



**Investment Review**

The Hereford/DSM Large Cap Fund NAV appreciated 11.4% for the month of September compared to a 10.7% appreciation for the Russell 1000 Growth index and an 8.9% appreciation for the S&P500. At the end of September, the Fund was invested primarily in the health care, technology, consumer, business services, and financial services sectors, with smaller weights in the energy and materials sectors.

During the month, the Fund exceeded its benchmark, on a gross-of-expense basis by approximately 75 bps. This was primarily the result of positive stock selection in the technology, energy and financial sectors. Stock selection in the consumer discretionary sector detracted from performance. In September, the best performing positions in the portfolio were Amazon.com, NetApp, Altera, Priceline.com and F5 Networks. Adobe, McDonalds, Nestle and Colgate Palmolive were the worst performers. During the month, the Fund did not exit or initiate any positions. However, positions in Gen-Probe and Rockwell Collins were trimmed while Adobe, Allergan, Intuitive Surgical and 3M were added to.

We believe that slow growth in the developed world in the 1.0% to 2.5% range is more likely than a double-dip recession. Without a doubt, the big question is whether or not risk adverse investors have propelled the bond market into a bubble. But with rapid economic growth unlikely, and with low inflation the current trend (at least for the time being), low interest rates seem logical. The wild card will be the stock market. If investors can gain confidence in the developed world economic outlook, then developed world stock markets can appreciate over the coming year. As capital flows out of bonds and into equities, interest rates could well rise.

In response to sluggish economic growth, Federal Reserve policy makers are considering additional "quantitative easing". The persistently high unemployment rate has created much of the political impetus for this action. With high unemployment, consumer spending in the USA has been lukewarm, especially as consumers pay down debt. Housing has yet to recover, and we are not enthusiastic about near-term demand. Even if the Obama Administration makes available additional subsidies for home buyers, robust real demand does not appear to exist. Subsidies merely exacerbate the oversupply problem, and perhaps will make the situation worse.

The lone bright spot in the economic outlook is industrial activity and capital equipment spending. In fact, the discussion of additional quantitative easing has driven the dollar downward, and the dollar's decline may further improve overseas demand for industrial sector products. Strong corporate profits, cash flows and balance sheets enable corporations around the world to continue spending.

**Key information**

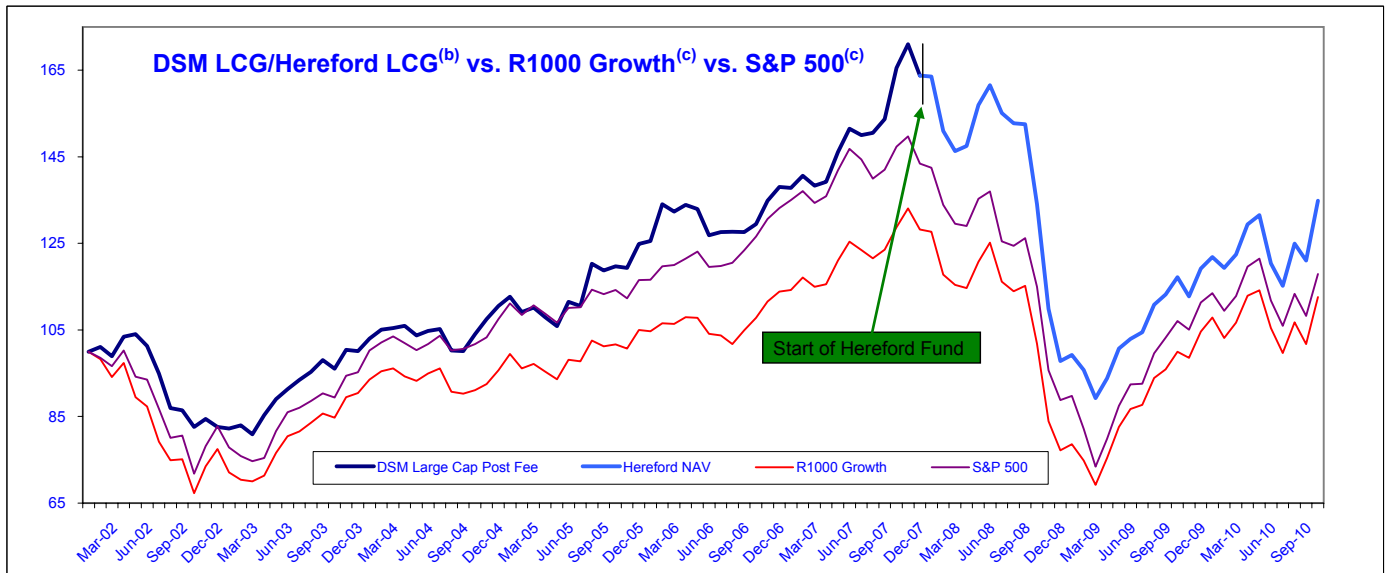
NAV A Shares (30/09/10): US\$ 82.31  
 Total Fund Size: US \$69.3 mil  
 Strategy Assets: US\$2,353 mil<sup>(a)</sup>  
 Fund Launch Date: 29-Nov-07

**Monthly Performance (%)**

|                             | Jan   | Feb | Mar | Apr | May   | Jun   | Jul | Aug   | Sep  | Oct | Nov | Dec | YTD  |
|-----------------------------|-------|-----|-----|-----|-------|-------|-----|-------|------|-----|-----|-----|------|
| Hereford Funds NAV          | (2.1) | 2.6 | 5.6 | 1.7 | (8.5) | (4.3) | 8.5 | (3.1) | 11.4 |     |     |     | 10.7 |
| Russell 1000 <sup>(c)</sup> | (4.4) | 3.4 | 5.8 | 1.1 | (7.6) | (5.5) | 7.1 | (4.7) | 10.7 |     |     |     | 4.4  |
| S&P 500 <sup>(c)</sup>      | (3.6) | 3.1 | 6.0 | 1.6 | (8.0) | (5.2) | 7.0 | (4.5) | 8.9  |     |     |     | 3.9  |

**Period Performance (%)**

|   | 2010 | 2009 | 2008   | 2007 | 2006 | 2005 | 2004 | 2003 | 2002   | Since Inception 01/01/02<br>Cumulative | Annualised |
|---|------|------|--------|------|------|------|------|------|--------|--|------------|
| DSM LCG/Hereford LCG Returns <sup>(b)</sup> | 10.7 | 22.8 | (39.3) | 18.7 | 9.8  | 11.4 | 9.4  | 25.2 | (17.7) | 34.8                                   | 3.5        |
| Russell 1000 <sup>(c)</sup>                 | 4.4  | 37.2 | (38.4) | 11.8 | 9.1  | 5.3  | 6.3  | 29.7 | (27.9) | 12.6                                   | 1.4        |
| S&P 500 <sup>(c)</sup>                      | 3.9  | 26.5 | (37.0) | 5.5  | 15.8 | 4.9  | 10.9 | 28.7 | (22.1) | 17.9                                   | 1.9        |



**Top Ten Holdings**

Apple Computer  
 Celgene  
 Cognizant Technology Solutions  
 Expeditors International  
 Google  
 NetApp  
 Priceline.com  
 Schlumberger  
 Target  
 Varian Medical Systems

**Sectoral Breakdown****% of Assets**

|                        |       |
|------------------------|-------|
| Information Technology | 26.0% |
| Health Care            | 21.8% |
| Services               | 12.7% |
| Consumer Discretionary | 12.5% |
| Consumer Staples       | 9.1%  |
| Financials             | 4.8%  |
| Industrials            | 3.9%  |
| Energy                 | 3.5%  |
| Materials              | 2.8%  |

**Investment Objective**

The investment objective of the LCG sub fund is to provide capital appreciation principally through investments in US-based growing corporations with market capitalizations generally above 2 billion dollars. These companies are chosen for their growth prospects, attractive returns, solid business fundamentals and intelligent management. The sub fund may, on an ancillary basis, invest in US-based companies with lower market capitalizations as well as in non-US based companies. The Compartment may invest in American Depository Receipts and American Depository Shares. The reference benchmark for this strategy is the Russell 1000 Growth Index.

| Fund Codes (Share Class A)              | Since Inception Risk Profile | Hereford DSM US LCG | DSM LCG Composite | R1000 Growth |
|---|------------------------------|---------------------|-------------------|--------------|
| Bloomberg                               | DSMUSLA LX                   | n/a                 | 15.3              | 16.4         |
| ISIN                                    | LU0327604228                 | Sharpe Ratio        | 0.1               | 0.0          |
| Reuters                                 | LP65102015                   | Information Ratio   | 0.3               |              |
| Sedol                                   | B28TLX2                      | Tracking Error      | 7.7               |              |
| Schwab and Northern Trust, two fine bus | 3504726                      | Beta                | 0.8               |              |
| WKN                                     | A0M58T                       | Alpha               | 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                      | 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 & U <sup>(f)</sup> | 1.25%   |
| Share Class B                    | 0.25% + 20% performance fee on outperformance vs US T-Bill with HWM |
| Share Class C <sup>(e)</sup>     | 1% + 20% performance fee on outperformance vs US T-Bill with HWM    |
| Share Class D <sup>(g)</sup>     | 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

- (a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.
- (b) Data and graph depict DSM Composite through November 2007 and Hereford Funds DSM US Large Cap Growth Fund Class A thereafter. Historical gross performance of DSM Large Cap Composite returns (the Reference Strategy) is net of modeled fee and expense typical of Hereford Funds DSM US Large Cap Growth Fund Class A (1.25% fee + 0.25% expense). Fund follows same strategy. Performance presentation incomplete without accompanying footnotes as shown at [www.dsmcapital.com](http://www.dsmcapital.com)
- (c) Total return including dividends.
- (d) The fund is registered with the AFM for public distribution in the Netherlands.
- (e) Share Class C is German tax registered from 4/1/08.
- (f) Share Class U has UK Distributor Status as approved by HMRC
- (g) Share Class D is German tax registered from October 1, 2010.

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