

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 9.4% for the month of January compared to a 7.08% return for the Russell 1000 Growth Index and a 5.73% return for the S&P 500 both 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, consumer staples and industrials sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 229bps. This was primarily the result of the Manager's selections in the technology sector. In January, the positions that contributed the most to the portfolio's return were Alibaba Group, Tencent Holdings, Alphabet, Adobe Systems and Microsoft. The positions that contributed the least in the month were Regeneron Pharmaceuticals, Wynn Resorts, Alexion Pharmaceuticals, MSCI and Starbucks.

## Manager's Commentary

Even after 2017's strong performance, the Manager believes that clients have not been paid in full for 2016 and 2017's earnings growth, let alone the portfolio's high-teens earnings growth going forward. In the Manager's view, there remains significant appreciation potential in the portfolio. The simple fact is that businesses appreciate in value as their earnings grow. For that reason, the Manager is focused on predictable earnings growth, with each business purchased at a reasonable valuation. While it is still early in the new quarter, thus far in 2018 the portfolio has earned back most of the fourth quarter's underperformance. 2017 saw a reversal of the relative performance of value versus growth. While in 2016, value outperformed growth by about 10%, in 2017, growth outperformed value by over 13%. Thus far in 2018, through January, growth has continued to outperform.

In the United States, projected 2018 growth of 2.6% or more may cause the Federal Reserve to raise interest rates three times this year as the Fed continues the process of returning interest rates to normal levels in conjunction with a normalizing economy. Rising wages, resulting from low unemployment, combined with higher oil prices might push inflation over 2% during 2019, which might push 10-year treasury yields towards 3% over the next twelve to eighteen months. The Eurozone economic expansion looks set to continue. Economic growth in 2018 should exceed 2%, certainly far better than the fears of deflation that brought about negative interest rates two years ago. Inflation remains somewhat below the ECB's goal of 2%, however the ECB might end its QE program over the next 18 months if economic growth remains strong and inflation ticks up. In fact, the Euro has strengthened based on expectations of the closure of the ECB's QE program, which would be a precursor to rising rates.

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 the Manager continues to project a mid-to-high teens earnings growth rate through 2021. It is worth noting that the portfolio's current P/E of 22.2x estimated 2018 earnings is at a discount to the portfolio's average earnings growth over the past eleven quarters of approximately 24%. Given the superior predictable-quality-growth of the portfolio, the Manager believes that valuation is quite attractive.

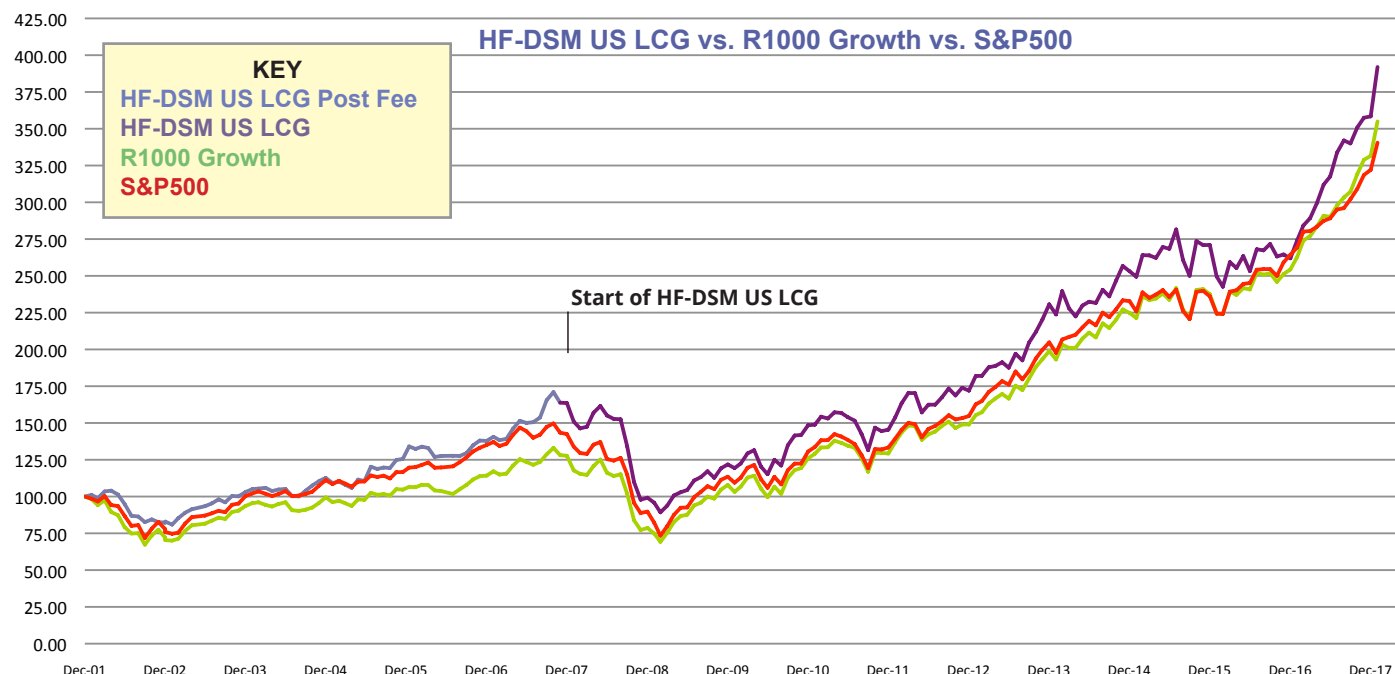
## Key Information

NAV A Shares (31/01/18) US\$ 239.27  
Total Fund Size (all share classes) US\$ 101.8m

Strategy Assets US\$ 5,768.9m<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												9.4	
Russell 1000 Growth <sup>(c)</sup>	7.1												7.1	
S&P 500 <sup>(c)</sup>	5.7												5.7	

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>	9.4	36.8	(3.3)	7.0	9.7	34.1	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	292.0	8.37%
Russell 1000 Growth <sup>(c)</sup>	7.1	30.2	7.1	5.7	13.1	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	240.5	7.47%
S&P 500 <sup>(c)</sup>	5.7	21.8	12.0	1.4	13.7	32.4	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	255.0	7.74%



## Top Ten Holdings

Adobe Systems	Microsoft
Alibaba Group	Monster Beverage
Alphabet (Cl. A)	Tencent Holdings
Charles Schwab	Visa
Facebook	Zoetis

Sectoral Breakdown	% of Assets
Information Technology	47.6%
Consumer Discretionary	19.4%
Health Care	17.9%
Financials	7.5%
Consumer Staples	4.4%
Industrials	2.7%

## 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 Depositary Receipts and American Depositary 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	14.6
ISIN	LU0327604228	Sharpe Ratio	n/a	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	1.4

## 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	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

### Original Applications To:

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

### Subsequent Applications Only

#### Via Facsimile:

European Fund Administration  
Attn.: FundPartner Solutions (Europe) S.A.  
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.

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:  
Société Générale, Zurich Branch, Talacker, 50, P.O. Box 1928, CH-8021 Zurich  
Phone: +41/58.272.34.18 Fax: +41/58.272.35.49

## 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

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