

Investment Review

The Hereford Funds Bin Yuan Greater China Sub-Fund depreciated 1.40% for the month of April compared to a -1.46% return for the MSCI All China Index including dividends. At the end of April, the Sub-Fund was invested primarily in the information technology, consumer discretionary and industrials sectors, with smaller weights in the energy, materials and real estates sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 6bps. This was primarily the result of the Manager's selections in the consumer staples sector. In April, the positions that contributed the most to the portfolio's return were China Merchants Bank, Shanghai International Airport, Baidu, Industrial and Commercial Bank and Sany Heavy Industry. The positions that contributed the least in the month were Han's Laser Technology, Sunny Optical Technology, Jiangsu Yuyue Medical, Livzon Pharmaceutical and Sanan Optoelectronics.

Manager's Commentary

The China market continued the volatility in April primarily driven by the potential trade war with the US. President Trump decided to increase tariffs on certain products imported from China on March 21st, 2018. Then on April 16th, the US Department of Commerce blocked US companies from selling components to Chinese leading telecom equipment maker ZTE in the next seven years. In spite of the illegal activities of ZTE, the move should still be regarded as part of the US tactics in its trade friction with China. The potential trade war has raised concerns among investors and the financial markets reacted negatively. Although trade war will not be good for China in the near term, the negative impact to Chinese economic growth will not be dramatic. As only 9% of GDP growth is driven by net export per National Bureau of Statistics. The economy restructuring will be intact. The trade negotiations will not change the cause of Chinese economy moving towards upgraded consumption/services and high-end manufacturing goods/services. The challenges this time from the US will help China to be firmer on developing her own technology and reform domestic economy. This potential development is matching our current investment theme and the correction of the market just gives us the opportunity to build up our positions.

To show a gesture that China would continue to be opening the market and reform, China leader Mr.Xi announced, on Boao Forum this April, four landmark measures to broaden China's market access, strengthen protection of intellectual property rights, improve the investment environment for foreign investors, and reduce import tariffs for vehicles and some other products.

The financial resource misallocation has been a long-time problem in China. In late April, China issued the long awaited final version of new asset management regulation aiming to deleverage and enhance transparency within financial system. We believe the new regulation will help shift the money to the real economy and curb financial risks. As part of the policy package, the People's Bank of China (PBOC) cut the reserve requirement ratio (RRR) to boost small businesses and to improve financial stability and liquidity. As the RRR of 16% is still at a relatively high level, there is still enough room for further cuts.

Our portfolio's current PE is 19.9x estimated 2018 earnings and expected earnings growth rate is 22.3% through 2021. Considering the predictable quality growth of the portfolio, we believe that our portfolio's valuation is quite attractive.

Key Information

NAV (30/04/18)	US\$ 98.60	Strategy Assets	US\$ 250 m ^(a)
Total Fund Size	US\$ 3.1m	Fund Launch Date	16-Apr-18

Monthly Performance (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Bin Yuan GC Fund				-1.4									-1.4
MSCI All China Index ^(c)				-1.5									-1.5

Period Performance (%)					
	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China II Strategy ^(b)	1.64	46.31	1.85	51.46	23.07
MSCI All China Index ^(c)	-2.83	33.37	1.47	31.50	14.67



Top Ten Holding	
China Merchants Bank	Nari Technology
Alibaba	Wuxi Little Swan
Han's Laser Technology	Sunny Optical Technology
Wuxi Lead Intelligent	Chaozhou Three Circle
Jiangsu Yuyue Medical	Wuliangye Yibin

Sectoral Breakdown	% of Assets
Information Technology	26
Consumer Discretionary	21
Industrials	16
Financials	11
Health Care	6
Consumer Staples	5

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.

Fund Codes		
Share Class	L1	L2
Bloomberg	HFBYL1U LX	HFBYL2U LX
TK	040149745	040149751
Lipper ID	68483958	68483959
Sedol	BFXVVR8	BFXVVS9

Since Inception ^(d)	Bin Yuan All China	MSCI All China
Volatility	11.78%	12.27%
Sharp Ratio	1.96	1.20
Information Ratio	1.35	
Tracking Error	5.26%	
Beta	0.87	

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	
Share Class A	1.25%
Share Class B	1.00%
Share Class C & L1	0.75%
Share Class L2	0.25% with 15% performance fee

Minimum Investment	
Share Class A & L	\$100,000 initial/\$10,000 subsequent
Share Class B	\$5,000,000 initial/\$100,000 subsequent
Share Class C	\$10,000,000 initial/\$100,000 subsequent

Footnote:

(a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.

(b) Data and graph depict the Bin Yuan All China II Strategy since inception of May 2016 as of April 2018. The fund follows the same strategy. Historical gross performance of the Bin Yuan All China II Strategy returns (the Reference Strategy) are net of modeled fee (0.75% fee) and expenses typical of the Hereford Funds Bin Yuan Great China Fund Share Class L1 is 0.75% fee + 0.40% expense. After a longer period after the fund launch, we will use the Hereford Funds Bin Yuan Greater China Fund Share Class L1 in the graph.

(c) Total USD return including dividends.

(d) Data depict the Bin Yuan All China II 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.

Order Transmission Information

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