

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 8.46% for the month of August compared to a 10.32% return for the Russell 1000 Growth Index and a 7.19% return for the S&P 500 both including dividends. At the end of August, the Sub-Fund was primarily invested in the technology, communication services, consumer discretionary and health care sectors, with smaller weights in the financials and consumer staples sectors.

For the month, the Sub-Fund trailed the benchmark by approximately 169bps. This was primarily the result of the Manager's selections in the information technology sector. The Manager's selections in health care benefitted performance. In August, the positions that contributed the most to the portfolio's return were Alibaba Group, Microsoft, Adobe, Facebook and Amazon.com. The positions that contributed the least in the month were Becton Dickinson, Aon PLC, Neurocrine Biosciences, JD.com and Global Payments.

## Manager's Commentary

The Manager believes that investors have realized that the challenges of the coronavirus can and will be managed through treatments and vaccines, leading to a normalization of economic activity over time. With this backdrop, global equity markets have looked forward and have recovered before economic activity has completely recovered. Equity markets discount future earnings and cash flows over the next decade or more. In DSM's view, longer term earnings expectations have remained largely unchanged and as a result, equity markets and the portfolio have recovered as fear subsided and investor confidence was gradually restored.

The impact of extremely low interest rates on equity market performance is, in the Manager's opinion, overlooked. The yield on the ten-year US Treasury note, often considered the "risk-free rate," fell to a historically low level in August. Perhaps today's low interest rates are in fact 'manufactured' by the Federal Reserve, and therefore rates may well rise at some point over the next few years. Even if true, interest rates will remain historically low in a deflationary world. The result of lower interest rates will be higher price-earnings ratios than investors are accustomed to, and that, in turn, will lead to commentary that the stock market is overvalued.

There are already some who claim that the market is in "bubble" territory. The Manager disagrees as they feel a somewhat higher price-earnings ratio can be justified given that earnings are depressed by the pandemic. As earnings begin to recover in 2021 and with interest rates remaining historically low, the market may well move higher in both price and valuation (price-earnings) terms. "Tech stocks" are often accused of being the prime culprit triggering the purportedly overvalued equity market. Since some tech, or digitally based businesses, exhibit price-earnings ratios of 100x or more it is hard to argue that these particular equities are not potentially in "bubble territory". As risk averse investors, DSM does not own these particularly highly valued companies. However, it is essential to remember that digital transformation is a global revolution massively impacting the structure of the global economy. Accordingly, pure play digital businesses that are instrumental in creating the global digital transformation may, in an extremely low interest rate world, have bubble valuations. The Manager's task is to identify investment opportunities in new digital era equities that are much more rationally valued.

While the pandemic has dented the remarkable earnings history of the portfolio, DSM believes the impact of the pandemic on the S&P 500 and "Value" stocks will be far more negative. Considering the earnings resilience of the DSM portfolio, along with its reasonable valuations, and a normalized mid-to-high-teens earnings growth going forward, the Manager believes there remains significant appreciation potential. Given low inflation, historically low interest rates, a slow economic recovery, strong earnings and reasonable valuations, DSM sees this as an attractive time to be a holder of premier quality growth businesses.

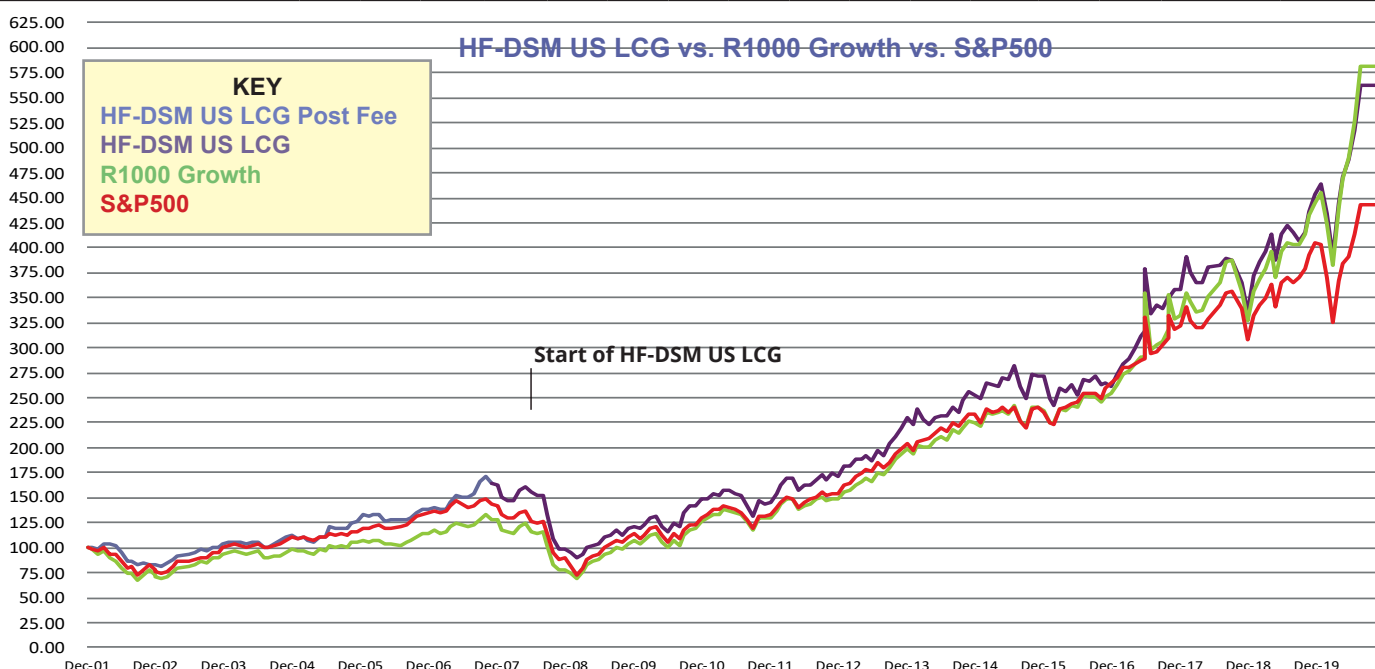
## Key Information

NAV A Shares (31/07/20) US\$ 343.0  
Total Fund Size (all share classes) US\$ 88.4m

Strategy Assets US\$ 7,790.4m<sup>(a)</sup>  
Fund Launch Date 29-Nov-07

Monthly Performance (%)														
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	
HF-DSM US LCG	2.1	(6.3)	(9.8)	13.8	5.8	3.6	6.1	8.5					23.8	
Russell 1000 Growth <sup>(c)</sup>	2.2	(6.8)	(9.8)	14.8	6.7	4.4	7.7	10.3					30.5	
S&P 500 <sup>(c)</sup>	(0.0)	(8.2)	(12.4)	12.8	4.8	2.0	5.6	7.2					9.7	

Period Performance (%)	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Cumulative	Annualised
HF-DSM US LCG Returns <sup>(b)</sup>	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	461.9	9.51%
Russell 1000 Growth <sup>(c)</sup>	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	343.7	9.70%
S&P 500 <sup>(c)</sup>	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	481.1	8.16%



## Top Ten Holdings

Adobe	Facebook
Alibaba Group	Microsoft
Alphabet (Cl. A)	PayPal Holdings
Amazon.com	Tencent Holdings
EPAM Systems	Visa

Sectoral Breakdown	% of Assets
Information Technology	43.3%
Communication Services	20.3%
Consumer Discretionary	19.8%
Health Care	11.7%
Financials	2.2%
Consumer Staples	1.9%

## 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		n/a	15.3	15.2
ISIN		n/a	0.6	0.6
Reuters		n/a	0.0	
Sedol		n/a	6.3	
		n/a	0.9	
WKN		n/a	0.6	

## 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

- (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.
- (d) 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.
- (e) Share Class U has been granted Reporting Status by HMRC as of October 1, 2010.
- (f) 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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