

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)



AUDITED ANNUAL REPORT

As at 30 September 2010

Luxembourg R.C.S. B 134 375

No subscriptions can be received on the basis of financial reports. Subscriptions are only valid if made on the basis of the current prospectus accompanied by the latest available annual report and unaudited semi-annual report if published thereafter.

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MANAGEMENT AND ADMINISTRATION

BOARD OF DIRECTORS

CHAIRMAN

Mr Anthony GALLIERS-PRATT
Principal
Hereford Funds Advisory S.à r.l.
26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

DIRECTORS

Mr Benoni DUFOUR
Civil Engineer
15, Op der Sank
L-5713 Aspelt, Luxembourg

Mr Yves DE VOS
Managing Director
VP Bank (Luxembourg) S.A.
26, Avenue de la Liberté
L-1930 Luxembourg, Luxembourg

Mr Romain MOEBUS
Managing Director
VPB Finance S.A.
26, Avenue de la Liberté
L-1930 Luxembourg, Luxembourg

Mr Mark HENDERSON
Principal
Hereford Funds Advisory S.à r.l.
26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

Mr Rolf DIDERRICH
Executive Director
VPB Finance S.A.
26, Avenue de la Liberté
L-1930 Luxembourg, Luxembourg

DELEGATES OF THE BOARD OF DIRECTORS

Mr Anthony GALLIERS-PRATT
Principal
Hereford Funds Advisory S.à r.l.
26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

Mr Benoni DUFOUR
Civil Engineer
15, Op der Sank
L-5713 Aspelt, Luxembourg

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MANAGEMENT AND ADMINISTRATION

(continued)

REGISTERED OFFICE

26, Avenue de la Liberté
L-1930 Luxembourg, Luxembourg

REGISTRATION NUMBER

Luxembourg R.C.S. B 134 375
Luxembourg VAT number LU23764818

ADVISORY COMPANY

Hereford Funds Advisory S.à r.l.
26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

INVESTMENT MANAGERS

For the Compartments
HEREFORD FUNDS – DSM US SMID CAP GROWTH FUND
HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND

DSM Capital Partners LLC
320 East Main Street, Mount Kisco
NY 10549, USA

For the Compartment
HEREFORD FUNDS – DGHM US ALL-CAP VALUE FUND

Dalton, Greiner, Hartman, Maher & Co., LLC
565 Fifth Avenue
Suite 2101
New York, NY 10017, USA

CUSTODIAN

VP Bank (Luxembourg) S.A.
26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

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MANAGEMENT AND ADMINISTRATION

(continued)

CENTRAL ADMINISTRATION AND DOMICILIARY AGENT

VPB Finance S.A.
26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

COUNTRIES WHERE THE FUND IS AUTHORIZED FOR PUBLIC DISTRIBUTION

Germany
(only Hereford Funds – DSM US Large Cap Growth Fund – Class C USD Shares)
(only Hereford Funds – DGHM All-Cap Value Fund – Class D USD Shares)

Luxembourg

Netherlands
(only Hereford Funds – DSM US Large Cap Growth Fund)

United Kingdom
(only Hereford Funds – DSM US Large Cap Growth Fund – Class U USD)

CABINET DE RÉVISION AGRÉÉ

Deloitte S.A.
560, rue de Neudorf
L-2220 Luxembourg, Luxembourg

LEGAL ADVISER IN LUXEMBOURG

Elvinger, Hoss & Prussen
2, Place Winston Churchill
L-1340 Luxembourg, Luxembourg

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REPORT OF THE BOARD OF DIRECTORS

To the shareholders of
HEREFORD FUNDS
26, Avenue de la Liberté
L-1930 Luxembourg

Review

For the period 1 October 2009 through 30 September 2010, the Hereford Funds DSM US Large Cap Growth compartment was up 15.1% (NAV USD 71.53 to NAV USD 82.31) while the total return of the Russell 1000 Growth (a respected benchmark) was up 12.7% and the S&P 500 was up 10.2%.

The investment manager, DSM Capital Partners, commented as follows:

Over the past twelve months, in general, global economic data has surprised to the upside. Despite the consumer housing and debt problems in the US, corporations have done well and consumers have continued spending, albeit at a reduced level. In Europe, despite the public debt debacle and growing public spending problems in most countries, the economies have fared better than expected. In the emerging markets, the combination of some exporting with growing local economies has produced impressive continuing growth.

Of course, much of the percentage improvement had to do with easy comparisons with the prior year, when economic activity was in decline. The true test of the underlying, or self-sustaining, economic strength of the expansion will come in 2011, when the easy comparisons are well behind.

All of the well known negative variables inhibiting global economic growth remain in place: heavily indebted-fiscally unstable western world governments, state and local governments that are also in a state of fiscal distress, consumers that are heavily indebted, weak commercial and residential real estate markets and little prospect for job growth in the developed world. In the US, slow economic growth has created substantial political pressure on the Federal Reserve to take action. In essence, the Fed is being asked to repair, with monetary policy, the anti-growth fiscal policies of the US President and Congress. In our view, fiscal policy, meaning taxes, regulations and tort reform must change first if economic growth is to accelerate.

While DSM is in the "slow growth" camp, others foresee the risk of a double-dip recession in the United States, Europe and Japan. Nonetheless, we believe that slow growth in the developed world in the 1.0% to 2.5% range is more likely.

Portfolio

The majority of the portfolio continues to be invested in the health care, technology, consumer, business services and financial services sectors. During the period, DSM exceeded the Russell 1000 Growth and S&P 500 benchmarks primarily as a result of DSM's stock selection in the technology and consumer discretionary sectors, offset by DSM's stock selection in the financial sector.

The major contributors to absolute fund performance over the period were: Cognizant Technology Solutions (IT outsourcing), Apple Computer (Macintosh computers and tablets, smart phones and portable music players), NetApp (commercial IT storage systems), Priceline (unique online travel agent), Dolby Laboratories (licensed stereo sound technology for televisions, PC's, mobiles and theaters).

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REPORT OF THE BOARD OF DIRECTORS

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The major detractors to absolute fund performance were: Monsanto (commercial hybrid seed), State Street (global custody, fund administration, and other financial services), Adobe (dominant software for creative professionals), Western Union (worldwide money transfer services), and Qualcomm (licensed cellular technology for handset makers and cellular operators).

Changes in Holdings

DSM Capital Partners specializes in selecting companies with strong, sustainable earnings. Typically, some of our companies have limited exposure to the broad economy (i.e. health care) while others have moderate exposure.

In the Hereford Funds – DSM US Large Cap Growth Fund compartment, the larger positions sold during the period were: Genzyme (specialty pharmaceuticals), Monsanto, Qualcomm, SEI (commercial financial services), Western Union, CVS Caremark (drug stores and commercial pharmacy benefits manager), Visa (credit card network), Charles Schwab (stock brokerage and asset management), CR Bard (surgical supplies) and Dolby Labs. We replaced these companies during the period with others that we believe have unique businesses and can have resilient earnings growth in a modest growth global economy. The larger positions were: Expeditors International (freight forwarding), NetApp, Priceline, Schlumberger (dominant oil service provider), Target (retail department and food stores), CH Robinson (trucking forwarding), F5 Networks (commercial network software), Allergan (specialty pharmaceuticals and eye care), McDonald's (quick service food), Praxair (industrial gases) and 3M Company (high value-added consumer and commercial products).

Outlook

Today, the Hereford Fund – US Large Cap Growth Fund portfolio is valued at approximately 19 times next-four-quarter earnings through 30 September 2011, and 18 times our estimate of calendar 2011 earnings. At 30 September 2010, Hereford Fund – US Large Cap Growth Fund owned thirty one companies that we believe have a weighted-average earnings growth rate in the “high teens” over the next few years. The portfolio continues to be characterized by very strong balance sheets, solid free cash flow, predictable earnings, and by business models that serve growing end markets, albeit in a slow growth world.

The portfolio is globally focused to benefit from a weaker dollar. Additionally, there is a substantial exposure to emerging markets, where economic growth should be more rapid. These have been two important themes at DSM, and we will continue with that focus. In fact, the portfolio of companies generates approximately 45% of sales outside the US, with approximately 14% of total sales generated in the emerging markets. Not to be forgotten is our on-going focus on businesses that, due to their uniqueness, face few competitors, and also serve growing end markets.

October, 2010
DSM Capital Partners LLC

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REPORT OF THE BOARD OF DIRECTORS

(continued)

The Hereford Funds DGHM US All-Cap Value compartment was launched on 31 July 2009 with an opening NAV of USD 100.00.

The investment manager, Dalton, Greiner, Hartman, Maher & Co., LLC, commented as follows:

Outlook

The outlook for the United States market is constructive as we move into the fourth quarter of 2010. While the US economy has slowed after surging off of the bottom, we believe the most likely scenario is one of sluggish growth. Yes, the US along with many other European countries has debt/deficit issues, but the easy money policies of the various Central banks have historically provided a positive backdrop for economic growth and stock markets. The strong performance of the market in September (S&P 500 +9%) reflects the recent volatility as bulls/bears battle over whether or not the world will slip into a double dip recession. In addition to low interest rates, valuations are attractive when measured by Price to Earnings or Free Cash Flow Yield. Equities are also attractive when compared to bonds. Free cash flow yields for the market and many companies are more attractive than bond yields. Dividend yields for many companies also compare favorably to bond yields.

With all of that being said, our investment process is based upon bottoms up analysis of the individual stocks in question. While we are cognizant of the economic back drop and understand its implications on individual stocks, it is not where we start our analysis. We let our process determine the stocks we should be conducting research on and factor in macroeconomic conditions. Thus we believe we can outperform regardless of the market outlook. Our record in both up and down markets supports that statement.

Review

The compartment's outperformance during the past year was driven by strong stock selection in the Bank, Energy, and Technology Sectors. The Bank sector outperformed as we had exposure to regional commercial banks such as SunTrust and Regions Financials that benefitted from the improving credit environment. We also avoided stocks such as Bank of America which continues to suffer from poor credit. The Energy sector did well due to the strong performance of Whiting Petroleum (+66%). Whiting has exposure to a prolific new oil region in the United States called the Bakken Shale. Technology outperformed due to the strong performance of Teradata (+40%). Teradata benefitted from takeout activity in its corporate software space as it is the only remaining public pure play in data warehousing. There were no material underperforming sectors during the past year. The Utility sector underperformed by 56 basis points and an average cash position of 2% cost us 46 basis points. We underperformed in the Utility sector due to our exposure to companies that generate unregulated power. Power prices were under pressure throughout most of the year. We have reduced our exposure to unregulated generation companies.

Given our approach of applying upper and lower sector bands versus the Russell 3000 Value benchmark, there are no significant sector over or under weightings at this time. We are below the low end of the band in insurance due to a recent sale. We are actively looking for a replacement. While we do not make large sector bets, this is by design as we take large active positions in stocks. Thus our performance will always be driven by stock selection as opposed to sector weightings. We believe our added value is in stock picking and that our historical performance backs up this claim. During the past year, all of our positive outperformance was due to stock picking.

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REPORT OF THE BOARD OF DIRECTORS

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Finally, we continue to favor mid and large cap stocks at this time. While small cap stocks have historically outperformed large caps coming out of a recession, small cap stocks are at the upper end of their valuation range when compared to large caps. We continue to find large and mid cap stocks with attractive valuations, significant free cash flow generation, solid returns, and reasonable growth. Examples of this would be Wal-Mart (a leading general merchandise retailer) and Stryker (a leading medical device company).

October 2010

Dalton, Greiner, Hartman, Maher & Co., LLC

Luxembourg, 27 December 2010

The Board of Directors

Notice: The information in this report represents historical data and is not an indication of future results.

REPORT OF THE REVISEUR D'ENTREPRISES AGRÉÉ

To the shareholders of
HEREFORD FUNDS
26, Avenue de la Liberté
L-1930 Luxembourg

Following our appointment by the annual general meeting of shareholders of the SICAV dated 20 January 2010, we have audited the accompanying financial statements of Hereford Funds and of each of its Sub-Funds, which comprise the statement of net assets and the securities portfolio as at 30 September 2010 and the statement of operations and the statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

Board of directors' of the SICAV responsibility for the financial statements

The Board of Directors of the SICAV is responsible for the preparation and fair presentation of these financial statements in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Réviseur d'entreprises agréé

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the *Réviseur d'entreprises agréé*, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the *Réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

REPORT OF THE REVISEUR D'ENTREPRISES AGRÉÉ

(continued)

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the SICAV, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Hereford Funds and each of its Sub-Funds as of 30 September 2010, and of the results of their operations and changes in their net assets for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

For Deloitte S.A., *Cabinet de révision agréé*



Martin Flaunet, *Réviseur d'entreprises agréé*
Partner

Luxembourg, 27 December 2010

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STATEMENT OF NET ASSETS

As of 30 September 2010

	Hereford Funds - DSM US Large Cap Growth Fund (in USD)	Hereford Funds - DGHM US All-Cap Value Fund (in USD)	Combined (in USD)
ASSETS			
Securities portfolio (at cost)	58,425,445.82	30,731,619.51	89,157,065.33
Unrealised appreciation/depreciation (-)	9,036,633.68	1,628,706.84	10,665,340.52
Securities portfolio at market value	67,462,079.50	32,360,326.35	99,822,405.85
Cash at banks	1,930,271.03	1,408,093.08	3,338,364.11
Receivables on subscriptions	1,506.12	346,518.06	348,024.18
Receivables on securities sold	141,105.09	-	141,105.09
Receivables on dividends	17,305.05	28,846.93	46,151.98
Formation expenses (net)	39,133.14	11,879.98	51,013.12
Other assets	563.13	25.93	589.06
TOTAL ASSETS	69,591,963.06	34,155,690.33	103,747,653.39
LIABILITIES			
Payables on redemptions	-22,632.88	-	-22,632.88
Payables on securities purchased	-	-972,015.80	-972,015.80
Accrued expenses	-278,699.50	-94,700.70	-373,400.20
TOTAL LIABILITIES	-301,332.38	-1,066,716.50	-1,368,048.88
NET ASSETS	69,290,630.68	33,088,973.83	102,379,604.51

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STATEMENT OF OPERATIONS

For the year/period ended 30 September 2010

	Hereford Funds - DSM US SMID Cap Growth Fund (in USD) ¹⁾	Hereford Funds - DSM US Large Cap Growth Fund (in USD)	Hereford Funds - DGHM US All-Cap Value Fund (in USD)	Combined (in USD)
INCOME				
Dividends, net	1,590.37	312,515.15	98,740.50	412,846.02
Other income	-	-	42.25	42.25
TOTAL INCOME	1,590.37	312,515.15	98,782.75	412,888.27
EXPENSES				
Investment advisory and management fees	-9,147.45	-815,988.89	-112,909.57	-938,045.91
Administration fees	-47.80	-6,336.75	-471.64	-6,856.19
Custodian and central administration fees	-2,236.15	-179,155.82	-20,071.76	-201,463.73
Subscription tax	-70.64	-14,078.83	-2,144.54	-16,294.01
Depreciation formation expenses	-21,668.41	-18,153.02	-3,077.50	-42,898.93
Audit fees	-240.38	-28,560.27	-3,831.20	-32,631.85
Other charges	-4,714.88	-74,428.43	-10,594.61	-89,737.92
TOTAL EXPENSES	-38,125.71	-1,136,702.01	-153,100.82	-1,327,928.54
NET INCOME/LOSS (-) FROM INVESTMENTS	-36,535.34	-824,186.86	-54,318.07	-915,040.27
Net realised foreign exchange gain/loss (-)	-	-2,543.93	-154.03	-2,697.96
Net realised gain/loss (-) on sales of securities	159,802.13	12,947.19	291,955.83	464,705.15
NET REALISED PROFIT/LOSS (-) FOR THE YEAR/PERIOD	123,266.79	-813,783.60	237,483.73	-453,033.08
NET CHANGE IN UNREALISED APPRECIATION/DEPRECIATION (-)				
- on securities	-24,125.53	9,097,071.73	1,470,286.29	10,543,232.49
INCREASE/DECREASE (-) IN NET ASSETS AS A RESULT OF OPERATIONS	99,141.26	8,283,288.13	1,707,770.02	10,090,199.41

1) Liquidated / last net asset value 30 June 2010

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STATEMENT OF CHANGES IN NET ASSETS

For the year/period ended 30 September 2010

	Hereford Funds - DSM US SMID Cap Growth Fund (in USD) ¹⁾	Hereford Funds - DSM US Large Cap Growth Fund (in USD)	Hereford Funds - DGHM US All-Cap Value Fund (in USD)	Combined (in USD)
NET ASSETS				
Beginning of the year/period	909,641.44	46,530,445.15	2,147,905.01	49,587,991.60
CHANGES FROM INVESTMENT ACTIVITIES				
Increase/decrease (-) in net assets as a result of operations	99,141.26	8,283,288.13	1,707,770.02	10,090,199.41
CHANGES FROM CAPITAL TRANSACTIONS				
Proceeds from shares issued	-	28,612,810.35	29,233,298.80	57,846,109.15
Payments for shares redeemed	-1,008,782.70	-14,135,912.95	-	-15,144,695.65
	-1,008,782.70	14,476,897.40	29,233,298.80	42,701,413.50
NET ASSETS				
End of the year/period	-	69,290,630.68	33,088,973.83	102,379,604.51

1) Liquidated / last net asset value 30 June 2010

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TOTAL EXPENSE RATIO

For the year/period ended 30 September 2010

Hereford Funds - DSM US Large Cap Growth Fund

Total Expense Ratio (TER) - Class A USD	1.76%	including performance fees :	1.76%
Total Expense Ratio (TER) - Class C USD	1.76%	including performance fees :	1.76%
Total Expense Ratio (TER) - Class D USD	2.31%	including performance fees :	2.31%
Total Expense Ratio (TER) - Class U USD	1.76%	including performance fees :	1.76%

Hereford Funds - DGHM US All-Cap Value Fund

Total Expense Ratio (TER) - Class A USD	1.65%	including performance fees :	1.65%
Total Expense Ratio (TER) - Class D USD ¹⁾	2.71%	including performance fees :	2.71%

1) initial subscription 23 September 2010

PORTFOLIO TURNOVER RATE

For the year/period ended 30 September 2010

	Hereford Funds - DSM US Large Cap Growth Fund	Hereford Funds - DGHM All-Cap Value Fund
	(in USD)	(in USD)
Portfolio Turnover Rate (PTR)	101.2623%	109.6595%

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CHANGES IN THE NUMBER OF SHARES OUTSTANDING

For the year/period ended 30 September 2010

Hereford Funds - DSM US SMID Cap Growth Fund

Class A USD ¹⁾

Number of shares at the beginning of the year/period	16,000.000
Number of shares issued	-
Number of shares redeemed	<u>-16,000.000</u>
Number of shares outstanding at the end of the year/period	<u>-</u>

Hereford Funds - DSM US Large Cap Growth Fund

	Class A USD	Class C USD	Class D USD	Class U USD
Number of shares at the beginning of the year/period	403,659.190	27,062.502	55,427.000	122,289.401
Number of shares issued	183,726.422	7,372.840	102,440.113	20,962.197
Number of shares redeemed	<u>-103,214.051</u>	<u>-12,733.024</u>	<u>-19,179.602</u>	<u>-41,112.049</u>
Number of shares outstanding at the end of the year/period	<u>484,171.561</u>	<u>21,702.318</u>	<u>138,687.511</u>	<u>102,139.549</u>

Hereford Funds - DGHM US All-Cap Value Fund

Class A USD Class D USD ²⁾

Number of shares at the beginning of the year/period	20,000.000	-
Number of shares issued	204,283.852	53,610.906
Number of shares redeemed	<u>-</u>	<u>-</u>
Number of shares outstanding at the end of the year/period	<u>224,283.852</u>	<u>53,610.906</u>

1) Liquidated / last net asset value 30 June 2010

2) Initial subscription 23 September 2010

HEREFORD FUNDS

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STATISTICAL INFORMATION

For the year/period ended 30 September 2010

	30 September 2010	30 September 2009	30 September 2008
Total Company (in USD)			
Net Assets of Company	102,379,604.51	49,587,991.60	43,483,933.98
Hereford Funds - DSM US SMID Cap Growth Fund			
Total net assets (in USD)		909,641.44	3,227,126.89
Class A USD ¹⁾			
Shares outstanding		16,000.000	42,710.000
Net asset value per share (in share class currency)		56.85	75.56
Hereford Funds - DSM US Large Cap Growth Fund			
Total net assets (in USD)	69,290,630.68	46,530,445.15	40,256,807.09
Class A USD			
Shares outstanding	484,171.561	403,659.190	343,349.600
Net asset value per share (in share class currency)	82.31	71.53	81.84
Class C USD			
Shares outstanding	21,702.318	27,062.502	60,754.535
Net asset value per share (in share class currency)	82.90	72.03	82.40
Class D USD			
Shares outstanding	138,687.511	55,427.000	
Net asset value per share (in share class currency)	136.10	118.91	
Class U USD			
Shares outstanding	102,139.549	122,289.401	83,779.936
Net asset value per share (in share class currency)	85.80	74.56	85.37
Hereford Funds - DGHM US All-Cap Value Fund			
Total net assets (in USD)	33,088,973.83	2,147,905.01	
Class A USD			
Shares outstanding	224,283.852	20,000.000	
Net asset value per share (in share class currency)	123.13	107.40	
Class D USD ²⁾			
Shares outstanding	53,610.906		
Net asset value per share (in share class currency)	102.07		

1) Liquidated / last net asset value 30 June 2010

2) initial subscription 23 September 2010

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HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND

Securities Portfolio as of 30 September 2010 (in USD)

Transferable securities admitted to an official stock exchange listing

Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	20,650	3M COMPANY	1,790,561.50	2.58
USD	70,050	ADOBE SYSTEMS INC	1,831,807.50	2.65
USD	31,400	ALLERGAN INC	2,089,042.00	3.01
USD	40,950	ALTERA CORPORATION	1,235,052.00	1.78
USD	11,250	AMAZON.COM INC	1,766,925.00	2.55
USD	14,650	APPLE INC	4,156,937.50	6.00
USD	34,150	C.H. ROBINSON WORLDWIDE INC	2,387,768.00	3.45
USD	83,850	CELGENE CORP	4,830,598.50	6.97
USD	93,100	CISCO SYSTEMS INC	2,038,890.00	2.94
USD	51,350	COGNIZANT TECH SOLUTIONS-A	3,310,534.50	4.78
USD	12,850	COLGATE-PALMOLIVE CO	987,651.00	1.43
USD	67,900	EXPEDITORS INTL WASH INC	3,139,017.00	4.53
USD	21,300	F5 NETWORKS INC	2,211,153.00	3.19
USD	19,850	GEN-PROBE INC	961,931.00	1.39
USD	6,600	GOOGLE INC-CL A	3,470,214.00	5.00
USD	7,550	INTUITIVE SURGICAL INC	2,142,237.00	3.09
USD	78,900	INVESCO LTD	1,675,047.00	2.42
USD	26,400	MCDONALD'S CORP	1,967,064.00	2.84
USD	28,800	NESTLE SA-SPONS ADR FOR REG	1,538,784.00	2.22
USD	62,500	NETAPP INC	3,111,875.00	4.49
USD	11,850	NOVO-NORDISK A/S-SPONS ADR	1,166,514.00	1.69
USD	31,150	PEPSICO INC	2,069,606.00	2.98
USD	21,300	PRAXAIR	1,922,538.00	2.77
USD	7,350	PRICELINE.COM INC	2,560,299.00	3.70
USD	15,950	ROCKWELL COLLINS INC.	929,087.50	1.34
USD	54,150	SABMILLER SPONS ADR REPR 1 SHS	1,727,385.00	2.49
USD	39,150	SCHLUMBERGER LTD	2,412,031.50	3.48
USD	43,400	STATE STREET CORP	1,634,444.00	2.36
USD	26,700	STRYKER CORP	1,336,335.00	1.93
USD	45,000	TARGET CORP	2,404,800.00	3.47
USD	43,900	VARIAN MEDICAL SYSTEMS INC	2,655,950.00	3.84

Total transferable shares admitted to an official stock exchange listing	67,462,079.50	97.36
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TOTAL PORTFOLIO

67,462,079.50	97.36
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HEREFORD FUNDS

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HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND

Securities Portfolio as of 30 September 2010
(in USD)

(continued)

Breakdown by country

	% of Net Assets
Denmark	1.69
Switzerland	2.22
United Kingdom	2.49
United States of America	90.96
TOTAL	97.36

Breakdown by currency

	% of Net Assets
USD	97.36
TOTAL	97.36

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HEREFORD FUNDS – DGHM US ALL-CAP VALUE FUND

Securities Portfolio as of 30 September 2010 (in USD)

Transferable securities admitted to an official stock exchange listing Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	12,360	3M COMPANY	1,071,735.60	3.24
USD	18,850	ACE LTD	1,098,012.50	3.32
USD	13,800	ALEXANDRIA REAL ESTATE EQUIT	966,000.00	2.92
USD	48,230	AT&T INC	1,379,378.00	4.17
USD	13,760	BECTON DICKINSON AND CO	1,019,616.00	3.08
USD	14,580	CLEARWATER PAPER CORP	1,109,246.40	3.35
USD	25,960	DIRECTV-CLASS A	1,080,714.80	3.27
USD	26,820	ENCANA CORP	810,768.60	2.45
USD	9,620	EOG RESOURCES INC	894,371.40	2.70
USD	22,270	EXPRESS SCRIPTS INC	1,084,549.00	3.28
USD	67,400	FIFTH THIRD BANCORP	810,822.00	2.45
USD	10,365	FRANKLIN RESOURCES INC	1,108,018.50	3.35
USD	13,260	GENERAL DYNAMICS CORP	832,860.60	2.52
USD	19,900	HJ HEINZ CO	942,663.00	2.85
USD	5,620	INTL BUSINESS MACHINES CORP	753,866.80	2.28
USD	32,625	JPMORGAN CHASE & CO	1,242,033.75	3.75
USD	93,790	MGIC INVESTMENT CORP	865,681.70	2.62
USD	31,810	MUELLER INDUSTRIES INC	842,646.90	2.55
USD	20,540	OMNICOM GROUP	810,919.20	2.45
USD	36,410	PHARMACEUTICAL PRODUCT DEVEL	902,603.90	2.73
USD	41,230	PIEDMONT NATURAL GAS	1,195,670.00	3.61
USD	13,490	PIONEER NATURAL RESOURCES CO	877,254.70	2.65
USD	134,870	REGIONS FINANCIAL CORP	980,504.90	2.96
USD	44,990	SAFEWAY INC	951,988.40	2.88
USD	26,720	SILGAN HOLDINGS INC	847,024.00	2.56
USD	20,280	STRYKER CORP	1,015,014.00	3.07
USD	37,820	SUNTRUST BANKS INC	976,890.60	2.95
USD	23,650	TERADATA CORP	911,944.00	2.76
USD	12,060	UNITED PARCEL SERVICE-CL B	804,281.40	2.43
USD	44,740	VECTREN CORPORATION	1,157,423.80	3.50
USD	28,640	VIACOM INC-CLASS B	1,036,481.60	3.13
USD	18,620	WAL-MART STORES INC	996,542.40	3.01
USD	10,290	WHITING PETROLEUM CORP	982,797.90	2.97
Total transferable shares admitted to an official stock exchange listing			32,360,326.35	97.81
TOTAL PORTFOLIO			32,360,326.35	97.81

HEREFORD FUNDS

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HEREFORD FUNDS – DGHM US ALL-CAP VALUE FUND

Securities Portfolio as of 30 September 2010 (in USD)

(continued)

Breakdown by country

	% of Net Assets
Canada	2.45
Switzerland	3.32
United States of America	92.04
TOTAL	97.81

Breakdown by currency

	% of Net Assets
USD	97.81
TOTAL	97.81

HEREFORD FUNDS

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NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2010

Note 1

Organisation and objective of the company

a) General information

Hereford Funds (the "Fund") is an open-end investment fund with multiple Compartments ("société d'investissement à capital variable" (SICAV) à compartiments multiples) governed by Luxembourg law, established in accordance with the provisions of Part I of the Law of 20 December 2002 relating to undertakings for collective investment. The Fund complies with article 27 of that law and therefore qualifies as a self-managed SICAV. The Fund was incorporated for an indefinite period on 23 November 2007. The purpose of the Fund is to offer investors access to a world-wide selection of markets and a variety of investment techniques via a range of specialised products ("Compartments") included under a same and single structural umbrella.

The Compartments contain the following Classes of Shares:

- Hereford Funds - DSM US Large Cap Growth Fund

Class A and B Shares, each available in USD, GBP and EUR
Class C and D Shares, each available in USD and EUR
Class U Shares, available in USD and GBP

- Hereford Funds – DGHM US All-Cap Value Fund

Class A Shares, available in USD, GBP and EUR
Class D Shares, available in USD and EUR
Class U Shares, available in USD and GBP

Class A and B Shares shall be reserved for investments made by investors qualifying as institutional investors within the meaning of article 129 of the Luxembourg law of 20 December 2002.

Class C and D Shares shall be normally available in accordance with the provisions of the Prospectus and the Appendix to the Prospectus.

Class U Shares shall be reserved for investments made by investors qualifying as institutional investors within the meaning of article 129 of the Luxembourg law of 20 December 2002. It is the intention of the Company to seek certification for UK distribution status for this share class. UK distributor status has been granted by HMRC for financial year 2009.

As of 30 September 2010, the following Classes of Shares were active:

- Hereford Funds - DSM US Large Cap Growth Fund

Class A in USD
Class C in USD
Class D in USD
Class U in USD

This Compartment pursues a policy of achieving capital growth and reinvests income earned; as a result, no dividend shall be paid out. In relation to Class U Shares, it is the intention of the Fund to distribute such amounts in order to qualify as a fund with UK distributing status (see prospectus for more details).

HEREFORD FUNDS

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NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2010

(continued)

- Hereford Funds – DGHM US All-Cap Value Fund

Class A in USD

Class D in USD

This Compartment pursues a policy of achieving capital growth and reinvests income earned; as a result, no dividend shall be paid out. In relation to Class U Shares, it is the intention of the Fund to distribute such amounts in order to qualify as a fund with UK distributing status (see prospectus for more details).

b) Investment policies

The purpose of the Fund is to offer investors access to a world-wide selection of markets and a variety of investment techniques via a range of specialised products ("Sub-Funds") included under a same and single structural umbrella.

Hereford Funds – DSM US Large Cap Growth Fund

The investment objective of the Compartment is to provide capital appreciation principally through investments in US-based growing corporations with market capitalizations generally above USD 2 billion. These companies are chosen for their growth prospects, attractive returns, solid business fundamentals and intelligent management. Companies invested in will often have higher revenue and earnings growth rates and less "sell-side" research coverage than comparable larger capitalization corporations.

The Compartment 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 Compartment may hold liquid assets on an ancillary basis. Under normal market conditions, investment in liquid assets and debt instruments of any kind will not exceed 15% of the Compartment's net assets. In exceptional market circumstances and on a temporary basis only, this limit may be increased to 100% with due regard to the principle of risk spreading.

Hereford Funds – DGHM US All-Cap Value Fund

The investment objective of the Compartment is to provide long-term capital appreciation over a multi-year investment horizon by investing primarily in a diversified portfolio of publicly traded equity securities of US based companies, which the Investment Manager believes to be undervalued. The companies will generally have a market capitalization of more than USD 1 billion.

The Compartment 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 Compartment may invest in American Depository Receipts and American Depository Shares.

The Compartment will invest, under normal circumstances, at least 85% of its net assets in publicly traded equity securities, including common stocks, preferred stocks, convertible securities, and similar instruments of various issuers.

Within the same limits as above, the Compartment may also purchase exchange-traded funds whose underlyings belong to the Compartments's investment universe.

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NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2010

(continued)

The Compartment has the flexibility to invest in other types of securities when the Investment Manager believes they offer more attractive opportunities or as a temporary defensive measure in response to adverse market, economic, political, or other conditions, or to meet liquidity, redemption, and short-term investing needs. Under normal market conditions, investment in liquid assets and debt instruments of any kind will not exceed 15% of the Compartment's net assets. In exceptional market circumstances and on a temporary basis only, this limit may be increased to 100% with due regard to the principle of risk spreading.

Note 2

Summary of significant accounting policies

The financial statements of the Fund are prepared in accordance with Luxembourg regulations relating to undertakings for collective investments. The combined financial statements are expressed in USD and are presented for information purposes only.

a) Foreign currency translation

In each Compartment, investments as well as other assets and liabilities stated in foreign currencies are translated at the exchange rates prevailing as of the date of the report. The costs of investments are at historical exchange rates. Transactions in foreign currency during the year/period are translated at the rates prevailing at the date of transaction. Realised and unrealised exchange gains and losses are recorded in the statement of operations of each Compartment's currency class.

Combined statements are obtained by the arithmetic sum of statements of each individual Compartment.

b) Investments

The value of securities, which are traded on a stock exchange or traded on an other regulated market providing reliable price quotations are valued at the latest price available on the valuation day. In the event that any securities held in the portfolio are not listed on any stock exchange or not traded on any other regulated market or if the price obtained as described above is not representative of the fair market value of the securities, the value of such securities will be based on the reasonably foreseeable sales price determined prudently and in good faith by the Directors.

The cost of investments sold is determined on the basis of the weighted average price method.

c) Income recognition

Interest income is accounted for on an accrual basis. Dividends are accrued on the date upon which the relevant security becomes ex-dividend. These are accounted for net of any applicable withholding taxes in the relevant country.

HEREFORD FUNDS

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NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2010

(continued)

Note 3

Net asset value

a) Computation

The net asset value per share is expressed in the currency of the relevant Class of Shares and is determined on each banking business day, by dividing the net assets of the relevant Class of the Compartment by the number of shares issued and outstanding in the relevant Class of the Compartment. The net assets of a Class of Shares correspond to the difference between the total assets and the total liabilities of the Class of Shares.

b) Redemption of shares

Each shareholder of any Class of the Compartment has the right to request at any time the redemption of his shares at an amount equal to the net asset value of the relevant Class of the Compartment as described in the preceding paragraph.

For each Compartment the Fund may temporarily suspend the calculation of the net asset value per share, the redemption and the conversion of shares under certain well defined circumstances as disclosed in the Prospectus.

Note 4

Investment advisory and management fees

The Fund has appointed as advisory company (the "Advisory Company") Hereford Funds Advisory S.à r.l., which has appointed DSM Capital Partners LLC NY as investment manager for the Compartments Hereford Funds – DSM US SMID Cap Growth Fund and Hereford Funds – DSM US Large Cap Growth Fund. Furthermore Hereford Funds Advisory S.à r.l. appointed Dalton, Greiner, Hartman, Maher & Co, LLC NY as investment manager for the Compartment Hereford Funds – DGHM US All-Cap Value Fund.

In relation to the Compartment Hereford Funds – DSM US SMID Cap Growth Fund (liquidated / last net asset value calculation on 30 June 2010), the Advisory Company was entitled to receive fees, payable on a monthly basis at a total annual rate of 1.25% for Class A Shares, 0.25% for Class B Shares, 1.00% for Class C Shares, 1.75% for Class D Shares and 1.25% for Class U Shares based on the average net asset value of the shares during the relevant period. The Investment Manager is remunerated by the Advisory Company out of the fees that it receives from the Fund.

In relation to the Compartment Hereford Funds – DSM US Large Cap Growth Fund, the Advisory Company is entitled to receive fees, payable on a monthly basis at a total annual rate of 1.25% for Class A Shares, 0.25% for Class B Shares, 1.00% for Class C Shares, 1.75% for Class D Shares and 1.25% for Class U Shares based on the average net asset value of the shares during the relevant period. The Investment Manager is remunerated by the Advisory Company out of the fees that it receives from the Fund.

In relation to the Compartment Hereford Funds – DGHM US All-Cap Value Fund, the Advisory Company is entitled to receive from the Fund fees, payable on a monthly basis at a total annual rate of 1.25% for Class A Shares, 1.75% for Class D Shares and 1.25% for Class U Shares based on the average net asset value of the shares during the relevant period. The Investment Manager is remunerated by the Advisory Company out of the fees that it receives from the Fund.

HEREFORD FUNDS

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NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2010

(continued)

Note 5 **Custodian fees**

The commissions of the custodian and administration services are payable monthly and calculated on the average of the total net assets of the Fund in accordance with the agreements signed with VP Bank (Luxembourg) S.A. and VPB Finance S.A. on 23 November 2007 and amended on 14 October 2009.

Note 6 **Taxes**

In accordance with current Luxembourg law, the Fund is not subject to any tax on income, capital gains tax or wealth tax. Moreover, no dividends distributed by the Fund, if any, are subject to withholding tax.

However, income collected by the Fund on securities in its portfolios may be subject to withholding tax which, in normal circumstances, cannot be reclaimed.

The only tax, which the Fund is subject to is the Luxembourg subscription tax ("taxe d'abonnement") payable quarterly, at the annual rate of 0.05% for Class C and D Shares and of 0.01% for Classes A, B and U Shares. The tax is calculated on the basis of the total net assets on the last day of each quarter; however no tax is levied on the asset value represented by shares held in other undertakings for collective investment falling under Luxembourg law.

Note 7 **Formation expenses**

The costs and expenses incurred in connection with the formation of the Fund respectively in connection with the launching of new Compartments or Classes of Shares are amortised over a period not exceeding 5 years.

Note 8 **Performance fee**

The Advisory Company may also be entitled to a performance fee specific to each Class of Shares:

Hereford Funds – DSM US Large Cap Growth Fund

In relation to Class B and Class C Shares, a performance fee may be paid to the Advisory Company on a quarterly basis, with the amount based on the relative performance of the relevant Class to the 3 Month T-Bill rate and calculated on the average month-end assets during the quarter, subject to a high water mark provision. Relative performance is defined as the return of the relevant Class, after advisory fees and other fees and expenses attributable to the Class for the quarter less the return of the 3 Month T-Bill rate for the quarter. The high water mark is defined as the largest positive cumulative relative performance percentage figure for the relevant Class since its launch. A performance-based fee will only be paid in quarters where the cumulative relative performance exceeds the high water mark and where the quarter-end NAV per Share is equal or higher to the NAV per Share of the previous quarter-end. In such instances, the performance fee is computed as 20% of the difference between the current quarter's cumulative relative performance and the high water mark.

HEREFORD FUNDS

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NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2010

(continued)

For the period from 1 October 2009 to 30 September 2010 no performance fee was due.

Note 9 **Exchange rates**

The exchange rates used as of 30 September 2010 are as follows:

1 USD	=	GBP	0.631314
1 USD	=	EUR	0.736597

Note 10 **Changes in securities portfolio**

Information about the changes that have occurred in the securities portfolio of the Compartments during the year/period can be obtained at the Registered Office of the Fund or from the Custodian Bank.

Note 11 **Total Expense Ratio (TER)**

The calculation of the Total Expense Ratio is based on the stipulated fees and commissions paid by the relevant Compartment on the average net assets of the Compartment during the year (annualised).

Note 12 **Portfolio Turnover Rate (PTR)**

The Portfolio Turnover Rate indicates the turnover rate of the holdings of the Compartment and is computed using the following formula (annualised):

$$\text{PTR} = [(\text{Total 1} - \text{Total 2}) / M] * 100$$

with:

Total 1	=	Total of securities transactions during the relevant period = X + Y, where X = purchases of securities and Y = sales of securities.
Total 2	=	Total of transactions in Shares of the Compartment during the relevant period = S + T, where S = subscriptions of Shares of the Compartment and T = redemptions of Shares of the Compartment
M	=	Average net assets of the Compartment during the relevant period.

HEREFORD FUNDS

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NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2010

(continued)

Note 13

Significant events

The Board of Directors decided in June 2010 to liquidate the Compartment Hereford Funds – DSM US SMID Cap Growth Fund with effective date 25 June 2010.

Furthermore the Board of Directors decided on 23 September 2010 to launch Class D USD Shares for the Compartment Hereford Funds – DGHM US All-Cap Value Fund with an initial NAV price of USD 100.00 and with first valuation date 23 September 2010.

HEREFORD FUNDS

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SHAREHOLDERS' INFORMATION

As of 30 September 2010

The articles of incorporation, the prospectus, and statement of changes in the composition of the portfolios, the semi-annual and annual reports are available at the registered office of HEREFORD FUNDS, 26, Avenue de la Liberté, L-1930 Luxembourg

The semi-annual and annual reports contain general information about the Fund as well as data showing the Fund's development and its total net assets.

The business year of the Fund runs from 1st October until 30th September.