HF Hereford Funds

Signatory of:
PRI Principles for Responsible Investment

SFDR status as of March 2021: Article 8

DSM US Large Cap Growth Sub-Fund

Class A - May 2022

Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund depreciated 0.6% for the month of May compared to a (2.32)% return for the Russell 1000 Growth Index and a 0.18% return for the S&P 500 both including dividends. At the end of May, the Sub-Fund was primarily invested in the technology, communication services and health care sectors, with smaller weights in the financials, consumer discretionary, consumer staples, materials and industrials sectors.

For the month, the Sub-Fund exceeded the benchmark by approximately 175bps. This was primarily the result of the Manager's selections in the information technology sector. The Manager's selections and underweight in consumer discretionary versus the benchmark also benefitted performance. The Manager's selections in health care detracted slightly from performance. In May, the positions that contributed the most to the portfolio's return were Charles Schwab, Adobe, Linde, Neurocrine Biosciences and Monster Beverage. The positions that contributed the least in the month were Meta Platforms, Keurig Dr. Pepper, Amazon.com, Microsoft and Global Payments

Manager's Commentary

At this time the underlying strength of the global economy remains solid, but on the margin appears to be deteriorating. Global inflation is the primary cause of the waning economic outlook, although some of the blame can be attributed to events such as lockdowns in China and Russia's invasion of Ukraine, which have disrupted supply chains, energy markets and general economic activity. Nevertheless, inflation remains the overwhelming economic challenge to global growth. For many consumers, inflation's impact on the costs of essential daily purchases will serve to reduce discretionary spending on non-essential items. Inflation is also driving down the value of assets such as private and public equity, bonds and real estate. As these assets fall in value, upper income consumers have historically reduced their discretionary spending as well. To reverse this unfortunate pattern of shrinking wealth and lower spending, inflation must fall and that can only happen with an increase in interest rates.

Low inflation promotes and sustains economic growth. High inflation does just the opposite. For that reason, central bank policy must return inflation to near their 2% target. The last time the American economy faced such persistent and rising inflation was during the period from 1965 through 1985. Ineffective monetary policy at the beginning of this period, made more challenging by rising oil prices, set off the inflation cycle. Initial efforts to stop inflation were in retrospect clearly inadequate and failed. Finally, in 1979 the Paul Volcker-led Federal Reserve made the decision to raise the Fed Funds rate well above the rate of inflation, where it then stayed for decades. If inflation remains stubbornly high over the course of this year, the proposed remaining rate hikes may not be enough unless most of them are 50 basis point increases. Thus, the Federal Reserve may respond as they did forty years ago, with much higher-than-expected interest rates. Clearly the direction in which inflation moves over the remainder of the year will be a critical determinant of the magnitude of rate increases in Europe and the US.

In the Manager's view, the investment environment going forward will be much more like the 1990s, than the historically unique period since the financial crisis in 2008. Since the 2008 financial crisis, Fed Funds have been set artificially low by the Federal Reserve and ECB. When combined with quantitative easing, a decade or more of artificially low interest rates increased speculation across asset classes. DSM expects interest rates will move higher, perhaps to levels in the 1990s of approximately 5% on the US ten-year treasury. While the Manager's emphasis last year was to manage the P/E of the portfolio lower to reduce risk, their focus this year is to identify new buying opportunities in premier growth companies whose valuations have become attractive due to a market increasingly driven by emotions rather than rationale. Selling by panicked investors driven by emotional irrationality should provide very good long-term buying opportunities for those more rational. The Manager is actively monitoring quite a number of investment opportunities for appropriate entry points, and will continue to position the portfolio to best withstand the risks of rising interest rates and/or the slowing economy over the foreseeable future.

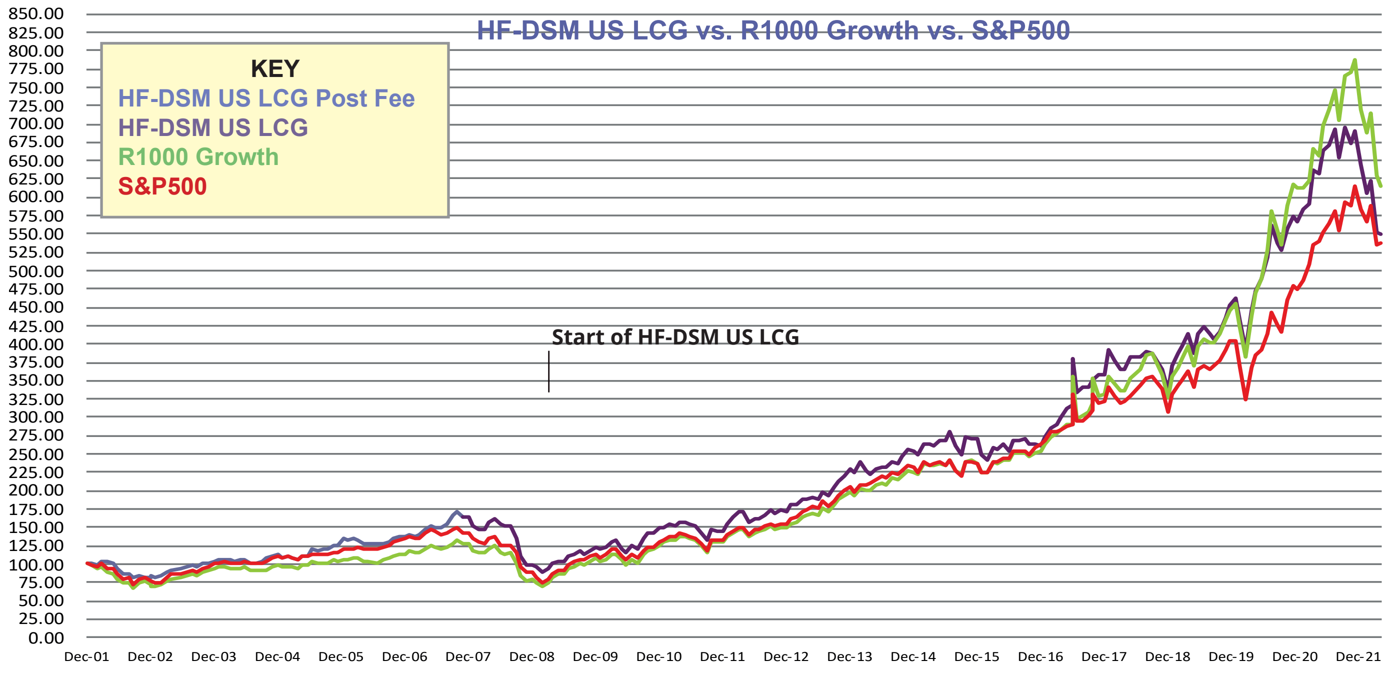
Key Information

NAV A Shares (30/04/22)	US$ 335.23	Strategy Assets	US$ 5,886.6[(a)]
Total Fund Size (all share classes)	US$ 77.7m	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	(6.9)	(5.9)	3.0	(11.4)	(0.6)								(20.5)
Russell 1000 Growth[(c)]	(8.6)	(4.3)	2.9	(12.4)	(2.2)								(21.9)
S&P 500[(c)]	(5.2)	(3.0)	2.7	(8.7)	0.2								(12.8)

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[(b)]	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	449.1	8.70%
Russell 1000 Growth[(c)]	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	437.2	9.30%
S&P 500[(c)]	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	514.6	8.58%



HF Hereford Funds

Top Ten Holdings	
Alphabet (Cl. A)	Meta Platforms
Amazon.com	Microsoft
Boston Scientific	Charles Schwab
Fleetcor Technologies	UnitedHealth Group
Linde PLC	Visa

Sectoral Breakdown	% of Assets
Information Technology	40.0%
Communication Services	14.4%
Health Care	12.0%
Financials	9.5%
Consumer Discretionary	7.3%
Consumer Staples	4.6%
Materials	3.3%
Industrials	2.5%

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	15.4	15.6
Sharpe Ratio	n/a	0.5	0.5
Information Ratio	n/a	-0.1	
Tracking Error	n/a	6.3	
Beta	n/a	0.9	
Alpha	n/a	0.3	

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

(a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.
(b) 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.
(c) Total return including dividends.
(d) 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.
(e) Share Class U has been granted Reporting Status by HMRC as of October 1, 2010.
(f) Share Class D is German tax registered from October 1, 2010.

Annual Management Charge	
Share Class A & U[(e)]	1.25%
Share Class D[(f)]	1.75%

Minimum Investment	
Share Class A & U[(e)]	$100,000 initial / $10,000 subsequent
Share Class D	$10,000 initial / $1,000 subsequent

France - Centralizing Correspondent as defined by French Regulation:
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