

Hereford Funds DSM US SMID Cap Growth Fund July 2008

July 2008 Investment Review

The Hereford/DSM SMID Cap Fund declined (0.7%) for the month of July compared to a (0.4%) decline for the Russell 2500 Growth index and a decline of (0.8%) for the S&P500. Consistent with last month, the majority of the fund remains invested in the health care, technology, business services, and energy services sectors. The weighted average P/E of the portfolio is 17.2x which we believe is attractive relative to our estimated earnings growth of 20%.

While the economy has continued to grow slowly, we continue to view movement in the equity markets as being dominated by three major factors: oil, inflation, and the stability of financial institutions. Additionally, one economic consultant points out that since 2004, the non-petroleum portion of the current account deficit has been cut in half from 4% of GDP to 2%. Conversely, the petroleum portion has increased from 1.5% to nearly 4%, leaving the overall deficit roughly flat around 6% of GDP. The key implication is that the lower dollar has made U.S. exports more competitive since 2005 when the ex-petrol deficit began shrinking. Confirmation of this observation is demonstrated by the record level of exports.

We have been pleased with the growing support for increased domestic oil exploration and production. Not only do we think more domestic drilling is good policy, we also believe it would have a salutary impact on our portfolio which includes some of the best oil services companies in the world. The combination of modest global GDP growth, fewer consumption subsidies in developing countries, and the prospect of a reinvigorated exploration and production effort in the U.S. may have already helped bring down the price of crude from over \$140 to below \$120 in a relatively short period.

Importantly, recent statistics continue to imply a moderate level of inflation. Because commodity prices of all types have recently declined, prospects for continued moderate inflation appear solid. Low long term interest rates and the recent strength in the dollar support a moderate inflation outlook as well. Furthermore, we are seeing the leaders of major financial institutions (including Treasury Secretary Paulson, Fed Chairman Bernanke, and CEO's from the private sector) take aggressive action to shore up balance sheets and to re-instill confidence among investors. We believe this process will take some time, but we are encouraged by what we have seen thus far.

In summary, clouds over the economy are beginning to lift and we believe there is reason for optimism. While there may be a few more bumps down the road, we are encouraged by the drop in the price of oil and the efforts that are being made to stabilize and strengthen our financial institutions, in an environment of moderate inflation.

Several changes were made to the portfolio during the month of July. We initiated positions in Alterra (ALTR), Henry Schein (HSIC), and Riverbed Technology (RVBD). ALTR is a manufacturer of high performance programmable logic devices which are used in telecommunications, data communications, computer and peripheral equipment. HSIC is a distributor of equipment to the dental, medical, and veterinary industries. RVBD is a rapidly growing provider of appliances which increase the performance of data networks.

We added to Covance, Bard, FMC Technologies, Integra Life Sciences, IDEXX Labs, Harris Corp, Petroleum Geo-Services, Oceaneering Inc, and CGV. In each case, the purchase was driven by near term price weakness despite solid fundamentals. We sold Cognizant, Expeditors International, W-H Energy, and Synaptics. In the cases of Cognizant and Expeditors, we became concerned with the near term earnings picture due primarily to slower revenue growth. W-H Energy was acquired by Smith International, and Synaptics was sold for valuation reasons.

Key information

NAV A Shares (31/07/08): \$87.33

Total Fund Size: \$3.7 mil

Strategy Assets: \$16.5 mil^(a)

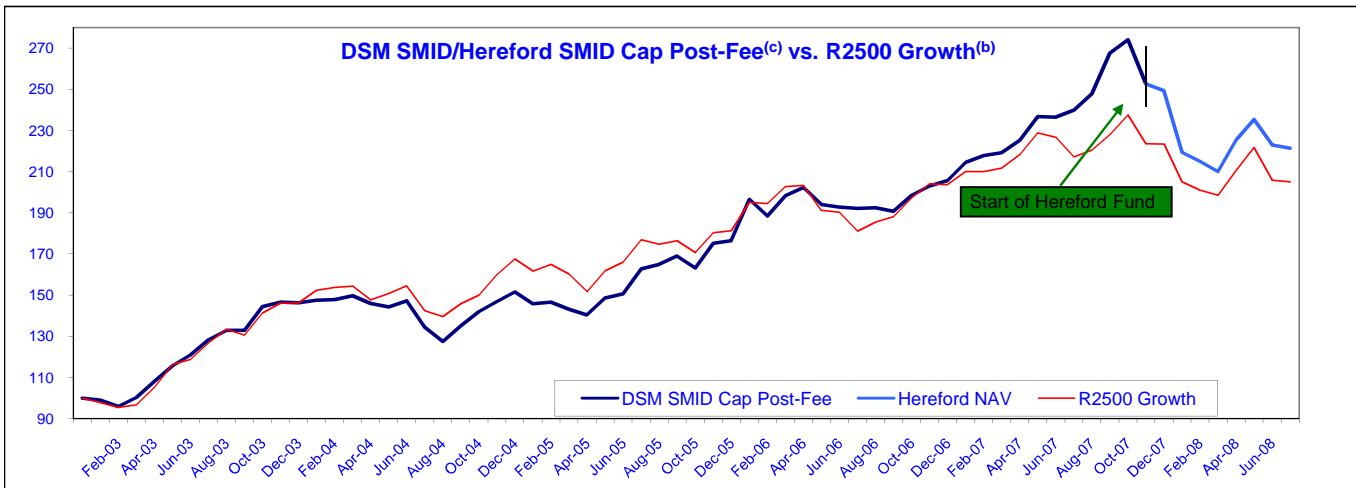
Fund Launch Date: 29-Nov-07

Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	(12.1)	(2.0)	(2.3)	7.3	4.4	(5.3)	(0.7)						(11.3)
Russell 2500 Growth ^(b)	(8.2)	(2.0)	(1.2)	6.0	5.3	(7.2)	(0.4)						(8.2)

Period Performance (%)

	YTD	2007	2006	2005	2004	2003	Since Inception 01/01/03		
							Cumulative	Annualised	
DSM SMID Cap/Hereford SMID Returns ^(c)	(11.3)	21.3	16.5	16.4	3.6	46.4	121.4	15.3	
Russell 2500 Growth ^(b)	(8.2)	9.7	12.3	8.2	14.6	46.3	105.1	13.7	





Top Ten Holdings	% NAV	Sectoral Breakdown	% of assets
Chart Industries	4.6%	Health Care	31.5%
C. R. Bard	4.2%	Informational Technology	29.6%
Core Laboratories	3.9%	Energy	18.8%
Petroleum Geo-Services	3.4%	Financials	5.7%
Zoll Medical	3.4%	Industrials	4.6%
SEI Investments	3.4%	Services	2.6%
Ion Geophysical	3.3%	Consumer Discretionary	1.6%
Idexx Labs	3.3%	Consumer Staples	1.5%
Covance	3.2%		
Gen-Probe	3.1%		

Investment Objective

The investment objective of the 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	DSM US SMID		
			DSM	US SMID	R2500 Growth
Bloomberg	DSMUSMA LX	Volatility	n/a	15.0	14.4
ISIN	LU0327605118	Sharpe Ratio	n/a	0.8	0.8
Reuters	LP65102019	Information Ratio	n/a	0.2	
Sedol	B28TM17	Tracking Error	n/a	7.2	
Valoren	3504786	Beta	n/a	0.9	
WKN	A0M58X	Alpha	n/a	2.5	

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	VP 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	VP Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Legal Advisers	Elvinger, Hoss & Prussen, 2 Place Winston Churchill, L-1340 Luxembourg
Auditor	Deloitte, 560 Rue de Neudorf, L-2220 Luxembourg

Annual Management Charge

Share Class A	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:

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- (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) minus 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 dsmcapital.com.

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