

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 4.70% for the month of January compared to a 3.37% return for the Russell 1000 Growth Index and a 1.90% return for the S&P 500 including dividends. At the end of January, the Sub-Fund was invested primarily in the technology, consumer discretionary and health care sectors, with smaller weights in the financials and consumer staples sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 130 bps. This was primarily the result of the Manager's selections in the technology sector, as well as the portfolio's overweight in technology versus the benchmark. In January, the positions that contributed the most to the portfolio's return were Facebook, Royal Caribbean Cruises, Alibaba Group, Adobe Systems and Priceline. The positions that contributed the least in the month were Monster Beverage, Regeneron Pharmaceuticals, Automatic Data Processing, Invesco and Shire.

## Manager's Commentary

We believe the Sub-Fund's portfolio is rebounding because weighted revenue and earnings grew in excess of 20% over the first three quarters of 2016, and thus far fourth quarter results and guidance from the roughly fifteen companies in the portfolio that have reported, are in-line with expectations or better. We remain bullish on the portfolio. Earnings have grown largely as expected, but until now our portfolios simply have not been paid in stock appreciation for the economic value that has been created. We believe the portfolio will continue to appreciate because at 19.6x 2017 earnings and 16.5x 2018 earnings, it is very attractive. To paraphrase a very wise person, "Over the short term the market measures emotions but over the long run, the market weighs earnings". . . and our companies are delivering the earnings.

We have not altered our long-standing opinion that global equity markets will work their way higher because developed world economies are growing, interest rates are low and valuations are reasonable. DSM continues to expect an extended, slow-growth global economic cycle and our multi-year outlook of stable 3% global growth remains unchanged. Our expectations for roughly 2% growth in the US, faster growth in China, and growth of 1% or so in Europe and Japan remain realistic to us. While we are cautiously optimistic that Mr. Trump's potential tax, regulatory, capital repatriation and energy policies could boost American and global economic growth, it is too early to bake Trump's probable policies into an economic outlook. That said, Trump's possible protectionist trade policies and other potentially negative economic initiatives could offset these positives. Nevertheless we reiterate our long standing theme that the current global and US economic growth cycle may last longer, perhaps much longer than expected.

Recent inflation statistics in the Western world have begun to trend higher. As inflation pushes interest rates upwards toward normal levels, bond portfolios will have losses, perhaps causing the selling of bonds to buy stocks. Similarly, as the global economy improves and investor confidence recovers, global investors may allocate a portion of their large cash balances to equities. To us, the combination of a growing global economy, improving investor confidence and investable cash suggests that the stock market may continue to provide a normal long-term rate of return of 5% to 8%. In our view, the Sub-Fund's portfolio should be valued at 20x 2018 earnings twelve months from now and logically higher, if financial markets continue to "normalize".

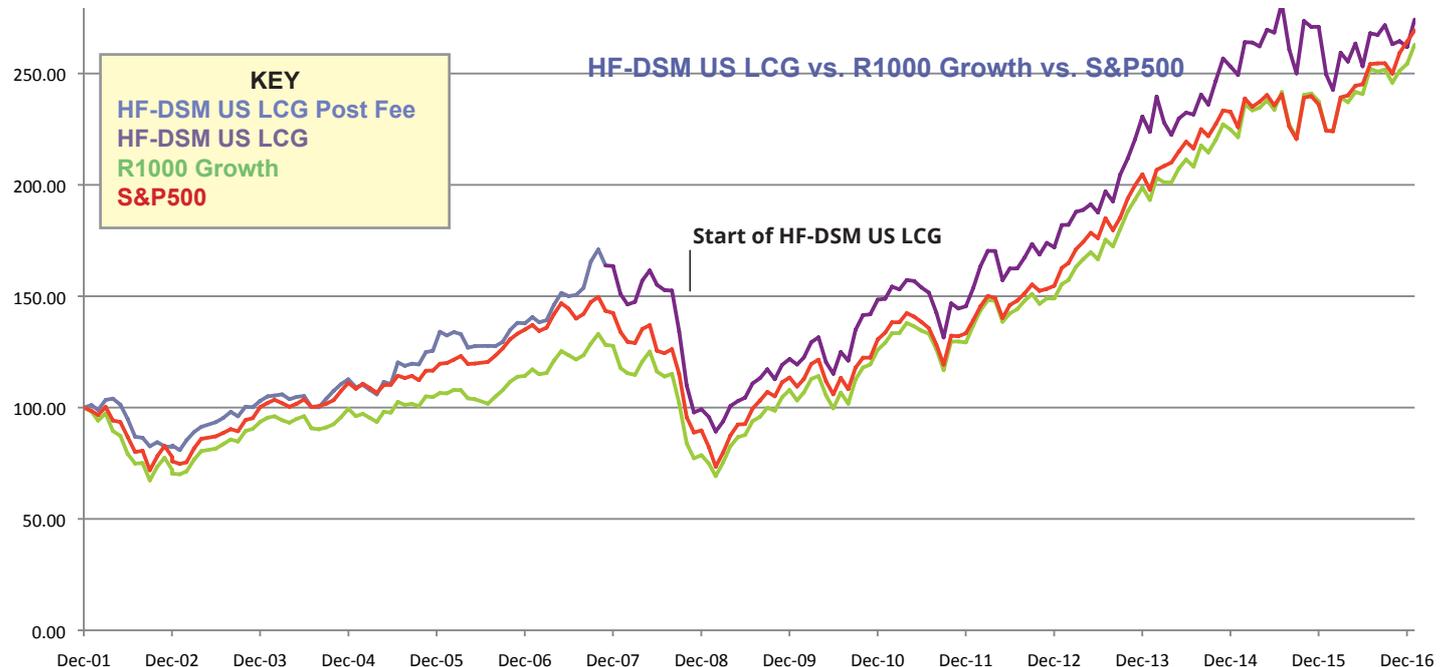
## Key Information

NAV A Shares (31/01/17) US\$ 167.4  
Total Fund Size (all share classes) US\$ 92.4m

Strategy Assets US\$ 4,455.8m<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	4.7												4.7
Russell 1000 Growth <sup>(c)</sup>	3.4												3.4
S&P 500 <sup>(c)</sup>	1.9												1.9

Period Performance (%)	YTD	2016	2015	2014	2013	2012	2011	2009	2009	2008	2007	2006	2005	Cumulative	Annualised
HF-DSM US LCG Returns <sup>(b)</sup>	4.7	(3.3)	7.0	9.7	34.1	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	11.4	174.2	6.51%
Russell 1000 Growth <sup>(c)</sup>	3.4	7.1	5.7	13.1	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	169.4	6.39%
S&P 500 <sup>(c)</sup>	1.9	12.0	1.4	13.7	32.4	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	4.9	162.9	6.23%



# HF Hereford Funds

Top Ten Holdings	
Adobe Systems	Priceline Group
Alibaba Group	Royal Caribbean Cruises
Alphabet (Cl. A & C)	Charles Schwab
Facebook	Visa
Monster Beverage	Zoetis

Sectoral Breakdown	% of Assets
Information Technology	44.7%
Consumer Discretionary	22.8%
Health Care	20.8%
Financials	7.1%
Consumer Staples	3.8%

## 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	14.8	14.7
ISIN	LU0327604228	Sharpe Ratio	n/a	0.4	0.4
Reuters	LP65102015	Information Ratio	n/a	0.0	
Sedol	B28TLX2	Tracking Error	n/a	6.6	
	3504726	Beta	n/a	0.9	
WKN	A0M58T	Alpha	n/a	0.9	

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:

European Fund Administration  
Attn.: TA Operations and Shareholder  
Services  
2 rue d'Alsace  
L-1122 Luxembourg

### Subsequent Applications Only Via Facsimile:

European Fund Administration  
Attn.: TA Operations & Shareholder  
Services Fax: +352 4865 61 8002  
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- 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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