

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund Share Class A depreciated 8.12% for the month of December compared to a (8.60)% return for the Russell 1000 Growth Index and a (9.03)% return for the S&P 500 both including dividends. At the end of December, the Sub-Fund was invested in the technology, health care, communication services and consumer discretionary sectors, with smaller weights in the financials, consumer staples and industrials sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 48 bps. This was primarily the result of the Manager's selections in the health care sector. The Manager's selections and overweight in communication services versus the benchmark also benefitted performance. In December, the positions that contributed the most to the portfolio's return were Regeneron Pharmaceuticals, Burlington Stores, Tencent Holdings, PayPal Holdings and Abbott Laboratories. The positions that contributed the least in the month were Alibaba Group, Monster Beverage, Microsoft, Adobe Systems and Becton Dickinson.

## Manager's Commentary

In 2017, the US Large Cap Growth Sub-Fund portfolio rebounded strongly from 2016's underperformance with 37% appreciation, well ahead of the relevant indices, driven by the compressed valuations at the end of 2016, as well as by continued earnings growth in 2017.

Perhaps in today's world of investor negativity, it may appear unrealistically optimistic to project market gains, but consider the history of the S&P 500 Index's annual investment returns. Over the past ninety-one years, the index has appreciated in excess of 10% in fifty-two of those years, and in excess of 20% in thirty-four of those fifty-two years. In contrast, the market has declined in excess of 10% just thirteen times in the past ninety-one years, and of those, only six times was the decline worse than 20%.

In 2018, despite earnings growth approaching 30%, the US Large Cap Growth Sub-Fund portfolio underperformed due to various macro concerns including a US-China trade war, slowing global economic growth and political turmoil in the EU. The weight of these issues on the market became particularly evident this past month. The portfolio's earnings growth and valuation entering 2019 closely mirror those of early 2017. The Manager believes the market will rebound during 2019 and DSM's performance should rebound as well. In the Manager's view earnings growth will continue to be solid going forward, while concerns of a Chinese-American trade war gradually dissipate causing the global economic outlook to brighten.

The global economy and global markets have climbed a "wall of worry" over the past ten years. The Manager views the current markets' bumps and grinds as a normal process of investors reacting to, and then slowly digesting, both current events and policy change, particularly concerning trade. Investors don't like change. It is unsettling and often results in irrational trading, especially after several years of substantial appreciation. However, over time investors adjust and the market, driven by solid fundamentals, moves higher. Critically, in the Manager's view, 2018's earnings growth combined with the market decline have created market valuations that are very attractive given a slow growth/low inflation global economy and believes this presents another outstanding opportunity to add capital to this portfolio.

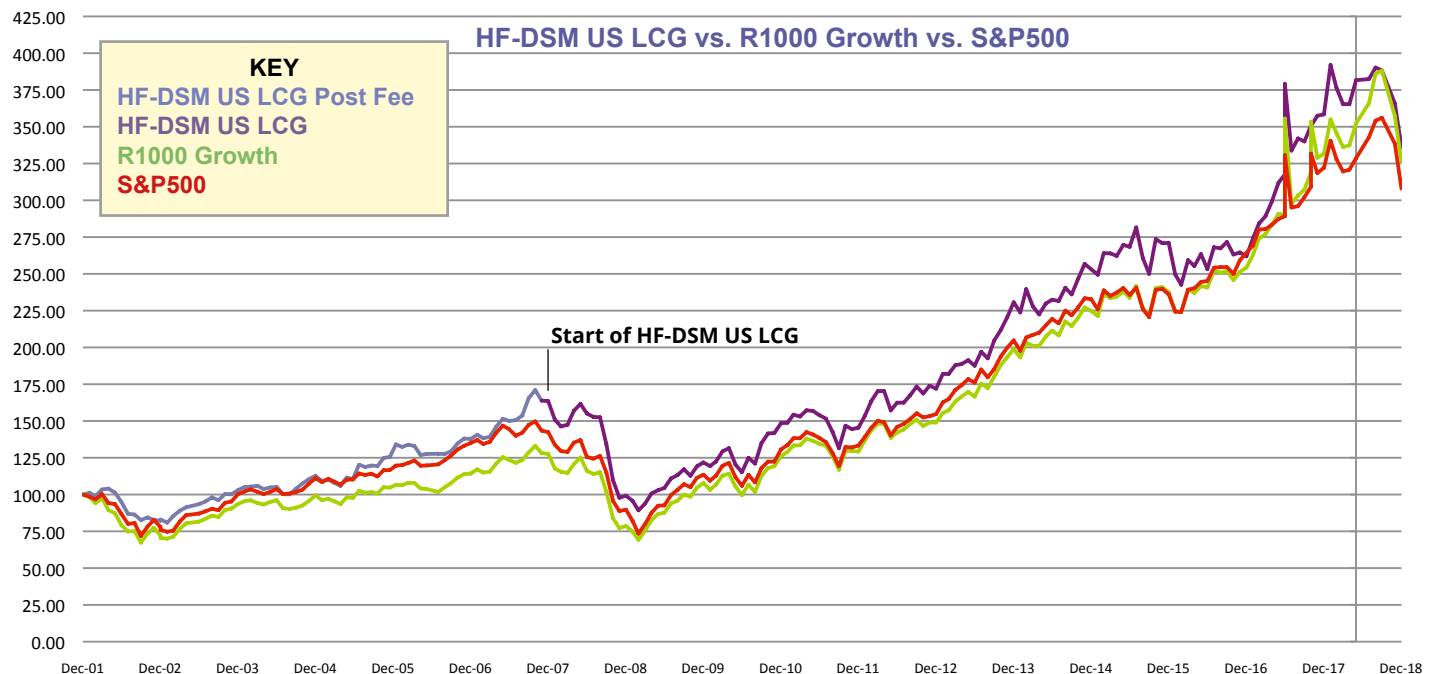
## Key Information

NAV A Shares (31/12/18) US\$ 205.19  
Total Fund Size (all share classes) US\$ 69.8m

Strategy Assets US\$ 4,753.5m<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	9.4	-3.97	-2.9	0.03	4.43	-0.6	0.86	2.0	-0.5	-9.7	4.38	-8.12	-6.2
Russell 1000 Growth <sup>(c)</sup>	7.1	-2.62	-2.7	0.35	4.38	1.0	2.94	5.5	0.56	-6.8	1.06	-8.60	-1.5
S&P 500 <sup>(c)</sup>	5.7	-3.69	-2.5	0.38	2.41	0.6	3.72	3.3	0.57	-8.9	2.04	-9.03	-4.4

Period Performance (%)	2018	2017	2016	2015	2014	2013	2012	2011	2009	2009	2008	2007	2006	Cumulative	Annualised
HF-DSM US LCG Returns <sup>(b)</sup>	-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	236.1	7.39%
Russell 1000 Growth <sup>(c)</sup>	-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	207.9	6.84%
S&P 500 <sup>(c)</sup>	-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	226.5	7.21%



# HF Hereford Funds

Top Ten Holdings	
Abbott Laboratories	Microsoft
Adobe Systems	MSCI Inc.
Alibaba Group	PayPal Holdings
Alphabet (Cl. A)	Tencent Holdings
Facebook	Visa

Sectoral Breakdown	% of Assets
Information Technology	29.9%
Health Care	20.5%
Communication Services	19.1%
Consumer Discretionary	16.8%
Financials	7.5%
Consumer Staples	4.1%
Industrials	1.1%

## 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		14.7	14.5
Sharpe Ratio	n/a		0.4	0.4
Information Ratio	n/a		0.0	
Tracking Error	n/a		6.5	
Beta	n/a		0.9	
Alpha	n/a		0.8	

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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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%

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

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:  
Société Générale, Zurich Branch, Talacker, 50, P.O. Box 1928, CH-8021 Zurich  
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