



**Investment Review**

The Hereford/DSM US Large Cap Growth Sub-Fund depreciated (1.4)% for the month of December compared to a (1.0)% depreciation for the Russell 1000 Growth Index and a (0.3)% depreciation for the S&P 500 including dividends. At the end of December, the Fund was invested primarily in the health care, consumer discretionary and technology sectors, with smaller weights in the financials, industrials, materials and consumer staples sectors.

For the month, the Fund trailed its benchmark by approximately 40 bps. This was primarily the result of the Manager's selections in consumer discretionary and technology. The Manager's selections in health care benefitted performance. In December, the best performing positions in the portfolio were Biogen Idec, Perrigo, Affiliated Managers Group, Dollar General and Dollar Tree. The worst performers for the month were Wynn Resorts, Tencent Holdings, Alexion Pharmaceuticals, Yum! Brands and Alibaba Group.

**Manager's Commentary**

Over the last several years, DSM has expected global economic growth in the 3% range, with the United States growing 2% or a bit better. In 2015, we continue to maintain the 3% global growth view, with American growth in 2015 possibly reaching 3%. Unfortunately Europe's economic outlook has deteriorated. At this time we expect European GDP to approximate "zero", but the risk is clearly to the downside. In China, we continue to project growth in the 7% range, while Japanese growth looks to be modestly positive.

At the beginning of 2014, US first quarter growth was a negative (2)%. But more recently third quarter GDP growth was revised up to 5%, and the full year might reach 2.5%. With the price of oil more than cut in half from its high, and other commodity prices falling as well, it is possible that 2015 growth in the US could move to 3%. The falling price of energy acts like a big tax cut on the economy, helping to lift economic growth. Additional evidence to support this outlook includes modestly growing bank lending, lower unemployment, solid retail sales and on-going low interest rates. Unfortunately, investment spending remains a bit weak, likely as a result of anti-growth tax, regulatory and fiscal policies. In Europe, DSM's recent expectation of up to 1% GDP growth may be too optimistic. In our view, the Russia-Ukraine situation appears to have acted as a catalyst to dampen economic growth. The lower cost of oil will help Europe as well, but with taxes on gas so high in Europe, a fall in the price of oil has less impact at the pump. That said, inflation is very low, perhaps even negative, providing the ECB with plenty of room for quantitative easing. China's GDP is expected to grow by 7% in 2015. The Chinese government has increased monetary easing and continues with some infrastructure spending projects to hopefully avoid economic weakness in 2015. China's stock market has exploded upward in recent months, as Chinese retail investors have increased their investments in equities. Many observers believe that in some cases property is being sold to finance these investments. The recent run-up may well be a bubble, but it is good to see the diversification into equities and away from real estate and the "shadow banking" system.

The portfolio continues to be focused on unique global businesses that have been identified, and are continuously subject to analysis, by our ten-member investment team. We believe that the valuation of the portfolio, at 20.3x next-four-quarter earnings through December of 2015 based on our calculations, continues to be attractive in the current slow growth economic environment and relative to the market. We also continue to project a mid-to-high "teens" earnings growth rate through 2018. Additionally, the portfolio holdings remain characterized by very strong balance sheets and significant free cash flow.

**Key Information**

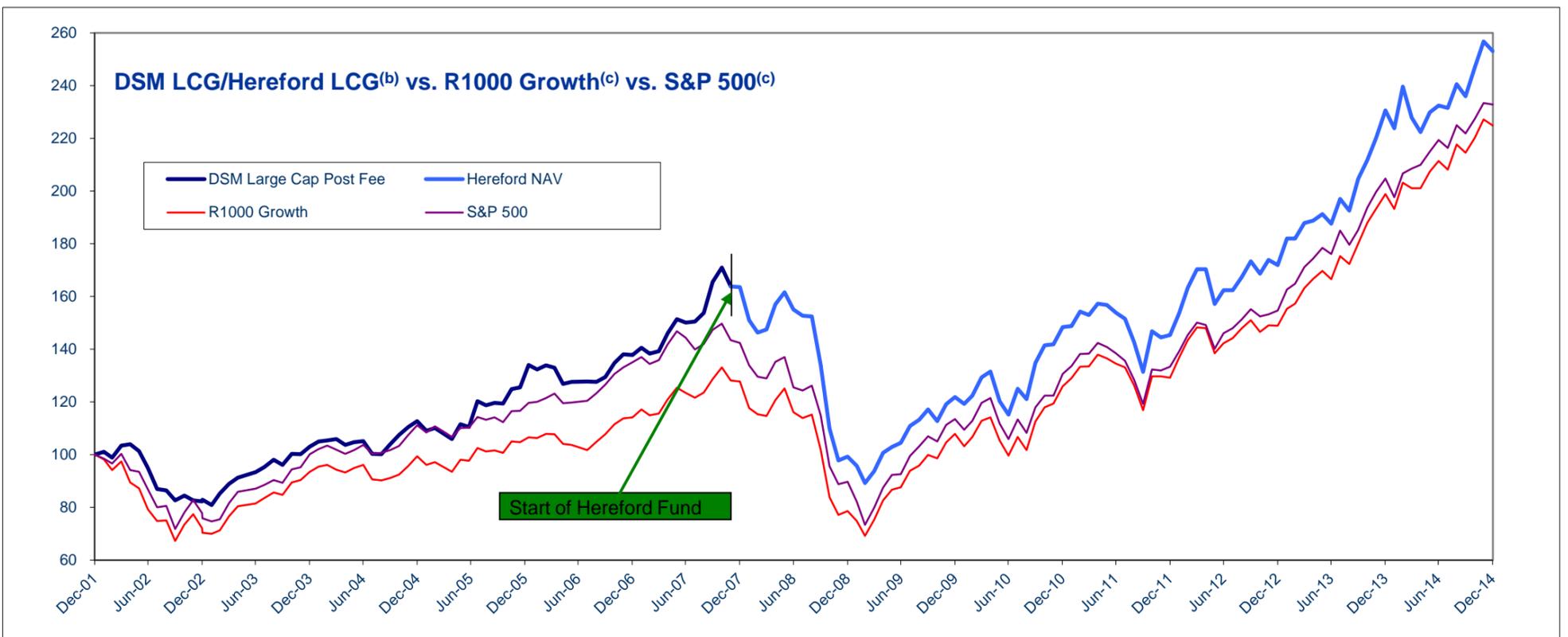
|                         |                                 |
|-------------------------|---------------------------------|
| NAV A Shares (31/12/14) | US\$ 154.51                     |
| Total Fund Size         | US\$ 135.9 mil                  |
| Strategy Assets         | US\$ 4,372.5 mil <sup>(a)</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                 | (3.0) | 7.1 | (4.9) | (2.4) | 3.3 | 1.1 | (0.4) | 3.9 | (1.9) | 4.6 | 4.0 | (1.4) | 9.7  |
| Russell 1000 Growth <sup>(c)</sup> | (2.9) | 5.2 | (1.0) | 0.0   | 3.1 | 2.0 | (1.5) | 4.6 | (1.5) | 2.6 | 3.2 | (1.0) | 13.1 |
| S&P 500 <sup>(c)</sup>             | (3.5) | 4.6 | 0.8   | 0.7   | 2.3 | 2.1 | (1.4) | 4.0 | (1.4) | 2.4 | 2.7 | (0.3) | 13.7 |

**Period Performance (%)**

|   | YTD  | 2013 | 2012 | 2011  | 2010 | 2009 | 2008   | 2007 | 2006 | 2005 | 2004 | 2003 | 2002   | Since Inception 01/01/02 | Annualised |
|---|------|------|------|-------|------|------|--------|------|------|------|------|------|--------|--------------------------|------------|
| DSM LCG/Hereford LCG Returns <sup>(b)</sup> | 9.7  | 34.1 | 18.2 | (2.0) | 21.9 | 22.8 | (39.3) | 18.7 | 9.8  | 11.4 | 9.4  | 25.2 | (17.7) | 153.1                    | 7.4        |
| Russell 1000 Growth <sup>(c)</sup>          | 13.1 | 33.5 | 15.3 | 2.6   | 16.7 | 37.2 | (38.4) | 11.8 | 9.1  | 5.3  | 6.3  | 29.7 | (27.9) | 124.8                    | 6.4        |
| S&P 500 <sup>(c)</sup>                      | 13.7 | 32.4 | 16.0 | 2.1   | 15.1 | 26.5 | (37.0) | 5.5  | 15.8 | 4.9  | 10.9 | 28.7 | (22.1) | 132.8                    | 6.7        |





### Top Ten Holdings

|                                |                           |
|--------------------------------|---------------------------|
| Alexion Pharmaceuticals        | Precision Castparts       |
| Biogen Idec                    | Priceline Group           |
| Celgene                        | Regeneron Pharmaceuticals |
| Cognizant Technology Solutions | Time Warner               |
| Google (Cl. A & C)             | Visa                      |

### Sectoral Breakdown

| Sectoral Breakdown     | % of Assets |
|------------------------|-------------|
| Health Care            | 28.6%       |
| Consumer Discretionary | 26.6%       |
| Information Technology | 24.8%       |
| Financials             | 7.3%        |
| Industrials            | 6.0%        |
| Materials              | 3.1%        |
| Consumer Staples       | 2.7%        |

### 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                  | Volatility                   | n/a                 | 14.8              | 15.1         |
| ISIN                       | Sharpe Ratio                 | n/a                 | 0.4               | 0.3          |
| Reuters                    | Information Ratio            | n/a                 | 0.1               |              |
| Sedol                      | Tracking Error               | n/a                 | 6.8               |              |
| WKN                        | Beta                         | n/a                 | 0.9               |              |
|                            | Alpha                        | n/a                 | 1.6               |              |

### 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.

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