

DSM US Large Cap Growth Sub-Fund Class A - March 2022

Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 3% for the month of March compared to a 3.91% return for the Russell 1000 Growth Index and a 3.71% return for the S&P 500 both including dividends. At the end of March, the Sub-Fund was primarily invested in the technology and communication services sectors, with smaller weights in the health care, financials, consumer discretionary, consumer staples, materials and industrials sectors.

For the month, the Sub-Fund trailed the benchmark by approximately 91bps. This was primarily the result of the Manager's selections in the health care sector. The Manager's selections in materials benefitted performance. In March, the positions that contributed the most to the portfolio's return were Amazon.com, Automatic Data Processing, NVIDIA, Microsoft and Meta Platforms. The positions that contributed the least in the month were Netflix, Monster Beverage, Adobe, Keurig Dr. Pepper and Zoetis.

Manager's Commentary

At this time, global economic growth is challenged by a combination of ongoing inflation, weaker domestic demand due to shrinking real income, and the initiation of higher interest rates by central banks. Europe's anomalous era of negative interest rates is slowly evaporating, while Russian sanctions may result in higher energy costs for much longer than anticipated a few months ago. The lockdown of tens of millions of people in Shanghai, as well as the loss of raw materials and various crops from Russia and Ukraine, is causing additional supply chain disruptions and further limiting global growth, as the possibility of ongoing higher inflation for longer looms. While the housing market may be showing some signs of weakness as mortgage rates rise, many other sectors of consumer spending remain resilient, particularly travel and restaurants. However, if over the coming year inflation remains prevalent, it is likely that the consumer sector will see some demand destruction as rising prices outstrip wage gains. The decisions made by the Federal Reserve and the ECB over the next twelve to twenty-four months will be a function of inflation trends. Both central banks have acknowledged that inflation will remain elevated for at least another 12 months. As the banks transition to a cycle of rate increases, likely much more rapidly than formerly expected, it should be noted that the Federal Reserve will also begin the process of quantitative tightening (QT). The Federal Reserve's plans for QT, which requires selling some of their immense holdings of fixed income securities, may be the equivalent of another 50-basis point rise in Fed Funds.

Inflation and higher interest rates will reduce both the earnings and P/E's of cyclical "value" companies. While the earnings of many growth companies may be more resilient than those of value businesses, the P/E's of "growth" stocks will likely decline as well. In contrast, DSM has always focused on investments in predictable non-cyclical businesses with reasonable absolute valuations. DSM's portfolio is currently valued at 21.5x next four quarters of earnings through June of 2023 with a high-teens projected earnings growth rate. While the earnings growth rate may decline to the mid-teens range in a recession, the Manager believes the portfolio is effectively positioned to withstand the risks of rising interest rates and/or the slowing economy over the foreseeable future.

In DSM'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. Interest rates will move higher. As a result, valuations will normalize and excessive valuations will slowly decline, much as they did after the internet bubble in 2000. In 2021 the Manager was focused on adding lower P/E growth stocks to the portfolio that would defend in a difficult market as a result of higher interest rates. In 2022 DSM is focused on identifying new investment candidates whose business fundamentals over the intermediate to longer term remain strong, but whose valuations have declined significantly, providing a very attractive entry level to drive future returns.

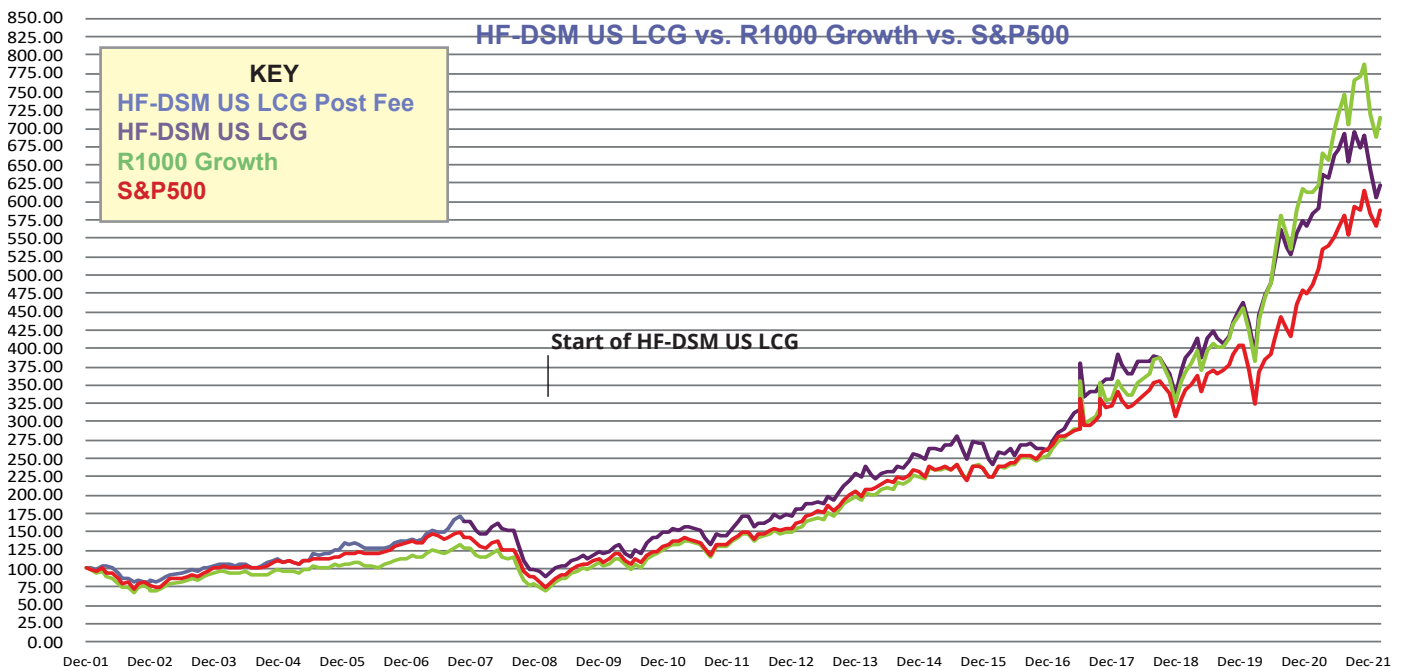
Key Information

NAV A Shares (31/01/22) US\$ 380.52
Total Fund Size (all share classes) US\$ 89.4m

Strategy Assets US\$ 6,724.2^(a)
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										(9.8)
Russell 1000 Growth ^(c)	(8.6)	(4.3)	2.9										(9.0)
S&P 500 ^(c)	(5.2)	(3.0)	2.7										(4.6)

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 ^(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	523.3	9.46%
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	487.4	10.21%
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	615.6	9.14%



HF Hereford Funds

Top Ten Holdings	
Alphabet (Cl. A)	Microsoft
Amazon.com	PayPal Holdings
Automatic Data Processing	Charles Schwab
Boston Scientific	UnitedHealth Group
Meta Platforms	Visa

Sectoral Breakdown	% of Assets
Information Technology	39.1%
Communication Services	17.8%
Health Care	12.4%
Financials	9.6%
Consumer Discretionary	6.9%
Consumer Staples	3.6%
Materials	2.8%
Industrials	1.8%

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	15.2	15.4
ISIN	LU0327604228	Sharpe Ratio	n/a	0.6	0.6
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.
- 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 ^(e)	1.25%
Share Class D ^(f)	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

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

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.

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