

Bin Yuan Greater China Fund

SFDR status as of March 2021: Article 8

June 2023

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) depreciated 1.43% for the month of June (net of fees) compared to a 1.85% return for the benchmark, underperforming the benchmark by 3.28%. Positive contributions came from our stock selection in the Industrials sector, while our holdings in the Consumer Discretionary and Information Technology sectors underperformed. In June, the positions that contributed the most to the portfolio's return were BAIDU, HENGLI HYDRAULIC and ECOVACS. The positions that contributed the least were HAICHANG OCEAN PARK, CHIPSEA TECHNOLOGY and FRIENDESS ELECTRONIC.

Manager's Commentary

Reduced geopolitical concerns are helping to relieve the bearish market sentiment. U.S. Secretary of State, Anthony Blinken made his first, long-delayed trip to China following recent visits by governmental leaders and multinational corporate executives. Before Blinken, President Xi met Bill Gates, the Chinese leader's first known one-on-one meeting with a Western business figure in years. US Treasury Secretary Janet Yellen will also travel to Beijing on July 6-9. The US & China have started communicating and mending ties after a difficult period. Chinese Premier Li Qiang also made his first foreign trip to Europe, visiting Germany and France, seeking improved communication and cooperation, and emphasizing an open and foreign-investment-friendly environment in China. Business leaders from Siemens, Mercedes-Benz, and others echoed Li Qiang and rejected pressures to diversify away from the Chinese market.

We have been monitoring the markets for positive signs amid a weak post-COVID economic recovery. Chinese willingness to travel remains high; 106 million tourists travelled during the three-day Dragon Boat Festival holiday in June which was 113% of 2019 levels. However, tourism revenue remained below the 2019 level at 95%, still impacted by weak consumer confidence, but improved considerably from the 73% of 2019 levels seen during the Chinese New Year holiday earlier this year. The unemployment rate, a leading indicator for consumer confidence, has been decreasing month by month for people aged 25-59, to 4.1% in May from 4.8% in February. We also observed a rise in the offer acceptance rate on online recruitment platforms, and an increase of migrant workers from rural to urban areas and a rising employment ratio for migrant workers. The two-month summer vacation for students has arrived, and we see robust travel demand with air ticket prices reaching 105% of 2019 levels on increased numbers of tourists.

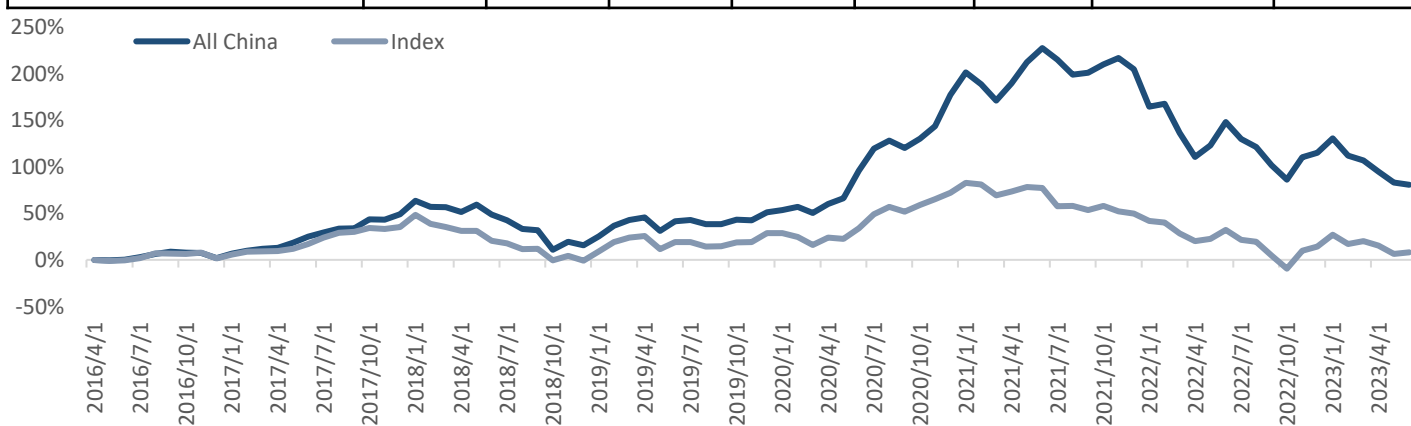
Covid impacted job stability and hit incomes for many workers, and it will take time for Chinese households to regain confidence. This is a temporary issue, not a structural one. The current weak retail data is impacted by weak property-related consumption. The travel, healthcare, and entertainment related categories have recovered well. With a decreasing property burden and improving confidence, consumers should have a higher propensity to consume in non-property categories over the next few quarters.

We expect H1 earnings results in August and 3Q earnings results in October to stimulate market interest in companies with strong fundamentals. In Q1, the Bin Yuan portfolio posted YoY revenue growth of 19% and earnings growth of 20% vs negative earnings growth for the benchmark. Overall, we expect corporate earnings to pickup with inventory levels reducing to normalized levels. We expect our portfolio companies to post strong numbers in the second half of this year. Due to slower than expected economic recovery and the geopolitical worries, the stock market is dominated by noises. Our stock holdings are fundamentally solid and are the representatives of future China. Patience is needed to achieve above average investment returns.

Key Information

NAV (30/06/23)	US\$ 117.45(L1)/111.80(L2)/82.38(AI)/65.66(AI EUR)/60.07(AI GBP)/84.22(BI)/127.78(CB)/84.32(DB A)/95.67(DB A NOK)/85.24(DI A)/135.59(CI)/62.58(CI GBP)/64.25(PB EUR)	Strategy Assets	US\$ 1,099 m ^(a)
Total Fund Size	US\$ 659.2 m	Fund Launch Date	16-Apr-18

Period Performance (%) data from FPS/Pictet/Bin Yuan								
	2023	2022	2021	2020	2019	2018	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	-16.07	-29.45	10.02	83.51	30.60	-22.46	80.41	8.58
Index ^(c)	-5.36	-23.61	-12.91	33.41	29.74	-26.64	8.21	1.11



Monthly Performance (%) data from FPS/Pictet

	2022							2023						
	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Jan	Feb	Mar	Apr	May	Jun	YTD
Bin Yuan GC Fund	-7.34	-3.75	-8.76	-7.68	12.87	2.33	-29.45	7.20	-8.07	-2.44	-5.75	-6.03	-1.43	-16.07
Index ^(c)	-8.07	-1.61	-12.26	-13.52	21.29	4.02	-23.61	11.06	-7.82	2.58	-3.87	-7.94	1.85	-5.36

Risk and reward profile



Top Ten Holding					
1	IRAY TECHNOLOG-A	10.52%	2	CHINA MERCH BK-A	5.28%
3	HAICHANG OCEAN P	4.59%	4	ECOVAS ROBOTI-A	4.53%
5	BAIDU INC-A	4.51%	6	CHAOZHOU THREE-A	4.36%
7	WUXI AUTOWELL-A	4.35%	8	KANGJI MEDICAL H	4.24%
9	SHANGHAI FRIEN-A	4.16%	10	NARI TECHNOLOG-A	4.00%

Sectoral Breakdown ^(e)	% of Assets
Health Care	21
Information Technology	19
Consumer Discretionary	19
Industrials	14
Financials	9
Communication Services	7
Consumer Staples	6
Materials	1

Investment Objective

The investment objective of the Compartment is to provide long term capital growth, measured in USD, primarily through investment in equities and equity-linked securities of Greater China Companies, as defined hereafter.

Since Inception ^(d)	Bin Yuan All China	Index
Volatility	20.56%	20.66%
Sharpe Ratio	0.45	0.05
Information Ratio	0.74	
Tracking Error	10.98%	
Active Shares	90%	
Beta	0.90	

Market Breakdown	% of Assets
A Share (Connect + QFI)	66
Hong Kong	29
US ADR	1

Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	6/30/2023	6/30/2023	6/30/2023
2023 PE (X) – Weighted Average Method*	22.8	23.7	20.2
2023 PE (X) – Integral Method*	13.9	12.6	11.2
2023 PB (X)	4.4	3.2	2.0
2023 Div. Yield (%)	1.1	1.7	2.5
2023 ROE (%)	19.4	13.7	10.1
Earning Growth (%) Forward 3 YR	27.6	11.6	8.9
2023 PEGY	0.8	1.8	1.8
FCF Yield	1.7	-1.2	2.2

Note: Valuation dynamics impacted by corporate quality.

*PE Weighted Avg. Method: The PE of each security in the portfolio/benchmark is multiplied by its weight and then is summed to a final PE;

*PE Integral Method: The PE is calculated by dividing the summary of each security's market capitalization in the portfolio/benchmark by the summary of each security's earning.

Fund Codes						
Share Class	AI	AI GBP	AI EUR	BI	CI	CI GBP
Bloomberg	HEYGCAU LX	HEYGCAU LX	HEYGCAE LX	HEYGCBU LX	HFBYCIU LX	HEYGCGA LX
TK	040149630	040149699	040149698		040149734	040149736
ISIN	LU1778252558	LU1778252715	LU1778252632	LU1778253952	LU1778254844	LU1778255064
Lipper ID	68617991	68666625	68677482	68625053	68563916	68684500
Sedol	BMV2Q30	BNLYXY6	BN4BFL5	BMV1994	BMWWFG8	BP466G6

Fund Details	
Dealing Day ^(d)	Daily
Dividends	None – income accumulated within the fund
Investment Manager	Bin Yuan Capital Room 1505, 15/F, 299QRC 287-299 Queen's Road Central Sheung Wan, Hong Kong
Management Company	FundPartner Solutions (Europe) S.A. 15, Avenue John F Kennedy , L-1855 Luxembourg
Custodian	Pictet & Cie (Europe) S.A. 15, Avenue John F Kennedy, L-1855 Luxembourg
Legal Advisors	Elvinger Hoss Prussen S.A. 2, Place Winston Churchill, L-1340 Luxembourg
Auditor	Deloitte Audit S.à r.l. 560, route de Neudorf, L-2220 Luxembourg

Annual Management Charge TERs as at end September 2021	
Share Class A	1.25% 1.45%
Share Class B	1.00% 1.21%
Share Class C	0.75% 0.95%
Share Class D	0.50% 0.71%

Minimum Investment	
Share Class A	\$100,000 Minimum initial subscription & holding
Share Class B	\$5,000,000 Minimum initial subscription & holding
Share Class C	\$10,000,000 Minimum initial subscription & holding
Share Class D	\$100,000,000 Minimum initial subscription & holding

Order Transmission Information

FundPartner Solutions (Europe) S.A.

15, Avenue John F Kennedy,

L-1855 Luxembourg

Via fax +352 46 71 71 7667 or SWIFT PICTLULXTAS

Footnote:

- (a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.
- (b) The graph depicts the Bin Yuan All China Strategy (Reference Strategy) from inception in May 2016 to the fund launch on 16/4/18. After launch date actual fund data of Share Class L1 is used. The fund follows the same strategy as the Reference Strategy and simulated returns of the Reference Strategy are net of a modeled fee of 0.75% pa and expenses of 0.40%.
- (c) MSCI Inc. discontinued MSCI All China Index and the transition to MSCI China All Shares Index took effect on 27 November 2019. MSCI All China Index Total USD return including dividends (Bloomberg ticker M1ACN Index) was used as benchmark from the inception of April 2018 to November 26, 2019. MSCI China All Shares Net Total USD Return (Bloomberg ticker MXCNANM Index) is used as benchmark since November 27, 2019.
- (d) Data depict the Bin Yuan All China Strategy since inception of May 2016 as of April 2018. The fund follows the same strategy. After a longer period after the fund launch, we will use the Hereford Funds Bin Yuan Greater China Fund Share Class L1 in the table.
- (e) We set sector exposure according to GICS classification, and the maximum exposure will not exceed 40%. The reason we set at 40% is some industrial and communication service companies are misclassified as information technology in GICS.

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- This document should be read as a marketing communication.
- Risk Disclaimer - This current risk profile is based on historical data and may not be a reliable indication of the future risk profile of the Sub-Fund. - The risk category shown is not guaranteed and may shift over time. - The lowest category, which corresponds to Number 1, cannot be regarded as being risk-free. - The Sub-Fund does not provide any capital guarantee or asset protection measures. Why is this Sub-Fund in this category? The investment objective of the Sub-Fund is to generate long-term capital growth and income by investing in equities and equity-linked securities of Greater China Companies. Hence, the risk/reward profile of the SubFund should correspond to a high risk category on the risk/reward scale. The contents of this document are communicated by, and the property of, Hereford Funds. Hereford Funds is a trading name of Hereford Funds LLP. Hereford Funds LLP is an appointed representative and tied agent of Thornbridge Investment Management LLP which is authorised and regulated by the Financial Conduct Authority (FRN: 713859). This document is for information purposes and internal use only. It is neither an advice nor a recommendation to enter into any investment. Investment suitability must be determined individually for each investor, and the financial instruments described above may not be suitable for all investors. This information does not provide any accounting, legal, regulatory or tax advice. Please consult your own professional advisers in order to evaluate and judge the matters referred to herein. An investment should be made only on the basis of the prospectus, the annual and any subsequent semi-annual-reports of HEREFORD FUNDS (the "Fund"), a société d'investissement à capital variable, established in Luxembourg and registered under Part I of Luxembourg law of 20 December, approved by the Commission de Surveillance du Secteur Financier (CSSF). These can be obtained from the Fund, from FundPartner Solutions (Europe) SA, 15 avenue J. F. Kennedy, L-1855 Luxembourg, and any distributor or intermediary appointed by the Fund. You can obtain a summary of investors rights to the following link : <https://www.group.pictet/media/sd/176b100ab205a6e6aef82b0250138f889675b903>
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