

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 0.86% for the month of July compared to a 2.94% return for the Russell 1000 Growth Index and a 3.72% return for the S&P 500 both including dividends. At the end of July, the Sub-Fund was invested primarily in the technology sector, with smaller weights in the health care, consumer discretionary, financials, consumer staples and industrials sectors.

For the month, the Sub-Fund trailed the benchmark by approximately 208bps. This was primarily the result of the Manager's selections in technology. The Manager's selections in consumer discretionary benefitted performance. In July, the positions that contributed the most to the portfolio's return were Alphabet, Microsoft, Thermo Fisher Scientific, Abbott Laboratories and Royal Caribbean Cruises. The positions that contributed the least in the month were Facebook, Tencent Holdings, IPG Photonics, Electronic Arts and PayPal Holdings.

## Manager's Commentary

Over the past month the Manager's performance has been significantly reduced, both absolutely and relative to the benchmarks, by not owning stocks with extreme P/E's, like Amazon and Netflix. In fact, DSM recently calculated that over the past 3 1/2 years the portfolio has lost almost 200 basis points annually versus the Russell 1000 Growth Index by not owning these two names. Unlike most other growth managers who will buy stocks regardless of their valuation – in other words, regardless of their P/E level – the Manager does not invest its clients' capital, or its own, in very high P/E stocks, which are risky by definition. While many portfolio managers feel they have to own these names, despite the extreme valuations, because they are heavily weighted in the benchmark, DSM believes its clients can earn attractive returns without speculating in high risk investments. The businesses in the Sub-Fund's portfolio are performing very well with second quarter earnings results better than expected in nearly all of the reporting companies.

DSM has projected for many years that the current global economic expansion would prove to be a longer growth cycle than the majority of previous economic growth periods. At this time, based on President Trump's tax cuts and deregulatory policies, continued economic growth in China and improving economic outlooks in Europe and Japan, the Manager believes global growth may well exceed 3%. Despite these strong trends, investors are concerned that global economic growth will be slowed by Trump's tariffs. Under such circumstances the US economy is seen as a safe haven and global investors are driving the dollar upward, while it is possible that Beijing is actively devaluing the yuan to offset higher U.S. tariffs. Importantly, a strong dollar may slow down the US Federal Reserve's projected interest rate tightening path.

DSM remains focused on earnings believing 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, drive stock prices higher over time. 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 believes that the portfolio is attractively valued and that the portfolio's ample mid-to-high-teens projected long term earnings growth should drive values upward.

## Key Information

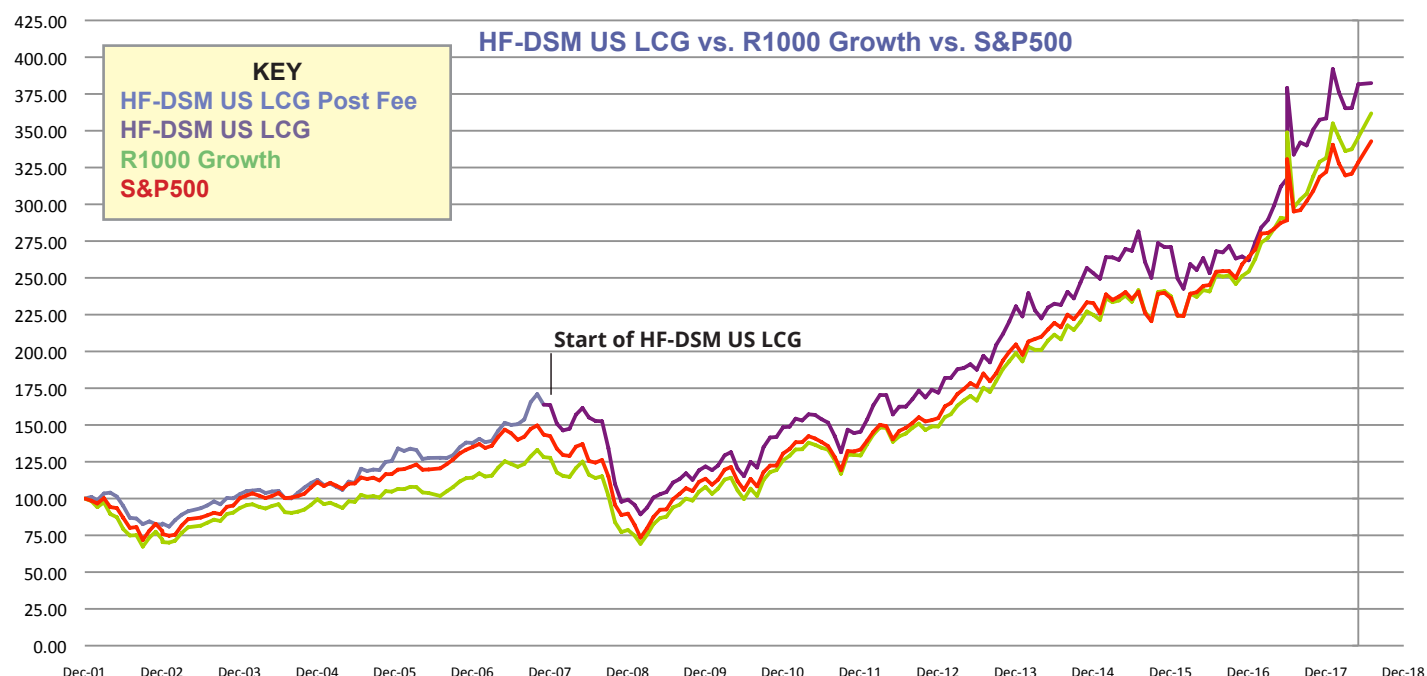
NAV A Shares (31/07/18) US\$ 233.43  
Total Fund Size (all share classes) US\$ 93.7m

Strategy Assets  
Fund Launch Date

US\$ 5,439.4m<sup>(a)</sup>  
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	-0.6	0.86						6.7
Russell 1000 Growth <sup>(c)</sup>	7.1	-2.62	-2.7	0.35	4.38	1.0	2.94						9.1
S&P 500 <sup>(c)</sup>	5.7	-3.69	-2.5	0.38	2.41	0.6	3.72						6.5

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>	5.8	36.8	(3.3)	7.0	9.7	34.1	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	282.4	8.21%
Russell 1000 Growth <sup>(c)</sup>	5.2	30.2	7.1	5.7	13.1	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	242.9	7.52%
S&P 500 <sup>(c)</sup>	2.7	21.8	12.0	1.4	13.7	32.4	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	261.8	7.93%



## 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	53.6%
Health Care	17.8%
Consumer Discretionary	12.1%
Financials	11.0%
Consumer Staples	4.2%
Industrials	1.0%

## 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 Depositary Receipts and American Depositary 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	14.4
ISIN	LU0327604228	Sharpe Ratio	n/a	0.6
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	1.0

## 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](http://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 <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  
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Société Générale, Zurich Branch, Talacker, 50, P.O. Box 1928, CH-8021 Zurich  
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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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