

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) depreciated 3.45% for the month of September (net of fees) compared with a -3,62% return for the benchmark, outperforming the benchmark by 17 bps. Our stock selections in Consumer Discretionary and Industrials contributed positively to performance while our underweight in the Financials and Energy sectors hurt relative performance. An equipment leader in the Information Technology sector also lagged. In September, the positions that contributed the most to the portfolio's return were HAICHANG OCEAN PARK, CHINA MERCHANTS BANK and SANHE TONGFEI. The positions that contributed the least were WUXI AUTOWELL, SUNNY OPTICAL and XI'AN SINOFOUSE.

Manager's Commentary

The latest macro data shows a bottoming of economic activity. Industrial profits had a strong rebound in August to 17.2% YoY growth, reversing a decline in the previous months. Industrial producer ex-factory prices fell 3.0% YoY, the decline narrowed 1.4 percentage points over the previous month. Manufacturing PMI went back to an expansion range of 50.2 in September.

The overall manufacturing sectors are stabilizing. However, low-end sectors will continue to face overcapacity challenges as the global industrial chain moves away from China. High value-added industries are booming. The early stages of import substitution present huge opportunities for emerging globally competitive companies in China. Also, AI has emerged as a transformative force across industries, and China's strength in AI lies in its unique ability to rapidly apply AI innovations to applications, setting the stage for substantial economic impact (please refer to our July monthly newsletter "Intelligent Robots help China open a new chapter in Intelligent Manufacturing" and our section on "Robot on Wheels: Unlocking the Future of Mobility" in the September monthly).

A number of consumer sectors are seeing industry consolidation. Cost effective consumer products will dominate. On one hand, people are pursuing an improvement in their quality of life, but on the other, they are increasingly emphasizing value for money. "Must have" products with distinct functional features are expected to be at the top of shopping lists. Industry leaders with economies of scale and superior innovation efficiency have the competitive edge to meet consumer demands and grow their businesses.

Our portfolio is focused on the high-end technology sectors and under-penetrated consumer sectors that are well positioned to benefit from long term economic trends. We expect them to become future winners that have the potential to dominate their respective market segments. They are trading at a discount relative to their robust earnings growth, historical valuations and global peers. Over 60% of our portfolio companies are actively engaged in stock buybacks or increased holdings by key stakeholders, reflecting a high level of insider confidence in these companies.

There are catalysts under way that will shift the market's focus back to fundamentals, and some are already having an effect. Economic activity is now on a path to stabilization. Remarkable strides in technology, exemplified by Huawei's groundbreaking high-end processor, the Kirin 9000, are reshaping industry dynamics. The market should undergo normalization. Potential policy intervention, particularly with quant trading restrictions, should help to reduce the short-term momentum chasing activities. The active encouragement of long-term capital inflows, facilitated by government support for insurance and national security fund equity investments, should add stability to the market. Short-term negative news is gradually fading away, such as the short-term side effects of healthcare anti-corruption measures. As the market returns to focusing on fundamentals, the Bin Yuan portfolio should recover and outperform the market.

Key Information

NAV (28/09/23)	US\$ 110.02(L1)/104.85(L2)/76.14(AI)/63.45(AI EUR)/58.59(AI GBP)/78.85(BI)/119.70(CB)/89.90(DB A NOK)/79.91(DI A)/127.02(CI)/61,10(CI GBP)/62.21(PB EUR)	Strategy Assets	US\$ 1,014 m ^(a)
Total Fund Size	US\$ 611.1 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)	-21.38	-29.45	10.02	83.51	30.60	-22.46	69.00	7.33
Index ^(c)	-9.14	-23.61	-12.91	33.41	29.74	-26.64	3.89	0.52



Monthly Performance (%) data from FPS/Pictet

	2022				2023									
	Oct	Nov	Dec	YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	YTD
Bin Yuan GC Fund	-7.68	12.87	2.33	-29.45	7.20	-8.07	-2.44	-5.75	-6.03	-1.43	6.51	-8.91	-3.45	-21.38
Index ^(c)	-13.52	21.29	4.02	-23.61	11.06	-7.82	2.58	-3.87	-7.94	1.85	8.99	-8.61	-3.62	-9.14

Risk and reward profile



Top Ten Holding

1	IRAY TECHNOLOG-A	10.55%	2	CHINA MERCH BK-A	7.21%
3	HAICHANG OCEAN P	4.99%	4	PING AN INSURA-A	4.44%
5	BAIDU - SW	4.17%	6	NARI TECHNOLOG-A	4.05%
7	H WORLD GP LTD	3.92%	8	KANGJI MEDICAL H	3.70%
9	ECOVACS ROBOTI-A	3.69%	10	SHANGHAI FRIEN-A	3.59%

Sectoral Breakdown^(e)

Sectoral Breakdown ^(e)	% of Assets
Consumer Discretionary	19
Health Care	18
Information Technology	17
Industrials	15
Financials	11
Consumer Staples	7
Communication Services	5
Materials	2

Investment Objective

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

Since Inception^(d)

Since Inception ^(d)	Bin Yuan All China	Index
Volatility	20.65%	20.86%
Sharpe Ratio	0.39	0.05
Information Ratio	0.69	
Tracking Error	10.86%	
Active Shares	89%	
Beta	0.90	

Market Breakdown

Market Breakdown	% of Assets
A Share (Connect + QFI)	67
Hong Kong	26
US ADR	1



Valuation	Portfolio	Benchmark (excluding Financials)	Benchmark
Period	9/30/2023	9/30/2023	9/30/2023
2024 PE (X) – Weighted Average Method*	17.2	17.6	15.7
2024 PE (X) – Integral Method*	10.7	10.6	9.0
2024 PB (X)	3.3	2.4	1.5
2024 Div. Yield (%)	2.0	1.7	2.5
2024 ROE (%)	19.4	13.9	9.6
Earning Growth (%) Forward 3 YR	21.6	8.1	6.5
2024 PEGY	0.6	1.8	1.8
FCF Yield	2.6	-1.2	2.0

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,

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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.

Disclaimer:

- 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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