



Hereford Funds DSM US SMID Cap Growth Fund October 2008

October 2008 Investment Review

The Hereford/DSM SMID Cap Fund declined (25.2%) for the month of October compared to a (22.5%) decline for the Russell 2500 Growth index and a (16.8%) decline for the S&P500. Consistent with last month, the majority of the fund remains invested in the health care, technology, financials, and services sectors. The weighted average P/E of the portfolio is 14.3x which we believe is attractive relative to long term estimated earnings growth of 18%.

As we exit the month, we continue to witness extraordinary volatility in both the US and global equity markets. The VIX (volatility index), which had been steady between 20 and 30 from July 2007 through September 2008, has spiked to record levels ranging from 50 to a peak of 80 in recent weeks. Intraday moves of 500 or even 1,000 points on the Dow and up to 100 points on the SP&500 have become relatively common. While it appears that the coordinated actions on the part of governments in general, and central banks in particular, have steered us clear of a complete market meltdown, the situation remains fluid to say the least. Our belief is that much of the volatility is being driven by factors not readily apparent in corporate financial statements or in economic prognostications. Rather, we believe that much of the action is being forced by extraneous factors such as deleveraging, margin calls, rescission of the uptick rule, and redemptions. It is unclear to us at this point how long the process will take. What we can say is that we are finding many companies trading at what appear to be bargain valuations. Indeed, we have noticed a discernable uptick in insider purchases among top corporate executives, despite the overwhelming drumbeat of negativism we hear on the economy.

During the month of October, we made several changes to the portfolio. Given the precipitous drop in the price of oil, and the generally soft global economic outlook, we opted to reduce exposure to the energy group. This included sales of FTI, OII, CLB, IO, and PGSVY. We also opted to exit positions in ALTR due to reduced visibility at the customer level and in MPWR due to exposure to consumer end markets.

On the purchase side of the ledger, we bought two contract research organizations (CRO's), namely Pharmaceutical Product Development (PPDI) and ICON PLC (ICLR). Both companies enjoy solid bookings and backlog, and continue to benefit from the outsourcing trend among big pharmaceutical and biotechnology companies. Continuing the healthcare theme, we purchased shares in Davita (DVA), one of the two major dialysis service providers in the United States. Davita boasts strong top line visibility and exceptional cash generation, characteristics that are exceedingly rare in the current environment. Rounding out our purchases, we initiated positions in MSCI Inc (MXB) which is the old Morgan Stanley/Barra investment support tools/index business, and in McAfee (MFE).

Key information

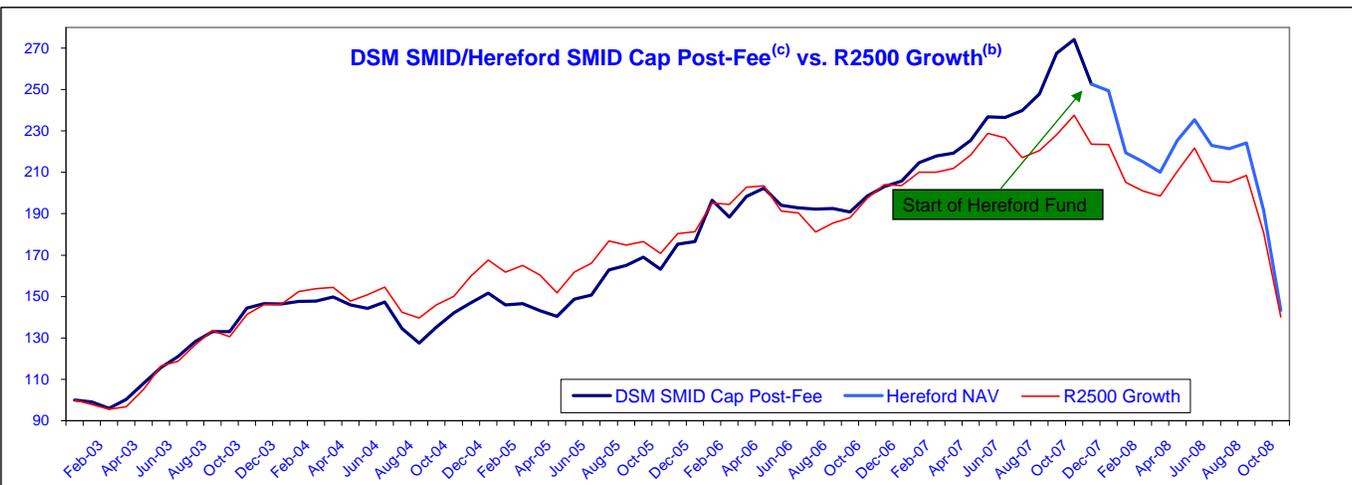
NAV A Shares (31/10/08): \$56.52
 Total Fund Size: \$2.4 mil
 Strategy Assets: \$31.5 mil^(a)
 Fund Launch Date: 29-Nov-07

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)	(25.2)			(42.6)
Russell 2500 Growth ^(b)	(8.2)	(2.0)	(1.2)	6.0	5.3	(7.2)	(0.4)	1.7	(13.2)	(22.5)			(37.2)

Period Performance (%)

	YTD	2007	2006	2005	2004	2003	Since Inception 01/01/03	
							Cumulative	Annualised
DSM SMID Cap/Hereford SMID Returns ^(c)	(42.6)	21.3	16.5	16.4	3.6	46.4	43.3	6.4
Russell 2500 Growth ^(b)	(37.2)	9.7	12.3	8.2	14.6	46.3	40.2	6.0





Top Ten Holdings

	% NAV
C. R. Bard	6.2%
Cubist Pharmaceuticals	4.9%
F5 Networks	4.4%
Gen-Probe Inc.	4.3%
Zoll Medical	4.0%
SEI Investments	4.0%
Henry Schein	3.9%
DaVita Inc.	3.5%
Conceptus, Inc.	3.3%
Harris Corp.	3.2%

Sectoral Breakdown

	% of assets
Health Care	52.7%
Informational Technology	24.6%
Financials	9.8%
Services	0.8%
Industrials	0.8%

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	DSM US SMID	DSM SMID	R2500 Growth
		Risk Profile			
Bloomberg	DSMUSMA LX	Volatility	n/a	19.3	18.1
ISIN	LU0327605118	Sharpe Ratio	n/a	0.2	0.2
Reuters	LP65102019	Information Ratio	n/a	0.1	
Sedol	B28TM17	Tracking Error	n/a	7.2	
Valoren	3504786	Beta	n/a	1.0	
WKN	A0M58X	Alpha	n/a	0.4	

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:

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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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