

Bin Yuan Greater China Fund

SFDR status as of March 2021: Article 8
July 2022

Investment Review

The Hereford Funds – Bin Yuan Greater China Fund (share class L1) depreciated -7.34% for the month of July (net of fees) compared to a -8.07% return for the benchmark. The Chinese market consolidated in July after the rally over the previous two months. Supply Chain beneficiaries of the fast-growing electric vehicle (EV) and new energy areas were the most attractive areas to investors, while property, together with its related consumption and financial sectors, were the hardest hit. Our stock selections in Industrials, Information Technology and Health Care added value, while consumer sectors dragged the performance driven by the expected weak Q2 results announcements.

For the month, the Fund outperformed the benchmark by 73 bps. In July, the positions that contributed the most to the portfolio's return were BAILI, AUTOWELL and FRIENDNESS ELECTRONIC. The positions that contributed the least were ECOVACS, CHINA MERCHANTS BANK and YUHONG WATERPROOF.

Manager's Commentary

Both intracity and intercity mobility recovered with easing travel restrictions. No Shanghai-style lockdowns happened thanks to more targeted and efficient virus control measures.

Q2 corporate earnings have started with a very mixed picture. Upstream resource companies are expected to post solid performances on strong H1 commodity prices, and clean energy and EV related companies' outlook remains robust. The earnings of real estate related companies were dragged down by the sluggish property market struggling with debt woes. Travel and dining related consumer sectors saw negative impacts from COVID lockdowns but have been improving since June.

Investors are looking beyond Q2 earnings and are focusing more on the mid to long term economic outlook.

Real estate sector issues with spreading mortgage boycotts by homebuyers in July triggered worries about a further downward spiral in the sector, a slowdown of related consumption/investment areas, and overall financial stability. We deem the possibility of systematic risk very small due to the healthy financial position in the whole economy. The government are likely to step in to aid developers to complete unfinished buildings and restore consumer confidence.

Compared to other countries, China is in a lower inflationary environment, which provides favorable conditions for pro-growth policies. The incrementally looser liquidity helps to prevent systematic risk and to shore up confidence. We remain cautious on the property sector and are expecting more effort and resources to be allocated to other strategic industries. At the same time, a release of spending power could be seen following a reduced housing burden.

With the better controlled virus situation and normalized mobility, we see an improved outlook in H2. As the market returns to more normal conditions without financial systematic risk, the Bin Yuan portfolio focuses on structural opportunities which should outperform. We are well positioned to capture the release of pent-up demand, investment in under-penetrated new infrastructure, the robust development of EV and solar energy, and the beneficiaries of innovative high-tech companies against the backdrop of the global supply chain reshaping.

Key Information

| | | | |
|-----------------|---|------------------|-----------------------------|
| NAV (31/07/22) | US\$ 149.46(L1)/141.62(L2)/104.03(AI)/89.82(AI EUR)/80.24(AI GBP)/107.42(BI)/162.60(CB)/107.05(DB A)/109.53(DB A NOK)/108.22(DI A)/172.54(CI)/83.20(CI GBP)/87.29(PB EUR) | Strategy Assets | US\$ 1,347 m ^(a) |
| Total Fund Size | US\$ 665.8 m | Fund Launch Date | 16-Apr-18 |

Period Performance (%) data from FPS/Pictet/Bin Yuan

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | Cumulative | Annualized |
|--|--------|--------|-------|-------|--------|-------|------------|------------|
| Bin Yuan All China Strategy ^(b) | -24.65 | 10.02 | 83.51 | 30.60 | -22.46 | 44.69 | 129.58 | 14.22 |
| Index ^(c) | -18.90 | -12.91 | 33.41 | 29.74 | -26.64 | 33.37 | 21.39 | 3.15 |



Monthly Performance (%) data from FPS/Pictet

| | 2021 | | | | | | 2022 | | | | | | | |
|----------------------|-------|-------|------|-------|-------|--------|--------|-------|--------|--------|------|-------|-------|--------|
| | Aug | Sep | Oct | Nov | Dec | 2021 | Jan | Feb | Mar | Apr | May | Jun | Jul | YTD |
| Bin Yuan GC Fund | -5.17 | 0.72 | 2.93 | 2.27 | -3.79 | 10.02 | -13.24 | 1.23 | -11.74 | -10.84 | 5.76 | 11.25 | -7.34 | -24.65 |
| Index ^(c) | 0.22 | -2.71 | 2.78 | -3.70 | -1.52 | -12.91 | -5.32 | -1.23 | -8.31 | -6.27 | 1.82 | 7.82 | -8.07 | -18.90 |

Risk and reward profile



| Top Ten Holding | | | | | |
|-----------------|------------------|--------|----|-------------------|-------|
| 1 | IRAY Technolog-A | 10.19% | 2 | Wuxi Autowell-A | 4.68% |
| 3 | Ecovacs Roboti-A | 4.25% | 4 | Nari Technolog-A | 3.92% |
| 5 | Jiangsu Cnano-A | 3.87% | 6 | Hunan Baili En-A | 3.66% |
| 7 | Shanghai Frien-A | 3.64% | 8 | Chipsea Techno-A | 3.44% |
| 9 | China Merch BK-A | 3.24% | 10 | Aier Eye Hosptl-A | 3.18% |

| Sectoral Breakdown ^(e) | % of Assets |
|-----------------------------------|-------------|
| Health Care | 25 |
| Information Technology | 22 |
| Industrials | 13 |
| Consumer Staples | 13 |
| Consumer Discretionary | 12 |
| Materials | 10 |
| Financials | 3 |

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 | 19.99% | 17.78% |
| Sharpe Ratio | 0.75 | 0.18 |
| Information Ratio | 1.17 | |
| Tracking Error | 10.18% | |
| Active Shares | 90% | |
| Beta | 1.03 | |

| Market Breakdown | % of Assets |
|-------------------------|-------------|
| A Share (Connect + QFI) | 82 |
| Hong Kong | 16 |

| Valuation | Portfolio | Benchmark (excluding Financials) | Benchmark |
|---------------------------------|-----------|----------------------------------|-----------|
| Period | 20220731 | 20220731 | 20220731 |
| 2022 PE (X) | 28.5 | 24.0 | 12.7 |
| 2022 PB (X) | 6.5 | 3.1 | 1.2 |
| 2022 Div. Yield (%) | 0.9 | 1.5 | 2.3 |
| 2022 ROE (%) | 22.7 | 13.0 | 9.6 |
| Earning Growth (%) Forward 3 YR | 28.6 | 11.5 | 7.5 |
| 2022 PEGY | 1.0 | 1.8 | 1.3 |
| FCF Yield | 1.3 | -1.4 | 2.1 |

| 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

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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.
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