



September 2008 Investment Review

The Hereford/DSM SMID Cap Fund declined (14.6%) for the month of September compared to a (13.2%) decline for the Russell 2500 Growth index and a (8.9%) decline 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 16.3x which we believe is attractive relative to our estimated earnings growth of 20%.

2008 has been a tumultuous year. Speculative investment bubbles have burst in market after market. In our view, these spectacular failures occurred because "risk" had become a factor often evaluated through backward looking quantitative models. We believe that an investment process cannot move forward when looking primarily through the rear view mirror of a quant model.

The United States, as well as governments elsewhere in the world, are acting to stabilize the financial system. Although there will be other financial challenges, we believe they will be smaller than those we have just witnessed. While it is possible that the worst of the solvency problems are largely past, the world economic outlook appears sluggish at best. Global economic growth has slowed and many commentators are calling for a shallow global recession, followed by a long, slow recovery.

While that outlook appears plausible, we believe stock prices have discounted both a financial dislocation, as well as a deep recession. The S&P 500 is currently estimated to earn about \$90 in 2008, creating a P/E of approximately 12X projected earnings. If a significant recession causes earnings to fall 20% from 2008's level to \$72, the market would currently be valued at 16x depressed earnings. Based on a 15 to 20 year historic review, we believe that valuation would be attractive, especially as earnings recover.

Needless to say, we are not happy with our performance in September. That said, we do not believe it is indicative of the underlying quality, return potential or "business" risk of the portfolio. In large part, the portfolio declined in September because stocks were sold regardless of intrinsic value. Accordingly, during the month we made changes to improve the risk-reward potential of the portfolio. We have opted to exit our positions in Autodesk (ADSK), CGV, Intertek, John Bean Technologies, and Waddell & Reed. In the case of ADSK, CGV, ITRK, and JBT, we became concerned regarding impact of a generalized economic slowdown on their businesses. In the case of WDR, we grew less comfortable with their fundamentals given the significant drop we have witnessed in the equity markets. We have re-initiated positions in Intuitive Surgical (ISRG) and Varian (VAR). Both companies enjoy very strong positions in their respective markets and their stocks had come back to levels we felt were very attractive. Moreover, their businesses should prove to be relatively defensive in a slowing economy. We have also added to our positions in ANSYS (ANSS), F5 Networks (FFIV), Henry Schein (HSIC), Kendle International (KNDL), McDermott (MDR), Parexel (PRXL), and Riverbed (RVBD) largely for valuation reasons.

Key information

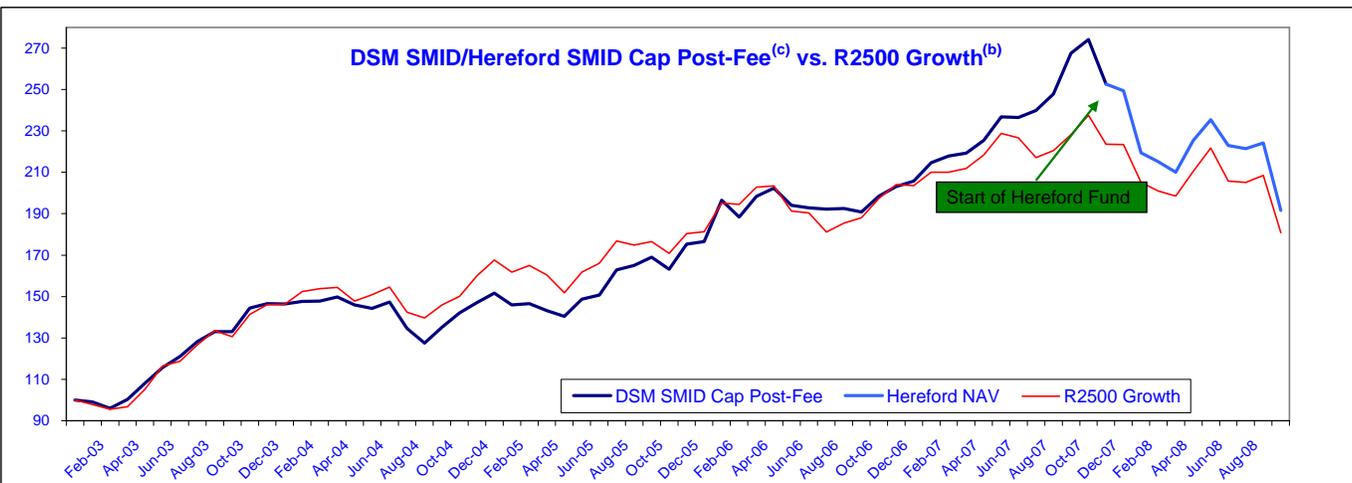
NAV A Shares (30/09/08): \$75.56
 Total Fund Size: \$3.2 mil
 Strategy Assets: \$14.3 mil^(a)
 Fund Launch Date: 29-Nov-07

Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	(12.1)	(2.0)	(2.3)	7.3	4.4	(5.3)	(0.7)	1.3	(14.6)				(23.2)
Russell 2500 Growth ^(b)	(8.2)	(2.0)	(1.2)	6.0	5.3	(7.2)	(0.4)	1.7	(13.2)				(19.0)

Period Performance (%)

	YTD	2007	2006	2005	2004	2003	Since Inception 01/01/03 Cumulative	Annualised
DSM SMID Cap/Hereford SMID Returns ^(c)	(23.2)	21.3	16.5	16.4	3.6	46.4	91.5	12.0
Russell 2500 Growth ^(b)	(19.0)	9.7	12.3	8.2	14.6	46.3	80.9	10.9





Top Ten Holdings

	% NAV
C. R. Bard	5.2%
Zoll Medical	4.3%
SEI Investments	3.9%
Gen-Probe	3.8%
Covance	3.7%
Core Laboratories	3.6%
Ion Geophysical	3.6%
Henry Schein	3.5%
Hologic	3.4%
Cubist Pharmaceuticals	3.4%

Sectoral Breakdown

	% of assets
Health Care	38.7%
Informational Technology	25.9%
Energy	14.3%
Industrials	7.4%
Financials	5.8%
Services	3.2%

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	16.14	15.43
ISIN	LU0327605118	Sharpe Ratio	n/a	0.57	0.52
Reuters	LP65102019	Information Ratio	n/a	0.12	
Sedol	B28TM17	Tracking Error	n/a	7.17	
Valoren	3504786	Beta	n/a	0.94	
WKN	A0M58X	Alpha	n/a	1.56	

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.
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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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