



# Hereford Funds DGHM US All-Cap Value Fund December 2010

## December 2010 Investment Review

The Hereford Funds DGHM US Allcap Value Fund returned 4.9% during the month of December compared to a 7.9% return for the Russell 3000 Value Index. Year to date, the Hereford/Dalton Greiner Allcap Value Fund has returned 15.9% compared to a 16.2% return for the Russell 3000 Value Index. The S&P 500 was up 6.7% for the month and 15.1% for the year. The poor performance during the month was primarily a function of our investment style. Eleven out of the 16 sectors we were invested in during the month underperformed. No one particular stock or sector was that material. The worst performing sector was Basic Materials which underperformed by 54 basis points. The worst performing stock in that sector was Clearwater Paper which was down 3% compared to a 10% return for the Russell 3000 Value Basic Materials sector. We simply did not keep up with the market during this period and during the fourth quarter. The sectors that did add value during the month only did so by slight amounts. As discussed in monthly letters written in the third quarter of 2009, it is not unusual for Dalton Greiner to lag the market during speculative periods or lower quality rallies. While the length of this type of rally differs each time, there is no question that normal stock market patterns will reassert themselves. Thus, we believe that our performance will not suffer from the aforementioned stylistic issues at some point in the future. Our goal remains to deliver superior risk adjusted performance numbers across a full market cycle. We will not deviate from this path by altering our style by trying to time markets.

No new positions were added during the month. Cash averaged 2.4% which had a negative impact of 20 basis points during the month.

I would also like to remind investors that during periods of market volatility like we are currently experiencing, our disciplined structured process will particularly serve us well. Our process does not allow us to get caught up in the emotional swings as markets gyrate up and down.

## Key Information

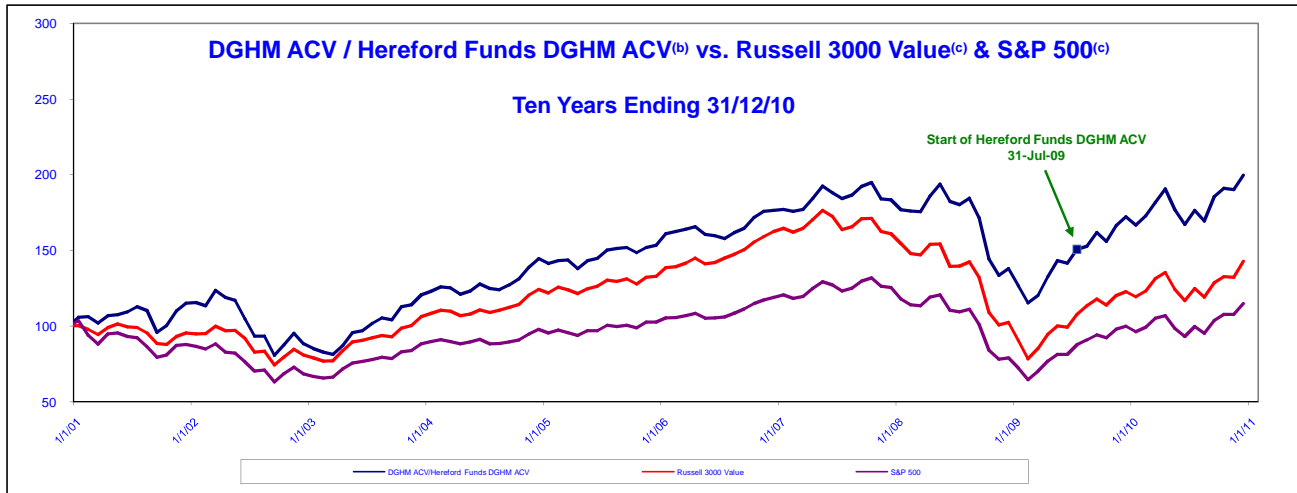
NAV A Shares (31/12/10): \$132.44  
 Total Fund Size: \$64.6 mil  
 Strategy Assets: \$599 mil<sup>(a)</sup>  
 Fund Launch Date: 31-Jul-09

## Monthly Performance (%)

	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	YTD
Hereford Funds DGHM AllCap Value	-3.2	3.7	5.1	4.9	-7.2	-5.5	5.6	-3.9	9.5	2.9	-0.4	4.9	15.9
Russell 3000 Value Index <sup>(c)</sup>	-2.8	3.3	6.7	3.0	-8.2	-5.9	6.8	-4.5	8.0	3.1	-0.3	7.9	16.2
S&P 500 Index <sup>(c)</sup>	-3.6	3.1	6.0	1.6	-8.0	-5.2	7.0	-4.5	8.9	3.8	0.0	6.7	15.1

## Period Performance (%)

	YTD	1 yr	2 yr	3yr	4 yr	5 yr	10 yr	Since Inception 01/01/83	
								Cumulative	Annualised
DGHM ACV / Hereford Funds DGHM ACV <sup>(b)</sup>	15.9	15.9	20.3	2.9	3.1	5.4	7.2	2174.8	11.8
Russell 3000 Value Index <sup>(c)</sup>	16.2	16.2	18.0	-3.9	-3.2	1.4	3.6	2070.1	11.6
S&P 500 Index <sup>(c)</sup>	15.1	15.1	20.6	-2.9	-0.8	2.3	1.4	1737.3	11.0



## Top Ten Holdings

	% NAV
AT&T INC COM	3.97
JPMORGAN CHASE & CO COM	3.88
PROTECTIVE LIFE CORP COM	3.73
SUNTRUST BKS INC COM	3.42
ALEXANDRIA REAL ESTATE EQ INC COM	3.40
WHITING PETE CORP NEW COM	3.38
EXPRESS SCRIPTS INC COM	3.38
ACE LTD SHS	3.29
PIONEER NAT RES CO COM	3.28
BECTON DICKINSON & CO COM	3.26

## Sectoral Breakdown

	% of assets
Industrial Cyclical	31.2
Financial	24.0
Non Cyclical	18.1
Utilities	10.4
Consumer Cyclical	8.9
Technology	5.0
Cash	2.4
	100.0



### Investment Objective

The investment objective of the ACV sub fund is to provide capital appreciation over a multi-year investment horizon by investing primarily in a diversified portfolio of publicly traded equity securities of US based companies, which the Investment Manager believes to be undervalued. The companies will generally have a market capitalizations of more than USD 750 million.

The sub fund may, on an ancillary basis, invest in US-based companies with higher or lower capitalizations as well as in non US-based companies. The Compartment may invest in American Depository Receipts and American Depository Shares.

The indicative benchmarks are the Russell 3000 Value and the S&P 500 Indices.

Fund Codes		Risk Profile <sup>(d)</sup>	Since Inception (01/01/83) - 31/12/10		
			Reference Strategy	R3000 Value	S&P 500
Bloomberg	HERACVALX*	Volatility	16.80	16.06	16.55
ISIN	LU0435791347	Sharpe Ratio	0.53	0.43	0.37
Reuters	N/A	Information Ratio	(listed below benchmark)	0.27	0.31
Sedol	B5MDN13	Tracking Error	(listed below benchmark)	7.16	8.57
Valoren	10269479	Beta	(listed below benchmark)	0.95	0.88
WKN	A0RPYP	Alpha	(listed below benchmark)	2.55	3.90

\* Share Class A

### Fund Details

Dealing day	Daily
Dividends	None: income accumulated within the fund
Investment Manager	Dalton, Greiner, Hartman, Maher & Co., LLC, 565 Fifth Avenue, Ste. 2101, NY, NY 10017, USA
Promoter	VP Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Authorized Corporate Director	VPB Finance S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Custodian	VP Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Legal Advisers	Elvinger, Hoss & Prussen, 2 Place Winston Churchill, L-1340 Luxembourg
Auditor	Deloitte, 560 Rue de Neudorf, L-2220 Luxembourg

### Annual Management Charge

Share Class A <sup>(e)</sup>	1.25%
Share Class D <sup>(f)</sup>	1.75%

### Minimum Investment

Share Class A	\$100,000 initial; \$10,000 subsequent
Share Class D	\$10,000 initial; \$1,000 subsequent

### Order Transmission / Information

#### Original Applications To:

VPB Finance S.A.  
attn. Fund Operations / TA-HFF  
P.O. Box 923  
L-2019 Luxembourg  
or, for transmissions via courier service,  
26, avenue de la Liberté, L-1930 Luxembourg

#### Subsequent Applications Only Via Facsimile:

VPB Finance S.A.  
attn. Fund Operations / TA-HFF  
Fax : (+352) 404 770 283  
Tel: (+352) 404 770 260  
e-mail: luxfunds.info@vpbank.com

(a) This refers to the total assets invested in the reference strategy managed by the Investment Manager. Assets include third party platform assets for which DGHM does not have full conditional authority, and which have been excluded from the definition of the firm for GIPS purposes. The assets consist of direct wrap relationships of \$154 million and model portfolio relationships of \$92 million as of 12/31/10.

(b) Data and graph depict DGHM composite through July 2009 and Hereford Funds DGHM US All-Cap Value Class A thereafter. Historical net performance of DGHM All-Cap Value Composite returns (the Reference Strategy) includes modelled fee and expense typical of Hereford Funds DGHM US All-Cap Value Fund Class A (1.25% fee + 0.25% expense). Fund follows same strategy. Performance presentation incomplete without accompanying footnotes as shown at www.dghm.com.

(c) Total return including dividends.

(d) Source: PSN database – All numbers are presented gross of fees and expenses.

(e) Share Class A is German tax registered from 27/5/10 and has applied for UK Reporting Fund Status for the year to September 2011.

(f) Share Class D is German tax registered from 1/10/10.

This document is for information purposes and internal use only. It is neither an advice nor a recommendation to enter into any investment.

Investment suitability must be determined individually for each investor, and the financial instruments described above may not be suitable for all investors. This information does not provide any accounting, legal, regulatory or tax advice. Please consult your own professional advisers in order to evaluate and judge the matters referred to herein.

An investment should be made only on the basis of the prospectus, the annual and any subsequent semi-annual-reports of HEREFORD FUNDS (the "Fund"), a société d'investissement à capital variable, established in Luxembourg and registered under Part I of Luxembourg law of 20 December, approved by the Commission de Surveillance du Secteur Financier (CSSF). These can be obtained from [the Fund, 26, avenue de la Liberté, L-1930 Luxembourg or from VPB Finance S.A., 26, avenue de la Liberté, L-1930 Luxembourg and any distributor or intermediary appointed by the Fund].

No warranty is given, in whole or in part, regarding performance of the Fund. There is no guarantee that its investment objectives will be achieved. Potential investors shall be aware that the value of investments can fall as well as rise and that they may not get back the full amount invested. Past performance is no guide to future performance.

The information provided in this document may be subject to change without any warning or prior notice and should be read in conjunction with the most recent publication of the prospectus of the Fund. Whilst great care is taken to ensure that information contained herein is accurate, no responsibility can be accepted for any errors, mistakes or omission or for future returns.

This document is intended for the use of the addressee or recipient only and may not be reproduced, redistributed, passed on or published, in whole or in part, for any purpose, without the prior written consent of HEREFORD FUNDS. Neither the CSSF nor any other regulator has approved this document.