

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 4.99% for the month of December compared to a 4.43% return for the Russell 1000 Growth Index and a 4.54% return for the S&P 500 both including dividends. At the end of December, the Sub-Fund was invested in the technology, financials, consumer discretionary, communication services, health care, industrials, consumer staples and materials sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 56bps. This was primarily the result of the Manager's selections in the technology sector. The Manager's underweight versus the benchmark and selections in industrials detracted from performance. In December, the positions that contributed the most to the portfolio's return were EPAM Systems, NVIDIA, Alphabet, Autodesk and Intuit. The positions that detracted the most in the month were Adobe, Microsoft, Linde, Fiserv and Automatic Data Processing.

## Manager's Commentary

American and EU monetary policy, as measured by M2, has been very tight on an historical basis. In fact, M2 "growth" has been negative for quite a long period of time, which has never happened before. As the Manager has discussed previously, rapidly rising M2 will generate inflation, while shrinking M2 will lead to disinflation. As M2 has fallen inflation in the western world, as measured by the CPI, PPI and PCE, has also declined to more normal levels. At this point in time a recession certainly remains possible on both sides of the Atlantic. However, with employment remaining strong and wages still solid, a "soft landing" or shallow recession appears more likely than an outright recession. With inflation almost back to the central banks' 2% target, the Fed and ECB have room to cut rates. Lower inflation generates lower interest rates which should support the economy. To this point, US housing prices seem to have stabilized or slightly increased recently as the 30-year mortgage rate has fallen from 8% to 7% since October 31.

The significance of reducing inflation in order to reduce interest rates extends across both economic growth and the issue of national debt. Government debt in both the US and Europe is extremely large and growing. Low inflation means lower interest expenses on government debt, while higher inflation would lead to budget-busting interest costs that governments cannot afford. For that reason, the Manager believes central banks will remain focused on tightening money supply and lowering inflation.

DSM's long-held belief is that the market "climbs a wall of worry," yet since 1928 the market has declined over 10% just 14 times, while it has appreciated over 10% a total of 55 times, including 2023. At this time last year, the Manager stated that the market's valuation and history were on the side of buyers as tight money supply (M2), would drive inflation down and the market up. In fact, that is what transpired, with the S&P 500 closing at 4770 up 26.3% which is the 36th time since 1928 that the market has appreciated more than 20%.

The Manager believes they have assembled a portfolio of market dominant and attractively valued companies including many which, in their view, are poised to benefit from AI and other digital drivers over the years to come. They believe that lower inflation is supportive of lower interest rates and a market that moves steadily higher. In their view, the total portfolio is very rationally valued on both calendar 2024 and 2025 earnings. Furthermore, the Manager believes the technology-related positions in the portfolio, with a projected growth rate of roughly 20% (based on DSM's internal calculations), are very attractively priced and that it is possible that the AI earnings upside in these companies is not fully reflected in their stock prices at this time.

## Key Information

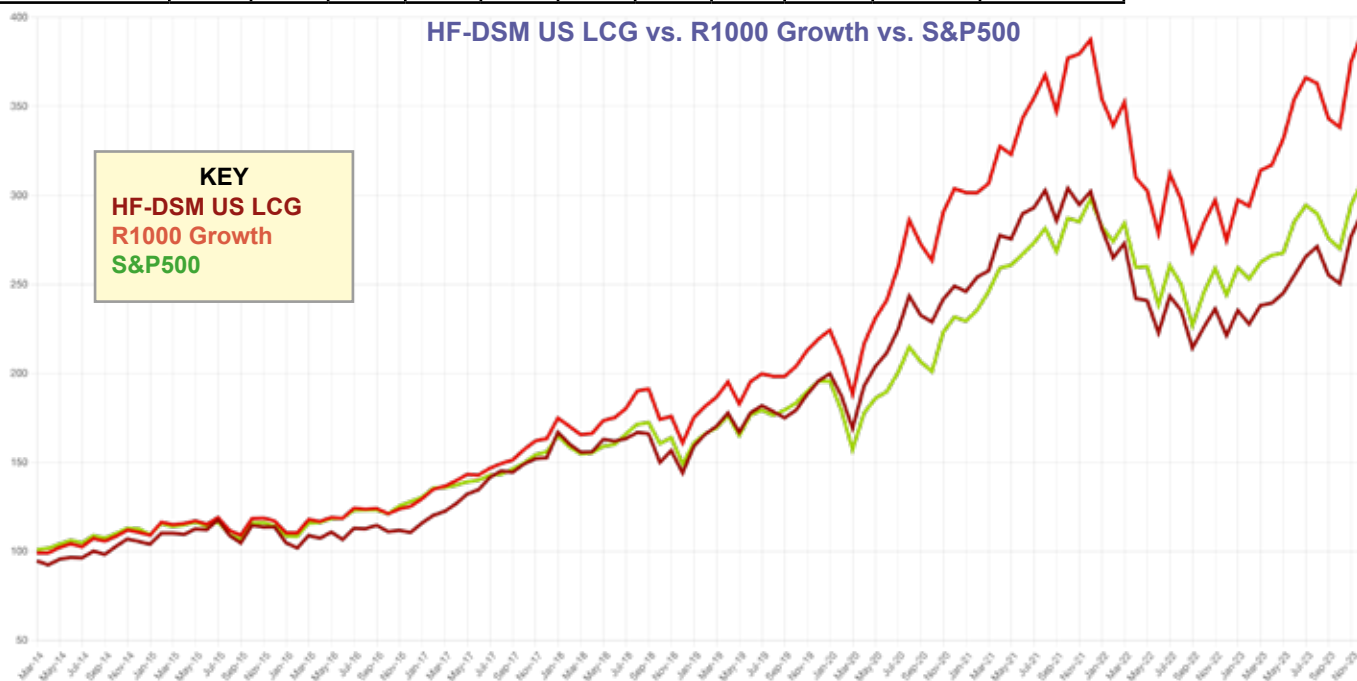
NAV B Shares (31/12/23) US\$ 290.6  
Total Fund Size (all share classes) US\$ 72.5m

Strategy Assets US\$ 5,841.7 <sup>(a)</sup>  
Fund Launch Date 26/01/2015

## 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	(5.9)	(1.9)	10.6	5.0	31.4
<b>Russell 1000 Growth<sup>(c)</sup></b>	8.3	(1.2)	6.8	1.0	4.6	6.8	3.4	(0.9)	(5.4)	(1.4)	10.9	4.4	42.7
<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)	(4.8)	(2.1)	9.1	4.5	26.2

Period Perf (%)	2022	2021	2020	2019	2018	2017	2016	2015	2014	Cumulative	Annualised
HF-DSM US LCG Returns <sup>(b)</sup>	(26.8)	21.3	27.2	35.9	(5.6)	37.8	(2.6)	7.8	11.5	190.6	11.5%
Russell 1000 Growth <sup>(c)</sup>	(29.1)	27.5	38.5	36.4	(1.5)	30.3	7.1	5.6	11.8	291.6	14.9%
S&P 500 <sup>(c)</sup>	(18.1)	28.6	18.3	31.3	(4.4)	21.8	12.0	1.4	11.7	208.0	12.1%



## Top Ten Holdings

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

Sectoral Breakdown	% of Assets
Information Technology	49.0%
Financials	14.0%
Consumer Discretionary	11.6%
Communication Services	9.1%
Health Care	7.2%
Industrials	3.6%
Materials	2.5%
Consumer Staples	2.5%

## 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	
Bloomberg	DSMUSLB LX
ISIN	LU0327604574
Telekurs	003504729
Sedol	B28TLY3

Since inception	HF-DSM US LCG	HF-DSM US LCG Composite	R1000 Growth
Volatility	n/a	15.7	16.2
Sharpe Ratio	n/a	0.5	0.5
Information Ratio	n/a	-0.1	
Tracking Error	n/a	6.2	
Beta	n/a	0.9	
Alpha	n/a	0.0	

## 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

FundPartner Solutions (Europe) S.A.  
15, avenue J. F. Kennedy  
L-1855 Luxembourg

Via Fax +352 46 71 71 7667  
or SWIFT PICTLULXTAS

- (a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.
- (b) 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).
- (c) Total return including dividends.

## Registration

For our latest registration information, please see  
<https://herefordfunds.com/library/country-registrations>

## Annual Management Charge

Share Class B	0.70%

## Minimum Investment

Share Class B	\$10m initial subscription

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.

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