



**Investment Review**

The Hereford/DSM Large Cap Fund depreciated (2.3)% for the month of August compared to a (1.7)% depreciation for the Russell 1000 Growth Index and a (2.9)% depreciation for the S&P 500 including dividends. At the end of August, the Fund was invested primarily in the consumer discretionary, technology, health care, industrials and materials sectors, with smaller weights in the consumer staples, financials and energy sectors.

During the month the Fund trailed its benchmark by approximately 60 bps. This was primarily the result of the underperformance of our stock selections in the technology and health care sectors. Our stock selections in the consumer discretionary and consumer staples sectors benefitted performance. In August, the best performing positions in the portfolio were Wynn Resorts, Tencent Holdings, Family Dollar Stores, Las Vegas Sands and TJX Companies. The worst performers for the month were Celgene, BlackRock, Alexion Pharmaceuticals, Precision Castparts and Google. During the month, we sold Family Dollar Stores on valuation. Though we continue to invest in the dollar stores via our holding in Dollar General, Family Dollar's weaker execution and strong appreciation year-to-date led us to sell the position. In the recent period we sold Diageo as well. We started a small position in June as the stock price had corrected to a reasonable entry price. We had hoped to add to the position at lower prices, but the stock quickly moved up so we decided to sell the shares. Diageo is a very good business that we would own again at the right price, assuming continuing attractive business fundamentals. We also trimmed Alexion Pharmaceuticals due to price appreciation. With the proceeds generated by these sales, we added to existing positions in EADS, Precision Castparts and Monster Beverage.

As we review the economic outlook, by a number of economists for the United States, Europe, Japan and China, we find a wide variety of views for either acceleration or deceleration of each region's, or each nation's, economy. Divergent economic views have been the case for a number of years, and as a result we feel quite comfortable sticking with our long standing forecast of a global "muddle through" economic projection. We continue to expect North America to grow about 2% this year, and Europe to remain in recession although improving to approximately "zero" GDP growth. We note that Japan just reported a disappointing 2.6% GDP growth rate. And we expect the emerging markets, led by China, to continue to grow at a comparatively rapid pace, thereby generating global GDP growth in the 3% range in 2013. Thus far, on-going economic growth in North America and Asia has been sufficient to offset recession in Europe, enabling the muddle-through scenario to continue.

Current consensus estimates for 2013 and 2014 have increased to approximately \$110 and \$120 respectively, up from \$105 in 2012. Therefore the forward four quarter P/E for the S&P 500 through September of 2014 approximates 15x earnings, assuming S&P 500 earnings of \$117. Historically, in low inflation periods, the S&P 500 has generally sold at a forward P/E of between 15x and 20x. Accordingly, we feel that the market still has upside potential assuming our scenario of "muddle through" global economic growth continues to be the case. In our view, the market has appreciated this year driven by its reasonable valuation, earnings growth, the search for yield and the large quantity of cash on the sidelines. Moreover, many risks are well known and often discussed. However the positive scenario of an improving and increasingly stable global financial system; low inflation; slow global economic growth; low interest rates; and growing corporate earnings are positive variables that, while not headline-making news, do form the foundation of an upwardly driven bull market.

The portfolio continues to be focused on unique global businesses that have been identified, and are subject to continuing analysis, by our ten-member investment team. We believe that the valuation of the portfolio, at 18.8x next-four-quarter earnings through September of 2014 based on our estimates, continues to be attractive in the current slow growth economic environment and relative to the market.

**Key Information**

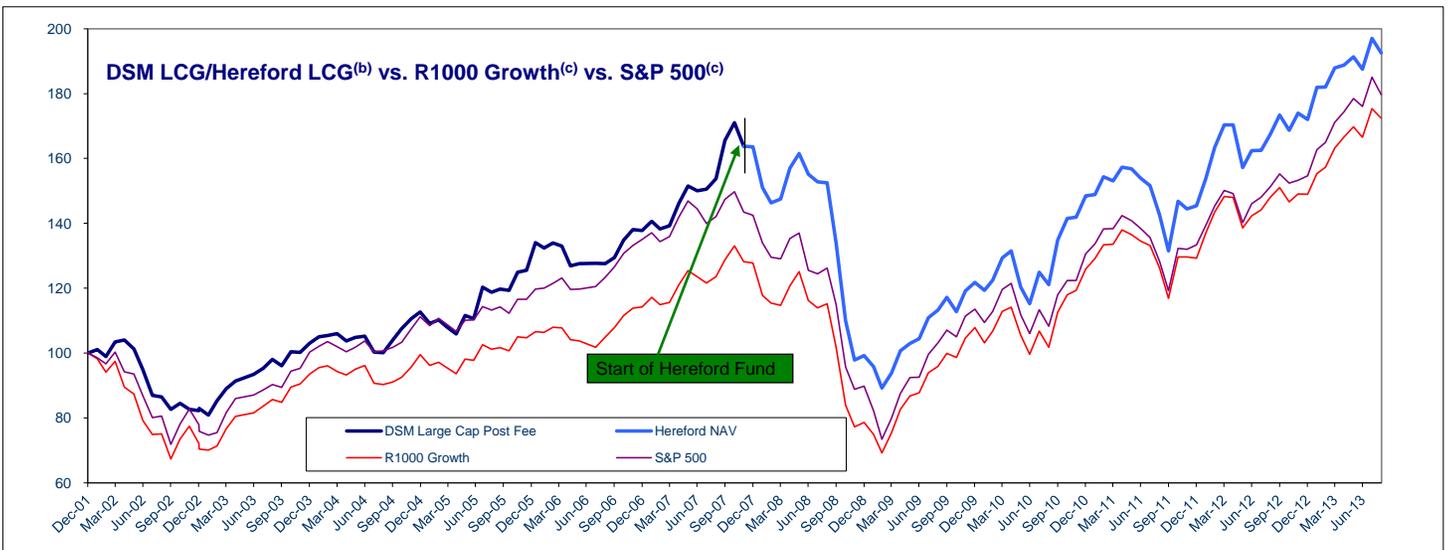
NAV A Shares (31/08/13)	US\$ 117.53
Total Fund Size	US\$ 137.3 mil
Strategy Assets	US\$ 3,977.6 mil <sup>(a)</sup>
Fund Launch Date	29-Nov-07

**Monthly Performance (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	5.8	0.0	3.2	0.5	1.4	(2.0)	5.1	(2.3)					12.0
Russell 1000 Growth <sup>(c)</sup>	4.3	1.2	3.8	2.1	1.9	(1.9)	5.3	(1.7)					15.7
S&P 500 <sup>(c)</sup>	5.2	1.4	3.8	1.9	2.3	(1.3)	5.1	(2.9)					16.2

**Period Performance (%)**

	YTD	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Since Inception 01/01/02	
													Cumulative	Annualised
DSM LCG/Hereford LCG Returns <sup>(b)</sup>	12.0	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	11.4	9.4	25.2	(17.7)	92.5	5.8
Russell 1000 Growth <sup>(c)</sup>	15.7	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	29.7	(27.9)	72.4	4.8
S&P 500 <sup>(c)</sup>	16.2	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	4.9	10.9	28.7	(22.1)	79.7	5.2





### Top Ten Holdings

BlackRock	Las Vegas Sands
Celgene	Monsanto
Dollar General	Precision Castparts
eBay	Visa
Google	Yum! Brands

### Sectoral Breakdown

Sectoral Breakdown	% of Assets
Consumer Discretionary	30.2%
Information Technology	17.1%
Health Care	14.3%
Industrials	12.7%
Materials	10.1%
Consumer Staples	7.3%
Financials	3.7%
Energy	2.8%

### 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	15.0
ISIN	LU0327604228	Sharpe Ratio	n/a	0.3
Reuters	LP65102015	Information Ratio	n/a	0.1
Sedol	B28TLX2	Tracking Error	n/a	7.1
	3504726	Beta	n/a	0.9
WKN	A0M58T	Alpha	n/a	1.5

### 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  
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) 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.
- (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.

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:  
Société Générale, Zurich Branch, Talacker, 50, P.O. Box 1928, CH-8021 Zurich  
Phone: +41/58.272.34.18 Fax: +41/58.272.35.49

This document is for information purposes only. It is neither an advice nor a recommendation to enter into any investment. Investment suitability must be determined for each investor, and this fund may not be suitable for all investors. This information does not provide any accounting, legal, regulatory or tax advice. Investors should consult professional advisers to evaluate this information. 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. Earnings projections are not guarantees of future results and there is no representation that the securities discussed were or will be profitable. Investors should be aware that the value of investments can fall as well as rise and that they may not recover 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. While great care is taken to ensure that this information 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 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. Full details of the investment policy and objectives are stated in the Prospectus.