



Investment Review

The Hereford/DSM Large Cap Fund appreciated 4.7% for the month of December compared to a 2.9% appreciation for the Russell 1000 Growth Index and a 2.5% appreciation for the S&P 500 including dividends. At the end of December, the Fund was invested primarily in the consumer discretionary, technology and health care sectors, with smaller weights in the materials, industrials, financials and consumer staples sectors.

During the month the Fund exceeded its benchmark by approximately 180 bps. This was primarily the result of the outperformance of our stock selections in the technology and consumer discretionary sectors. In December, the best performing positions in the portfolio were Wynn Resorts, Tencent Holdings, Las Vegas Sands, Monster Beverage and Visa. The worst performers for the month were Biogen IDEC, Kinder Morgan, Priceline.com, Yum! Brands and Ecolab. During the month, we sold Kinder Morgan and Rolls-Royce. Kinder Morgan was sold due to slightly weaker than expected business fundamentals, while Rolls Royce was sold due to price appreciation. We had started a position in Rolls Royce hoping to build a larger position at lower prices, but were unable to do so. The proceeds of these sales were used to initiate a position in Regeneron Pharmaceuticals, a biotech company located in Westchester County, New York. Regeneron develops and markets products that treat serious eye disease, cancer and inflammatory diseases. Regeneron's largest drug is Eylea, which is used for the treatment of "wet-form" age-related Macular Degeneration, as well as Macular Edema. In the period, we also added to existing positions in Dollar General, Invesco, Swatch Group and Wynn Resorts.

Our recent assessment of improved global economic growth remains our most likely case. A concurrent economic expansion in North America, Europe, Japan and China has tentatively taken hold. There continues to be a respectable foundation for growth in the US as 2014 begins. Durable goods orders in November were impressive, as were transportation and capital goods spending. New home sales were also strong, while initial jobless claims were most recently reported about as expected. Retail sales were a bit weaker than expected, in part due to the shorter holiday sales period, but also as a result of modest growth in personal income over the past year. Clearly end-market demand in the US is still weak when compared to past recoveries, and it can be argued that a significant portion of recent economic growth has been driven by inventory accumulation. Nevertheless, we believe there is ongoing economic momentum in the US economy as we enter 2014.

The long end of the yield curve has possibly "normalized" due at least in part to the new tapering approach of the US Federal Reserve. That said, ongoing US economic growth is also a cause of rising bond yields. The impact of rising rates resulting from a growing economy, while inflation remains benign, is generally neutral or even positive to equity markets. Accordingly, it is not surprising to us that the S&P 500 appreciated to an all-time high. If economic growth continues, even without being robust, there is a possibility that the Federal Reserve will implement a more rapid taper (reduction) of QE in 2014. If that happens, we believe it would be bullish for the equity markets. On the other hand, the next debt limit discussions are just around the corner. The government's ability to borrow will end during the first quarter, although the exact timing is not yet defined. Nonetheless, in our view, there is only one possible outcome, and that is an increase in the debt limit.

Consistent with our view over the past two or more years of slow but steady growth in the US and faster growth in the emerging markets, our strategy continues to focus on businesses that generate the majority of their weighted revenue in North America and emerging markets. Our ten-person investment team continues to identify, research and model investments that we believe are unique, high quality, growing and predictable businesses. In our opinion, the valuation of the portfolio, at 21.5 x next-four-quarter earnings, through calendar 2014 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.

Key Information

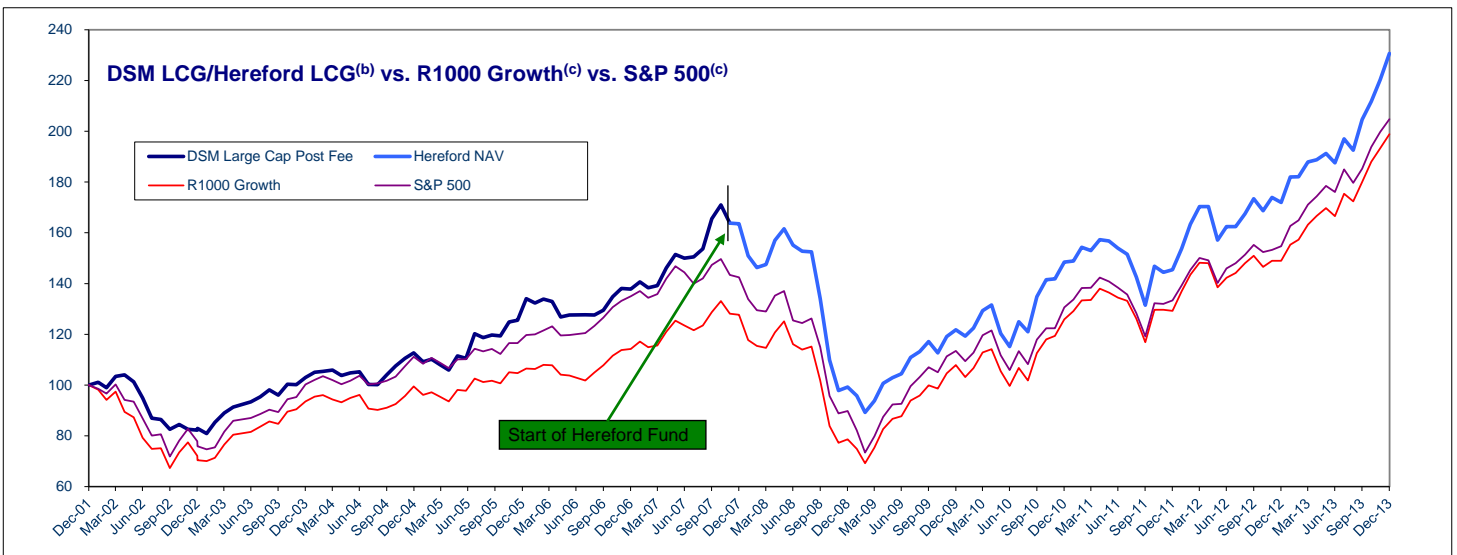
NAV A Shares (31/12/13)	US\$ 140.8
Total Fund Size	US\$ 155.6 mil
Strategy Assets	US\$ 4,660.8 mil ^(a)
Fund Launch Date	29-Nov-07

Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
Hereford Funds NAV	5.8	0.0	3.2	0.5	1.4	(2.0)	5.1	(2.3)	6.3	3.5	4.0	4.7	34.1
Russell 1000 Growth ^(c)	4.3	1.2	3.8	2.1	1.9	(1.9)	5.3	(1.7)	4.5	4.4	2.8	2.9	33.5
S&P 500 ^(c)	5.2	1.4	3.8	1.9	2.3	(1.3)	5.1	(2.9)	3.1	4.6	3.0	2.5	32.4

Period Performance (%)

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Since Inception 01/01/02	Annualised
													Cumulative	
DSM LCG/Hereford LCG Returns ^(b)	34.1	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	11.4	9.4	25.2	(17.7)	130.7	7.2
Russell 1000 Growth ^(c)	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	29.7	(27.9)	98.9	5.9
S&P 500 ^(c)	32.4	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	4.9	10.9	28.7	(22.1)	104.8	6.2





Top Ten Holdings

BlackRock	Monsanto
Celgene	Priceline.com
Dollar General	Time Warner
EADS	Visa
Google	Wynn Resorts

Sectoral Breakdown

Consumer Discretionary	31.4%
Information Technology	22.1%
Health Care	19.1%
Materials	8.3%
Industrials	6.5%
Financials	6.3%
Consumer Staples	5.5%

% of Assets

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 US\$ 5 billion. 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	Volatility	n/a	15.0	15.5
ISIN	LU0327604228	Sharpe Ratio	n/a	0.4	0.3
Reuters	LP65102015	Information Ratio	n/a	0.2	
Sedol	B28TLX2	Tracking Error	n/a	6.9	
	3504726	Beta	n/a	0.9	
WKN	A0M58T	Alpha	n/a	1.9	

Fund Details

Dealing Day	Daily
Dividends	None - income accumulated within the fund
Investment Manager	DSM Capital Partners LLC, 116 Radio Circle Drive, Suite 200, Mount Kisco, NY 10549, USA
Promoter	VP Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Management Company	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 ^(e)	1.25%
Share Class D ^(f)	1.75%

Minimum Investment

Share Class A & U ^(e)	\$100,000 initial / \$10,000 subsequent
Share Class 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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attn. Fund Operations / TA-HFF
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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.
 (c) Total return including dividends.
 (d) The fund is registered with the BaFin for public distribution in Germany from 17/10/12, registered with the AFM for public distribution in the Netherlands and registered with the AMF for public distribution in France.
 (e) Share Class U has been granted Reporting Status by HMRC as of October 1, 2010.
 (f) Share Class D is German tax registered from October 1, 2010.

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