



**Investment Review**

The Hereford/DSM Large Cap Fund depreciated (1.1)% for the month of December compared to a slightly negative return for the Russell 1000 Growth Index and a 0.9% appreciation for the S&P 500 including dividends. At the end of December, the Fund was invested primarily in the consumer discretionary, business services, health care and industrials sectors, with smaller weights in the consumer staples and energy sectors.

During the month the Fund trailed its benchmark by approximately 110 bps. This was primarily the result of the underperformance of our stock selections in the consumer discretionary and services/technology sectors. Our stock selections and underweight in consumer staples benefitted performance. In December, the best performing positions in the portfolio were Cognizant Technology Solutions, Las Vegas Sands, Monsanto, Discovery Communications and Precision Castparts. The worst performers for the month were Apple, Dollar General, Family Dollar Stores, eBay and Intuitive Surgical. During the month, we sold our positions in Walt Disney, Philip Morris International and Unilever. Disney was sold on concerns of a possible deterioration in advertising rates, as well as increasing costs during the first half of 2013. Philip Morris had been trimmed in recent months on valuation, and the remaining position was sold due to the possible impact of "plain paper packaging" on sales. Unilever was sold on valuation. We had started Unilever hoping that the stock would move slightly lower in order to build a larger position. Instead the stock appreciated, resulting in its sale. With the proceeds, we initiated a position in DaVita HealthCare Partners. We have followed DaVita for five years and owned the stock at times in our SMID portfolio. DaVita is the second largest provider of dialysis services in the United States, slightly behind Fresenius. Collectively, these two companies control two-thirds of the marketplace. Furthermore, DaVita recently acquired Healthcare Partners, which provides insurers with an independent network of doctors and hospitals. In December, we also added to several existing positions including Cognizant, Estee Lauder and Intuitive Surgical.

As stated last month, we feel global growth will likely be lower in 2013 than what we might have expected six months ago. However, we still believe the world will "muddle through", and with an improving outlook in the emerging markets, perhaps the probability of a moderate global recession has lessened. In China, recent economic statistics indicate a generally stable or perhaps improving outlook with GDP growth in the 7% to 8% range. Chinese manufacturing remains solid, supporting increased internal consumption by both the consumer and business sectors. Unfortunately, there are no fast or painless solutions for the problems of Europe or the United States. Economic growth in Europe continues to be a future goal, making it unlikely that the Eurozone's nearly 12% unemployment rate will decline significantly anytime soon. In addition, Eurozone industrial production and consumption continue to be weak, as evidenced by very disappointing fourth quarter vehicle sales. In the US, although Congress and the President reached a last minute deal to prevent many of the potential tax increases from going into effect, nearly \$200B of tax increases *will* be implemented in January. The result will be a significant reduction in disposable personal income in the first quarter, which will have a negative impact on economic growth. Many economists believe that 2013 US economic growth will be reduced by between 0.75% and 1.5% as a result of these government tax policies.

In any event, earnings are growing (albeit at a slower pace than recently), the market's valuation is reasonable and investors have few investment choices, given that fixed income yields are historically quite low. We believe valuations bode favorably for quality growth companies with solid balance sheets, free-cash-flow generation and mid-to-upper teens earnings growth. The portfolio is currently valued at 16.6x next-four-quarter earnings through December 2013. We believe that valuation remains attractive in the current economic and investment environment. Our strategy continues to focus on investments in businesses that generate the majority of their revenue in North America and emerging markets.

**Key Information**

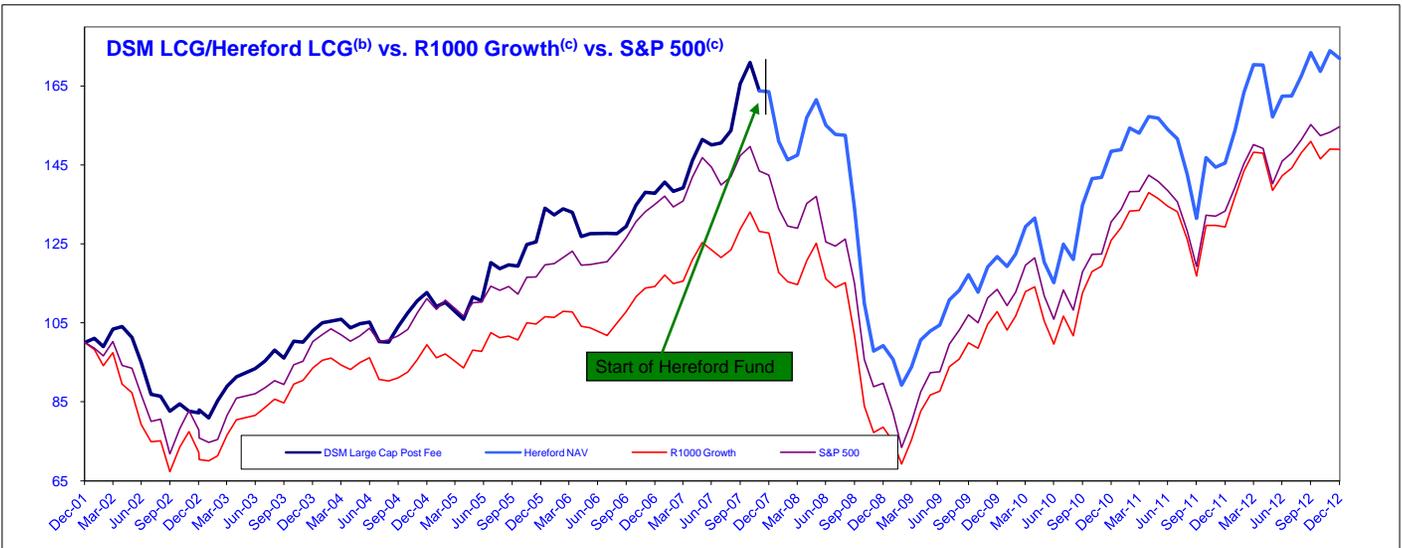
NAV A Shares (31/12/12)	US\$ 104.97
Total Fund Size	US\$ 115.4 mil
Strategy Assets	US\$ 2,535.3 mil(a)
Fund Launch Date	29-Nov-07

**Monthly Performance (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	5.7	6.2	4.3	(0.0)	(7.7)	3.4	0.0	3.1	3.5	(2.7)	3.1	(1.1)	18.2
Russell 1000 Growth <sup>(c)</sup>	6.0	4.8	3.3	(0.2)	(6.4)	2.7	1.3	2.7	2.0	(2.9)	1.7	(0.0)	15.3
S&P 500 <sup>(c)</sup>	4.5	4.3	3.3	(0.6)	(6.0)	4.1	1.4	2.3	2.6	(1.8)	0.6	0.9	16.0

**Period Performance (%)**

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Since Inception 01/01/02	Annualised
												Cumulative	Annualised
DSM LCG/Hereford LCG Returns <sup>(b)</sup>	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	11.4	9.4	25.2	(17.7)	72.0	5.1
Russell 1000 Growth <sup>(c)</sup>	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	29.7	(27.9)	49.0	3.7
S&P 500 <sup>(c)</sup>	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	4.9	10.9	28.7	(22.1)	54.7	4.0





### Top Ten Holdings

Allergan	Ecobal
Apple	General Electric
Celgene	Monsanto
Dollar General	Precision Castparts
eBay	Visa

### Sectoral Breakdown

Sectoral Breakdown	% of Assets
Consumer Discretionary	22.5%
Services	19.2%
Health Care	16.3%
Industrials	14.6%
Materials	9.0%
Information Technology	8.3%
Consumer Staples	5.7%
Energy	2.4%

### 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)

Bloomberg	DSMUSLA LX
ISIN	LU0327604228
Reuters	LP65102015
Sedol	B28TLX2
	3504726
WKN	A0M58T

### Since Inception Risk Profile

Volatility	n/a
Sharpe Ratio	n/a
Information Ratio	n/a
Tracking Error	n/a
Beta	n/a
Alpha	n/a

### Hereford DSM US LCG

Volatility	n/a
Sharpe Ratio	n/a
Information Ratio	n/a
Tracking Error	n/a
Beta	n/a
Alpha	n/a

### DSM LCG Composite

Volatility	15.2
Sharpe Ratio	0.2
Information Ratio	0.2
Tracking Error	7.1
Beta	0.9
Alpha	1.6

### R1000 Growth

Volatility	15.9
Sharpe Ratio	0.1
Information Ratio	
Tracking Error	
Beta	
Alpha	

### 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	VPB 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 1st, 2010.
- (f) Share Class D is German tax registered from October 1, 2010.

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Phone: +49/40.32.099.556, Fax: +49/40.32.099.206

Switzerland - Representative and Paying Agent as defined by Swiss Regulation:  
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