



Hereford Funds **DSM US SMID Cap Growth Fund** May 2008

May 2008 Investment Review

The Hereford/DSM SMID Cap Fund appreciated 4.4% for the month of May compared to 5.3% for the Russell 2500 Growth index and 1.3% for the S&P500. Consistent with last month, the majority of the fund remains invested in the health care, technology, business services, and energy services sectors. The weighted average P/E of the portfolio is 20.1x which we believe is attractive relative to our estimated earnings growth of 20%.

Following a nearly uninterrupted rally that began in mid-March and peaked mid-May, the equity markets have generally cooled off of late with the price of oil making the headlines almost daily. With the price of crude topping \$130/bbl and \$4.00 gasoline the norm, there is significant concern regarding inflation. Indeed, Fed Chairman Bernanke expressed concern that the weak dollar has "implications for inflation and inflation expectations" which, in Fed-speak, means no more cuts in the immediate future. We understand the Chairman's concern, but continue to believe that Federal Reserve policy will cause inflation to remain under control. We are also hopeful that the dollar has stabilized. However, with a 12% drop y/y in the dollar index (6 major currencies) and a 40% drop since early 2002, it is going to take more than hope to turn things around for the greenback.

As we write this letter, the Department of Labor has announced that the unemployment rate has surged from 5.0 to 5.5% during the month of May. This increase is at least partially the result of a large number of new workers entering the workplace and being unable to find a job quickly. In fact, the economy shed 49,000 jobs for the month, which was actually below the 60,000 loss expected from the payroll survey. Thus far the economy remains in a "muddle through" mode and continues to post consecutive quarters of slow economic growth. Importantly, the market discounts the future and we continue to have confidence in our portfolio and the long term outlook.

During the month of May, we made some adjustments to the portfolio. We have sold our positions in Dynamic Materials (BOOM), II VI Inc. (IIVI), Thinkorswim Group (SWIM), DG Fastchannel Inc (DGIT), Satyam Computer Services (SAY), and Chicago Bridge and Iron (CBI). BOOM is experiencing inconsistent trends in its business and has disappointed. SWIM is having problems in their education business which will depress near term earnings. Both SAY and CBI were sold on softening fundamentals and a poor near term outlook.

We initiated positions in Covance (CVD), a contract research organization serving the biotechnology and pharmaceutical industries with an attractive valuation, Cognizant (CTSH), an IT design and development company, Integra Life Sciences (IART), a manufacturer of medical devices, and W-H Energy Services (WHQ), a provider of products and services used in oil production.

We trimmed our positions in Expeditors International (EXPD) on valuation and slightly weaker earnings, and FMC Technologies (FTI) purely for valuation reasons. We have added to our positions in Affiliated Managers (AMG), Harris Corp (HRS), Netapp Inc. (NTAP), Intertek (ITKSF), Autodesk (ADSK), and Idexx Labs IDXX.

Key information

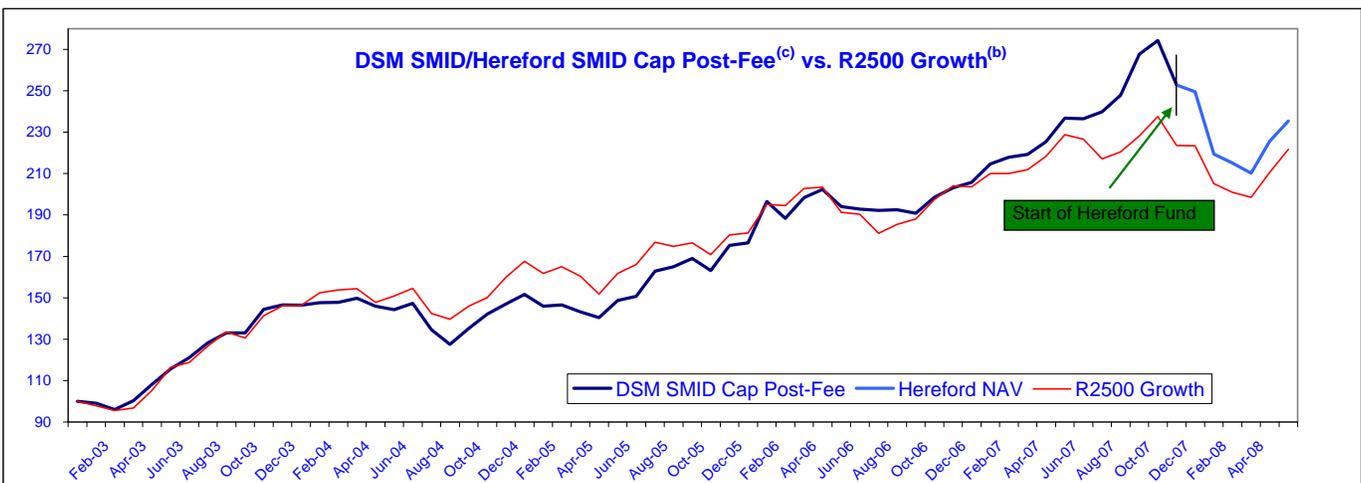
NAV A Shares (30/05/08): \$92.85
 Total Fund Size: \$4.0 mil
 Strategy Assets: \$17.1mil^(a)
 Fund Launch Date: 29-Nov-07

Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	(12.1)	(2.0)	(2.3)	7.3	4.4								(5.6)
Russell 2500 Growth ^(b)	(8.2)	(2.0)	(1.2)	6.0	5.3								(0.8)

Period Performance (%)

	YTD	2007					Since Inception 01/01/03	
		2007	2006	2005	2004	2003	Cumulative	Annualised
DSM SMID Cap/Hereford SMID Returns ^(c)	(5.6)	21.3	16.5	16.4	3.6	46.4	135.4	17.1
Russell 2500 Growth ^(b)	(0.8)	9.7	12.3	8.2	14.6	46.3	121.7	15.8





Top Ten Holdings

	% NAV
Core Laboratories	3.8%
Zoll Medical	3.7%
Petroleum Geo-Services	3.6%
Varian Medical Systems	3.5%
Chart Industries	3.5%
Hologic	3.4%
SEI Investments	3.4%
Ion Geophysical	3.3%
Gen-Probe Inc.	3.2%
Harris	3.1%

Sectoral Breakdown

	% of assets
Informational Technology	29.4%
Health Care	27.5%
Energy	19.4%
Financials	8.0%
Industrials	5.5%
Services	4.8%
Consumer Discretionary	3.0%
Consumer Staples	1.6%

Investment Objective

The investment objective of the 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 Depository Receipts and American Depository Shares. The reference benchmark for this strategy is the Russell 2500 Growth Index.

Fund Codes (Share Class A)		Since Inception Risk Profile	DSM US SMID	DSM SMID	R2500 Growth
Bloomberg	DSMUSMA LX	Volatility	n/a	14.9	14.2
ISIN	LU0327605118	Sharpe Ratio	n/a	1.0	0.9
Reuters	LP65102019	Information Ratio	n/a	0.1	
Sedol	B28TM17	Tracking Error	n/a	7.3	
Valoren	3504786	Beta	n/a	0.9	
WKN	A0M58X	Alpha	n/a	2.3	

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) minus 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 footnote: as shown at dsmcapital.com.

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