

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund depreciated (3.15)% for the month of October compared to a (2.35)% return for the Russell 1000 Growth Index and a (1.82)% return for the S&P 500 including dividends. At the end of October, the Fund was invested primarily in the technology, consumer discretionary and health care sectors, with smaller weights in the financials and consumer staples sectors.

For the month, the Fund trailed the benchmark by approximately 80 bps. This was primarily the result of the Manager's selections in the technology sector. The Manager's selections in consumer discretionary benefited performance. In October, the positions that contributed the most to the portfolio's return were Alexion Pharmaceuticals, Facebook, Royal Caribbean Cruises, Alphabet and FleetCor Technologies. The positions that contributed the least in the month were Allergan, Zoetis, Electronic Arts, Shire and Regeneron Pharmaceuticals.

## Manager's Commentary

DSM has not changed its long standing opinion that global equity markets will work their way higher because developed world economies are producing modest growth, interest rates are low, valuations are reasonable and investor pessimism throughout the world is rampant. Our multi-year global economic outlook of stable 3% type global growth has remained unchanged for a number of years, although at this point we would suggest that growth will likely be below 3% for the foreseeable future. Our expectations for roughly 2% growth in the US, faster growth in China, and growth of 1% or so in Europe are unchanged. But our previous expectation of 1% growth in Japan may prove optimistic, with closer to zero perhaps more probable. Furthermore, we do not believe that a global or western world recession will occur in the next eighteen months. Global monetary policy remains expansionary, although conversations around ECB "tapering" have pushed rates upward. China's outlook is stable or perhaps improving, while the US economy continues to create jobs likely keeping the Federal Reserve on the path of a December rate increase.

To reiterate our long standing theme, we believe the current global and US economic growth cycle may last longer, perhaps much longer than expected, albeit at a lower rate of growth than in past economic expansions. In a slow growth global economy, we believe our portfolio of quality, predictable growth companies is very well-positioned. In recent years, the portfolio's holdings have grown earnings in the high-teens. Going forward, we expect earnings growth to continue at a similar rate, which compares to long-term S&P 500 earnings growth of approximately 4% to 6%. And importantly, we believe the earnings of the companies in the portfolio are more predictable and less cyclical than the market as a whole.

It is important to remember that investors often buy or sell stocks without regard for fundamentals or valuation. Emotions may take charge of the market for a short period of time, but over a longer time frame, stocks are driven by earnings and rational valuations. We believe that the valuation of the portfolio based on our calculations, at 19.3x next-four-quarter earnings through September of 2017, and 18.3x 2017 earnings, is quite attractive. In our view, equity P/Es are ignoring low interest rates, low inflation and slow global growth, because investors' perceived political and economic risks are greater today than in the past. In our view, with the exception of energy, banking and commodity-related businesses, corporate profits remain reasonably solid, and we continue to expect that global markets will trend higher.

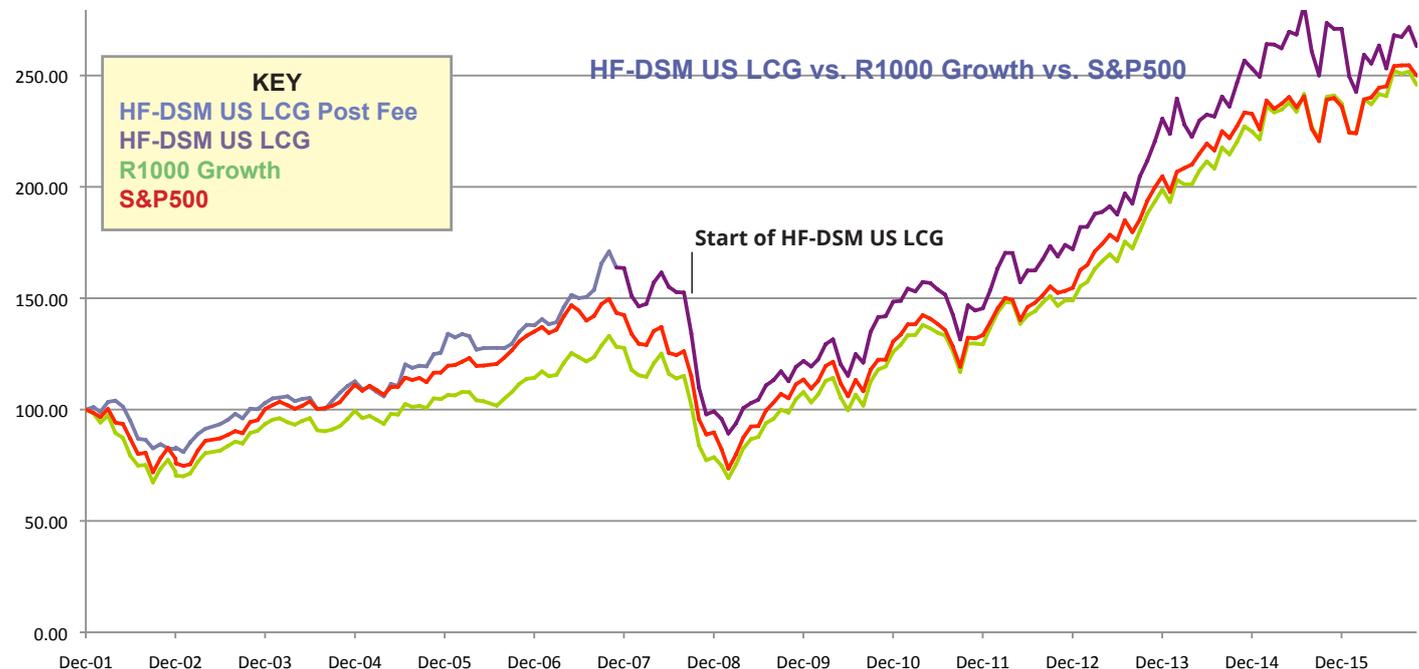
## Key Information

NAV A Shares (31/07/16) US\$ 160.67  
Total Fund Size (all share classes) US\$ 93.3m

Strategy Assets US\$ 4,559.5m<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                      | (7.9) | (2.8) | 6.9 | (1.5) | 3.2 | (3.9) | 5.88 | (0.29) | 1.6  | (3.1) |     |     | -2.9 |
| Russell 1000 Growth <sup>(c)</sup> | (5.6) | 0.0   | 6.7 | (0.9) | 1.9 | (0.4) | 4.72 | (0.5)  | 0.02 | (2.3) |     |     | 3.5  |
| S&P 500 <sup>(c)</sup>             | (5.0) | (0.1) | 6.8 | 0.4   | 1.8 | 0.3   | 3.69 | 0.14   | 0.4  | (1.8) |     |     | 5.9  |

| Period Performance (%)               | YTD   | 2015 | 2014 | 2013 | 2012 | 2011  | 2009 | 2009 | 2008   | 2007 | 2006 | 2005 | 2004 | Cumulative | Annualised |
|--------------------------------------|-------|------|------|------|------|-------|------|------|--------|------|------|------|------|------------|------------|
| HF-DSM US LCG Returns <sup>(b)</sup> | (2.9) | 7.0  | 9.7  | 34.1 | 18.2 | (2.0) | 21.9 | 22.8 | (39.3) | 18.7 | 9.8  | 11.4 | 9.4  | 163.2      | 6.74%      |
| Russell 1000 Growth <sup>(c)</sup>   | 3.5   | 5.7  | 13.1 | 33.5 | 15.3 | 2.6   | 16.7 | 37.2 | (38.4) | 11.8 | 9.1  | 5.3  | 6.3  | 145.9      | 6.25%      |
| S&P 500 <sup>(c)</sup>               | 5.9   | 1.4  | 13.7 | 32.4 | 16.0 | 2.1   | 15.1 | 26.5 | (37.0) | 5.5  | 15.8 | 4.9  | 10.9 | 150.0      | 6.37%      |



# HF Hereford Funds

| Top Ten Holdings     |                  |
|----------------------|------------------|
| Adobe Systems        | Facebook         |
| Alibaba Group        | Monster Beverage |
| Allergan             | Priceline Group  |
| Alphabet (Cl. A & C) | Visa             |
| Electronic Arts      | Zoetis           |

| Sectoral Breakdown     | % of Assets |
|------------------------|-------------|
| Information Technology | 45.9%       |
| Consumer Discretionary | 20.9%       |
| Health Care            | 20.7%       |
| Financials             | 7.0%        |
| Consumer Staples       | 4.5%        |
|                        |             |

## 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 Depository Receipts and American Depository Shares. The reference benchmark for this strategy is the Russell 1000 Growth Index.

| Fund Codes |              |
|------------|--------------|
| Bloomberg  | DSMUSLA LX   |
| ISIN       | LU0327604228 |
| Reuters    | LP65102015   |
| Sedol      | B28TLX2      |
|            | 3504726      |
| WKN        | A0M58T       |

|                   | Since inception | HF-DSM US LCG | HF-DSM US LCG Composite | R1000 Growth |
|-------------------|-----------------|---------------|-------------------------|--------------|
| Volatility        | n/a             |               | 14.8                    | 14.8         |
| Sharpe Ratio      | n/a             |               | 0.4                     | 0.3          |
| Information Ratio | n/a             |               | 0.1                     |              |
| Tracking Error    | n/a             |               | 6.6                     |              |
| Beta              | n/a             |               | 0.9                     |              |
| Alpha             | n/a             |               | 1.1                     |              |

| Fund Details       |  |
|--------------------|--|
| Dealing Day        | Daily  |
| Dividends          | None - income accumulated within the fund  |
| Investment Manager | DSM Capital Partners LLC<br>116 Radio Circle Drive, Suite 200,<br>Mount Kisco, NY 10549, USA |
| Management Company | BSI Fund Management S.A.<br>44F, rue de la Vallée,<br>L-2661 Luxembourg                      |
| Custodian          | BSI Europe S.A.<br>122, Rue Adolphe Fischer<br>L-1521 Luxembourg                             |
| Legal Advisers     | Elvinger, Hoss & Prussen<br>2 Place Winston Churchill,<br>L-1340 Luxembourg                  |
| Auditor            | Deloitte Audit S.à.r.l.<br>560 Rue de Neudorf,<br>L-2220 Luxembourg                          |

| Annual Management Charge         |       |
|----------------------------------|-------|
| Share Class A & U <sup>(e)</sup> | 1.25% |
| Share Class D <sup>(f)</sup>     | 1.75% |

| Minimum Investment               |   |
|----------------------------------|---|
| Share Class A & U <sup>(e)</sup> | \$100,000 initial / \$10,000 subsequent |
| Share Class D                    | \$10,000 initial / \$1,000 subsequent   |

## Order Transmission Information

### Original Applications To:

UBS Fund Services  
Attn.: Transfer Agent  
33a avenue J.F. Kennedy  
L-1855 Luxembourg

### Subsequent Applications Only Via Facsimile:

UBS Fund Services  
Attn.: Transfer Agent  
Fax : (+352) 4410106417  
Tel: (+352) 4410106404  
Email: sh-ubsfsl-transferagent@ubs.com

- 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.

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