

## DSM US Large Cap Growth Sub-Fund Class A - February 2022

### Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund depreciated 5.9% for the month of February compared to a (4.25)% return for the Russell 1000 Growth Index and a (2.99)% return for the S&P 500 both including dividends. At the end of February, the Sub-Fund was primarily invested in the technology and communication services sectors, with smaller weights in the health care, financials, consumer discretionary, consumer staples, materials and industrials sectors.

For the month, the Sub-Fund trailed the benchmark by approximately 168bps. This was primarily the result of the Manager's selections in the information technology and communication services sectors. The Manager's selections in health care benefitted performance. In February, the positions that contributed the most to the portfolio's return were United Parcel Service, Neurocrine Biosciences, Amazon.com, Aon PLC and Boston Scientific. The positions that contributed the least in the month were Meta Platforms, PayPal Holdings, Adobe, Intuit and Microsoft.

### Manager's Commentary

The coronavirus pandemic improved significantly throughout February with declining case numbers and hospitalizations across the world. As a result, restrictions are being eased in most nations, other than China whose "zero tolerance policy" remains an economic headwind. Although global economic activity is less impacted by Covid now than in the early months of the pandemic, economic growth should benefit to some extent as Covid continues to recede. Unfortunately, throughout the United States and Europe inflation remains well above target and represents a significant risk to economic growth. In the United States, inflation reached an annualized pace in excess of 7% in January. This persistent above-trend US inflation, much of it driven by rising wages, has caused many economic commentators to expect five to seven 25 basis point interest rate increases this year, whereas a year ago a much lower number of hikes were expected. In addition, the Federal Reserve has all but conceded it will move from quantitative easing to quantitative tightening much more rapidly than formerly expected, certainly by the second quarter of this year. At this time, the Federal Reserve's decisions will be a function of inflation statistics, with lower levels hoped for in the second half of this year.

There had been some hope that global energy prices had peaked and therefore the energy driven component of inflation would subside. Unfortunately, the invasion of Ukraine by Russia has complicated the situation. Growing Western world sanctions on Russian aggression, including canceling the Nord Stream 2 gas pipeline certification, will hurt the Russian economy. In response, Russia has threatened to double the price of gas currently sold to Europe through the Nord Stream 1 pipeline, on which Germany is particularly reliant. Another option for Russia is to completely eliminate the supply of gas, which would be a very severe economic blow to Germany and the entire EU. Given these possible outcomes, energy prices have the potential to move higher which would slow economic growth and increase inflation.

If inflation remains elevated over the next twelve to eighteen months, the Federal Reserve and ECB may be forced to raise rates more rapidly and to a higher level than is currently expected. While inflation and higher interest rates will reduce the earnings and P/E's of cyclical, low P/E "value" companies, the price/earnings ratios of higher P/E "growth" stocks will likely decline as well. In contrast, DSM has always focused on investments in predictable, non-cyclical businesses with reasonable absolute valuations.

### Key Information

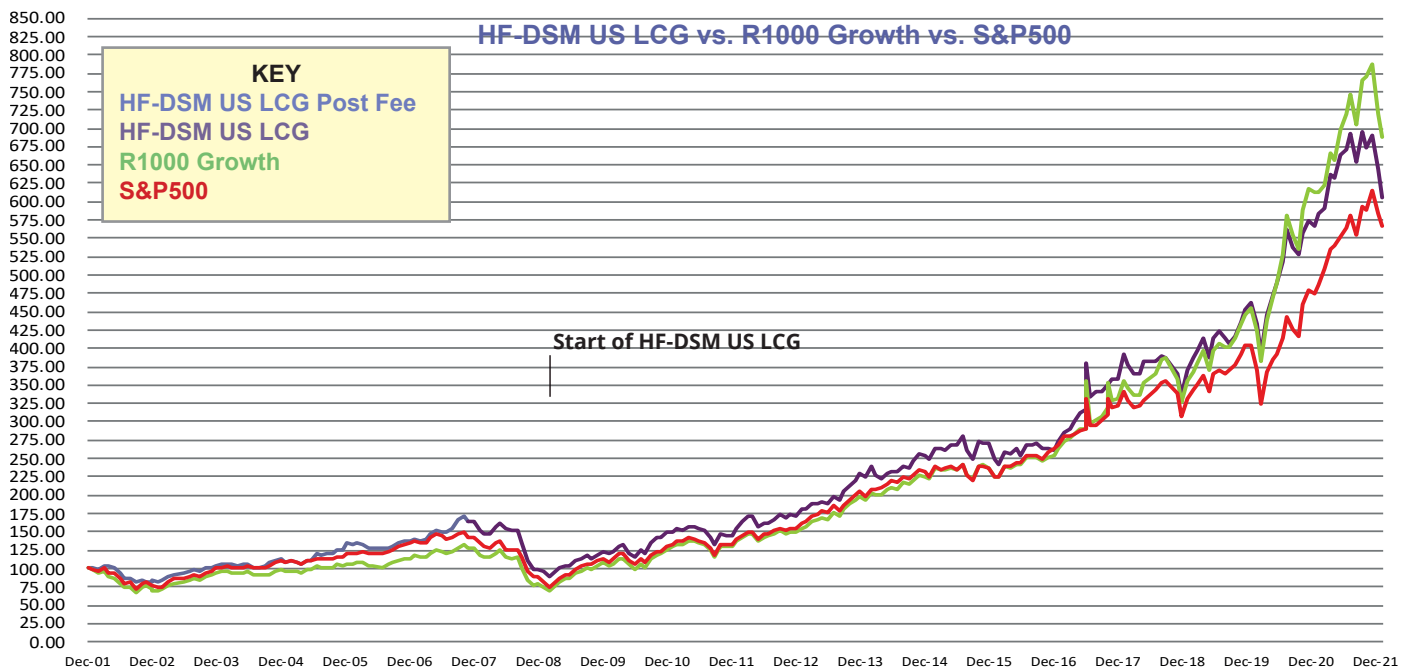
NAV A Shares (31/01/22) US\$ 369.42  
Total Fund Size (all share classes) US\$ 87.4m

Strategy Assets  
Fund Launch Date

US\$ 6,970.0<sup>(a)</sup>  
29-Nov-07

Monthly Performance (%)													
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
HF-DSM US LCG	(6.9)	(5.9)											(12.4)
Russell 1000 Growth <sup>(c)</sup>	(8.6)	(4.3)											(12.5)
S&P 500 <sup>(c)</sup>	(5.2)	(3.0)											(8.0)

Period Performance (%)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Cumulative	Annualised
HF-DSM US LCG Returns <sup>(b)</sup>	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	505.1	9.34%
Russell 1000 Growth <sup>(c)</sup>	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	466.4	10.04%
S&P 500 <sup>(c)</sup>	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	588.7	8.98%



# HF Hereford Funds

Top Ten Holdings	
Alphabet (Cl. A)	Netflix
Amazon.com	PayPal Holdings
Boston Scientific	Charles Schwab
Meta Platforms	UnitedHealth Group
Microsoft	Visa

Sectoral Breakdown	% of Assets
Information Technology	39.2%
Communication Services	18.0%
Health Care	12.3%
Financials	8.6%
Consumer Discretionary	6.7%
Consumer Staples	3.9%
Materials	2.6%
Industrials	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		Since inception	HF-DSM US LCG	HF-DSM US LCG Composite	R1000 Growth
Bloomberg	DSMUSLA LX	Volatility	n/a	15.3	15.4
ISIN	LU0327604228	Sharpe Ratio	n/a	0.6	0.6
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

FundPartner Solutions (Europe) S.A.  
15, avenue J. F. Kennedy  
L-1855 Luxembourg

Via Fax +352 46 71 71 7667  
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%

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

France - Centralizing Correspondent as defined by French Regulation:  
Société Générale - Order Desk, 32, avenue du Champ de Tir, BP 81236, F-44312 Nantes Cedex 3  
Phone: +33/2.51.85.66.40, Fax: +33/2.51.85.58.71

Germany - Paying Agent as defined by German Regulation:  
Marcard, Stein & Co - Ballindamm 36, 20095 Hamburg  
Phone: +49/40.32.099.556, Fax: +49/40.32.099.206

Switzerland - Representative and Paying Agent as defined by Swiss Regulation:  
FundPartner Solutions (Suisse) SA (route des Acacias 60, 1211 Geneva 73, Switzerland) as Swiss representative and Banque Pictet & Cie SA (route des Acacias 60, 1211 Geneva 73, Switzerland) as Swiss paying agent.

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