

## DSM US Large Cap Growth Sub-Fund Class A - June 2022

### Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund depreciated 7.6% for the month of June compared to a (7.92)% return for the Russell 1000 Growth Index and a (8.25)% return for the S&P 500 both including dividends. At the end of June, the Sub-Fund was primarily invested in the technology, communication services and health care sectors, with smaller weights in the financials, consumer discretionary, consumer staples, materials and industrials sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 36bps. This was primarily the result of the Sub-Fund's cash position of roughly 6%, as well as the Manager's selections and underweight in consumer discretionary versus the benchmark. The Manager's selections in the information technology sector detracted slightly from performance. In June, the positions that contributed the most to the portfolio's return were UnitedHealth Group, Neurocrine Biosciences, Monster Beverage, Keurig Dr. Pepper and United Parcel Service. The positions that contributed the least in the month were Meta Platforms, Amazon.com, Charles Schwab, Fleetcor Technologies and Microsoft.

### Manager's Commentary

Over the past few months, the headwinds of rising inflation causing increased interest rates have brought into question not just market valuations, but the prospects for global economic growth as well. In many developed economies the rate of inflation remains at 40-year highs. The US Consumer Price Index (CPI) increased 8.6% over the year ended May 2022, up from 8.3% in April. Within the CPI, the gas component rose 107%; the food component was up 10.1%; and the shelter index increased 5.5%. In the Eurozone, the May CPI reading increased 8.1% year over year, and accelerated from 7.4% in April. The UK CPI in May was 9.1%. At this time, only China and Japan are reporting very modest signs of inflation.

As a result, central banks are raising interest rates at an accelerated pace to bring inflation under control. In contrast to views of just six months ago, many forecasters expect interest rate hikes to be aggressive and front-end loaded. In addition, inflation causes consumers to devote a larger percentage of their income to essentials like gas, energy for heating and cooling, food and rent, leaving less discretionary spending available for items such as clothing, restaurants and travel. One key question is whether or not the Federal Reserve will be able to stop inflation, while maintaining economic growth simultaneously. In other words, achieve a soft landing. Recent commentary from Federal Reserve Chairman Jerome Powell and other Federal Reserve members suggests an acknowledgement that they are well "behind the curve" in their response. In the near term, it is possible that the Fed is prioritizing lowering inflation at the expense of economic growth. Under such conditions, the probability of a hard landing is more likely and has caused numerous global institutions, including the World Bank and the IMF along with various banks and brokers, to reduce global growth estimates.

In the Manager's view, the investment environment going forward will be much more like the 1990s, than the historically unique period since the Great Financial Crisis in 2008. As a result, valuations will normalize and excessive valuations will continue to slowly decline, much as they did after the internet bubble in 2000, while interest rates likely move higher, perhaps to levels similar to the 1990s. As communicated previously, DSM has taken steps to bring the portfolio's valuation to a level that is more reflective of a higher interest rate environment. During the last three quarters of 2021 and into the first quarter of 2022, the Manager sold entirely or trimmed higher P/E positions and reinvested the proceeds of these sales into lower P/E durable growth stocks. As a result, the portfolio's current P/E is more consistent with the 10-year US Treasury that is yielding 5% or more (as occurred prior to the Great Financial Crisis that began in 2008), and should help insulate the portfolio from further valuation compression.

### Key Information

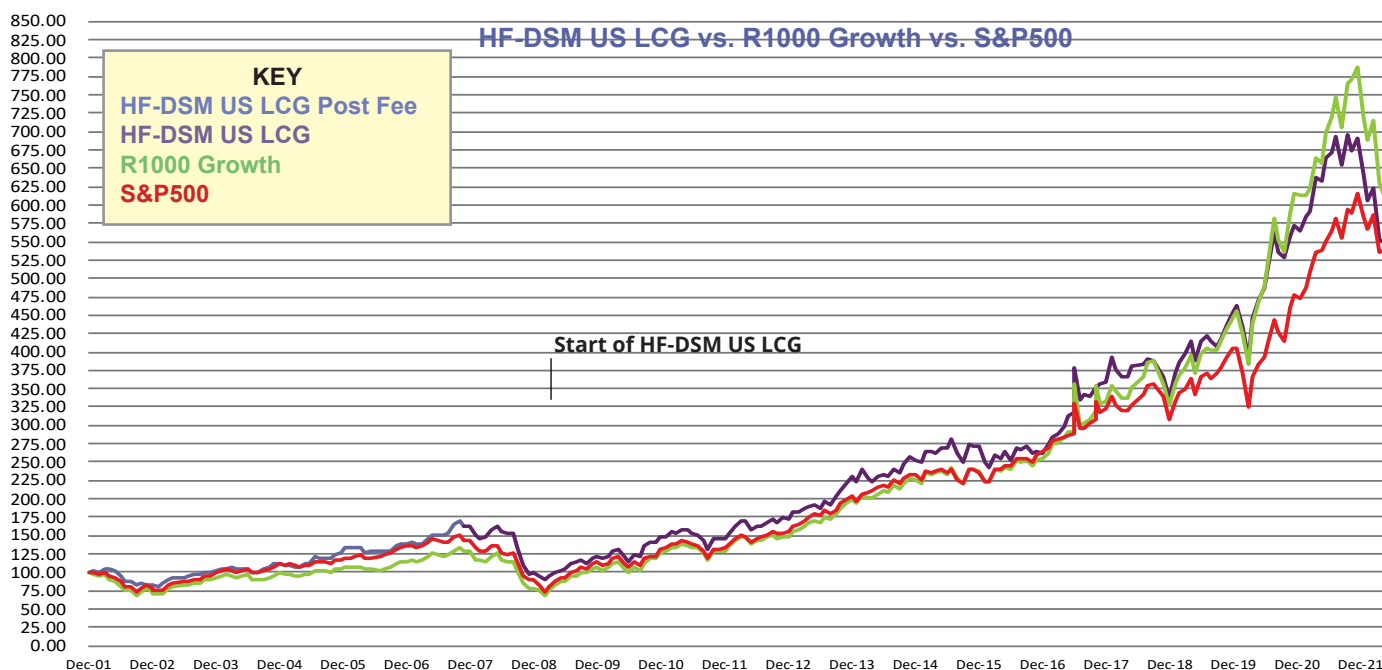
NAV A Shares (30/04/22) US\$ 309.88  
Total Fund Size (all share classes) US\$ 69.98m

Strategy Assets US\$ 5,435.0<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>	(6.9)	(5.9)	3.0	(11.4)	(0.6)	(7.6)							(26.5)
<b>Russell 1000 Growth<sup>(c)</sup></b>	(8.6)	(4.3)	2.9	(12.4)	(2.2)	(7.9)							(28.1)
<b>S&amp;P 500<sup>(c)</sup></b>	(5.2)	(3.0)	2.7	(8.7)	0.2	(8.3)							(20.0)

Period Performance (%)	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>	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	407.6	8.25%
Russell 1000 Growth <sup>(c)</sup>	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	392.9	8.82%
S&P 500 <sup>(c)</sup>	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	465.9	8.09%



## Top Ten Holdings

Alphabet (Cl. A)	Meta Platforms
Amazon.com	Microsoft
Boston Scientific	Charles Schwab
Fleetcor Technologies	UnitedHealth Group
Linde PLC	Visa

## 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	15.5	15.7
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	0.3	

## 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

- 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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