

Investment Review

The Hereford Funds Bin Yuan Greater China Sub-Fund appreciated 8.51% for the month of January compared to a 9.94% positive return for the MSCI All China Index including dividends. Since inception, the Sub-Fund recorded a return of -18.47%, among which -10.9 was due to stock price decrease, -3.5% was due to RMB depreciation and -4% was impacted by subscription in October inflow last year. During the same period, the benchmark was down by 18% in USD term. At the end of January, the Sub-Fund was invested primarily in the Consumer, Health Care, Technology and Industrial sectors, with little weights in the Energy, Materials, Utility and Real Estates sectors. For the month, the Sub-Fund underperformed the benchmark by 1.39%. The underperformance of the fund was mainly attributable to the relatively weak performance of Consumer Staples stocks. Our selections in Consumer Staples outperformed in the year of 2018 but experienced temporarily profit-taking in the first month of 2019. Our underweight in Real Estate and Financial sectors also dragged the performance. We stick to the names with transparent business model, attractive secular cycle and strong competitiveness to generate return and cash flow in the portfolio. In January, the positions that contributed the most to the portfolio's return were Alibaba, CM Bank and Bilibili. The positions that contributed the least in the month were C&S Paper, Yongda Auto and Wuxi Lead Intelligent.

Manager's Commentary

Chinese stocks recovered in January. Shanghai Composite Index was up 3.64% in January while Hang Seng China Enterprise Index was up 9.00%. China's economy data showed mixed signs in January. The Producer Price Index (PPI) rose 0.9% year on year (YoY) in December 2018, down from 2.7% in November 2018. The Consumer Price Index (CPI) was 1.9% in December, down from 2.2% in November. The official manufacturing Purchasing Managers' Index (PMI) recovered slightly from 49.4 in December to 49.5 in January 2019, which is still below the threshold of expansion/contraction. However, the official Non-Manufacturing PMI increased from 53.8 in December to 54.7 in January, mainly attributable to the service sector. Rail cargo volume increased 14.0% YoY in December to reach 346 million tons.

The Chinese government has launched tax cuts for individuals and preferential policies to promote sales of electric-powered vehicles, travel, farm products and many other consumer goods. The roll out of 5G commercialization certificates will speed up the improvement of information infrastructure. Low-tier cities have demonstrated strong trend of trading-ups, which implies great potential for market expansion of consumer products and services.

The country will deepen the reform of tax deductions for enterprises in 2019. On January 9th the first tax cut policy in 2019 was released. Small businesses with less than RMB100,000 sales per month will be free of value-added-tax, which became effective immediately. The tax authority also reduced tax rate from 25% to 5% for "small and low-profit companies", who earn taxable income of less than RMB1 million per year. Tax burden for venture capital investments on technology startups could be eased by 70%. This tax cut alone amounts to more than RMB200 Billion and more policies will follow in the next few months. Tax reform will improve the profitability of enterprises, stimulate the private spending and promote industrial upgrades towards high value-added products and services, which helps boost the confidence of a stabilized economy.

The above mentioned tax cut initiatives and favorable policies will benefit our holdings by increasing disposable income and boosting the demand of consumption upgrades in the space of personal products, household textile, appliances, auto after services, beverages, smart terminals, entertainment and healthcare services. Our current portfolio PE ratio is 15.7x estimated 2019 earnings, and the expected earnings growth rate is 17.9% through 2022. The valuation is very attractive and we have high conviction of the holdings in our portfolio.

Key Information

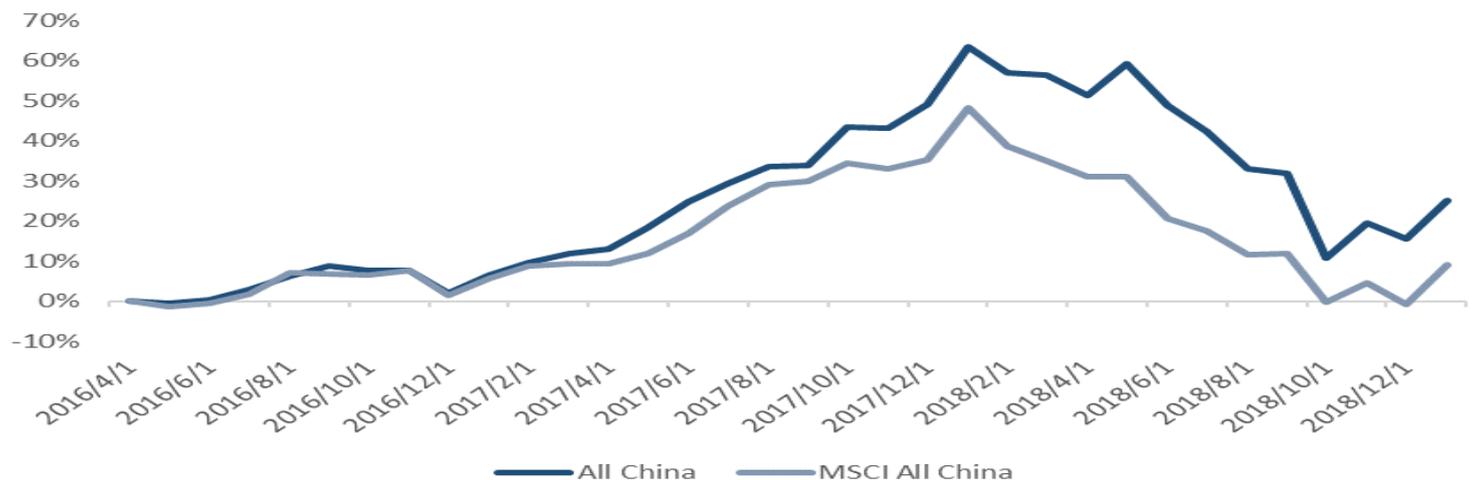
NAV (31/01/19)	US\$ 81.53 (L1) /81.71 (L2)	Strategy Assets	US\$ 223 m ^(a)
Total Fund Size	US\$ 36.0m	Fund Launch Date	16-Apr-18

Monthly Performance (%)

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2018	Jan	Feb	Mar	2019
Bin Yuan GC Fund	-1.4	5.1	-6.6	-4.3	-6.5	-1.1	-15.9	7.9	-3.3	-24.8	8.4			8.4
MSCI All China Index ^(c)	-1.5	0.1	-8.0	-2.5	-5.1	0.2	-10.8	4.8	-5.0	-25.3	9.9			9.9

Period Performance (%)

	2019	2018	2017	2016	Cumulative	Annualized
Bin Yuan All China Strategy ^(b)	8.39	-22.46	44.69	1.07	25.24	8.53
MSCI All China Index ^(c)	9.94	-26.64	33.37	1.47	9.15	3.24



Top Ten Holding	
ICBC - H	Nari Technology
Alibaba	Jiangsu Yuyue
Ping An	Fuanna Bedding
CM Bank - H	Yongda
C&S Paper Co.	Livzon Pharm

Sectoral Breakdown	% of Assets
Consumer Discretionary	28
Financials	18
Consumer Staples	15
Health Care	10
Information Technology	10
Industrials	9
Communication Services	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	16.40%	15.88%
Sharp Ratio	0.63	0.20
Information Ratio	1.17	
Tracking Error	6.12%	
Beta	0.96	

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) 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) Total USD return including dividends.

(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.

Order Transmission Information

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