



**Investment Review**

The DSM/Hereford SMID Cap Fund depreciated (5.7%) for the month of May compared to a (6.8%) depreciation for the Russell 2500 Growth index and an (8.0%) depreciation for the S&P500. At the end of May, the Fund was invested primarily in the health care, technology, consumer, business services, financial services and industrial sectors, with smaller weights in the consumer staples and defense sectors.

During the month, the Fund exceeded its benchmark by 105 basis points. This was primarily the result of DSM's stock selections in technology, consumer discretionary and industrials, and the firm's underweight in energy, offset by the firm's overweight and stock selections in health care and financials. In May, the best performing positions in the portfolio were DG Fastchannel, Stanley, Net App, CTRIP.com and Panera Bread. The worst performers in May were Genoptix, Affiliated Managers Group and Artio. During the month, the Fund exited positions in IDEXX Laboratories, Genoptix and Stanley. IDEXX was sold on valuation. Stanley was sold due to appreciation and its pending acquisition by CGI Group. Genoptix was sold after reporting weaker than expected earnings results. Also during the month, the fund initiated a new position in Riverbed Technology. Riverbed is a leading provider of wide-area network optimization solutions, one of the most attractive niches in networking. In addition, the fund re-purchased MSCI Inc., as its valuation became attractive.

There is a massive push and pull impacting the market's direction. Pushing the market to the upside are the earnings results of the broad marketplace which, building on last year's strength, were very solid in the first quarter. Consensus S&P 500 estimates continued to increase for both 2010 and 2011. At this time, consensus 2010 estimates approximate nearly \$80 and consensus 2011 estimates exceed \$93. Formerly, peak earnings were approximately \$88; therefore, despite the massive deterioration of financial sector earnings, the earnings power of the market may well reach record levels within twelve months. In low inflation times, the market's valuation is normally 15x to 18x earnings. With the S&P 500 at just 12.5x consensus estimates for FY2011, there certainly appears to be significant upside to the market.

On the other hand, the pull downward is very strong as well. Never before have investors had to seriously consider the implications of a major currency dislocation, like that of the Euro's possible breakup. Furthermore, because the fiscal problems of Greece, Portugal, Spain, Italy, the United Kingdom and others are currently the focus, the dollar has been very strong, rising significantly to the Euro and Sterling. Certainly the political and economic cross currents in the global marketplace are more dynamic than is the historic norm.

**Key information**

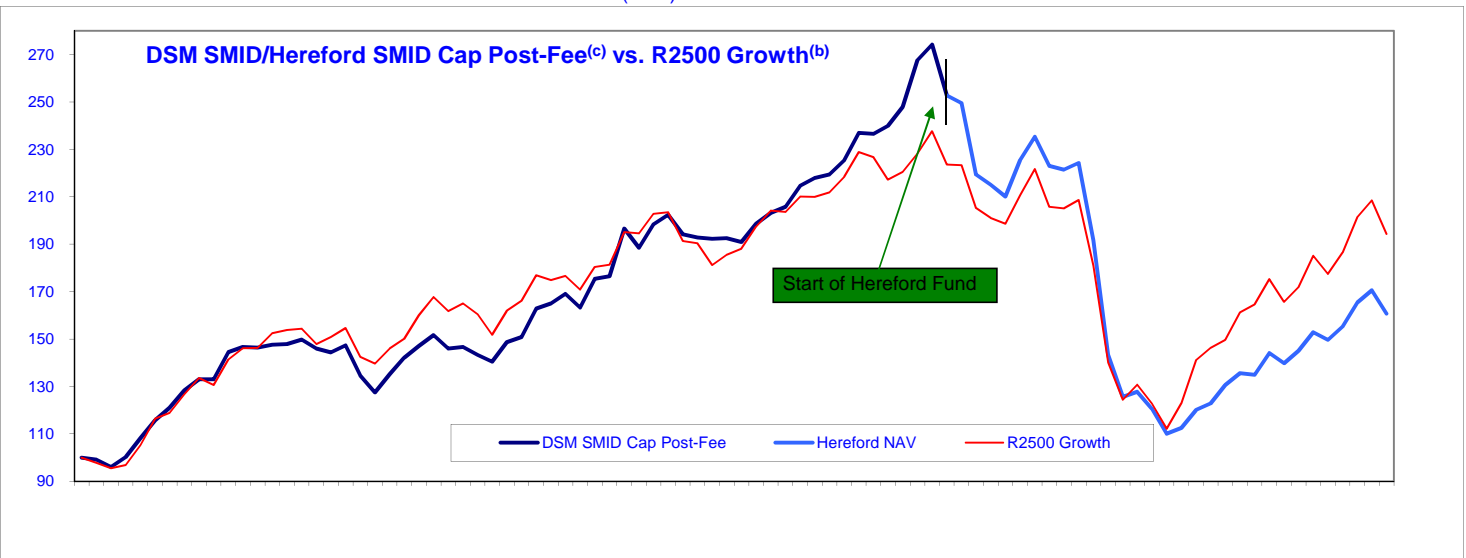
NAV A Shares (28/05/10): US\$ 63.39  
 Total Fund Size: US\$ 1.0 mil  
 Strategy Assets: US\$53.3 mil<sup>(a)</sup>  
 Fund Launch Date: 29-Nov-07

**Monthly Performance (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	(2.2)	3.8	6.5	3.0	(5.7)								5.1
Russell 2500 Growth <sup>(b)</sup>	(4.1)	5.1	8.0	3.5	(6.8)								5.0

**Period Performance (%)**

	YTD	2009	2008	2007	2006	2005	2004	2003	Since Inception 01/01/03	
									Cumulative	Annualised
DSM SMID Cap/Hereford SMID Returns <sup>(c)</sup>	5.1	19.6	(48.8)	21.3	16.5	16.4	3.6	46.4	60.7	6.6
Russell 2500 Growth <sup>(b)</sup>	5.0	41.7	(41.5)	9.7	12.3	8.2	14.6	46.3	94.3	9.4





## Top Ten Holdings

Affiliated Managers  
 Altera Corp  
 C. R. Bard  
 Conceptus, Inc.  
 DG Fastchannel  
 Expeditors International  
 F5 Networks  
 Nuance Communications  
 Panera Bread Company  
 Varian Medical Systems

## Sector Breakdown

Sector	% of assets
Information Technology	31.8%
Health Care	31.4%
Consumer Discretionary	15.6%
Financials	10.9%
Services	6.4%
Industrials	3.6%

## Investment Objective

The investment objective of the SMid sub fund is to provide capital appreciation principally through investments in US-based growing corporations with market capitalizations generally between \$300 mil and \$10 bil dollars. These companies are chosen for their growth prospects, attractive returns, solid business fundamentals and intelligent management. These companies will often have higher revenue and earnings growth rates and less "sell-side" research coverage than comparable larger capitalization corporations. The sub fund may, on an ancillary basis, invest in US-based companies with higher or lower market capitalizations as well as in non-US based companies. The sub fund may invest in American Depository Receipts and American Depository Shares. The reference benchmark for this strategy is the Russell 2500 Growth Index.

## Fund Codes (Share Class A)

		Since Inception Risk Profile	Hereford DSM US SMID	DSM SMID Composite	R2500 Growth
Bloomberg	DSMUSMA LX	Volatility	n/a	19.2	19.6
ISIN	LU0327605118	Sharpe Ratio	n/a	0.2	0.4
Reuters	LP65102019	Information Ratio	n/a	-0.4	
Sedol	B28TM17	Tracking Error	n/a	8.2	
Valoren	3504786	Beta	n/a	0.9	
WKN	A0M58X	Alpha	n/a	-2.0	

## Fund Details

Dealing Day	Daily
Dividends	None - income accumulated within the fund
Investment Manager	DSM Capital Partners LLC, 320 East Main Street, Mount Kisco, NY 10549, USA
Promoter	VPB Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Authorized Corporate Director	VPB Finance S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Custodian	VPB Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Legal Advisers	Elvinger, Hoss & Prussen, 2 Place Winston Churchill, L-1340 Luxembourg
Auditor	Deloitte, 560 Rue de Neudorf, L-2220 Luxembourg

## Annual Management Charge

Share Class A	1.25%
Share Class B	0.25% + 20% performance fee on outperformance vs US T-Bill with HWM
Share Class C	1% + 20% performance fee on outperformance vs US T-Bill with HWM
Share Class D	1.75%

## Minimum Investment

Share Class A&B	\$100,000 initial / \$10,000 subsequent
Share Class C&D	\$10,000 initial / \$1,000 subsequent

## Order Transmission Information

### Original Applications to:

VPB Finance S.A.  
 attn. Fund Operations / TA-HFF  
 P.O. Box 923  
 L-2019 Luxembourg  
 or, for transmissions via courier service,  
 26, avenue de la Liberté, L-1930 Luxembourg

### Subsequent Applications Only Via Facsimile:

VPB Finance S.A.  
 attn. Fund Operations / TA-HFF  
 Fax : (+352) 404 770 283  
 Tel: (+352) 404 770 260

e-mail: [luxfunds.info@vpbank.com](mailto:luxfunds.info@vpbank.com)

- (a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.  
 (b) Total return including dividends.  
 (c) Data and graph depict DSM Composite through November 2007 and Hereford Funds DSM US SMID Cap Growth Fund Class A thereafter. Historical gross performance of DSM SMID Cap Composite returns (the Reference Strategy) is net of modeled fee and expense typical of Hereford Funds DSM US SMID Cap Growth Fund Class A (1.25% fee + 0.25% expense). Fund follows same strategy. Performance presentation incomplete without accompanying footnotes as shown at [www.dsmcapital.com](http://www.dsmcapital.com).  
 (d) The fund is registered with the AFM for public distribution in the Netherlands.

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