

Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 10.66% for the month of May compared to a 8.85% return for the Russell 1000 Growth Index and a 6.29% return for the S&P 500 both including dividends. At the end of May, the Sub-Fund was invested in the technology, industrials, communication services, consumer discretionary, financials and health care sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 182bps. This was primarily the result of the Manager's selections in information technology and industrials. The Manager's selections in financials detracted from performance in the period. In May, the positions that contributed the most to the portfolio's return were NVIDIA, Microsoft, Amazon.com, Intuit and Meta Platforms. The positions that detracted the most in the month were Eli Lilly, Fiserv, Fortinet, Cadence Design Systems and Synopsys.

Manager's Commentary

The appreciation of the portfolio in May was largely been driven by the performance of Alphabet, Amazon.com, Arista Networks, Meta Platforms, Microsoft and NVIDIA. These six technology names rebounded from the fears of the "Deep Seek" news in the first quarter, as well as the tariff concerns of early in the second quarter. The appreciation of these positions thus far in the second quarter has offset the decline in portfolio value during the first quarter, which was largely a result of the negative performance contribution of these six names plus Apple which has since been sold. In the Manager's opinion, the investment outlook for the leading global technology businesses in the portfolio remains very strong driven by continued growth in cloud, internet, software, semiconductor and security demand in addition to very well-known Artificial Intelligence (AI) trends.

Before President Trump's tariff policies were instituted, DSM expected global economic growth to approximate 3% in 2025, with a small probability of a lower growth "soft landing – muddle through" scenario as a possibility. Unfortunately, the Manager's outlook has now been altered. In their view, there is little doubt that President Trump's ever-changing tariff policies represent the most significant global economic risk variable. Should significant tariffs remain in place over the course of 2025, they believe American economic growth might be lower by 1% to 2% with similar reductions for the US's trading partners as well. Europe may enter a recession. In that situation, the Manager sees global economic growth, as well as that of the United States, falling towards 1% to 2%, with an American or global recession also becoming an increasing possibility.

The Trump administration's negotiations with each of its trading partners is essentially a game of chicken with the outcome dependent upon who will capitulate first. Since the EU generated an approximate €198 billion (or \$224 billion) trade surplus with the US in 2024, they seem to have a lot more to lose, especially given an economy which barely grows 1% annually. This ongoing uncertainty has, unsurprisingly, resulted in more caution and slower spending and investing among consumers and businesses around the world. If this should continue, global economic growth will most certainly slow.

On the other hand, very strong first quarter earnings reports point to continued strong AI-driven technology spending, with adoption driven by businesses, consumers and increasingly governments from around the world. Accordingly, DSM continues to believe it is possible that the long runway of AI-driven earnings growth many of the Sub-Fund's portfolio companies may generate is not fully reflected in their stock prices. Thus, despite the possibility of slowing economic growth, the Manager has not changed their outlook for the market this year and believes an S&P 500 price of 6750 at year end, up 15% from the start of the year, remains an appropriate target. On the downside, assuming slower economic growth but not severe global recession, would be a decline of roughly 8% to 5400 at year-end in DSM's view. However, should the tariff situation stabilize, the Manager believes the market could possibly move upward quite quickly.

Key Information

NAV B Shares (31/5/25) US\$ 395.5
Total Fund Size (all share classes) US\$ 86.5m

Strategy Assets US\$ 5,530.9 ^(a)
Fund Launch Date 26/01/2015

Monthly Performance (%)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|--|-----|-------|-------|-------|------|-----|-----|-----|-----|-----|-----|-----|-------|
| HF-DSM US LCG | 4.1 | (2.7) | (8.3) | 2.1 | 10.7 | | | | | | | | 4.9 |
| Russell 1000 Growth^(c) | 2.0 | (3.6) | (8.4) | 1.8 | 8.9 | | | | | | | | (0.3) |
| S&P 500^(c) | 2.8 | (1.3) | (5.6) | (0.7) | 6.3 | | | | | | | | 1.1 |

| Period Perf (%) | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | Cumulative | Annualised |
|--------------------------------------|------|------|--------|------|------|------|-------|------|-------|------|------|------------|------------|
| HF-DSM US LCG Returns ^(b) | 29.7 | 31.4 | (26.8) | 21.3 | 27.2 | 35.9 | (5.6) | 37.8 | (2.6) | 7.8 | 11.5 | 295.5 | 13.0% |
| Russell 1000 Growth ^(c) | 33.2 | 42.7 | (29.1) | 27.5 | 38.5 | 36.4 | (1.5) | 30.3 | 7.1 | 5.6 | 11.8 | 420.4 | 15.8% |
| S&P 500 ^(c) | 25.0 | 26.2 | (18.1) | 28.6 | 18.3 | 31.3 | (4.4) | 21.8 | 12.0 | 1.4 | 11.7 | 289.1 | 12.8% |

HF-DSM US LCG vs. R1000 Growth vs. S&P500

