

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund Share Class A appreciated 4.43% for the month of May compared to a 4.38% return for the Russell 1000 Growth Index and a 2.41% return for the S&P 500 both including dividends. At the end of May, the Sub-Fund was invested primarily in the technology sector, with smaller weights in the health care, consumer discretionary, financials and consumer staples sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 5 bps. This was primarily the result of the Manager's selections in technology, as well as the portfolio's overweight in technology versus the benchmark. The Manager's selections in health care detracted from performance. In May, the positions that contributed the most to the portfolio's return were Facebook, Alibaba Group, Adobe Systems, Alphabet and Microsoft. The positions that contributed the least in the month were Monster Beverage, Becton Dickinson, Booking Holdings, Royal Caribbean Cruises and Norwegian Cruise Line Holdings.

## Manager's Commentary

Based on the Manager's calculations, first quarter 2018 revenue and earnings grew in excess of 23% and 35% respectively. This result follows 2017 when revenue reached nearly 25% and earnings growth exceeded 30%. In 2016, revenue and earnings both grew in excess of 20%. Today the portfolio is valued at approximately 22.4x forward four quarters of earnings through June of 2019, which compares to the past four quarters of earnings growth of 34%. Based on the Manager's expectations of continued strong earnings growth, DSM believes that the portfolio remains undervalued.

The portfolio's earnings growth in 2018 has continued to show strength for three reasons. First, the companies in the portfolio generally have unique businesses with growing end markets which they dominate or at least have a very strong presence in. Second, the global economy is solid and even improving, in part due to tax cuts and deregulatory efforts in the United States. Third, the corporate tax cuts in the US are causing a one time "bump-up" in the earnings results of corporations from around the world who do business in the US. Earnings estimates for the S&P 500 now exceed \$158 for 2018. At \$158 of earnings, S&P 500 earnings growth in 2018 should comfortably exceed 25%. The Manager continues to believe that S&P 500 earnings should exceed \$160 in 2018.

Although several well-publicized macro and geopolitical risks remain of concern to investors, the possibility of peace on the Korean peninsula is encouraging. Moreover, the positive scenario of moderate inflation, low interest rates, an extended / accelerating global economic growth cycle, healthy corporate earnings, normal global market valuations given a low-inflation world and an improving and increasingly stable global financial system, continues to form the foundation of an upwardly driven global equity market. "Bull markets climb a wall of worry" and the Manager continues to expect that global equity markets will trend higher. The portfolio remains focused on unique businesses that have been identified and continuously subject to analysis by DSM's investment team, while the portfolio holdings remain characterized by strong balance sheets and significant free cash flow. The Manager continues to project a mid-to-high "teens" portfolio earnings growth rate through 2021, and believes, given the superior predictable-quality-growth of the portfolio, its valuation is quite attractive.

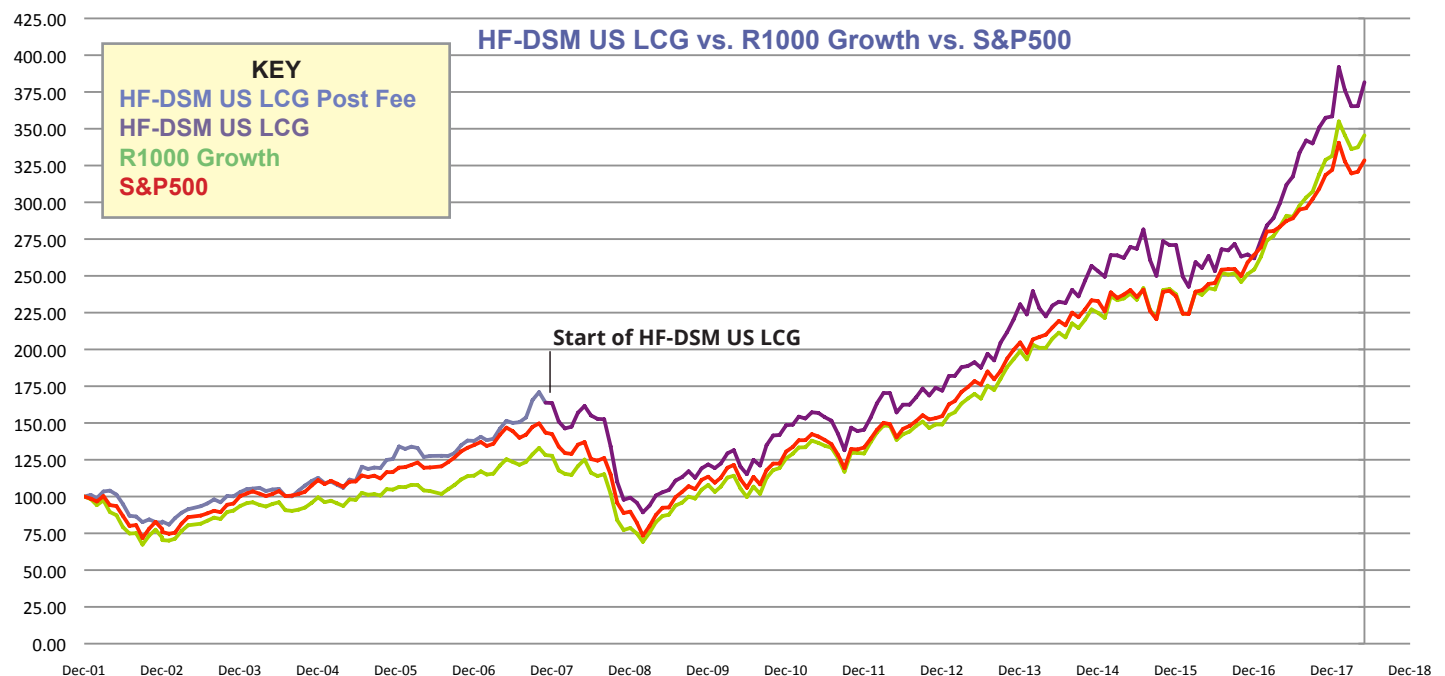
## Key Information

NAV A Shares (31/05/18) US\$ 232.96  
Total Fund Size (all share classes) US\$ 94.5m

Strategy Assets US\$ 5,825.9m<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	-3.97	-2.9	0.03	4.43								6.5
Russell 1000 Growth <sup>(c)</sup>	7.1	-2.62	-2.7	0.35	4.38								4.2
S&P 500 <sup>(c)</sup>	5.7	-3.69	-2.5	0.38	2.41								2.0

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>	6.5	36.8	(3.3)	7.0	9.7	34.1	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	281.6	8.20%
Russell 1000 Growth <sup>(c)</sup>	4.2	30.2	7.1	5.7	13.1	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	228.6	7.25%
S&P 500 <sup>(c)</sup>	2.0	21.8	12.0	1.4	13.7	32.4	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	245.5	7.69%



# HF Hereford Funds

Top Ten Holdings	
Adobe Systems	Facebook
Alibaba Group	Microsoft
Alphabet (Cl. A)	Tencent Holdings
BlackRock	Visa
Booking Holdings	Zoetis

Sectoral Breakdown	% of Assets
Information Technology	53.7%
Health Care	16.7%
Consumer Discretionary	14.0%
Financials	11.5%
Consumer Staples	3.6%

## 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	14.5	14.3
ISIN	LU0327604228	Sharpe Ratio	n/a	0.5	0.5
Reuters	LP65102015	Information Ratio	n/a	0.1	
Sedol	B28TLX2	Tracking Error	n/a	6.5	
	3504726	Beta	n/a	0.9	
WKN	A0M58T	Alpha	n/a	1.2	

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

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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%

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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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