

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund Share Class A appreciated 10.48% for the month of January compared to a 8.99% return for the Russell 1000 Growth Index and a 8.01% return for the S&P 500 both including dividends. At the end of January, the Sub-Fund was invested in the technology, health care, communication services and consumer discretionary sectors, with smaller weights in the financials, consumer staples and industrials sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 137 bps. This was primarily the result of the Manager's selections in the consumer discretionary sector. The Manager's selections and overweight in communication services versus the benchmark also benefitted performance. In January, the positions that contributed the most to the portfolio's return were Facebook, Alibaba Group, Tencent Holdings, MSCI and Monster Beverage. The positions that contributed the least in the month were Neurocrine Biosciences, Zoetis, Toronto-Dominion Bank, Abbott Laboratories and EPAM Systems.

## Manager's Commentary

The Manager is optimistic that performance will continue to rebound. DSM's investment approach is built on the simple indisputable fact that over time "earnings win" because businesses appreciate in value as earnings grow. The portfolio's earnings have grown largely as expected - often better than expected - during 2018 and in prior years. The Manager believes its clients simply have not been paid in stock appreciation for the economic value that has been created by this earnings growth.

DSM has projected for many years that the current global economic expansion would prove to be a longer growth cycle than the majority of previous economic growth periods. The Manager continues to believe that a global economic recession is not likely to occur until 2021 or later. In 2018 the market was under pressure due to three primary concerns: a US-China trade war; political issues in Europe; and rising interest rates, all of which has created a lack of confidence in the durability of economic growth amongst consumers, businesses and investors globally.

While it is possible that DSM's expectations of global GDP growth in excess of 3% in 2019 may prove a bit too optimistic, it is the Manager's ongoing belief that the economic impact of the Chinese - American trade war, European political disarray in the UK, France and Italy, weakened European manufacturing trends, as well as the partial American government shutdown will be relatively limited.

As evidenced by January's returns, first quarter performance is off to a strong start, bolstered by very good earnings reports. Seventeen of the twenty-five companies in the portfolio as of year-end 2018 have reported thus far, and using Bloomberg statistics, earnings results were better than expected for fifteen of the companies, while one met expectations and another was slightly below expectations. Revenue growth and earnings growth averaged 18% and 30% respectively across these seventeen names, on an unweighted basis. The Manager continues to project a high teens earnings rate going forward, and believes it is possible that earnings growth will remain higher over the near-term.

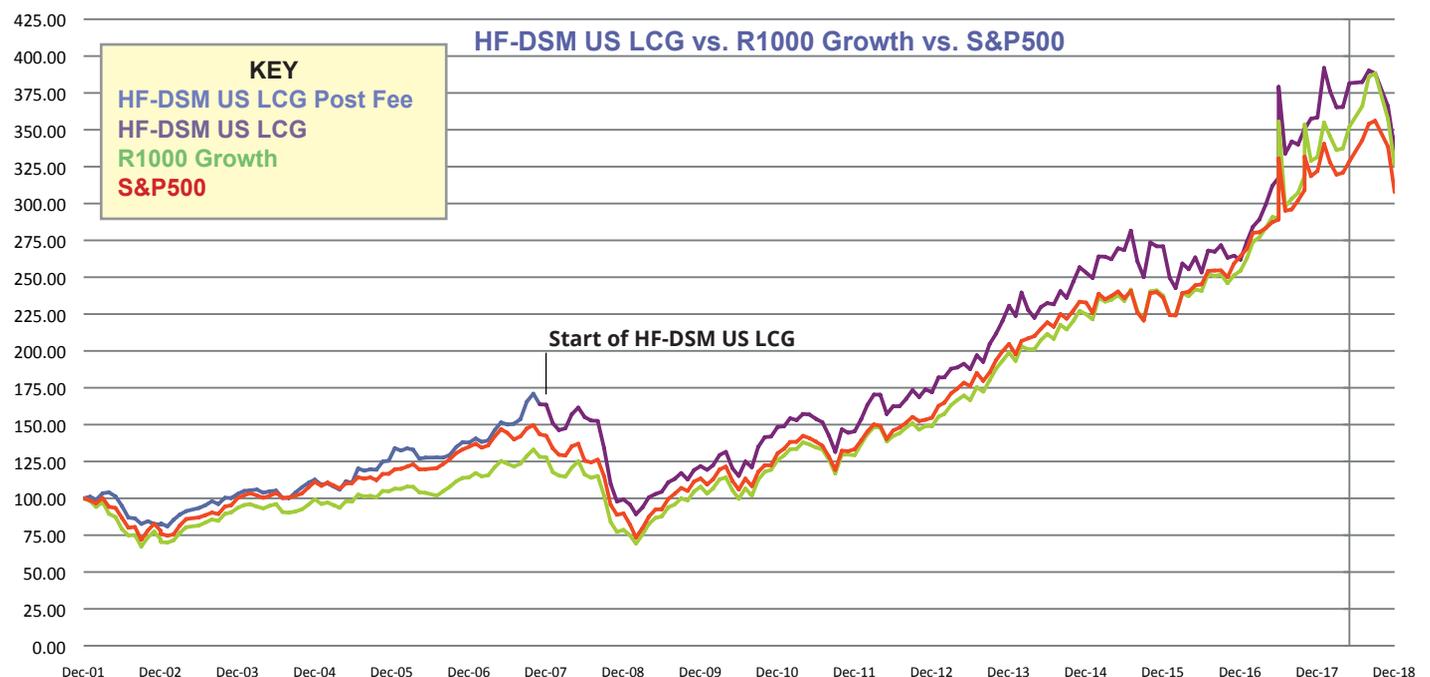
The Manager believes today's uncertainties will be of little concern over time. As fears regarding the economic impact of tariffs dissipate, DSM anticipates that a "weight will be lifted" from the shoulders of investors and global equity markets will continue their march higher. The positive scenario of ongoing and perhaps improving global economic growth, moderate global inflation, low albeit rising interest rates and healthy global corporate earnings continues to form the foundation of an upwardly driven global equity market.

## Key Information

NAV A Shares (31/1/19)	US\$ 205.19	Strategy Assets	US\$ 5,184.7m <sup>(a)</sup>
Total Fund Size (all share classes)	US\$ 69.8m	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>	10.5												10.5
<b>Russell 1000 Growth<sup>(c)</sup></b>	9.0												9.0
<b>S&amp;P 500<sup>(c)</sup></b>	8.0												8.0

Period Performance (%)	2018	2017	2016	2015	2014	2013	2012	2011	2009	2009	2008	2007	2006	Cumulative	Annualised
<b>HF-DSM US LCG Returns<sup>(b)</sup></b>	-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	271.3	7.56%
<b>Russell 1000 Growth<sup>(c)</sup></b>	-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	232.6	7.31%
<b>S&amp;P 500<sup>(c)</sup></b>	-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	255.9	6.90%



# HF Hereford Funds

Sectoral Breakdown	% of Assets
Information Technology	30.4%
Health Care	20.6%
Communication Services	19.9%
Consumer Discretionary	17.5%
Financials	5.8%
Consumer Staples	4.3%
Industrials	1.1%

Top Ten Holdings	
Adobe Systems	Microsoft
Alibaba Group	MSCI Inc.
Alphabet (Cl. A)	PayPal Holdings
Becton Dickinson	Tencent Holdings
Facebook	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 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	14.8	14.6
ISIN	LU0327604228	Sharpe Ratio	n/a	0.5	0.5
Reuters	LP65102015	Information Ratio	n/a	0.0	
Sedol	B28TLX2	Tracking Error	n/a	6.5	
	3504726	Beta	n/a	0.9	
WKN	A0M58T	Alpha	n/a	0.9	

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](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%

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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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