

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund Share Class A appreciated 0.03% for the month of April compared to a 0.35% return for the Russell 1000 Growth Index and a 0.38% return for the S&P 500 both including dividends. At the end of April, the Sub-Fund was invested primarily in the technology sector, with smaller weights in the health care, consumer discretionary, financials and consumer staples sectors.

For the month, the Sub-Fund trailed the benchmark by approximately 32 bps. This was primarily the result of the Manager's selections in the consumer discretionary sector. The Manager's underweight in industrials versus the benchmark and selections in technology benefitted performance. In April, the positions that contributed the most to the portfolio's return were Facebook, Charles Schwab, Visa, Becton Dickinson and Booking Holdings. The positions that contributed the least in the month were Tencent Holdings, Royal Caribbean Cruises, Alibaba Group, Regeneron Pharmaceuticals and BlackRock.

## Manager's Commentary

The Manager has projected for many years that the current global economic cycle would prove to be a longer growth cycle than the majority of previous economic growth cycles. Based on President Trump's tax cuts and deregulatory policies, as well as improving economic outlooks in Europe and Japan, the Manager believes global growth may well exceed 3%. In fact, the recent revision of first quarter growth in the United States to 2.9% from 2.5% underscores that point.

The changes in corporate tax rates in the United States are quite substantial. While it is likely that the tax cuts may reduce Federal revenues, it also seems possible that incremental GDP growth from tax reform will be somewhat larger than expected. In the Manager's opinion, there is more than ample liquidity in the global bond market to fund the increase in GDP growth and the increase in the deficit, without creating an unusual runup of interest rates. As such, the Manager still believes that global equity markets will continue to generate a total return over the coming years in the 5% to 9% range driven by steady global economic growth, low inflation (which causes interest rates to remain moderate) reasonable valuations (given a low inflation world) and robust global corporate earnings.

The portfolio remains focused on unique businesses that have been identified and continuously subject to analysis by the Manager's investment team. The portfolio holdings remain characterized by strong balance sheets and significant free cash flow, and maintain a projected mid-to-high "teens" earnings growth rate through 2021. It is worth noting that the portfolio's current P/E of 21.3x estimated forward four quarters of earnings through June of 2019 is at a discount to the portfolio's average earnings growth over the past three years of approximately 24%. In the Manager's view, given the superior mid-to-high teen's predictable-quality-growth of the portfolio, that valuation is quite attractive.

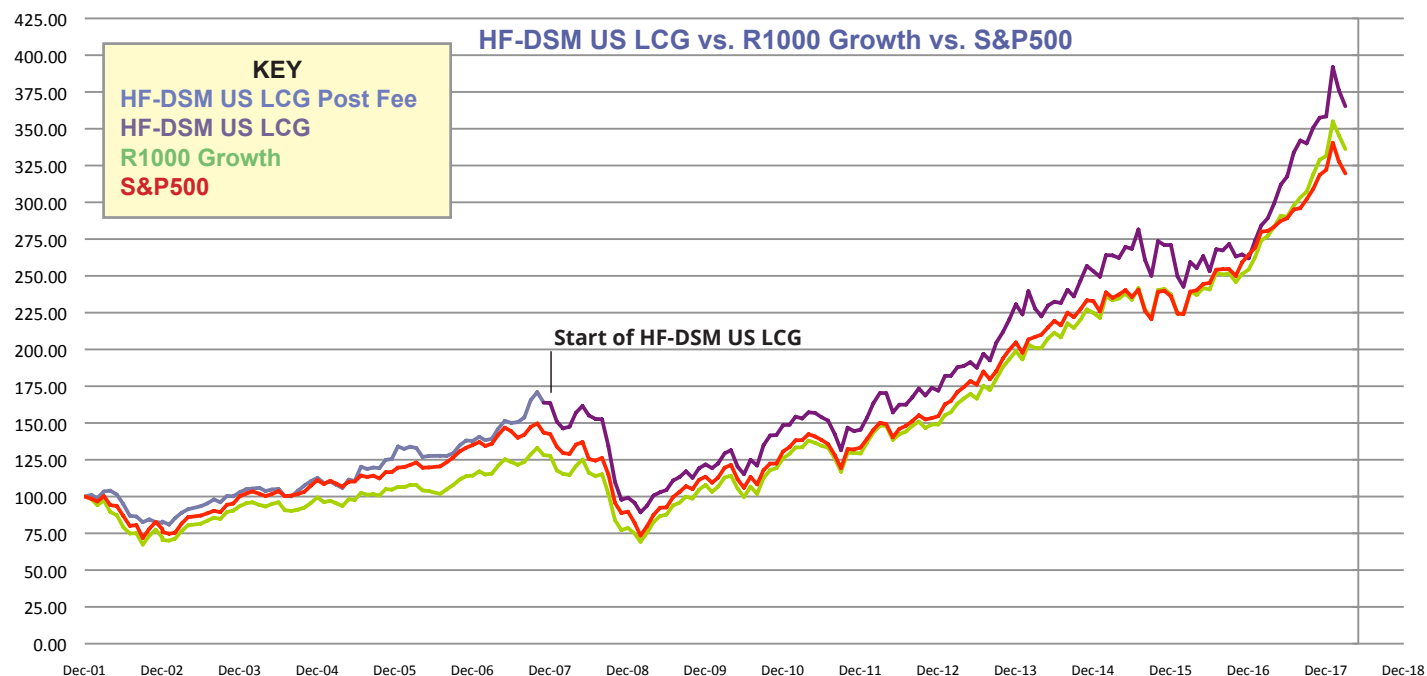
Perhaps the most difficult aspect of investing can be maintaining one's patience. Certainly 2016 is an example of this, as patience in 2016 led to 2017's outperformance versus the benchmark. The Manager intends to remain focused and patient. Earnings within the portfolio continue to grow, and as the earnings grow the stocks will eventually be driven upward, in the Manager's view.

## Key Information

NAV A Shares (30/04/18)	US\$ 223.0	Strategy Assets	US\$ 5,414.5m <sup>(a)</sup>
Total Fund Size (all share classes)	US\$ 91.9m	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>	9.4	-3.97	-2.9	0.03									2.0
<b>Russell 1000 Growth<sup>(c)</sup></b>	7.1	-2.62	-2.7	0.35									1.8
<b>S&amp;P 500<sup>(c)</sup></b>	5.7	-3.69	-2.5	0.38									-0.4

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>	2.0	36.8	(3.3)	7.0	9.7	34.1	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	265.4	7.92%
<b>Russell 1000 Growth<sup>(c)</sup></b>	1.8	30.2	7.1	5.7	13.1	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	220.8	7.10%
<b>S&amp;P 500<sup>(c)</sup></b>	-0.4	21.8	12.0	1.4	13.7	32.4	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	237.4	7.42%



# HF Hereford Funds

Top Ten Holdings	
Adobe Systems	Facebook
Alibaba Group	Microsoft
Alphabet (Cl. A)	Tencent Holdings
Booking Holdings	Visa
Charles Schwab	Zoetis

Sectoral Breakdown	% of Assets
Information Technology	51.2%
Health Care	17.1%
Consumer Discretionary	14.9%
Financials	12.0%
Consumer Staples	4.0%

## 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	14.5	14.3
ISIN	LU0327604228	Sharpe Ratio	n/a	0.5	0.5
Reuters	LP65102015	Information Ratio	n/a	0.1	
Sedol	B28TLX2	Tracking Error	n/a	6.5	
	3504726	Beta	n/a	0.9	
WKN	A0M58T	Alpha	n/a	1.2	

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%

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  
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Germany - Paying Agent as defined by German Regulation:  
Marcard, Stein & Co - Ballindamm 36, 20095 Hamburg  
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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

Switzerland - Representative and Paying Agent as defined by Swiss Regulation:  
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