

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund Share Class A appreciated 6.52% for the month of June compared to a 6.87% return for the Russell 1000 Growth Index and a 7.05% return for the S&P 500 both including dividends. At the end of June, the Sub-Fund was primarily invested in the technology, communication services, consumer discretionary and health care sectors, with smaller weights in the consumer staples and financials sectors.

For the month, the Sub-Fund trailed the benchmark by approximately 35 bps. This was primarily the result of the Manager's selections in technology. The Manager's selections in health care benefitted performance. In June, the positions that contributed the most to the portfolio's return were Alibaba Group, Microsoft, Adobe, Tencent Holdings and Zoetis. The positions that contributed the least in the month were Alphabet, Neurocrine Biosciences, EPAM Systems, Royal Caribbean Cruises and Palo Alto Networks.

## Manager's Commentary

During the fourth quarter of 2018 global equity markets declined due to investor concerns that a China - America trade war would cause a global recession. The Manager thought then, and believes now, that those fears were overstated. The trade war has morphed into a trade dispute, and is no longer viewed as a market-shattering event. As a result, with the global economy continuing to grow, investor uncertainty has normalized and global markets have moved substantially higher. While the Manager can't be certain of the future, and there is always a possibility of some unexpected event driving the equity markets downward, DSM continues to believe that the global economy will expand over the next few years and that global equity markets will follow that growth upward.

Recently the US and China agreed to continue their trade discussions. In fact, nothing has substantively changed, except that the trade situation is now stable rather than escalating. The most contentious issues between the two, such as technology theft and required technology transfer, appear to not have not been dealt with. On the other hand, China did at least partially open more of its economic sectors to foreign investors, including autos, transportation, infrastructure, telecom, financial industries and "culture". In addition, China has agreed to purchase more American agricultural products, which may generate some votes for President Trump in critical swing states. In return the US agreed to lift sanctions on Huawei and to hold off on implementing additional tariffs. Investors found this outcome to be bullish, and the US equity market has reached an all-time high. Although the US and China may have made some progress, the Manager believes these trade issues will persist into the foreseeable future. However, with the trade situation now the norm rather than the exception, DSM expects investors will be less emotional and reactive to the trade "war" news flow.

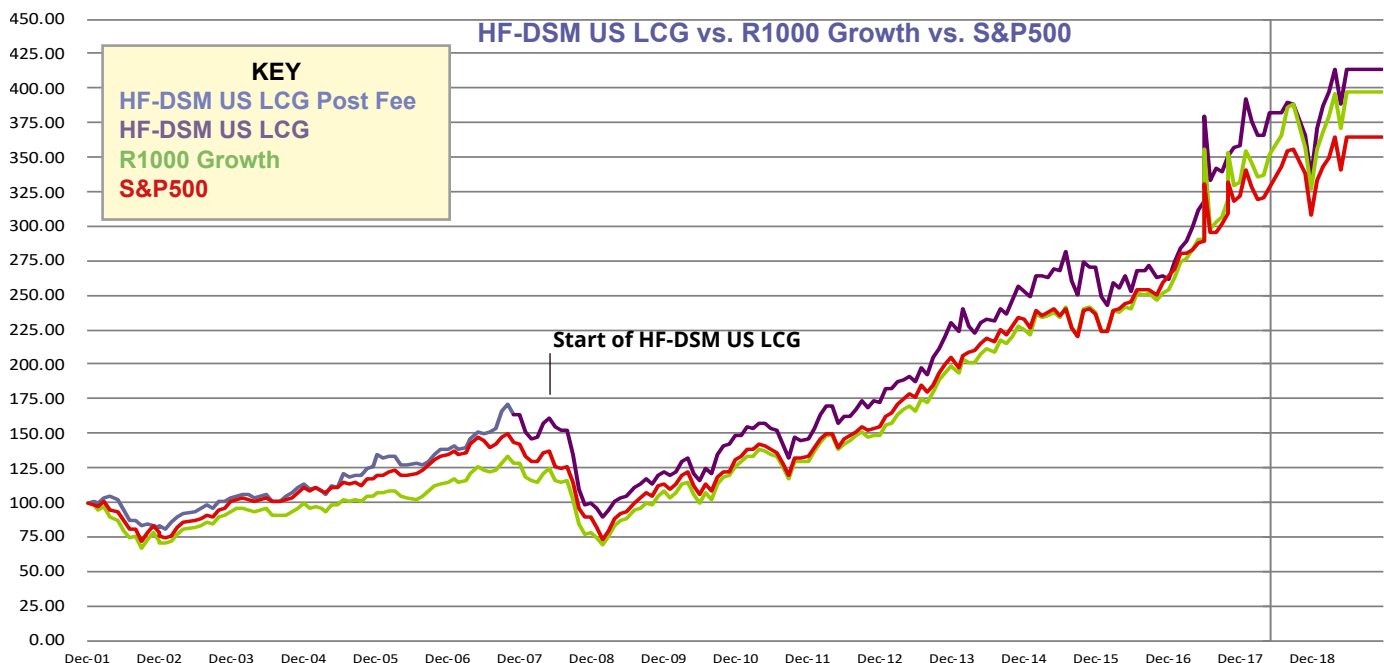
The portfolio's performance in 2019 is off to a strong start, bolstered by earnings growth of approximately 19%. The Manager continues to project a high-teens earnings growth rate going forward, and believes it is possible that earnings growth will remain higher than that target over the near-term. DSM remains focused on earnings because they believe that earnings are the primary factor that will "grow" the value of a business over time. Importantly, strong and growing earnings, when combined with reasonable valuations, can drive stock prices higher. With the portfolio valued at approximately 24.2x next twelve months of earnings through September of 2020, the Manager continues to believe that the Sub-Fund portfolio is attractively priced.

## Key Information

NAV A Shares (30/6/19)	US\$ 252.53	Strategy Assets	US\$ 5,606.0m <sup>(a)</sup>
Total Fund Size (all share classes)	US\$ 73.40m	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>	10.5	4.1	2.6	4.3	-6.2	6.5							23.1
<b>Russell 1000 Growth<sup>(c)</sup></b>	9.0	3.6	2.9	4.5	-6.3	6.9							21.5
<b>S&amp;P 500<sup>(c)</sup></b>	8.0	3.2	1.9	4.0	-6.4	7.1							18.5

Period Performance (%)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Cumulative	Annualised
<b>HF-DSM US LCG Returns<sup>(b)</sup></b>	(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	313.7	8.21%
<b>Russell 1000 Growth<sup>(c)</sup></b>	(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	265.0	7.96%
<b>S&amp;P 500<sup>(c)</sup></b>	(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	296.7	7.46%



# HF Hereford Funds

Top Ten Holdings	
Adobe	Facebook
Alibaba Group	Microsoft
Alphabet (Cl. A)	PayPal Holdings
Amazon.com	Tencent Holdings
Automatic Data Processing	Visa

Sectoral Breakdown	% of Assets
Information Technology	38.4%
Communication Services	19.4%
Consumer Discretionary	18.1%
Health Care	17.2%
Consumer Staples	4.5%
Financials	2.1%

## 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		14.9	14.6
Sharpe Ratio	n/a		0.5	0.5
Information Ratio	n/a		0.0	
Tracking Error	n/a		6.4	
Beta	n/a		0.9	
Alpha	n/a		0.9	

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:  
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

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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