, the increase in orders for oral scanning modules and industrial laser lenses boosted revenue growth in the company's optical business. With the launch of new products, we estimate the company's growth will continue.

The weakest contributors to performance were Wuxi Apptec (Contract Research Organization - CRO), Asymchem Laboratories (Contract Development Manufacture Organization for Chemical Drugs - CDMO), and WuXi Biologics (Contract Development Manufacture Organization for Biotech Drugs - CDMO).

China CXO giants (as above) plunged on panic selling after the news that US President Biden was poised to sign an executive order to help expand US biomanufacturing and reduce reliance on China. This was not new news as this had been raised by Obama back in 2008. This has been largely priced in YTD. We see less likelihood for the US to completely decouple from China in the healthcare supply chain in the mid-term, as US is also controlling medical insurance costs as part of their effort to curb high inflation pressure, so they still need to outsource R&D and manufacturing to lower cost countries. China boasts a clear edge in R&D costs with costs 30-60% lower than developed countries.

## Changes in Holdings

Largest positions increases:

**Shanghai United Imaging Healthcare**, which IPO'd in August, provides high-performance medical imaging equipment to customers around the world. It is the domestic leader in medical imaging equipment manufacturing, and in some segments, such as PET-MR/CT, the company has built a global leading position. The company has grown into a technology platform company. Its product line covers magnetic resonance imaging (MR), X-ray computed tomography system (CT), X-ray imaging system (XR), molecular imaging system (MI), medical linear accelerator system (RT), life science instruments, etc. With a strong technology research and development platform and the advantages of an independent and controllable core supply chain, the company can represent "Made in China" in the global medical equipment industry. The global market of company's products is broad which is a strong growth driver.

**Suzhou Nanomicro Technology's** outperformance in H1 2022 comes from ongoing investment in research and development, production capacity construction and the expansion of product lines. The company has independent core technology and intellectual property rights in the field of chromatographic packing materials, and is the first domestic company to engage in research and development in this field. The company has deep connections with major domestic pharmaceutical companies, and has a high penetration rate in the domestic innovative drug research and development pipeline. As the product pipeline develops we expect strong revenue growth.

*Past performance is not an indicator of current or future returns.*

# Hereford Funds - Bin Yuan Healthcare Fund (note 1)

## Managers' reports (continued)

**Bloomage Biotechnology** is the world's largest HA (hyaluronic acid) raw material manufacturer, and it has more than 10% market share in China HA injections and a 1% market share in skin care products. The company has overcome weak demand in Q2 due to the lockdown and has reduced costs. When a leading Tmall livestream channel was stopped in Q3, we saw that Bloomage skincare products maintained strong growth, showing that re-purchase rates and brand recognition among consumers is increasing. We expect an earnings growth upturn in 2023.

Largest decreases:

We sold **Jet Bio** due to overseas epidemic-related orders decreases and the slowdown in the growth of domestic demand for biological experimental consumables. The tight epidemic prevention policy prevented the company from expanding its business overseas to obtain new customers, and brought uncertainty to the company's future development.

We trimmed **Wuxi Aptec** to limit uncertainty from the difficult US-China relationship. The company has around 75% overseas exposure and 40% US exposure.

We trimmed **Sino Biopharma** due to increased competition in the vaccine industry and deceleration in earning momentum as performance growth peaked.

## A Look at 2022 and Beyond by Bin Yuan

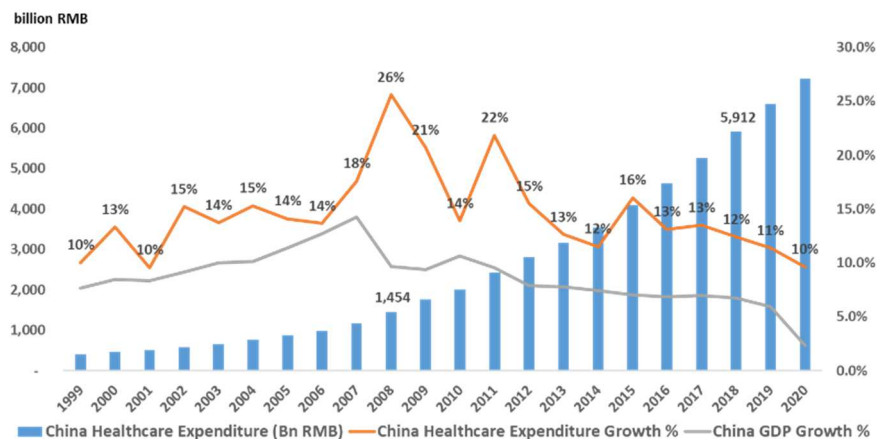
### 2008 - 2018 Period:

**During this decade China's healthcare industry saw a golden period of development** benefiting from China's strong economic growth. Healthcare expenditure in China tripled achieving an annualized growth rate of 15%, well above GDP growth over the same period (Chart 1). Total Healthcare expenditure per capita reached 4,207 yuan per year in 2018 compared to 1,095 yuan in 2008, accounting for 15% of per capita income (Chart 2). This drove the A-share Healthcare Industry Index up 6.5 times during this period (Chart 3). China's largest pharmaceutical company, Hengrui Medicine (600276.SH), grew into a \$40 billion market value company (Chart 3). Hengrui achieved a profit of 4 billion yuan in 2018, and its R&D investment reached 2.67 billion yuan, accounting for 15% of its revenue, which is on par with the world's top pharmaceutical companies. **The Chinese healthcare industry was viewed as one of the most attractive sectors for investors.**

# Hereford Funds - Bin Yuan Healthcare Fund (note 1)

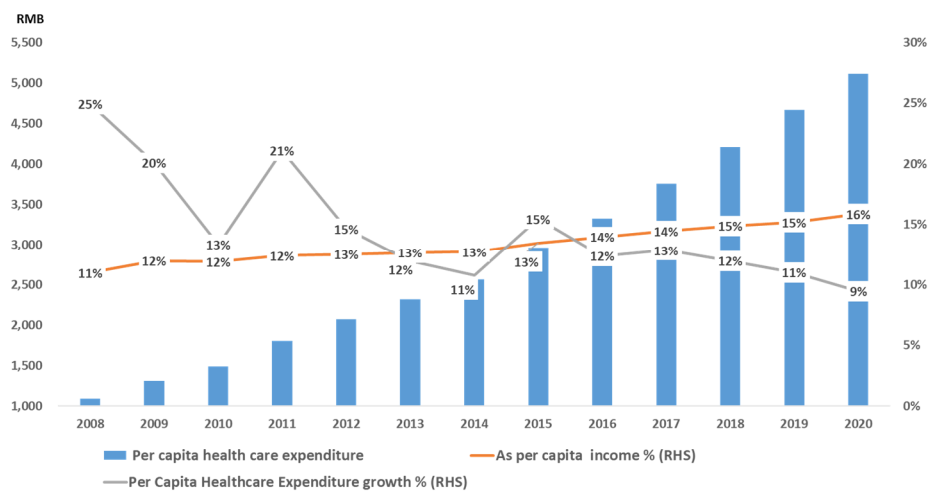
## Managers' reports (continued)

Chart 1: Healthcare Expenditure in China



Sources: Bin Yuan Capital, Wind

Chart 2: Healthcare Expenditure per Capita in China



Sources: Bin Yuan Capital, Wind

### Post 2018:

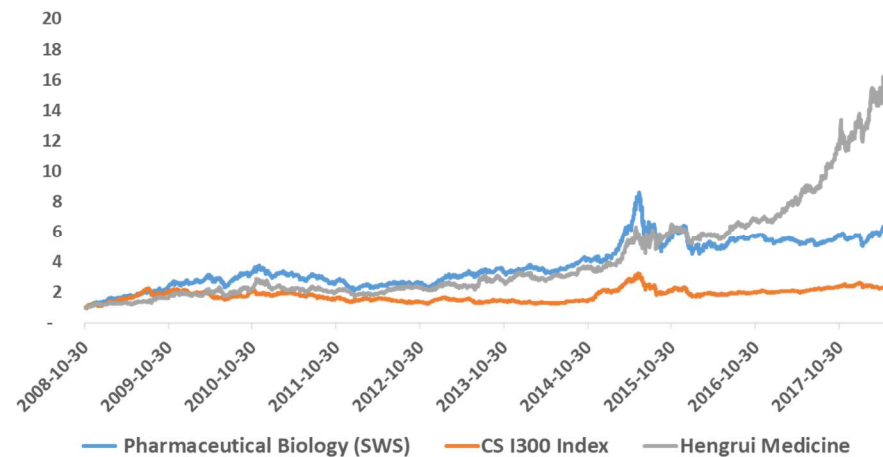
**From the second half of 2018, the development of the industry has been impacted by regulatory changes and geopolitical risk.** The "Volume-based Purchasing Policy" to reduce healthcare costs for both medicines and healthcare equipment was rolled out and implemented. At the end of last year, there were rumors that some Chinese biotech companies would be included in the "Non-SDN Chinese Military-Industrial Complex Companies List" of the United States, although this turned out to be a false alarm. In February, Wuxi Bio (2269.HK) was listed on the "Unverified List" increasing the pessimism of the industry to a new low (Chart 4). Even though the outbreak of the epidemic that started in 2020 brought renewed attention and demand to the industry, **market confidence remains weak.**

*Past performance is not an indicator of current or future returns.*

# Hereford Funds - Bin Yuan Healthcare Fund (note 1)

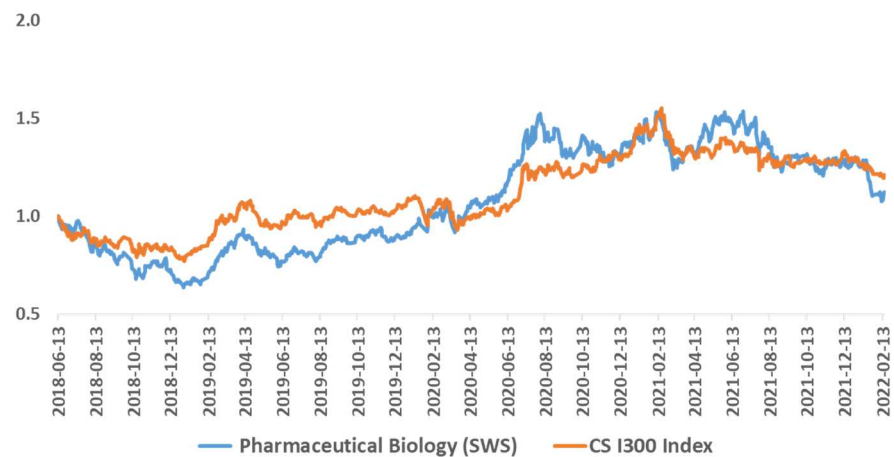
## Managers' reports (continued)

Chart 3: Healthcare Index Performance (2008~1H2018)



Sources: Bin Yuan Capital, Wind

Chart 4: Healthcare Index Performance (2H2018 to February 2022)



Sources: Bin Yuan Capital, Wind

Past performance is not an indicator of current or future returns.

# Hereford Funds - Bin Yuan Healthcare Fund (note 1)

## Managers' reports (continued)

### What is the Regulatory Outlook and Geopolitical Risk?

#### **Volume-based Purchasing Policy**

Over the past 15 years, the Chinese government prioritized social medical insurance coverage. By the end of 2018, China's social medical insurance coverage reached 95%. As coverage increases, so does the financial burden to the government. In China, public hospitals account for 80% of the entire medical system. The government has a strong incentive to control spending in the public healthcare system by lowering the cost of medicines and equipment. This also increases affordability for treatments.

The Volume-based Purchasing Policy (VBP) achieves lower prices through centralized procurement of a specified category or specified range of targeted medical products. In the VBP process, government agencies publicize the required procurement quantity and price range. This has been largely successful with reductions in the end prices of many drugs and equipment. For example, prices for cardiac stents have fallen by more than 80%. As a result, many older adults who have been reluctant to have heart surgery have now begun to consider this procedure.

However, the policy has had some negative side effects in its implementation. Many government officials who formulate and implement policies are not experts in the field and have insufficient understanding of the difficulty and costs of R&D (including time costs) for healthcare companies. As a consequence the ex-factory price and profitability of healthcare companies have been reduced. **This has been a key factor impacting sentiment and depressing stock prices.**

The Chinese government has a good track record of adjusting policy initiatives when required. Over the past three years, they have received substantial feedback from patients and businesses. This has increased their understanding of the industry and impact of VBP policies. **We expect that the policy will therefore become more rational and achieve a better balance between cost control and ongoing healthcare development.** There have been some positive signs. Recently we saw news that an upcoming round of VBP will be entrusted to local provinces rather than a unified national procurement. Provinces can adopt different pricing mechanisms taking into their own circumstances with the lowest price no longer the only measure.

The policy puts more pressure on foreign companies, which typically set higher domestic prices to make up for their higher production and R&D costs. For example, in the past, the ex-factory price of artificial joints by foreign companies was six times that of domestic companies. Now, they need to compete with domestic companies at similar prices, so that they have to decide whether to join the VBP process or abandon the Chinese market. No matter which route they choose, it will be beneficial to leading domestic healthcare companies. Using artificial joints as an example again, domestic companies now have a 30% market share in China. Based on the latest VBP results, we expect Chinese companies to increase to a 70% market share within five years. *(Please refer to our newsletter of September 2021 <The Impact of China's Volume Based Purchasing - Briefing on Public Healthcare Reform>)*

# Hereford Funds - Bin Yuan Healthcare Fund (note 1)

## Managers' reports (continued)

**In terms of the policy impact on individual companies, it can be divided into three categories:**

In the first category volume increases do not compensate for price cuts. The entry barriers in this area are generally not high, and there are many homogeneous products on the market. These products will account for a smaller part of the social medical budget in the future. This is an area we will avoid.

In the second category volume increases can compensate for price cuts. By reducing ex-factory prices, domestic companies are able to squeeze out imported companies to take market share while increasing the penetration rate. The artificial joints and orthopedic market mentioned above fall into this category.

The third category are companies where the price is not impacted and volumes increase. Companies are able to maintain ex-factory prices as their products are competitive and sought after and there are high entry barriers. Additionally they are able to reduce distribution costs. This area is our investment focus and a good example is the minimally invasive surgical consumables area.

**We believe that the negative impact of policy changes has already been discounted in stock prices. As policies become more rational and leading companies expand market share, the valuations of many healthcare companies will rebound back to historical ranges.**

### Geopolitics Impact

On the 8<sup>th</sup> February 2022, the US Department of Commerce placed 33 Chinese companies on the UVL (Unverified List). Two WuXi Bio (2269.HK) subsidiaries are on this list. The reason cited are that US government agencies have not been able to verify the end-use of equipment exported from the US to these Chinese companies. The pandemic has hampered US efforts to conduct on-site verifications. *(Details please refer to our note on "WuXi Bio")*

Although we believe the temporary impact is manageable and the UVL is fundamentally different from the "Entity List" previously announced, **it was another factor impacting sentiment and increased market concerns about the future development of Chinese healthcare companies.**

Upstream import dependence is a key bottleneck for Chinese healthcare companies, and they are working hard to resolve this issue. Over the past 10 years, reinforced after the Sino-US trade war broke out in 2018, Chinese companies have increasingly invested in the R&D of upstream equipment and consumables. Many new products have been developed and launched. Downstream end customers are also keen to develop domestic alternatives for supply chain security. Many upstream suppliers stated: "In the past, we couldn't even get tickets to global supply chain. Now, as long as customers use our products, they will know how good we are." Upstream domestic substitution is accelerating. When looking for investment opportunities, we pay close attention to each company's upstream import dependence to ensure that companies can achieve supplier substitution to control supply chain risk.



# Hereford Funds - Bin Yuan Healthcare Fund (note 1)

## Managers' reports (continued)

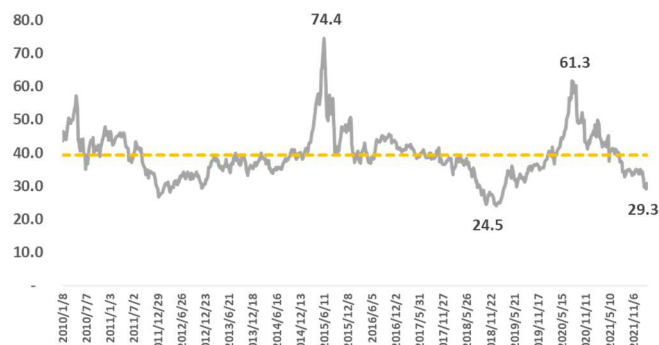
Chinese healthcare companies are playing an increasingly important role in the global healthcare industry market. Purchasing decisions are overwhelmingly market driven. For example, many global big pharma recognize the value of WuXi AppTec (603259.CH / 2359.HK) and WuXi Biologics (2269.HK). Compared with other global CRO companies, Chinese CROs can complete each clinical stage in a shorter time, which is very critical for big pharma. With their cost-effective products and services, we believe Chinese healthcare companies will continue to expand global market share.

Geopolitical risk is difficult to predict and we continue to carefully monitor global trade issues and any changes in policy.

### Valuation is attractive

From June last year healthcare companies have sold off largely due to regulatory concerns on VBP. Local institutional investors have been trimming healthcare names since the beginning of this year. Valuation premiums have fallen to historic lows compared to larger companies (e.g. banks, property developers...) (Chart 5-7).

Chart 5: TTM PE for Healthcare Sector



Sources: Bin Yuan Capital, Wind, Pharmaceutical Biology (SWS)

Chart 6: TTM PE for A-share Market (Exl. Financials)



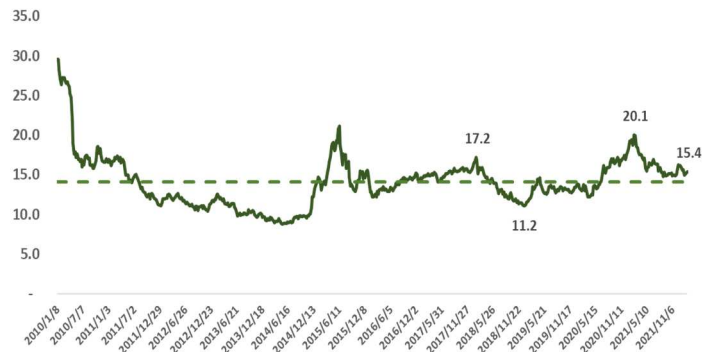
Sources: Bin Yuan Capital, Wind, CSI 300 Index

*Past performance is not an indicator of current or future returns.*

# Hereford Funds - Bin Yuan Healthcare Fund (note 1)

## Managers' reports (continued)

Chart 7: Healthcare Sector PE Premium (v.s. CSI 300 Index)



Sources: Bin Yuan Capital, Wind

As per the chart above the TTM PE for the CSI300 is 13.4x vs 29.3X for the Healthcare Index so trading on a ratio of 2.3 times vs the historical average of 3x.

The profitability and growth outlook of healthcare names in our Healthcare Strategy are very healthy.

Please see table below for our estimates:

Chart 8: Bin Yuan's healthcare strategy

Valuation	Portfolio	Benchmark
Period	20220930	20220930
2023 PE (X)	25.7	35.6
2023 PB (X)	5.0	2.8
2023 Div. Yield (%)	0.9	1.0
2023 ROE (%)	19.4	7.7
Earning Growth (%) Forward 3 YR	28.4	14.0
2023 PEGY	0.9	2.4
FCF Yield	3.0	0.3

**We feel strong quarterly earnings results will also act as a catalyst to improve market sentiment in the healthcare sector.**

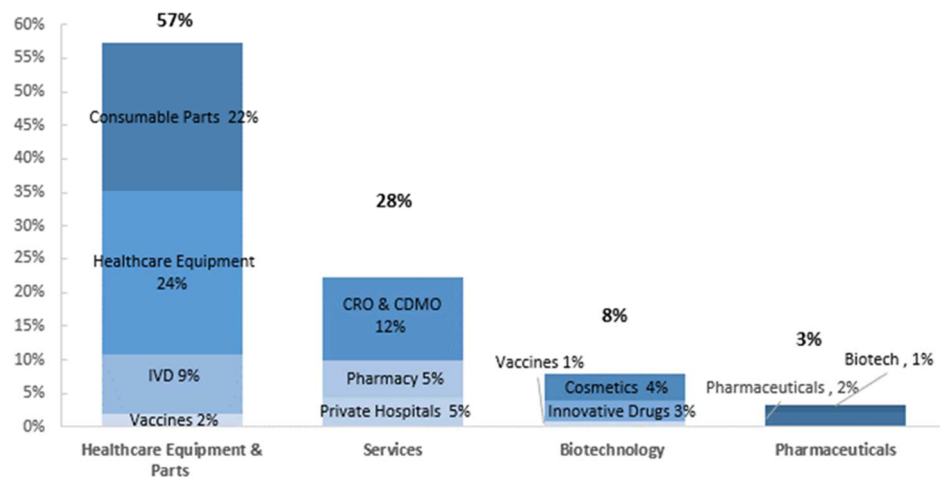
# Hereford Funds - Bin Yuan Healthcare Fund (note 1)

## Managers' reports (continued)

### Bin Yuan focus on upstream value chain and medical equipment opportunities

Compared to the Healthcare Index (MXCN0HC), Bin Yuan overweights medical equipment and consumables and underweights biotech. China's pharmaceutical companies, especially innovative biotech pharma, are still far behind the global top tier. Picking the winners in biotech is difficult with a high risk of failure. In contrast, medical devices in China are benefiting from import substitution and increasing penetration rates. This trend will continue. We are also looking for opportunities in the upstream value chain, who are beneficiaries of Chinese healthcare development (Chart 9).

Chart 9: Composition of Bin Yuan Portfolio v.s. Healthcare Index



Sources: MSCI, Bin Yuan Capital

### Summary:

- The impact from regulatory changes has now been largely discounted.
- Valuations are now very attractive for long term investors with our Healthcare strategy selling on **CY2023 PER of 25.7X** with a **earning CAGR 2022-2025 of 28.4%**.
- We see the easing of regulatory pressure and strong earnings reports as catalysts for improving sentiment.

Established by Bin Yuan Capital

October 26, 2022

## Report of the Réviseur d'Entreprises Agréé / Auditor's report

To the Shareholders of  
Hereford Funds  
Société d'Investissement à Capital Variable Incorporated in Luxembourg  
15, Avenue J.F. Kennedy, L-1855 Luxembourg

### Opinion

We have audited the financial statements of Hereford Funds (the "Fund") and of each of its sub-funds, which comprise the statement of net assets and the statement of investments and other net assets as at September 30, 2022, and the statement of operations and changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and of each of its sub-funds as at September 30, 2022, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

### Basis for Opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*" (CSSF). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the *réviseur d'entreprises agréé*" for the Audit of the Financial Statements" section of our report. We are also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our report of the *réviseur d'entreprises agréé* thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

## Report of the Réviseur d'Entreprises Agréé / Auditor's report

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors of the Fund for the Financial Statements**

The Board of Directors of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

### **Responsibilities of the "réviseur d'entreprises agréé" for the Audit of the Financial Statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.



## Report of the Réviseur d'Entreprises Agréé / Auditor's report

- Conclude on the appropriateness of the Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*réviseur d'entreprises agréé*" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Deloitte Audit, *Cabinet de révision agréé*

PP.

Nicolas Hennebert, *Réviseur d'entreprises agréé*  
Partner

January 24, 2023



# Hereford Funds

## Statement of net assets as at September 30, 2022

	COMBINED	Hereford Funds - DSM US Large Cap Growth Fund	Hereford Funds - Bin Yuan Greater China Fund
	USD	USD	USD
<b>ASSETS</b>			
Investments in securities at acquisition cost (note 2.e)	789,767,371.86	54,703,647.64	715,805,024.60
Net unrealised gain/loss on investments	-142,562,578.30	9,458,300.36	-147,389,095.83
Investments in securities at market value (note 2.d)	647,204,793.56	64,161,948.00	568,415,928.77
Cash at banks (note 2.d)	23,904,915.44	1,159,094.85	20,170,270.38
Bank deposits (note 2.d)	45,820,000.00	0.00	45,820,000.00
Formation expenses (note 2.h)	1,105.21	0.00	171.24
	716,930,814.21	65,321,042.85	634,406,370.39
<b>LIABILITIES</b>			
Advisory fees payable (note 4)	1,244,455.98	195,460.77	1,027,009.92
Performance fees payable (note 5)	33,266.96	0.00	33,266.96
"Taxe d'abonnement" payable (note 3)	18,383.44	2,091.50	15,911.22
Other fees payable (note 6)	251,936.05	33,654.22	213,430.71
	1,548,042.43	231,206.49	1,289,618.81
<b>TOTAL NET ASSETS AS AT SEPTEMBER 30, 2022</b>	<b>715,382,771.78</b>	<b>65,089,836.36</b>	<b>633,116,751.58</b>
<b>TOTAL NET ASSETS AS AT SEPTEMBER 30, 2021</b>	<b>700,217,592.35</b>	<b>97,700,943.07</b>	<b>602,516,649.28</b>
<b>TOTAL NET ASSETS AS AT SEPTEMBER 30, 2020</b>	<b>348,996,552.96</b>	<b>84,100,549.65</b>	<b>260,143,246.01</b>

\* Including the total net assets of the liquidated sub-fund Hereford Funds - DGHM US All-Cap Value Fund

The accompanying notes form an integral part of these financial statements.



# Hereford Funds

## Statement of net assets as at September 30, 2022 (continued)

Hereford Funds - IIFL Focused India Fund (note 1)	Hereford Funds - Bin Yuan Healthcare Fund (note 1)
USD	USD
0.00	19,258,699.62
0.00	-4,631,782.83
0.00	14,626,916.79
2,009,800.00	565,750.21
0.00	0.00
0.00	933.97
2,009,800.00	15,193,600.97
0.00	21,985.29
0.00	0.00
0.00	380.72
0.00	4,851.12
0.00	27,217.13
<b>2,009,800.00</b>	<b>15,166,383.84</b>
-	-
-	-

The accompanying notes form an integral part of these financial statements.

## Statement of operations and changes in net assets for the year ended September 30, 2022

	COMBINED	Hereford Funds - DSM US Large Cap Growth Fund	Hereford Funds - Bin Yuan Greater China Fund
	USD	USD	USD
<b>NET ASSETS AT THE BEGINNING OF THE YEAR/PERIOD</b>	<b>700,217,592.35</b>	<b>97,700,943.07</b>	<b>602,516,649.28</b>
<b>INCOME</b>			
Dividends, net (note 2.i)	5,923,680.23	315,725.46	5,474,486.49
Interest on bonds, net (note 2.i)	16,308.55	0.00	15,720.06
Bank interest (note 2.i)	175,459.86	0.00	175,459.86
Other income	628.82	0.00	0.00
	6,116,077.46	315,725.46	5,665,666.41
<b>EXPENSES</b>			
Amortization of formation expenses (note 2.h)	318.90	0.00	318.90
Advisory fees (note 4)	5,402,645.43	894,514.54	4,431,531.34
Performance fees (note 5)	33,266.96	0.00	33,266.96
Depository fees, bank charges and interest	213,721.94	52,655.15	153,333.26
Professional fees, audit fees and other expenses	1,484,928.56	134,653.56	1,317,238.97
Administration fees	274,962.23	60,083.59	210,749.83
"Taxe d'abonnement" (note 3)	84,158.80	10,081.91	72,205.89
Transaction fees (note 2.j)	2,235,900.04	5,684.13	2,181,395.66
	9,729,902.86	1,157,672.88	8,400,040.81
<b>NET INVESTMENT LOSS</b>	<b>-3,613,825.40</b>	<b>-841,947.42</b>	<b>-2,734,374.40</b>
Net realised gain/loss on sales of investments (note 2.f)	-68,155,940.27	7,162,662.59	-73,817,307.18
Net realised loss on foreign exchange	-2,272,042.44	0.00	-2,188,722.14
Net realised loss on forward foreign exchange contracts	-1,078,324.00	0.00	-1,060,860.88
<b>NET REALISED GAIN/LOSS</b>	<b>-75,120,132.11</b>	<b>6,320,715.17</b>	<b>-79,801,264.60</b>
<b>Change in net unrealised depreciation:</b>			
- on investments	-261,497,771.62	-29,517,490.51	-227,348,498.28
<b>DECREASE IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>-336,617,903.73</b>	<b>-23,196,775.34</b>	<b>-307,149,762.88</b>
Proceeds from subscriptions of shares	694,290,341.19	1,438,920.86	667,401,066.99
Cost of shares redeemed	-342,507,258.03	-10,853,252.23	-329,651,201.81
<b>NET ASSETS AT THE END OF THE YEAR/PERIOD</b>	<b>715,382,771.78</b>	<b>65,089,836.36</b>	<b>633,116,751.58</b>

The accompanying notes form an integral part of these financial statements.

# Hereford Funds

## Statement of operations and changes in net assets for the year ended September 30, 2022 (continued)

Hereford Funds - IIFL Focused India Fund (note 1)	Hereford Funds - Bin Yuan Healthcare Fund (note 1)
USD	USD
-	-
0.00	133,468.28
0.00	588.49
0.00	0.00
0.00	628.82
0.00	134,685.59
0.00	0.00
0.00	76,599.55
0.00	0.00
0.00	7,733.53
0.00	33,036.03
0.00	4,128.81
0.00	1,871.00
0.00	48,820.25
0.00	172,189.17
<b>0.00</b>	<b>-37,503.58</b>
0.00	-1,501,295.68
0.00	-83,320.30
0.00	-17,463.12
<b>0.00</b>	<b>-1,639,582.68</b>
0.00	-4,631,782.83
<b>0.00</b>	<b>-6,271,365.51</b>
2,009,800.00	23,440,553.34
0.00	-2,002,803.99
<b>2,009,800.00</b>	<b>15,166,383.84</b>

The accompanying notes form an integral part of these financial statements.

# Hereford Funds

## Number of shares outstanding and net asset value per share

Sub-fund Class	Currency	Number of shares outstanding	Net asset value per share	Net asset value per share	Net asset value per share
		30.09.2022	30.09.2022	30.09.2021	30.09.2020
Hereford Funds - DSM US Large Cap Growth Fund					
AI	USD	103,257.45	297.56	399.50	327.64
BI	USD	120,668.69	214.18	285.57	232.59
D	USD	9,166.50	460.97	622.23	513.06
U	USD	13,842.25	310.18	416.44	341.54
Hereford Funds - Bin Yuan Greater China Fund					
AI	USD	248,225.05	91.28	136.88	100.59
AI	EUR	48,123.81	82.02	103.96	-
AI	GBP	110,216.60	76.74	95.28	-
BI	USD	55,237.82	94.29	141.04	103.39
CI	USD	879,835.73	151.51	226.07	165.30
CI	GBP	94,871.06	79.65	-	-
CB	USD	418,281.58	142.79	213.05	155.78
DI A	USD	2,470,430.09	95.08	141.51	103.21
DB A	USD	781,310.32	94.05	139.98	102.09
DB A	NOK	908,604.59	108.54	-	-
L1	USD	25,478.87	131.25	195.84	143.19
L2	USD	514,401.34	124.47	184.68	140.04
PB	EUR	72,911.13	79.82	-	-
Hereford Funds - IIFL Focused India Fund (note 1)					
L1	USD	5,098.00	100.00	-	-
L2	USD	15,000.00	100.00	-	-
Hereford Funds - Bin Yuan Healthcare Fund (note 1)					
L1	USD	209,475.71	72.40	-	-

The accompanying notes form an integral part of these financial statements.

# Hereford Funds - DSM US Large Cap Growth Fund

## Statement of investments and other net assets as at September 30, 2022 (expressed in USD)

Description	Currency	Quantity	Market value (note 2.d)	% of net assets
<b>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING OR DEALT IN ON ANOTHER REGULATED MARKET</b>				
<b>SHARES</b>				
<i>IRELAND</i>				
ACCENTURE 'A'	USD	8,750.00	2,251,375.00	3.46
AON	USD	7,000.00	1,875,090.00	2.88
LINDE RG	USD	4,750.00	1,280,552.50	1.97
			5,407,017.50	8.31
<i>UNITED STATES</i>				
ADOBE	USD	5,925.00	1,630,560.00	2.51
ALPHABET 'A'	USD	59,100.00	5,652,915.00	8.68
AMAZON.COM	USD	35,300.00	3,988,900.00	6.13
AUTODESK	USD	1,825.00	340,910.00	0.52
AUTOMATIC DATA PROCESSING	USD	8,995.00	2,034,579.05	3.13
BOSTON SCIENTIFIC	USD	76,375.00	2,958,003.75	4.54
BURLINGTON STORES	USD	2,525.00	282,522.25	0.43
CHARLES SCHWAB	USD	78,050.00	5,609,453.50	8.62
COOPER COMPANIES	USD	3,475.00	917,052.50	1.41
ENTEGRIS	USD	3,875.00	321,702.50	0.49
EPAM SYSTEMS	USD	6,300.00	2,281,797.00	3.51
FISERV	USD	17,300.00	1,618,761.00	2.49
FLEETCOR TECHNOLOGIES	USD	10,400.00	1,832,168.00	2.81
GLOBAL PAYMENTS	USD	13,825.00	1,493,791.25	2.29
INTUIT	USD	5,560.00	2,153,499.20	3.31
KEURIG DR PEPPER	USD	58,705.00	2,102,813.10	3.23
MASTERCARD 'A'	USD	6,300.00	1,791,342.00	2.75
META PLATFORMS 'A'	USD	8,075.00	1,095,616.00	1.68
MICROSOFT	USD	24,350.00	5,671,115.00	8.72
MONSTER BEVERAGE	USD	20,175.00	1,754,418.00	2.70
NEUROCRINE BIOSCIENCES	USD	22,325.00	2,371,138.25	3.64
NVIDIA	USD	8,090.00	982,045.10	1.51
O REILLY AUTOMOTIVE	USD	2,100.00	1,477,035.00	2.27
PAYPAL HOLDINGS	USD	30,650.00	2,638,045.50	4.05
SOLAREGE TECHNOLOGIES	USD	1,325.00	306,684.50	0.47
UNITEDHEALTH GROUP	USD	5,045.00	2,547,926.80	3.91
VISA 'A'	USD	16,325.00	2,900,136.25	4.46
			58,754,930.50	90.26
<b>TOTAL INVESTMENTS</b>			<b>64,161,948.00</b>	<b>98.57</b>
CASH AT BANKS			1,159,094.85	1.78
OTHER NET LIABILITIES			-231,206.49	-0.35
<b>TOTAL NET ASSETS</b>			<b>65,089,836.36</b>	<b>100.00</b>

The accompanying notes form an integral part of these financial statements.

# Hereford Funds - DSM US Large Cap Growth Fund

## Geographical and industrial classification of investments as at September 30, 2022

### Geographical classification

(in % of net assets)

United States	90.26
Ireland	8.31
	<b>98.57</b>

### Industrial classification

(in % of net assets)

Computer and office equipment	20.68
Holding and finance companies	16.47
Internet, software and IT services	16.16
Miscellaneous	11.97
Retail and supermarkets	6.56
Pharmaceuticals and cosmetics	5.95
Banks and credit institutions	5.56
Healthcare & social services	3.91
Biotechnology	3.64
Food and soft drinks	3.23
Electronics and electrical equipment	2.47
Divers - Industrie	1.97
	<b>98.57</b>

# Hereford Funds - Bin Yuan Greater China Fund

## Statement of investments and other net assets as at September 30, 2022 (expressed in USD)

Description	Currency	Quantity	Market value (note 2.d)	% of net assets
<b>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING OR DEALT IN ON ANOTHER REGULATED MARKET</b>				
<b>SHARES</b>				
<i>CAYMAN ISLANDS</i>				
AK MEDICAL HOLDINGS	HKD	6,962,560.00	6,856,226.27	1.08
CHINA CONCH ENVIRONMENT PROTECTION HOLDINGS LIMITED	HKD	4,770,500.00	2,443,017.91	0.39
CHINA CONCH VENTURE HOLDINGS	HKD	3,721,000.00	5,934,726.32	0.94
CHINASOFT INTERNATIONAL	HKD	17,342,461.00	10,670,740.40	1.69
JD.COM 'A' -S-	HKD	411,150.00	10,401,985.30	1.64
MEITUAN 'B'	HKD	591,800.00	12,484,524.05	1.97
SUNNY OPTICAL TECHNOLOGY	HKD	946,100.00	9,057,382.83	1.43
			57,848,603.08	9.14
<i>CHINA</i>				
AIER EYE HOSPITAL GROUP 'A'	CNY	4,189,499.00	16,938,334.21	2.68
ANHUI ESTONE MATERIALS TECHNOLOGY 'A'	CNY	986,573.00	7,813,349.27	1.23
ANJOY FOODS GRP 'A'	CNY	862,884.00	18,895,085.10	2.98
BEIJING KINGSOFT OFFICE 688111 'A'	CNY	381,600.00	10,822,384.16	1.71
BEIJING ORIENTAL YUHONG WATER 'A'	CNY	3,057,254.00	11,369,007.83	1.80
BLOOMAGE BIOTECHNOLOGY 'A'	CNY	342,945.00	6,335,438.58	1.00
CHAOZHOU THREE-CIRCLE 'A'	CNY	5,110,953.00	18,768,250.05	2.96
CHINA MERCHANT BANK 'A'	CNY	4,613,358.00	21,891,884.08	3.46
CHINA TOURISM GROUP DUTY FREE 'A'	CNY	226,899.00	6,343,467.10	1.00
CHIPSEA TECHNOLOGIES SHENZHEN 'A'	CNY	3,247,033.00	15,614,281.16	2.47
CHONGQING BREWERY 'A'	CNY	637,504.00	10,086,876.06	1.59
CIRCUIT FAB 'A'	CNY	11,562.00	108,426.52	0.02
ECOVACS ROBOTICS 'A'	CNY	2,339,317.00	22,003,705.54	3.48
GUANGZHOU JET BIOFILTRATION 'A'	CNY	2,791,350.00	11,195,018.12	1.77
HAIER SMART HOME 'A'	CNY	5,311,742.00	18,554,270.88	2.93
HUNAN BAILI ENGINEERING 'A'	CNY	10,931,795.00	18,684,221.73	2.95
INNER MONGOLIA YILI INDUSTRY 'A'	CNY	3,464,245.00	16,111,655.38	2.54
IRAY TECHNOLOGY 'A'	CNY	832,915.00	61,277,696.86	9.67
JIANGSU CNANO 'A'	CNY	1,043,853.00	16,953,509.90	2.68
JIANGSU HENGLI HYDRAULIC 'A'	CNY	1,651,307.00	10,544,236.88	1.67
KANGJI MEDICAL HOLDINGS	HKD	24,649,500.00	17,521,811.76	2.77
KWEICHOW MOUTAI CO LTD 'A'	CNY	48,378.00	12,774,698.24	2.02
NARI TECHNOLOGY 'A'	CNY	7,275,017.00	25,514,714.41	4.03
SG MICRO 'A'	CNY	797,682.00	15,848,598.92	2.50
SH FRIEND 'A'	CNY	243,451.00	6,505,814.72	1.03
SHANXI XINGHUACUN FEN WINE 'A'	CNY	595,377.00	25,430,675.86	4.02
SHENZHEN MEGMEET ELECTRICAL 'A'	CNY	3,107,468.00	12,655,659.09	2.00
SHENZHEN MINDRAY BIO-MEDICAL 'A'	CNY	427,402.00	18,021,405.22	2.85
SUZHOU NANOMICRO TECHNOLOGY 'A'	CNY	606,733.00	6,081,713.39	0.96
WUXI LEAD INTELLIGENT 'A'	CNY	607,649.00	4,054,027.12	0.64
WX AUTOWELL 'A'	CNY	567,473.00	27,567,039.54	4.34
XI'AN SINO FUSE ELECTRIC 'A'	CNY	250,410.00	5,497,148.98	0.87
YIFENG PHARMACY CHAIN 'A'	CNY	1,821,666.00	12,782,919.03	2.02
			510,567,325.69	80.64

The accompanying notes form an integral part of these financial statements.

# Hereford Funds - Bin Yuan Greater China Fund

## Statement of investments and other net assets as at September 30, 2022 (expressed in USD) (continued)

Description	Market value (note 2.d)	% of net assets
<b>TOTAL INVESTMENTS</b>	<b>568,415,928.77</b>	<b>89.78</b>
CASH AT BANKS	20,170,270.38	3.19
BANK DEPOSITS	45,820,000.00	7.24
OTHER NET LIABILITIES	-1,289,447.57	-0.21
<b>TOTAL NET ASSETS</b>	<b>633,116,751.58</b>	<b>100.00</b>

The accompanying notes form an integral part of these financial statements.



# Hereford Funds - Bin Yuan Greater China Fund

## Geographical and industrial classification of investments as at September 30, 2022

### Geographical classification

(in % of net assets)

China	80.64
Cayman Islands	9.14
	<b>89.78</b>

### Industrial classification

(in % of net assets)

Electronics and electrical equipment	20.22
Photography and optics	11.10
Pharmaceuticals and cosmetics	10.49
Internet, software and IT services	7.01
Construction of machines and appliances	6.57
Tobacco and alcohol	6.04
Food and soft drinks	4.57
Public utilities	4.34
Banks and credit institutions	3.46
Construction and building materials	2.95
Chemicals	2.68
Healthcare & social services	2.68
Consumer products	2.54
Miscellaneous consumer goods	1.80
Biotechnology	1.00
Miscellaneous	1.00
Environmental services & recycling	0.94
Holding and finance companies	0.39
	<b>89.78</b>

# Hereford Funds - Bin Yuan Healthcare Fund (note 1)

## Statement of investments and other net assets as at September 30, 2022 (expressed in USD)

Description	Currency	Quantity	Market value (note 2.d)	% of net assets
<b>TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING OR DEALT IN ON ANOTHER REGULATED MARKET</b>				
<b>SHARES</b>				
<i>CAYMAN ISLANDS</i>				
AK MEDICAL HOLDINGS	HKD	596,000.00	586,897.76	3.87
INNOVENT BIOLOGICS 144A/S	HKD	48,000.00	149,505.37	0.99
SINO BIOPHARMACEUTICAL	HKD	601,000.00	282,512.41	1.86
WUXI BIOLOGICS	HKD	145,500.00	878,573.36	5.79
			1,897,488.90	12.51
<i>CHINA</i>				
AIER EYE HOSPITAL GROUP 'A'	CNY	169,322.00	684,576.52	4.51
APT MEDICAL 'A'	CNY	9,800.00	295,899.30	1.95
ASYMCHAM LABORATORIES 'A'	CNY	23,305.00	455,833.76	3.01
AUTOBIO DIAGNOSTICS 'A'	CNY	86,200.00	669,913.29	4.42
BLOOMAGE BIOTECHNOLOGY 'A'	CNY	32,559.00	601,482.88	3.97
CANSINO BIOLOGICS 'H'	HKD	24,200.00	137,340.86	0.91
EYEBRIGHT 'A'	CNY	8,600.00	236,029.80	1.56
HANGZHOU TIGERMED CONSULTING 'A'	CNY	40,277.00	517,890.11	3.41
IRAY TECHNOLOGY 'A'	CNY	17,549.00	1,291,082.89	8.51
JIANGSU HENGRUI PHARMA. 'A'	CNY	91,760.00	454,194.04	2.99
JIANGSU YUYUE MEDICAL EQUIP. & S 'A'	CNY	113,507.00	461,154.89	3.04
KANGJI MEDICAL HOLDINGS	HKD	1,514,500.00	1,076,564.80	7.10
LBX PHARMACY CHAIN J.S. 'A'	CNY	88,253.00	399,374.29	2.63
MICROTECH MED 'H' 144A/S	HKD	33,200.00	30,662.87	0.20
QINGDAO NOVELBEAM TECHNOLOGY	CNY	32,800.00	515,738.59	3.40
SHANGHAI MICROPORT MEDBOT 'H' 144A/S	HKD	63,500.00	160,653.31	1.06
SHANGHAI UNITED IMAGING HEALTH	CNY	14,000.00	358,529.42	2.36
SHENZHEN MINDRAY BIO-MEDICAL 'A'	CNY	29,665.00	1,250,824.72	8.25
SHENZHEN NEW INDUSTRIES BIOMEDICAL 'A'	CNY	130,704.00	694,329.17	4.58
SUZHOU NANOMICRO TECHNOLOGY 'A'	CNY	63,900.00	640,514.83	4.22
WUXI APPTec 'A'	CNY	85,924.00	868,668.31	5.73
YIFENG PHARMACY CHAIN 'A'	CNY	61,534.00	431,793.83	2.85
			12,233,052.48	80.66
<i>HONG KONG</i>				
CSPC PHARMACEUTICAL GROUP	HKD	340,000.00	336,973.08	2.22
MORIMATSU INTERNATIONAL -S-	HKD	157,000.00	159,402.33	1.05
			496,375.41	3.27
<b>TOTAL INVESTMENTS</b>			<b>14,626,916.79</b>	<b>96.44</b>
CASH AT BANKS			565,750.21	3.73
OTHER NET LIABILITIES			-26,283.16	-0.17
<b>TOTAL NET ASSETS</b>			<b>15,166,383.84</b>	<b>100.00</b>

The accompanying notes form an integral part of these financial statements.

## Hereford Funds - Bin Yuan Healthcare Fund (note 1)

### Geographical and industrial classification of investments as at September 30, 2022

#### Geographical classification

(in % of net assets)

China	80.66
Cayman Islands	12.51
Hong Kong	3.27
	<b>96.44</b>

#### Industrial classification

(in % of net assets)

Pharmaceuticals and cosmetics	51.41
Biotechnology	20.98
Photography and optics	8.51
Healthcare & social services	6.87
Electronics and electrical equipment	4.22
Miscellaneous	3.40
Construction of machines and appliances	1.05
	<b>96.44</b>

## Notes to the financial statements as at September 30, 2022

### NOTE 1

#### GENERAL

Hereford Funds (the "Fund") is an open-end investment fund with multiple sub-funds (*Société d'Investissement à Capital Variable ("SICAV") à compartiments multiples*) governed by Part I of the Law of December 17, 2010 relating to Undertakings for Collective Investment ("UCI"), as may be amended from time to time (the "2010 Law").

The Fund was incorporated in Luxembourg on November 23, 2007, for an indefinite period. The Fund is registered with the *Registre de Commerce et des Sociétés* of Luxembourg under number B134375.

FundPartner Solutions (Europe) S.A. with registered office at 15, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg was appointed Management Company of the Fund as of January 13, 2018. It is a management company within the meaning of chapter 15 of the 2010 Law.

#### a) Sub-funds in activity

As at September 30, 2022, the Fund offers the following sub-funds:

- Hereford Funds - DSM US Large Cap Growth Fund expressed in USD,
- Hereford Funds - Bin Yuan Greater China Fund expressed in USD
- Hereford Funds - Bin Yuan Healthcare Fund expressed in USD (launched on December 3, 2021);
- Hereford Funds - IIFL Focused India Fund expressed in USD (launched on September 30, 2022).

#### b) Significant events and material changes

A new prospectus came into force as at January 2022.

In February 2022, a number of countries (including the US, UK and EU) imposed sanctions against certain entities and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Announcements of potential additional sanctions have been made following military operations initiated by Russia against the Ukraine on February 24, 2022.

The situation, together with growing turmoil from fluctuations in commodity prices and foreign exchange rates, and the potential to adversely impact global economies, has driven a sharp increase in volatility across markets.

At the date of this report, the Board of Directors of the Fund continues to monitor the evolving situation and its impact on the financial position of the fund and any of its compartment.

## Notes to the financial statements as at September 30, 2022 (continued)

### c) Share classes

As at September 30, 2022, the following share classes are offered:

Hereford Funds - DSM US Large Cap Growth Fund:

- AI (USD),
- BI (USD),
- D (USD),
- U (USD);

Hereford Funds - Bin Yuan Greater China Fund:

- AI (USD),
- AI (EUR),
- AI (GBP),
- BI (USD),
- CI (USD),
- CI (GBP) (since November 8, 2021)
- CB (USD),
- DI A(USD),
- DB A(USD),
- DB A(NOK) (since March 15, 2022),
- L1 (USD),
- L2 (USD),
- PB (EUR) (since October 8, 2021);

Hereford Funds - Bin Yuan Healthcare Fund:

- L1 (USD) (since December 3, 2021);

Hereford Funds - IIFL Focused India Fund:

- L1 (USD) (since September 30, 2022),
- L2 (USD) (since September 30, 2022);

As at September 30, 2022, the following share classes are offered:

- Classes AI, BI, CI, DI and U Shares: these Shares are reserved for investments made by investors qualifying as Institutional Investors within the meaning of the Law.
- Classes D Shares: these Shares are normally available in accordance with the provisions of the Prospectus and the Appendix to the Prospectus.
- Classes CB, DB, PB Shares: these Shares are reserved for investments made by investors qualifying as Institutional Investors within the meaning of the 2010 Law, who are approved by the Investment Manager.
- Classes L1 and L2 Shares: these Shares are reserved for investments made by investors qualifying as accredited or institutional investors within the meaning of the SFA and Institutional Investors within the meaning of the Law and are only available for such period of time as determined by the Directors in their sole discretion or the net assets of the sub-fund equal or less than USD 40,000,000.

## Notes to the financial statements as at September 30, 2022 (continued)

### NOTE 2

#### SIGNIFICANT ACCOUNTING POLICIES

##### a) Presentation of the financial statements

The financial statements are prepared in accordance with generally accepted accounting principles and with the legal reporting requirements applicable in Luxembourg relating to UCIs.

##### b) Combined financial statements for the Fund

The combined financial statements of the Fund are expressed in USD and correspond to the sum of items in the financial statements of each sub-fund, converted into USD at the exchange rate prevailing at the closing date.

##### c) Conversion of foreign currencies for each sub-fund

Cash at banks, other net assets as well as the market value of the investment portfolio expressed in currencies other than the currency of the sub-fund are converted into the currency of the sub-fund at the exchange rate prevailing at the end of the closing date.

Income and expenses expressed in currencies other than the base currency of the sub-fund are converted into the base currency of the sub-fund at the exchange rate applicable on the transaction date.

Resulting foreign exchange gains and losses are recorded in the statement of operations and changes in net assets.

##### d) Valuation of assets

1) Securities and/or financial derivative instruments admitted to official listing on an official stock exchange or traded on any other organised market are valued at the last available price, unless such a price is not deemed to be representative of their fair market value;

2) Securities not listed on stock exchanges or not traded on any regulated market and securities with an official listing for which the last available price is not representative of a fair market value are valued prudently and in good faith by the Board of Directors of the Fund, on the basis of their estimated sale prices;

3) Cash and other liquid assets are valued at their face value with interest accrued;

4) Financial derivative instruments which are not listed on a regulated market are valued in a reliable and verifiable manner on a daily basis, in accordance with market practice;

5) Liquid assets and money market instruments are valued at market value plus any accrued interest or on an amortised cost basis as determined by the Board of Directors of the Fund. All other assets, where practice allows, are valued in the same manner;

6) The units/shares of undertakings for collective investment are valued on the basis of the last known net asset value ("NAV");

## Notes to the financial statements as at September 30, 2022 (continued)

In the event that the above mentioned calculation methods are inappropriate or misleading, the Board of Directors of the Fund may adjust the value of any investment or permit some other method of valuation to be used for the assets of the Fund if it considers that the circumstances justify that such adjustment or other method of valuation should be adopted to reflect more fairly the value of such investments;

For each sub-fund, securities whose value is expressed in a currency other than the reference currency of that sub-fund are converted into that reference currency at the average rate between the last available buy/sell rate in Luxembourg or, failing that, in a financial center which is most representative for those securities.

### e) Acquisition cost of investment securities in the portfolio

The cost of investment securities denominated in currencies other than the base currency of the different sub-funds is converted into the base currency of the different sub-funds at the exchange rate prevailing on the acquisition date.

### f) Net realised gain or loss on sales of investments

The net realised gain or loss on sales of investments are calculated on the basis of the average acquisition cost and are disclosed net in the statement of operations and changes in nets assets.

### g) Forward foreign exchange contracts

The unrealised gains or losses resulting from outstanding forward exchange contracts are determined on the valuation day on the basis of the forward exchange prices applicable on this date and are recorded in the statement of net assets.

### h) Formation expenses

Formation expenses are amortised over a period of five years.

### i) Income

Dividends are recorded net of withholding tax at ex-date. Interest is recorded on an accrual basis.

### j) Transaction fees

Transaction fees disclosed under the item "Transaction fees" in the expenses of the statement of operations and changes in net assets are mainly composed of broker fees incurred by the Fund paid to the depositary bank.

## NOTE 3

### "TAXE D'ABONNEMENT"

Pursuant to the legislation and regulations in force, the Fund is subject to an annual subscription duty "*taxe d'abonnement*" of 0.05% which is payable quarterly and calculated on the basis of the net assets of each sub-fund on the last day of each quarter.

## Notes to the financial statements as at September 30, 2022 (continued)

However this percentage is reduced to 0.01% per annum for share classes reserved for institutional investors.

Pursuant to Article 175 (a) of the amended law of December 17, 2010, the net assets invested in undertakings for collective investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

### NOTE 4

#### ADVISORY FEES

The Advisory Company is entitled to advisory fees, payable on a quarterly basis at a total annual rate which could vary for each sub-fund, but which does not exceed 2.5% of the average net asset value of the relevant sub-fund, as determined during the relevant quarter.

The Investment Managers are remunerated by the Advisory Company out of the fees that it receives from the Fund.

The effective rates per annum are as following:

For the sub-fund Hereford Funds - DSM US Large Cap Growth Fund:

- 1.25% for Class AI,
- 0.70% for Class BI,
- 1.75% for Class D,
- 1.25% for Class U.

For the sub-fund Hereford Funds - Bin Yuan Greater China Fund:

- 1.25% for Class AI,
- 1.00% for Class BI,
- 0.75% for Class CI,
- 0.75% for Class CB,
- 0.50% for Class DI,
- 0.50% for Class DB,
- 0.75% for Class L1,
- 0.25% for Class L2,
- 0.50% for Class PB.

For the sub-fund Hereford Funds - Bin Yuan Healthcare Fund:

- 0.25% for Class L1.

For the sub-fund Hereford Funds - IIFL Focused India Fund:

- 0.25% for Class L1,
- 0.50% for Class L2.

### NOTE 5

#### PERFORMANCE FEES

The Advisory Company may also be entitled to a performance fee, as determined below.



## Notes to the financial statements as at September 30, 2022 (continued)

### For the sub-fund Hereford Funds - Bin Yuan Greater China Fund:

In relation to the classes L2 and PB shares, the Advisory Company receives a performance fee, accrued on each valuation date, paid annually, based on the NAV, equivalent to such performance level of the NAV per share (measured against the high water mark) over the return of the MSCI China All Shares Net Total Return (Bloomberg ticker MXCNANM Index) calculated since the last performance fee payment.

The performance fee is calculated on the basis of the NAV after deduction of all expenses, liabilities, and advisory fees (but not performance fee), and is adjusted to take account of all subscriptions and redemptions.

The performance fee is equal to the outperformance of the NAV per share multiplied by the number of shares in circulation during the calculation period. No performance fee will be due if the NAV per share before performance fee turns out to be below the high water mark for the calculation period in question.

The high water mark is defined as the greater of the following two figures:

- The last NAV per share on which a performance fee has been paid;
- The initial NAV per share.

The high water mark may be decreased by the dividends paid to shareholders.

If the performance of the NAV per share is negative over the calculation period, no performance fee will be calculated. If the performance of the NAV per share is positive, but the performance of the Benchmark Index is negative, the calculated performance fee will be based on the minimum between (i) the absolute performance of the Net Asset Value per share and (ii) Performance Fee Level of the outperformance over the Benchmark Index.

The performance fees cannot exceed the annual performance of the NAV per share.

For the year ended September 30, 2022, the performance fees is:

### Hereford Funds - Bin Yuan Greater China Fund

ISIN Code	Share Class	Currency	Performance fee	% of net assets*
LU1778256203	L2	USD	33,266.96	0.05
LU2046634080	PB	EUR	-	-

\* based on the average net asset value of the share class for the year ended September 30, 2022.

There are no performance fees in relation to the sub-funds Hereford Funds - DSM US Large Cap Growth Fund, Hereford Funds - IIFL Focused India Fund and Hereford Funds - Bin Yuan Healthcare Fund.

## NOTE 6

### OTHER FEES PAYABLE

As at September 30, 2022, the other fees payable includes mainly management company, administration, depositary, distribution and audit fees.

## Notes to the financial statements as at September 30, 2022 (continued)

### NOTE 7

#### EXCHANGE RATES AS AT SEPTEMBER 30, 2022

As at September 30, 2022, the exchange rates used are the following:

1 USD =	7.091189	CNY
1 USD =	0.895817	GBP
1 USD =	7.849885	HKD
1 USD =	10.897250	NOK

### NOTE 8

#### PORTFOLIO MOVEMENTS

The statement of changes in investments for the reporting period is available free of charge at the registered office of the Fund or from the Depositary Bank and at the office of the Representative and Paying Agent in Switzerland and Information Agent in Germany.

### NOTE 9

#### SUBSEQUENT EVENT

No significant event occurred after the year ended.

## Total Expense Ratio ("TER") (unaudited appendix)

Pursuant to the "Guidelines on the calculation and disclosure of the total expense ratio (TER) of collective investment schemes" of May 16, 2008 (version of August 5, 2021) of the Asset Management Association Switzerland ("AMAS"), the Fund is obliged to publish a TER for the latest 12-month period.

The TER is defined as the ratio between the total operating expenses (operating charges primarily consist of management and investment advisory fees, depositary fees, bank charges and interest, service fees, performance fees, taxes and duties) and the relevant sub-fund's / share class' average NAV (calculated on the basis of the daily average of the total net assets for the relevant year) expressed in its reference currency.

For the year from October 1, 2021 to September 30, 2022, the TER was:

Class	Currency	Annualised TER including performance fees	Annualised TER excluding performance fees
Hereford Funds - DSM US Large Cap Growth Fund			
AI	USD	1.61%	1.61%
BI	USD	0.92%	0.92%
D	USD	2.15%	2.15%
U	USD	1.61%	1.61%
Hereford Funds - Bin Yuan Greater China Fund			
AI	USD	1.49%	1.49%
AI	EUR	1.48%	1.48%
AI	GBP	1.49%	1.49%
BI	USD	1.24%	1.24%
CI	USD	0.99%	0.99%
CI	GBP	0.97%	0.97%
CB	USD	0.98%	0.98%
DI A	USD	0.74%	0.74%
DB A	USD	0.73%	0.73%
DB A	NOK	0.66%	0.66%
L1	USD	0.99%	0.99%
L2	USD	5.73%	0.49%
PB	EUR	0.74%	0.74%
Hereford Funds - Bin Yuan Healthcare Fund			
L1	USD	0.75%	0.75%

## Performance (unaudited appendix)

The performance per share class was calculated by comparing the net assets per share as at September 30, 2022 with the net assets per share as at September 30, 2021.

The performance was calculated by us at the end of each period according to the "Guidelines on the calculation and publication of performance data of collective investment schemes" of May 16, 2008 (version of August 5, 2021) of the Asset Management Association Switzerland ("AMAS").

The performance given is based on historical data, which is no guide to current or future performance. Commissions and fees levied for the issue or redemption of shares, as applicable, have not been taken into account in this performance calculation.

As at September 30, 2022, performances were the following:

Class	Currency	Performance for the financial year ending September 30, 2022	Performance for the financial year ending September 30, 2021	Performance for the financial year ending September 30, 2020
Hereford Funds - DSM US Large Cap Growth Fund				
AI	USD	-25.52%	21.93%	32.04%
BI	USD	-25.00%	22.78%	32.95%
D	USD	-25.92%	21.28%	31.33%
U	USD	-25.52%	21.93%	32.04%
Hereford Funds - Bin Yuan Greater China Fund				
AI	USD	-33.31%	36.08%	0.59% *
AI	EUR	-21.10%	3.96% *	-
AI	GBP	-19.46%	-4.72% *	-
BI	USD	-33.15%	36.42%	3.39% *
CI	USD	-32.98%	36.76%	58.87%
CI	GBP	-20.35% *	-	-
CB	USD	-32.98%	36.76%	58.86%
DI A	USD	-32.81%	37.11%	3.21% *
DB A	USD	-32.81%	37.11%	2.09% *
DB A	NOK	8.54% *	-	-
L1	USD	-32.98%	36.77%	58.87%
L2	USD	-32.60%	31.88%	54.50%
PB	EUR	-20.18% *	-	-
Hereford Funds - Bin Yuan Healthcare Fund				
L1	USD	-27.60% *	-	-

\* The performance of share classes launched during the year/period was calculated by comparing the net assets per share as at the launch date of the share class with the net assets per share as at the end of the year/period.

## Other information to Shareholders (unaudited appendix)

### 1. Securities Financing Transactions Regulation ("SFTR")

As at September 30, 2022, the Fund is in the scope of the requirements of the Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse. Nevertheless, no corresponding transactions were carried out during the year referring to the financial statements.

### 2. Remuneration of the members of the Management Company

The Management Company as from January 13, 2018, FundPartner Solutions (Europe) S.A. (hereafter "FPSESA"), has adopted a Remuneration Policy which is in accordance with the principles established by the law of May 10, 2016, amending the law of December 17, 2010 (the "UCITS Law").

FPSESA has identified 15 Beneficiaries: the risk takers (including the 3 Conducting Officers exercising their activity in Luxembourg) and the staff of the Management Company dedicated to Management Company activities for all the Funds under management, remunerated by the Management Company. In addition, the Management Company did not remunerate directly the staff of the Investment Manager, but rather ensured that the Investment Manager complies with the Remuneration Policy requirements itself.

According to the remuneration policy of FPSESA the benefits are attributed according to criteria such as level of seniority, hierarchic level, or other eligibility criteria, not taking into account performance criteria, and are thus excluded from the fixed or variable remuneration figures provided above.

Total fixed and variable remuneration for each Fund are based on apportionment of Asset Under Management represented by the SICAV.

As at the date of the report, however, the Total fixed and variable remuneration of the Beneficiaries were not available for disclosure.

### 3. Information on risk measurement

The global risk exposure is monitored by using the Commitment approach. In that respect, financial derivatives instruments are converted into their equivalent position in the underlying asset. The global risk exposure shall not exceed the sub-fund's NAV.

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: [Hereford Funds-DSM US Large Cap Growth Fund](#)

Legal entity identifier: [549300794SKVH83HJY03](#)

## Environmental and/or social characteristics

**Did this financial product have a sustainable investment objective?** *[tick and fill in as relevant, the percentage figure represents the minimum commitment to sustainable investments]*

<input checked="" type="radio"/> <input type="radio"/> <input type="checkbox"/> <b>Yes</b>	<input checked="" type="radio"/> <input type="radio"/> <input checked="" type="checkbox"/> <b>No</b>
<input type="checkbox"/> It made <b>sustainable investments with an environmental objective:</b> ____% <input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> It promoted <b>Environmental/Social (E/S) characteristics</b> and while it did not have as its objective a sustainable investment, it had a proportion of ____% of sustainable investments <input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy <input type="checkbox"/> with a social objective
<input type="checkbox"/> It made <b>sustainable investments with a social objective:</b> ____%	<input checked="" type="checkbox"/> It promoted E/S characteristics, but <b>did not make any sustainable investments</b>

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



### To what extent were the environmental and/or social characteristics promoted by this financial product met?

During the reporting period from 1st October 2021 to 30 September 2022, no companies held by the Compartment violated the UN Global Compact and the portfolio had an average AA and no lower than an A MSCI ESG Rating, excluding at the same time issuers where a significant amount of revenues (greater than 5%) are derived from tobacco, fossil fuels, or adult entertainment.

**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

● ***How did the sustainability indicators perform?***

The average internal ESG score of companies held by the Compartment was 7.83 and the lowest internal ESG score of a company held was 4.

● ***...and compared to previous periods?***

Not applicable

● ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

Not applicable

● ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

Not applicable

— ***How were the indicators for adverse impacts on sustainability factors taken into account?***

Not applicable

— ***Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:***

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



**How did this financial product consider principal adverse impacts on sustainability factors?**

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



### What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
Microsoft Corp (MSFT)	Information Technology	8.67%	US
Alphabet Inc Class A (GOOGL)	Communication Services	8.65%	US
Charles Schwab Corp (SCHW)	Financials	8.58%	US
Amazon.com, Inc. (AMZN)	Consumer Discretionary	6.10%	US
Boston Scientific Corp (BSX)	Health Care	4.52%	US
Visa Inc (V)	Information Technology	4.44%	US
PayPal Holdings, Inc. (PYPL)	Information Technology	4.03%	US
UnitedHealth Group Inc. (UNH)	Health Care	3.90%	US
Neurocrine Biosciences, Inc.	Health Care	3.63%	US
EPAM Systems, Inc. (EPAM)	Information Technology	3.49%	US
Accenture Plc (ACN)	Information Technology	3.44%	US
Intuit Inc. (INTU)	Information Technology	3.29%	US
Keurig Dr Pepper Inc. (KDP)	Consumer Staples	3.22%	US
ADP, Inc. (ADP)	Information Technology	3.11%	US
AON Plc (AON)	Financials	2.87%	US

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: from 01/10/2021 to 30/09/2022

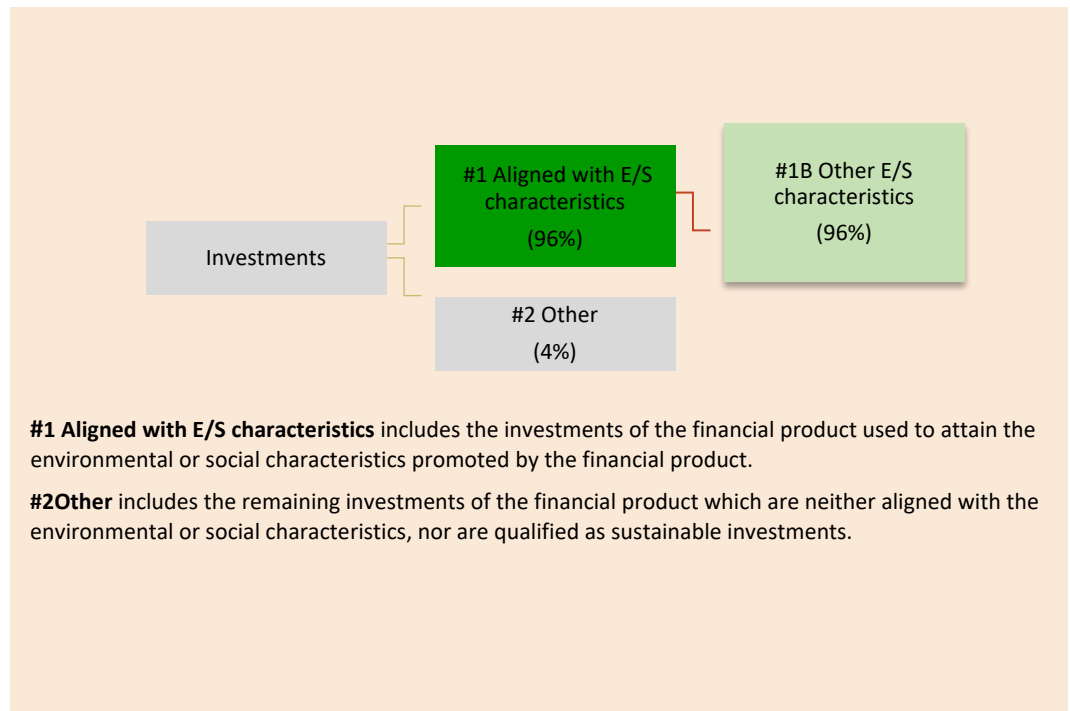


## What was the proportion of sustainability-related investments?

The Compartment promotes environmental and social characteristics but does not commit to making a minimum proportion of sustainable investments, within the meaning of point (17) of Article 2 of SFDR.

### ● *What was the asset allocation?*

During the reporting period from 1st October 2021 to 30 September 2022, the Compartment held on average approximately 4% Cash / Cash Equivalents and 96% Equities at month end.



### ● *In which economic sectors were the investments made?*

During the reporting period from 1st October 2021 to 30 September 2022, the Compartment held on average the following weights in each of the following sectors at month end: Communication Services (16.45%); Consumer Discretionary (7.70%); Consumer Staples (4.72%); Financials (8.84%); Health Care (12.07%); Industrials (2.57%); Information Technology (41.20%); Materials (2.56%).



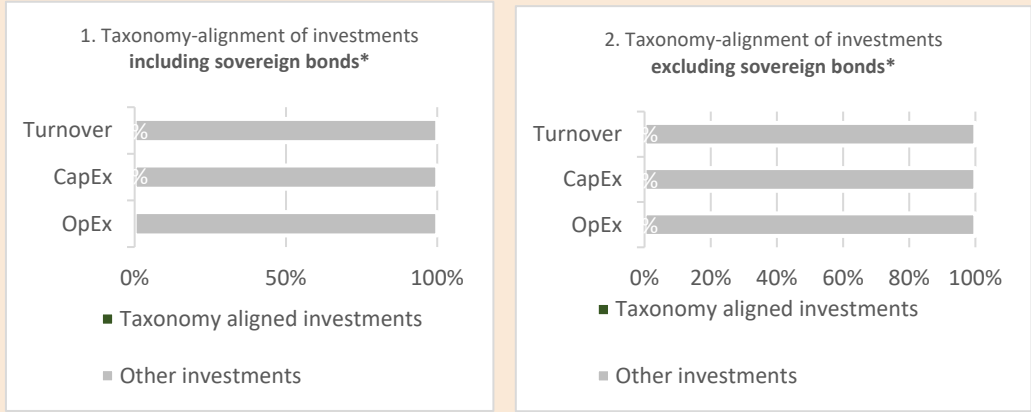
### To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

Enabling activities directly enable other activities to make a substantial contribution to an

sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\*For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures

● What was the share of investments made in transitional and enabling activities?

Not applicable

● How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

Not applicable



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Not applicable



What was the share of socially sustainable investments?

Not applicable



What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

4% of the Compartment - cash and cash equivalent allocation not incorporating any environmental or social characteristics. Cash and cash equivalent were used for treasury purposes.



## What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Investment Manager leveraged its own fundamental bottom-up research along with MSCI's input to create adjusted internal ESG scores that better captures the risk and return associated with each stock owned. Each analyst/portfolio manager at the Investment Manager completed in-depth research on ESG issues impacting companies and assigned scores using a consistent in-house methodology. ESG scores were included in the Investment Manager's internal summaries and had an impact on its investment decisions. No Companies with were owned with an ESG score lower than 2.



## How did this financial product perform compared to the reference benchmark?

Not applicable

- ***How does the reference benchmark differ from a broad market index?***

Not applicable

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

Not applicable

- ***How did this financial product perform compared with the reference benchmark?***

Not applicable

- ***How did this financial product perform compared with the broad market index?***

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: BIN YUAN GREATER CHINA FUND

Legal entity identifier: 2221002FAU8OH6SPVZ53

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

# Environmental and/or social characteristics

**Did this financial product have a sustainable investment objective?**

☒
☐

**Yes**

☐

It made **sustainable investments with an environmental objective:** \_\_\_\_%

☐

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐

It made **sustainable investments with a social objective:** \_\_\_\_%

☒
☐

**No**

☐

It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of \_\_\_\_% of sustainable investments

☐

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐

with a social objective

☒

It promoted E/S characteristics, but **did not make any sustainable investments**

## To what extent were the environmental and/or social characteristics promoted by this financial product met?

During the reporting period, we stuck to our corporate culture that responsible investment brings superior investment returns and benefits society and people in the long term.

As a member of NAZM, we committ to achieve carbon neutrality at the product portfolio level by 2050. We are also actively setting interim goals for 2030 and the initial report is expected to be completed and disclosed by the end of 2022.

All of our investments have been evaluated through our in-house ESG rating system and meet our criteria of scoring above 2.5 points. The sectors which we identified in the exclusion list were 100% excluded from the portfolio.

1

● **How did the sustainability indicators perform?**

We use a comprehensive ESG score to measure and monitor the attainment of environmental and social characteristics promoted by our company. As of Q3 2022 our portfolio ESG rating showed as below.

	Environment Score	Social Score	Governance Score	Bin Yuan Overall ESG Score
Portfolio Total	3.3	3.2	3.3	3.3

\*The score is on a scale of 1-5, with 1 being the worst and 5 being the best. The company overall ESG score should be higher than 2.5 to remain in the portfolio.

We also implement strict exclusion indicator covers: coal-fire, controversial weapon, tobacco, gamble cannabis, pornography and other non ESG-compliant companies.

● **...and compared to previous periods?**

Not applicable

● **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

Not applicable

● **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

— How were the indicators for adverse impacts on sustainability factors taken into account?

Not applicable

— Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



## How did this financial product consider principal adverse impacts on sustainability factors?

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: from 01/10/2021 to 30/09/2022



## What were the top investments of this financial product?

Largest investments	Sector	% Assets	Country
IRAY TECHNOLOG-A	Industrial	10.14%	China
WUXI AUTOWELL -A	Industrial	4.42%	China
NARI TECHNOLOG-A	Industrial	4.03%	China
SHANXI XINGHUA-A	Consumer staples	4.01%	China
ECOVACS ROBOTI-A	Consumer staples	3.47%	China
CHINA MERCH BK-A	Banking	3.37%	China
HUNAN BAILI EN-A	Industrial	3.17%	China
FU JIAN ANJOY-A	Consumer staples	3.15%	China
CHAOZHOU THREE-A	Technology	2.95%	China
HAIER SMART H-A	Consumer discretionary	2.89%	China
SHENZHEN MINDR-A	Health care	2.84%	China
AIER EYE HSPTL-A	Health care	2.77%	China
KANGJI MEDICAL H	Health care	2.75%	Hong Kong (China)
CHIPSEA TECHNO-A	IT	2.63%	China
JIANGSU CNANO -A	Materials	2.56%	China

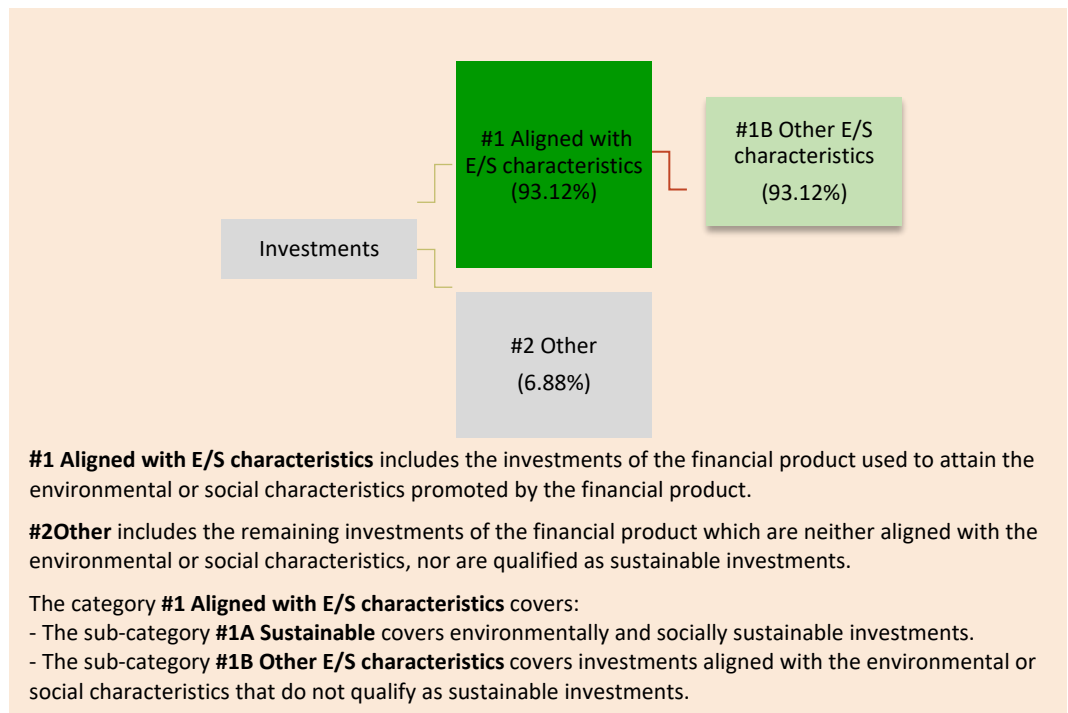


## What was the proportion of sustainability-related investments?

The Compartment promotes environmental and social characteristics but does not commit to making a minimum proportion of sustainable investments, within the meaning of point (17) of Article 2 of SFDR.

### ● What was the asset allocation?

During the reporting period, the asset allocation was : equities(#1 Aligned with E/S characteristics) 93.12%; #2Other and cash 6.88%.



### ● In which economic sectors were the investments made?

The investments were made in the following sectors

Materials	7%
Industry	27%
Finance	3%
Consumer discretionary	13%
Consumer staples	15%
IT	15%
Healthcare	13%
<b>Total</b>	<b>93.12%</b>

Enabling activities directly enable other activities to make a substantial contribution to an

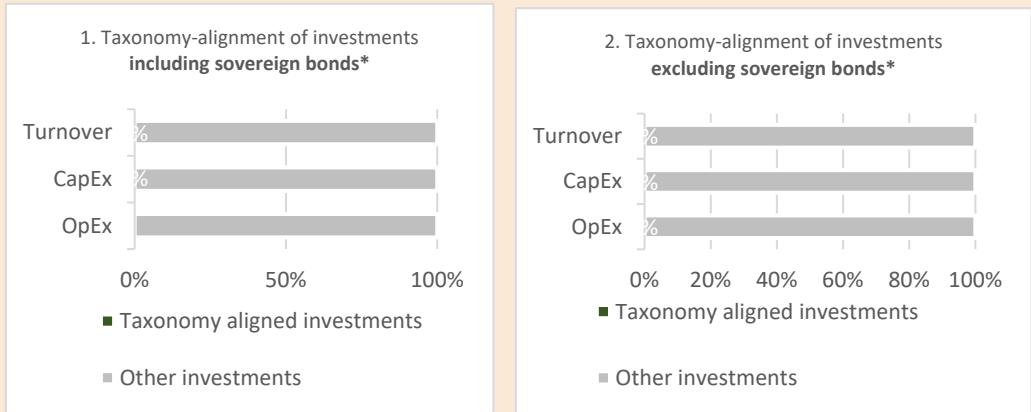
are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.



To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

What was the share of investments made in transitional and enabling activities?

Not applicable

How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

Not applicable



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Not applicable



What was the share of socially sustainable investments?

Not applicable





### What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

The “#2 other” portion of the portfolio includes deposits at sight and investments in liquid assets (including deposits, money market instruments and money market funds). These liquid assets do not take into consideration ESG criteria and no minimum environmental or social safeguards will apply to them. These liquid assets were used for treasury purpose.

### What actions have been taken to meet the environmental and/or social characteristics during the reference period?



We did 51 engagements in the past trailing four quarters, with 5 related to environmental, 15 related to social and 15 related to governance. Environment related engagements cover topics such as carbon emission, air quality, energy management, waste & hazardous materials management etc; social related engagements target to improve human/labor rights protection, product quality and safety, employee diversity & inclusion etc; while governance related engagements aims to improve business ethics, competitive behavior, corporate compliance, board diversity etc. All these engagements were made to achieve our ESG goals and most of them received positive responses from target companies.

### How did this financial product perform compared to the reference benchmark?

Not applicable

#### ● *How does the reference benchmark differ from a broad market index?*

Not applicable

#### ● *How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?*

Not applicable

#### ● *How did this financial product perform compared with the reference benchmark?*

Not applicable

#### ● *How did this financial product perform compared with the broad market index?*

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: HEREFORD FUNDS - BIN YUAN HEALTHCARE FUND Legal entity identifier: 222100MBVVOZIWJ72W07

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

Yes

It made **sustainable investments with an environmental objective:** \_\_\_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It made **sustainable investments with a social objective:** \_\_\_\_%

It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of \_\_\_\_% of sustainable investments

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

**It promoted E/S characteristics, but did not make any sustainable investments**

To what extent were the environmental and/or social characteristics promoted by this financial product met?

During the reporting period, we stuck to our corporate culture that responsible investment brings superior investment returns and benefits society and people in the long term.

As a member of NAZM, we committ to achieve carbon neutrality at the product portfolio level by 2050. We are also actively setting interim goals for 2030 and the innitial report is expected to be completed and disclosed by the end of 2022.

All of our investments have been evaluated through our in-house ESG rating system and meet our criteria of scoring above 2.5 points. The sectors which we identified in the exclusion list were 100% excluded from the portfolio.

1

● **How did the sustainability indicators perform?**

We use a comprehensive ESG score to measure and monitor the attainment of environmental and social characteristics promoted by our company. As of Q3 2022 our portfolio ESG rating showed as below.

	Environment Score	Social Score	Governance Score	Bin Yuan Overall ESG Score
Portfolio Total	3.2	3.4	3.2	3.3

\*The score is on a scale of 1-5, with 1 being the worst and 5 being the best. The company overall ESG score should be higher than 2.5 to remain in the portfolio.

We also implement strict exclusion indicator covers: coal-fire, controversial weapon, tobacco, gamble cannabis, pornography and other non ESG-compliant companies.

● **...and compared to previous periods?**

Not applicable

● **What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?**

Not applicable

● **How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?**

Not applicable

— **How were the indicators for adverse impacts on sustainability factors taken into account?**

Not applicable

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

— Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

Not applicable



**How did this financial product consider principal adverse impacts on sustainability factors?**

Not applicable

*The EU Taxonomy sets out a “do not significant harm” principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.*

The “do no significant harm” principle applies only to those investments underlying the financial product that take into account the Union criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the Union criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*



## What were the top investments of this financial product?

### Largest investments

### Sector

### % Assets

### Country

IRAY TECHNOLOG-A	Industrial	8.49%	China (mainland)
SHENZHEN MINDR-A	Health care	8.22%	China (mainland)
KANGJI MEDICAL H	Health care	7.10%	Hong Kong (China)
WUXI BIOLOGICS C	Health care	5.80%	Hong Kong (China)
WUXI APPTEC CO-A	Health care	5.71%	China (mainland)
SHENZHEN NEW-A	Health care	4.56%	China (mainland)
AIER EYE HSPTL-A	Health care	4.50%	China (mainland)
AUTOBIO DIAGNO-A	Health care	4.40%	China (mainland)
SUZHOU NANOMIC-A	Health care	4.21%	China (mainland)
BLOOMAGE BIOTE-A	Health care	3.95%	China (mainland)
AK MEDICAL HOLDI	Health care	3.87%	Hong Kong (China)
HANGZHOU TIGER-A	Health care	3.40%	China (mainland)
QINGDAO NOVELB-A	Health care	3.39%	China (mainland)
JIANGSU YUYUE-A	Health care	3.03%	China (mainland)
ASYMCHEM LABOR-A	Health care	3.00%	China (mainland)

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is: from 01/10/2021 to 30/09/2022



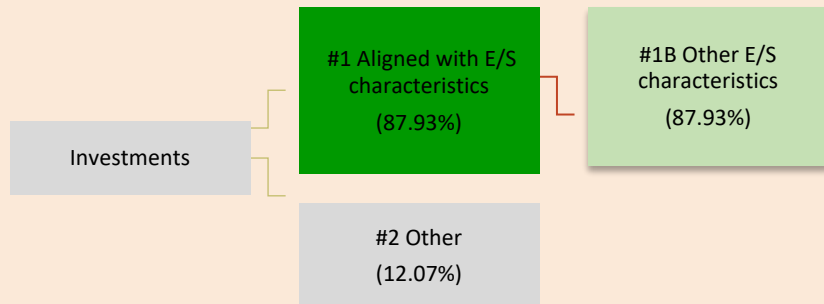
## What was the proportion of sustainability-related investments?

The Compartment promotes environmental and social characteristics but does not commit to making a minimum proportion of sustainable investments, within the meaning of point (17) of Article 2 of SFDR.

### ● What was the asset allocation?

During the reporting period, the asset allocation was : Equities (#1 Aligned with E/S characteristics) 87.93%; #2 Other and cash 12.07%.

**Asset allocation** describes the share of investments in specific assets.



**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflects the “greenness” of investee companies today.
- **capital expenditure** (CapEx) shows the green investments made by investee companies, relevant for a transition to a green economy.
- **operational expenditure** (OpEx) reflects the green operational activities of investee companies.

#### ● *In which economic sectors were the investments made?*

Currently, the Compartment is fully invested in the healthcare related sector.



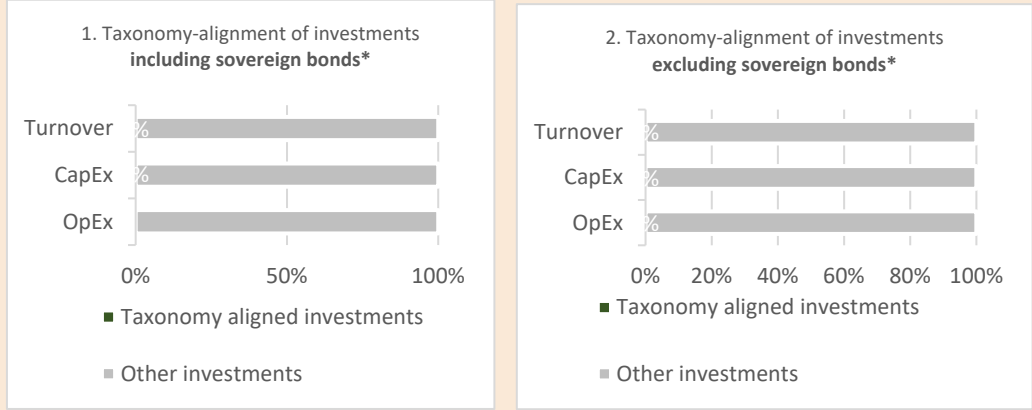
#### **To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?**

Not applicable

Enabling activities directly enable other activities to make a substantial contribution to an

are sustainable investments with an environmental objective that do not take into account the criteria for environmentally sustainable economic activities under Regulation (EU) 2020/852.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



\*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures

● What was the share of investments made in transitional and enabling activities?

Not applicable

● How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?

Not applicable



What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Not applicable



What was the share of socially sustainable investments?

Not applicable



### **What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?**

The “#2 other” portion of the portfolio includes deposits at sight and investments in liquid assets (including deposits, money market instruments and money market funds). These liquid assets do not take into consideration ESG criteria and no minimum environmental or social safeguards will apply to them. These liquid assets have been used for treasury purposes.

### **What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

The Investment Manager performed 51 engagements in the past trailing four quarters, with 5 related to environmental, 15 related to social and 15 related to governance. Environment related engagements cover topics such as carbon emission, air quality, energy management, waste & hazardous materials management etc; social related engagements target to improve human/labor rights protection, product quality and safety, employee diversity & inclusion etc; while governance related engagements aims to improve business ethics, competitive behavior, corporate compliance, board diversity etc. All these engagements were made to achieve our ESG goals and most of them received positive responses from target companies.



### **How did this financial product perform compared to the reference benchmark?**

Not applicable

#### **● *How does the reference benchmark differ from a broad market index?***

Not applicable

#### **● *How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

Not applicable

#### **● *How did this financial product perform compared with the reference benchmark?***

Not applicable

#### **● *How did this financial product perform compared with the broad market index?***

Not applicable

**Reference benchmarks** are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.



