Hereford Funds

Société d'Investissement à Capital Variable incorporated in Luxembourg

Annual report, including audited financial statements, as at September 30, 2023

R.C.S. Luxembourg B134375

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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, Chairman, Hereford Funds Advisory S.à r.l., 20, rue de L'Eau, L-1449 Luxembourg, Grand Duchy of Luxembourg
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CENTRAL ADMINISTRATION	FundPartner Solutions (Europe) S.A., 15, avenue J.F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
DEPOSITARY BANK	Bank Pictet & Cie (Europe) AG, *succursale de Luxembourg* (formerly Pictet & Cie (Europe) S.A., until May 25, 2023), 15A, avenue J.-F. Kennedy, L-1855 Luxembourg, Grand Duchy of Luxembourg
ADVISORY COMPANY	Hereford Funds Advisory S.à r.l., 20, rue de L'Eau, L-1449 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
	Bin Yuan Capital Limited, Room 1505, 15/F, 287-299 Queen's Road Central, Sheung Wan, Hong Kong for the sub-fund: • Hereford Funds - Bin Yuan Greater China Fund • Hereford Funds - Bin Yuan Healthcare
	360 ONE Asset Management Limited (formerly IIFL Asset Management Limited, until March 28, 2023), IIFL Centre, 7th Floor, Kamala City, Senapati Bapat Marg, Lower Parel, Mumbai- 400013, India • Hereford Funds - 360 ONE Focused India Fund (note 1)

Organisation of the Fund (continued)

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 year.

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 year 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 Information Documents ("KIDs") are available free of charge at the sales agencies and at the registered office of the Fund.

Distribution abroad

Offer in Switzerland

Offer in 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 information documents, 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.

Managers' reports

Review

For the period 1 October 2022 through 30 September 2023, the Hereford Funds DSM US Large Cap Growth sub-fund increased approximately 18.4% (NAV USD 297.56 to NAV USD 352.42) while the total returns (including dividends) of the Russell 1000 Growth and the S&P 500 increased 27.7% and 21.6% respectively.

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

Once the Federal Reserve, and shortly thereafter, the European Central Bank began their respective monetary tightening policies last year, DSM believed inflation would begin to decline. In fact, as monetary tightening took hold, fears of a significant recession grew more pronounced. Accordingly, DSM believes that the rate of inflation’s decline remains the critical factor in determining a "hard" or "soft" landing for the economy. In short, if monetary tightening is overdone a hard landing may result. For this reason, the faster inflation recedes, the more quickly the Fed can cease raising rates, and the more likely the economy experiences a softer landing.

The yield on the ten-year US treasury has moved upward very quickly. Many investors believe the possibility of inflation staying "higher for longer" has driven bond yields higher. DSM disagrees as they believe the "normal" yield on a ten-year bond should be approximately 200 basis points above the normalized inflation rate. Therefore, if investors expect that inflation will normalize in a range of 1-3%, a yield of between 4% and 5% on the ten-year treasury would be appropriate based on this historic relationship.

Last year the defensive growth stock positions DSM had purchased over the course of 2021 and 2022 defended well, while the higher P/E technology positions (many having been trimmed or sold during that time) underperformed. In 2023, this situation has exactly reversed itself as defensive growth stocks have generally underperformed while the higher P/E, larger market cap technology stocks outperformed.

Portfolio

At 30 September 2023, the sub-fund portfolio was invested in the information technology, financials, communication services, consumer discretionary, health care, industrials, materials and consumer staples sectors.

Over the twelve-month period ended 30 September 2023, DSM's selections in the information technology and financials sectors were primarily responsible for the sub-fund’s underperformance versus the Russell 1000 Growth Index. DSM's selections in the consumer discretionary and consumer staples sectors, as well as the portfolio’s underweights of these sectors versus the Russell 1000 Growth Index, benefitted performance in the period.

The strongest contributors to performance over the reporting period were NVIDIA (graphics processors), Microsoft (software development), Adobe (application software development), Alphabet (internet search and advertising) and Visa (electronic payments).

The weakest contributors to performance were EPAM Systems (outsourcing services), PayPal Holdings (digital payments), Charles Schwab (financial services), Meta Platforms (social technology) and SolarEdge Technologies (solar power solutions).

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

Managers' reports (continued)

Changes in Holdings

In many respects, AI has likely become the most transformative movement in computing since the launch of the internet in the 1990s. In DSM's view, the demand for software, networking equipment, specialized chips, semiconductor production, cloud infrastructure, and IT services will continue to grow as nearly every company becomes increasingly focused on technology to improve its services and lower costs within its respective industry. DSM has been active over the past eighteen months transforming the portfolio into what they believe is an ever-higher quality, predictable group of strong growth companies, often with leadership positions in critical AI technologies, which they anticipate holding for many years.

During the reporting period, Global Payments and Meta Platforms were sold primarily because both businesses were underperforming versus DSM's expectations. Meta was also sold due to disproportionate spending by management. Solid relative performance in a down market led DSM to sell Keurig Dr. Pepper and O'Reilly Automotive. In the case of Keurig Dr Pepper, DSM's ongoing concerns over the company's earnings prospects due to cost pressures also contributed to the sale. Burlington Stores and UnitedHealth Group were sold due to weaker earnings outlooks then DSM had anticipated. SolarEdge Technologies was trimmed following weak earnings reports by several competitors, and later sold entirely due to disappointing earnings.

The proceeds from these sales were used to initiate positions in Arista Networks (networking solutions for large-scale datacenter and enterprise workspace environments); Chipotle Mexican Grill (quick-casual eateries); Fortinet (network security solutions); Paycom Software (employment software solutions); and Thermo Fisher Scientific (life-science tools)

Outlook

DSM believes that global and US economic growth approximating 2.5% over the next year is achievable, while in Europe and Japan, GDP will be closer to 1%. Higher interest rates in the US may be having an impact on the real estate market, and it is possible that consumer spending will weaken as inflation-driven expenses rise causing many Americans to spend much of their savings. On the other hand, incomes appear solid, wages are up and employment is strong. Clearly, with no recession in sight, the US economy has performed better than expected. At this point, excluding a significant unexpected shock, DSM believes that if the economy were to weaken, a "soft landing" or shallow recession would be a more likely outcome than a more normal contraction.

After a better than feared start to 2023, European macro activity and data points since late spring have slowly deteriorated with even the typically resilient German economy slowing. The European Service PMI has slipped below 50, indicating contraction, while the European Manufacturing PMI's steady decline into the mid-40s indicates moderately depressed demand. As the European manufacturing and industrial sector is more dependent on China than other regions, China's economic woes are having a bigger impact. Bank lending in the Eurozone is tepid at best as rising rates, lower financing for fixed investment, a weaker housing market, and lower consumer confidence weigh. Having said that, it does appear inflation is now on a steady deceleration path, which should allow the ECB and the BoE to possibly pause their interest rate hikes and be much more data dependent going forward. Given that Europe imports the vast majority of its energy needs, energy supply and prices will be an economic wildcard over the next six months.

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

Managers' reports (continued)

In DSM's opinion, global economic growth over the coming year will be determined in large part by the rate of decline of inflation in the United States and EU, as a result of Federal Reserve and ECB tightening. The more rapidly inflation falls, the less pressure there will be on the Federal Reserve and ECB to raise rates further, thereby enhancing the potential for a "soft landing" or "muddle through" economic outcome. At this point the most recent inflation data in both the US and EU continue to indicate significantly declining inflation, albeit the results are still above both central banks' targets of 2%.

DSM remains optimistic that the market will trend higher, driven by continued news of falling inflation and the probability that the rate hike cycle from the Federal Reserve and the European Central Bank are very near the end, and continue to believe the odds are in favor of the buyer. Encouragingly, the sub-fund portfolio's revenue and earnings growth over the first and second quarters were quite strong. Although global economic growth remains sluggish, the companies DSM invests in are largely generating the revenue and earnings they expected. Over time DSM believes this growth will be sustained, and possibly enhanced, by their portfolio companies' strong market positions and ongoing investments in Artificial Intelligence ("AI"). For this reason, DSM believes today's portfolio contains remarkably well positioned businesses with very durable growth potential.

October 26, 2023

Established by DSM Capital Partners LLC

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

Managers' reports

Hereford Funds - Bin Yuan Greater China Fund

Performance Review and Market Comment

For the period of October 1, 2022 through September 30, 2023, the Hereford Funds - Bin Yuan Greater China Fund (Share Class L2) depreciated by 15.76%. This compares to the total return (including dividends) of the benchmark, the MSCI All China which dropped 0.87%.

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

The China market experienced a rollercoaster type movement over the past year.

As COVID restrictions were finally removed in late 2022, the Chinese market saw a recovery from the fourth quarter 2022. The economic recovery was first seen in the travelling and dining area, then gradually broadened to a much wider range of economic activities.

However, during the first half of 2023, the weaker than expected post-Covid recovery and ongoing geopolitical tensions concerned investors. Covid impacted job stability and hit incomes for many workers, and it will take time for Chinese households to regain confidence. While the travel, healthcare, and entertainment related categories have recovered well, the weak property related consumption negatively impacted the overall retail and investment datapoints. Investors' confidence faded away in response. Active fund outflows were seen. Foreign fund inflows year to date were largely passive, pushing large cap stocks to outperform. Local investors focused on "concept-related" themes such as "SOEs" (State Owned Enterprises) and speculative ChatGPT stocks. Our relative performance was impacted by our underweight in large cap names, SOEs and ChatGPT-concept stocks, and by our overweight in healthcare, high-end technology and new energy stocks.

We believe that the Chinese economy is in the middle of a painful transition from a property and export driven economy to one focused on higher value-added industries. The stock market has been driven by momentum trading, as investors chase the latest themes and not many market participants currently pay attention to fundamentals. Our portfolio has about 60% exposure to the beneficiaries of import substitution and is concentrated in the high tech, med tech, and green tech areas, which should be the structural opportunities of China in the next decade. Most, if not all, of the negative news and sentiment over the last 18 months is now reflected in stock prices. The positive aspects in certain sectors have been overlooked or ignored.

There are catalysts under way that will shift the market's focus back to fundamentals, and some are already having an effect. Economic activity is now on a path to stabilization. Remarkable strides in technology, exemplified by Huawei's groundbreaking high-end processor, the Kirin 9000, are reshaping industry dynamics. The market should undergo normalization. Potential policy intervention, particularly with quant trading restrictions, should help to reduce short term momentum chasing activities. The active encouragement of long-term capital inflows, facilitated by government support for insurance and the national security fund equity investments, should add stability to the market. Short term negative news is gradually fading away, such as the short-term side effects of the healthcare anti-corruption measures. As the market returns to focusing on fundamentals, the Bin Yuan portfolio should recover and outperform the market. With close to a trough valuation of 17x 2024 PE and 22% visible growth for the next three years, the patience of our investors should be rewarded.

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

Managers' reports (continued)

Portfolio Review

Our portfolio is focused on the high-end technology sectors and under penetrated consumer sectors that are well positioned to benefit from long term economic trends. We regularly visit all our companies and review our holdings. We expect them to become future winners that have the potential to dominate their respective market segments. We have a great portfolio which has demonstrated robust earnings growth. They are trading at a discount relative to their growth, historical valuations and global peers. Over 60% of our portfolio companies are actively engaged in stock buybacks or increased holdings by key stakeholders, reflecting a high level of insider confidence in these companies.

The majority of the sub-fund’s portfolio is invested in the Consumer, Health Care, Information Technology and Industrials sectors, with zero weights in the Energy, Utilities and Real Estate sectors.

The strongest contributors to performance over the reporting period were Beijing Kingsoft Office (an office software provider), China Resources Land (a Top SOE developer), and FRIENDESS (a laser control system provider).

Beijing Kingsoft Office outperformed in the past year on expectations of potential AI applications in office software. Kingsoft Office has more than 30 years of experience and technology accumulation in the office software field and is the leading domestic company in China. Kingsoft Office is building a digital office platform, including content creation and management, collaborative office, operation digitization, to provide one-stop office solutions for companies. Due to the "LLM" (large language model) development, office software will be the first batch to adapt "AIGC" (AI generated content) to increase its user penetration ratio and spending per user. Kingsoft Office should benefit from the trend of digitization and AI over the medium term.

China Resources Land, one of the top property developers in China, made positive contributions to the portfolio. Positions were initiated in the fourth quarter of 2022 as a contrarian bargain when the stock was oversold on pessimistic sentiment of the overall property sector. The share price was deeply undervalued as the benefit of industry consolidation as a top SOE developer, and the value of its well managed commercial property (shopping malls) were totally overlooked by the market. Share price then rebounded from the bottom, on policy stimulus and improving sentiment in China.

Friendess outperformed on strong earnings growth in 2023 and positive expectations over the medium term. The laser cutting control system provided by the company has become globally competitive. The company has been expanding into laser cutting heads and other laser-related products as future growth drivers. Its new products combine many new technologies such as motion control systems, 3D vision systems, CAD graphical programming, offline programming, and automated welding controls. These can greatly shorten the programming and debugging time of existing robots and elevate the flexibility of the robot welding system to a new level of automation. This will greatly improve customer production efficiency and save labor costs. As a leader of laser control systems in China which is expanding its presence on the global market, Friendess will continue to be a beneficiary.

The weakest contributors to performance were iRay Technology (a medical equipment manufacturer), Bilibili (a video platform), Autowell (automation equipment platform).

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

Managers' reports (continued)

iRay Technology underperformed in the past year. The share price saw pressure on thin trading and lack of catalysts, and weak sentiment in the healthcare sector due to the anti-corruption campaign. The company posted good H1 earnings numbers. Post-pandemic recovery of their medical businesses, upgraded products and a more comprehensive product offering are expected to bolster growth in the medium term. iRay is an X-ray detector provider that is strengthening its global competitiveness and increasing its global market share. The company posts outstanding R&D and manufacturing capabilities. Our confidence relies on not only the good sales of iRay’s products in the medical field this year but also on its expansion capability in the industrial field and other high-precision products. The trend of import substitution in the domestic market with product expansion in dental, industrial and non-detector products, and breakthroughs in overseas markets should continue to act as long term growth drivers.

Bilibili a video platform with a large number of Generation Z users ("youngsters") with strong stickiness, underperformed in the past year, with no significant catalyst amid high market volatility. While performance of mobile game business was sluggish due to a lack of new game launches, other businesses, such as advertising (+22% year-over-year) and livestream (monthly paying users +15% year-over-year and revenue more than 20%) have improved. Daily active users up 18% year on year to 93.7 million to represent 30% of its monthly active users, indicating constantly strong user stickiness. With new games to launch in the next few quarters, the mobile game business is expected to gradually recover, as content censorship sees a loosening trend with faster registration and an improved license granting process. The company will continue to control expenses to narrow losses and improve cash flow. We expect to see higher revenue growth and an improving net profit margin over the coming years.

Autowell underperformed in the past year, first on profit taking pressure after a strong upward move in 2022, and then due to weakening demand for solar equipment from Europe after the easing of the energy crisis. Over the longer term, solar energy remains an indispensable way to achieve net zero carbon emission objectives and should maintain global growth momentum. Autowell, the leading global manufacturer of photovoltaic ("PV") cell stringers with a market share of 70% in 2022 should fully benefit from energy transformation initiatives. They are also moving to become an equipment platform that should benefit from import substitution of related semiconductor equipment.

Changes in Holdings

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

We initiated positions on **Haichang Ocean Park**, a company that specializes in the operation of marine theme parks. The company's marine theme parks provide an exceptional entertainment experience that caters to families, young adults, and tourists alike, all while providing a fun and educational experience centered around marine life. It is transforming from a traditional park owner to an asset light park operator, which should improve their balance sheet. Merchandise sales related to Ocean Park’s intellectual property of ocean animals and Japanese cartoon characters are driving up in-park spending. A new theme park opened in Zhengzhou in Henan province recently and a new park being planned in Beijing should act as growth drivers in the longer run. As the largest ocean theme park operator in China, Haichang caters to the emerging middle class in the country and is expected to benefit from the growth in domestic tourism.

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

Managers' reports (continued)

We re-initiated position on **Ping An** in late 2022, as its share price fell to its lowest point since May 2017, and its P/E ratio reached to a historically attractive level. The underperformance was due to concerns over its growth and investment return amid downward interest rates, and the Covid-19 period also prevented insurance agents from meeting customers face to face. The company is one of the biggest financial conglomerates in China. Leveraging its brand and financial group company, Ping An will keep delivering better performance than their peer group. From a long-term perspective, China insurance is still under penetrated. Global experience suggests that when the per capita GDP reaches USD 10,000, the demand for life insurance will increase dramatically.

We bought **Baidu**, a prominent AI company with a robust Internet foundation. Leveraging its expertise in search engines, Baidu has advanced artificial intelligence technologies including speech recognition, image processing, knowledge mapping, and natural language processing. Recently, OpenAI has illuminated the immense potential of artificial intelligence, providing new insights and perspectives on its capabilities. As a pioneering AI leader in China, Baidu is actively developing its own version of a LLM, showcasing its commitment to innovation in the field of artificial intelligence. Furthermore, Baidu's core business segment, search advertising, is also experiencing a recovery in line with the rebound of the Chinese economy and accelerated pace of new branded product launches.

We also started a position in **H World Group**, one of China’s top 3 chain hotels, ranking No. 1 in terms of room nights sold each year. The company has a strong management team that stays on top of consumers’ needs and is the fastest in the industry to identify and solve customer issues. It has accumulated the largest hotel loyalty program of 190 million members, showing significantly higher user stickiness than competitors. With a large base of loyal members, favorable rate of consumables using the company’s centralized supply chain, and most advanced management system, franchisers can enjoy economies of scale to offer best price performance service and in turn gain new customers for the H World Group brands. The company has grown from 4.4% market share (in terms of room nights) in 2019 to 6.4% in 2022, and the consolidation trend is expected to continue because H World franchisers earn more money from each room sold, and this will lead to more franchisers joining the company. As China released its reopening policy, we expect the travel market will gradually recover.

We added positions on **China Merchants Bank** ("CMB") as the stock corrected to a relatively low level of PE valuation. Sentiment in the banking sector saw an improvement as total social financing data of 2023 beat consensus and the central bank cut the reserve requirement ratio further to support liquidity. CMB is the No.1 retail bank in China with established sophisticated governance policies and systems. With the positive expectation of a recovering housing market, CMB as best managed bank in China will be a long term beneficiary of this trend.

The following stocks’ weight decreased the most:

We’ve been consolidating our portfolio in recent months by cutting positions to less attractive names and allocating positions to those where we have higher convictions over the medium term. After months’ of ups and downs, some companies with solid fundamentals and positive outlook have become more attractive in valuation than others that were added for portfolio diversification during previous volatile periods.

We trimmed **Baili Technology** on its rebounding share price to rebalance into relatively more attractive names. The company is a comprehensive provider of lithium battery material equipment, including Engineering Procurement Construction ("EPC"), and possesses advanced equipment technology expertise. After years of technological accumulation, it has developed high quality service capabilities with excellent efficiency.

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

Managers' reports (continued)

Haier Smart Home outperformed peers in terms of operational and financial metrics in 2022 but its fundamental momentum weakened on worries over demand and profitability amid high inflation overseas this year, so we sold the stock. The company generates over half of its revenue from overseas markets. High inflation, material costs, and interest rates will drive up costs and negatively affect demand for its products. The demand recovery in the domestic market is closely related to the real estate market which also faces strong pressure.

We sold **Cnano**, a leader in conductive material that help to improve battery conductivity. We had expected that the demand for their high-end product the company was developing would be very strong. However, when EV competition became fiercer, the downstream battery manufacturers were not willing to upgrade conductive material to save cost, which made it difficult for them to generate profits on their investment. We believed that the industry has changed, and the situation would not be reversed in the foreseeable future, so we sold the position.

INVESTMENT OUTLOOK

"No man ever steps in the same river twice, for it's not the same river and he's not the same man."

Heraclitus (circa 6th century BCE)

Can China avoid a demographic trap?

Throughout the years, economists and demographers have talked about the demographic issues facing China as its population ages. We decided to take a first look at some of these issues and contemplate how China may be able to manage these issues.

In the past 40 years, China has climbed from the 16^{th} to the 2^{nd} largest economy in the world. From 2010 to 2020, China and the United States contributed USD 14.8 trillion, or 80%, of the incremental global GDP value creation. China supplied 62.5% of that. This indicates that GDP growth for the rest of the world stagnated at only 0.82%. From a small economy evolving into a world leading economy, China is in the spotlight as to whether or not its economy can continue on the same growth path.

Concerns are focused on 3 areas:

1. The United States has classified China as a strategic business competitor and continues to put in place measures to slow China’s economic development.

2. The second is that China, similar to many emerging countries in the past, cannot escape the "middle-income trap", and will fail to reach the level of high income countries.

3. Third, China may follow the path of Japan post-1990 and enter a "lost decade" of stagnant growth with severe issues such as unfavorable demographics (the Japan Trap).

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

Managers' reports (continued)

There are many discussions surrounding these concerns, the unfavorable demographics in particular, and most of them conclude that China is at a tipping point. After careful analysis of these concerns, we conclude that while the logic behind these arguments is mostly reasonable, we believe that these analyses have applied methodology from past industrial-era experience and have not given enough consideration to how an economy may evolve in the information and digitalization age.

Just as industrialization introduced multiple growth factors in productivity and wealth creation compared to the agrarian economy, we believe information and digitalization will have the same revolutionary impact on the Chinese economy. Currently, there is enough evidence that information and digitalization technology has been reviving languishing global growth. China has established an advanced industrial manufacturing value chain and is in the early stages of benefiting from information and digitalization technology innovation. If China continues on its current path, we believe most of the current analysis will be less relevant.

In this paper, we provide our analysis and illustrate the opportunities in China that may surprise the consensus view. We also lay out the investment opportunities which we believe will add value to our clients' capital.

<u>The evolution of China's social structure may extend the "Lewis Turning Point"</u>

The Lewis Turning Point is the point at which surplus rural labor is fully absorbed into the manufacturing sector. Most empirical studies worry that China, following the Japan experience of over the past 40 years, is at the turning point where surplus labor from the countryside evaporates, resulting in higher wages and inflation. This analysis applies to China as a whole but does not look at China's society and economy as comprising significantly different segments. China is forecasted to have negative population growth beginning in 2026 and become a severely aged society by 2031.

We believe that China's political, economic and population structures are very different from Japan and other countries.

The Lewis Turning Point assumes that a nation's population can migrate freely. The Hukou system[1] and homestead systems[2] have organized China into a segmented nation in terms of the structure of the population, the stages of industrialization, diversification of wealth, education, etc. Agriculture was dominant in China until the 1980s when the successful economic reforms and industrialization began. Since then, the country has been successfully urbanized and industrialized. The urban population has grown to 65% from 10% and industrial output has risen to 33% of GDP from 15% in 1949. China today is not balanced economically with clear urban and countryside differences. Our view is that the country can be divided into three categories: developed, developing, and under-developed (the tier 1 and 2 cities compose the developed category. The rest of the cities are in the developing category. Agriculture in China has a lower living standard, with lower income and classified as underdeveloped category). Table 1 contrasts the key characteristics of the three categories. The population in the developed category is 3 times more productive on a per capita basis and 4 times richer than those in the underdeveloped category. Households in the developed category enjoy per capita income of USD 27,000, which is close to Korea in 2006. On the other hand, China still has about 350 million people living below The World Bank's standard poverty line.

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1 Background of China's "hukou" system: China's hukou is an individual and household registration administrative system that has its origins in ancient China. The hukou keeps track of every household member, their parents, spouses, children and assigns every person to a geographical location. Since 1949, China has administered the country via the hukou by allocating governmental resources, from food and education to healthcare and pensions, according to where a person's hukou is registered. The government has used the hukou to limit a person's mobility within the country, for example, by prohibiting people registered in rural areas from receiving governmental resources in urban areas. Nonetheless, since the 1990s, as the pace of China's

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

Managers' reports (continued)

Table 1: Key factors of the three categories

2021	Developed areas	Developing areas	Under-developed areas	China in total
GDP (billion USD)	5,580	7,870	3,369	16,819
Total Population (million)	279	640	494	1,412
GDP per capita (USD)	20,014	12,305	6,821	11,909
Disposable income (USD)	9,923	5,413	2,204	5,056

Source: National Bureau of Statistics, Bin Yuan Capital

With the above data in mind, we found that China will continue to have an abundant labor supply over the next 30 years. This unique social structure has the following advantages to carry China's future development beyond the currently forecasted Lewis Turning Point:

1. China is in effect an economic union of three areas but with one political organization, one central bank, one treasury and one legal and regulatory system. This makes long-term strategic planning and execution, the allocation of capital and other resources, and the redistribution of wealth much more effective and efficient compared to, for example, the EU.

2. With the current common prosperity program (part of wealth redistribution), China will continue to transfer its financial resources to less developed areas to improve infrastructure and lift living standards and educational levels.

3. The 1,134 million people living in the developing and under-developed categories are still motivated to work hard for a better life. China enjoys a virtuous cycle with this unique social structure in that some of the population can move from under-developed areas into the developing and developed areas and those in the developing areas can move into the developed areas supplying both abundant entrepreneurs and keeping labor costs low. This cycle should help China sustain the investment, consumption and growth that over-developed Japan lacked since the 1990's.

4. Unlike in developed countries that need foreign immigrants to provide labor, domestic "immigrants" in China have the same identity and cultural affiliation, without incurring any significant social conflict.

5. The well-developed manufacturing technology and research from developed areas should help the agricultural areas become more productive and release labor from cultivating the land.

6. As one nation, these three categories are not independent of each other; they are interrelated with feedback loops that provide different levels of job opportunities, exchanges of lifestyle and culture that make the transition routine and uneventful (see "Feedback Loop" as below).

7. The gradual transition to an urban society is deflationary: the low-cost countryside provides inexpensive food and advanced technology and the developed areas produces efficient, inexpensive machine and tools.

8. The still large underdeveloped areas provide prolonged infrastructure investment opportunities. For example, 400 million primary residences have no toilets and/or contemporary sanitation systems. The existing industrial sector can utilize current capacity to modernize these less developed areas.

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industrialization accelerated, laborers from rural areas have migrated to urban areas seeking employment, swelling the size of the urban population and creating 3rd and 4th tier cities. These new cities are classified in the "developing category" in this paper.

2 After 1949, the new government offered residential land to all peasants for free. A family can pass on the residential rights to their next generation as long as they continue to live on the land. This made peasants happy to work in agriculture but limited their mobility, and this program makes China one of the few countries in the world without homeless people.

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

Managers' reports (continued)

9. Peasants who leave the countryside to migrate to urban areas will increase the land supply. The reduced homestead land and the merger of villages in this urbanization process should increase the supply of agriculture land by 9%. A larger supply of land and technological development should make farming more productive and release labor to more developed urban areas.

10. The continual upgrade of lifestyles by each category in relation to their previous situation should promote sustained consumption.

We therefore expect the evolutionary process toward urbanization and industrialization (or "digitalization") will continue over the next 30 years. Farming yields should be much higher, and the labor dedicated to farming should be significantly reduced. In 2050, the 3 categories will look very different.

1. Chart 1 shows that 2.3 million Americans work in the agricultural sector, cultivating 170 acres per worker while in China farmers cultivate only 2 acres per worker today. According to our sensitivity analysis, in Chart 2, if we assume that Chinese agricultural productivity reaches just 10% of the American productivity by 2050, China would need only 19 million farming workers, releasing 163 million farmers to urban areas (Chart 3). If China reaches only 5% of the American agricultural efficiency, 145 million farmers would be freed to work in urban areas.

Chart 1: Farming Efficiency China vs the US

Source: Wind, National Bureau of Statistics, Bin Yuan Capital

Source: Wind, National Bureau of Statistics, Bin Yuan Capital

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

Managers' reports (continued)

Chart 2: Sensitivity of Labor Release on Farming Efficiency

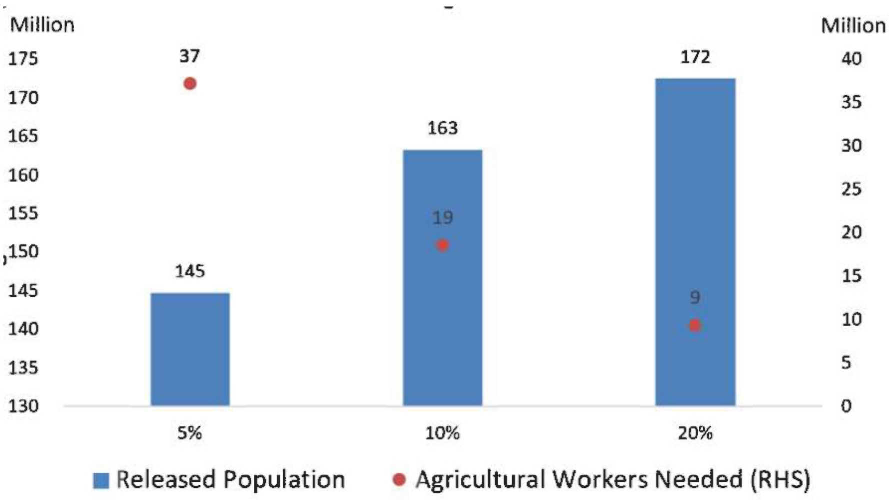
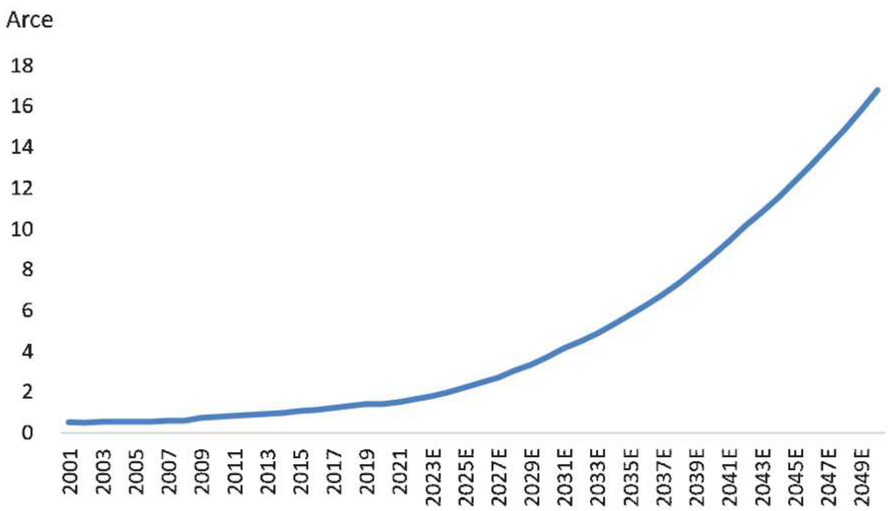


Chart 3: Farming Efficiency Improvement Trend



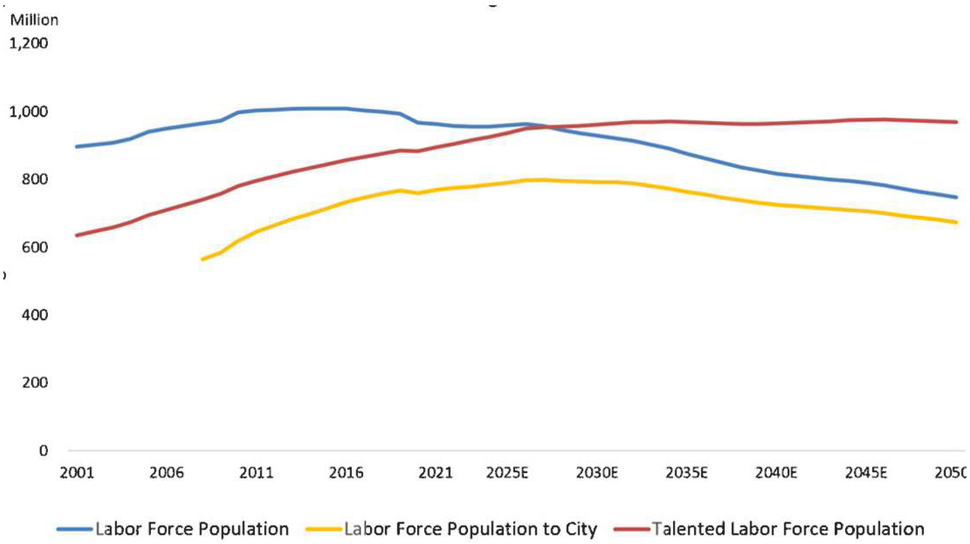
Source: Wind, National Bureau of Statistics, Bin Yuan Capital

Although the working age population has declined since 2013-2014, labor released in rural areas could continue to supply a cheap labor force to urban employers. According to our estimates, the urban labor force will not peak until 2027-2028, almost 15 years later than previously estimated (Chart 4).

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

Managers' reports (continued)

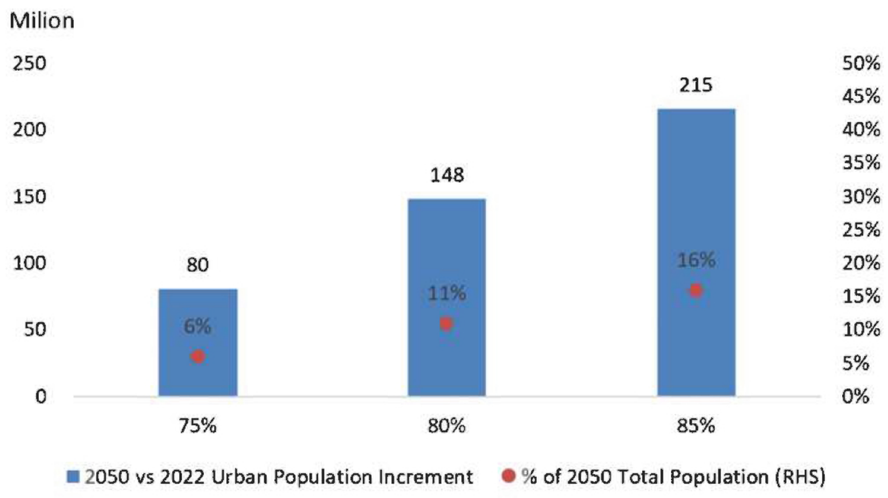
Chart 4: Working Age Population vs. Urban Working Age Population



Source: Wind, Bin Yuan Capital

2. Chart 5 looks at population change from the urbanization angle. If 80% of China's population is urbanized at the current urbanization rate, by 2050 China will have added 148 million people to its cities. If urbanization reaches 85%, China will have added 215 million people to the cities. (The reason the number is larger than the agricultural labor data is that some of the workers in the city would live there without their hukou benefits).

Chart 5: Population to be Urbanized



Source: Wind, National Bureau of Statistics, Bin Yuan Capital

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

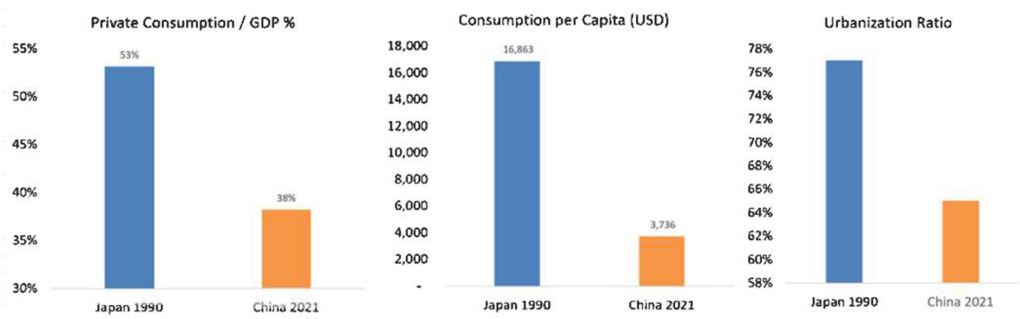
Managers' reports (continued)

This level of urbanization will impact consumption patterns. Rural workers who migrate to urban areas will enjoy higher wages and upgrade their spending and support a consumption-driven economy.

The purchasing power and consumer needs of China are different from Japan back in the 1990's (Chart 6).

In 1990, Japan was a rich and mature country with a high rate of urbanization, close to 80%. Japan's consumption per capita was high at USD 16,863, accounting for 53% of per capita GDP. Japanese consumer spending matured as the economy languished.

Chart 6: Comparison of Consumption - China 2021 vs. Japan 1990



Source: Wind, Bin Yuan Capital

By contrast, China's current consumption structure is at a relatively early stage, barely meeting the basic needs of a large part of the population. China's urbanization ratio is only 65% and China's spending power is still low, 22% of Japan's level in 1990, implying large upside for Chinese households to upgrade their consumption.

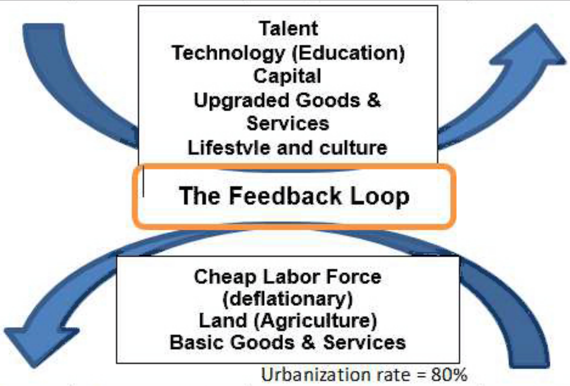
Past performance is not an indicator of current or future returns.

Managers' reports (continued)

The Summary of Feedback Loop

Urbanization rate = 65%

2021	Developed areas	Developing areas	Under-developed areas	China in total
GDP (billion USD)	5,580	7,870	3,369	16,819
Total Population (million)	279	640	494	1,412
GDP per capita (USD)	20,014	12,305	6,821	11,909
Disposable income (USD)	9,293	5,413	2,204	5,056
Talents Structure	~20% Senior high school ~35% bachelor degree and above		~65% junior high school and below Almost no bachelor degree and above	



Urbanization rate = 80%

2050E	Developed areas	Developing areas	Rural areas	China in total
GDP (billion USD)	16,934	35,567	9,961	62,462
Total Population (million)	299	782	270	1,351
GDP per capita (USD)	56,640	45,498	36,893	46,244
Disposable income (USD)	26,361	25,493	15,679	23,723

2021-2050 CAGR	Developed areas	Developing areas	Rural areas	China in total
GDP	3.9%	5.3%	3.8%	4.6%
Total Population	0.2%	0.7%	-2.1%	-0.2%
GDP per capita	3.7%	4.6%	6.0%	4.8%
Disposable income	3.7%	5.5%	7.0%	5.5%

Source: National Bureau of Statistics, Bin Yuan Capital

In this feedback loop, the developed areas can offer talent, high-end technology, education, and capital to train cheap labor forces in exchange for land, basic products, food and services from the developing and under-developed areas. This dynamic feedback loop will lift productivity for each of the three categories and is deflationary. We expect the structure of the population 30 years from now to look very different. The population in the underdeveloped areas should decline to 270 million (in rural areas), while their disposable income should increase to USD 15,679 from USD 2,204 today. Those living under the poverty line in China should be dramatically reduced. With this on-going modernization process, the lifestyle of the households in each of the three categories should be upgraded and promote sustained growth in consumption.

This significant migration trend is an ongoing modernization path that requires investment and technology and creates enormous investment opportunities in various sectors. We at Bin Yuan continue to search for these investment opportunities.

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

Managers' reports (continued)

The evolution of information and digitalization technologies may help China avoid the "Japan Trap"

To ensure success, China must continue to make gains in productivity. Productivity gains require innovation, research, talent, capital, and infrastructure supported by a well-developed manufacturing value chain. The developed category is well positioned to accomplish this task. The technology that promotes digitalization will massively reduce the labor needed for the production of food and goods and, consequently, make the low-skilled and less well-educated labor force redundant.

China is well prepared for continuous innovation in information and digitalization technology due to the following four factors:

1) Strong operating leverage gained from massive sunk cost of infrastructure

China has invested RMB 667 trillion (around USD 100 trillion) over the past 20 years and has almost completed the backbone infrastructure investment in expressways, warehouses, railways, telecom networks, etc. This advanced infrastructure is the foundation for the most efficient supply chains and online services (the underappreciated, invisible value created by a well-built infrastructure network was presented in our 2020 year-end newsletter, in which we applied "Metcalfe's Law" to explain economies of scale in China). The non-cash, high depreciation and amortization costs of those past investments have passed their peak. The return on government assets is increasing while the declining costs provide favorable operating leverage for the economy and should ease the burden on state budgets.

2) China has a healthier balance sheet and more ambitious capital to invest in R&D

Compared to Japan, whose productivity growth has stalled since 1990, China has much stronger capabilities and a willingness to invest in R&D, which is critical for continuous improvement in productivity.

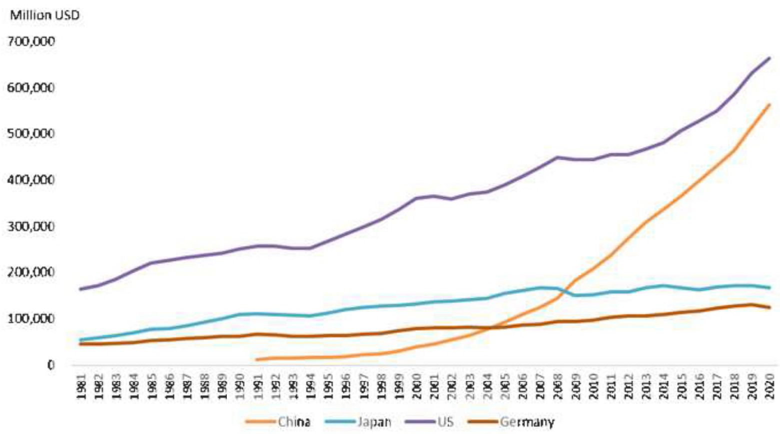
The current debt ratio of Japan with high government leverage is much higher than in China. China has a better balance sheet and high savings ratio of 46% vs. 20% in Japan. State capital still plays an important role in the economy, which is more stable and with a much longer duration than private capital. Chinese people have a much stronger culture of individualism and entrepreneurship, and with many Chinese wanting to be their own boss and get rich, they are more willing to invest for the future.

China's R&D spending surpassed Japan in 2009 and has grown rapidly since then - growing threefold from 2010 to 2021. China's current R&D level equals more than 5 times that of Japan's R&D spending in 1990 and 3 times that of today (Chart 7).

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

Managers' reports (continued)

Chart 7: R&D Spending by Countries

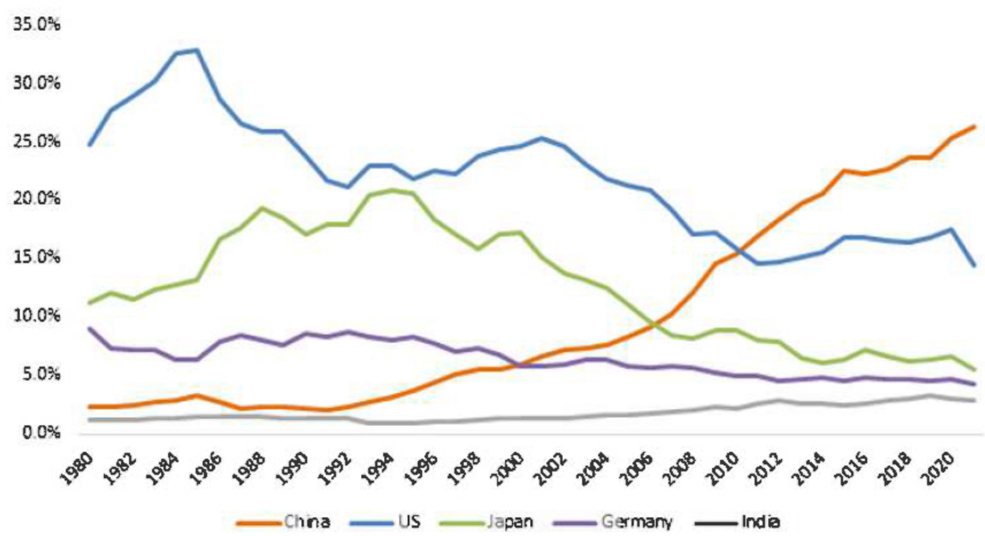


Sources: OECD (*organization for economic cooperation and development*), Bin Yuan Capital

3) With the assistance of global firms, China possesses the most advanced and globally integrated manufacturing value chain

China's manufacturing value chain provides quick and reliable products and services to global markets, which cement the innovation and technology development to meet future demand (Chart 8).

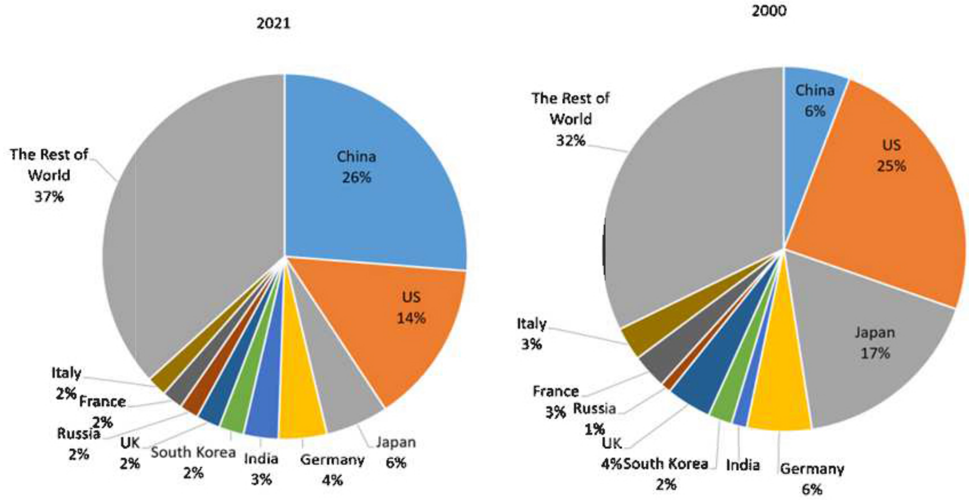
Chart 8a: Evolution of Global Industrial Value-added Share by Countries



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

Managers' reports (continued)

Chart 8b: Industrial Value-added Share by Countries 2021 vs. 2000



Sources: Wind, Bin Yuan Capital

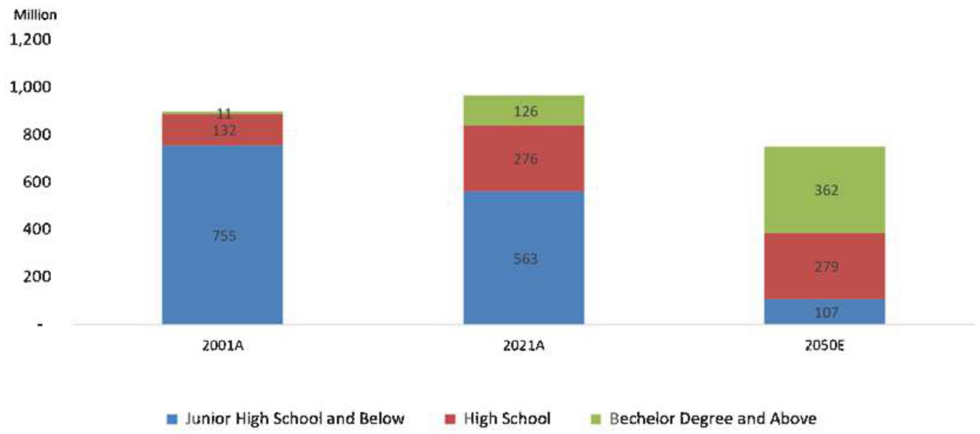
Past performance is not an indicator of current or future returns.

Managers' reports (continued)

4) Abundant and increasing talent

Education has become ever more critical in the information and digitalization stage. To operate a sophisticated computer system requires a skilled labor force with a high level of education. The rapidly rising education level of China's labor force paves a solid foundation to embrace these challenges (Chart 9).

Chart 9: Education Level of China Labor Force

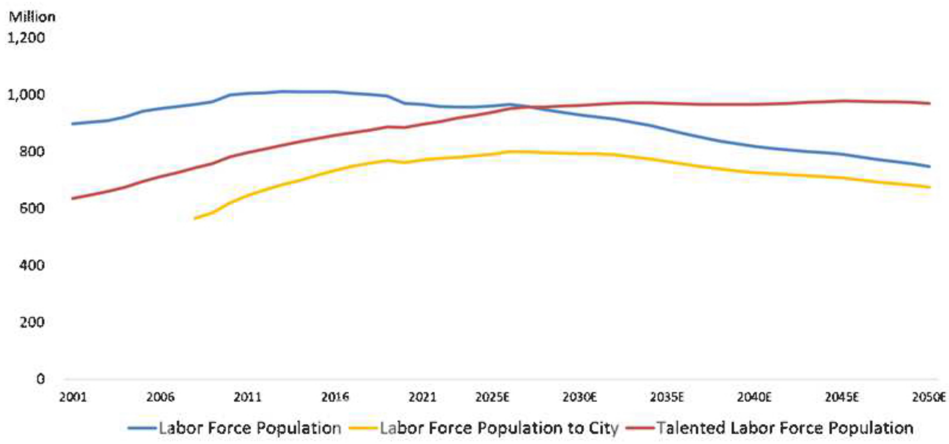


Sources: Wind, Bin Yuan Capital

We apply a "Talent Quality Factor" to the total working age population (Chart 4 above) to illustrate the trend in workforce productivity associated with education levels. Chart 10 shows that after the labor supply matures, the efficiency of educated labor should continue to enhance value creation. The talent dividend for China should last for at least 30 years (Chart 10). We discussed the talent dividend in detail in a section of our 2021-year end newsletter "Reverse Brain Drain".

Managers' reports (continued)

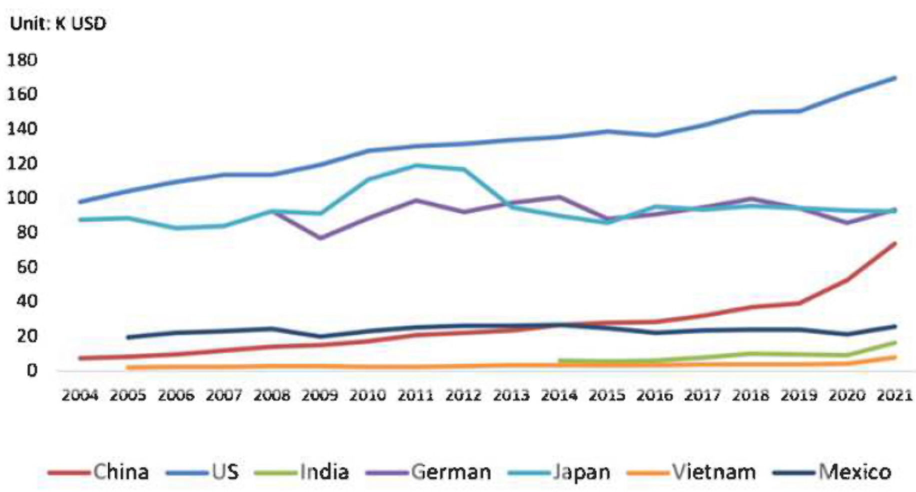
Chart 10: Talent Dividend[3]



Source: Wind, Bin Yuan Capital

The talent dividend has been apparent in the manufacturing sectors. Manufacturing value added per capita, an important metric to measure the productivity of manufacturing, has risen 3.5-fold from USD 20,000 in 2011 to USD 74,000 in 2021, largely reducing the productivity gap with advanced industrialized economies such as the US, Japan and Germany (Chart 11).

Chart 11: Comparison of Manufacturing Value Added per Capita among Countries (USD)



Sources: Wind, UBS, Bin Yuan Capital

3 Considering productivity differences with different educational backgrounds, we apply different "factor numbers" to estimate the value added. We call these "factor numbers" as "Talent Quality Factors" that create Talent Dividends, which = ∑(Talent Quality Factors * Labor force population with different educational backgrounds).

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

Managers' reports (continued)

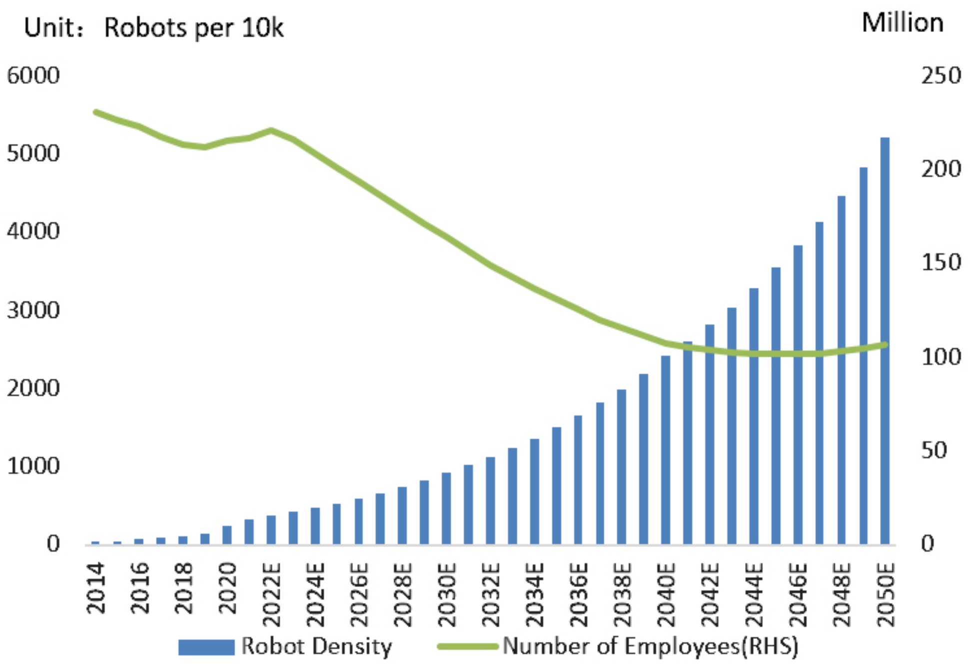
Productivity growth can be achieved in two ways: first, efficiency is improved by generating higher output with less labor and, second, industrial upgrades are achieved by producing more higher-value-added products.

1) **<u>The application of robots to replace manpower improves output and reduces required labor</u>**

Example 1 - Manufacturing: Automation upgrade for Sany Factory (Sept 2021)

Taking Sany's smart factory as an example, the factory invested RMB 3 billion to install 190 robots, raising the automation level from 66% to 87% and cutting manpower by 75%, or 900 people. Past experience shows that the efficiency of robots improves 7% annually. If we conservatively assume the efficiency of robots can improve by 3% annually until 2050 and similar efficiencies can be applied to other industrial sectors, robot density in China will increase from 322 to 5,213 per 10,000 employees. This could release 100 million from the industrial sector workforce by 2050 (see Chart 18: Labor Supply vs. Demand by Quality in 2021 and 2050).

Chart 12: Robot Density Trend and Labor Demand in Industrial Sector



Sources: IFR, Bin Yuan Capital

Currently robots are mainly used in manufacturing, but the potential in the service sector will grow rapidly.

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

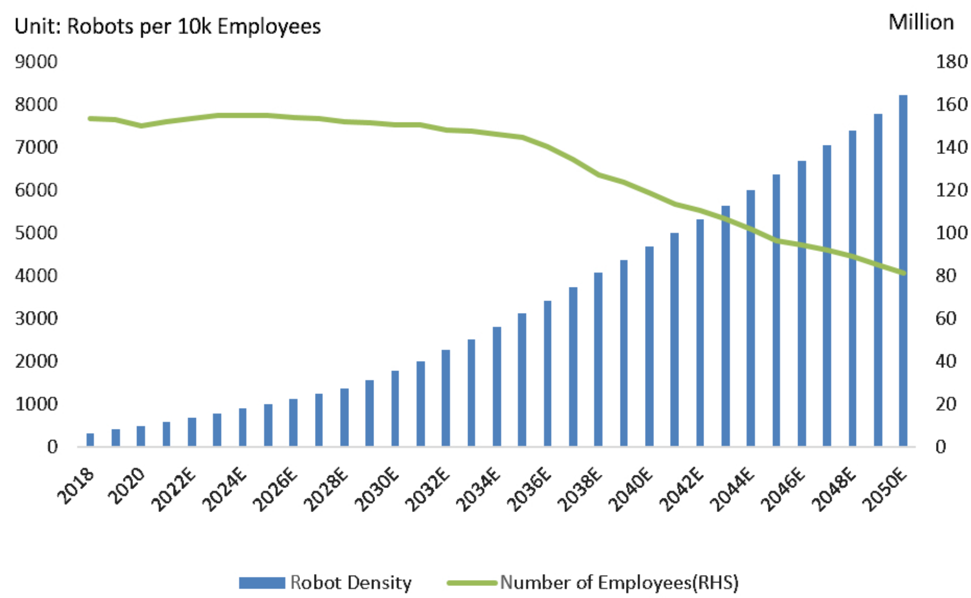
Managers' reports (continued)

Example 2 - Service: Intelligent customer service robot

With the development of artificial intelligence in voice recognition, intelligent customer service robots are gradually being substituted for humans with higher efficiency and at a lower cost. In 2019, China Merchants Bank replaced workers with intelligent service robots for retail credit collection services. Labor costs in this department were reduced 90% without a loss in service quality.

While call centers that deal mainly with routine functions are among the areas where labor can be replaced soon, there are other areas that will still require live interpersonal contact. Service space can be devoted to work associated with creativity, emotional connection and experience in the future; the "boring" tasks will be covered by robots. If we assume 40% of service jobs today fall into the category of "routine work" and half of them will be done by robots by 2050, the increase of robot density in the service sector would rise from 608 units to 8,234 units per 10,000 employees. This could release more than 70 million from the workforce (Chart 13).

Chart 13: Robot Density Trend and Labor Demand for Routine Service Jobs



Sources: Wind, CEI Data, ASKCI, Bin Yuan Capital

2) **Automation and digitalization technology upgrades the value added of products and services and cannot be provided by less-well-educated and lower-skilled workers**

China spends USD 840 billion a year on foreign high value-added products and services, such as equipment, key components, advanced materials and software and control systems. The accumulation of technology through continuous R&D investment will help China advance up the value chain (China's advantages in application innovation and the favorable cycle of moving up the value-creation chain was elaborated upon in our June 2022 newsletter "Innovation, Productivity and Value - Investing in Chinese Tech").

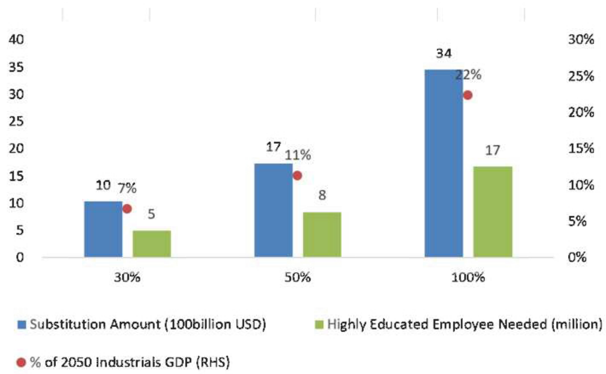
Past performance is not an indicator of current or future returns.

Managers' reports (continued)

If China could increase the localization of these currently imported products and services from 0 to 100% by 2050, the economic value would be USD 3.4 trillion. This would account for 22% of 2050 manufacturing sector GDP (Chart 14). The future automated and digitalized ecosystems will be more advanced and efficient than the current ones. Using the US's current productivity level as a benchmark, if we assume China's technology achieves 140% of the US's current level for the high-end space by 2050 (aggregated CAGR 4.3%[4] from 2021 to 2050), China's productivity would be lifted by 10 times (Chart 15).

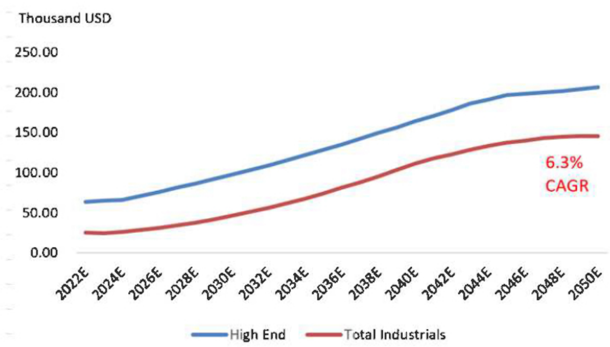
The rising portion of high valued-added space in the industrials sector should lift the overall productivity of the industrials sector, which is estimated to grow at a CAGR of 6.3% from 2021 to 2050. (Chart 15).

Chart 14: Sensitivity of Import Substitution to Economic Value and Talent Needs



Sources: Wind, Ministry of Industry and Information Technology, Bin Yuan Capital

Chart 15: High value-added Productivity Forecast vs. Overall Productivity Forecast



Sources: Wind, Ministry of Industry and Information Technology, Bin Yuan Capital

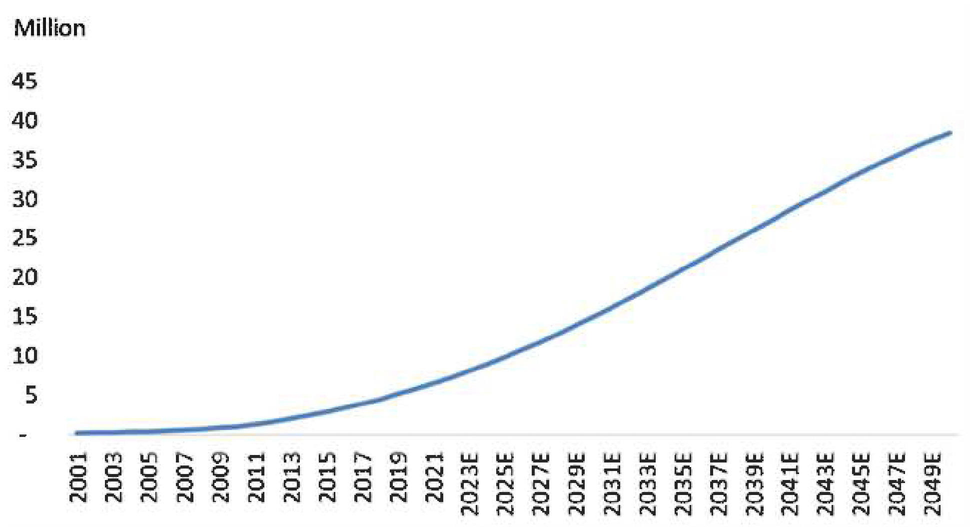
4 Even though China is the second largest economy, on per capita base, China is still a developing country. CAGR 4.3% is applying a combination of the experiences both in China (past 10 years close to 8% productivity growth) and the US (3% productivity growth even on a high base from 2007-2018). By 2050, China should be able to reach a level higher than where the US is today.

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

Managers' reports (continued)

The shift of China’s economic structure towards high-end, value-added products sets a high requirement for the education levels of the labor force. In order to achieve this level, we estimate China would need 17 million highly educated employees in high-end industrials (Chart 14), a majority of whom would hold PhD degrees or have overseas academic backgrounds. The pool of talented workers, which has accumulated over the past four decades and is now estimated to amount to about 40 million people, should be able to meet China’s human capital needs. (Chart 16).

Chart 16: Numbers of Talent with PhD Degrees or Overseas Academic Backgrounds



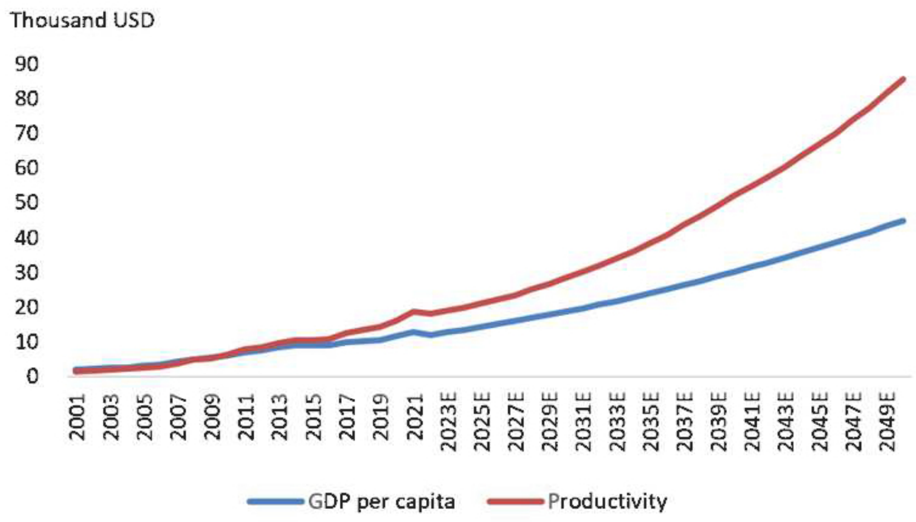
Sources: Wind, Bin Yuan Capital

To summarize, moving up the value chain, together with the expected labor saved by robots and artificial intelligence, could drive the China’s overall productivity from USD 19,000 in 2021 to USD 86,000 in 2050 (Chart 17).

Chart 17: GDP/Capita and Productivity Forecast

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

Managers' reports (continued)

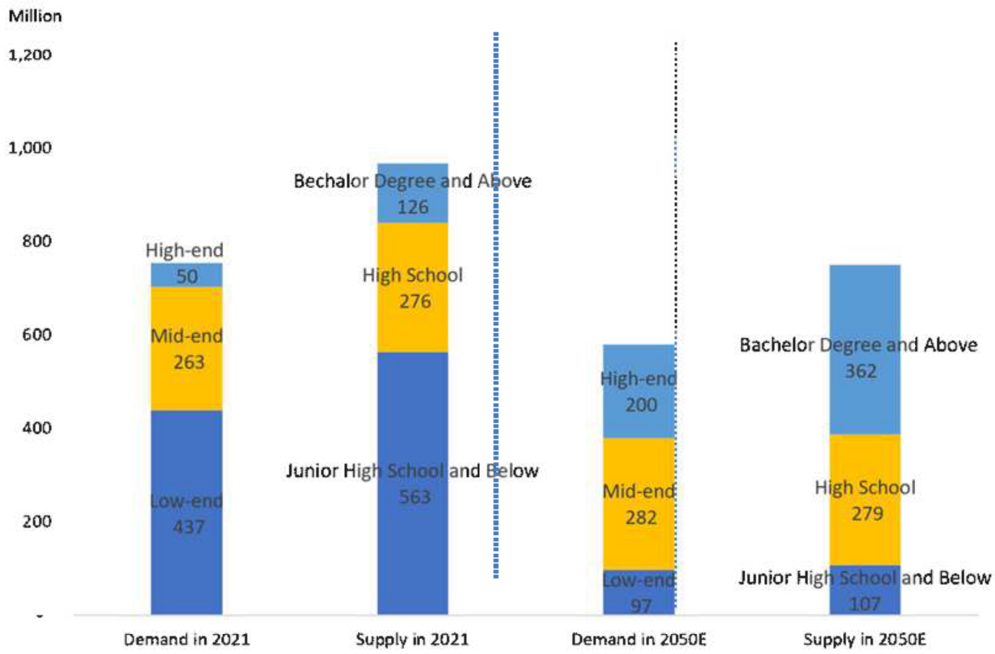


Sources: Wind, Bin Yuan Capital

China's working age population is estimated to decline from 965 million in 2021 to 749 million in 2050. However the structure of the workforce should be considerably optimized. There will be 236 million more professionals with a bachelor's degree or higher but 456 million fewer workers with a junior high school or below level of education. The shift in the quality of the labor force matches the needs of China to evolve into a digitalized society (Chart 18). Even with declining manpower, the workforce of China will still be abundant enough to achieve robust economic growth.

Managers' reports (continued)

Chart 18: Labor Supply vs. Demand by Quality in 2021 and 2050



Million		Employees needed in 2021	Employees needed in 2050
Agriculture	Low-end	170	20
Industrials	Low-end	117	7
	Mid-end	92	60
	High-end	8	40
Services	Low-end	150	70
	Mid-end	171	222
	High-end	42	160
In Total		**750**	**579**

Sources: Wind, Bin Yuan Capital

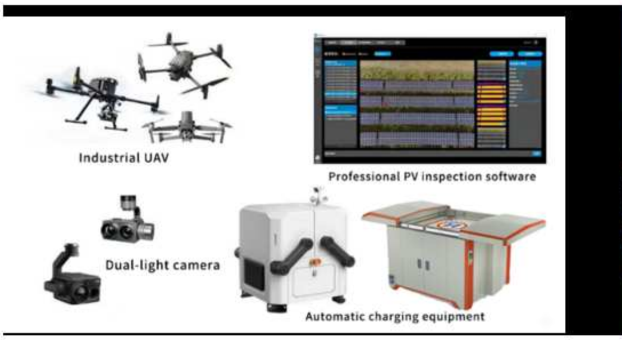
A labor force with low education and lacking the skills to operate machines and computers is already over supplied in China. In certain sectors today, some corporates have slowed the speed of reducing staff to help the government meet its targeted employment rate. The following examples, illustrate that information and digitalization technology should revolutionize robotic systems and reduce the amount of physical manpower needed.

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

Managers' reports (continued)

Photovoltaic inspection - Unmanned Aerial Vehicle (UAV)

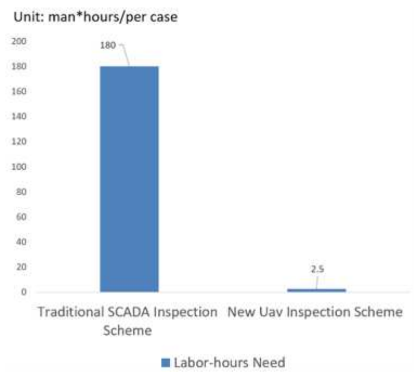
Picture 1: UAV Automatic Inspection System - Key Components



Picture 2: Inspection System Base Station

Picture 3: UAV Inspects Solar and Wind Network

Chart 19: Efficiency Gains from Automation



Sources: SKYSYS Intelligent Technology, Bin Yuan Capital

Photovoltaic power stations are generally built on hilltop areas with a high altitude and abundant sunshine. Traditional human inspections are characterized by great operating difficulty and at a high cost. The efficiency of human photovoltaic inspections and that of human fault detection are extremely low. Under current practices, most photovoltaic power stations use "SCADA" (Supervisory Control and Data Acquisition) systems to monitor daily operations. However, once a fault occurs, due to the difficulty of locating the fault, it usually takes 2-3 days to check the entire power station one by one to find the fault. Through the UAV automatic inspection system, the whole investigation process can be shortened to 2-3 hours, and overall labor efficiency is increased by 95%.

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

Managers' reports (continued)

Logistics

Up to today

Happening

Future

As a good representative of a labor-intensive industry, the number of Chinese express delivery workers has reached 4 million. Of these, about 1 million work in transit centers and 3 million work in distribution. In order to relieve labor pressures, most express delivery companies are improving labor efficiency through continuous automation. At present, automatic sorting systems have been put in place in most express delivery transfer stations, reducing labor costs by more than 70 percent. At the same time, the commercial application of unmanned delivery vehicles is also gradually replacing the needs of delivery personnel. We estimate that over the next 10-20 years, the express logistics industry will save 1.5 to 2 million workers for the whole society by improving the efficiency of automation transformation.

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

Managers' reports (continued)

Security guards

Current


Future


As of 2021, there are almost 6.5 million security guards in China, and their average age is 40-50 years old. As these people get older, their work efficiency declines, and there will not enough better-educated young people willing to engage in this industry in 20 years. Thus, China has begun to use some robots integrated with artificial intelligence, Internet of Things, cloud computing, big data, 5G communication and other technologies to help people complete basic, repetitive and dangerous security work. If 60% of security guards can be replaced by robots by 2050, then demand for nearly 4 million workers can be eliminated.

Managers' reports (continued)

In Conclusion

In the 1990s, no economist foresaw what China would achieve by 2022. In the past 30 years, China's narrow streets crowded with bicycles have been replaced by automobiles and modern infrastructure. The country is the largest auto market in the world, producing 25 million automobiles a year. Japanese appliances manufacturers, at the peak of their global dominance, miscalculated Chinese consumer willingness to modernize their lifestyles and yielded their position in the China market to Midea, Haier and Gree, enabling Chinese manufacturers to gain 60% of the world's market for appliances.

In the meantime, as the 6th century BCE philosopher Heraclitus said, "No man ever steps in the same river twice," meaning many unexpected things can happen in a thirty-year period. The geopolitical environment which heavily influenced the global economy has changed and will continue to change. The old globalization, from which China has benefited, has reversed its course and future development will evolve differently with an emphasis on localization.

However, we can be certain that digitalization and automation in the information age will enormously reduce the amount of time people devote to the production of food and services. This reduction, which we can already see happening today, of potentially 330 million laborers will prolong the Lewis Turning Point. Robots and artificial intelligence will replace most of the jobs done by hand and make the low skilled and uneducated labor force redundant. Japan was unlucky when it reached the bottleneck of growth in the 1980s before the information age arose.

We at Bin Yuan see great investment opportunities in the sectors that propel the progress of digitalization, including robots, industrial control systems, semiconductors, sensors, high precision equipment, software, and others. We also like the consumption space as people have more free time and income for new pursuits, such as leisure, entertainment and other high quality consumer products and services (see our 2022 year-end newsletter for a more detailed discussion of the sectors and stocks we expect will benefit from the developments described in this paper).

This will be a long-term process. Success is not guaranteed, and the numbers estimated in this paper regarding the reduction in the demand for labor are not necessarily intended to be mathematically accurate. This analysis is meant to illustrate the overall direction in which China is developing.

China needs to continue its economic reforms, keep opening its markets, and protect private businesses and assets. These are the goals of the government and it has made clear its intention to promote and encourage private business.

Bin Yuan estimates that by 2050, China's GDP should reach USD 62 trillion, by maintaining an annual growth of 4.6%. Per capita disposable income should reach USD 23,723. The difference between rural and developed areas should be reduced from more than 4 times to less than two times, so as to achieve common prosperity.

Established by Bin Yuan Capital

October 30, 2023

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

Hereford Funds - 360 ONE Focused India Fund (note 1)

Managers' reports

Sub-fund details and performance review:

The sub-fund's investment objective is to provide long term capital growth, measured in USD, primarily through investment in equities or equity related securities of Indian companies or companies deriving a significant portion of their business from India. The sub-fund holds a diversified portfolio of approx. 30 stocks listed on the Indian stock exchange. Its strategy is market cap agnostic and with no restrictions on the sectors in which it can invest.

The sub-fund was launched on September 30, 2022 and has completed one year as on the date of these financial statements. During this period, the Indian markets have posted returns of 13.1% (MSCI India IMI Index) in USD terms. Within Indian markets, large cap stocks (Nifty 50) posted 12.5% returns while mid cap (Nifty Midcap 100) and small cap (Nifty Small cap 100) index posted returns of 29.5% and 32.2%, respectively. The share class L1 USD of the sub-fund, Hereford Funds - 360 ONE Focused India Fund has posted 15.1% returns during the same period.

Returns since inception

	2022				2023										ITD
	Oct	Nov	Dec	2022	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	YTD	
Class L1	2.2	3.7	-4.6	**1.1**	0.2	-2.5	1.2	3.9	1.9	5.2	1.8	-0.2	1.7	**13.9**	**15.1**
Class L2	2.2	3.7	-4.6	**1.1**	0.2	-2.5	1.1	3.9	1.9	5.1	1.8	-0.2	1.7	**13.6**	**14.9**
Benchmark	1.9	4.7	-5.2	**1.2**	-2.5	-4.2	0.8	4.4	3.2	5.3	3.7	-0.5	1.5	**11.7**	**13.1**

Source: Bloomberg; ITD: Inception till date

Returns are as on September 30, 2023 and in USD on absolute basis. Past performance may or may not be sustained in future. Benchmark refers to MSCI India IMI Index.

Market Outlook

Currently, the BSE Sensex is trading at a price-to-book ratio of approximately 3.6x, this represents a 16% premium compared to its 20-year historic average. Strong macroeconomic conditions like stable current account, healthy corporate balance sheets, resilient banking sector and fiscal consolidation partly alleviate the concerns about the premium valuations, offering a measure of comfort. Looking at the medium-term perspective, the fundamental outlook seems reasonable as corporate earnings are projected to grow at a compound annual growth rate (CAGR) of 15-17%, accompanied by an improving return on equity ("RoE").

We advocate for a bottom-up investment approach given the current economic landscape. Over the medium term, the economy's fundamental outlook remains appealing. There are clear signs of recovery as evident in robust revenue growth, order bookings, and cash flows of industrial companies. Additionally, Indian banks continue to remain in a favourable position. Credit growth has been picking up, while margins are normalizing from peak levels. Overall, we expect banks to deliver strong performance over the medium term.

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

Managers' reports (continued)

Another space that is experiencing strong traction is the renewable industry. Share of overall renewable in the overall power capacity mix to substantially increase by 2030 with both wind and solar co-existing. India is looking to auction of 50GW of renewables per year in next five years. Of this, it has directed to do 10GW of bids for wind-specific renewables while the balance 40GW is likely to be solar, solar-wind hybrid, round-the-clock renewable energy power, etc. The underlying policy changes have increased the overall visibility of growth and cashflows for the companies that can address this opportunity.

In a broader sense, our outlook leans more favourably towards inward-looking sectors that rely on domestic factors, as opposed to outward-looking sectors contingent upon global influences.

Established by 360 ONE Asset Management Limited

October 25, 2023

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

Managers' reports

Review

For the period of October 1, 2022 through September 30, 2023, the Hereford Funds - Bin Yuan Healthcare Fund (Share Class L1) depreciated by 5.63% while the total return (including dividends) of the MSCI China Health Care Index was up by 3.08%.

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 positions and valued at discount prices. Currently, our portfolio’s PE is 25.7x estimated 2023 earnings and expected earnings growth rate is 28.4% through 2026. We believe that our portfolio’s valuation is attractive.

Across all sub-segments, we prefer Healthcare Equipment & Parts to Biotech Pharma, because we believe this segment has higher visibility with the benefit of import substitution and increasing domestic penetration rates.

Portfolio

The majority of the portfolio is mainly invested in the Healthcare Equipment & Parts and Services sectors, with little weight in the Pharmaceuticals sector.

The strongest contributors to performance over the reporting period were **SNIBE** (a medical equipment manufacturer), **Wuxi Apptec** (a CXO service supplier), and **APT Medical** (a manufacturer of high-value consumables) .

SNIBE (Shenzhen New Industries Biomedical Engineering) performed well during the reporting period. Snibe is a biomedical company specializing in clinical laboratory instruments and IVD (in vitro diagnostic) reagents in China. Established in 1995, SNIBE has developed a robust professional team for reagents R&D, production, and marketing. As of 2022, SNIBE's market share stands at 4%. With increasing health awareness and advancements in medical technology in China, the health market is set to expand continuously. Per capita consumption of IVD consumables in China is only 10% of that in the US, indicating significant growth potential. In addition to the expansive market, the trend of replacing imports is becoming increasingly apparent. As domestic companies continue to improve, the gap in product quality has been steadily narrowing over the years. Due to clear cost and service advantages, prominent domestic firms are poised to capture more market share. As an industry leader, SNIBE is well-positioned to reap continual benefits from rapid market growth in the long term.

Wuxi Apptec also had a strong performance during the reporting period, despite facing policy headwinds in the CXO industry. Founded in China in 2000, WuXi AppTec is a leading global pharmaceutical and biotechnology outsourcing company. It provides a comprehensive suite of research, development, and manufacturing services, facilitating drug discovery and development for the life sciences industry. Despite geopolitical uncertainties in the past year, the overall risk for the CXO sector has diminished significantly. Concurrently, the company has sustained robust fundamental growth, clinching numerous CXO orders both domestically and globally. As a world leader in the CXO domain, Wuxi Apptec is expected to keep thriving on its technological and cost efficiencies, continuously expanding its market share.

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

Managers' reports (continued)

APT Medical outperformed during the reporting period. APT Medical is a domestic manufacturer of Electrophysiological and interventional consumables. The company is multi-faceted developing, and has became China’s No.1 electrophysiology company. The industry’s localization is still on a low level, so domestic substitution opportunities are still greater than other medical equipment. APT Medical in the research and development of new products, including electrophysiological products for atrial fibrillation, neurological intervention products and oncological intervention products. With the launch of new products, we estimate the company's growth will continue.

The weakest contributors to performance were Iray Technology (X-rays Detector Producer), United Imaging Medical (Medical Image Equipment manufacturer) and Nanomicro (A high-tech nanomaterials company)

Iray Technology was impacted by the medical anti-corruption and lithium down cycle, and business growth was delayed. However, the company's products are key components for medical image clarity and industrial inspection accuracy, and Iray’s R&D capability and product power are still improving, the corresponding market size continues to grow.

United Imaging’s weak perform mainly because of the lifting effects of non-tradable shares. But the company's growth is still worth looking forward to. United Imaging covers a wide range of downstream customer with fast growing demand and is chasing foreign giants through strong competition advantage.

Nanomicro's performance was affected by the end of the pandemic and the weaker-than-expected recovery of fundamentals. As Nanomicro's customers, major pharmaceutical companies are improving R&D efficiency and controlling R&D expenses. As a result, Nanomicro's performance recovery progress was delayed.

Changes in Holdings

Largest positions increases:

Innovent Bio. We believe that GLP-1-targeted diet drugs have not yet reached a state of market saturation. Included in Novo Nordisk's three times increases in sales expectations for semeglutide this year. Therefore, the new drug of Innovent Bio has a large market. At the same time, Innovent Bio's PD-1 drug sales also maintained rapid growth. In addition, the company uses the new financing funds to expand new drug research peplines overseas. At the same time, the company's R&D efficiency has been greatly improved, and R&D expenses have been reduced, which is conducive to the company's profitability in the next few years.

Sinopharm Group is a leading distributor of pharmaceuticals, healthcare products, and medical devices in China, serving as a key supply chain service provider. Sinopharm Group commands an 18% market share in pharmaceutical distribution and a 16% share in medical device distribution in China. The high market share allows the company to have a higher market presence, enabling national distribution capacity to rise and overall costs to fall. Due to anti-corruption measures and value-based purchasing policy are reshaping the medical distribution sector. Bigger distributors are able to meet the hospitals’ new demands, give Sinopharm Group to expand their market share.The CR5 in Chinese medical distribution industry is below 50%. As industry consolidation advances, the CR5 is expected to exceed 75%, with Sinopharm Group maintaining its top position and a market share of over 25% in 2028.

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

Managers' reports (continued)

APT Medical is a domestic manufacturer of Electrophysiological and interventional consumables. The company has became China’s No.1 electrophysiology company. The industry’s localization is still on a low level, so domestic substitution opportunities are still greater than other medical equipment. APT Medical in the research and development of new products, including electrophysiological products for atrial fibrillation, neurological intervention products and oncological intervention products. With the launch of new products, we estimate the company's growth will continue.

Largest decreases:

We trimmed **Mindray** due to medical anti-corruption policy. While the anti-corruption policy is mainly positive for large medical device companies in the long term, the short-term impact on medical device companies cannot be ignored. We have therefore decided to hedge our bets for the time being.

We trimmed **Autobio Diagnostics** because the domestic market is experiencing intensified competition, while the overseas market presents a more favorable competitive landscape and greater market potential. Therefore, we rebalanced its weight to SNIBE, which offers a larger growth opportunity.

We trimmed **Bloomage Biotechnology**, we expected to see gradual improvement in its skincare business, but the progress has been slowed down by intense competition. The slow recovery of fundamentals made the stock's valuation less attractive, thus we rebalanced its weight in the portfolio.

We trimmed **Nanomicro**, we expected a significant decline in performance as the pandemic ended, but the slow recovery of the company's fundamentals led to a decline in valuation attractiveness, so we rebalanced its weighting in our portfolio.

We sold **CSPC** because healthcare anti-corruption is creating more downward pressure and the healthcare innovation space is facing more intense competition. Therefore, we have chosen to be risk averse for the time being.

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

Managers' reports (continued)

A Look at 2023 and Beyond by Bin Yuan

Changes in policy (such as centralized procurement and anti-corruption campaigns), some leading indicators (including private-equity fund raising market), and even the news of some leading companies (such as the sales of blockbuster drugs) can all become catalysts for sudden changes in industry preferences. However, from the perspective of a long-term investor like us, we aim for a portfolio that can produce long-term returns through different economic cycles with lower volatility.

From a strategic perspective, if we look back the past two decades, China's healthcare expenditures have seen consistent growth at more than two times that of GDP growth, despite various changes and fluctuations. We anticipate this trend to continue over the next 10 years, still at a growth rate double that of GDP growth. This growth rate indicates that China's healthcare industry offers strong investment opportunities.

Our focus is the following:

1. **Preference for Devices and Consumables (52% weights in our portfolio) vs Pharmaceuticals:** Compared with developed countries, a larger portion of healthcare expenditure is allocated to purchasing drugs. But going forward, equipment and consumables related to diagnostics and treatments will have bigger potential. Moreover, there are more opportunities for import substitution and even export in medical devices at this stage, thanks to their possession of global competitiveness. Back to pharmaceuticals, the majority of generic drugs face fierce competition and possess low technological barriers, whereas innovative drugs still exhibit significant gaps compared to international standards. This is why we approach pharmaceuticals more cautiously.

a) **Import substitution potential is critical (38%+ position):** The progress of import substitution varies for different segments within devices and consumables. Some segments have already been dominated by local brands, such as thermometers and biochemical testing, while others remain at early stages of localization. We invest in segments where domestic alternatives are at the inflection point to take market share, often with a market share ranging from 20-30%. Examples include surgical consumables, joint-related products, and chemiluminescence assays. Here are the market patterns, global peers, and upsides of all our medical device holdings.

Ticker B	English Name	Theme	Sub-segments	Domestic players' shares (2022)	Domestic players' shares (2030E)	Company's position in China	Global peers	Upside potential (till 2028)	2024 PEG
9997 HK Equity	KANGJI MEDICAL	Consumables	Minimally invasive surgical parts	33%	49%	No.1 in domestic players No.3 in all players	Metronic, JNJ	316%	0.58
1789 HK Equity	AK MEDICAL	Consumables	Joint implants	28%	46%	No.1 in all players	JNJ, Stryker, Medtronic, Smith & Nephew	136%	0.86
688617 CH Equity	APT MEDICAL	Consumables	Interventional Consumables electrophysiological Consumables	10%	40%	No. 1 in domestic players No.4 in all players	Abott, Medtronic, Boston Scientific	103%	1.31
688050 CH Equity	EYEBRIGHT	Consumables	Ophthalmic consumables	40%	70%	No.2 in domestic players No.5 in all players	Euclid, Airefa , Lucid	54%	1.43
300595 CH Equity	AUTEK	Consumables	Ophthalmic consumables	40%	70%	No.1 in domestic players No.1 in all players	Euclid, Airefa , Lucid	162%	0.75
300760 CH Equity	MINDRAY	Equipment	Medical Image Chemiluminescence Life Support	40%	48%	No.1-3 in domestic players No.3-6 in all players	GE, Siemens, Phillips, Roche, Abbott, Beckman	103%	1.01
688271 CH Equity	UNITED IMAGING	Equipment	Medical Image	68%	75%	No.1 in all players	GE, Siemens, Phillips	44%	1.81
002223 CH Equity	YUYUE MEDICAL	Equipment	household healthcare products	35%	60%	No.1-3 in domestic players No.3-6 in all players	ResMed, Phillips, JNJ,Roche, Abott, Bayer	149%	0.66
2252 HK Equity	MEDBOT-B	Equipment	Surgical robot	22%	40%	No.1 in domectic players No.2 in all players	Intuitive Surgical		
300633 CH Equity	SONOSCAPE	Equipment	Soft endoscope	5%	22%	No.3 in domectic players No.7 in all players	Olympus, Fuji, Pantax	143%	1.10
300832 CH Equity	SNIBE	IVD	Chemiluminescence	26%	65%	No.2 in domestic players(Mindry NO.1) No.6 in all players	Roche, Abbott, Beckman, Siemens	130%	0.99
603658 CH Equity	AUTOBIO	IVD	Chemiluminescence	26%	65%	No.3 in domestic players(Mindry NO.1) No.7 in all players	Roche, Abbott, Beckman, Siemens	160%	0.82

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

Several of our top holdings are good representatives:

Kangji Medical (9997.HK) is the third largest minimally invasive surgical instrument and accessories (MISIA) platform in China, following Medtronic and Johnson&Johnson closely. The company has built strong sales network, with more than 200 independent distributors, and products have covered more than 1,000 "Class-3 " hospitals, accounting for more than 70% of hospitals with minimally invasive and minimally invasive surgery capabilities in China. After volume-based procurement policy (VBP) implemented, the company's domestic market share is increasing, intensifying market consolidation. The number of overseas sales countries/regions is also on the rise. After establishing brand influence, the company is poised to capture more market share. In terms of business expansion, Kangji acquired Wiseking surgical robotics in 2022, thus expanding its layout in the field of laparoscopic surgical robotics and creating synergies with its existing laparoscopic consumables. Kangji is expected to grow its revenue at CAGR of 27% and earnings at a CAGR of 20% in 2022-2028. The earning can reach USD 208 million in 2028. Applying a proper value of 20X PE, the stock has above 3X upside by 2028 (33% expected annualized return), with current/estimated market cap of 1.0/4. USD 1 billion.

Mindray (300760.SZ) is one of the leading global providers of medical devices and solutions. The company is firmly committed to employ advanced technologies and transform them into innovative products to adapt to clinical scenarios, bringing healthcare within reach with global R&D, marketing and service network. While improving the quality of care, the company also makes itself more accessible to a larger part of the world. In life support, the company's market share for monitors is No. 1 in China and No. 3 globally; defibrillators are No. 2 in China and No. 5 globally; and anaesthetics are No. 3 in China and No. 3 globally. In medical imaging, the company is third in China and sixth globally. In IVD, the company's Chemiluminescence is No. 1 in China. With the obvious cost advantage and rich product lines, more products under Mindray will become global leaders. Mindray is expected to grow its revenue at CAGR of 19% and earnings at a CAGR of 21% in 2022-2028. The earning can reach USD 4.13 billion in 2028. Applying a proper value of 25X PE, the stock has double upside by 2028 (15% expected annualized return), with current/estimated market cap of USD 45/90.5 billion.

AK Medical (1789.HK) is China's largest joint implants manufacturer in China, offering a complete line of orthopedic products, including hip implants, knee implants, and 3D printed products. Before 2021, the localization rate of joints implants is 30%, of which AK Medical accounts for about 12%. After the VBP, AK Medical took the opportunity of import substitution and increased its market share in the joints market to 20%. The company continues to develop and produce 3D printing products, catching up with foreign peers. In the future, with established cost advantages and the continuous promotion of VBP, AK Medical is expected to take more market share. AK Medical is expected to grow its revenue at CAGR of 27% and earnings at a CAGR of 23% in 2022-2028. The earning can reach USD 103 million in 2028. Applying a proper value of 20X PE, the stock has an upside over 135% by 2028 (18.7% expected annualized return), with current/estimated market cap of USD 0.87/2.05 billion.

b) Upstream Companies in the Industry Chain (15% position): The healthcare industry chain is extensive. While downstream pharmaceutical or equipment companies are facing higher uncertainties, certain upstream parts suppliers are still able to benefit from the entire industry growth. Taking the recent headline GLP-1s as an example, many domestic companies have followed suit with generic versions due to upbeat sales of overseas leaders. We can expect downstream competition to intensify in the near future, coupled with government price controls. In contrast, upstream firms involved in critical production processes like solid-phase synthesis carriers and chromatography media, acting as "weapon suppliers for the war ", will offer more certainty. We are investing a couple of these opportunities:

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

Managers' reports (continued)

iRay Technology (688301.SH) is a supplier of X-ray detectors. The company is strengthening its global competitiveness and introducing new products in order to become a comprehensive solutions provider in the X-ray field. X-ray detectors are key components for medical image clarity and industrial inspection. Among the few global players, iRay is the top player (No.1 in domestic players, No.4 in all players) of X-ray detectors. iRay's manufacturing cost is only 1/5 of GE and 1/3 of Varex Imaging (global No.1 player), helping the downstream assembling plants make the whole machine more affordable to end users. The company is expected to continue growing its market share on price advantage and domestic substitution in the industry. iRay is also actively developing core X-ray components beyond X-ray detectors, and accelerating the development of CT-related products and expanding its customer base in the medical and industrial sectors. iRay is expected to grow its revenue at CAGR of 31% and earnings at a CAGR of 23% in 2022-2028. The earning can reach USD 305 million in 2028. Applying a proper value of 25X PE, the stock has an upside over 120% by 2028 (17.4% expected annualized return), with current/estimated market cap of USD 3.4/7.5 billion.

Novelbeam Tech (688677.SH) is a leading rigid endoscope core components supplier in China. Its products include 4K fluorescence/white light laparoscope, endoscope light source module, camera adapter/adaptation lens, etc. Rigid endoscopes are widely used for detection and treatment in many departments of hospitals, such as laparoscopic surgery. Novelbeam Tech is the main supplier of Stryker, a top global rigid endoscope company. At present, the localization rate of rigid endoscopes is only about 15%, Novelbeam Tech can help domestic players to take market share gradually by using its high-quality and high-performance components. Leveraging its technology in the field of optics, Novelbeam Tech also provides optical products and optical devices for applications such as medical optics, industrial lasers and biometrics based on technical capabilities such as optical design, optical processing, optical coating, optical integration, and inspection. Novelbeam Tech is expected to grow its revenue at CAGR of 23% and earnings at a CAGR of 25% in 2022-2028. The earning can reach USD 95 million in 2028. Applying a proper value of 25X PE, the stock has an upside over 150% by 2028 (20% expected annualized return), with current/estimated market cap of USD 0.95/2.4 billion.

NanoMicro (688690.SH) is a leading chromatographic filler company in China. Chromatographic fillers are necessary products for drug production, and have a huge market space after entering the industrial chain of large downstream pharmaceutical companies. Although NanoMicro is far ahead of domestic companies, its market share is only 10%, and the other 80% of the market is still occupied by Cytiva (previously GE Healthcare). The quality of the NanoMicro's chromatographic products is getting close to that of foreign imported products, but with more cost advantage, so that it has a huge import substitution opportunity. NanoMicro is expected to grow its revenue at CAGR of 23% and earnings at a CAGR of 25% in 2022-2028. The earning can reach USD 144 million in 2028. Applying a proper value of 28X PE, the stock has an upside over 120% by 2028 (17.7% expected annualized return), with current/estimated market cap of USD 1.8/4.0 billion.

Sunresin (300487.SZ) is a special resin manufacturer in China, providing core materials and complete sets of equipment. The adsorption and separation resins provided by the company play a unique function of selective adsorption, separation, and purification in the process flow of downstream users, and are widely used in hydrometallurgy, pharmaceutical, food processing, environmental protection, chemical and industrial water treatment, and other fields. In the field of biomedicine, Sunresin's peptide solid-phase carrier is a necessary raw material to produce GLP-1 drugs using chemical pathways, and the company's solid-phase carriers currently account for about 40% of GLP-1 drug production. At present, Sunresin's solid phase carrier is mainly used to produce Tirzepatide by Eli Lilly, which will maintain a CAGR of 35% in the next 5 years. Moreover, with the expiration of the patent period of Semaglutide, the supply of products using chemical synthesis methods will further boost revenue to the company. Sunresin is expected to grow its revenue and earnings at CAGR of 25% in 2022-2028. The earning can reach USD 280 million in 2028. Applying a proper value of 28X PE, the stock has a double upside by 2028 (15% expected annualized return), with current/estimated market cap of USD 4.0/8.0 billion.

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

Managers' reports (continued)

2. **Beneficiaries from consolidation trend with strong cash flow in service sector (33% weights in our portfolio):** Unlike medical device companies, the barrier for medical service companies lies not in technology, but in operational capabilities. In some traditional medical service industries, some leading companies rely on their extraordinary cost control capabilities, high asset turnover strategies, and stable customer channels to continuously erode small businesses in the industry, thereby increasing their market share. They usually have stable cash flow and dividend policies, so that they can provide relatively high visibility returns to investors in a volatile market. Leading distributors and pharmacies are like this.

   Sinopharm (1099.HK) is a leading distributor of pharmaceuticals, healthcare products, and medical devices in China, serving as a key supply chain service provider. The company occupies 18% market share in pharmaceutical distribution and 16% share in medical device distribution in China. Recent policy headlines such as anti-corruption campaign and volume-based procurement policy are reshaping the medical distribution sector. Smaller distributors are struggling to fulfill the customers' demands, leaving room for leading companies like Sinopharm to expand their market share. Currently, the CR5 (Concentration Ratio of the top 5 firms) in the domestic medical distribution industry is below 40%. In the future, as industry consolidation advances, the CR5 is expected to exceed 75%, with Sinopharm maintaining its top position and a market share of over 25%. Sinopharm is expected to grow its revenue at CAGR of 12% and earnings at a CAGR of 8% in 2022-2028, with circa 4% high dividend yield. The earning can reach USD 2.1 billion in 2028. Applying a proper value of 11X PE, the stock has an upside over 110% by 2028 (17% expected annualized return), with current/estimated market cap of USD 9.5/20.8 billion.

   Yifeng Pharmacy (603939.SH) is a leading chain pharmacy brand with modern pharmaceutical logistics centers featuring advanced automation and informatization systems. As of 2022, the company had over 10,000 chain pharmacies and ranked among the top 3 in China, but only with a market share of 3.2%. China's chained-drugstores currently has less than 10% market share, relatively low compared with the nearly 90% in developed countries like the U.S. and Japan. Similar to distributors, the recent policies have been conducive to the leading enterprises' consolidation to the market. Yifeng Pharmacy is expected to grow its revenue and earnings at CAGR of 20% in 2022-2028, with circa 1.2% dividend yield. The earning can reach USD 518 million in 2028. Applying a proper value of 20X PE, the stock has an upside over 110% by 2028 (16.4% expected annualized return), with current/estimated market cap of USD 4.8/10.3 billion.

   To sum up, we have picked a plenty of high-quality companies with import substitution opportunity and upstream core technologies in our portfolio. In addition, medical service companies with stable cash flow and integration opportunities are also the main direction. We are confident that the weighted average profit growth of the entire portfolio can reach 20.3% in the next 5 years, thereby ensuring the entire portfolio achieving an annualized return of 17.9%.

Valuation	Portfolio	Benchmark
Period	September 30, 2023	September 30, 2023
2024 PE(X) - Weighted Avg. Method	21.0	26.1
2024 PE(X) - Integral Method	22.0	17.7
2024 PB (X)	4.0	1.5
2024 Div. Yield (%)	1.4	1.0
2024 ROE (%)	18.9	5.8
Earning Growth (%) Forward 3 YR	22.6	14.2
2024 PEGY	0.9	1.7
FCF Yield	2.2	0.9

Established by Bin Yuan Capital

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

Managers' reports (continued)

October 30, 2023

Information on environmental and/or social characteristics and/or sustainable investments are available under the section Sustainable Finance Disclosure Regulation ("SFDR") (unaudited appendix) of the Annual Report.

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REPORT OF THE *REVISEUR D'ENTREPRISES AGREE*

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, 2023, 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, 2023, 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 23 July 2016 on the audit profession (Law of 23 July 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 23 July 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.

Deloitte.

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"* thereon.

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.

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 the 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 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 dated 23 July 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.

Deloitte.

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

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

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 24, 2024

Hereford Funds

Statement of net assets as at September 30, 2023

	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 (note 2.e)	836,931,908.15	47,789,730.29	733,393,738.65
Net unrealised gain/loss on investments	-134,967,752.56	18,137,872.36	-152,949,738.74
Investments in securities at market value (note 2.d)	701,964,155.59	65,927,602.65	580,443,999.91
Cash at banks (note 2.d)	36,131,157.17	497,256.78	34,125,927.20
Bank deposits (note 2.d)	2,100,000.00	0.00	2,100,000.00
Interest receivable, net	280.00	0.00	280.00
Formation expenses (note 2.h)	1,424.90	0.00	0.00
	740,197,017.66	66,424,859.43	616,670,207.11
LIABILITIES			
Advisory fees payable (note 4)	1,184,122.90	182,636.53	945,067.49
Tax payable	549,816.85	0.00	0.00
"Taxe d’abonnement" payable (note 3)	18,923.05	2,099.89	15,411.88
Other fees payable (note 6)	224,349.94	22,535.08	179,952.60
	1,977,212.74	207,271.50	1,140,431.97
TOTAL NET ASSETS AS AT SEPTEMBER 30, 2023	**738,219,804.92**	**66,217,587.93**	**615,529,775.14**
TOTAL NET ASSETS AS AT SEPTEMBER 30, 2022	**715,382,771.78**	**65,089,836.36**	**633,116,751.58**
TOTAL NET ASSETS AS AT SEPTEMBER 30, 2021	**700,217,592.35**	**97,700,943.07**	**602,516,649.28**

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

Statement of net assets as at September 30, 2023 (continued)

	Hereford Funds - 360 ONE Focused India Fund (note 1)	Hereford Funds - Bin Yuan Healthcare Fund
	USD	USD
	41,195,110.93	14,553,328.28
	3,767,751.92	-3,923,638.10
	44,962,862.85	10,629,690.18
	1,257,126.11	250,847.08
	0.00	0.00
	0.00	0.00
	490.93	933.97
	46,220,479.89	10,881,471.23
	41,827.10	14,591.78
	549,816.85	0.00
	1,137.83	273.45
	15,356.79	6,505.47
	608,138.57	21,370.70
	45,612,341.32	**10,860,100.53**
	2,009,800.00	**15,166,383.84**
	-	**-**

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

Statement of operations and changes in net assets for the year ended September 30, 2023

	COMBINED	Hereford Funds - DSM US Large Cap Growth Fund	Hereford Funds - Bin Yuan Greater China Fund
	USD	USD	USD
NET ASSETS AT THE BEGINNING OF THE YEAR	**715,382,771.78**	**65,089,836.36**	**633,116,751.58**
INCOME			
Dividends, net (note 2.i)	8,077,047.26	221,111.95	7,546,784.20
Bank interest (note 2.i)	645,747.84	0.00	645,112.61
	8,722,795.10	221,111.95	8,191,896.81
EXPENSES			
Amortization of formation expenses (note 2.h)	171.24	0.00	171.24
Advisory fees (note 4)	4,955,654.67	696,794.85	4,110,781.15
Depositary fees, bank charges and interest	173,130.29	13,944.12	140,174.94
Professional fees, audit fees and other expenses	951,312.62	139,030.77	691,108.14
Administration fees	229,556.72	19,528.05	200,748.98
"Taxe d'abonnement" (note 3)	81,034.76	8,435.95	69,608.66
Transaction fees (note 2.j)	2,287,239.29	9,551.74	2,038,611.33
Other taxes	549,816.85	0.00	0.00
	9,227,916.44	887,285.48	7,251,204.44
NET INVESTMENT INCOME/LOSS	**-505,121.34**	**-666,173.53**	**940,692.37**
Net realised gain/loss on sales of investments (note 2.f)	-124,636,265.51	3,068,980.90	-126,463,430.78
Net realised loss on foreign exchange	-1,352,188.51	0.00	-1,220,731.67
Net realised loss on forward foreign exchange contracts	-49,899.40	0.00	-36,431.18
NET REALISED GAIN/LOSS	**-126,543,474.76**	**2,402,807.37**	**-126,779,901.26**
Change in net unrealised appreciation/depreciation:			
- on investments	7,594,825.74	8,679,572.00	-5,560,642.91
INCREASE/DECREASE IN NET ASSETS AS A RESULT OF OPERATIONS	**-118,948,649.02**	**11,082,379.37**	**-132,340,544.17**
Proceeds from subscriptions of shares	537,680,675.47	2,224,183.69	486,729,057.39
Cost of shares redeemed	-395,894,993.31	-12,178,811.49	-371,975,489.66
NET ASSETS AT THE END OF THE YEAR	**738,219,804.92**	**66,217,587.93**	**615,529,775.14**

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

Statement of operations and changes in net assets for the year ended September 30, 2023 (continued)

Hereford Funds - 360 ONE Focused India Fund (note 1)	Hereford Funds - Bin Yuan Healthcare Fund
USD	**USD**
2,009,800.00	**15,166,383.84**
192,608.54	116,542.57
0.00	635.23
192,608.54	117,177.80
0.00	0.00
73,606.89	74,471.78
12,028.85	6,982.38
61,163.99	60,009.72
5,310.57	3,969.12
1,567.60	1,422.55
206,253.25	32,822.97
549,816.85	0.00
909,748.00	179,678.52
-717,139.46	**-62,500.72**
120,931.27	-1,362,746.90
-111,175.06	-20,281.78
0.00	-13,468.22
-707,383.25	**-1,458,997.62**
3,767,751.92	708,144.73
3,060,368.67	**-750,852.89**
47,351,643.90	1,375,790.49
-6,809,471.25	-4,931,220.91
45,612,341.32	**10,860,100.53**

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 30.09.2023	Net asset value per share 30.09.2023	Net asset value per share 30.09.2022	Net asset value per share 30.09.2021
Hereford Funds - DSM US Large Cap Growth Fund					
AI	USD	86,849.01	352.42	297.56	399.50
BI	USD	103,749.40	255.09	214.18	285.57
D	USD	7,846.54	543.01	460.97	622.23
U	USD	13,294.87	367.37	310.18	416.44
Hereford Funds - Bin Yuan Greater China Fund					
AI	USD	138,737.27	76.64	91.28	136.88
AI	EUR	45,537.03	63.73	82.02	103.96
AI	GBP	8,403.26	58.93	76.74	95.28
BI	USD	39,124.01	79.37	94.29	141.04
CI	USD	766,485.50	127.86	151.51	226.07
CI	GBP	93,204.93	61.47	79.65	-
CB	USD	479,581.58	120.50	142.79	213.05
DI A	USD	3,439,430.70	80.44	95.08	141.51
DB A	USD	-	-	94.05	139.98
DB A	NOK	12,441,262.98	89.60	108.54	-
L1	USD	25,107.40	110.76	131.25	195.84
L2	USD	433,173.66	105.56	124.47	184.68
PB	EUR	80,724.61	62.48	79.82	-
Hereford Funds - 360 ONE Focused India Fund (note 1)					
BI	USD	86,140.17	105.31	-	-
L1	USD	182,592.37	115.14	100.00	-
L2	USD	135,097.98	114.86	100.00	-
Hereford Funds - Bin Yuan Healthcare Fund					
L1	USD	158,949.97	68.32	72.40	-

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

Statement of investments and other net assets as at September 30, 2023 (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				
ACCENTURE 'A'	USD	10,175.00	3,124,844.25	4.72
AON	USD	1,495.00	484,708.90	0.73
LINDE	USD	3,850.00	1,433,547.50	2.16
			5,043,100.65	7.61
UNITED STATES				
ADOBE	USD	6,175.00	3,148,632.50	4.75
ALPHABET 'A'	USD	48,425.00	6,336,895.50	9.57
AMAZON.COM	USD	38,750.00	4,925,900.00	7.44
ARISTA NETWORKS	USD	16,250.00	2,988,862.50	4.51
AUTODESK	USD	12,950.00	2,679,484.50	4.05
AUTOMATIC DATA PROCESSING	USD	9,215.00	2,216,944.70	3.35
BOSTON SCIENTIFIC	USD	30,500.00	1,610,400.00	2.43
CHARLES SCHWAB	USD	27,100.00	1,487,790.00	2.25
CHIPOTLE MEXICAN GRILL	USD	350.00	641,140.50	0.97
ENTEGRIS	USD	11,000.00	1,033,010.00	1.56
EPAM SYSTEMS	USD	10,750.00	2,748,667.50	4.15
FISERV	USD	16,125.00	1,821,480.00	2.75
FLEETCOR TECHNOLOGIES	USD	6,150.00	1,570,341.00	2.37
FORTINET	USD	16,400.00	962,352.00	1.45
INTUIT	USD	6,305.00	3,221,476.70	4.86
MASTERCARD 'A'	USD	6,675.00	2,642,699.25	3.99
MICROSOFT	USD	20,150.00	6,362,362.50	9.62
MONSTER BEVERAGE	USD	22,150.00	1,172,842.50	1.77
NEUROCRINE BIOSCIENCES	USD	15,800.00	1,777,500.00	2.68
NVIDIA	USD	12,450.00	5,415,625.50	8.18
PAYCOM SOFTWARE	USD	2,275.00	589,839.25	0.89
PAYPAL HOLDINGS	USD	24,300.00	1,420,578.00	2.15
THERMO FISHER SCIENTIFIC	USD	2,155.00	1,090,796.35	1.65
VISA 'A'	USD	13,125.00	3,018,881.25	4.56
			60,884,502.00	91.95
TOTAL INVESTMENTS			**65,927,602.65**	**99.56**
CASH AT BANKS			497,256.78	0.75
OTHER NET LIABILITIES			-207,271.50	-0.31
TOTAL NET ASSETS			**66,217,587.93**	**100.00**

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

Geographical and industrial classification of investments as at September 30, 2023

Geographical classification

(in % of net assets)	
United States	91.95
Ireland	7.61
	99.56

Industrial classification

(in % of net assets)	
Computer and office equipment	29.38
Internet, software and IT services	20.57
Electronics and electrical equipment	16.11
Holding and finance companies	13.62
Retail and supermarkets	7.44
Banks and credit institutions	6.36
Biotechnology	2.68
Pharmaceuticals and cosmetics	2.43
Food and soft drinks	0.97
	99.56

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

Statement of investments and other net assets as at September 30, 2023 (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				
ALIBABA GROUP HOLDING	HKD	1,725,100.00	18,854,860.24	3.06
BAIDU 'A'	HKD	1,507,300.00	25,673,838.59	4.17
BILIBILI 'Z' REG S	HKD	288,100.00	3,983,886.83	0.65
CHINA EDUCATION GROUP HOLDINGS -S-	HKD	14,536,911.00	11,823,521.40	1.92
H WORLD GROUP S	HKD	4,894,100.00	19,278,058.11	3.13
HAICHANG OCEAN	HKD	205,982,574.00	30,771,709.26	5.00
HUAZHOU GROUP ADR -SPONS.-	USD	124,500.00	4,909,035.00	0.80
INNOVENT BIOLOGICS 144A/S	HKD	695,700.00	3,397,728.87	0.55
SUNNY OPTICAL TECHNOLOGY	HKD	2,436,400.00	17,016,537.49	2.76
			135,709,175.79	22.04
CHINA				
ANJOY FOODS GRP 'A'	CNY	836,549.00	14,202,041.53	2.31
CHAOZHOU THREE-CIRCLE 'A'	CNY	5,062,350.00	21,485,802.07	3.49
CHINA MERCHANT BANK 'A'	CNY	9,142,458.00	41,268,589.89	6.70
CHINA MERCHANTS BANK 'H'	HKD	756,000.00	3,156,492.97	0.51
CHIPSEA TECHNOLOGIES SHENZHEN 'A'	CNY	2,456,058.00	9,704,488.59	1.58
ECOVACS ROBOTICS 'A'	CNY	3,420,297.00	22,711,366.56	3.69
IRAY TECHNOLOGY 'A'	CNY	1,937,931.00	65,020,221.98	10.57
JIANGSU HENGLI HYDRAULIC 'A'	CNY	2,127,107.00	18,609,208.58	3.02
KANGJI MEDICAL HOLDINGS	HKD	26,516,000.00	22,819,345.54	3.71
KWEICHOW MOUTAI CO LTD 'A'	CNY	51,378.00	12,651,365.97	2.06
MAXSCEND MICROELECTRONICS 'A'	CNY	551,072.00	8,804,747.58	1.43
NARI TECHNOLOGY 'A'	CNY	8,205,675.00	24,929,256.32	4.05
PING AN INSURANCE 'A'	CNY	4,141,690.00	27,388,133.04	4.45
SANHE TONG 'A'	CNY	2,328,339.00	13,681,812.51	2.22
SG MICRO 'A'	CNY	567,859.00	6,046,308.76	0.98
SH FRIEND 'A'	CNY	647,284.00	22,100,984.29	3.59
SHANXI XINGHUACUN FEN WINE 'A'	CNY	497,217.00	16,303,813.37	2.65
SHENZHEN MEGMEET ELECTRICAL 'A'	CNY	3,497,324.00	14,704,606.03	2.39
SHENZHEN MINDRAY BIO-MEDICAL 'A'	CNY	407,402.00	15,049,390.36	2.44
SINOPHARM GROUP 'H'	HKD	1,950,800.00	5,654,235.36	0.92
SKYVERSE TEC 'A'	CNY	180.00	1,966.59	0.00
SUNRESIN NEW MATERIALS 'A'	CNY	1,217,497.00	9,734,607.73	1.58
SUOFEIYA HOME COLLECTION 'A'	CNY	3,126,100.00	8,106,260.39	1.32
WX AUTOWELL 'A'	CNY	1,094,662.00	21,410,578.25	3.48
XI'AN SINOFUSE ELECTRIC 'A'	CNY	1,236,510.00	19,189,199.86	3.12
			444,734,824.12	72.26
TOTAL INVESTMENTS			**580,443,999.91**	**94.30**
CASH AT BANKS			34,125,927.20	5.54
BANK DEPOSITS			2,100,000.00	0.34
OTHER NET LIABILITIES			-1,140,151.97	-0.18
TOTAL NET ASSETS			**615,529,775.14**	**100.00**

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

Geographical and industrial classification of investments as at September 30, 2023

Geographical classification

(in % of net assets)	
China	72.26
Cayman Islands	22.04
	94.30

Industrial classification

(in % of net assets)	
Electronics and electrical equipment	17.15
Photography and optics	13.33
Construction of machines and appliances	12.41
Gastronomy	8.93
Pharmaceuticals and cosmetics	7.62
Banks and credit institutions	7.21
Tobacco and alcohol	4.71
Insurance	4.45
Internet, software and IT services	4.17
Public utilities	3.48
Utilities	3.06
Food and soft drinks	2.31
Healthcare & social services	1.92
Chemicals	1.58
Miscellaneous consumer goods	1.32
Publishing and graphic arts	0.65
	94.30

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

Hereford Funds - 360 ONE Focused India Fund (note 1)

Statement of investments and other net assets as at September 30, 2023 (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				
INDIA				
AAVAS FINANCIERS LIMITED	INR	52,504.00	1,099,696.74	2.41
ADITYA BIRLA CAPITAL	INR	270,611.00	586,412.67	1.29
AETHER	INR	36,057.00	420,506.63	0.92
APL APOLLO TUBES	INR	67,990.00	1,330,468.07	2.92
ASTRA MICROWAVE PRODUCTS	INR	180,361.00	929,266.37	2.04
AXIS BANK	INR	233,959.00	2,920,780.39	6.40
BHARTI AIRTEL -DEMAT.-	INR	185,727.00	2,071,951.77	4.54
CCL PRODUCTS	INR	94,092.00	731,626.68	1.60
CHOLAMAN INVESTMENT FINANCE	INR	111,934.00	1,641,174.95	3.60
CMS INFO 144A/S	INR	210,999.00	889,566.78	1.95
CROMPTON GREAVES CONSUMER ELECTRICALS	INR	238,820.00	891,103.70	1.95
CUMMINS INDIA -DEMAT.-	INR	49,640.00	1,014,005.91	2.22
CYIENT	INR	76,689.00	1,564,694.07	3.43
DATA PATTERNS	INR	22,450.00	568,054.22	1.25
DIVI'S LABORATORIES	INR	13,145.00	596,003.66	1.31
HDFC BANK	INR	207,341.00	3,810,931.50	8.36
HDFC LIFE INSURANCE	INR	145,788.00	1,119,025.25	2.45
ICICI BANK	INR	333,950.00	3,828,060.78	8.39
INDUS TOWERS	INR	477,495.00	1,102,292.86	2.42
INFOSYS TECHNOLOGIES -DEMAT.-	INR	146,226.00	2,527,660.38	5.54
LARSEN & TOUBRO -DEMAT.-	INR	66,186.00	2,409,846.27	5.28
LTIMINDTREE	INR	15,449.00	969,240.70	2.12
MAX HEALTHCARE INSTITUTE	INR	110,818.00	757,191.43	1.66
MOTHERSON SUMI	INR	1,908,254.00	1,481,034.42	3.25
NTPC	INR	619,474.00	1,831,762.12	4.02
SONA BLW 144A/S	INR	198,120.00	1,391,876.79	3.05
STATE BANK OF INDIA	INR	180,167.00	1,298,618.94	2.85
SUMITOMO CHEMICAL INDIA	INR	196,522.00	999,634.27	2.19
SUZLON ENERGY	INR	4,162,942.00	1,293,379.93	2.84
TATA MOTORS	INR	321,438.00	2,439,392.40	5.35
TECH MAHINDRA	INR	30,397.00	447,602.20	0.98
			44,962,862.85	98.58
TOTAL INVESTMENTS			**44,962,862.85**	**98.58**
CASH AT BANKS			1,257,126.11	2.76
OTHER NET LIABILITIES			-607,647.64	-1.34
TOTAL NET ASSETS			**45,612,341.32**	**100.00**

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

Hereford Funds - 360 ONE Focused India Fund (note 1)

Geographical and industrial classification of investments as at September 30, 2023

Geographical classification

(in % of net assets)	
India	98.58
	98.58

Industrial classification

(in % of net assets)	
Banks and credit institutions	27.95
Electronics and electrical equipment	9.22
Communications	9.00
Internet, software and IT services	8.64
Automobiles	8.40
Holding and finance companies	6.01
Construction and building materials	5.28
Miscellaneous trade	3.43
Chemicals	3.11
Mining and steelworks	2.92
Public utilities	2.84
Insurance	2.45
Construction of machines and appliances	2.22
Healthcare & social services	1.66
Food and soft drinks	1.60
Pharmaceuticals and cosmetics	1.31
Utilities	1.29
Aeronautics and astronautics	1.25
	98.58

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

Hereford Funds - Bin Yuan Healthcare Fund

Statement of investments and other net assets as at September 30, 2023 (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				
AK MEDICAL HOLDINGS	HKD	554,000.00	467,569.85	4.31
BEIGENE	HKD	13,500.00	185,473.27	1.71
GIANT BIOGENE 144A/S	HKD	37,000.00	160,389.81	1.48
INNOVENT BIOLOGICS 144A/S	HKD	82,800.00	404,386.88	3.72
WUXI BIOLOGICS	HKD	149,500.00	871,399.39	8.02
			2,089,219.20	19.24
CHINA				
AIER EYE HOSPITAL GROUP 'A'	CNY	127,154.00	312,835.34	2.88
APT MEDICAL 'A'	CNY	7,600.00	398,353.47	3.67
ASYMCHEM LABORATORIES 'A'	CNY	20,885.00	433,768.26	3.99
AUTOBIO DIAGNOSTICS 'A'	CNY	32,717.00	204,838.88	1.89
BLOOMAGE BIOTECHNOLOGY 'A'	CNY	16,167.00	191,993.52	1.77
EYEBRIGHT 'A'	CNY	10,281.00	253,139.18	2.33
HANGZHOU TIGERMED CONSULTING 'A'	CNY	34,714.00	316,531.25	2.91
HUADONG MEDICINE 'A'	CNY	17,200.00	99,469.53	0.92
IRAY TECHNOLOGY 'A'	CNY	27,117.00	909,812.25	8.38
JIANGSU HENGRUI PHARMA. 'A'	CNY	54,810.00	337,233.40	3.11
JIANGSU YUYUE MEDICAL EQUIP.& S 'A'	CNY	45,207.00	213,160.41	1.96
KANGJI MEDICAL HOLDINGS	HKD	1,103,500.00	949,658.61	8.74
LBX PHARMACY CHAIN J.S. 'A'	CNY	61,787.00	216,219.90	1.99
NOVOGENE 'A'	CNY	18,000.00	55,695.31	0.51
OVCTEK CHINA 'A'	CNY	40,900.00	143,799.06	1.32
QINGDAO NOVELBEAM TECHNOLOGY	CNY	42,280.00	329,949.55	3.04
SHANGHAI MICROPORT MEDBOT 'H' 144A/S	HKD	68,000.00	157,153.03	1.45
SHANGHAI UNITED IMAGING HEALTH	CNY	21,800.00	310,672.79	2.86
SHENZHEN MINDRAY BIO-MEDICAL 'A'	CNY	13,382.00	494,329.78	4.55
SHENZHEN NEW INDUSTRIES BIOMEDICAL 'A'	CNY	41,971.00	365,003.91	3.36
SINOPHARM GROUP 'H'	HKD	94,000.00	272,451.37	2.51
SONOSCAPE MEDEDICAL 'A'	CNY	17,700.00	118,185.37	1.09
SUNRESIN NEW MATERIALS 'A'	CNY	21,000.00	167,907.41	1.55
SUZHOU NANOMICRO TECHNOLOGY 'A'	CNY	42,940.00	189,243.39	1.74
WUXI APPTEC 'A'	CNY	68,407.00	807,132.33	7.43
YIFENG PHARMACY CHAIN 'A'	CNY	60,801.00	291,933.68	2.69
			8,540,470.98	78.64
TOTAL INVESTMENTS			**10,629,690.18**	**97.88**
CASH AT BANKS			250,847.08	2.31
OTHER NET LIABILITIES			-20,436.73	-0.19
TOTAL NET ASSETS			**10,860,100.53**	**100.00**

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

Geographical and industrial classification of investments as at September 30, 2023

Geographical classification

(in % of net assets)	
China	78.64
Cayman Islands	19.24
	97.88

Industrial classification

(in % of net assets)	
Pharmaceuticals and cosmetics	55.25
Biotechnology	21.09
Photography and optics	8.38
Healthcare & social services	5.74
Miscellaneous	3.04
Electronics and electrical equipment	2.83
Chemicals	1.55
	97.88

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

Notes to the financial statements as at September 30, 2023

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, 2023, 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,
- Hereford Funds - 360 ONE Focused India Fund expressed in USD,
- Hereford Funds - Bin Yuan Healthcare Fund expressed in USD.

b) Significant events and material changes

On March 28, 2023, the Board of Directors of the Fund has decided to change the name of the sub-fund Hereford Funds - IIFL Focused India Fund to Hereford Funds - 360 ONE Focused India Fund following the change of name of the investment manager.

A new prospectus came into force in April 2023.

c) Share classes

As at September 30, 2023, 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, 2023 (continued)

Hereford Funds - Bin Yuan Greater China Fund:

- AI (USD),
- AI (EUR),
- AI (GBP),
- BI (USD),
- CI (USD),
- CI (GBP),
- CB (USD),
- DI A (USD),
- DB A (NOK),
- L1 (USD),
- L2 (USD),
- PB (EUR).

Hereford Funds - 360 ONE Focused India Fund:

- BI (USD),
- L1 (USD),
- L2 (USD).

Hereford Funds - Bin Yuan Healthcare Fund:

- L1 (USD).

As at September 30, 2023, the following share classes are offered:

- Classes AI, BI, CI, 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 CB, DB, PB 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.

Notes to the financial statements as at September 30, 2023 (continued)

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.

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 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.

Notes to the financial statements as at September 30, 2023 (continued)

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.

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 following:

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 - 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 A,
- 0.50% for Class DB A,
- 0.75% for Class L1,
- 0.25% for Class L2,
- 0.50% for Class PB.

For the sub-fund Hereford Funds - 360 ONE Focused India Fund:

- 0.75% for Class BI,
- 0.25% for Class L1,
- 0.50% for Class L2.

For the sub-fund Hereford Funds - Bin Yuan Healthcare Fund:

- 0.50% for Class L1.

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 classes L2 and PB 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.

Notes to the financial statements as at September 30, 2023 (continued)

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, 2023, the performance fees is:

Hereford Funds - Bin Yuan Greater China Fund

ISIN Code	Share Class	Currency	Performance fee	% of net assets*
LU1778256203	L2	USD	-	-
LU2046634080	PB	EUR	-	-

** based on the average net asset value of the share class for the year ended September 30, 2023.*

There are no performance fees in relation to the sub-funds Hereford Funds - DSM US Large Cap Growth Fund, Hereford Funds - 360 One Focused India Fund and Hereford Funds - Bin Yuan Healthcare Fund.

NOTE 6 OTHER FEES PAYABLE

As at September 30, 2023, the other fees payable includes mainly management company, administration, audit, depositary and distribution fees.

NOTE 7 EXCHANGE RATES AS AT SEPTEMBER 30, 2023

As at September 30, 2023, the exchange rates used are the following:

1 USD =	7.30402568	CNY
1 USD =	0.81930288	GBP
1 USD =	7.83185651	HKD
1 USD =	10.64084946	NOK

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.

Notes to the financial statements as at September 30, 2023 (continued)

NOTE 9 UKRAINE / RUSSIA CONFLICT

In February 2022, a number of countries (including the United States, the United Kingdom, the European Union and Switzerland) imposed sanctions against certain entities and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Announcements of potential additional sanctions have been made following military operations initiated by Russia against Ukraine on February 24, 2022.

The situation, together with growing turmoil from fluctuations in commodity prices and foreign exchange rates, and the potential to adversely impact global economies, has driven a sharp increase in volatility across markets.

Although neither the Company's performance and going concern nor operations, at the date of this report, have been significantly impacted by the above, the Board of Directors of the Company continues to monitor the evolving situation and its impact on the financial position of the Company.

NOTE 10 SUBSEQUENT EVENT

No significant event occurred after the year ended.

Total Expense Ratio ("TER") (unaudited appendix)

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 August 5, 2021) of the Asset Management Association Switzerland ("AMAS"), 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 investment 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, 2022 to September 30, 2023, 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	1.53%	1.53%
BI	USD	0.97%	0.97%
D	USD	2.07%	2.07%
U	USD	1.52%	1.52%
Hereford Funds - Bin Yuan Greater China Fund			
AI	USD	1.40%	1.40%
AI	EUR	1.41%	1.41%
AI	GBP	1.41%	1.41%
BI	USD	1.16%	1.16%
CI	USD	0.89%	0.89%
CI	GBP	0.91%	0.91%
CB	USD	0.90%	0.90%
DI A	USD	0.66%	0.66%
DB A	NOK	0.71%	0.71%
L1	USD	0.91%	0.91%
L2	USD	0.42%	0.42%
PB	EUR	0.67%	0.67%
Hereford Funds - 360 ONE Focused India Fund			
BI	USD	0.96%	0.96%
L1	USD	0.62%	0.62%
L2	USD	0.76%	0.76%
Hereford Funds - Bin Yuan Healthcare Fund			
L1	USD	0.96%	0.96%

Performance (unaudited appendix)

The performance per share class was calculated by comparing the net assets per share as at September 30, 2023 with the net assets per share as at September 30, 2022.

The performance was calculated by us 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 August 5, 2021) of the Asset Management Association Switzerland ("AMAS").

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, 2023, performances were the following:

Class	Currency	Performance for the financial year ending September 30, 2023	Performance for the financial year ending September 30, 2022	Performance for the financial year ending September 30, 2021
Hereford Funds - DSM US Large Cap Growth Fund				
AI	USD	18.44%	-25.52%	21.93%
BI	USD	19.10%	-25.00%	22.78%
D	USD	17.80%	-25.92%	21.28%
U	USD	18.44%	-25.52%	21.93%
Hereford Funds - Bin Yuan Greater China Fund				
AI	USD	-16.04%	-33.31%	36.08%
AI	EUR	-22.30%	-21.10%	3.96% *
AI	GBP	-23.21%	-19.46%	-4.72% *
BI	USD	-15.82%	-33.15%	36.42%
CI	USD	-15.61%	-32.98%	36.76%
CI	GBP	-22.82%	-20.35% *	-
CB	USD	-15.61%	-32.98%	36.76%
DI A	USD	-15.40%	-32.81%	37.11%
DB A	NOK	-17.45%	8.54% *	-
L1	USD	-15.61%	-32.98%	36.77%
L2	USD	-15.19%	-32.60%	31.88%
PB	EUR	-21.72%	-20.18% *	-
Hereford Funds - 360 ONE Focused India Fund				
BI	USD	5.31% *	-	-
L1	USD	15.14%	-	-
L2	USD	14.86%	-	-
Hereford Funds - Bin Yuan Healthcare Fund				
L1	USD	-5.64%	-27.60% *	-

** The performance of share classes launched during the 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 period.*

Other information to Shareholders (unaudited appendix)

1. Remuneration policy of the Management Company

The Management Company 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 "Law").

The financial year of the Management Company ends on December 31 of each year.

The table below shows the total amount of the remuneration for the financial year ended as at December 31, 2022, split into fixed and variable remuneration, paid by the Management Company to its staff.

The table has been prepared taking into consideration point 162 of section 14.1 of the European Securities and Market Authority ("ESMA") remuneration guidelines relating to the confidentiality and data protection in presenting the remuneration information.

	Number of beneficiaries	Total remuneration (EUR)	Fixed remuneration (EUR)	Variable remuneration (target or discretionary bonuses, parts remuneration) (EUR)
Total remuneration paid by the Management Company during the year	23	59,776	40,444	19,332

Additional explanation :

- The beneficiaries reported are composed of the risk takers (including the 4 Conducting Officers) 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.

- The benefits have been 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 disclosed is based on apportionment of Asset Under Management represented by the Fund.

- The 2022 annual review outcome showed no exception.

- There have been no changes to the adopted remuneration policy since its implementation.

Other information to Shareholders (unaudited appendix) (continued)

2. Securities Financing Transactions Regulation ("SFTR")

As at September 30, 2023, 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 year referring to the financial statements.

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.

Sustainable Finance Disclosure Regulation ("SFDR") (unaudited appendix)

On November 27, 2019, Regulation (EU) 2019/2088 of the European Parliament and of the Council on sustainability-related disclosures in the financial services sector was published (the "SFDR"). The SFDR aims to increase the harmonization of, and transparency towards the end investors with regard to, the integration of sustainability risks, the consideration of adverse sustainability impacts, the promotion of environmental or social characteristics and sustainable investment by requiring pre-contractual and ongoing disclosures to end investors.

The SFDR provides high-level definitions and distinguishes between several categorizations of products including "Article 8 products" which are financial products that promote, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices ("SFDR Article 8 Products") and "Article 9 products" which are products that have sustainable investment as their objective ("SFDR Article 9 Products").

The following sub-funds of Hereford Funds are categorized as financial products falling under the scope of the following SFDR articles as at September 30, 2023:

Sub-funds	**Current SFDR categorization as at September 30, 2023**
Hereford Funds - DSM US Large Cap Growth Fund	Article 8 product
Hereford Funds - Bin Yuan Greater China Fund	Article 8 product
Hereford Funds - Bin Yuan Healthcare Fund	Article 8 product

Within the meaning of SFDR (regulation EU 2019/2088 of November 27, 2019 on sustainability-related disclosures in the financial services sector), the other sub-fund does not promote environmental and/or social characteristics nor has a sustainable investment as its objective.

For the purpose of the "taxonomy" regulation (regulation EU 2020/852 of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending the EU regulation 2019/2088), the investments underlying the sub-fund do not take into account the EU criteria for environmentally sustainable economic activities.

ANNEX IV

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Hereford Funds-DSM US Large Cap Growth Fund
Legal entity identifier: 549300794SKVH83HJY03

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It made **sustainable investments with an environmental objective:** __%	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of __% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** __%	☒ It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

During the reporting period from 1st October 2022 to 30 September 2023, no companies held by the Compartment violated the UN Global Compact and the portfolio had an average MSCI ESG Rating of A, excluding at the same time issuers where a significant amount of revenues (greater than 5%) are derived from tobacco, fossil fuels, or adult entertainment.

All securities were rated using the ESG scorecard and scores were considered as part of the investment process. All scores were stored centrally and available to entire investment team.

No Companies were owned with an ESG score lower than 4.

- ***How did the sustainability indicators perform?*** The average internal ESG score of companies held by the Compartment was 7.63 and the lowest internal ESG score of a company held was 4.

- ***…and compared to previous periods?***

  During the reporting period from 1st October 2021 to 30 September 2022, the average internal ESG score of companies held by the Compartment was 7.83 and the lowest internal ESG score of a company held was 4.

- ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?***

  Not applicable.

- ***How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective?***

  Not applicable.

  How were the indicators for adverse impacts on sustainability factors taken into account?

  Not applicable.

  Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

  Not applicable.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

Not applicable.

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 30 September 2023

Largest investments	Sector	% Assets	Country
MICROSOFT	Computer and office equipment	9.62%	United States
ALPHABET 'A'	Internet, software and IT services	9.57%	United States
NVIDIA	Electronics and electrical equipment	8.18%	United States
AMAZON.COM	Retail and supermarkets	7.44%	United States
INTUIT	Computer and office equipment	4.86%	United States
ADOBE	Computer and office equipment	4.75%	United States
ACCENTURE 'A'	Electronics and electrical equipment	4.72%	Ireland
VISA 'A'	Holding and finance companies	4.56%	United States
ARISTA NETWORKS	Internet, software and IT services	4.51%	United States
EPAM SYSTEMS	Internet, software and IT services	4.15%	United States
AUTODESK	Computer and office equipment	4.05%	United States
MASTERCARD 'A'	Banks and credit institutions	3.99%	United States
AUTOMATIC DATA PROCESSING	Computer and office equipment	3.35%	United States
FISERV	Computer and office equipment	2.75%	United States
NEUROCRINE BIOSCIENCES	Biotechnology	2.68%	United States

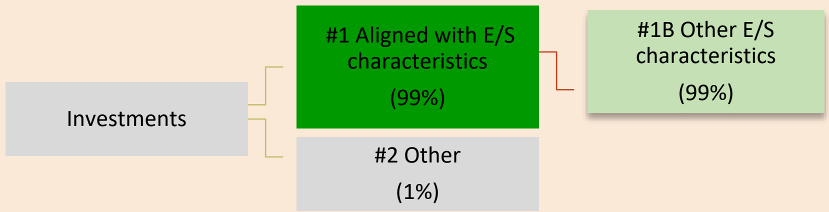
What was the proportion of sustainability-related investments?

The Compartment promotes environmental and social characteristics did not make any sustainable investments, within the meaning of point (17) of Article 2 of SFDR.

Asset allocation describes the share of investments in specific assets.

● ***What was the asset allocation?***

During the reporting period from 1st October 2022 to 30 September 2023, the Compartment held on average approximately 1% Cash / Cash Equivalents and 99% Equities at month end.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2 Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

● ***In which economic sectors were the investments made?***

Computer and office equipment	29.38%
Internet, software and IT services	20.57%
Electronics and electrical equipment	16.11%
Holding and finance companies	13.62%
Retail and supermarkets	7.44%
Banks and credit institutions	6.36%
Biotechnology	2.68%
Pharmaceuticals and cosmetics	2.43%
Food and soft drinks	0.97%

The Sub-Fund had no exposure to the Fossil Fuel sector during the period under review.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

- **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?**

☐ Yes:

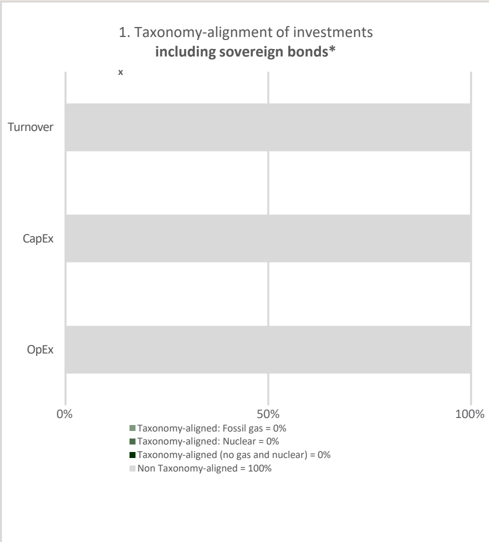
☐ In fossil gas ☐ In nuclear energy

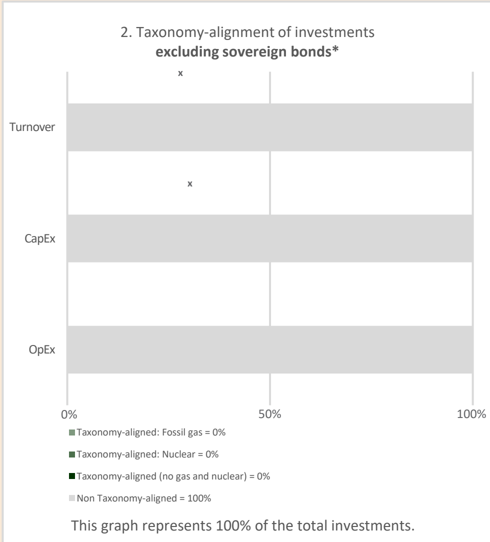
☒ No

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

- ***What was the share of investments made in transitional and enabling activities?***

  Not applicable

- ***How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?***

  Not applicable

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Not applicable

What was the share of socially sustainable investments?

Not applicable

What investments were included under "other", what was their purpose and were there any minimum environmental or social safeguards?

1% of the Compartment – cash and cash equivalent allocation not incorporating any environmental or social characteristics. Cash and cash equivalent were used for treasury purposes.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Investment Manager leveraged its own fundamental bottom-up research along with MSCI's input to create adjusted internal ESG scores that better captures the risk and return associated with each stock owned. Each analyst/portfolio manager at the Investment Manager completed in-depth research on ESG issues impacting companies and assigned scores using a consistent in-house methodology. ESG scores were included in the Investment Manager's internal summaries and had an impact on its investment decisions. No Companies were owned with an ESG score lower than 4.

DSM's investment team is responsible for proactively engaging with companies to better understand a company's approach to ESG and potentially influence ESG related corporate practices. DSM communicates with management and investor relations teams of current and potential portfolio companies, and engagements may take the form of direct in-person meetings, calls, emails, or letters. In determining the prioritization of engagements, DSM considers, among other things: (1) the materiality of the issue; (2) the significance of the portfolio position; (3) the ability to effect change in company practices; and (4) the ability to escalate if necessary. The length of each engagement will vary based on the materiality of the issue, a company's response, and how the information gathered is integrated into DSM's investment process.

DSM monitors the progress and outcome of its engagements on an ongoing basis to evaluate the actions, if any, taken by a company as well as what further actions may be necessary. If there are ESG violations by a company that are severe and not being adequately addressed, DSM may escalate the matter through (1) letter writing to the board of directors, (2) relevant proxy voting, (3) or selling the position. However, DSM believes that we are in the best position to improve ESG outcomes when we as shareholders are interacting with management and will first seek to engage with them to influence a positive resolution of the issues in question.

How did this financial product perform compared to the reference benchmark?

Not applicable

- ***How does the reference benchmark differ from a broad market index?***

  Not applicable

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

  Not applicable

- ***How did this financial product perform compared with the reference benchmark?***

  Not applicable

- ***How did this financial product perform compared with the broad market index?***

  Not applicable

ANNEX IV

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Product name: Hereford Funds-Bin Yuan Greater China Fund

Legal entity identifier: 254900VV3B1TP4S8UF14

Environmental and/or social characteristics

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Did this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It made **sustainable investments with an environmental objective:** __%	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of __% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** __%	☒ It promoted E/S characteristics, but **did not make any sustainable investments**

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

During the reporting period, we sticked to our corporate culture that responsible investment brings superior investment returns and benefits society and people in the long term.

As a member of NAZM, we committed to achieve carbon neutrality at the product portfolio level by 2050. We actively set interim goals for 2030, and the initial report was completed and disclosed at the end of 2022.

All of our investments have been evaluated through our in-house ESG rating system and meet our criteria of scoring above 2.5 points. The sectors which we identified in the exclusion list (Norges Bank and companies producing coal-fired power, tobacco as well as any company in the gambling sector) were 100% excluded from the portfolio.
The Compartment promoted several environmental characteristics: the transition to a low carbon economy, the reduction of water emission, pollution & waste and the protection of biodiversity as well as social characteristics including social labour management, health and safety, Human Capital Development, Product Safety & Quality , Privacy & Data Security and Controversial Sourcing.

- ***How did the sustainability indicators perform?***

We use a comprehensive ESG score (which include the E/S characteristics listed above) to measure and monitor the attainment of environmental and social characteristics promoted by our company. As of Q3 2023 our portfolio ESG rating showed as below.

	Environment Score	Social Score	Governance Score	Bin Yuan Overall ESG Score
Portfolio Total	3.4	3.2	3.3	3.3

*The score is on a scale of 1-5, with 1 being the worst and 5 being the best. The company overall ESG score should be higher than 2.5 to remain in the portfolio.

We also implement strict exclusion indicator covers coal-fire, controversial weapon, tobacco, gamble cannabis, pornography and other non ESG-compliant companies.

- ***…and compared to previous periods?***

The overall score remains relatively stable.

- ***What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives?*** *Not applicable*

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective? *Not applicable*

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How were the indicators for adverse impacts on sustainability factors taken into account? Not applicable

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details: Not applicable

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors?

Not applicable

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01/10/2022 - 30/09/2023

Largest investments	Sector	% Assets	Country
IRAY TECHNOLOGY 'A'	Photography and optics	10.57%	China
CHINA MERCHANT BANK 'A'	Banks and credit institutions	6.7%	China
HAICHANG OCEAN	Gastronomy	5.00%	Cayman Islands
PING AN INSURANCE 'A'	Insurance	4.45%	China
BAIDU 'A'	Internet, software and IT services	4.17%	Cayman Islands
NARI TECHNOLOGY 'A'	Construction of machines and appliances	4.05%	China
KANGJI MEDICAL HOLDINGS	Pharmaceuticals and cosmetics	3.71%	China
ECOVACS ROBOTICS 'A'	Electronics and electrical equipment	3.69%	China
SH FRIEND 'A'	Electronics and electrical equipment	3.59%	China
CHAOZHOU THREE-CIRCLE 'A'	Electronics and electrical equipment	3.49%	China
WX AUTOWELL 'A'	Public utilities	3.48%	China
H WORLD GROUP S	Gastronomy	3.13%	Cayman Islands
XI'AN SINOFUSE ELECTRIC 'A'	Construction of machines and appliances	3.12%	China
ALIBABA GROUP HOLDING	Utilities	3.06%	Cayman Islands
JIANGSU HENGLI HYDRAULIC 'A'	Construction of machines and appliances	3.02%	China

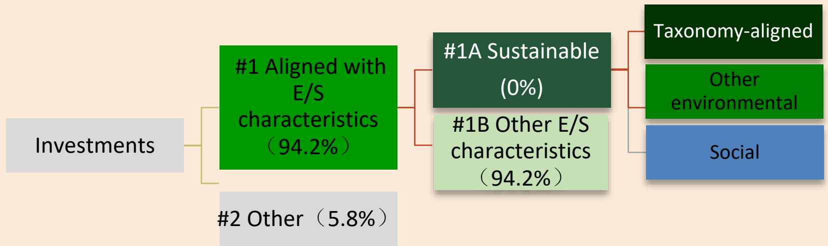
What was the proportion of sustainability-related investments?

The Compartment promotes environmental and social characteristics but does not commit to making a minimum proportion of sustainable investments, within the meaning of point (17) of Article 2 of SFDR.

Asset allocation describes the share of investments in specific assets.

- ***What was the asset allocation?***

During the reporting period, the asset allocation was: equities (#1 Aligned with E/S characteristics) 94.2%; #2Other and cash 5.8%.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.

- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

In which economic sectors were the investments made?

The investments were made in the following sectors.

Electronics and electrical equipment	17.15%
Photography and optics	13.33%
Construction of machines and appliances	12.41%
Gastronomy	8.93%
Pharmaceuticals and cosmetics	7.62%
Banks and credit institutions	7.21%
Tobacco and alcohol	4.71%
Insurance	4.45%
Internet, software and IT services	4.17%
Public utilities	3.48%
Utilities	3.06%
Food and soft drinks	2.31%
Healthcare & social services	1.92%
Chemicals	1.58%
Miscellaneous consumer goods	1.32%
Publishing and graphic arts	0.65%

The Sub-Fund had no exposure to the Fossil Fuel sector during the period under review.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

- **Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?**

☐ Yes:

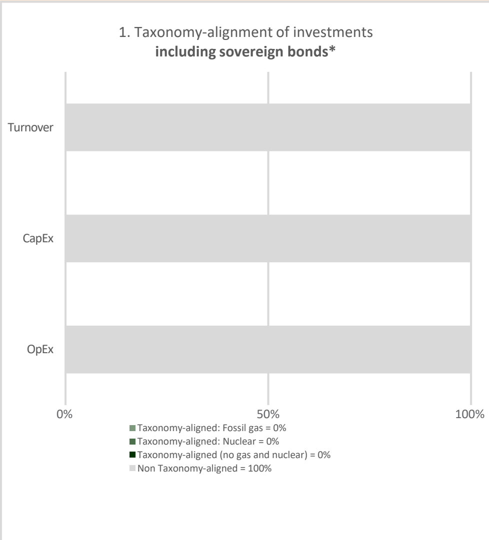
☐ In fossil gas ☐ In nuclear energy

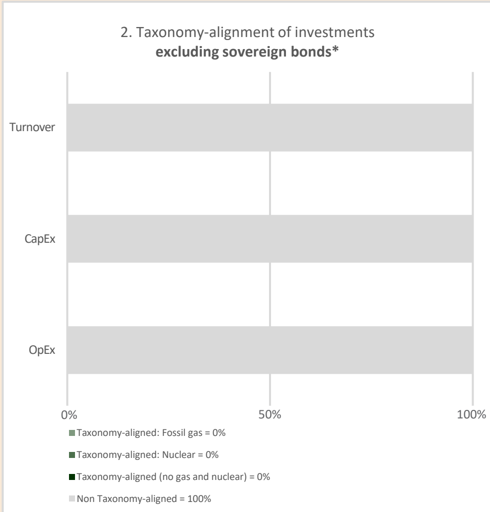
☒ No

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





This graph represents 100% of the total investments.

** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

- ***What was the share of investments made in transitional and enabling activities?***

Not applicable

- ***How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?***

Not applicable

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Not applicable

What was the share of socially sustainable investments?

Not applicable

What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

The “#2 other” portion of the portfolio includes deposits at sight and investments in liquid assets (including deposits, money market instruments and money market funds) for the efficient management of the fund. These liquid assets do not take into consideration ESG criteria and no minimum environmental or social safeguards will apply to them.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

We did 58 engagements in the past trailing four quarters, with 12 related to environmental, 18 related to social and 28 related to governance. Environment related engagements cover topics such as carbon emission, air quality, energy management, waste & hazardous materials management etc; social related engagements target to improve human/labor rights protection, product quality and safety, employee diversity & inclusion etc; while governance related engagements aims to improve business ethics, competitive behaviour, corporate compliance, board diversity etc.All these engagements were made to achieve our ESG goals and most of them received positive responses from target companies.

How did this financial product perform compared to the reference benchmark?

Not applicable

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How does the reference benchmark differ from a broad market index?***

  Not applicable

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

  Not applicable

- ***How did this financial product perform compared with the reference benchmark?***

  Not applicable

- ***How did this financial product perform compared with the broad market index?***

  Not applicable

ANNEX IV

Template periodic disclosure for the financial products referred to in Article 8, paragraphs 1, 2 and 2a, of Regulation (EU) 2019/2088 and Article 6, first paragraph, of Regulation (EU) 2020/852

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

Product name: HEREFORD FUNDS - BIN YUAN HEALTHCARE FUND

Legal entity identifier: 222100MBVVOZIWJ72W07

Environmental and/or social characteristics

Did this financial product have a sustainable investment objective?

☐ **Yes**	☒ **No**
☐ It made **sustainable investments with an environmental objective:** __%	☐ It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of __% of sustainable investments
☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
	☐ with a social objective
☐ It made **sustainable investments with a social objective:** __%	☒ It promoted E/S characteristics, but **did not make any sustainable investments**

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities.** That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Sustainability indicators measure how the environmental or social characteristics promoted by the financial product are attained.

To what extent were the environmental and/or social characteristics promoted by this financial product met?

During the reporting period, we sticked to our corporate culture that responsible investment brings superior investment returns and benefits society and people in the long term.

As a member of NAZM, we committee to achieve carbon neutrality at the product portfolio level by 2050. We actively set interim goals for 2030, and the initial report was completed and disclosed at the end of 2022.

All of our investments have been evaluated through our in-house ESG rating system and meet our criteria of scoring above 2.5 points. The sectors which we identified in the exclusion list (Norges Bank and companies producing coal-fired power, tobacco as well as any company in the gambling sector) were 100% excluded from the portfolio.

The Compartment promoted several environmental characteristics: the transition to a low carbon economy, the reduction of water emission, pollution & waste and the protection of biodiversity as well as social characteristics including social labour management, health and safety, Human Capital Development, Product Safety & Quality , Privacy & Data Security and Controversial Sourcing.

How did the sustainability indicators perform?

We use a comprehensive ESG score to measure and monitor the attainment of environmental and social characteristics promoted by our company. As of Q3 2023 our portfolio ESG rating showed as below.

	Environment Score	Social Score	Governance Score	Bin Yuan Overall ESG Score
Portfolio Total	3.2	3.2	3.1	3.2

*The score is on a scale of 1-5, with 1 being the worst and 5 being the best. The company overall ESG score should be higher than 2.5 to remain in the portfolio.

We also implement strict exclusion indicator covers coal-fire, controversial weapon, tobacco, gamble cannabis, pornography and other non ESG-compliant companies.

…and compared to previous periods?

The overall score remains relatively stable.

What were the objectives of the sustainable investments that the financial product partially made and how did the sustainable investment contribute to such objectives? *Not applicable*

How did the sustainable investments that the financial product partially made not cause significant harm to any environmental or social sustainable investment objective? *Not applicable*

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

How were the indicators for adverse impacts on sustainability factors taken into account? Not applicable

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details: Not applicable

The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific Union criteria.

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

Any other sustainable investments must also not significantly harm any environmental or social objectives.

How did this financial product consider principal adverse impacts on sustainability factors? *Not applicable*

What were the top investments of this financial product?

The list includes the investments constituting **the greatest proportion of investments** of the financial product during the reference period which is: 01/10/2022 – 30/09/2023

Largest investments	Sector	% Assets	Country
KANGJI MEDICAL HOLDINGS	Pharmaceuticals and cosmetics	8.74%	China
IRAY TECHNOLOGY 'A'	Photography and optics	8.38%	China
WUXI BIOLOGICS	Biotechnology	8.02%	Cayman Islands
WUXI APPTEC 'A'	Biotechnology	7.43%	China
SHENZHEN MINDRAY BIO-MEDICAL 'A'	Pharmaceuticals and cosmetics	4.55%	China
AK MEDICAL HOLDINGS	Pharmaceuticals and cosmetics	4.31%	Cayman Islands
ASYMCHEM LABORATORIES 'A'	Pharmaceuticals and cosmetics	3.99%	China
INNOVENT BIOLOGICS 144A/S	Pharmaceuticals and cosmetics	3.72%	Cayman Islands
APT MEDICAL 'A'	Pharmaceuticals and cosmetics	3.67%	China
SHENZHEN NEW INDUSTRIES BIOMEDICAL 'A'	Biotechnology	3.36%	China
JIANGSU HENGRUI PHARMA. 'A'	Pharmaceuticals and cosmetics	3.11%	China
QINGDAO NOVELBEAM TECHNOLOGY	Miscellaneous	3.04%	China
HANGZHOU TIGERMED CONSULTING 'A'	Pharmaceuticals and cosmetics	2.91%	China
AIER EYE HOSPITAL GROUP 'A'	Healthcare & social services	2.88%	China
SHANGHAI UNITED IMAGING HEALTH	Healthcare & social services	2.86%	China

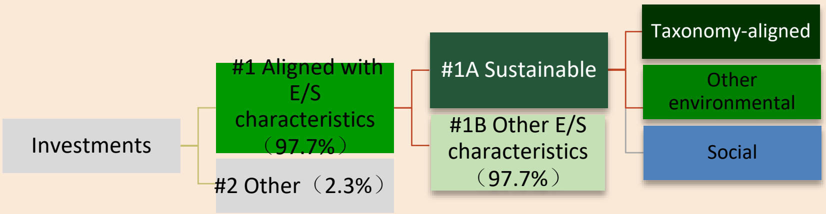
What was the proportion of sustainability-related investments?

The Compartment promotes environmental and social characteristics but does not commit to making a minimum proportion of sustainable investments, within the meaning of point (17) of Article 2 of SFDR.

Asset allocation describes the share of investments in specific assets.

- ***What was the asset allocation?***

  During the reporting period, the asset allocation was: equities (#1 Aligned with E/S characteristics) 97.7%; #2Other and cash 2.3%.



#1 Aligned with E/S characteristics includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

#2Other includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

The category **#1 Aligned with E/S characteristics** covers:

- The sub-category **#1A Sustainable** covers environmentally and socially sustainable investments.
- The sub-category **#1B Other E/S characteristics** covers investments aligned with the environmental or social characteristics that do not qualify as sustainable investments.

To comply with the EU Taxonomy, the criteria for **fossil gas** include limitations on emissions and switching to fully renewable power or low-carbon fuels by the end of 2035. For **nuclear energy**, the criteria include comprehensive safety and waste management rules.

Enabling activities directly enable other activities to make a substantial contribution to an environmental objective.

Transitional activities are activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

In which economic sectors were the investments made?

Pharmaceuticals and cosmetics	55.25%
Biotechnology	21.09%
Photography and optics	8.38%
Healthcare & social services	5.74%
Miscellaneous	3.04%
Electronics and electrical equipment	2.83%
Chemicals	1.55%

The Sub-Fund had no exposure to the Fossil Fuel sector during the period under review.

To what extent were the sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable

Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy[1]?

☐ Yes:

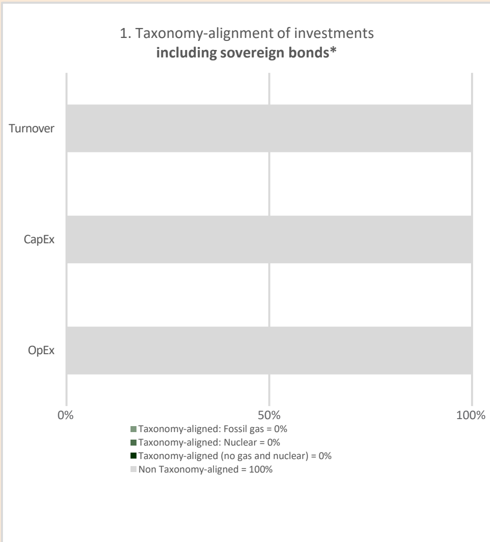
☐ In fossil gas ☐ In nuclear energy

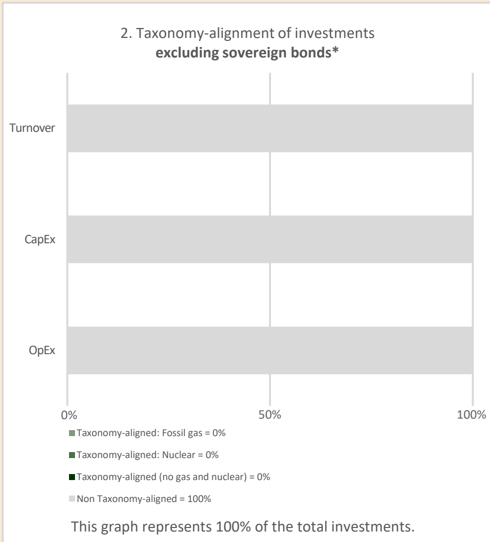
☒ No

[1] Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change (“climate change mitigation”) and do not significantly harm any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.

Taxonomy-aligned activities are expressed as a share of:
- **turnover** reflecting the share of revenue from green activities of investee companies.
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.





** For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.*

- ***What was the share of investments made in transitional and enabling activities?***

Not applicable

are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under Regulation (EU) 2020/852.

- ***How did the percentage of investments that were aligned with the EU Taxonomy compare with previous reference periods?***

Not applicable

What was the share of sustainable investments with an environmental objective not aligned with the EU Taxonomy?

Not applicable

What was the share of socially sustainable investments?

Not applicable

What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguards?

The “#2 other” portion of the portfolio includes deposits at sight and investments in liquid assets (including deposits, money market instruments and money market funds) for the efficient management of the fund. These liquid assets do not take into consideration ESG criteria, and no minimum environmental or social safeguards will apply to them.

What actions have been taken to meet the environmental and/or social characteristics during the reference period?

The Investment Manager performed 35 engagements in the past trailing four quarters, with 5 related to environmental, 14 related to social and 16 related to governance. Environment related engagements cover topics such as carbon emission, air quality, energy management, waste & hazardous materials management etc; social related engagements target to improve human/labor rights protection, product quality and safety, employee diversity & inclusion etc; while governance related engagements aims to improve business ethics, competitive behaviour, corporate compliance, board diversity etc.All these engagements were made to achieve our ESG goals and most of them received positive responses from target companies

How did this financial product perform compared to the reference benchmark?

Not applicable

Reference benchmarks are indexes to measure whether the financial product attains the environmental or social characteristics that they promote.

- ***How does the reference benchmark differ from a broad market index?***

Not applicable

- ***How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the environmental or social characteristics promoted?***

Not applicable

- ***How did this financial product perform compared with the reference benchmark?***

Not applicable

- ***How did this financial product perform compared with the broad market index?***

Not applicable