



Hereford Funds

DSM US SMID Cap Growth Fund

March 2010

Investment Review

The DSM/Hereford SMID Cap Fund appreciated 6.5% for the month of March compared to a 8.0% appreciation for the Russell 2500 Growth index and a 6.0% appreciation for the S&P500. At the end of March, the Fund was invested primarily in the health care, technology, consumer, business services and industrial sectors, with smaller weights in the financial services and defense sectors.

During the month, the Fund lagged its benchmark, on a net-of-expense basis, by 146 basis points. This was primarily the result of DSM's stock selections in health care and industrials, and the firm's underweight and stock selections in consumer discretionary, offset by the firm's stock selections in technology. In March, the best performing positions in the portfolio were SEI Investments (various financial services), Varian Medical (radiation therapy devices), Affiliated Managers (a holding company of investment managers), Nuance Communications (voice recognition software) and F5 Networks (internet traffic software). The worst performers in February were Huron Consulting (engineering and management consulting), Allos Therapeutics (newly launched drug for T-Cell Lymphoma), Beckman Coulter (biomedical laboratory systems), Smith & Nephew (orthopedic devices), and DG Fastchannel (a digital network connecting advertisers and agencies with broadcast (radio and television) and cable channels). During March, the Fund exited positions in Beckman Coulter, Cognizant Technology Solutions and Huron Consulting Group. Beckman was sold due to a production problem with an assay on one of their machines with uncertainty regarding how long the problem would persist. Cognizant was sold due to price appreciation that caused the stock capitalization to exceed \$10 billion. Huron Consulting was sold due to a weaker than expected order backlog, leading to a decline in earnings expectations. Also during the month, the fund initiated a new position in MSCI Inc. and Scripps Networks Interactive. MSCI Inc. sells products and services to the financial community to create, monitor and evaluate financial markets and portfolios across the globe. Scripps Networks Interactive develops lifestyle-oriented content for television and the Internet. Television offerings include HGTV, Food Network, Travel Channel and others. Interactive Services include online search and comparison shopping services Bizrate, Shopzilla and Beso.

In recent decades economic growth has been led by the consumer and particularly housing. That is unlikely to be the case anytime soon, as the consumer continues to pay down debt. In the US, economic growth will be hindered not just by consumers de-leveraging, but also by planned and potential tax increases which may compromise growth and jobs. Despite these factors, it appears to us that consumer spending is past the bottom and on the upswing. Consensus S&P 500 earnings estimates and revisions continue to move up. CY10 earnings estimates are \$78 - \$80. CY11 estimates are \$90 - \$95. In periods of low inflation, the S&P has historically been valued at 15x - 20x earnings. A 15x multiple on CY11 estimated earnings of \$90 - \$95 would put the market 15% - 20% higher than today by year-end 2010. The two problems with this outlook are inflation and sovereign debt risk. Many economists, and some central bankers, believe that last year's liquidity actions were excessive and may well cause substantial inflation in the future. Sovereign debt risk is gaining increasing attention. The trajectory of public sector debt problems in Spain, Portugal, Italy and Ireland are now mirrored by potential problems in the United Kingdom and the United States. Even the credit rating agencies are publicly commenting on a potential debt downgrade of American and British government debt. Both inflation and sovereign debt downgrades create similar economic problems: rising interest rates and slower economic growth.

Key information

NAV A Shares (31/03/10): US\$ 65.27

Total Fund Size: US\$ 1.0 mil

Strategy Assets: US\$54.0 mil^(a)

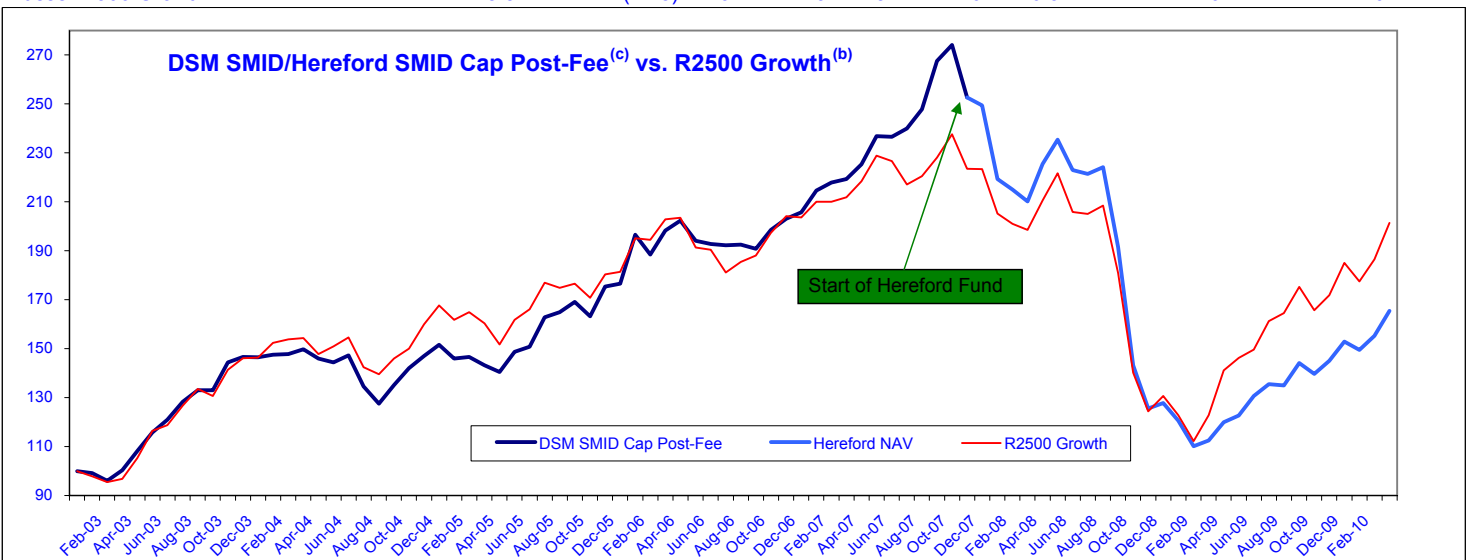
Fund Launch Date: 29-Nov-07

Monthly Performance (%)

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | YTD |
|------------------------------------|-------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Hereford Funds NAV | (2.2) | 3.8 | 6.5 | | | | | | | | | | 8.2 |
| Russell 2500 Growth ^(b) | (4.1) | 5.1 | 8.0 | | | | | | | | | | 8.8 |

Period Performance (%)

| | YTD | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | Since Inception 01/01/03 | |
|---|-----|------|--------|------|------|------|------|------|--------------------------|------------|
| | | | | | | | | | Cumulative | Annualised |
| DSM SMID Cap/Hereford SMID Returns ^(c) | 8.2 | 19.6 | (48.8) | 21.3 | 16.5 | 16.4 | 3.6 | 46.4 | 65.5 | 7.2 |
| Russell 2500 Growth ^(b) | 8.8 | 41.7 | (41.5) | 9.7 | 12.3 | 8.2 | 14.6 | 46.3 | 101.4 | 10.1 |



**Top Ten Holdings**

Affiliated Managers
 Altera Corp
 C. R. Bard
 Conceptus, Inc.
 Dolby Laboratories
 Expeditors International
 F5 Networks
 Genoptix
 Gen-Probe
 Varian Medical Systems

Sector Breakdown

| | % of assets |
|------------------------|-------------|
| Health Care | 37.5% |
| Information Technology | 28.3% |
| Services | 11.2% |
| Financials | 7.1% |
| Consumer Discretionary | 7.1% |
| Industrials | 5.6% |
| Consumer Staples | 2.6% |

Investment Objective

The investment objective of the SMid sub fund is to provide capital appreciation principally through investments in US-based growing corporations with market capitalizations generally between \$300 mil and \$10 bil dollars. These companies are chosen for their growth prospects, attractive returns, solid business fundamentals and intelligent management. These companies will often have higher revenue and earnings growth rates and less "sell-side" research coverage than comparable larger capitalization corporations. The sub fund may, on an ancillary basis, invest in US-based companies with higher or lower market capitalizations as well as in non-US based companies. The sub fund may invest in American Depositary Receipts and American Depositary Shares. The reference benchmark for this strategy is the Russell 2500 Growth Index.

Fund Codes (Share Class A)

| | | Since Inception Risk Profile | Hereford DSM US SMID | DSM SMID Composite | R2500 Growth |
|-----------|--------------|---------------------------------|-------------------------|-----------------------|-----------------|
| Bloomberg | DSMUSMA LX | Volatility | n/a | 19.3 | 19.5 |
| ISIN | LU0327605118 | Sharpe Ratio | n/a | 0.3 | 0.4 |
| Reuters | LP65102019 | Information Ratio | n/a | -0.4 | |
| Sedol | B28TM17 | Tracking Error | n/a | 8.2 | |
| Valoren | 3504786 | Beta | n/a | 0.9 | |
| WKN | A0M58X | Alpha | n/a | -2.1 | |

Fund Details

| | |
|-------------------------------|--|
| Dealing Day | Daily |
| Dividends | None - income accumulated within the fund |
| Investment Manager | DSM Capital Partners LLC, 320 East Main Street, Mount Kisco, NY 10549, 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 | 1.25% |
| Share Class B | 0.25% + 20% performance fee on outperformance vs US T-Bill with HWM |
| Share Class C | 1% + 20% performance fee on outperformance vs US T-Bill with HWM |
| Share Class D | 1.75% |

Minimum Investment

| | |
|-----------------|---|
| Share Class A&B | \$100,000 initial / \$10,000 subsequent |
| Share Class C&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.
 (b) Total return including dividends.
 (c) Data and graph depict DSM Composite through November 2007 and Hereford Funds DSM US SMID Cap Growth Fund Class A thereafter. Historical gross performance of DSM SMID Cap Composite returns (the Reference Strategy) is net of modeled fee and expense typical of Hereford Funds DSM US SMID 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.
 (d) The fund is registered with the AFM for public distribution in the Netherlands.

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