



**September 2008 Investment Review**

The Hereford/DSM Large Cap Fund declined (12.1%) for the month of September compared to a (11.6%) decline for the Russell 1000 Growth index and a (8.9%) decline 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 18.2x, which we feel is attractive relative to our estimated earnings growth of 20%

2008 has been a tumultuous year. Speculative investment bubbles have burst in market after market. In our view, these spectacular failures occurred because “risk” had become a factor often evaluated through backward looking quantitative models. We believe that an investment process cannot move forward when looking primarily through the rear view mirror of a quant model.

The United States, as well as governments elsewhere in the world, are acting to stabilize the financial system. Although there will be other financial challenges, we believe they will be smaller than those we have just witnessed. While it is possible that the worst of the solvency problems are largely past, the world economic outlook appears sluggish at best. Global economic growth has slowed and many commentators are calling for a shallow global recession, followed by a long, slow recovery.

While that outlook appears plausible, we believe stock prices have discounted both a financial dislocation, as well as a deep recession. The S&P 500 is currently estimated to earn about \$90 in 2008, creating a P/E of approximately 12X projected earnings. If a significant recession causes earnings to fall 20% from 2008’s level to \$72, the market would currently be valued at 16x depressed earnings. Based on a 15 to 20 year historic review, we believe that valuation would be attractive, especially as earnings recover.

Needless to say, we are not happy with our performance in September. That said, we do not believe it is indicative of the underlying quality, return potential or “business” risk of the portfolio. In large part, the portfolio declined in September because stocks were sold regardless of intrinsic value. Accordingly, during the month we made changes to improve the risk-reward potential of the portfolio. We sold positions in Autodesk, Cameron International, Halliburton and Microsoft in order to start positions in Amazon, Intuitive Surgical, Research In Motion, Novo-Nordisk, (one of the world leaders in diabetes treatments) and Varian Medical Systems. We also started a position in MasterCard, which we subsequently sold due to the risk perceived in MasterCard’s inherently close relationships with many banks. We started a position in Amazon, the world’s leading on-line retailer. We purchased Intuitive Surgical who markets the Davinci robotic surgery machine which is utilized in an increasing number of surgeries. Research in Motion stock was purchased because we felt the valuation was attractive and we expect the secular trend favoring smart phones will continue. A position in Novo Nordisk was begun. It is one of the largest manufacturers of insulin worldwide.

**Key information**

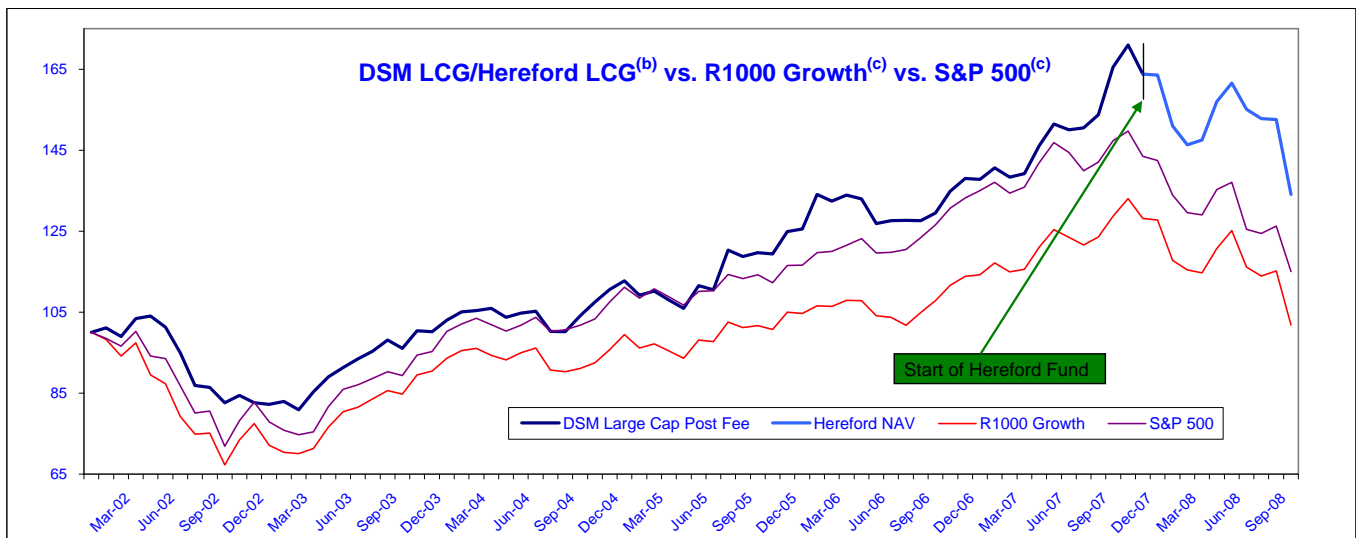
NAV A Shares (30/09/08): \$81.84  
 Total Fund Size: \$40.3 mil  
 Strategy Assets: \$1,417.3 mil<sup>(a)</sup>  
 Fund Launch Date: 29-Nov-07

**Monthly Performance (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	(7.7)	(3.1)	0.8	6.5	2.9	(4.0)	(1.5)	(0.2)	(12.1)				(18.0)
Russell 1000 <sup>(c)</sup>	(7.8)	(2.0)	(0.6)	5.3	3.7	(7.2)	(1.9)	1.1	(11.6)				(20.3)
S&P 500 <sup>(c)</sup>	(6.0)	(3.3)	(0.4)	4.9	1.3	(8.4)	(0.8)	1.5	(8.9)				(19.3)

**Period Performance (%)**

	YTD	2007	2006	2005	2004	2003	2002	Since Inception 01/01/02 Cumulative	Annualised
DSM LCG/Hereford LCG Returns <sup>(b)</sup>	(18.0)	18.7	9.8	11.4	9.4	25.2	(17.7)	34.1	4.4
Russell 1000 <sup>(c)</sup>	(20.3)	11.8	9.1	5.3	6.3	29.7	(27.9)	1.8	0.3
S&P 500 <sup>(c)</sup>	(19.3)	5.5	15.8	4.9	10.9	28.7	(22.1)	15.0	2.1





### Top Ten Holdings

	% NAV
Celgene Corp	8.9%
Schlumberger Ltd	7.5%
Genzyme Corp	7.2%
Monsanto Co	5.3%
Google Inc-CI A	4.8%
Schering Plough	4.6%
Stryker	4.4%
SEI Investments	4.0%
Adobe Systems	3.9%
Automatic Data Processing	3.7%

### Sectoral Breakdown

	% of Assets
Health Care	39.0%
Information Technology	16.8%
Energy	9.3%
Services	6.0%
Financials	5.3%
Consumer Staples	4.9%
Materials	4.8%
Consumer Discretionary	2.0%
Industrials	1.9%

### 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 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)

Bloomberg	DSMUSLA LX
ISIN	LU0327604228
Reuters	LP65102015
Sedol	B28TLX2
Valoren	3504726
WKN	A0M58T

### Since Inception Risk Profile

Volatility	n/a
Sharpe Ratio	n/a
Information Ratio	n/a
Tracking Error	n/a
Beta	n/a
Alpha	n/a

### DSM US LCG

n/a
n/a
n/a
n/a
n/a
n/a

### DSM LC

12.2
0.1
0.4
8.2
0.7
3.4

### R1000 Growth

13.6
-0.2

### 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>(e)</sup>	1.25%
Share Class B	0.25% + 20% performance fee on outperformance vs US T-Bill with HWM
Share Class C(d)	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

- (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) minus 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 dsmcapital.com  
 (c) Total return including dividends.  
 (d) Share Class C is German tax registered from 4/1/08.  
 (e) Share Class U: UK Distributor Status to the year ending 30th September 2008 - Pending

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