

Investment Review

The Hereford Funds – Bin Yuan Healthcare Fund (share class L1) appreciated 4.63% for the month of October (net of fees) compared to a -3.10% return for the benchmark. At the end of October, the Sub Fund was mainly invested in the Healthcare Equipment & Parts and Services sectors, with little weight in the Pharmaceuticals sector.

For the month, the Fund outperformed the benchmark by 7.73%. In October, the positions that contributed the most to the portfolio’s return were NEW INDUSTRIES BIOMEDICAL, AUTOBIO DIAGNO and APT MEDICAL. The positions that contributed the least were WUXI BIOLOGICS, SUZHOU NANOMIC and BLOOMAGE BIOTE.

Manager’s Commentary

After experiencing a downturn in the second quarter, the market finally rebounded in October. This month, the government issued several documents on the results of volume-based-purchasing of medical devices, and the level of price cuts was lower than the market expectations. The market reacted positively, and portfolio holdings including New INDUSTRIES (300832.SZ, IVD producer), AUTOBIO DIAGNO (603658.SH, IVD producer) and APT MEDICAL (688617.SH, Vascular intervention producer) rebounded strongly. We believe that the policy shall continue to be more rational and reasonable, which will also bring confidence to the entire healthcare industry.

A large number of medical equipment companies delivered strong export revenue growth in Q2. The overseas business growth of Mindray (300760.SZ) and NEW INDUSTRIES BIOMEDICAL (300832.SZ) was 16-17%, while the overseas business income of Shanghai United Imaging (688271.SH) doubled. With the devaluation of the RMB, China’s medical devices have demonstrated a higher quality-to-price advantage. Their technological competitiveness is constantly improving. Compared with the new energy automobile and chip industry, the medical industry has always been a highly market-oriented industry with humanitarian characteristics. We believe that global trade and exchanges in this field will not be interrupted.

The COVID management policy remains a key focus. Although there is still no clear timeline for the exit of the Zero COVID policy, we observed some positive signs of marginal easing. The approval and introduction of a new type of vaccine in Shanghai, produced by Cansino Biologics (6185.HK / 688185.SH) for booster shots also fueled hopes of looser COVID rules in the future. The new inhaler vaccine is more convenient and is expected to guard against infection. Higher vaccination rates and stronger protection against the virus would bring us one step closer to an end of the pandemic.

We have seen strong inflows on both A-share and H-share healthcare names from October, and we expect continued interest.

Key Information

NAV (31/10/22)	US\$ 75.8 (L1)	Strategy Assets	US\$ 15.8 m ^(a)
Total Fund Size	US\$ 15.8 m	Fund Launch Date	03-Dec-21

Monthly Performance (%) data from FPS/Pictet														
	2021	2022												
	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Bin Yuan HC Fund	1.24	-12.74	1.37	-5.34	-9.33	0.03	11.97	-6.89	-3.01	-6.87	4.63			-25.18
Index ^(b)	-8.04	-14.76	-2.43	-5.72	-10.43	-1.88	14.66	-3.23	-4.54	-18.60	3.10			-42.43

Risk and reward profile



Top Ten Holding					
1	SHENZHEN MINDR-A	7.86%	2	IRAY TECHNOLOG-A	7.85%
3	KANGJI MEDICAL H	7.76%	4	WUXI APPTec CO-A	5.69%
5	AUTOBIO DIAGNO-A	5.56%	6	NEW INDUSTRIES BIOMEDICAL	5.55%
7	WUXI BIOLOGICS C	4.34%	8	AIER EYE HSPTL-A	3.66%
9	AK MEDICAL HOLDI	3.45%	10	SHANGHAI UNITE-A	3.25%

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.

Market Breakdown	% of Assets
A Share	71
Hong Kong (Discounted Dual Listing)	1
Hong Kong	24

Sectoral Breakdown	% of Assets
Healthcare Equipment & Parts	59
Services	25
Biotechnology	8
Pharmaceuticals	4

Valuation	Portfolio	Benchmark
Period	20221031	20221031
2023 PE (X)	26.2	36.6
2023 PB (X)	5.3	2.7
2023 Div. Yield (%)	0.9	1.0
2023 ROE (%)	20.4	7.3
Earning Growth (%) Forward 3 YR	27.0	14.0
2023 PEGY	0.9	2.4
FCF Yield	2.8	0.3

Annual Management Charge TERs as at end September 2021	
Share Class L1	0.50% NA
Share Class A	1.00% NA
Share Class P	0.50% with 10% Performance Fee NA

Minimum Investment	
Share Class L1	\$100,000 Minimum initial subscription & holding
Share Class A	\$100,000 Minimum initial subscription & holding
Share Class P	\$100,000 Minimum initial subscription & holding

Fund Codes	
Share Class	L1
Bloomberg	HEFYHUA LX
TK	
ISIN	LU2413982427
Lipper ID	
Sedol	BLBHZ45

Footnote:

- (a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.
 (b) MSCI China Health Care Index (Bloomberg Ticker MXCNOHC Index).

Fund Details	
Dealing Day	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

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

Disclaimer:

- This document should be read as a marketing communication.
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