

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 2.08% for the month of August compared to a (0.90)% return for the Russell 1000 Growth Index and a (1.59)% return for the S&P 500 both including dividends. At the end of August, the Sub-Fund was invested in the technology, financials, communication services, consumer discretionary, health care, industrials, materials and consumer staples sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 298bps. This was primarily the result of the Manager's selections in technology. The Manager's selections in communication services also benefited performance. The Manager's selections in financials detracted from performance. In August, the positions that contributed the most to the portfolio's return were Arista Networks, NVIDIA, EPAM Systems, Intuit and Fleetcor Technologies. The positions that contributed the least in the month were PayPal Holdings, Charles Schwab, SolarEdge Technologies, Microsoft and Entegris.

## Manager's Commentary

The Manager believes the market can work higher as investors become more confident that inflation is on a sustained downward track and the Fed can stop raising interest rates. Although certain areas within services and core activities remain stubbornly sticky, the PPI has also shown significant deceleration. The last Fed meeting resulted in only a 25 basis point increase, and economists are now debating whether the Fed is done. While DSM doesn't expect any near-term cuts to rates, it does appear the Fed may not need to hike further and may possibly choose to remain at the current rate while the last year of rate hikes continue to work their way through the economy.

While the possibility of recession and general downside earnings risks exist in the market, equities are priced on forward looking earnings. In a recession, investors will look through near term earnings declines and value equities based on normalized earnings in the period after the recession. Moving into the fourth quarter of 2023, equities will increasingly be priced on calendar year 2024 earnings, which have the potential to exceed the \$225 level and perhaps approach \$250 if economic growth continues. In that scenario, a price target of 20x 2024 earnings would put the S&P 500 at 4500 to 5000. On the downside, using the current market multiple of 18x and a lower 2024 estimate of \$220, the market would be priced at 3960, a decline of roughly 11% from current levels.

Importantly, the Manager believes the portfolio's earnings will remain fairly resilient due to their solid secular demand trends, expanding total addressable markets, competitive positioning, and strong financial characteristics. Beginning with Sub-Fund purchases made during 2022, DSM continues to focus on Artificial Intelligence (AI)/digital transformation themes and the stocks they believe should benefit. Microsoft, Alphabet, Amazon.com, Adobe, Autodesk and Intuit are making significant leaps forward in many areas of AI. Furthermore, the Manager believes NVIDIA, Arista Networks and Entegris will provide the building blocks for those wanting to harness the capabilities of AI, while Accenture and EPAM Systems will assist clients in designing and implementing AI into their business and technology processes. 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.

As inflation and rate hike concerns dissipate, the Manager believes the Sub-Fund portfolio should benefit from a more optimistic outlook by market participants. Lower inflation will reduce the need for further rate hikes, moderate the absolute level of interest rates, stabilize the value of bank balance sheets, enhance the general economic outlook and raise the market's valuation. Given the economic resilience of the portfolio, along with its reasonable valuation and a normalized mid-to-high teens earnings growth rate going forward, in part due to the growth of generative AI, DSM believes this portfolio of premier quality growth businesses is well positioned for the intermediate and longer-term investor willing to look through potential near-term volatility.

## Key Information

NAV A Shares (31/8/23) US\$ 374.7  
Total Fund Size (all share classes) US\$ 70.4 m

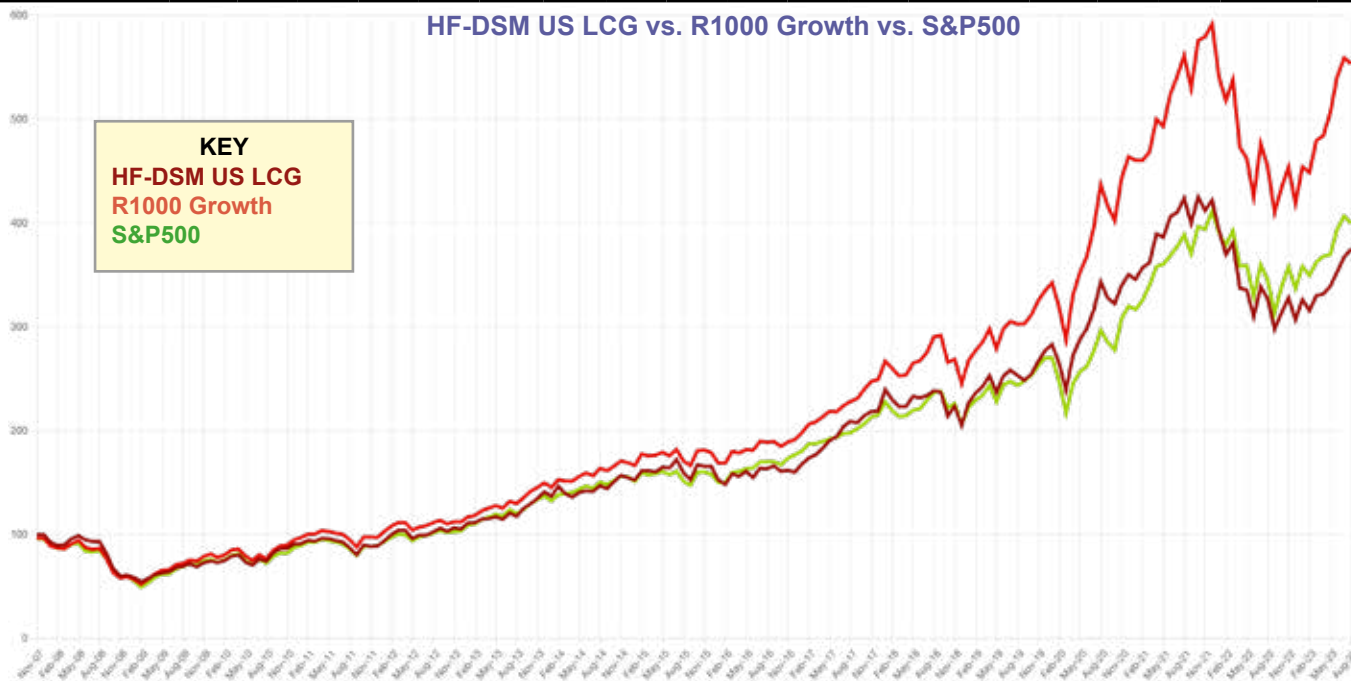
Strategy Assets US\$ 5,777.0<sup>(a)</sup>  
Fund Launch Date 29-Nov-07

## Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>HF-DSM US LCG</b>	6.3	(3.3)	4.6	0.5	2.3	4.1	4.1	2.1					22.2
<b>Russell 1000 Growth<sup>(c)</sup></b>	8.3	(1.2)	6.8	1.0	4.6	6.8	3.4	(0.9)					32.2
<b>S&amp;P 500<sup>(c)</sup></b>	6.3	(2.4)	3.7	1.6	0.4	6.6	3.2	(1.6)					18.7

Period Perf (%)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Cumulative	Annualised
HF-DSM US LCG Returns <sup>(b)</sup>	(27.8)	20.5	26.4	35.0	(6.2)	36.8	(3.3)	7.0	9.7	34.1	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	274.2	8.7%
Russell 1000 Growth <sup>(c)</sup>	(29.5)	27.5	38.5	36.4	(1.5)	30.2	7.1	5.7	13.1	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	453.7	11.4%
S&P 500 <sup>(c)</sup>	(18.1)	28.6	18.4	31.3	(4.4)	21.8	12.0	1.4	13.7	32.4	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	299.9	9.14%

HF-DSM US LCG vs. R1000 Growth vs. S&P500



## Top Ten Holdings

Accenture	Autodesk
Adobe	Intuit
Alphabet (Cl. A)	Microsoft
Amazon.com	NVIDIA
Arista Networks	Visa

Sectoral Breakdown	% of Assets
Information Technology	48.0%
Financials	18.8%
Communication Services	9.3%
Consumer Discretionary	8.5%
Health Care	6.5%
Industrials	4.3%
Materials	2.1%
Consumer Staples	1.8%

## Investment Objective

The investment objective of the HF-DSM US LCG is to provide capital appreciation principally through investments in US-based growing corporations with market capitalizations generally above US\$ 5 billion. These companies are chosen for their growth prospects, attractive returns, solid business fundamentals and intelligent management. The sub fund may, on an ancillary basis, invest in US-based companies with lower market capitalizations as well as in non-US based companies. The Compartment may invest in American Depositary Receipts and American Depositary Shares. The reference benchmark for this strategy is the Russell 1000 Growth Index.

Fund Codes		Since inception	HF-DSM US LCG	HF-DSM US LCG Composite	R1000 Growth
Bloomberg	DSMUSLA LX	Volatility	n/a	15.6	16.1
ISIN	LU0327604228	Sharpe Ratio	n/a	0.5	0.5
Reuters	LP65102015	Information Ratio	n/a	-0.1	
Sedol	B28TLX2	Tracking Error	n/a	6.3	
	3504726	Beta	n/a	0.9	
WKN	A0M58T	Alpha	n/a	-0.1	

## Fund Details

Dealing Day	Daily
Dividends	None - income accumulated within the fund
Investment Manager	DSM Capital Partners LLC 7111 Fairway Drive, Suite 350, Palm Beach Gardens, FL 33418
Management Company	FundPartner Solutions (Europe) S.A. 15, Avenue John F Kennedy, L-1855 Luxembourg
Custodian	Pictet & Cie (Europe) S.A. 15A, Avenue John F Kennedy, L-1855 Luxembourg
Legal Advisers	Elvinger, Hoss & Prussen 2 Place Winston Churchill, L-1340 Luxembourg
Auditor	Deloitte Audit S.à.r.l. 560 Rue de Neudorf, L-2220 Luxembourg

## Order Transmission Information

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15, avenue J. F. Kennedy  
L-1855 Luxembourg

Via Fax +352 46 71 71 7667  
or SWIFT PICTLULXTAS

- This refers to the total assets invested in the reference strategy managed by the Investment Manager.
- Data and graph depict DSM Composite through November 2007 and Hereford Funds DSM US Large Cap Growth Fund Class A thereafter. Historical gross performance of DSM Large Cap Composite returns (the Reference Strategy) is net of modeled fee and expense typical of Hereford Funds DSM US Large Cap Growth Fund Class A (1.25% fee + 0.25% expense). Fund follows same strategy. Performance presentation incomplete without accompanying footnotes as shown at [www.dsmcapital.com](http://www.dsmcapital.com).
- Total return including dividends.
- The fund is registered with the BaFin for public distribution in Germany from 17/10/12, registered with the AFM for public distribution in the Netherlands and registered with the AMF for public distribution in France.
- Share Class U has been granted Reporting Status by HMRC as of October 1, 2010.
- Share Class D is German tax registered from October 1, 2010.

## Annual Management Charge

Share Class A & U <sup>(e)</sup>	1.25%
Share Class D <sup>(f)</sup>	1.75%

France - Centralizing Correspondent as defined by French Regulation:  
Société Générale - Order Desk, 32, avenue du Champ de Tir, BP 81236, F-44312 Nantes Cedex 3  
Phone: +33/2.51.85.66.40, Fax: +33/2.51.85.58.71

Germany - Paying Agent as defined by German Regulation:  
Marcard, Stein & Co - Ballindamm 36, 20095 Hamburg  
Phone: +49/40.32.099.556, Fax: +49/40.32.099.206

Switzerland - Representative and Paying Agent as defined by Swiss Regulation:  
FundPartner Solutions (Suisse) SA (route des Acacias 60, 1211 Geneva 73, Switzerland) as Swiss representative and Banque Pictet & Cie SA (route des Acacias 60, 1211 Geneva 73, Switzerland) as Swiss paying agent.

## Minimum Investment

Share Class A & U <sup>(e)</sup>	\$100,000 initial / \$10,000 subsequent
Share Class D	\$10,000 initial / \$1,000 subsequent

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