



**Investment Review**

The Hereford/DSM Large Cap Fund appreciated 5.8% for the month of January compared to a 4.3% appreciation for the Russell 1000 Growth Index and a 5.2% appreciation for the S&P 500 including dividends. At the end of January, the Fund was invested primarily in the technology, consumer discretionary, health care and industrials sectors, with smaller weights in the consumer staples and energy sectors.

During the month the Fund exceeded its benchmark by approximately 150 bps. This was primarily the result of the outperformance of our stock selections in the health care and technology sectors. Our stock selections in the industrials sector detracted from performance. In January, the best performing positions in the portfolio were Celgene, Las Vegas Sands, Allergan, Intuitive Surgical and eBay. The worst performers for the month were Apple, Family Dollar Stores, Precision Castparts, Yum! Brands and Time Warner Cable. During the month, we sold our position in Time Warner Cable on valuation. With the proceeds, we initiated a position in Kinder Morgan, North America's largest energy infrastructure company. In our view this investment will be driven by America's increasing oil and gas production, as well as the stock's up front yield of nearly 4%. We also added to several existing positions including Cognizant.

In the US, housing prices and employment, in particular, are showing steady progress against a backdrop of continued low interest rates and an absence of inflation. The consumer is closer to the end of de-leveraging, and consumer credit is coming back. There is excitement around shale production with a whiff that the US may someday import far less oil, or perhaps none at all. However, the apparent lack of leadership in the US government has made it challenging for businesses, let alone the American consumer, to see where the government is headed. Further, all workers have returned to paying the full Social Security rate – a 2% hike on the first \$113,700 of household income. Additionally, households earning over \$450,000 are facing a 15% to 20% increase in federal taxes. Unfortunately this income category includes most individuals who own small businesses, make hiring decisions, start companies, and invest capital. The drag on the economy in 2013 from all of these tax increases is a matter of speculation, with most economists estimating it around 1% of GDP, leaving the US economy, in the absence of any growth initiatives, likely growing around 2% for the year, and slower in the first half.

In Europe, ECB President Mario Draghi deserves credit for stabilizing sovereign yields, on the one hand by just talking them down, and on the other hand, through the ECB's back-door injections into European banks. European leaders, particularly Angela Merkel, have held the currency union together, which is clearly priority number one. This has led many economists to agree with Draghi that the EU will turn around in 2013 and begin growing again. Seeing that Germany recently cut its 2013 economic growth forecast to 0.5% from 1.0%, we can't estimate more than zero economic growth for the year, especially given the number of moving parts in Europe.

China is a bright spot, in our view. In a relatively short time, the country has become a major world manufacturer with an increasing level of quality and sophistication. They have absorbed the impact of much slower demand from the US and Europe while creating an internal economy that will soon be the largest buyer of autos in the world. China's new leadership is pushing forward with banking reforms, and promising to clean up corruption. The year 2012 appears to have ended with Chinese GDP growth north of 7.5%, which is a reasonable estimate, we think, for 2013 as well.

We still believe the world will "muddle through", and with an improving outlook in the emerging markets, perhaps the probability of a moderate global recession has lessened. Our strategy continues to focus on investments in businesses that generate the majority of their revenue in North America and emerging markets. In our opinion, the valuation of the portfolio, at 17.6x next-four-quarter earnings, continues to be attractive in the current slow growth economic environment and relative to the market.

**Key Information**

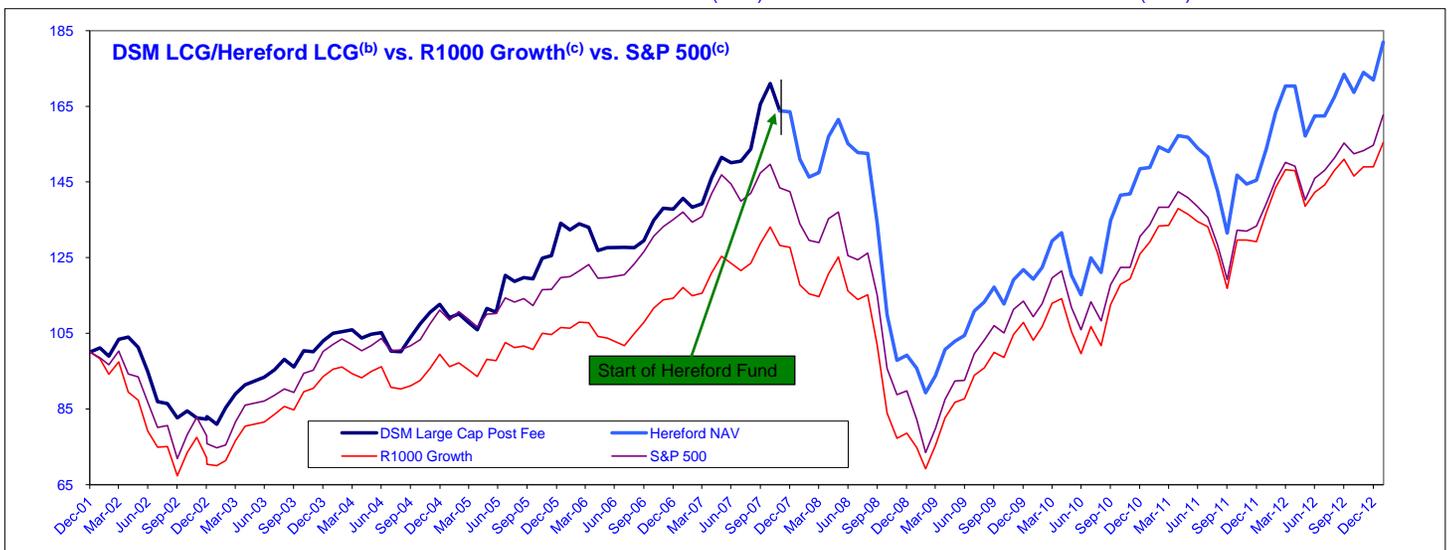
NAV A Shares (31/01/13)	US\$ 111.07
Total Fund Size	US\$ 134.9 mil
Strategy Assets	US\$ 2,715.6 mil(a)
Fund Launch Date	29-Nov-07

**Monthly Performance (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	5.8												5.8
Russell 1000 Growth <sup>(c)</sup>	4.3												4.3
S&P 500 <sup>(c)</sup>	5.2												5.2

**Period Performance (%)**

	YTD	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Since Inception 01/01/02	Annualised
DSM LCG/Hereford LCG Returns <sup>(b)</sup>	5.8	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	11.4	9.4	25.2	(17.7)	82.0	5.5
Russell 1000 Growth <sup>(c)</sup>	4.3	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	29.7	(27.9)	55.4	4.1
S&P 500 <sup>(c)</sup>	5.2	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	4.9	10.9	28.7	(22.1)	62.7	4.5





### Top Ten Holdings

Allergan	Ecolab
Apple	General Electric
Celgene	Las Vegas Sands
Dollar General	Monsanto
eBay	Precision Castparts

### Sectoral Breakdown

Sectoral Breakdown	% of Assets
Information Technology	27.7%
Consumer Discretionary	21.9%
Health Care	17.2%
Industrials	13.5%
Materials	8.7%
Consumer Staples	5.5%
Energy	4.4%
Financials	0.0%

### Investment Objective

The investment objective of the LCG sub fund 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 (Share Class A)	Since Inception Risk Profile	Hereford DSM US LCG	DSM LCG Composite	R1000 Growth
Bloomberg	DSMUSLA LX	Volatility	n/a	15.2
ISIN	LU0327604228	Sharpe Ratio	n/a	0.3
Reuters	LP65102015	Information Ratio	n/a	0.2
Sedol	B28TLX2	Tracking Error	n/a	7.0
	3504726	Beta	n/a	0.9
WKN	A0M58T	Alpha	n/a	1.8

### 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
Promoter	VP Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Management Company	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 & 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:

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  
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e-mail: [luxfunds.info@vpbank.com](mailto:luxfunds.info@vpbank.com)

- (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.

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Germany – Paying Agent as defined by German Regulation:  
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Switzerland - Representative and Paying Agent as defined by Swiss Regulation:  
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