Hereford Funds

Société d'Investissement à Capital Variable incorporated in Luxembourg

Annual report, including audited financial statements, as at September 30, 2021

R.C.S. Luxembourg B134375

Hereford Funds

Société d'Investissement à Capital Variable incorporated in Luxembourg

Annual report, including audited financial statements,
as at September 30, 2021

Hereford Funds

Annual report, including audited financial statements, as at September 30, 2021

No subscription can be received on the basis of these financial statements. Subscriptions are only valid if made on the basis of the current prospectus accompanied by the Key Investor Information Documents ("KIIDs"), the latest annual report, including audited financial statements, and the most recent unaudited semi-annual report if published thereafter.

Table of contents

Organisation of the Fund

REGISTERED OFFICE	15, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
BOARD OF DIRECTORS OF THE FUND	
Chairman	Mr Anthony GALLIERS-PRATT, Managing Partner, Hereford Funds Advisory S.à r.l., 25B, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg
Directors	Mr Jérôme WIGNY, Partner, Elvinger Hoss Prussen, *société anonyme*, 2, place Winston Churchill, L-1340 Luxembourg, Grand Duchy of Luxembourg
	Mr Yves DE VOS, Chairman, VHC Capital Management S.A., 8, Zeilewee, L-6751 Grevenmacher, Grand Duchy of Luxembourg
	Mr Mark HENDERSON, Managing Partner, Hereford Funds Advisory S.à r.l. 25B, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg
	Mr Enrico MELA, Independent Director, 79, rue de Kiem, L-8030 Strassen, Grand Duchy of Luxembourg
MANAGEMENT COMPANY	FundPartner Solutions (Europe) S.A., 15, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
CENTRAL ADMINISTRATION	FundPartner Solutions (Europe) S.A., 15, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
DEPOSITARY BANK	Pictet & Cie (Europe) S.A., 15A, avenue J. F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
ADVISORY COMPANY	Hereford Funds Advisory S.à r.l., 8, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg
INVESTMENT MANAGERS	DSM Capital Partners LLC, 7111 Fairway Drive, Suite 350, Palm Beach Gardens, FL-33418, United States for the sub-fund : • Hereford Funds - DSM US Large Cap Growth Fund
	Dalton, Greiner, Hartman, Maher & Co., LLC, 565 Fifth Avenue, Suite 2101, New York, NY-10017, United State for the sub-fund : • Hereford Funds - DGHM US All-Cap Value Fund (note 1.b) (until February 24, 2021)
	Bin Yuan Capital, Room 907, Bldg. A, No. 2389 Zhangyang Road, Pudong District, Shanghai, 200135, China for the sub-fund : • Hereford Funds - Bin Yuan Greater China Fund
CABINET DE RÉVISION AGRÉÉ /AUDITOR	Deloitte Audit, *Société à responsabilité limitée*, 20, boulevard de Kockelscheuer, L-1821 Luxembourg, Grand Duchy of Luxembourg
LEGAL ADVISER IN LUXEMBOURG	Elvinger Hoss Prussen, société anonyme, 2, place Winston Churchill, L-1340 Luxembourg, Grand Duchy of Luxembourg

General information

The business year of Hereford Funds (the "Fund") runs from October 1 until September 31 of the next period.

The Fund publishes an annual report, including audited financial statements, within 4 months after the end of the business year and an unaudited semi-annual report within 2 months after the end of the period to which it refers.

The annual report including audited financial statements, includes accounts of the Fund and of each sub-fund.

The Net Asset Value ("NAV") per Share of each sub-fund as well as the issue and redemption prices are made public at the registered office of the Fund. The NAV per Share and the issue and redemption price are also published on the website of the Fund (www.herefordfunds.com) and may, in addition, be published in any such other media as determined by the Board of Directors of the Fund. The Fund cannot accept responsibility for any errors or delays in the publication or non-publication of prices and reserve the right to discontinue or change publication in any media without notice.

Any amendments to the articles of incorporation ("the Articles") are published in the *Recueil Eléctronique des Sociétés et Associations* ("RESA").

The prospectus, the Articles of the Fund, the annual report, including audited financial statements, and unaudited semi-annual reports, the Key Investor Information Documents ("KIIDs") as well as the portfolio movements of the Fund are available free of charge at the sales agencies and at the registered office of the Fund.

Distribution abroad

Distribution in and from Switzerland

Distribution in and from Switzerland

The Fund has been authorised by the Swiss Financial Market Supervisory Authority FINMA as a foreign open-ended investment collective fund pursuant to article 119 of the Federal Act on Collective Investment Schemes of June 23, 2006 on Capital Investment Schemes Ordinance.

Representative in Switzerland authorised by the FINMA

The representative in Switzerland is FundPartner Solutions (Suisse) SA (the "Representative"), 60, route des Acacias, CH-1211 Geneva 73, Switzerland.

Paying Agent in Switzerland authorised by the FINMA

The paying agent in Switzerland is Banque Pictet & Cie SA with its registered office in 60, route des Acacias, CH-1211 Geneva 73, Switzerland.

Place of distribution of reference documents

The prospectus, the Key Investor Information Documents ("KIIDs"), the Articles of Incorporation, the annual reports, including audited financial statements, and unaudited semi-annual reports of the Fund, and a breakdown of the purchases and sales of the Fund can be obtained free of charge from the registered office of the Representative in Switzerland.

Distribution in Germany

Paying and Information Agent in Germany

Paying and Information Agent:

Marcard, Stein & CO AG,
Ballindamm 36,
D-20095 Hamburg,
Germany

Managers' reports

Review

For the period October 1, 2020 through September 30, 2021, the Hereford Funds - DSM US Large Cap Growth Fund increased approximately 21.9% (NAV USD 327.64 to NAV USD 399.50) while the total returns (including dividends) of the Russell 1000 Growth and the S&P 500 increased 27.3% and 30.0% respectively.

The investment manager, DSM Capital Partners, commented as follows:

In today’s economy there are stronger indications of higher-for-longer inflation than have been apparent over the past twenty or thirty years. Perhaps this inflation is simply the result of pandemic-related supply chain disruptions. On the other hand, monetary policy has been exceedingly accommodative since the Great Financial Crisis in 2008/9 and government spending has been largely unrestrained. The CV-driven global lockdown and subsequent recession led central banks to continue to expand and accelerate their quantitative easing policies. Concurrently, substantial government spending programs have created an historically unprecedented tsunami of money into the economy over the past dozen or more years. For these reasons, the risk of persistently higher inflation, and therefore the risk of higher interest rates, cannot be ruled out.

Over the reporting period, performance was negatively impacted by the portfolio’s investments in several China-based companies. President Xi and the Chinese government’s regulatory and reform efforts are causing significant disruptions to businesses operating in the areas of internet platforms, education, real estate and finance. These historically unprecedented regulations, as well as the "voluntary investments" the government is "encouraging" certain companies to make, represent a reversal of previous government policies towards businesses. While Xi’s policies may be intended to create "common prosperity", they are also causing economic growth headwinds across the country, especially when combined with commodity and energy cost increases, and COVID-related shutdowns. China is an industrious and innovative nation with leading edge technologies. The Manager continues to believe in the long-term prospects for China, and will be closely monitoring the ongoing developments there.

Portfolio

The majority of the portfolio is invested in the information technology and communication services sectors, with smaller weightings in the health care, consumer discretionary, financials, consumer staples, industrials and materials sectors.

Over the twelve-month period ended September 30 2021, DSM's selections in the consumer discretionary sector were primarily responsible for the sub-fund’s underperformance versus the Russell 1000 Growth. DSM's selections in information technology benefitted performance in the period.

The strongest contributors to performance over the reporting period were Alphabet (internet search and advertising), Microsoft (application software/cloud storage services), Intuit (financial software), Fortinet (network security) and Facebook (social technology).

The weakest contributors to performance were Alibaba Group (Chinese e-commerce), United Parcel Service (supply chain services), Global Payments (transaction processing), Tencent Holdings (Internet services/gaming) and JD.com (Chinese online sales).

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

Changes in Holdings

Although recently reported earnings have been quite strong across the portfolio's holdings, turnover has increased. One of the factors behind the increased turnover is the risk of persistently higher inflation. If inflation remains above 3% for an extended period of time, interest rates may rise higher than currently expected. If rates do go up more than expected, DSM believes positions with loftier P/Es will be at a greater risk of a significant correction. Accordingly, the rationale behind many of DSM's recent transactions was to trim or sell higher P/E names and to purchase or add to positions with lower P/Es.

During the reporting period, Abbott Laboratories, Becton Dickinson and Thermo Fisher Scientific were sold due in part to appreciation and in part to their defensive market characteristics in a COVID-19 environment. The proceeds from these sales were used to initiate a position in Fortinet, which was then sold on appreciation in the third quarter along with EPAM Systems. In order to initiate a position in NVIDIA (graphics processors), the Fund's position in GoDaddy was sold. After trimming several names on valuation and selling Burlington Stores, DSM purchased United Parcel Service.

Later in the period, Alibaba Group, JD.com and Tencent Holdings were sold due to the Chinese government's regulatory actions in China as discussed above. Tencent had been held by DSM for over a decade. Sirius XM Holdings was sold in order to invest in several new ideas including The Cooper Companies (specialty healthcare products), Fleetcor Technologies (business payment solutions), Linde PLC (industrial gases), Netflix (entertainment streaming services) and Charles Schwab (financial services). With the proceeds generated from additional trims of higher P/E names, positions in Fiserv (integrated e-commerce systems) and Keurig Dr Pepper (beverages and coffee systems) were initiated.

Outlook

In the United States economic growth is recovering driven by improving employment and wages, as well as declining Delta variant cases. Accordingly, the Federal Reserve is likely to begin "tapering" their bond buying program later this year, and may end it entirely by next summer. On its own, the elimination of the program would push interest rates higher from today's historic lows, although DSM believes the resulting increase in rates would be gradual.

Inflation over the last twelve-months ended August was in excess of 4%, a level last seen 30 years ago and one well above the Federal Reserve's target of 2%. Until recently, members of the Federal Reserve felt that inflation would move lower by 2022, but have now acknowledged that it is likely to remain elevated well into next year. Wage increases, relatively low unemployment and rising commodity/energy prices are pushing inflation higher. If in fact this is the result of excessive monetary easing by the Federal Reserve, combined with too much pandemic spending by the US government, inflation may remain a concern over the near term.

Corporate earnings during the first and second quarters were extremely strong globally. Although rising interest rates may negatively impact global equity valuations, much stronger than expected earnings will be an offset. S&P 500 earnings may approach USD 210 to USD 220 in 2021 and USD 230 to USD 250 in 2022, which could drive the index higher over the next year. That said, DSM believes higher rates may have a negative impact not only on equities, but on fixed income and potentially some sectors of the real estate market, especially if rents remain under pressure.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

With so much focus on the risk of inflation by central bankers, investors, the media, and politicians, it may well not become a problem. Accordingly, DSM continues to believe the likely direction of global markets remains upward given the coronavirus pandemic is at the beginning-of-the-end (hopefully), the global economy is recovering, corporate earnings are much stronger than expected and the valuation of the S&P 500 at 20x 2022 earnings is "normal" in a low inflation world. DSM believes the Fund’s portfolio has solid appreciation potential given its reasonable valuation and strong projected revenue and earnings growth. They are optimistic that over the long-term DSM’s performance will continue to be strong, because their investment approach is built on the simple concept that "Earnings Win". Over time, businesses appreciate in value as their earnings grow. DSM’s portfolio earnings have grown largely as expected before the pandemic, remained solid (albeit a bit less than expected) during the pandemic and should grow in the mid-to-high teens or perhaps more beginning this year.

SFDR Disclosure

The sub-fund promotes certain environmental and social characteristics within the meaning of article 8 of SFDR but does not have a sustainable investment objective.

ESG criteria and scoring are fully integrated into the investment process and the Investment Manager (i) is committed to the Principles for Responsible Investing, (ii) engages in ESG discussions with the companies in which the sub-fub invests and (iii) exercises its voting rights in the companies held by the sub-fund in the best interest of the Shareholders.

The Investment Manager evaluates MSCI scoring and creates its own proprietary ESG score for each potential investment. The ESG score is determined on the basis of five key categories which are further sub-categorised as follows:

- **Environment**: Biodiversity and land use, energy and climate change, operational waste, supply chain management, toxic emissions an waste, water stress and other
- **Customer**: Anticompetitive practices, customer relations, marketing and advertising, privacy and date security, product safety and quality and other
- **Human Rights & Community**: Civil liberties, human rights concerns, impact on local communities and other
- **Labor Rights & Supply**: Child Labor, collective bargaining and union, discrimination and workforce diversity, health and safety, labor management relations, supply chain labor standards and other
- **Governance**: Bribery and fraud, controversial investments, governance structures and other

The Investment Manager completes in-depth research on ESG issues impacting a company and assigns scores using a consistent in-house methodology. ESG scores have an impact on the Investment Manager’s investment decisions.

Further information about the ESG characteristics applied is available upon request.

January 5, 2022

DSM Capital Partners LLC

Past performance is not an indicator of current or future returns.

Managers' reports

The sub-fund liquidated on February 24th, 2021.

October 2021

Dalton, Greiner, Hartman, Maher & Co., LLC

Past performance is not an indicator of current or future returns.

Managers' reports

Review

For the period of October 1, 2020 through September 30, 2021, the Hereford Funds - Bin Yuan Greater China Fund (Share Class CI) was up 36.76% while the total return (including dividends) of the MSCI All China increased 1.30%.

The investment manager, Bin Yuan Capital, commented as follows:

As a long only fund manager, company quality continues to be our priority. We like businesses with predictable earnings growth, strong cash flow, healthy financial position and valued at a discount. Currently, our portfolio’s PE is 26.9x estimated 2022 earnings, and we estimate annual earnings growth of 25.3% through 2025. We believe that our portfolio’s valuation remains attractive.

Portfolio

The majority of the portfolio is invested in the Information Technology, Health Care, Industrials and Consumer sectors, with zero weight in the Energy, Utilities and Real Estate sectors.

The strongest contributors to performance over the reporting period were iRay Technology (a medical equipment manufacturer), Contemporary Amperex Technology (a lithium battery manufacturer), and China Merchants Bank (a commercial bank).

iRay Technology outperformed from October 2020 to September 2021 on the back of strong earnings. iRay is an X-ray detector provider which is strengthening it’s global competitiveness and increasing it’s global market share. Market confidence is based not only on strong sales of iRay’s products in the medical field, but on their capability to expand in the industrial field and other high-precision product areass, such as X-ray and CT chips, high-voltage power supplies and ball tubes.

CATL outperformed due to its strong fundamentals. Battery shipments of CATL are expected to grow over 120% YoY in 2021. After years of technology accumulation and expansion, CATL is now one of the world's leading power cell suppliers, with a 55% market share in China. The company attaches great importance to product R&D and innovation. Since 2021, the company started to supply mainstream auto companies such as the Volkswagen MEB platform and the Tesla Model 3&Y. These help the company further maintain its leading market share. In the third quarter of 2021, the product matrix has been further enhanced when the company announced its next generation sodium-ion battery technology. As a leader in the new energy industry, CATL will continue to benefit from the development of new energy technologies over the long term.

China Merchants Bank (CMB) outperformed because it delivered very strong earnings growth and kept its high asset quality in 2020, especially for its retail banking business. China Merchants Bank has the highest net worth clients and assets under management. The clients have high stickiness in CMB. We believe it can maintain high ROE in the next few years.

The weakest contributors to performance were Luxshare Precision (a precision electronics manufacturer), Baidu (a leading AI company with strong Internet capabilities), and Quectel Wireless Solutions (a wireless communication module manufacturer).

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

Luxshare underperformed due to worries about Airpods sales volumes in 2021. As the largest advanced electronics manufacturing platform in China, Luxshare is expanding its business in Apple’s other products, like iWatch and the iPhone assembly business. Since Luxshare has accumulated the most advanced know-how in the advanced electronics manufacturing industry, it will keep benefiting from the trend of sophisticated electronics components. The sophisticated electronics components are setting higher standards for manufacturing services suppliers, and Luxshare is a beneficiary of the industry upgrading and consolidation.

Baidu had a correction in its stock price, mainly driven hedge fund activity and investors’ concern on growth stock valuations with rising US treasury yields and SEC ADR regulation. There is not much change in its fundamentals. Baidu has the most complete capability in China's AI industry.

Quectel, a wireless communication module manufacturer underperformed because its 2020 annual net income was lower than market expectations, which was mainly due to the company's underestimate of patent fees. The company remains the leader in the wireless module industry. With the increasing IOT penetration ratio, we estimate the company will maintain rapid growth over the next 3-5 years.

Changes in Holdings

During the reporting period, the following new names were added to the portfolio:

iRay Technology develops, produces and sells the core components of the X-ray system, such as digital flat-panel detectors. The global market size of the core components of the X-ray system exceeds USD 5 billion. We estimate a steady growth rate driven by disposable income growth, increase in healthcare investment, and rising affordability due to the lower cost solutions provided by iRay. iRay has become a globally competitive player and is taking global market share from foreign competitors. In addition to the X-ray detector business, iRay’s technology provides the ability to make other core components of the X-ray system, which potentially position the company as a scalable medical device platform.

Chinasoft International is the leading IT service provider in China with more than 60,000 IT staff. Its clients include Huawei, Tencent, Alibaba, Ping An and other industry leaders. The IT service industry will see strong growth over the next decade, and Chinasoft International will benefit from this trend and become a comprehensive solution supplier. The percentage of the IT industry in GDP is increasing with the IT service market still consolidating. In addition, Huawei's Harmony operating system brings new opportunities such as system maintenance, application review and the Internet of Things. As Huawei's most important partner, Chinasoft International has new incremental revenue.

Anjoy Foods is the largest frozen hotpot food and frozen ready meal food manufacturer in China, and the only one with national production and distribution capabilities. As labor cost in China continues to rise, restaurants are switching from fresh foods processed on site to premade foods to save cost. Chain restaurants also need standardized raw food supplies to keep consistent dish quality. As for its retail business, Chinese young people are looking for premade foods that can provide better flavor and nutrition comparing to traditional convenience foods.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

Mindray is a medical device supplier. It provides a range of equipment for ICUs (intensive care unit), in addition to their image diagnostics division and IVDs (In Vitro Diagnostic). The global market size for these three categories is USD 26 billion. In recent years, Mindray has extended its capability to operating rooms and started to develop surgical instruments, endoscopes, and other products. Mindray builds on existing product capabilities to expand to other related areas and leverage their existing sales channels. These new product pipelines will expand their market size to USD 40 billion.

Ecovacs is a top robot vacuum cleaner supplier with over 40% market share in China. It designs intelligent robotic solutions that seamlessly integrate into people's life, including home and industrial cleaning, air-purification, security and surveillance, and even in-store sales assistance for retailers. The penetration rate for robot vacuum cleaner in China is still less than 5%. Benefiting from technology upgrades, robot vacuum cleaners are becoming more easier to use and Ecovacs will benefit from consumption upgrades.

The following five stocks' weight decreased the most: We sold Tencent due to China's recent strong antitrust and data security regulations. We sold Meituan due to its operating pressures from China's recent strong antitrust and data security regulations. We sold BABA due to strengthened internet anti-monopoly regulations. The positions in the internet sector were shifted to more transparent names. We sold Hundsun Technology to avoid the tightening of data regulation in the financial industry, and rebalanced to chips, new energy and other more certain hardware technologies. We trimmed C&S Paper due to the increasing earnings uncertainties resulting from the restructuring of the management team.

A Look at 2021 and Beyond by Bin Yuan

China's economic background:

After 40 years of economic reforms, the Chinese economy and living standards have dramatically improved. Manufacturing has changed from cheap labor to a highly skilled work force, the structure of the value-added economy from fixed investment to services, and recently China has become one of the leading nations in digitalization of the economy.

GDP per capita increased from USD 86 in 1985 to USD 10,111 in 2019 - an increase of 103 times vs the less than the 8 times increase from 1952 to 1985. This fundamentally changed the economy, society and people's lives. For example, there were no privately owned cars in the early 1990s, today out of every three cars sold globally one is purchased by a Chinese family.

During the "chaotic period" from the early 1900s to the late 1970s China went through the overturning of the last emperor, local warlord domination combined with revolutionary fighting, Japanese invasion, civil war and the "cultural revolution" that ended in 1976. The Chinese economy was on the brink of collapsing: in 1976 GDP per capita was USD 40 and 937 million people lived on less than USD 1 per day.

From the early 1980s, China's economy began to show signs of reviving. From the early 1990s, the government invested a significant amount of its budget on infrastructure build up. In addition to building 238 commercial airports from very few in the 1980s; from 1990 to 2018, the length of highways and railways increased fivefold.

Over the period 1990 to 2018, freight traffic increased almost tenfold with an annualized growth rate of 7.3% vs 1.2% in the US, demonstrating higher logistics asset utilization rate than the US.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

The invention of the internet has been revolutionary and boosted the economy exponentially:

- Using 1990 as a starting point for Internet adoption in the US the GDP per capita in the US has grown 2.7 times (4.5% CAGR) as of 2019. US internet users increased from 2 million to 290 million in 29 years.

- The Internet only started to get popular in China in 2000. GDP has grown 12 fold (8.9% CAGR) as of 2019.

- China internet users jumped from 2 million to 900 million in 19 years.

- A major intangible value is that digitalization is smoothing out the gaps between cities. In remote areas people’s lifestyles are also evolving to start catching up with the large urban cities.

- We have seen increasing numbers of online users from low tier cities becoming Monthly Active Users of Pinduoduo, Meituan, Bilibili, Tiktok, enjoying the same convenience and lifestyle as in top tier cities. 70% of Bilibili’s new users are from tier 3 cities or lower in China.

- Online education has penetrated to less developed areas so that children in those areas could receive similar quality levels of education. The fast development of cloud and 5G nationwide will build a solid infrastructure base to foster more digitalization applications.

Three trends will support China’s next stage of growth:

- Carbon emission reduction;

- Replacement of foreign products in both manufacturing and consumption (service) sectors;

- The digitalization of the economy (IOT).

I. Firstly - Environment protection

Companies in the business of reducing carbon emission will have sustainable and explosive growth over the next 10 years. Those companies are in the solar, energy storage, electric vehicle chain, waste and recycling sectors.

Carbon Emission Reduction

- Xi’s target is to reduce carbon emissions to zero in 2060:

1) With the growth of manufacturing, China became the world's largest emitter of carbon dioxide;

2) In 2019, China emitted 10 billion tons of CO_2, accounting for 28% of global emission.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

- China's CO_2 emissions can be divided into 4 parts:

1) Energy consumption 76%:

   i. 36% electric energy (power generation process);

   ii. 30% from thermal energy (industrial manufacturing process);

   iii. 10% from transportation.

2) Industrial manufacturing 15%;

3) Agriculture 7%;

4) Waste disposal 2%.

- Coal is still a primary energy source in China:

1) After 30 years the use of coal has reduced from 90% to 57%;

2) Non-fossil energy, including solar, wind, hydro and nuclear, now account for 15%;

- The near term target for China is to increase the non-fossil energy share to:

1) 29% in 2030;

2) 49% by 2040;

3) 74% by 2050;

4) 100% by 2060.

Aimed at achieving carbon neutral status by 2060, the roadmap of reducing carbon will mainly focus on the:

- Structure of the energy source (solar and hydrogen);

- The efficiency of energy transmission (energy storage and smart power transmission / distribution);

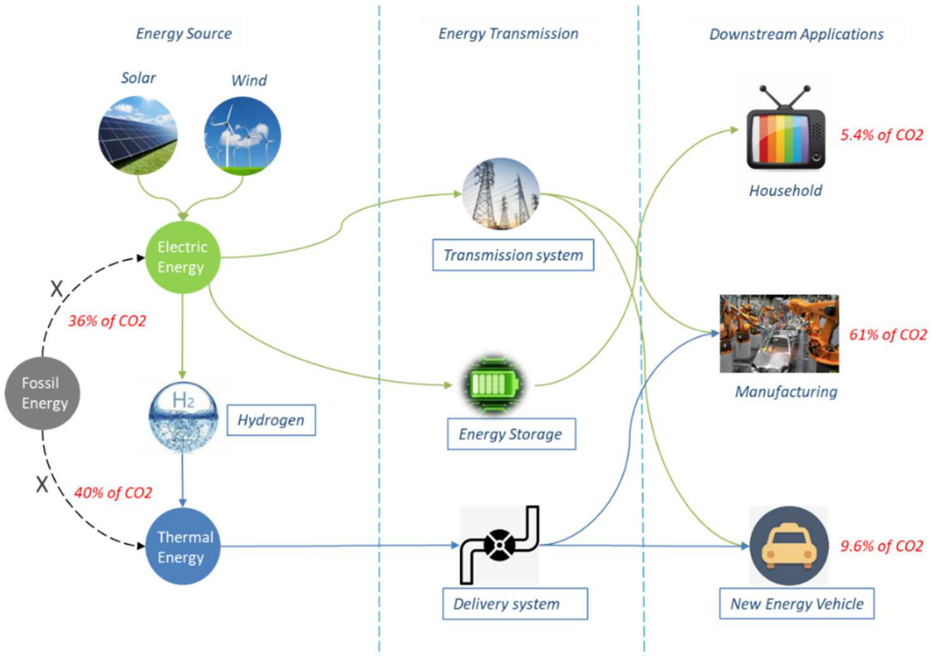
- The electrification of downstream applications (new energy vehicles).

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

The structural investment opportunities are shown in the chart below.

Roadmap of Carbon Reduction



Solar

- Solar's levelized cost of energy (LCOE) has been reduced by 82% in the past 10 years;

- Will be further cut to RMB 0.15 per kilowatt-hour by 2060 from RMB 0.38 today;

- The total installed capacity for solar will rise by 29 times over the next 40 years.

Electrification of Transportation Vehicles – the use of Batteries:

- Carbon emission from transportation accounts for 12%-16% of the total global emissions;

- If we use clean energy to charge batteries, the carbon emissions from NEVs will be reduced by 53%;

- Estimate that the global annual sales of NEVs will reach 16.7 million units in 2025, with a penetration rate of 16% and a CAGR (Compound Annual Growth Rate) of more than 40%;

- Battery systems will have huge development potential. The global battery market is expected to be worth USD 520 billion in 2040 while the penetration of NEVs will be 70%.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

Waste Emission Reduction

- China Leadership is calling upon "clear air, clean water and green mountain".

- Environmental protection standards in China have been raised to close to global standards.

- The Volatile Organic Compounds (VOC) limits are even higher than global standards.

- Wastewater in China follows 5 levels of standards for discharge into different levels of water bodies (for example level 2 standard for emission in Huangpu River scenic use water and level 4 standard for emission in Yangtze River general use water). Level 1 is the highest standard and level 5 is the minimum requirement. Level 2 is equivalent to European Union wastewater discharge standards and US EPA standards.

- Execution was the issue in the past.

- Once a waste discharge permit was granted there was no ongoing monitoring and enforcement.

- Starting from 2016 an enforcement body was established. A permit requires renewal every three years with ongoing on-site supervision. Penalties have also been greatly increased. Fines could reach RMB 300 million now vs. only RMB 200 thousand in the past.

- This has caused many unqualified firms to close down. This provides opportunities for those firms that follow the rules and helps them to grow and consolidate.

II. Secondly - Consumption, Life style evolving

Although GDP per capita of the whole country reached USD 10,000, due to China's vast territory and unbalanced development among different regions, the actual consumption ability varies widely.

In 2019:

- 36% of the population's GDP per capita exceeded USD 10,000;

- 39% of the population's GDP per capita was between USD 5,000 to USD 10,000;

- 26% of the population's GDP per capita was still less than USD 5,000;

- 75% of China's population will live in areas with GDP per capita of more than USD 10,000 by 2030;

- the GDP per capita of China's first tier cities was more than USD 25,000 in 2019.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

i) **Value-for-money**. In the past two decades, the manufacturing capability of China's light manufacturing industry has surpassed overseas countries and ensured that the quality of industrial products is maintained at a high level. For non-differentiated goods, consumers' demand for cost effectiveness has increasing with quality no longer an issue.

ii) **Beauty economy**. Anxiety for appearance has deep roots in East Asian cultures. Compared to Japanese women who wear makeup from their 20s to their 80s, China’s post-90s generation has just become the first generation of customers who use makeup every day. The post-90s and 00s will drive up the usage of cosmetics. We expect that the cosmetics industry will maintain an annual growth rate of more than 15% over the next five years and the market will double from RMB 200 billion to RMB 400 billion. At the same time, the attention to appearance has also promoted the development of the medical beauty industry, in particular the non plastic surgery medical beauty treatments such as photoelectric and hyaluronic acid injections, which are replacing the traditional beauty salon skin care projects. The beauty industry in China is still at an early stage and has not been consolidated.

iii) **Food industrialization**. From the production side, with improved technology and rising labor costs, further industrialization of food production can be expected. From the consumer side, the younger generation has been exposed to foreign industrialized catering and food since their childhood. They have a higher acceptance of processed food than the older generations. The promotion of food delivery and the closing of farmers markets under the pandemic situation has also accelerated the development of the food industry. We expect the RMB 120 billion frozen food industry will continue to grow at 10% per year.

iv) **Comfort lifestyle**. The post 80s one child generation generally lack household skills. As these people generally live on their own, there is strong demand for new types of household equipment and consumables. In the past three years, the sales of dishwashers and vacuum robots have increased by more than 50% every year. The household penetration rate of these two categories is still less than 10% indicating that there is still a lot of room for growth. In terms of consumables, young people are learning the overseas way of lifestyle by replacing traditional towels with more hygienic kitchen tissue and disposable facial towels.

v) **More time for entertainment**. Due to the increase of outsourcing services (e.g. errands, housework), the more abundant variety of convenience goods (fast food, disposable goods) and the emergence of household auxiliary equipment (vacuum robots, dishwashers), people are gradually being freed from daily chores and have more spare time. They have begun to enjoy more entertainment. Online entertainment is welcomed by more and more people because it is easy to access and can make use of fragmented time. Its current market size is RMB 1.5 trillion, and is expected to reach RMB 3 trillion in 5 years.

vi) **Security needs**. Now that basic survival needs have been easily met for the majority of Chinese people, they increasingly care about long term "protection". We classify Healthcare, Education, and Insurance as "security needs consumption". Healthcare secures physical and mental health; education secures knowledge and skills; while insurance and asset management secures pension and financial security. In the past decade, with the living standard upgrades and favorable age distribution, the expenditure on healthcare, education, and insurance accounting has steadily increased. As a proportion of GDP it has increased gradually but is still significantly lower than that of developed countries such as Japan and the United States. In the next 10 years, the proportion of "security consumption to GDP" will continue to catch up with developed countries, and double its current market size. We expect the expenditure on healthcare, education, and insurance in China to reach USD 5,587 billion, USD 2,686 billion, and USD 1,152 billion respectively in 2030.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

20 plus years ago, global consumer brand companies (MNCs - multinational corporation) had seen the huge consumer market opportunity and started strategically moving their businesses to China. We often heard from global investors that they should invest in those MNCs to indirectly profit from Chinese consumer spending. However, after initial success, the profitability and market share of those MNCs has diminished.

We believe this trend will continue. The argument of investing in MNCs to benefit from China consumption has become a false proposition. Chinese brands will increasingly benefit from these promising segments due to the following reasons:

1. The improvement of China's overall manufacturing ability has led to the recognition and trust in the quality of domestic products. After years of hard work, Xiaomi has achieved a reputation of being "high cost-effective". At the same time, based on mobile phones, Xiaomi has expanded to a full range of smart home products. This is like the electronic product version of Costco. Consumers can buy all products related to smart homes at Xiaomi Mall which are also very cost effective.

2. National pride among the young generations: The changing of generations have given opportunities to domestic brands. Nowadays, the post 90s and post 00s (Generation Z) have become the mainstream consumers. They have not experienced the era of low quality domestic products, thus there is no additional burden for domestic brands to build their brand image. Meanwhile, the Generation Z have their own ideas of value, so they do not to follow the older generations' consumer choices. They have a higher recognition of Chinese culture and national pride. For example, the post 80s feels that Nike and Adidas are fashionable. In order to express their rebellion against the previous generation's fashion trends, generation Z is more willing to choose Chinese fashion brands Anta (2020.HK) and Li Ning (2331.HK).

3. Local brands stay closer to Chinese consumers: Domestic brands have local consumer research and service teams, which can gain insight into consumers' needs more quickly than foreign brands, and so better satisfy new demands arising from living standard improvements. The trend can be seen in newly emerged consumer goods such as Chinese food kitchen appliances.

4. Domestic brands are also more adaptable to the changes of marketing channels: the rise of short video and livestream broadcasting have attracted consumers' attention, and also brought about changes in marketing channels and the way of interaction with consumers. Products that need consumer education benefit from this trend. Compared to global brands, domestic brands are more flexible in their decision making, thus capturing the channel efficiency and traffic advantages brought by the development of online advertising and distribution in China.

III. Third investment opportunity Work and Life Digitalization

China today is the second largest digitalized economy after the United States. The United States is the largest "inventing innovation" country and China is the largest "digitalization application innovation" country. The economic return has been enormous which has attracted many talented people to become software engineers. The number of software engineers in China is double that of the United States which furthers the digitalization trend.

To move up the value chain and improve profitability, China has increased R&D investment in the past two decades from USD 10 billion to USD 300 billion, a 30-fold hike. China has surpassed Japan and become the No. 2 country in terms of R&D spending after the US. China is well prepared to upgrade to high value added products and services in the technology space.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

Cemented by today's social and economic situation, China moving to the next level of development. Looking beyond the next decade, there are three structural opportunities in the digitalization space in China:

- The innovation of ToC internet applications will continue;

- Platforms connecting goods to goods, Internet of Things (IOT), will emerge;

- Advanced information hardware devices to replace imports.

1. ToC Internet Innovation

A handful of powerful platforms, such as those connecting people to people (Tencent 0700.HK), people to goods (Alibaba BABA.N, Pinduoduo PDD.O), people to services (Meituan 3690.HK), people to information (Douyin, Bilibili BILI.O), people to capital (Ant and Webank) have been developed over the past decade in China. Those fast growing platforms have generated huge intangible value and significantly reshaped people's lives.

China internet ToC (The internet of Things & Logistics) is ahead of US. Online shopping penetration in China was 25% at the end of September vs 14% in the US. 57% of people in China use online payments vs 21% in the US. 81% of advertising is allocated online in China vs 67% in the US.

The value of the China ToC internet universe will be further increased as user spending and online penetration increases. We believe that China will reach the same penetration rate as that in the US, representing an increase from 66% to 82% over the next 5 to 10 years - a further 16% increase for China. Due to the large population, there will be another 200 million internet surfers. ToC Internet's current market size is RMB 12 trillion. It is expected to reach RMB 20 trillion in 5 years.

To invest in the ToC space, we need to closely monitor and analyze a platform's business cycle. We have observed that ToC Internet companies have their own life cycles that are different compared with industrial era business cycles.

A platform will hit its bottleneck if it is not capable of extending its cycle, evidenced by the slowing down of user and revenue growth. The key bottleneck breakers are user stickiness and sustainable innovation. A good platform should have social attributes to solidify user stickiness and a well designed demand focused architecture to improve the user experience. Continuous innovative ideas can be cultivated from a demand driven architecture to acquire and retain users and drive revenue growth.

2. Internet of Things

The cycle of Internet of Things (IOT) has just started in China. The economic potential for IoT could be more than 10 times that of the handset, measured as the number of devices (nodes) that could be connected. There are trillions of things working in the world, but they are not connected. They will become intelligent nodes of IOT in the future. Applying Metcalfe's law, the breadth of the network will generate enormous intangible value to both the economy and society.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

In 2019, the number of global IoT device connections was close to 10 billion. According to IDC forecasts, the number of global IoT networked devices will reach 25.2 billion in 2025.

In 2019, the number of IoT device connections in China was 3.1 billion, accounting for about one third of the world, and it is expected to reach 7 billion in 2022. The market size of China is expected to reach RMB 2 trillion by 2022.

To simplify the structure of IOT system, we break the segments into two layers, the infrastructure layer and the application layer. The infrastructure layer, such as cloud, telecom, cyber security and sensors supports the development of the application layer, which includes smart terminals and platforms.

- Infrastructure Layer of IOT

The infrastructure layer will provide a solid foundation for the growth of IOT applications, and the investment in cloud, connectivity, cyber security and sensors will be very crucial.

a) Cloud

According to Gartner's analysis and predictions, the CAGR of the overall cloud service market in China will reach 29.1% between now and 2023, which is significantly higher than other countries and regions. By 2023, the cloud access rate of the Chinese government and large enterprises will exceed 60%, and the market size will exceed 300 billion yuan. The scale of China's cloud computing market lags far behind the US. It is only about 8% of the US cloud computing market, compared to 67% of the US GDP size, indicating huge potential.

b) Connectivity

5G and NB-IoT (Narrow Band Internet of Things) are critical technologies to connect devices in IOT. The market size for global cellular communication modules is USD 30 billion today, and will grow to USD 52 billion by 2023. We expect cellular communication modules of 5G and NB-IoT to be the two fastest segments, growing 400% and 172% and achieving 25 million and 680 million units respectively by 2023.

c) Cyber security

China’s cybersecurity industry has grown at a rate of more than 20% over the past 5 years and growth will RMB in 2020, 2% of total IT investment. If China reaches the global ratio of 3.3%, the market size will grow by 65% compared to 2020. The industry is also experiencing a transformation from a traditional product model to a service based model to meet the ever changing and complex environment of cyberspace.

d) Sensors

Sensors are devices that detects the change in the environment and collect data for further processing in the IOT. Sensors include cameras, temperature gauges, pressure sensors, InfraRed sensors, lidar etc. The combined market size is RMB 190 billion in 20xx and will grow at a rate of 22%.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

- Application Layer of IOT

With the commercialization of 5G and the large scale implementation of cloud technology, the IOT applications that enable inter connectivity and smart functions will see robust growth. IOT will cover a wide range of vertical applications, both for work and life.

Implementing digitalization in transforming work (ToB) will bring tremendous economic benefits to China and will enhance productivity, increase efficiency, improve quality and reduce costs. The penetration of digitalization in manufacturing is still very low. For example, the smart manufacturing rate1 of various manufacturing industries in China ranges from 5% to 11% only.

China is predicted to be the biggest market for the manufacturing IOT. China's IVA (industrial value-added) has been climbing rapidly since 1990, and became the No.1 in 2016. The market size of manufacturing IOT was RMB 610 billion in 2019 in China, and we expect growth of over 10 times over the long term.

To improve people's convenience, efficiency and reliability; smart consumer terminals such as smart home appliances, smart autos and wearables will dominate in the future. Imagine someday in the future, a self-driving car, which is very safe to drive you home, and you have leisure time to watch a movie in the car. If you have not finished watching, the movie could continue to be played on TV seamlessly after you return home.

Smart Car: The car will gradually become closely connected with other smart devices. According to HIS Markit research, the penetration rate of intelligent connected vehicles in China will increase from 49% in 2020 to 76% in 2025 when the market size will reach USD 22.3 billion. Because of the well built digitalization infrastructure and continuous consumer upgrades, China is expected to lead the global smart car trend in the next few years.

Wearables: Wearable devices saw rapid development over the past few years driven by increased mobility and demand for high quality life. Smart watches shipped 74 million units in 2020, which was 5 times 2016 shipments. True wireless stereo (TWS) headsets shipped 200 million units in 2020 21 times 2016 shipments. We expect the watch and TWS shipments could reach 180 million and 600 million by 2025 respectively, with a combined market size of RMB 700 billion. Luxshare (002475.SZ), a leading high end electronics company, will benefit from the booming of IoT wearable products by providing high quality sophisticated manufacturing services.

Huawei and Baidu have invested heavily into R&D of smart vehicle systems and are firmly committed to digitalize autos. Huawei's "HiCar" could provide the most comprehensive and competitive solution by integrating their Harmony operating system, hardware of MDC (Mobile Data Center) Platform, and software applications of AOS (ADAS Operating System) & VOS (Vehicle Operating System). Baidu (BIDU.O) has the leading AI algorithm in China. Luxshare (002475.SZ) is a leading high end manufacturing services company to benefit from the booming of IoT wearable products.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

Powerful IoT platforms to connect terminals and applications will emerge. An open platform is important to connect everything. Xiaomi and Huawei could become two potential platforms, Xiaomi in the ToC area and Huawei in both ToC and ToB areas. The increasing number of connected devices will create large intangible value to both companies. In 2019, the number of connected IoT devices on Xiaomi's IoT platform reached 235 million. Huawei's IoT platform "HiLink" also linked to 220 million devices. ChinaSoft, an IT service provider, is the closest partner of Huawei on"HiLink" and "HiCar" and will definitely benefit from these trends. The expected business opportunity for IoT related outsourcing services is RMB 30 billion and it could more than double the profits of ChinaSoft.

3. Import Substitution Hardware in Digitalization

Hardware devices are the critical foundation to support smart functions in digitalization. However some areas of the high value added hardware market in China are still dominated by foreign players. For example, Chinese companies' market share in the Semiconductor industry, with a USD 412 billion market size, is only circa 10%. In digital IC areas with advanced manufacturing technology like CPUs, Chinese companies' market share is less than 5%. Another example is passive components, with a USD 28 billion market size, where Chinese companies' market share was circa 5%.

The Sino US trade friction has acted as a trigger to alter the game. The United States has continuously cracked down on Chinese technology companies such as Huawei and SMIC by terminating the supply of key technology devices and systems. The trade war has alerted Chinese companies to secure their supply chain and started to support local players to take market share from foreign players.

Some leading Chinese companies are well prepared to break into and add high value added hardware along the value chain. They have accumulated capital, technology and talent, and support from Chinese customers helps them to quickly climb up the learning curve. Chinese players have an edge in the long term, as the huge domestic market could provide feedback for technology improvements, and it could also help to roll out innovation to a scalable level.

We expect considerable investment opportunities for import substitution in the semiconductor and passive component sectors in China.

<u>Semiconductor</u>

The Semiconductor industry is the key bottleneck that China needs to breakthrough. In 2019 China imported USD 312 billion of semiconductors accounting for 66% of worldwide semiconductor industry revenues. The US accounted had a 50% global market share.

We prefer Analog IC in the semiconductor space. Firstly, Analog IC has a large market of USD 21 billion in China. It has a long product cycle, and the life of products can reach 10+ years. Secondly, 6 of the 10 global leading analog IC companies are US companies. Because of Sino American friction, local customers are more willing to use local analog IC solutions for supply chain security purposes. Thirdly, Analog IC does not need advanced manufacturing nodes, which involves American technology, so there are limited supply chain risks.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

Currently, leading Chinese analog IC company’s share is still less than 1% with huge room to grow in the long term. For example, the market share of SG Micro, a local analog IC company for power and signal chain ICs, was only 0.2% in 2019. The balance of market share is mainly dominated by US companies, TI, ADI, and Maxim. If SG Micro could take a 2% market share by 2025, their revenue will grow by 7 times vs 2020. Another example is Maxscend, a local radio frequency IC company with a 1.4% market share in 2019. The radio frequency market is mainly dominated by US companies; Qorvo, Skyworks and Qualcomm. Chinese smartphone brands like Huawei, Xiaomi, Oppo and Vivo account for 60% of global sales. They have a strong desire to try local supplier’s solutions. If Maxscend could take a 6% market share by 2025, their revenues will grow 4 times vs 2020.

Passive Components

Besides semiconductors; passive components, capacitors, inductors and resistors are another bottleneck for upstream electronic components. The market is dominated by Japanese companies which have a circa 50% market share. South Korea companies account for circa 20% and Chinese mainland companies only have around a 10% market share.

We prefer multi layer ceramic capacitors (MLCC) in the passive components space. Firstly, MLCC is the largest market of USD 13 billion amongst passive components. Secondly MLCC, especially high-end products like 01005, have higher technical barriers than resistors and inductors. Thirdly, 5G and intelligent vehicles are requiring more MLCCs than before. 5G cellphones will needs 20% more MLCCs than 4G models.

The market share of the leading Chinese MLCC company, CCTC, is still less than 1% with big potential to grow over the long-term. CCTC is trying to expand MLCC capacity from 4 billion units/month to 20 billion units/month in 3 years. With technological breakthroughs and capacity expansion, CCTC will enjoy 30%+ CAGR growth over the next few years.

Final Thoughts

China investment risks do exist. In addition to company level risks, geopolitical and government regulation risks are less transparent and many times can have a prolonged negative impact on companies.

Globalization where China has been the greatest beneficiary is no longer a favorable topic today. The geopolitical risks between China and the US will continue over the next five years. While reversing globalization is disruptive to US China trade relations and will make business operations very challenging for some companies, the Chinese consumer story is intact and will stimulate Chinese technology companies to move up the value chain.

Domestically, the Chinese economy has developed to a level where the government has begun to pay attention to social life, a balance between rich and poor, and to promote fair competition. In addition to environmental protection, antitrust legislation to curtail damaging internet monopolist activities will create opportunities for more application innovation.

Bin Yuan strives to strictly follow our investment philosophy to invest in sustainable growth companies. Investing in those that improve people’s living standards and the environment should be well rewarded.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

SFDR Disclosure

The sub-fund promotes certain environmental and social characteristics within the meaning of article 8 of SFDR but does not have a sustainable investment objective.

The sub-fund invests in socially and environmentally aware companies that create long term corporate value by providing the best products and services to society. Companies with poor governance and companies producing coal fired power, tobacco, as well as any company from the gambling sector will be excluded.

ESG is deeply integrated in the Investment Manager’s risk management framework and investment process. Poor ESG is the key factor in business risk, so at the screening stage, the investment strategy will eliminate companies that are not ESG compliant and qualified. The process is managed by Investment Manager’s in-house team who have accumulated many years of practical experience in the marketplace and were one of the earliest adopters of good ESG practices in China. ESG has been integrated and implemented from inception. The ESG rating system is reviewed on a continuous basis. The implementation of the selection criteria leads to the exclusion of at least 50% of potential investments at the initial ESG screening stage.

Investment Manager has established an in-house rating system to quantify the qualitative elements of a company’s ESG risks and exposure, and how they manage those risks and exposures. Exposure is scored on a 1-5 scale, with 5 representing no exposure and 1 representing very high exposure. Management is scored on 1-5 scale, with 5 representing the best practice management and 1 representing no efforts being made. A company with high exposure must also have very strong ESG management, whereas a company with limited exposure can have a more modest ESG approach. The strategy avoids companies with a low management rating below 3 if there are exposures.

3 ESG metrics are considered to get a comprehensive ESG score:

1. The Environmental score consists of the following factors: Climate Change, Natural Resources, Pollution & Waste, and Environmental Opportunities.

2. The Social score includes the following factors: Human Capital, Product Liability, Stakeholder Opposition, and Social Opportunities.

3. The Governance score has the largest weight and consists of over 20 factors including Board Diversity, Ownership & Control, Conflict of Interest, Business Ethics and all other governance-related factors.

Governance

Investment Manager retains a record of companies’ governance history in the risk files, which tracks companies’ management stability, insider trading, dividend ratio, financial risk exposure, disclosure and other factors that would impact ESG rating. In addition to a company’s financial reporting the team look into local practices of management actions including pledged shares, exchangeable bonds, inappropriate merger and acquisition etc. to assess the real substance of the governance.

Past performance is not an indicator of current or future returns.

Managers' reports (continued)

Environmental & Social

Carbon Emission and Waste Emission are the major Environmental indicators. Labor Management and Health Safety are the major Social indicators of this product.

Engagement

The strategy also aims to enhance the long-term performance of companies in which the strategy invests by engagement and / or voting. Engagement is integrated with the ESG work. All the progress of engagement cases is tracked, and the number and outcome of engagements will be reviewed in the quarterly ESG review. The progress or outcome of engagements are monitored and escalation strategies, such as reduction of portfolio exposure and divestment for the unsuccessful engagements, are planned and executed accordingly. The Investment Manager's team pursue the full spectrum of engagement that ranges from exercise of proxy voting rights to direct discussions with the Chairman. Senior management are provided feedback generated from extensive due diligence of meeting staff and employees at different levels and different regions, and cross checking with both upstream and downstream players.

January 5, 2022

Bin Yuan Capital

Deloitte Audit
Société à responsabilité limitée
20, Boulevard de Kockelscheuer
L-1821 Luxembourg

Tel: +352 451 451
www.deloitte.lu

Report of the Réviseur d’Entreprises Agréé / Auditor's report

To the Shareholders of
Hereford Funds
Société d'Investissement à Capital Variable incorporated in Luxembourg
15, avenue J.F. Kennedy, L-1855 Luxembourg

Report of the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hereford Funds (the "Fund") and of each of its sub-funds, which comprise the statement of net assets and the statement of investments and other net assets as at September 30, 2021, and the statement of operations and changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund and of each of its sub-funds as at September 30, 2021, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

Basis for Opinion

We conducted our audit in accordance with the Law of July 23, 2016 on the audit profession (Law of July 23, 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under the Law of July 23, 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the "*réviseur d’entreprises agréé*" for the Audit of the financial statements" section of our report. We are also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our report of the "*réviseur d’entreprises agréé*".

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Deloitte.

Responsibilities of the Board of Directors of the Fund for the financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "*réviseur d'entreprises agréé*" for the Audit of the financial statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "*réviseur d'entreprises agréé*" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of July 23, 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "*réviseur d'entreprises agréé*" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "*réviseur d'entreprises agréé*". However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

Report of the Réviseur d'Entreprises Agréé / Auditor's report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Deloitte Audit, *Cabinet de Révision Agréé*

Nicolas Hennebert

Nicolas Hennebert, *Réviseur d'entreprises agréé*
Partner

January 20, 2022

Statement of net assets as at September 30, 2021

	COMBINED	Hereford Funds - DSM US Large Cap Growth Fund	Hereford Funds - Bin Yuan Greater China Fund
	USD	USD	USD
ASSETS			
Investments in securities at acquisition cost	554,052,513.88	58,471,634.73	495,580,879.15
Net unrealised gain on investments	118,935,193.32	38,975,790.87	79,959,402.45
Investments in securities at market value (note 2.d)	672,987,707.20	97,447,425.60	575,540,281.60
Cash at banks (note 2.d)	32,238,073.16	583,150.49	31,654,922.67
Formation expenses (note 2.h)	694.21	204.07	490.14
	705,226,474.57	98,030,780.16	607,195,694.41
LIABILITIES			
Advisory fees payable (note 4)	1,053,131.17	266,385.65	786,745.52
Performance fees payable (note 5)	3,645,360.36	0.00	3,645,360.36
"Taxe d'abonnement" payable (note 3)	17,959.18	3,056.65	14,902.53
Other fees payable (note 6)	292,431.51	60,394.79	232,036.72
	5,008,882.22	329,837.09	4,679,045.13
TOTAL NET ASSETS AS AT SEPTEMBER 30, 2021	**700,217,592.35**	**97,700,943.07**	**602,516,649.28**
TOTAL NET ASSETS AS AT SEPTEMBER 30, 2020	**348,996,552.96***	**84,100,549.65**	**260,143,246.01**
TOTAL NET ASSETS AS AT SEPTEMBER 30, 2019	**269,188,096.93****	**70,785,090.97**	**136,392,457.59**

** Including the total net assets of the liquidated sub-fund Hereford Funds - DGHM US All-Cap Value Fund*
*** Including the total net assets of the liquidated sub-funds Hereford Funds - DGHM US MicroCap Value Fund and Hereford Funds - DGHM US All-Cap Value Fund*

The accompanying notes form an integral part of these financial statements.

Statement of operations and changes in net assets for the year/period ended September 30, 2021

	COMBINED	Hereford Funds - DSM US Large Cap Growth Fund	Hereford Funds - DGHM US All-Cap Value Fund (note 1.b)	Hereford Funds - Bin Yuan Greater China Fund
	USD	USD	USD	USD
NET ASSETS AT THE BEGINNING OF THE YEAR/PERIOD	**348,996,552.96**	**84,100,549.65**	**4,752,757.30**	**260,143,246.01**
INCOME				
Dividends, net (note 2.i)	2,462,951.86	253,954.58	17,140.82	2,191,856.46
Bank interest (note 2.i)	7,196.16	343.21	10.82	6,842.13
	2,470,148.02	254,297.79	17,151.64	2,198,698.59
EXPENSES				
Amortization of formation expenses (note 2.h)	414.48	0.00	95.59	318.89
Advisory fees (note 4)	3,306,701.96	964,173.06	425.03	2,342,103.87
Performance fees (note 5)	3,645,360.36	0.00	0.00	3,645,360.36
Depositary fees, bank charges and interest	193,046.27	58,240.76	5,588.83	129,216.68
Professional fees, audit fees and other expenses	845,948.38	169,167.87	42,693.20	634,087.31
Administration fees	191,655.65	63,950.88	1,382.44	126,322.33
"Taxe d'abonnement" (note 3)	58,080.07	11,806.46	109.13	46,164.48
Paid bank interest	7,185.34	343.21	0.00	6,842.13
Transaction fees (note 2.j)	1,465,339.32	14,940.47	2,553.32	1,447,845.53
	9,713,731.83	1,282,622.71	52,847.54	8,378,261.58
NET INVESTMENT LOSS	**-7,243,583.81**	**-1,028,324.92**	**-35,695.90**	**-6,179,562.99**
Net realised gain on sales of investments (note 2.f)	97,704,324.13	18,726,438.87	851,533.78	78,126,351.48
Net realised gain on foreign exchange	8,699.37	0.00	0.00	8,699.37
Net realised loss on forward foreign exchange contracts	-194,465.66	0.00	0.00	-194,465.66
NET REALISED GAIN	**90,274,974.03**	**17,698,113.95**	**815,837.88**	**71,761,022.20**
Change in net unrealised appreciation/depreciation:				
- on investments	28,784,408.00	703,462.67	-113,183.01	28,194,128.34
INCREASE IN NET ASSETS AS A RESULT OF OPERATIONS	**119,059,382.03**	**18,401,576.62**	**702,654.87**	**99,955,150.54**
Proceeds from subscriptions of shares	373,469,079.48	3,975,851.10	1,598,779.49	367,894,448.89
Cost of shares redeemed	-141,307,422.12	-8,777,034.30	-7,054,191.66	-125,476,196.16
NET ASSETS AT THE END OF THE YEAR/PERIOD	**700,217,592.35**	**97,700,943.07**	**-**	**602,516,649.28**

The accompanying notes form an integral part of these financial statements.

Number of shares outstanding and net asset value per share

Sub-fund Class	Currency	Number of shares outstanding 30.09.2021	Net asset value per share 30.09.2021	Net asset value per share 30.09.2020	Net asset value per share 30.09.2019
Hereford Funds - DSM US Large Cap Growth Fund					
AI	USD	107,524.81	399.50	327.64	248.13
BI	USD	150,907.64	285.57	232.59	174.94
D	USD	9,107.25	622.23	513.06	390.67
U	USD	14,366.52	416.44	341.54	258.66
Hereford Funds - DGHM US All-Cap Value Fund (note 1.b)					
AI	USD	-	-	206.56	230.36
D	USD	-	-	162.06	181.70
Hereford Funds - Bin Yuan Greater China Fund					
AI	EUR	21,956.18	103.96	-	-
AI	GBP	60,608.96	95.28	-	-
AI	USD	197,308.05	136.88	100.59	-
BI	USD	96,721.36	141.04	103.39	-
CI	USD	635,836.55	226.07	165.30	104.05
CB	USD	271,703.34	213.05	155.78	98.06
DB	USD	569,090.84	139.98	102.09	-
L1	USD	28,610.12	195.84	143.19	90.13
DI	USD	1,269,221.02	141.51	103.21	-
L2	USD	459,915.62	184.68	140.04	90.64

The accompanying notes form an integral part of these financial statements.

Statement of investments and other net assets as at September 30, 2021 (expressed in USD)

Description	Currency	Quantity	Market value (note 2.d)	% of net assets
TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING OR DEALT IN ON ANOTHER REGULATED MARKET				
SHARES				
IRELAND				
AON	USD	8,350.00	2,386,179.50	2.44
LINDE RG	USD	4,900.00	1,437,562.00	1.47
			3,823,741.50	3.91
UNITED STATES				
ADOBE	USD	7,425.00	4,274,721.00	4.38
ALPHABET 'A'	USD	3,500.00	9,357,320.00	9.58
AMAZON.COM	USD	2,440.00	8,015,497.60	8.20
AUTOMATIC DATA PROCESSING	USD	12,150.00	2,429,028.00	2.49
BOSTON SCIENTIFIC	USD	74,350.00	3,226,046.50	3.30
CHARLES SCHWAB	USD	60,375.00	4,397,715.00	4.50
COOPER COMPANIES	USD	3,475.00	1,436,252.25	1.47
FACEBOOK 'A'	USD	22,150.00	7,517,488.50	7.69
FISERV	USD	13,550.00	1,470,175.00	1.50
FLEETCOR TECHNOLOGIES	USD	10,475.00	2,736,803.25	2.80
GLOBAL PAYMENTS	USD	16,225.00	2,556,735.50	2.62
INTUIT	USD	7,160.00	3,862,891.60	3.95
KEURIG DR PEPPER	USD	42,775.00	1,461,194.00	1.50
MASTERCARD 'A'	USD	8,175.00	2,842,284.00	2.91
MICROSOFT	USD	33,150.00	9,345,648.00	9.57
MONSTER BEVERAGE	USD	32,975.00	2,929,169.25	3.00
NETFLIX	USD	7,950.00	4,852,203.00	4.97
NEUROCRINE BIOSCIENCES	USD	22,325.00	2,141,190.75	2.19
NVIDIA	USD	15,015.00	3,110,507.40	3.18
PAYPAL HOLDINGS	USD	16,950.00	4,410,559.50	4.51
UNITED PARCEL SERVICE 'B'	USD	18,400.00	3,350,640.00	3.43
UNITEDHEALTH GROUP	USD	5,050.00	1,973,237.00	2.02
VISA 'A'	USD	18,500.00	4,120,875.00	4.22
ZOETIS 'A'	USD	9,300.00	1,805,502.00	1.85
			93,623,684.10	95.83
TOTAL INVESTMENTS			**97,447,425.60**	**99.74**
CASH AT BANKS			583,150.49	0.60
OTHER NET LIABILITIES			-329,633.02	-0.34
TOTAL NET ASSETS			**97,700,943.07**	**100.00**

The accompanying notes form an integral part of these financial statements.

Geographical and industrial classification of investments as at September 30, 2021

Geographical classification

(in % of net assets)

United States	95.83
Ireland	3.91
	99.74

Industrial classification

(in % of net assets)

Computer and office equipment	25.07
Internet, software and IT services	24.86
Holding and finance companies	15.92
Banks and credit institutions	9.93
Retail and supermarkets	8.20
Pharmaceuticals and cosmetics	6.62
Packaging	3.43
Biotechnology	2.19
Healthcare & social services	2.02
Food and soft drinks	1.50
	99.74

The accompanying notes form an integral part of these financial statements.

Hereford Funds - Bin Yuan Greater China Fund

Statement of investments and other net assets as at September 30, 2021 (expressed in USD)

Description	Currency	Quantity	Market value (note 2.d)	% of net assets
TRANSFERABLE SECURITIES ADMITTED TO AN OFFICIAL STOCK EXCHANGE LISTING OR DEALT IN ON ANOTHER REGULATED MARKET				
SHARES				
CAYMAN ISLANDS				
ANTA SPORTS PRODUCTS	HKD	612,000.00	11,540,867.89	1.92
BILIBILI 'Z' REG S	HKD	203,780.00	13,271,820.80	2.20
BLOOMAGE BIOTECHNOLOGY 'A'	CNY	313,900.00	9,026,238.30	1.50
CHINASOFT INTERNATIONAL	HKD	22,010,000.00	38,904,466.87	6.45
LI NING	HKD	1,382,000.00	16,004,229.33	2.66
SUNNY OPTICAL TECHNOLOGY	HKD	641,700.00	16,881,964.53	2.80
TUYA 'A' -ADR SPONS.-	USD	123,675.00	1,121,732.25	0.19
			106,751,319.97	17.72
CHINA				
AIER EYE HOSPITAL GROUP 'A'	CNY	2,019,118.00	16,684,991.17	2.77
C&S PAPER 'A'	CNY	1,541,370.00	4,121,674.24	0.68
CHAOZHOU THREE-CIRCLE 'A'	CNY	4,214,368.00	24,195,209.62	4.02
CHINA MERCHANT BANK 'A'	CNY	2,325,790.00	18,157,443.15	3.01
CHINA MERCHANTS BANK 'H'	HKD	2,810,500.00	22,401,978.05	3.72
CHINA TOURISM GROUP DUTY FREE 'A'	CNY	419,982.00	16,897,678.74	2.80
CHIPSEA TECHNOLOGIES SHENZHEN 'A'	CNY	1,247,258.00	18,335,929.36	3.04
CONTEMPORARY AMPEREX TECHNOLOGY 'A'	CNY	208,933.00	16,997,804.27	2.82
ECOVACS ROBOTICS 'A'	CNY	1,107,566.00	26,034,570.23	4.32
FU JIAN ANJOY FOODS 'A'	CNY	1,019,655.00	30,293,878.94	5.03
GUANGZHOU JET BIOFILTRATION 'A'	CNY	1,848,610.00	19,587,032.75	3.25
HUNAN BAILI ENGINEERING 'A'	CNY	8,521,146.00	21,440,828.92	3.56
IRAY TECHNOLOGY 'A'	CNY	807,802.00	52,352,161.91	8.68
KWEICHOW MOUTAI CO LTD 'A'	CNY	63,054.00	17,856,106.02	2.96
LONGI GREEN ENERGY TECHNOLOGY 'A'	CNY	616,268.00	7,865,770.91	1.31
LUXSHARE PRECISION INDUSTRY 'A'	CNY	3,720,614.00	20,560,207.33	3.41
NARI TECHNOLOGY 'A'	CNY	2,276,574.00	12,650,864.39	2.10
S.F. HOLDING 'A'	CNY	1,510,818.00	15,278,501.67	2.54
SANY HEAVY INDUSTRY 'A'	CNY	1,466,100.00	5,771,699.67	0.96
SG MICRO 'A'	CNY	458,197.00	23,592,133.93	3.92
SHANGHAI BRIGHT POWER SEMICONDUCTOR 'A'	CNY	183,792.00	10,622,830.05	1.76
SHENZHEN MEGMEET ELECTRICAL 'A'	CNY	3,058,360.00	15,225,188.90	2.53
SHENZHEN MINDRAY BIO-MEDICAL 'A'	CNY	439,431.00	26,208,849.81	4.35
SHENZHEN NEW INDUSTRIES BIOMEDICAL 'A'	CNY	981,448.00	7,417,643.78	1.23
YIFENG PHARMACY CHAIN 'A'	CNY	2,262,991.00	18,237,983.82	3.03
			468,788,961.63	77.80
TOTAL INVESTMENTS			**575,540,281.60**	**95.52**
CASH AT BANKS			31,654,922.67	5.25
OTHER NET LIABILITIES			-4,678,554.99	-0.77
TOTAL NET ASSETS			**602,516,649.28**	**100.00**

The accompanying notes form an integral part of these financial statements.

Geographical and industrial classification of investments as at September 30, 2021

Geographical classification

(in % of net assets)	
China	77.80
Cayman Islands	17.72
	95.52

Industrial classification

(in % of net assets)	
Electronics and electrical equipment	24.31
Photography and optics	11.48
Pharmaceuticals and cosmetics	10.63
Banks and credit institutions	6.73
Internet, software and IT services	6.45
Food and soft drinks	5.03
Construction of machines and appliances	4.92
Construction and building materials	4.52
Tobacco and alcohol	2.96
Miscellaneous	2.80
Healthcare & social services	2.77
Biotechnology	2.73
Retail and supermarkets	2.66
Computer and office equipment	2.54
Publishing and graphic arts	2.20
Textiles and clothing	1.92
Paper and forest products	0.68
Holding and finance companies	0.19
	95.52

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements as at September 30, 2021

NOTE 1 GENERAL

Hereford Funds (the "Fund") is an open-end investment fund with multiple sub-funds (*Société d'Investissement à Capital Variable ("SICAV") à compartiments multiples*) governed by Part I of the Law of December 17, 2010 relating to Undertakings for Collective Investment ("UCI"), as may be amended from time to time (the "2010 Law").

The Fund was incorporated in Luxembourg on November 23, 2007, for an indefinite period. The Fund is registered with the *Registre de Commerce et des Sociétés* of Luxembourg under number B134375.

FundPartner Solutions (Europe) S.A. with registered office at 15, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg was appointed Management Company of the Fund as of January 13, 2018. It is a management company within the meaning of chapter 15 of the 2010 Law.

a) Sub-funds in activity

As at September 30, 2021, the Fund offers the following sub-funds:

- Hereford Funds - DSM US Large Cap Growth Fund expressed in USD,
- Hereford Funds - Bin Yuan Greater China Fund expressed in USD.

b) Significant events and material changes

As at February 22, 2021, the Board of Directors of the Fund took the decision to liquidate the sub-fund Hereford Funds - DGHM US All-Cap Value Fund with effect as at February 24, 2021.

For the year ended September 30, 2021, the cash balance for the sub-fund Hereford Funds - DGHM US All-Cap Value Fund is USD 43,102.11.

A new prospectus came into force as at February 2021.

c) Share classes

As at September 30, 2021, the following share classes are offered:

Hereford Funds - DSM US Large Cap Growth Fund:

- AI (USD),
- BI (USD),
- D (USD),
- U (USD);

Notes to the financial statements as at September 30, 2021 (continued)

Hereford Funds - Bin Yuan Greater China Fund:

- AI (EUR) (since September 14, 2021),
- AI (GBP) (since July 16, 2021),
- AI (USD),
- BI (USD),
- CI (USD),
- CB (USD),
- DI (USD),
- DB (USD),
- L1 (USD),
- L2 (USD);

As at September 30, 2021, the following share classes are offered:

- Classes AI, BI, DI and U Shares: these Shares are reserved for investments made by investors qualifying as Institutional Investors within the meaning of the Law.
- Classes D Shares: these Shares are normally available in accordance with the provisions of the Prospectus and the Appendix to the Prospectus.
- Classes DB Shares: these Shares are reserved for investments made by investors qualifying as Institutional Investors within the meaning of the 2010 Law, who are approved by the Investment Manager.
- Classes L1 and L2 Shares: these Shares are reserved for investments made by investors qualifying as accredited or institutional investors within the meaning of the SFA and Institutional Investors within the meaning of the Law and are only available for such period of time as determined by the Directors in their sole discretion or the net assets of the sub-fund equal or less than USD 40,000,000.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) Presentation of the financial statements

The financial statements are prepared in accordance with generally accepted accounting principles and with the legal reporting requirements applicable in Luxembourg relating to UCIs.

b) Combined financial statements for the Fund

The combined financial statements of the Fund are expressed in USD and correspond to the sum of items in the financial statements of each sub-fund, converted into USD at the exchange rate prevailing at the closing date.

c) Conversion of foreign currencies for each sub-fund

Cash at banks, other net assets as well as the market value of the investment portfolio expressed in currencies other than the currency of the sub-fund are converted into the currency of the sub-fund at the exchange rate prevailing at the end of the closing date.

Income and expenses expressed in currencies other than the base currency of the sub-fund are converted into the base currency of the sub-fund at the exchange rate applicable on the transaction date.

Resulting foreign exchange gains and losses are recorded in the statement of operations and changes in net assets.

Notes to the financial statements as at September 30, 2021 (continued)

d) Valuation of assets

1) Securities and/or financial derivative instruments admitted to official listing on an official stock exchange or traded on any other organised market are valued at the last available price, unless such a price is not deemed to be representative of their fair market value;

2) Securities not listed on stock exchanges or not traded on any regulated market and securities with an official listing for which the last available price is not representative of a fair market value are valued prudently and in good faith by the Board of Directors of the Fund, on the basis of their estimated sale prices;

3) Cash and other liquid assets are to be valued at their face value with interest accrued;

4) Financial derivative instruments which are not listed on a regulated market are valued in a reliable and verifiable manner on a daily basis, in accordance with market practice;

5) Liquid assets and money market instruments are valued at market value plus any accrued interest or on an amortised cost basis as determined by the Board of Directors of the Fund. All other assets, where practice allows, are valued in the same manner;

6) The units/shares of undertakings for collective investment are valued on the basis of the last known net asset value ("NAV");

In the event that the above mentioned calculation methods are inappropriate or misleading, the Board of Directors of the Fund may adjust the value of any investment or permit some other method of valuation to be used for the assets of the Fund if it considers that the circumstances justify that such adjustment or other method of valuation should be adopted to reflect more fairly the value of such investments;

For each sub-fund, securities whose value is expressed in a currency other than the reference currency of that sub-fund are converted into that reference currency at the average rate between the last available buy/sell rate in Luxembourg or, failing that, in a financial center which is most representative for those securities.

e) Acquisition cost of investment securities in the portfolio

The cost of investment securities denominated in currencies other than the base currency of the different sub-funds is converted into the base currency of the different sub-funds at the exchange rate prevailing on the acquisition date.

f) Net realised gain or loss on sales of investments

The net realised gain or loss on sales of investments are calculated on the basis of the average acquisition cost and are disclosed net in the statement of operations and changes in nets assets.

g) Forward foreign exchange contracts

The unrealised gains or losses resulting from outstanding forward exchange contracts are determined on the valuation day on the basis of the forward exchange prices applicable on this date and are recorded in the statement of net assets.

Notes to the financial statements as at September 30, 2021 (continued)

h) Formation expenses

Formation expenses are amortised over a period of five years.

i) Income

Dividends are recorded net of withholding tax at ex-date. Interest is recorded on an accrual basis.

j) Transaction fees

Transaction fees disclosed under the item "Transaction fees" in the expenses of the statement of operations and changes in net assets are mainly composed of broker fees incurred by the Fund paid to the depositary bank.

NOTE 3 "TAXE D'ABONNEMENT"

Pursuant to the legislation and regulations in force, the Fund is subject to an annual subscription duty *"taxe d'abonnement"* of 0.05% which is payable quarterly and calculated on the basis of the net assets of each sub-fund on the last day of each quarter.

However this percentage is reduced to 0.01% per annum for share classes reserved for institutional investors.

Pursuant to Article 175 (a) of the amended law of December 17, 2010, the net assets invested in undertakings for collective investment already subject to the "*taxe d'abonnement*" are exempt from this tax.

NOTE 4 ADVISORY FEES

The Advisory Company is entitled to advisory fees, payable on a quarterly basis at a total annual rate which could vary for each sub-fund, but which does not exceed 2.5% of the average net asset value of the relevant sub-fund, as determined during the relevant quarter.

The Investment Managers are remunerated by the Advisory Company out of the fees that it receives from the Fund.

The effective rates per annum are as follows:

For the sub-fund Hereford Funds - DSM US Large Cap Growth Fund:

- 1.25% for Class AI,
- 0.70% for Class BI,
- 1.75% for Class D,
- 1.25% for Class U;

For the sub-fund Hereford Funds - DGHM US All-Cap Value Fund:

- 1.25% for Class AI (liquidated on February 24, 2021),
- 1.75% for Class D (liquidated on February 24, 2021);

Notes to the financial statements as at September 30, 2021 (continued)

For the sub-fund Hereford Funds - Bin Yuan Greater China Fund:

- 1.25% for Class AI,
- 1.00% for Class BI,
- 0.75% for Class CI,
- 0.75% for Class CB,
- 0.50% for Class DI,
- 0.50% for Class DB,
- 0.75% for Class L1,
- 0.25% for Class L2.

NOTE 5 PERFORMANCE FEES

The Advisory Company may also be entitled to a performance fee, as determined below.

For the sub-fund Hereford Funds - Bin Yuan Greater China Fund:

In relation to the class L2 shares, the Advisory Company receives a performance fee, accrued on each valuation date, paid annually, based on the NAV, equivalent to such performance level of the NAV per share (measured against the high water mark) over the return of the MSCI China All Shares Net Total Return (Bloomberg ticker MXCNANM Index) calculated since the last performance fee payment.

The performance fee is calculated on the basis of the NAV after deduction of all expenses, liabilities, and advisory fees (but not performance fee), and is adjusted to take account of all subscriptions and redemptions.

The performance fee is equal to the outperformance of the NAV per share multiplied by the number of shares in circulation during the calculation period. No performance fee will be due if the NAV per share before performance fee turns out to be below the high water mark for the calculation period in question.

The high water mark is defined as the greater of the following two figures:

- The last NAV per share on which a performance fee has been paid;
- The initial NAV per share.

The high water mark may be decreased by the dividends paid to shareholders.

If the performance of the NAV per share is negative over the calculation period, no performance fee will be calculated. If the performance of the NAV per share is positive, but the performance of the Benchmark Index is negative, the calculated performance fee will be based on the minimum between (i) the absolute performance of the Net Asset Value per share and (ii) Performance Fee Level of the outperformance over the Benchmark Index.

The performance fees cannot exceed the annual performance of the NAV per share.

For the year ended September 30, 2021, the performance fees amounted to USD 3,645,360.36 for the sub-fund.

There are no performance fees in relation to the sub-funds Hereford Funds - DSM US Large Cap Growth Fund and Hereford Funds - DGHM US All-Cap Value Fund.

Notes to the financial statements as at September 30, 2021 (continued)

NOTE 6 OTHER FEES PAYABLE

As at September 30, 2021, the other fees payable include mainly audit, management company, directors, administration, other payable, liquidation and depositary fees.

For the year ended September 30, 2021, the liquidation fees amounted to USD 80,000 for the sub-fund Hereford Funds - DGHM US All-Cap Value Fund.

NOTE 7 EXCHANGE RATES AS AT SEPTEMBER 30, 2021

As at September 30, 2021, the exchange rates used are the following:

1 USD =	6.462149	CNY
1 USD =	7.784649	HKD

NOTE 8 PORTFOLIO MOVEMENTS

The statement of changes in investments for the reporting period is available free of charge at the registered office of the Fund or from the Depositary Bank and at the office of the Representative and Paying Agent in Switzerland and Information Agent in Germany.

NOTE 9 SUBSEQUENT EVENT

The new sub-fund Hereford Funds - Bin Yuan Healthcare Fund has been launched on December 3, 2021.

Total Expense Ratio ("TER")

Pursuant to the "Guidelines on the calculation and disclosure of the total expense ratio (TER)" of collective investment schemes of May 16, 2008 (version of April 20, 2015) of the Swiss Funds &Asset Management Association ("SFAMA"), the Fund is obliged to publish a TER for the latest 12-month period.

The TER is defined as the ratio between the total operating expenses (operating charges primarily consist of management and advisory fees, depositary fees, bank charges and interest, service fees, performance fees, taxes and duties) and the relevant sub-fund's / share class' average NAV (calculated on the basis of the daily average of the total net assets for the relevant year) expressed in its reference currency.

For the period from October 1, 2020 to September 30, 2021, the TER was:

Class	Currency	Annualised TER including performance fees	Annualised TER excluding performance fees
Hereford Funds - DSM US Large Cap Growth Fund			
AI	USD	1.63%	1.63%
BI	USD	0.94%	0.94%
D	USD	2.17%	2.17%
U	USD	1.63%	1.63%
Hereford Funds - Bin Yuan Greater China Fund			
AI	EUR	1.19%	1.19%
AI	GBP	1.34%	1.34%
AI	USD	1.45%	1.45%
BI	USD	1.21%	1.21%
CI	USD	0.95%	0.95%
CB	USD	0.96%	0.96%
DB	USD	0.71%	0.71%
L1	USD	0.96%	0.96%
DI	USD	0.71%	0.71%
L2	USD	4.71%	0.48%

Performance

The performance per share class was calculated by comparing the net assets per share as at September 30, 2020 with the net assets per share as at September 30, 2021.

The performance was calculated at the end of each period according to the "Guidelines on the calculation and publication of performance data of collective investment schemes" of May 16, 2008 (version of July 1, 2013) of the Swiss Funds & Asset Management Association ("SFAMA").

The performance given is based on historical data, which is no guide to current or future performance. Commissions and fees levied for the issue or redemption of shares, as applicable, have not been taken into account in this performance calculation.

As at September 30, 2021, performances were the following:

Class	Currency	Performance for the financial year ending September 30, 2021	Performance for the financial year ending September 30, 2020	Performance for the financial year ending September 30, 2019
Hereford Funds - DSM US Large Cap Growth Fund				
AI	USD	21.93%	32.04%	4.68%
BI	USD	22.78%	32.95%	5.41%
D	USD	21.28%	31.33%	4.12%
U	USD	21.93%	32.04%	4.69%
Hereford Funds - Bin Yuan Greater China Fund				
AI	EUR	3.96% *	-	-
AI	GBP	-4.72% *	-	-
AI	USD	36.08%	0.59% *	-
BI	USD	36.42%	3.39% *	-
CI	USD	36.76%	58.87%	4.05% *
CB	USD	36.76%	58.86%	-1.94% *
DB	USD	37.11%	2.09% *	-
L1	USD	36.77%	58.87%	5.08%
DI	USD	37.11%	3.21% *	-
L2	USD	31.88%	54.50%	5.59%

** The performance of share classes launched during the year/period was calculated by comparing the net assets per share as at the launch date of the share class with the net assets per share as at the end of the year.*

Other information to Shareholders (unaudited appendix)

1. Securities Financing Transactions Regulation ("SFTR")

As at September 30, 2021, the Fund is in the scope of the requirements of the Regulation (EU) 2015/2365 on transparency of securities financing transactions and of reuse. Nevertheless, no corresponding transactions were carried out during the period referring to the financial statements.

2. Remuneration of the members of the Management Company

The Management Company as from January 13, 2018, FundPartner Solutions (Europe) S.A. (hereafter "FPSESA"), has adopted a Remuneration Policy which is in accordance with the principles established by the law of May 10, 2016, amending the law of December 17, 2010 (the "UCITS Law").

FPSESA has identified 15 Beneficiaries: the risk takers (including the 4 Conducting Officers exercising their activity in Luxembourg) and the staff of the Management Company dedicated to Management Company activities for all the Funds under management, remunerated by the Management Company. In addition, the Management Company did not remunerate directly the staff of the Investment Manager, but rather ensured that the Investment Manager complies with the Remuneration Policy requirements itself.

According to the remuneration policy of FPSESA the benefits are attributed according to criteria such as level of seniority, hierarchic level, or other eligibility criteria, not taking into account performance criteria, and are thus excluded from the fixed or variable remuneration figures provided above.

Total fixed and variable remuneration for each Fund are based on apportionment of Asset Under Management represented by the SICAV.

As at the date of the report, however, the Total fixed and variable remuneration of the Beneficiaries were not available for disclosure.

3. Information on risk measurement

The global risk exposure is monitored by using the Commitment approach. In that respect, financial derivatives instruments are converted into their equivalent position in the underlying asset. The global risk exposure shall not exceed the sub-fund’s NAV.