

## DSM US Large Cap Growth Sub-Fund Class A - July 2022

### Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 9.21% for the month of July compared to a 12.00% return for the Russell 1000 Growth Index and a 9.22% return for the S&P 500 both including dividends. At the end of July, the Sub-Fund was primarily invested in the technology, health care and communication services sectors, with smaller weights in the financials, consumer discretionary, consumer staples, materials and industrials sectors.

For the month, the Sub-Fund trailed the benchmark by approximately 279bps. This was primarily the result of the Manager's selections and overweight in communication services versus the benchmark. The Manager's selections in the consumer staples sector benefited performance. In July, the positions that contributed the most to the portfolio's return were Amazon.com, Microsoft, Charles Schwab, Alphabet and Fiserv. The positions that contributed the least in the month were Neurocrine Biosciences, Meta Platforms, The Cooper Companies, United Parcel Service and Linde.

### Manager's Commentary

Recent economic data has included a number of distinct signs of economic weakness, leading to fears of a recession over the near term. Record levels of inflation, which have eroded real consumer spending due to even more expensive daily essentials, have been the primary contributor to these concerns, while significantly higher fuel costs have exacerbated the problem. Demand for mortgages, and thus housing, is also slipping due to higher interest rates. Moreover, headlines regarding reduced corporate hiring plans have become almost commonplace with Microsoft, Google, Apple and Ford amongst those who have recently announced reductions or freezes in hiring. Undoubtedly, coincident with hiring freezes will be slowed or reduced capital spending.

In the Manager's view, the possibility of a recession in both the United States and Europe, is in large part a function of inflation. Much of the recent economic commentary has focused on the notion that peak inflation is, or soon will be, behind us. If inflation remains stubbornly high, at 3% to 4%, the US Federal Reserve and European Central Bank will have to react much more aggressively with higher rates for longer. In that case a recession, perhaps a somewhat deep recession, is much more likely. If on the other hand inflation falls to 2.0% or 2.5% by the first half of 2023, interest rates can remain much more moderate and a significant recession may be avoided.

A positive development supporting the lower inflation scenario has been money supply growth. Many economists believe that inflation is caused by too much money chasing too few goods. Over the past eighteen months or so money supply growth rocketed upward at the largest rate of increase in Post WWII history. Needless to say, inflation increased immediately thereafter. However, in recent months money supply growth has fallen sharply, and is now in a normal historical range. This decline in money supply growth supports a lower inflation forecast for 2023. Another positive development is the decline of commodity and energy costs. On the other hand, given very low unemployment and the fact that increasing numbers of baby boomers are retiring, wage costs may remain stubbornly high and could cause inflation to remain above the 2% inflation target of the Fed and ECB. In this scenario, interest rates might remain higher than desired.

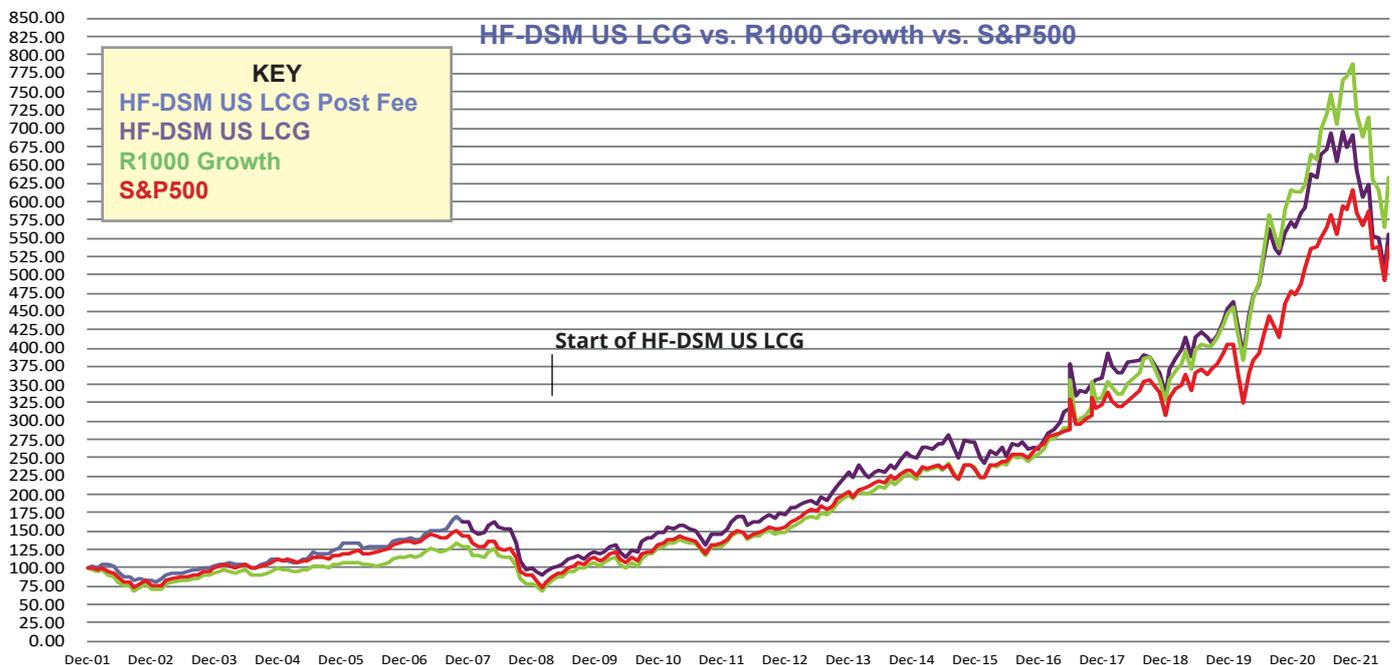
Second quarter earnings reports have now begun and so far have been solid, despite myriad economic challenges. DSM will continue to utilize the results and guidance presented to make buy and sell decisions, and has already begun incrementally purchasing positions in some of the companies they have researched and followed for many years, but which have previously been priced above reasonable valuation ranges. The Manager believes that over the next several quarters there will likely be additional opportunities to invest in such businesses. These recent transactions have increased the number of names in the portfolio and reduced the size of its largest positions. Over time, the Sub-Fund's cash may be further utilized to fund new names or to add to existing positions. DSM believes the portfolio is effectively positioned to withstand the risks of rising interest rates and/or the slowing economy over the foreseeable future.

### Key Information

NAV A Shares (30/04/22)	US\$ 338.42	Strategy Assets	US\$ 5,909.0 <sup>(a)</sup>
Total Fund Size (all share classes)	US\$ 75.96m	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>	(6.9)	(5.9)	3.0	(11.4)	(0.6)	(7.6)	9.2						(19.7)
<b>Russell 1000 Growth<sup>(c)</sup></b>	(8.6)	(4.3)	2.9	(12.4)	(2.2)	(7.9)	12.0						(19.4)
<b>S&amp;P 500<sup>(c)</sup></b>	(5.2)	(3.0)	2.7	(8.7)	0.2	(8.3)	9.2						(12.6)

Period Performance (%)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Cumulative	Annualised
HF-DSM US LCG Returns <sup>(b)</sup>	20.5	26.4	35.0	(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	454.4	8.68%
Russell 1000 Growth <sup>(c)</sup>	27.5	38.5	36.4	(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	438.3	9.39%
S&P 500 <sup>(c)</sup>	28.6	18.4	31.3	(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	533.8	8.52%



# HF Hereford Funds

## Top Ten Holdings

Alphabet (Cl. A)	Meta Platforms
Amazon.com	Microsoft
Boston Scientific	Charles Schwab
Fleetcor Technologies	UnitedHealth Group
Mastercard	Visa

Sectoral Breakdown	% of Assets
Information Technology	42.2%
Health Care	12.6%
Communication Services	12.5%
Financials	9.8%
Consumer Discretionary	8.7%
Consumer Staples	5.2%
Materials	2.9%
Industrials	1.6%

## 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	15.6	15.9
ISIN	LU0327604228	Sharpe Ratio	n/a	0.5	0.5
Reuters	LP65102015	Information Ratio	n/a	-0.1	
Sedol	B28TLX2	Tracking Error	n/a	6.3	
	3504726	Beta	n/a	0.9	
WKN	A0M58T	Alpha	n/a	0.2	

## 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

FundPartner Solutions (Europe) S.A.  
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:

Marcad, 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:

FundPartner Solutions (Suisse) SA (route des Acacias 60, 1211 Geneva 73, Switzerland) as Swiss representative and Banque Pictet & Cie SA (route des Acacias 60, 1211 Geneva 73, Switzerland) as Swiss paying agent.

## 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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