

## DSM US Large Cap Growth Sub-Fund Class A - September 2021

### Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund depreciated 5.7% for the month of September compared to a (5.60)% return for the Russell 1000 Growth Index and a (4.65)% return for the S&P 500 both including dividends. At the end of September, the Sub-Fund was primarily invested in the technology and communication services sectors, with smaller weights in the health care, consumer discretionary, financials, consumer staples, industrials and materials sectors.

For the month, the Sub-Fund trailed the benchmark slightly. This was primarily the result of the Manager's underweight of the consumer discretionary sector versus the benchmark, as well as the Manager's selections in consumer discretionary. The Manager's selections in communication services and health care benefited performance. In September, the positions that contributed the most to the portfolio's return were Netflix, Mastercard, Neurocrine Biosciences, Keurig Dr Pepper and Aon. The positions that contributed the least in the month were Facebook, Alphabet, Microsoft, Adobe and PayPal Holdings.

### Manager's Commentary

Although recently reported earnings have been quite strong across the Manager's holdings, turnover has increased. One of the factors behind the increased turnover is the risk of persistently higher inflation. If inflation remains above 3% for an extended period of time, interest rates may rise higher than currently expected. If rates do go up more than expected, DSM believes positions with loftier P/Es will be at a greater risk of a significant correction. Accordingly, the rationale behind many of their recent transactions was to trim or sell higher P/E names and to purchase or add to positions with lower P/Es.

In the United States economic growth is recovering driven by improving employment and wages, as well as declining Delta variant cases. As a result, the Federal Reserve is likely to begin "tapering" their bond buying program later this year, and may end it entirely by next summer. On its own, the elimination of the program would push interest rates higher from today's historic lows, although the Manager believes the resulting increase in rates would be gradual. That said, the current outlook is made more problematic by the possibility that "supply chain" inflation may in fact push up interest rates faster and higher for longer. Inflation over the last twelve-months ended August was in excess of 4%, a level last seen 30 years ago and one well above the Federal Reserve's target of 2%. Wage increases, relatively low unemployment and rising commodity/energy prices are pushing inflation higher. If in fact this is the result of excessive monetary easing by the Federal Reserve, combined with too much pandemic spending by the US government, inflation may remain a concern over the near term. While the outcome is uncertain at this time, rising inflation that pushes rates higher-for-longer may create a headwind for equities resulting in multiple compression and possibly a market correction.

However, with so much focus on the risk of inflation, it may well not become a problem. Thus, the Manager continues to believe the likely direction of global markets remains upward given the coronavirus pandemic is at the beginning-of-the-end (hopefully), the global economy is recovering, corporate earnings are much stronger than expected and the valuation of the S&P 500 at 20x 2022 earnings is "normal" in a low inflation world. DSM remains optimistic that performance will continue to be strong. Over time, businesses appreciate in value as their earnings grow. DSM's portfolio earnings have grown largely as expected before the pandemic, remained solid (albeit a bit less than expected) during the pandemic and they believe growth in the mid-to-high teens or perhaps more is possible beginning in 2021.

### Key Information

NAV A Shares (30/9/21) US\$ 399.5  
Total Fund Size (all share classes) US\$ 97.7m

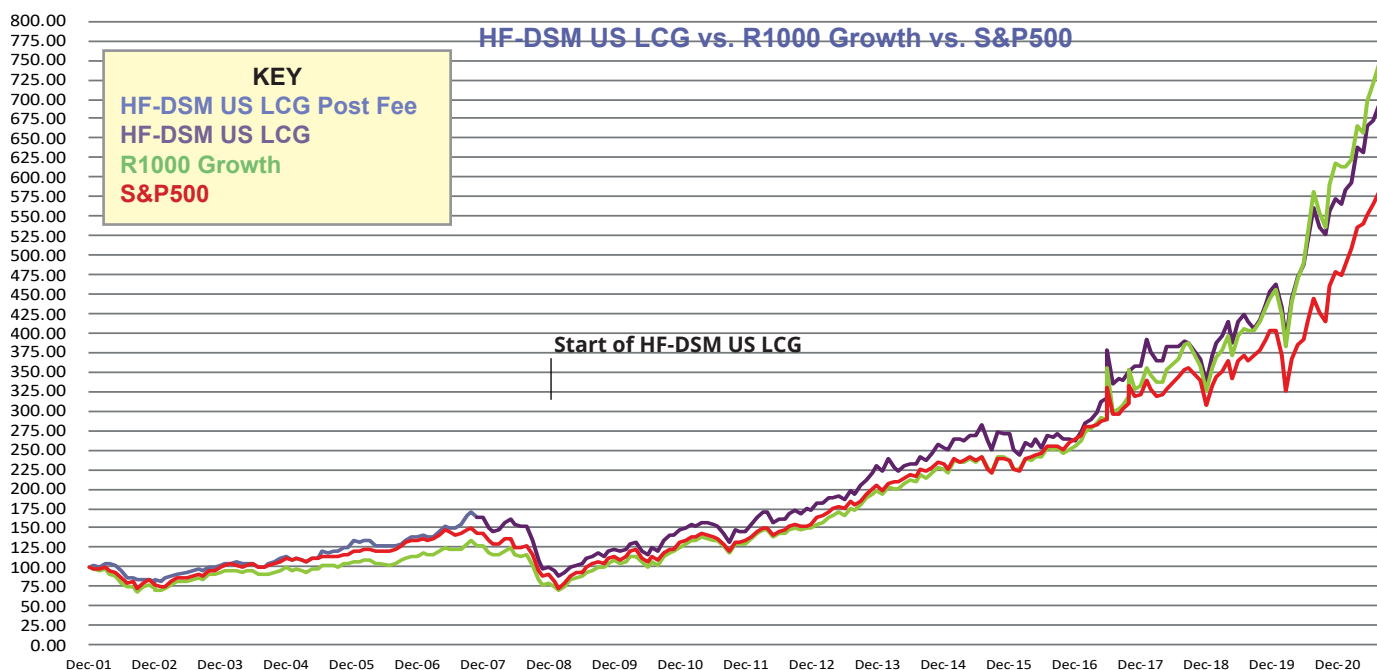
Strategy Assets  
Fund Launch Date

US\$ 8,137.4m<sup>(a)</sup>  
29-Nov-07

### Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>HF-DSM US LCG</b>	(1.3)	3.3	1.3	7.7	(0.8)	5.1	1.1	3.3	(5.7)				14.1
<b>Russell 1000 Growth<sup>(c)</sup></b>	(0.7)	(0.02)	1.7	6.8	(1.4)	6.3	3.3	3.7	(5.6)				14.3
<b>S&amp;P 500<sup>(c)</sup></b>	(1.0)	2.8	4.4	5.3	0.7	2.3	2.4	3.0	(4.7)				15.9

Period Performance (%)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	Cumulative	Annualised
<b>HF-DSM US LCG Returns<sup>(b)</sup></b>	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	554.4	9.85%
<b>Russell 1000 Growth<sup>(c)</sup></b>	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	454.5	10.2%
<b>S&amp;P 500<sup>(c)</sup></b>	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	604.8	8.94%



## Top Ten Holdings

Adobe	Microsoft
Alphabet (Cl. A)	Netflix
Amazon.com	PayPal Holdings
Facebook	Charles Schwab
Intuit	Visa

## 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	15.2	15.3
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	0.6	

## 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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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](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%

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

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.

## 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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