

# HEREFORD FUNDS

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



## AUDITED ANNUAL REPORT

**As of 30 September 2013**

Luxembourg R.C.S. B 134 375

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

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## MANAGEMENT AND ADMINISTRATION

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### BOARD OF DIRECTORS

#### CHAIRMAN

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

#### DIRECTORS

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

Mr Yves DE VOS  
Chairman of the Management Board  
VP Bank (Luxembourg) S.A.  
26, avenue de la Liberté  
L-1930 Luxembourg, Luxembourg

Mr Romain MOEBUS  
Member of the Management Board  
VP Bank (Luxembourg) S.A.  
26, avenue de la Liberté  
L-1930 Luxembourg, Luxembourg

Mr Jérôme WIGNY  
Partner  
Elvinger, Hoss & Prussen  
2, place Winston Churchill  
L-1340 Luxembourg, Luxembourg

Mr Enrico MELA  
Managing Director  
VPB Finance S.A.  
26, avenue de la Liberté  
L-1930 Luxembourg, Luxembourg

### REGISTERED OFFICE

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

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## MANAGEMENT AND ADMINISTRATION

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(continued)

### REGISTRATION NUMBERS

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

### MANAGEMENT COMPANY

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

### ADVISORY COMPANY

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

### INVESTMENT MANAGERS

For the Compartment  
HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND

DSM Capital Partners LLC  
116 Radio Circle Drive, Suite 200  
Mount Kisco  
New York, 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

For the Compartment  
HEREFORD FUNDS – FIRTH ASIAN VALUE FUND

(until 31 July 2013)  
Swiss-Asia Financial Services Pte. Ltd  
8 Temasek Boulevard #43-01  
Suntec City Tower Three  
SGP-Singapore 038988, Singapore

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## **MANAGEMENT AND ADMINISTRATION**

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(continued)

### **INVESTMENT MANAGERS** (continued)

For the Compartment  
**HEREFORD FUNDS – FIRTH ASIAN VALUE FUND**

(as from 1 August 2013)  
Firth Investment Management Pte. Ltd  
180 Cecil Street #13-03  
Bangkok Bank Building  
SGP-Singapore 069546, Singapore

### **INVESTMENT ADVISOR**

For the Compartment  
**HEREFORD FUNDS – FIRTH ASIAN VALUE FUND**

(until 31 July 2013)  
Firth Investment Management Pte. Ltd  
180 Cecil Street #13-03  
Bangkok Bank Building  
SGP-Singapore 069546, Singapore

### **CUSTODIAN**

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

### **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**

**HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND**  
**HEREFORD FUNDS – DGHM US ALL-CAP VALUE FUND**  
**HEREFORD FUNDS – FIRTH ASIAN VALUE FUND**  
Luxembourg  
Germany (since 17 October 2012)

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## MANAGEMENT AND ADMINISTRATION

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### COUNTRIES WHERE THE FUND IS AUTHORIZED FOR PUBLIC DISTRIBUTION (continued)

HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND

HEREFORD FUNDS – DGHM US ALL-CAP VALUE FUND

France

Netherlands

Switzerland (since 21 November 2012)

#### PAYING AGENT IN FRANCE

Société Générale  
29, Boulevard Haussmann  
F-75009 Paris, France

#### PAYING AGENT IN GERMANY

(since 17 October 2012)

Marcard, Stein & Co AG  
Ballindamm 36  
D-20095 Hamburg, Germany

#### PAYING AGENT IN SWITZERLAND

(since 21 November 2012)

Société Générale Paris, Zurich Branch  
Talacker 50  
P.O. Box 1928  
CH-8021 Zurich, Switzerland

#### CABINET DE RÉVISION AGRÉÉ

Deloitte Audit S.à r.l.  
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

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To the shareholders of  
**Hereford Funds**  
26, avenue de la Liberté  
L-1930 LUXEMBOURG

### Hereford Funds – DSM US Large Cap Growth Fund

#### Review

For the period 1 October 2012 through 30 September 2013, the Hereford Funds - DSM US Large Cap Growth Fund - Class A USD - was up 18.0% (net asset value ("NAV") USD 105.86 to NAV USD 124.89) while the total return (including dividends) of the Russell 1000 Growth was up 19.3% and the S&P 500 was up 19.3%.

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

*The portfolio has been constructed based on our view of slow growth in the US, faster growth in the emerging markets, and a modest recession in Europe. At this time, emerging markets account for approximately 25% of weighted portfolio revenue, with North America at approximately 90%. We estimate that other developed markets account for over 5% of revenue; therefore the portfolio's revenue exposure to Europe is approximately 6%.*

*Our long standing forecast of "muddle through" global economic growth continues to appear reasonable. We expect North America to grow about 2% this year, and Europe to remain in recession although improving to approximately "zero" GDP growth. We expect the emerging markets, led by China, to continue to grow at a comparatively rapid pace, thereby generating global GDP growth in the 3% range in 2013. Thus far, on-going economic growth in North America and Asia has been sufficient to offset recession in Europe, enabling our muddle-through scenario to continue.*

*At this writing, the partial shutdown of Federal Government activities has begun. In our view there is limited economic risk to reduced government activity resulting from the shutdown, just as there has been little economic fallout from the ongoing sequester. US economic data has been solid but growth has been slow. This slow growth, combined with a reduction in government activity, is sending bond prices higher (yields lower) and gold prices lower. Gold, once the darling of inflation fear mongers, has declined in price to where it was two or three years ago. Dating back to President Ford's administration, the government ordered a shutdown more than a dozen times. Due to extensive "gerrymandering" (shaping election districts to favor political parties) over the years, and the polarization of the political parties, neither political party has significant risk of losing many House seats as a result of the shutdown. Therefore, neither side feels much pressure to negotiate. It is interesting to note that equity markets have in the past largely ignored shutdowns as a temporary situation, and that certainly seems to be the case this time around. Global markets are largely ignoring the shutdown as well. On the other hand, the debt limit discussion will have to occur by mid-October 2013 when the US Government's ability to borrow reaches its legislated maximum. At this point it seems likely that the government budget and debt limit issues will be dealt with together. This process may well be seen as more significant to financial market participants.*

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## REPORT OF THE BOARD OF DIRECTORS

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(continued)

*In Europe, the unemployment rate remains high at 12%, down a fraction from a year ago. With unemployment high and economic growth struggling to reach zero, it is no surprise that the most recent retail sales numbers out of Europe were weak as well. Of course, high unemployment and weak consumption are keeping inflation quite low, providing room for the ECB to remain flexible on monetary policy. In Japan, the central bank's QE program may have boosted inflation measures, but economic growth, while better, remains slow. The TANKAN (business conditions of manufacturers) report was solid, but not as robust as many had hoped. A proposed sales tax increase could damage tentative economic growth as well. Consumer incomes must grow to offset newly found inflation as well as the sales tax increase. It is hard to imagine that Abenomics will retain voter support if purchasing power of the average household is squeezed.*

*China's recent economic statistics continue to show approximately 7% or better GDP growth, which is good, albeit not dramatic. Lack of export growth, especially to Europe, limits Chinese economic growth. And, as in the Western World, financial leverage and industrial overcapacity limit growth as well. That said, the Chinese government is also taking steps to restructure the economy, and that process can serve to temporarily slow growth. September data indicates that the housing market remains strong despite efforts by the government to prevent price appreciation. The general public remains committed to real estate investment. Real estate prices in Beijing, Shanghai and other major Chinese cities are very high, similar to London, New York, Moscow and Tokyo.*

### **Portfolio**

*The majority of the portfolio is invested in the consumer discretionary, materials, health care and technology sectors, with smaller weightings in the consumer staples, industrials, financials and energy sectors. While there is not an "internet services" sector, we note that the portfolio has a solid weighting in the global internet business through investment in three companies: eBay Inc., Google Inc. and Tencent Holding. Two other growing global services companies, Mastercard Inc. and Visa Inc., are also part of the portfolio.*

*The strongest contributors to performance over the period were: Celgene Corp. (biopharmaceuticals), Las Vegas Sands Corp. (casinos and resorts), Tencent Holdings (investment holdings company in China), Ecolab (provider of maintenance products/services to hospitality and industrial corporations) and Starbucks Corp. (global coffee house chain).*

*The weakest contributors to performance were: Apple (computers and mobile devices), Intuitive Surgical Inc. (robotic surgical systems), Cognizant Technology Solutions (provider of information technology, consulting and business-process services), Monster Beverage Corp. (energy and fruit drinks) and EMC Corp. (enterprise storage systems).*

### **Changes in Holdings**

*The changes we have made to the portfolio over the past twelve months reflect our ongoing strategy to invest in businesses that generate the majority of their revenue in North America and emerging markets. The portfolio continues to be focused on unique global businesses. The stock selections are made with a modest global economic growth outlook in mind. Over this period, we have maintained our investment focus on industrial and technology positions, which we believe are significantly undervalued. We also have a large weighting in consumer discretionary stocks, and believe that many of these holdings are quite defensive.*

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*In the Hereford Funds – DSM US Large Cap Growth Fund, the larger positions sold during the period were: Apple, General Electric (industrial and financial services), Allergan (specialty pharmaceutical), Philip Morris (international cigarette company), and Schlumberger (oil services).*

*The larger positions added to the portfolio were: Time Warner Inc. (American cable telecommunications), BlackRock Inc. (investment management corporation), European Aeronautic Defence and Space Co. (aerospace and defense), Estée Lauder Companies Inc. (manufacturer of skincare and makeup), and MasterCard Inc.*

### **Outlook**

*Our strategy continues to focus on investments in businesses that generate the majority of their revenue in North America and emerging markets. That said, we believe Europe's economic outlook may be stabilizing at this time. Accordingly, we may slowly increase our exposure to that geographic area as opportunities are identified.*

*In our opinion, the valuation of the portfolio, at 19.7x next-four-quarter earnings, and 18.9x calendar 2014 earnings continues to be attractive in the current slow growth economic environment and relative to the market. We continue to project a mid-to-high "teens" earnings growth rate through 2017. Additionally, the portfolio remains characterized by very strong balance sheets and significant free cash flow.*

October 2013  
DSM Capital Partners LLC

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## REPORT OF THE BOARD OF DIRECTORS

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### Hereford Funds – DGHM US All-Cap Value Fund

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

#### Outlook

*Our market outlook continues to be similar to what we have espoused in these letters over the last several years. The US economy continues to grow, albeit slowly. The valuation of the market is more or less at the midpoint of its historical range. What has changed in our outlook is that we are beginning to see signs of an economic recovery in Europe along with an end to the slowdown in China. A combination of all of these factors leads us to have a positive market outlook going into 2014.*

*The list of market worries that continually make headlines or are endlessly debated on TV is also familiar. This list includes the European debt crisis, China imploding, the price of oil, turmoil in the Middle East, et cetera. You could also add the fear of the Federal Reserve's quantitative easing program being reduced or what has been labelled "tapering." We believe that all of these issues have been discounted in the market. Our view on tapering is that this is a long-term benefit to the structural integrity of the US economy and thus beneficial to the market regardless of short term volatility.*

*One aspect of the market that has changed in the past year is that the correlations between world markets, sectors, and individual stocks have moved lower off of all-time highs. This is a positive for investors such as ourselves who base their process on bottom-up stock-picking.*

*The following commentary is taken from last year's report, and we are including it again as this story continues to play out in a favorable way as the US continues to grow oil production at a rapid pace.*

*"We would like to comment on the positive long-term ramifications of what is taking place with oil and natural gas here in the United States. As many of you are aware, the US has material hydrocarbon reserves in a multitude of shale rock formations. New drilling/extraction technology has resulted in an abundance of natural gas and an increase in the production of oil. There are some who predict the US will be energy independent by the end of the decade. The net result of all this is lower energy prices and thus lower costs. This makes the US more competitive from an export standpoint. It means more jobs and a stronger currency. New chemical plants are being built in the US for the first time in decades. This is all extremely positive from an investment standpoint for US markets vis-à-vis the rest of the world."*

*With all of that being said, our investment process is based upon bottom-up analysis, as noted above, of the individual stocks in question. While we are cognizant of the economic backdrop and understand its implications for 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, as our record in both up and down markets shows.*

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## REPORT OF THE BOARD OF DIRECTORS

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### Review

The Compartment's outperformance during the past fiscal year was driven by the Insurance, Consumer Staples, and Energy sectors. Each of these contributed more than 100 basis points of alpha. Insurance was driven by Lincoln National Corp. (+76%). This stock performed well due to a rising interest rate environment which is positive for their business model. Consumer Staples was driven by Kroger Co. (+75%). This stock was up due to solid fundamentals in its core supermarket business. Energy was driven by Pioneer Natural Co. (+81%). This stock performed well as it demonstrated favorable drilling results in its core oil shale play in West Texas. We continue to hold all three names. Other sectors which added value include Capital Goods (Dover Corp. +54%), Business Services (Manpower Group +85%), and Basic Materials (KapStone Paper and Packaging Corp. +102%).

Sectors that detracted value during the year include Technology, Retail, and Consumer Services. Technology lagged due to IBM (-6%). This stock suffered from a slowdown in sales growth and a rotation out of higher dividend paying stocks due to the rise in interest rates. Retail lagged due to Chico's (-7%). This stock lagged because of soft fundamentals in their flagship Chico's stores in a soft retail environment. Consumer Services lagged due to John Wiley (-16%). This stock lagged as a result of poor results in its publishing business. We no longer hold IBM or John Wiley, but continue to own Chico's.

### Conclusion

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. While we do not make large sector bets, we do take large active positions in stocks. This is by design, so our performance will always be driven by stock selection as opposed to sector weightings. We believe our past results demonstrate that our added value is in stock-picking.

Finally, at this time, we continue to favor mid and large cap stocks. 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. Many of our stocks now pay a dividend.

It is important to understand that we will not outperform every quarter and every year. Our process and continuity has stood the test of time across various cycles. We will not overreact and chase the latest flavor of the day. We invest for the long run using a risk-controlled, systematic process, and we want our clients to be with us for the long run as well.

October 2013  
Dalton, Greiner, Hartman, Maher & Co., LLC

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## REPORT OF THE BOARD OF DIRECTORS

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### **Hereford Funds – FIRTH ASIAN Value Fund**

The investment manager, Firth Investment Management Pte. Ltd., commented as follows:

#### **Review**

*For the period 28 September 2012 to 30 September 2013, the Hereford Funds – FIRTH ASIAN Value Fund gained 11.9%. By comparison, the compartment's benchmark, the MSCI AC Asia ex Japan Small Cap Net USD index rose by 10.4% and the MSCI AC Asia ex Japan USD Net index (which tracks large and mid cap stocks) rose by 5.3%.*

*Notable positive contributions to returns were made by holdings in Korea, Malaysia and China and in the consumer sector. Some of the prevalent themes from the previous year were reversed. The USD engthened thereby reducing returns from regional currencies, and Asian markets were subdued by comparison with the US and Europe. Also small cap stocks in the region outperformed large and mid cap stocks.*

*The macro-economic background has been dominated by the outlook for economic recovery in most parts of the world, and the effect of an extension of monetary stimulus. The US has shown signs of recovery so that expectations of the end of Quantitative Easing (QE), followed by announcements to the contrary has led to setbacks and recovery phases in markets. Low growth and loose money in the face of deleveraging in the western developed economies have continued to provide the backdrop for Asian markets. In this region investors have become more confident that China will avoid a hard landing.*

*Throughout the period investments have been made in accordance with the compartment's objectives and our value-investing approach in smaller capitalisation stocks listed in Asia ex Japan's equity markets. As of 30 September 2013 the portfolio was invested in 51 stocks, an increase of 8 stocks during the year. Fourteen stocks were sold completely and twenty one new holdings were initiated. As a result of portfolio changes and market movements, exposure to industrial stocks and Hong Kong/China increased at the expense of lower exposure to consumer stocks and Indonesia and the Philippines. The cash position was higher at the end of the period, reflecting both the high recent cash inflows to the fund and a short term imbalance between disposals and reinvestment of the proceeds into new opportunities.*

#### **Outlook**

*Asian stock markets historically have not responded well to a strengthening USD and a tightening of monetary policy. Many Asian companies still finance themselves in USD which increases this effect. In India and Indonesia, the currencies have come under pressure from growing fiscal and current account deficits and they have tightened monetary policy in response, while the leading rating agencies have downgraded the outlooks for China, India and Malaysia already this year.*

*China remains central to the health and growth of regional markets and if economic history suggests that a financial crisis is an inevitable rite of passage for a developing economy, then one is due at some time in the world's second largest economy. Of course the timing of any dislocation is hard to determine, particularly given China's authoritarian and opaque political system. We would argue that*

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## REPORT OF THE BOARD OF DIRECTORS

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*such an event is at least partially discounted in the value of China-related stocks. However, the country's size and importance to the rest of the region means that the impact will not be isolated to China. Such collateral impact does not appear to be discounted by Asia's financial markets at this stage.*

*It is not part of our process to take strong views on market direction or the macro-economic cycle into the decisions for the compartment. The portfolio is built predominantly at the stock level. Our approach to stock selection is to invest in stocks which offer value and positive change. A strong balance sheet, ability to self-finance from internal cash flow, dividends and lower valuations have been, and will continue to be, key components of our investment process. The changing cyclical and structural environment in Asia allied to change amongst listed companies should continue to provide the compartment with positive investment opportunities in the year ahead.*

October 2013  
Firth Investment Management Pte. Ltd.

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

To the shareholders of  
Hereford Funds  
26, avenue de la Liberté  
L-1930 LUXEMBOURG

## REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

Following our appointment by the annual general meeting of the Shareholders dated 16 January 2013, we have audited the accompanying financial statements of Hereford Funds (the "Fund") and of each of its Sub-Funds, which comprise the statement of net assets and the securities portfolio as at 30 September 2013 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.

### *Responsibility of the Board of Directors of the Fund for the financial statements*

The Board of Directors of the Fund 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 financial statements and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *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.

**REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ (continued)**

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the *réviseur d'entreprises agréé*'s judgement, 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.

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 Fund, 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.

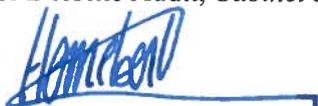
*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Hereford Funds and of each of its Sub-Funds as of 30 September 2013, and of the results of their operations and changes in their net assets for the year then ended in accordance with 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 Audit, *Cabinet de révision agréé*



Nicolas Hennebert, *Réviseur d'entreprises agréé*  
Partner

Luxembourg, 3 January 2014

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## STATEMENT OF NET ASSETS

As of 30 September 2013

	Hereford Funds - DSM US Large Cap Growth Fund (in USD)	Hereford Funds - DGHM US All-Cap Value Fund (in USD)	Hereford Funds - FIRTH ASIAN Value Fund (in USD)	Combined (in USD)
<b>ASSETS</b>				
Securities portfolio (at cost)	115,266,942.10	108,701,735.65	51,763,838.74	275,732,516.49
Unrealised appreciation/depreciation (-)	29,837,785.15	21,944,359.16	-616,390.11	51,165,754.20
Securities portfolio at market value	145,104,727.25	130,646,094.81	51,147,448.63	326,898,270.69
Cash at banks	1,228,513.64	794,062.25	10,117,527.85	12,140,103.74
Receivables on subscriptions	103,163.00	-	59,999.93	163,162.93
Receivables on securities sold	449,018.90	3,388,046.57	10,121.98	3,847,187.45
Receivables on dividends	35,375.90	127,828.12	451,269.34	614,473.36
Formation expenses (net)	-	2,579.65	25,993.87	28,573.52
<b>TOTAL ASSETS</b>	<b>146,920,798.69</b>	<b>134,958,611.40</b>	<b>61,812,361.60</b>	<b>343,691,771.69</b>
<b>LIABILITIES</b>				
Payables on redemptions	-363,513.67	-100,517.01	-159,816.26	-623,846.94
Payables on securities purchased	-879,689.46	-2,668,820.45	-247,794.24	-3,796,304.15
Accrued expenses	-611,832.83	-469,587.68	-248,215.79	-1,329,616.30
<b>TOTAL LIABILITIES</b>	<b>-1,855,035.96</b>	<b>-3,238,905.14</b>	<b>-655,826.29</b>	<b>-5,749,767.39</b>
<b>NET ASSETS</b>	<b>145,065,762.73</b>	<b>131,719,706.26</b>	<b>61,156,535.31</b>	<b>337,942,004.30</b>

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## STATEMENT OF OPERATIONS

For the year/period ended 30 September 2013

	Hereford Funds - DSM US Large Cap Growth Fund (in USD)	Hereford Funds - DGHM US All-Cap Value Fund (in USD)	Hereford Funds - FIRTH ASIAN Value Fund (in USD)	Combined (in USD)
<b>INCOME</b>				
Dividends, net	1,239,447.79	1,392,966.43	2,321,425.21	4,953,839.43
Interest on bank accounts	-	-	2,341.20	2,341.20
Other income	2,490.74	1,797.32	-	4,288.06
<b>TOTAL INCOME</b>	<b>1,241,938.53</b>	<b>1,394,763.75</b>	<b>2,323,766.41</b>	<b>4,960,468.69</b>
<b>EXPENSES</b>				
Performance fees	-101,968.56	-	-6,215.82	-108,184.38
Investment advisory and management fees	-1,822,865.63	-1,304,637.96	-584,414.33	-3,711,917.92
Administration fees	-1,288.70	-859.00	-429.50	-2,577.20
Custodian and central administration fees	-264,007.57	-199,502.64	-74,327.18	-537,837.39
Subscription tax	-25,304.08	-13,316.60	-4,527.14	-43,147.82
Depreciation of formation expenses	-2,876.71	-3,097.28	-9,751.05	-15,725.04
Professional fees	-20,124.39	-15,165.55	-5,356.45	-40,646.39
Transaction fees	-186,645.98	-169,110.03	-258,943.41	-614,699.42
Other charges	-121,460.10	-94,085.37	-45,743.07	-261,288.54
Interest paid on bank overdraft	-	-	-118.35	-118.35
<b>TOTAL EXPENSES</b>	<b>-2,546,541.72</b>	<b>-1,799,774.43</b>	<b>-989,826.30</b>	<b>-5,336,142.45</b>
<b>NET INCOME/LOSS (-) FROM INVESTMENTS</b>	<b>-1,304,603.19</b>	<b>-405,010.68</b>	<b>1,333,940.11</b>	<b>-375,673.76</b>
Net realised gain/loss (-) on foreign exchange	-468.58	-424.73	-242,524.90	-243,418.21
Net realised gain/loss (-) on sales of securities	13,008,358.54	3,180,981.86	1,819,741.88	18,009,082.28
<b>NET REALISED PROFIT/LOSS (-) FOR THE YEAR/PERIOD</b>	<b>11,703,286.77</b>	<b>2,775,546.45</b>	<b>2,911,157.09</b>	<b>17,389,990.31</b>
<b>NET CHANGE IN UNREALISED APPRECIATION/DEPRECIATION (-)</b>				
- on securities	11,089,305.20	17,715,459.30	-446,906.25	28,357,858.25
<b>INCREASE/DECREASE (-) IN NET ASSETS AS A RESULT OF OPERATIONS</b>	<b>22,792,591.97</b>	<b>20,491,005.75</b>	<b>2,464,250.84</b>	<b>45,747,848.56</b>

# HEREFORD FUNDS

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

## STATEMENT OF CHANGES IN NET ASSETS

For the year/period ended 30 September 2013

	Hereford Funds - DSM US Large Cap Growth Fund (in USD)	Hereford Funds - DGHM US All-Cap Value Fund (in USD)	Hereford Funds - FIRTH ASIAN Value Fund (in USD)	Combined (in USD)
<b>NET ASSETS</b>				
Beginning of the year/period	113,498,743.91	95,659,043.96	9,991,007.62	219,148,795.49
<b>CHANGES FROM INVESTMENT ACTIVITIES</b>				
Increase/decrease (-) in net assets as a result of operations for the year/period	22,792,591.97	20,491,005.75	2,464,250.84	45,747,848.56
<b>CHANGES FROM CAPITAL TRANSACTIONS</b>				
Proceeds from shares issued	40,469,336.79	52,553,530.61	54,036,912.17	147,059,779.57
Payments for shares redeemed	-31,694,909.94	-36,983,874.06	-5,335,635.32	-74,014,419.32
	8,774,426.85	15,569,656.55	48,701,276.85	73,045,380.25
<b>NET ASSETS</b>				
End of the year/period	145,065,762.73	131,719,706.26	61,156,535.31	337,942,004.30

# HEREFORD FUNDS

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

## CHANGES IN THE NUMBER OF SHARES OUTSTANDING

For the year/period ended 30 September 2013

### 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	666,095.246	26,109.169	147,941.997	132,606.466
Number of shares issued	288,945.539	2,911.404	32,079.383	19,491.003
Number of shares redeemed	-138,451.558	-7,615.583	-58,851.794	-29,999.514
Number of shares outstanding at the end of the year/period	816,589.227	21,404.990	121,169.586	122,097.955

### Hereford Funds - DGHM US All-Cap Value Fund

	Class A USD	Class B USD <sup>1)</sup>	Class D USD
Number of shares at the beginning of the year/period	654,857.348	-	60,810.647
Number of shares issued	159,308.744	260,000.000	23,222.496
Number of shares redeemed	-239,724.156	-	-20,305.192
Number of shares outstanding at the end of the year/period	574,441.936	260,000.000	63,727.951

### Hereford Funds - FIRTH ASIAN Value Fund

	Class A USD
Number of shares at the beginning of the year/period	101,199.727
Number of shares issued	500,874.867
Number of shares redeemed	-48,464.750
Number of shares outstanding at the end of the year/period	553,609.844

<sup>1)</sup> Initial subscription: 8 July 2013

# HEREFORD FUNDS

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

## STATISTICAL INFORMATION

For the year/period ended 30 September 2013

	30 September 2013	30 September 2012	30 September 2011
<b>Total Company</b>			
Net Assets of Company (In USD)	337,942,004.30	219,148,795.49	205,181,298.83
<b>Hereford Funds - DSM US Large Cap Growth Fund</b>			
<b>Total net assets (in USD)</b>	145,065,762.73	113,498,743.91	110,115,846.63
<b>Class A USD</b>			
Shares outstanding	816,589.227	666,095.246	839,627.451
Net asset value per share (in share class currency)	124.89	105.85	80.24
<b>Class C USD</b>			
Shares outstanding	21,404.990	26,109.169	27,834.209
Net asset value per share (in share class currency)	120.29	105.53	80.49
<b>Class D USD</b>			
Shares outstanding	121,169.586	147,941.997	137,200.346
Net asset value per share (in share class currency)	203.09	173.07	131.92
<b>Class U USD</b>			
Shares outstanding	122,097.955	132,606.466	267,824.497
Net asset value per share (in share class currency)	130.20	110.35	83.65
<b>Hereford Funds - DGHM US All-Cap Value Fund</b>			
<b>Total net assets (In USD)</b>	131,719,706.26	95,659,043.96	87,557,449.08
<b>Class A USD</b>			
Shares outstanding	574,441.936	654,857.348	700,246.589
Net asset value per share (in share class currency)	167.67	135.75	113.62
<b>Class B USD <sup>1)</sup></b>			
Shares outstanding	260,000.000	-	-
Net asset value per share (in share class currency)	102.68	-	-
<b>Class D USD</b>			
Shares outstanding	63,727.951	60,810.647	85,366.300
Net asset value per share (in share class currency)	136.63	111.24	93.62
<b>Hereford Funds - FIRTH ASIAN Value Fund</b>			
<b>Total net assets (in USD)</b>	61,156,535.31	9,991,007.62	7,508,003.12
<b>Class A USD</b>			
Shares outstanding	553,609.844	101,199.727	94,376.004
Net asset value per share (in share class currency)	110.47	98.73	79.55

<sup>1)</sup> Initial subscription: 8 July 2013

# HEREFORD FUNDS

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

## HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND

### Securities Portfolio as of 30 September 2013 (in USD)

#### Transferable securities admitted to an official stock exchange listing

##### Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	37,425	ALEXION PHARMACEUTICALS INC	4,347,288.00	3.00
USD	19,625	BLACKROCK INC	5,310,917.50	3.66
USD	71,750	CELGENE CORP	11,044,477.50	7.61
USD	24,550	COGNIZANT TECH SOLUTIONS -A-	2,016,046.00	1.39
USD	65,800	DISCOVERY COMMUNICATIONS -A-	5,554,836.00	3.83
USD	116,500	DOLLAR GENERAL	6,577,590.00	4.53
USD	113,100	EBAY INC	6,309,849.00	4.35
USD	49,600	ECOLAB	4,898,496.00	3.38
USD	81,750	EADS NV -ADR-	5,230,365.00	3.61
USD	6,400	GOOGLE INC -A-	5,605,824.00	3.86
USD	11,075	INTUITIVE SURGICAL INC	4,167,190.25	2.87
USD	112,750	KINDER MORGAN INC	4,010,517.50	2.76
USD	95,400	LAS VEGAS SANDS CORP	6,336,468.00	4.37
USD	63,450	ESTEE LAUDER COMPANIES INC -A-	4,435,155.00	3.06
USD	6,550	MASTERCARD INC -A-	4,406,709.00	3.04
USD	59,400	MONSANTO CO	6,199,578.00	4.27
USD	59,400	MONSTER BEVERAGE CORP	3,103,650.00	2.14
USD	40,350	OMNICOM GROUP	2,559,804.00	1.77
USD	29,350	PRAXAIR	3,528,163.50	2.43
USD	26,100	PRECISION CASTPARTS CORP	5,930,964.00	4.09
USD	29,950	SAP AG	2,213,904.00	1.53
USD	45,550	STARBUCKS CORP	3,505,983.50	2.42
USD	73,600	TJX COMPANIES INC	4,150,304.00	2.86
USD	91,750	TIME WARNER INC	6,038,067.50	4.16
USD	32,300	UNION PACIFIC CORP	5,017,482.00	3.46
USD	31,900	VISA INC-CLASS A SHARES	6,096,090.00	4.20
USD	25,550	WYNN RESORTS LTD	4,037,155.50	2.78
USD	76,850	YUM! BRANDS INC	5,486,321.50	3.78
Total transferable shares admitted to an official stock exchange listing			138,119,196.25	95.21

# HEREFORD FUNDS

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

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## HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND

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### Securities Portfolio as of 30 September 2013 (in USD)

(continued)

Other transferable securities

Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	19,300	ROLLS-ROYCE HOLDINGS PLC -ADR REPR 1 SHS	1,763,055.00	1.22
USD	99,400	TENCENT HOLDINGS -ADR REPR 1 SHS-	<u>5,222,476.00</u>	<u>3.60</u>
		Total other transferable shares	6,985,531.00	4.82
		<b>TOTAL SECURITIES PORTFOLIO</b>	<b><u>145,104,727.25</u></b>	<b><u>100.03</u></b>

# HEREFORD FUNDS

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

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## HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND

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**Securities Portfolio as of 30 September 2013**  
(in USD)

(continued)

**Breakdown by country**

	% of Net Assets
Cayman Islands	3.60
Germany	1.53
Netherlands	3.61
United Kingdom	1.22
United States of America	90.07
<b>TOTAL</b>	<b>100.03</b>

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**Breakdown by currency**

	% of Net Assets
USD	100.03
<b>TOTAL</b>	<b>100.03</b>

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# HEREFORD FUNDS

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

## HEREFORD FUNDS – DGHM US ALL-CAP VALUE FUND

### Securities Portfolio as of 30 September 2013 (in USD)

#### Transferable securities admitted to an official stock exchange listing

##### Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	29,724	3M COMPANY	3,549,342.84	2.69
USD	33,013	ACE LTD	3,088,696.28	2.34
USD	196,490	ACTIVISION BLIZZARD INC	3,275,488.30	2.49
USD	69,119	AKAMAI TECHNOLOGIES INC	3,573,452.30	2.71
USD	64,070	ALEXANDRIA REAL ESTATE EQUIT	4,090,869.50	3.11
USD	62,530	ALLSTATE CORP	3,160,891.50	2.40
USD	70,091	ANALOG DEVICES	3,297,781.55	2.50
USD	95,486	AT&T INC	3,229,336.52	2.45
USD	78,560	BAKER HUGHES INC	3,857,296.00	2.93
USD	57,456	BAXTER INTERNATIONAL INC	3,774,284.64	2.87
USD	28,833	BECTON DICKINSON AND CO	2,883,876.66	2.19
USD	194,378	CHICO'S FAS INC	3,238,337.48	2.46
USD	62,801	CIT GROUP INC	3,062,804.77	2.33
USD	47,100	COVANCE INC	4,072,266.00	3.09
USD	121,530	CSX CORP	3,128,182.20	2.37
USD	45,781	DIRECTV	2,735,414.75	2.08
USD	41,260	DOVER CORP	3,706,385.80	2.81
USD	47,707	DTE ENERGY CO	3,147,707.86	2.39
USD	48,761	HELMERICH & PAYNE	3,362,070.95	2.55
USD	88,340	ICONIX BRAND GROUP INC	2,934,654.80	2.23
USD	45,932	INGREDION INC	3,039,320.44	2.31
USD	122,834	INVESCO LTD	3,918,404.60	2.97
USD	83,848	JPMORGAN CHASE & CO	4,334,103.12	3.29
USD	67,250	KAPSTONE PAPER AND PACKAGING CORP	2,878,300.00	2.19
USD	344,636	KEYCORP	3,928,850.40	2.98
USD	82,531	KROGER CO	3,329,300.54	2.53
USD	107,326	LINCOLN NATIONAL CORP	4,506,618.74	3.42
USD	49,375	MANPOWER GROUP	3,591,537.50	2.73
USD	16,101	PIONEER NATURAL RESOURCES CO	3,039,868.80	2.31
USD	94,755	PUBLIC SERVICE ENTERPRISE GP	3,120,282.15	2.37
USD	428,980	REGIONS FINANCIAL CORP	3,972,354.80	3.02
USD	83,455	SOUTHWESTERN ENERGY CO	3,036,092.90	2.30
USD	53,713	STATE STREET CORP	3,531,629.75	2.68
USD	49,346	STRYKER CORP	3,335,296.14	2.53
USD	81,739	SUNTRUST BANKS INC	2,649,978.38	2.01

# HEREFORD FUNDS

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

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## HEREFORD FUNDS – DGHM US ALL-CAP VALUE FUND

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### Securities Portfolio as of 30 September 2013 (in USD)

(continued)

Transferable securities admitted to an official stock exchange listing (continued)  
Shares (continued)

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	67,874	THOR INDUSTRIES INC	3,939,406.96	2.99
USD	71,447	TIDEWATER INC	4,236,092.63	3.22
USD	46,946	TIME WARNER INC	3,089,516.26	2.34
Total transferable shares admitted to an official stock exchange listing			130,646,094.81	99.18
<b>TOTAL SECURITIES PORTFOLIO</b>			<b>130,646,094.81</b>	<b>99.18</b>

# HEREFORD FUNDS

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

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## HEREFORD FUNDS – DGHM US ALL-CAP VALUE FUND

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### Securities Portfolio as of 30 September 2013 (in USD)

(continued)

#### Breakdown by country

	% of Net Assets
Switzerland	2.34
United States of America	96.84
<b>TOTAL</b>	<b>99.18</b>

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#### Breakdown by currency

	% of Net Assets
USD	99.18
<b>TOTAL</b>	<b>99.18</b>

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# HEREFORD FUNDS

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

## HEREFORD FUNDS – FIRTH ASIAN VALUE FUND

### Securities Portfolio as of 30 September 2013 (in USD)

#### Transferable securities admitted to an official stock exchange listing Investment Funds

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	38,900	FD	2,263,980.00	3.70
Total transferable investment funds admitted to an official stock exchange listing			2,263,980.00	3.70

#### Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
TWD	251,000	104 CORP	848,870.18	1.39
HKD	774,000	AEON STORES (HONG KONG) CO LTD	1,181,622.31	1.93
HKD	270,000	AJISEN CHINA HOLDINGS LTD	270,850.34	0.44
HKD	1,680,000	ALLAN INTERNATIONAL HOLDINGS LTD	558,875.42	0.91
MYR	584,900	ALLIANZ MALAYSIA BERHAD	1,880,477.50	3.07
SGD	768,000	AURIC PACIFIC GROUP LTD	905,868.02	1.48
SGD	696,000	BOARDROOM LTD	338,361.60	0.55
HKD	4,882,000	CHEN HSONG HOLDINGS	1,523,348.12	2.49
HKD	2,657,000	CHRISTINE INTERNATIONAL HOLDINGS LTD	349,444.13	0.57
HKD	2,733,000	CLEAR MEDIA LTD	1,797,197.59	2.94
SGD	1,161,000	COURTS ASIA LTD	684,708.83	1.12
TWD	647,711	CYBERLINK CO LTD	1,804,995.15	2.95
KRW	87,190	DAEGU DEPARTMENT STORE	1,269,008.36	2.08
TWD	385,000	E-LIFE MALL	868,468.59	1.42
HKD	486,800	ESPRIT HOLDINGS LTD	779,575.51	1.28
KRW	18,033	FURSIS INC	511,506.65	0.84
KRW	920	GIIR INC	6,673.69	0.01
HKD	6,842,000	GLORIOUS SUN ENTERPRISES LTD	1,499,747.03	2.45
HKD	13,839,000	GOME ELECTRICAL APPLIANCES	1,766,549.96	2.89
KRW	5,053	GWANGJU SHINSEGAE CO LTD	1,254,711.92	2.05
THB	814,700	HANA MICROELECTRONICS PUBLIC CO LTD	601,610.23	0.98
SGD	806,000	HOUR GLASS LTD	1,072,737.60	1.75
INR	619,119	HT MEDIA LTD	867,753.16	1.42
HKD	12,732,000	HUN HING PRINTING GROUP LTD	1,871,489.96	3.06
HKD	10,311,000	LERADO GROUP (HOLDING) CO	1,076,891.19	1.76
HKD	1,144,000	LIANHUA SUPERMARKET HLDGS -H-	688,856.76	1.13
KRW	17,140	LOTTE HIMART	1,273,623.49	2.08
HKD	4,045,000	LUNG KEE (BERMUDA) HOLDINGS	1,512,524.94	2.47
KRW	17,320	MEGASTUDY CO LTD	1,224,179.06	2.00
HKD	3,139,000	MOISELLE INTERNATIONAL HOLDINGS LTD	586,874.63	0.96

# HEREFORD FUNDS

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

## HEREFORD FUNDS – FIRTH ASIAN VALUE FUND

### Securities Portfolio as of 30 September 2013 (in USD)

(continued)

#### Transferable securities admitted to an official stock exchange listing (continued) Shares (continued)

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
HKD	10,850,000	NATURAL BEAUTY BIO-TECHNOLOGY LTD	755,456.60	1.24
KRW	794	OTTOGI CORP	276,538.62	0.45
HKD	3,086,000	PARKSON RETAIL GROUP LTD	1,297,177.90	2.12
PHP	2,319,200	PEPSI COLA PROD PHILIPPINES	245,006.82	0.40
HKD	2,716,000	PICO FAR EAST	889,507.27	1.46
HKD	889,500	PORTS DESIGN LTD	626,216.66	1.02
HKD	4,954,000	POU SHENG INTL	303,414.01	0.50
SGD	2,044,000	QAF	1,449,816.00	2.37
IDR	2,865,500	RAMAYANA LESTARI SENTOSA PT	299,066.56	0.49
HKD	5,092,000	ROADSHOW HOLDINGS	656,559.99	1.07
HKD	14,067,000	SAMSON HOLDING LTD	1,850,067.95	3.03
TWD	877,000	SILICONWARE PRECISION INDS	1,024,743.56	1.68
SGD	4,458,000	STRACO CORP LTD	1,243,512.34	2.03
HKD	1,607,000	SUN HING VISION GROUP HOLDINGS LTD	569,815.94	0.93
HKD	11,669,000	TOP FORM INTERNATIONAL LTD	504,039.38	0.83
HKD	802,400	TRANSPORT INTL HOLDINGS	1,802,291.73	2.95
TWD	1,320,000	TSANN KUEN ENTERPRISE CO LTD	1,799,063.66	2.94
SGD	1,470,000	UMS HOLDINGS LTD	609,203.89	1.00
HKD	553,000	YGM TRADING LTD	1,193,621.42	1.95
TWD	917,000	YUFO ELECTRONIC CORP	610,946.41	1.00
Total transferable shares admitted to an official stock exchange listing			48,883,468.63	79.93
<b>TOTAL SECURITIES PORTFOLIO</b>			<b>51,147,448.63</b>	<b>83.63</b>

# HEREFORD FUNDS

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

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## HEREFORD FUNDS – FIRTH ASIAN VALUE FUND

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**Securities Portfolio as of 30 September 2013**  
(in USD)

(continued)

**Breakdown by country**

	% of Net Assets
Bermuda	16.83
Cayman Islands	1.81
China	3.69
Hong Kong	20.05
India	1.42
Indonesia	0.49
Malaysia	3.07
Philippines	0.40
Singapore	10.30
South Korea	9.51
Taiwan	11.38
Thailand	0.98
United States of America	3.70
<b>TOTAL</b>	<b>83.63</b>

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**Breakdown by currency**

	% of Net Assets
HKD	42.38
IDR	0.49
INR	1.42
KRW	9.51
MYR	3.07
PHP	0.40
SGD	10.30
THB	0.98
TWD	11.38
USD	3.70
<b>TOTAL</b>	<b>83.63</b>

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# HEREFORD FUNDS

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

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## NOTES TO THE FINANCIAL STATEMENTS

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As of 30 September 2013

### Note 1

#### Organisation and objective of the company

a) General information

Hereford Funds (the "Fund") is an open-ended investment fund with multiple compartments (société d'investissement à capital variable ("SICAV") à compartiments multiples), incorporated for an indefinite period on 23 November 2007 and governed by Part I of the Luxembourg Law of 17 December 2010 (the "2010 Law") relating to undertakings for collective investments.

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 divided into several compartments ("Compartments") included under a same and single structural umbrella.

The Board of Directors of the Fund has appointed VPB Finance S.A. to act as Management Company for the Fund under the terms of the Management Company Services Agreement dated 1 December 2011. The Management Company is a public limited company ("société anonyme"). Its articles of incorporation have been amended on 20 June 2006 in order to allow it to act as a Management Company for undertakings for collective investment, currently in accordance with Chapter 15 of the 2010 Law. It exists for an unlimited period of time. As such, the Management Company will perform and render without limitation: (i) investment management services, (ii) administrative agency, corporate and domiciliary agency, registrar and transfer agency services, and (iii) marketing, principal distribution and sales services. The Management Company also acts as Management Company for other undertakings for collective investments. The names of the other undertakings for collective investments are available upon request from the Management Company.

The Fund contains the following Compartments and Classes of Shares:

- Hereford Funds – DSM US Large Cap Growth Fund
  - Class A Shares, available in USD, GBP and EUR
  - Class B Shares, available in USD
  - 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 B Shares, available in USD
  - Class D Shares, available in USD and EUR
- Hereford Funds – FIRTH ASIAN Value Fund
  - Class A Shares, available in USD, GBP and EUR
  - Class D Shares, available in USD and EUR

Class A, B and U Shares shall be reserved for investments made by investors qualifying as institutional investors within the meaning of the 2010 Law.

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Société d'Investissement à Capital Variable  
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## NOTES TO THE FINANCIAL STATEMENTS

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As of 30 September 2013

(continued)

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

As of 30 September 2013, 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.

- Hereford Funds – DGHM US All-Cap Value Fund

Class A in USD  
Class B in USD (initial subscription: 8 July 2013)  
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.

- Hereford Funds – FIRTH ASIAN Value Fund

Class A in USD

This Compartment pursues a policy of achieving capital growth and reinvests income earned; as a result, no dividend shall be paid out.

b) Investment policies

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.

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## NOTES TO THE FINANCIAL STATEMENTS

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As of 30 September 2013

(continued)

### 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 750 million.

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 Depositary Receipts and American Depositary 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 Compartment's investment universe.

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.

### Hereford Funds – FIRTH ASIAN Value Fund

The investment objective of the Compartment is to generate long term capital growth from a portfolio of listed company securities in Asia (ex-Japan). The Compartment will follow a value-based investing approach and will have a bias towards smaller capitalisation stocks.

The Compartment will directly invest primarily in shares of companies located in, incorporated in, headquartered in, listed on exchanges in or with significant operations in or significant income derived from Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, the PRC, Singapore, Taiwan and Thailand. The Compartment may also directly invest in smaller or developing economies in Asia such as Bangladesh, Cambodia, Laos, Pakistan, Sri Lanka or Vietnam. The Compartment will not invest in China A Shares when investing in the PRC.

The Compartment will directly invest actively in a diversified portfolio of listed equity securities. The Compartment will generally only invest in securities admitted to official listing on recognized stock exchange, or dealt in on another regulated market. Although the Compartment intends to invest in a portfolio of not less than 40 stocks and not more than 100 stocks, it is not restricted in or subject to any material concentration or diversification restrictions, and may hold a more limited number of investment positions.

The Compartment will typically be near fully invested but 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 25% of the Compartment's net assets. In exceptional market

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## NOTES TO THE FINANCIAL STATEMENTS

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As of 30 September 2013

(continued)

circumstances and on a temporary basis only, this limit may be increased to 100% with due regard to the principle of risk spreading.

The Investment Manager intends to meet the Fund's objective primarily through stock selection and country allocation based upon the investment advice of the Investment Adviser. Typically stocks will be bought and held. This is not a trading strategy and it is not intended to attempt to time general market movements. While portfolio returns will be measured against the Benchmark Index, portfolio management will not be constrained by reference to the index.

### 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 under the captions "net realised gain/loss (-) on foreign exchange" and "net change in unrealised appreciation/depreciation (-) on foreign exchange".

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.

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## NOTES TO THE FINANCIAL STATEMENTS

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As of 30 September 2013

(continued)

### Note 3

#### Net asset value

a) Computation

The net asset value ("NAV") per share is expressed in the currency of the relevant Class of Shares and is determined as of each banking day as defined in relation to each Compartment in the Prospectus of the Fund, 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 NAV 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.

The Management Company, with the consent of the Fund and with the assistance of the Advisory Company, has appointed the following investment managers and investment advisors:

- Hereford Funds – DSM US Large Cap Growth Fund
  - DSM Capital Partners LLC as investment manager
- Hereford Funds – DGHM US All-Cap Value Fund
  - Dalton, Greiner, Hartman, Maher & Co., LLC as investment manager
- Hereford Funds – FIRTH ASIAN Value Fund
  - until 31 July 2013: Swiss-Asia Financial Services Pte. Ltd as investment manager
  - until 31 July 2013: Firth Investment Management Pte. Ltd as investment advisor
  - since 1 August 2013: Firth Investment Management Pte. Ltd as investment manager

In relation to the Compartment Hereford Funds – DSM US Large Cap Growth Fund, the Advisory Company is entitled to receive fees, payable on a quarterly basis at a total annual rate of 1.25% for Class A and Class U Shares, 1.00% for Class B and Class C Shares and 1.75% for Class D Shares based on the average net asset of the relevant share class or Compartment during the relevant period.

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## NOTES TO THE FINANCIAL STATEMENTS

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As of 30 September 2013

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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 fees, payable on a quarterly basis at a total annual rate of 1.25% for Class A Shares, 0.95% for the Class B Shares and 1.75% for Class D Shares based on the average net asset of the relevant share class or Compartment 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 – FIRTH ASIAN Value Fund, the Advisory Company is entitled to receive fees, payable on a quarterly basis at a total annual rate of 1.50% for Class A Shares and 2.00% for Class D Shares based on the average net asset of the relevant share class or Compartment during the relevant period. The investment manager and the investment adviser are remunerated by the Advisory Company out of the fees that it receives from the Fund.

### **Note 5 Custodian and central administration fees**

The commissions for 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 1 December 2011.

### **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 Fund is only subject to 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 Class 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.

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Société d'Investissement à Capital Variable  
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## NOTES TO THE FINANCIAL STATEMENTS

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As of 30 September 2013

(continued)

### **Note 8 Transaction fees**

In accordance with the 2010 Law, the transaction fees have to be disclosed separately in the statement of operations and are representing broker transaction fees in relation to the purchases and sales of securities during the reporting period/year.

### **Note 9 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 C Shares, a performance fee may be paid to the Advisory Company on a quarterly basis. The performance fee is 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. The investment manager is remunerated by the Advisory Company out of the fees that it receives from the Fund.

For the period from 1 October 2012 to 30 September 2013, a performance fee of USD 101,968.56 was due.

#### Hereford Funds – DGHM US All-Cap Value Fund

There are no performance fees in relation to this Compartment.

#### Hereford Funds – FIRTH ASIAN Value Fund

In relation to Class A and D Shares, a performance fee may be paid to the Advisory Company on an annual basis (referring to the financial year of the Fund, ending in September), with the amount based on the relative performance of the relevant Class to the MSCI AC Asia ex Japan Small Cap USD Net index (Bloomberg ticker MSLUAAJN), subject to a high water mark provision. The high water mark is defined as the highest year-end NAV per Share of the Class since its launch. Relative performance is defined as the return of the relevant Class above the high water mark at the previous year-end, after advisory fees and other fees and expenses attributable to the Class for the year less the positive return of the MSCI AC Asia ex Japan Small Cap USD Net Index benchmark for the year. A performance-based fee will thus only be paid in years where the relative performance of the Class is positive and where the high water mark at the previous year-end has been exceeded. In such instances, the performance fee is computed as 10% of the relative performance. The Performance Fee is accrued as of each Valuation Day based on the number of Shares in issue on that Valuation Day. The amounts accrued for the Performance Fee will be paid to the Advisory Company annually,

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## NOTES TO THE FINANCIAL STATEMENTS

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As of 30 September 2013

(continued)

within 30 days following the financial year end. The first performance fee of any Share Class will be calculated for the period starting with the launch of the relevant Class of Shares and ending at the end of the financial year in which such Class was launched. The investment manager is remunerated by the Advisory Company out of the fees that it receives from the Fund.

For the period from 1 October 2012 to 30 September 2013, a performance fee of USD 6,215.82 was due.

### Note 10 Exchange rates

The exchange rates used as of 30 September 2013 are as follows:

1 USD = EUR	0.738807	1 USD = MYR	3.259678
1 USD = HKD	7.755575	1 USD = PHP	43.542951
1 USD = IDR	11,593.589744	1 USD = SGD	1.254752
1 USD = INR	62.607311	1 USD = THB	31.281998
1 USD = KRW	1,075.267539	1 USD = TWD	29.568715

### Note 11 Related party transactions

All transactions with related parties were entered into the ordinary course of business and under normal commercial terms. The related parties to the fund are the Investment Managers, Investment Advisors and Advisory Company. The fees for the transactions with related parties are described in notes 4 and 9.

As of 30 September 2013, the Compartments had not invested in related parties and there were no direct shareholdings in the Fund by any member of the Board of Directors.

### Note 12 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 free of charge at the Registered Office of the Fund or from the Custodian Bank.

### Note 13 Risk Management Process

The global exposure of each Compartment is calculated using the commitment approach as detailed in applicable laws and regulations including but not limited to CSSF Circular 11/512.

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## NOTES TO THE FINANCIAL STATEMENTS

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As of 30 September 2013

(continued)

### **Note 14**

#### **Corporate governance statement**

The Board of Directors confirms its adherence with the ALFI (*Association Luxembourgeoise des Fonds d'Investissement*) Code of Conduct for Luxembourg Investment Funds.

### **Note 15**

#### **Events**

On 2 October 2012, the Board of Directors resolved to register for public distribution in Germany and to implement tax transparency in Germany for the Hereford Funds - DSM US Large Cap Growth Fund Class A Shares.



The Board of Directors of the Fund resolved on 5 July 2013 to launch Class B Shares in USD of Hereford Funds – DGHM US All-Cap Fund with initial subscription date 8 July 2013 and subscription price of USD 100.00.

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## SHAREHOLDER INFORMATION

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The articles of incorporation, the prospectus, the key investor information documents, the statement of changes in the composition of the portfolios, the semi-annual and annual reports are available free of charge at the registered office of Hereford Funds, at 26, avenue de la Liberté, L-1930 Luxembourg, as well as at the paying agents and representative banks mentioned under chapter "Management and Administration".

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 begins on 1 October and ends on 30 September of the following year.



As a result of certain legislative changes in Germany regarding the taxation of portfolio dividends (Streubesitzdividenden) and the effects of these changes on fund reporting requirements under the Investment Tax Act (Investmentsteuergesetz, InvStG), especially as regards the share profit (Aktiengewinn), share profits were accordingly modified. Information on such adjusted share profits is available on the website of Hereford Funds for each concerned Class of Shares:

[www.herefordfunds.com](http://www.herefordfunds.com)



According to the circular of 9 July 2013 and 4 December 2013 from the German Federal Ministry of Finance, the subsequent publication of the "Aktiengewinn 2 – AKG2" for the period 1 March 2013 to 30 June 2013 is available on the website of the Management Company ([www.vpbfinance.com](http://www.vpbfinance.com)).

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**Unaudited supplementary information**

**As of 30 September 2013**

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## TOTAL EXPENSE RATIO

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For the year/period ended 30 September 2013

### Hereford Funds - DSM US Large Cap Growth Fund

Total Expense Ratio (TER) - Class A USD	1.55%	including performance fees	1.55%
Total Expense Ratio (TER) - Class C USD	1.40%	including performance fees	5.11%
Total Expense Ratio (TER) - Class D USD	2.10%	including performance fees	2.10%
Total Expense Ratio (TER) - Class U USD	1.55%	including performance fees	1.55%

### Hereford Funds - DGHM US All-Cap Value Fund

Total Expense Ratio (TER) - Class A USD	1.56%	including performance fees	1.56%
Total Expense Ratio (TER) - Class B USD <sup>1)</sup>	1.24%	including performance fees	1.24%
Total Expense Ratio (TER) - Class D USD	2.12%	including performance fees	2.12%

### Hereford Funds - FIRTH ASIAN Value Fund

Total Expense Ratio (TER) - Class A USD	1.80%	including performance fees	1.82%
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<sup>1)</sup> Period from 8 July 2013 to 30 September 2013

The calculation of the Total Expense Ratio is based on the stipulated fees and commissions paid by the Compartment on the average net assets of the Compartment during the reporting period (annualised), as allocated to each Class of Shares. Transaction costs are excluded from the calculation.

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## PORTFOLIO TURNOVER RATE

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For the year/period ended 30 September 2013

Hereford Funds - DSM US Large Cap Growth Fund	107.4814%
Hereford Funds - DGHM US All-Cap Value Fund	53.1556%
Hereford Funds - FIRTH ASIAN Value Fund	3.4477%

The "Portfolio Turnover Rate" indicates the turnover rate of the holdings of the Compartment and is computed using the following formula (annualised) as stated in the CSSF Circular 03/122:

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

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.

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## UK DISTRIBUTING STATUS - REPORTING FUND STATUS

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On 4 February 2011, the HMRC accepted the entry of below mentioned Compartments and Classes of Shares of Hereford Funds into the UK reporting Fund regime with effect 1 October 2010:

- **Hereford Funds - DSM US Large Cap Growth Fund**

Class A in USD

Class C in USD

Class D in USD

Class U in USD

For Class U Shares, the distributor status tax regime for offshore funds has been granted for the financial year ended 30 September 2010. As of the financial year starting 1 October 2010, the Board of Directors has applied for and obtained reporting fund status (replacing the UK distributor status tax regime).

- **Hereford Funds – DGHM US All-Cap Value Fund**

Class A in USD

Class B in USD

Class D in USD

For Class A Shares, as of the financial year starting 1 October 2010, the Board of Directors has applied for and obtained reporting fund status (replacing the UK distributor status tax regime).

- **Hereford Funds – FIRTH ASIAN Value Fund**

Class A in USD

For Class A Shares, as of the financial year starting 1 October 2010, the Board of Directors has applied for and obtained reporting fund status (replacing the UK distributor status tax regime).