

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund depreciated (7.90)% for the month of January compared to a (5.58)% return for the Russell 1000 Growth Index and a (4.96)% return for the S&P 500 including dividends. At the end of January, the Fund was invested primarily in the technology, health care and consumer discretionary sectors, with smaller weights in the industrials, financials and consumer staples sectors.

For the month, the Fund trailed the benchmark by approximately 230 bps. This was primarily the result of the Manager's selections in the consumer discretionary sector, as well as the Fund's overweight in health care versus the benchmark. The Manager's selections in technology and industrials benefited performance. In January, the best performing positions in the portfolio were Facebook, Cognizant Technology Solutions, Dollar General, Nielsen Holdings and Starbucks. The worst performers for the month were Alexion Pharmaceuticals, Priceline Group, Celgene, Royal Caribbean Cruises and Alibaba Group.

## Manager's Commentary

Global equity markets have started the year with what appears to be a jolting repeat of the market corrections during the spring of 2014 and the summer of 2015. Investors seem to be overreacting negatively to the decline in the price of oil and other commodities. We believe the oil price decline is being incorrectly perceived as a substantial risk to the global economy due to the negative impact to oil exporting and emerging market nations. In fact, the three largest economies in the world, the US, Europe and China, will all benefit from commodity price declines. In our view, the positive economic impact of lower oil prices will be broad-based and add measurably to global GDP growth over time. Secondly, while investors are worried that the volatility in the Chinese equity market is an indication that China's economy is in trouble, we disagree. China's growth will be slower than in the past, but it will still be stronger than most of the rest of the world. We believe these concerns, combined with memories of the 2008 market decline, have created extremely negative sentiment regarding the global economic outlook and equity return potential. To us, history clearly demonstrates that declines in equity markets have predicted eight of the last two recessions. In other words, investors overreact and sell due to irrational fears that are normally not reality.

It is our opinion that Western world economies are generally displaying modest strength and stability. Though growth may be uneven, we do not believe that a global or western world recession is likely. Importantly, the positive economic impact of the 70% decline in the price of oil over the past two years remains a solid and significant tailwind to global economic activity. Our portfolios are built with investments in businesses that have durable, predictable earnings, which we have purchased at very reasonable valuations. As long as the earnings are there, and we believe they are, then the business value is there as well. Therefore we simply have to ignore the panic, implement a few rational and logical changes as earnings are reported and wait for the stock prices to react to the growing stream of earnings.

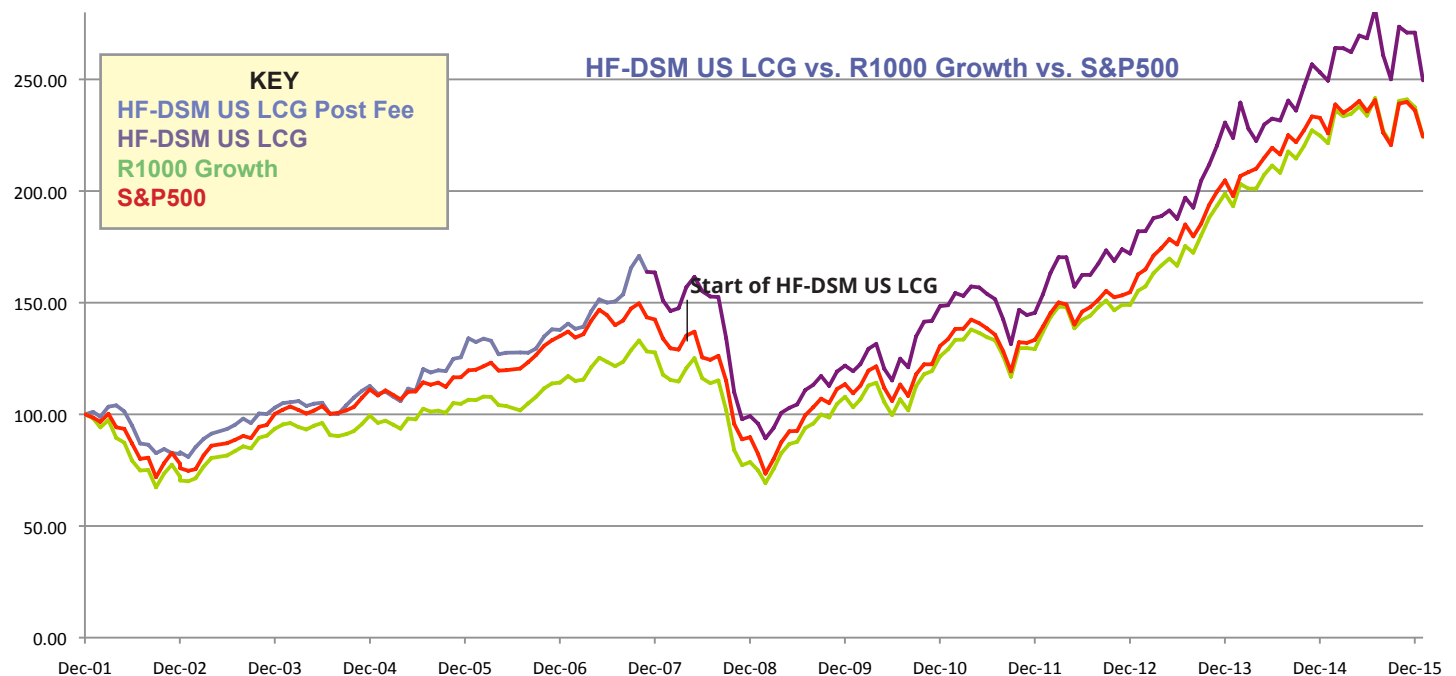
The portfolio continues to be focused on unique global businesses that have been identified and are continuously subject to analysis by our investment team. We believe that the valuation of the portfolio, at 17.7x next-four-quarter earnings through December of 2016 and 15.0x 2017 earnings based on our calculations, continues to be attractive in the current slow growth economic environment and relative to the market.

## Key Information

NAV A Shares (30/01/16)	US\$ 152.3	Strategy Assets	US\$ 4,721.5m <sup>(a)</sup>
Total Fund Size (all share classes)	US\$ 103.9m	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	(7.9)												(7.9)
Russell 1000 Growth <sup>(c)</sup>	(5.6)												(5.6)
S&P 500 <sup>(c)</sup>	(5.0)												(5.0)

Period Performance (%)	YTD	2015	2014	2013	2012	2011	2009	2009	2008	2007	2006	2005	2004	Cumulative	Annualised
HF-DSM US LCG Returns <sup>(b)</sup>	(7.9)	7.0	9.7	34.1	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	11.4	9.4	149.4	6.71%
Russell 1000 Growth <sup>(c)</sup>	(5.6)	5.7	13.1	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	121.4	5.90%
S&P 500 <sup>(c)</sup>	(5.0)	1.4	13.7	32.4	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	4.9	10.9	125.8	5.91%



# HF Hereford Funds

Top Ten Holdings	
Adobe Systems	Cognizant Technology Solutions
Alexion Pharmaceuticals	Dollar General
Allergan	Facebook
Alphabet (Cl. A & C)	Priceline Group
Celgene	Tencent Holdings

Sectoral Breakdown	% of Assets
Information Technology	41.0%
Health Care	28.9%
Consumer Discretionary	16.8%
Industrials	5.1%
Financials	5.0%
Consumer Staples	2.9%

## 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	14.9	15.0
ISIN	LU0327604228	Sharpe Ratio	n/a	0.4	0.3
Reuters	LP65102015	Information Ratio	n/a	0.2	0.1
Sedol	B28TLX2	Tracking Error	n/a	6.6	
	3504726	Beta	n/a	0.9	
WKN	A0M58T	Alpha	n/a	1.3	

Fund Details	
Dealing Day	Daily
Dividends	None - income accumulated within the fund
Investment Manager	DSM Capital Partners LLC 116 Radio Circle Drive, Suite 200, Mount Kisco, NY 10549, USA
Management Company	BSI Fund Management S.A. 44F, rue de la Vallée, L-2661 Luxembourg
Custodian	BSI Europe S.A. 122, Rue Adolphe Fischer L-1521 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

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

## Order Transmission Information

### Original Applications To:

UBS Fund Services  
Attn.: Transfer Agent  
33a avenue J.F. Kennedy  
L-1855 Luxembourg

### Subsequent Applications Only Via Facsimile:

UBS Fund Services  
Attn.: Transfer Agent  
Fax : (+352) 4410106417  
Tel: (+352) 4410106404  
Email: sh-ubsfsl-transferagent@ubs.com

- 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.

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