

## Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 0.53% for the month of November compared to a 2.18% return for the Russell 1000 Growth Index and a 3.70% return for the S&P 500 including dividends. At the end of November, the Fund was invested primarily in the technology, consumer discretionary and health care sectors, with smaller weights in the financials and consumer staples sectors.

For the month, the Fund trailed the benchmark by approximately 165 bps. This was primarily the result of the Manager's selections in the technology sector. The Manager's selections in financials, as well as the portfolio's overweight in financials versus the benchmark, benefited performance. In November, the positions that contributed the most to the portfolio's return were Charles Schwab, Celgene, Dollar Tree, Starbucks and Sirius XM Holdings. The positions that contributed the least in the month were Facebook, FleetCor Technologies, Visa, Allergan and Monster Beverage.

## Manager's Commentary

All of us at DSM are focused on our investment process and on generating long term returns for clients. We have learned from past mistakes and that understanding is evident in the earnings results of the portfolio over the past few years. We believe we are identifying predictable, high-quality growth companies better than at any point in our fifteen year history. Our underperformance this year is not due to companies missing earnings and damaging portfolio returns, but is largely due to the fact that the market is ignoring the strong and steady earnings growth of the companies we currently hold. We estimate that for the portfolio as a whole weighted average revenue and earnings growth was 29% and 22% respectively in the third quarter. This is arguably the highest quality portfolio of businesses that we have ever owned, yet it is valued at only 18.4x 2017 earnings.

In the days since Trump's victory, his focus on economic growth driven by tax cuts and reduced regulations have evoked a positive reaction from equity markets. However, investors have rotated into macro themed 'reflation' investments, represented by industrial stocks and commodities such as copper, causing our portfolio to underperform. In line with the reflation theme, interest rates have risen, which is also consistent with the market's outlook for improved economic growth, causing financial stocks to outperform. We agree that Trump's potential policies, especially on taxes, are bullish. However, similar to the Brexit situation, we believe much of the market's knee-jerk reaction to the reflation theme and financials is temporary and will eventually dissipate in favor of more rational investing.

DSM's concentrated portfolio construction, with high active share and a focus on predictable, quality-growth companies is as relevant as ever. There is a simple reason why. Businesses appreciate in value as earnings grow, and the portfolio has substantial earnings growth to drive values upward. We believe that our patience will be amply rewarded. Remembering President Reagan's pro-growth tax cuts and the positive effect they had on the economy and the markets, we believe it is possible that President-Elect Trump's tax and regulatory changes could be the bullish turning point for the market and for bottom-up stock picking. Our stagnant performance is a situation that will not continue indefinitely. We simply must remain focused and patient.

## Key Information

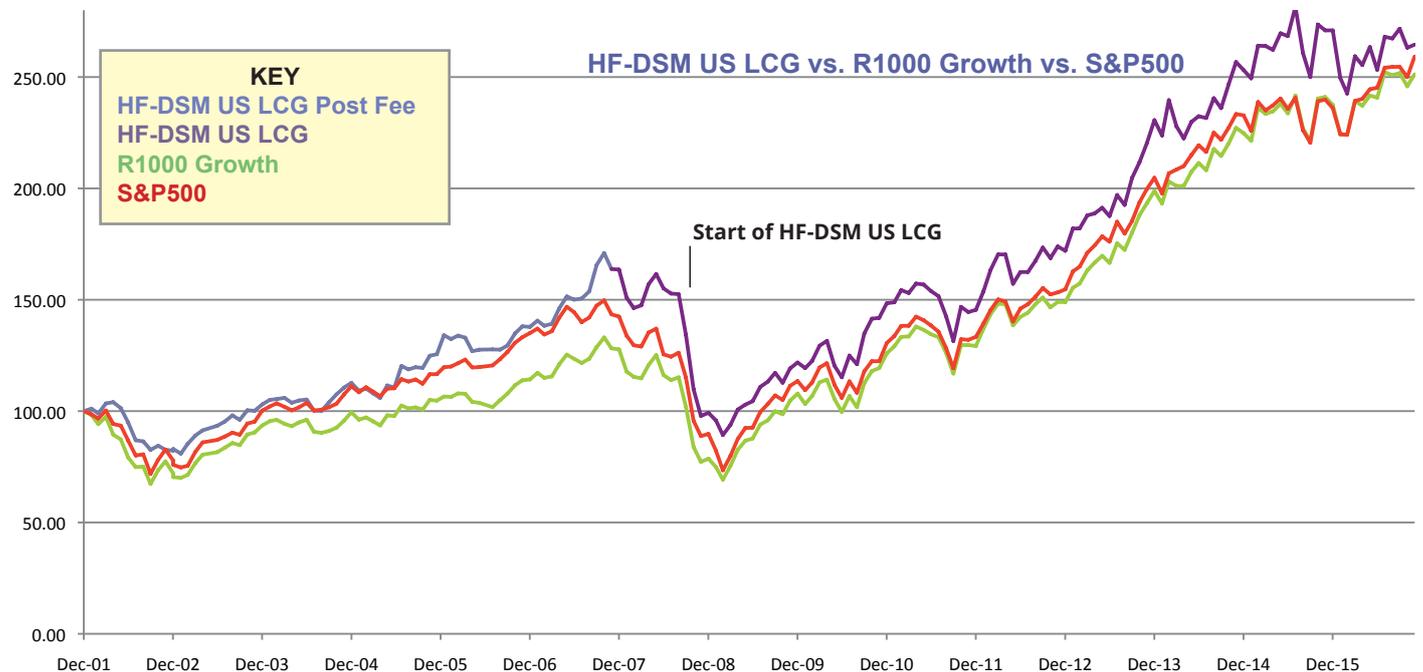
NAV A Shares (31/07/16) US\$ 161.52  
Total Fund Size (all share classes) US\$ 89.8m

Strategy Assets  
Fund Launch Date

US\$ 4,243.9m<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	(7.9)	(2.8)	6.9	(1.5)	3.2	(3.9)	5.88	(0.29)	1.6	(3.1)	0.5		(2.4)
Russell 1000 Growth <sup>(c)</sup>	(5.6)	0.0	6.7	(0.9)	1.9	(0.4)	4.72	(0.5)	0.02	(2.3)	2.2		5.8
S&P 500 <sup>(c)</sup>	(5.0)	(0.1)	6.8	0.4	1.8	0.3	3.69	0.14	0.4	(1.8)	3.7		9.8

Period Performance (%)	YTD	2015	2014	2013	2012	2011	2009	2009	2008	2007	2006	2005	2004	Cumulative	Annualised
HF-DSM US LCG Returns <sup>(b)</sup>	(2.4)	7.0	9.7	34.1	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	11.4	9.4	164.6	6.74%
Russell 1000 Growth <sup>(c)</sup>	5.8	5.7	13.1	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	159.2	6.59%
S&P 500 <sup>(c)</sup>	9.8	1.4	13.7	32.4	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	4.9	10.9	151.2	6.37%



# HF Hereford Funds

Top Ten Holdings	
Adobe Systems	Monster Beverage
Allergan	Priceline Group
Alphabet (Cl. A & C)	Charles Schwab
Celgene	Visa
Facebook	Zoetis

Sectoral Breakdown	% of Assets
Information Technology	43.8%
Consumer Discretionary	22.5%
Health Care	21.0%
Financials	8.3%
Consumer Staples	4.2%

## 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		14.8	14.8
Sharpe Ratio	n/a		0.4	0.3
Information Ratio	n/a		0.1	
Tracking Error	n/a		6.6	
Beta	n/a		0.9	
Alpha	n/a		1.0	

Fund Details	
Dealing Day	Daily
Dividends	None - income accumulated within the fund
Investment Manager	DSM Capital Partners LLC 116 Radio Circle Drive, Suite 200, Mount Kisco, NY 10549, USA
Management Company	BSI Fund Management S.A. 44F, rue de la Vallée, L-2661 Luxembourg
Custodian	BSI Europe S.A. 122, Rue Adolphe Fischer L-1521 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

Annual Management Charge	
Share Class A & U <sup>(e)</sup>	1.25%
Share Class D <sup>(f)</sup>	1.75%

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

## Order Transmission Information

### Original Applications To:

European Fund Administration  
Attn.: TA Operations and Shareholder  
Services  
2 rue d'Alsace  
L-1122 Luxembourg

### Subsequent Applications Only Via Facsimile:

European Fund Administration  
Attn.: TA Operations & Shareholder  
Services Fax: +352 4865 61 8002  
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E-mail: register.ta.ops@efa.eu

- 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.

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