

DSM US Large Cap Growth Sub-Fund Class A - December 2021

Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 2.41% for the month of December compared to a 2.11% return for the Russell 1000 Growth Index and a 4.48% return for the S&P 500 both including dividends. At the end of December, the Sub-Fund was primarily invested in the technology and communication services sectors, with smaller weights in the health care, consumer discretionary, financials, consumer staples, industrials and materials sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 30bps. This was primarily the result of the Manager's selections in the healthcare and financials sectors. The Manager's underweight of the consumer discretionary sector versus the benchmark also benefited performance. In December, the positions that contributed the most to the portfolio's return were Visa, Charles Schwab, Monster Beverage, Boston Scientific and Mastercard. The positions that contributed the least in the month were Adobe, NVIDIA, Amazon.com, Netflix and Intuit.

Manager's Commentary

Global economic growth is recovering from the pandemic, albeit with seemingly unending fits and starts. As a result of very accommodative Federal Reserve and ECB monetary policies and generous government spending, employment is much improved, especially in the United States. Wages are increasing rapidly, as employee availability is limited for companies attempting to add staff. Extremely low interest rates and a readily available money supply have boosted the prices of stocks, bonds, real estate, private businesses and speculative assets such as crypto currencies. In turn, rising asset prices and very ample money supply have led to strong consumer spending, which along with rapidly rising wages have led to inflation in excess of 4% to 5% in the US, Europe and Japan. It is important to note that inflation reduces the purchasing value of disposable income, which then reduces "real" economic growth.

While global central banks initially considered this current inflation to be "transitory", it is now expected to persist into 2023. In response, the Federal Reserve will begin "tapering" their bond buying program quite soon and will likely end it completely within several months. Given somewhat higher levels of unemployment in Europe, the ECB is less likely to act as quickly, officially maintaining 2023 as the year they will begin tightening. However, persistent and higher than expected inflation may force the ECB to act sooner. Increasingly ECB members are speaking out over inflation concerns with some hints of an ECB rate hike in 2022 being considered. In any case, until central banks cease their purchases of bonds, interest rates will not have the opportunity to naturally reach levels dictated by economic factors. On its own, the elimination of quantitative easing should push interest rates gradually higher from today's historic lows. However, globally there is stronger evidence of higher-for-longer inflation than has been apparent over the past 30 or 40 years.

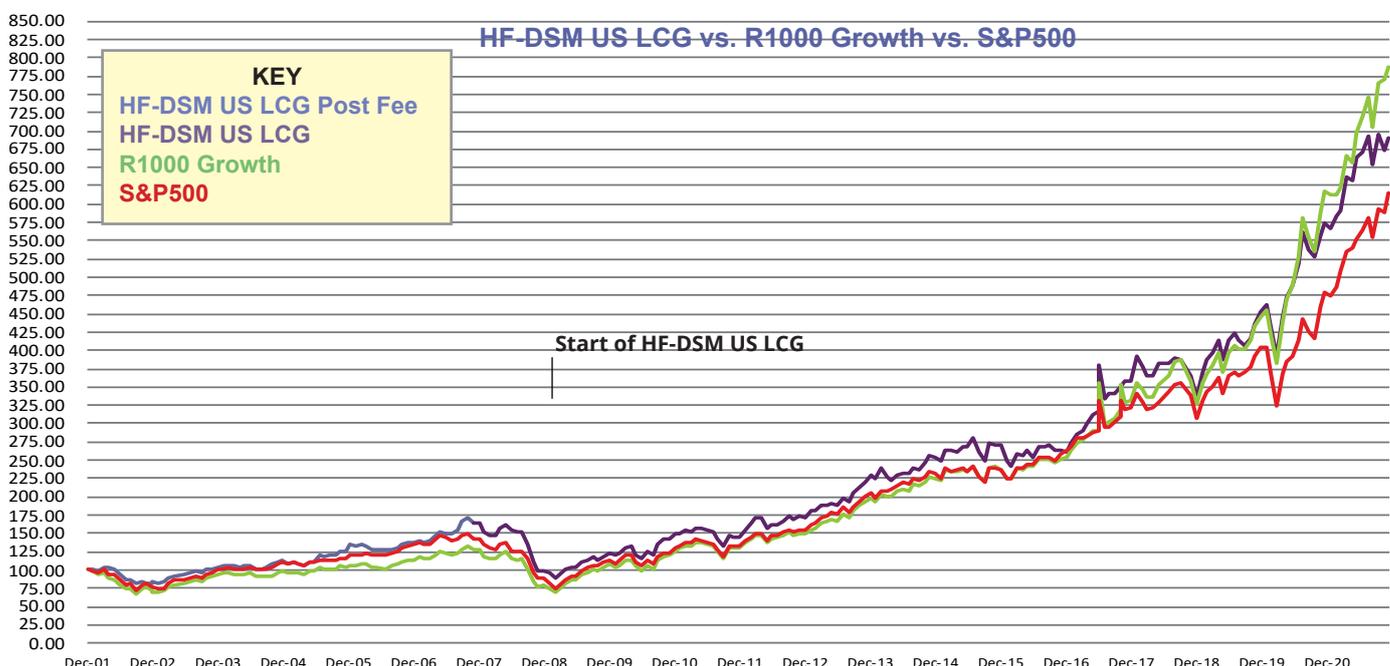
The Manager continues to believe the likely direction of global markets remains upward, given that the coronavirus pandemic is at the beginning-of-the-end (hopefully), the global economy is recovering, corporate earnings are much stronger than expected and the valuation of the S&P 500 at 21x 2022 earnings is reasonable assuming inflation moderates in the not-too-distant future. Investors are reliant on the world's major central banks to manage monetary policy to prevent inflation, as well as deflation. It is far too early to conclude that inflation is here to stay, but it is a situation that must be monitored. DSM is preparing for that risk by trimming or selling higher P/E names and purchasing or adding to positions with lower P/Es, as they focus on avoiding excessively high valuations and cyclical investments, as they always have.

Key Information

NAV A Shares (31/12/21)	US\$ 421.6	Strategy Assets	US\$ 8,079.7 ^(a)
Total Fund Size (all share classes)	US\$ 100.5m	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	(1.3)	3.3	1.3	7.7	(0.8)	5.1	1.1	3.3	(5.7)	6.3	(3.1)	2.4	20.5
Russell 1000 Growth^(c)	(0.7)	(0.02)	1.7	6.8	(1.4)	6.3	3.3	3.7	(5.6)	8.7	0.6	2.1	27.5
S&P 500^(c)	(1.0)	2.8	4.4	5.3	0.7	2.3	2.4	3.0	(4.7)	7.0	(0.7)	4.5	28.6

Period Performance (%)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Cumulative	Annualised
HF-DSM US LCG Returns^(b)	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	590.7	10.14%
Russell 1000 Growth^(c)	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	515.7	10.86%
S&P 500^(c)	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	686.8	9.51%



HF Hereford Funds

Top Ten Holdings	
Adobe	Microsoft
Alphabet (Cl. A)	Netflix
Amazon.com	PayPal Holdings
Intuit	Charles Schwab
Meta Platforms	Visa

Sectoral Breakdown	% of Assets
Information Technology	41.3%
Communication Services	21.2%
Health Care	10.7%
Consumer Discretionary	8.1%
Financials	6.8%
Consumer Staples	4.6%
Industrials	3.6%
Materials	2.3%

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 Depository Receipts and American Depository 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	15.2	15.3
ISIN	LU0327604228	Sharpe Ratio	n/a	0.6	0.7
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

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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.
- 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 ^(e)	1.25%
Share Class D ^(f)	1.75%

Minimum Investment	
Share Class A & U ^(e)	\$100,000 initial / \$10,000 subsequent
Share Class D	\$10,000 initial / \$1,000 subsequent

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