HF Hereford Funds

Signatory of: PRI Principles for Responsible Investment

SFDR status as of March 2021: Article 8

DSM US Large Cap Growth Sub-Fund

Class A - September 2023

Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund depreciated 6.0% for the month of September compared to a (5.44)% return for the Russell 1000 Growth Index and a (4.77)% return for the S&P 500 both including dividends. At the end of September, the Sub-Fund was invested in the technology, financials, communication services, consumer discretionary, health care, industrials, materials and consumer staples sectors.

For the month, the Sub-Fund trailed the benchmark by approximately 51bps. This was primarily the result of the Manager's selections in financials. The Manager's selections in technology benefited performance. In September, the positions that detracted the least from the portfolio's return were Neurocrine Biosciences, Aon PLC, Fortinet, Chipotle Mexican Grill and Boston Scientific. The positions that detracted the most in the month were NVIDIA, Amazon.com, Adobe, Alphabet and Microsoft.

Manager's Commentary

In the Manager's opinion, global economic growth over the coming year will be determined in large part by the rate of decline of inflation in the EU and United States, as a result of Federal Reserve and ECB tightening. The more rapidly inflation falls, the less pressure there will be on the Federal Reserve and ECB to raise rates further, thereby enhancing the potential for a "soft landing" or "muddle through" economic outcome. At this point the most recent inflation data in both the US and EU continue the trend of significantly declining inflation, albeit the results are still above both central banks' targets of 2%. Importantly, this data makes additional rate hikes by each central bank appear less urgent and less likely, and not a moment too soon as French and Italian government borrowing costs have hit their highest levels in a decade, adding budgetary stress that governments on either side of the Atlantic can't afford. In addition, inflation of 2% to 3% would, in our opinion, put the ten-year US Treasury at a yield of 200 basis points over the rate of inflation or 4% to 5%, its current level today.

DSM believes that global and US economic growth approximating 2.5% over the next year is achievable, while in Europe and Japan, GDP will be closer to 1%. Higher interest rates in the US may be having an impact on the real estate market, especially with the ten- and thirty-year mortgage rates in excess of 6% and 7% respectively. It is possible that consumer spending will weaken as inflation-driven expenses rise causing many Americans to spend much of their savings. In addition, student loan repayments are restarting and oil prices are quite high. Logically, currently rising default rates confirm these stress points. On the other hand, incomes appear solid, wages are up and employment is strong. Clearly, with no recession in sight, the US economy has performed better than expected. At this point, excluding a significant unexpected shock, the Manager believes that if the economy were to weaken, a "soft landing" or shallow recession would be a more likely outcome than a more normal contraction.

Returning inflation to the 2% level is the target of both the Federal Reserve and the European Central Bank, but it will not happen overnight. Many commentators doubt the resolve of the central banks given political pressure to reduce interest rates. However, the reality is that the central banks have little choice. Government debt on both sides of the Atlantic is extremely large and growing. Low inflation means lower interest expenses on government debt, while high inflation means budget-busting interest costs that governments cannot afford. For that reason, DSM believes central banks will remain focused on tight money supply and lower inflation. "Higher for longer" is the current media refrain to describe central bank interest rate policies, which implies the implementation of additional rate hikes. In the Manager's view a more accurate description of the situation is "current rates for as long as it takes" or perhaps "one and done," and they believe the rate hike cycle is nearing an end.

The Sub-Fund portfolio remains reasonably valued with an underlying earnings growth rate in the high-teens. The Manager believes they have assembled a portfolio of dominant and attractively valued companies including many which, in their view, are poised to benefit from AI and other significant digital drivers over the years to come. As the economy continues to grow, albeit slowly, and inflation continues to fall, the probability of a significant recession declines. DSM continues to expect that global markets will trend higher despite well-publicized macro and geopolitical risks.

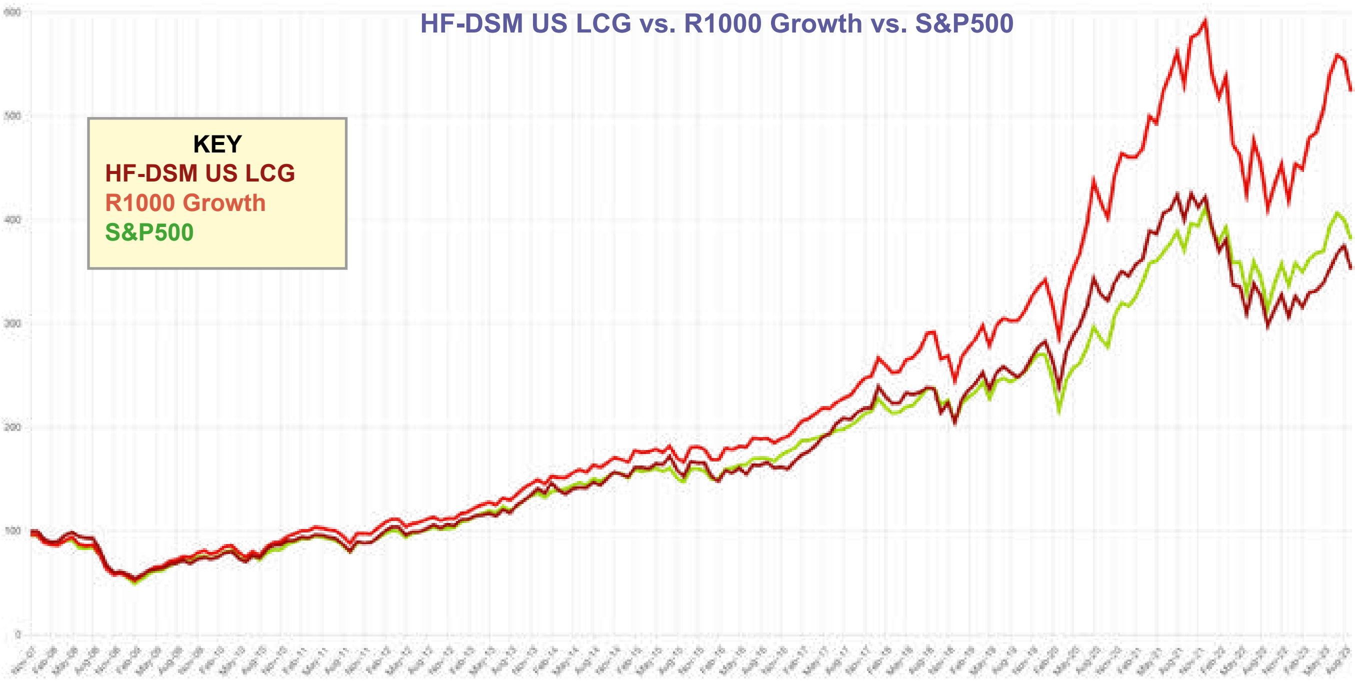
Key Information

NAV A Shares (30/9/23)	US$ 255.1	Strategy Assets	US$ 5,352.7[(a)]
Total Fund Size (all share classes)	US$ 66.2 m	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	6.3	(3.3)	4.6	0.5	2.3	4.1	4.1	2.1	(6.0)				14.9
Russell 1000 Growth[(c)]	8.3	(1.2)	6.8	1.0	4.6	6.8	3.4	(0.9)	(5.4)				25.0
S&P 500[(c)]	6.3	(2.4)	3.7	1.6	0.4	6.6	3.2	(1.6)	(4.8)				13.1

Period Perf (%)	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Cumulative	Annualised
HF-DSM US LCG Returns[(b)]	(27.8)	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	252.4	8.2%
Russell 1000 Growth[(c)]	(29.5)	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	423.6	11.0%
S&P 500[(c)]	(18.1)	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	280.9	8.8%



Top Ten Holdings	
Accenture	EPAM Systems
Adobe	Intuit
Alphabet (Cl. A)	Microsoft
Amazon.com	NVIDIA
Arista Networks	Visa

Sectoral Breakdown	% of Assets
Information Technology	47.8%
Financials	18.8%
Communication Services	9.6%
Consumer Discretionary	8.4%
Health Care	6.8%
Industrials	4.2%
Materials	2.2%
Consumer Staples	1.8%

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	15.6	16.1
Sharpe Ratio	n/a	0.5	0.5
Information Ratio	n/a	-0.1	
Tracking Error	n/a	6.3	
Beta	n/a	0.9	
Alpha	n/a	0.0	

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

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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.
(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[(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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