



**Investment Review**

The Hereford/DSM Large Cap Fund NAV appreciated 4.6% for the month of December compared to a 5.5% appreciation for the Russell 1000 Growth index and a 6.7% appreciation for the S&P 500. At the end of December, the Fund was invested primarily in the technology, health care, consumer discretionary, and business services sectors, with smaller weights in the materials and industrials sectors.

During the month the Fund trailed its benchmark, on a gross-of-expense basis, by approximately 90 bps. This was primarily the result of negative stock selections in health care as well as an underweight and negative stock selections in the materials sector. Stock selections in the technology and consumer staples sectors benefitted performance. In December, the best performing positions in the portfolio were Cognizant, C.H. Robinson Worldwide, Schlumberger, Google and NetApp. McDonald's, Discovery Communications, Intuitive Surgical, Celgene and Tencent were the worst performers. During the month, the Fund exited its position in Rockwell Collins and initiated positions in Discovery Communications, Dolby Laboratories and Rovi Corp. We sold Rockwell Collins because we now believe that the commercial aerospace business may not recover as rapidly as we had expected. There is also increasing pressure on defense spending. Discovery is a pure play cable network company with approximately one-third of total revenues generated by their international business. Importantly, the company has a 50-50 joint venture with Oprah Winfrey in launching the OWN network. We have owned Dolby before, a company that develops and licenses software that enhances the audio performance of televisions, audio systems, DVD players, set-top boxes, game players, personal computers, and movie theaters. Rovi develops software solutions to create content guides for cable operators and consumer electronic operators on a global basis. Rovi will also operate as a content aggregator, delivering to the home Netflix, ESPN360, Hulu and other on-line portals.

We continue to believe that the most likely global macro-economic outcome over the next few years is the "muddle through" scenario. In the United States, annual economic growth of approximately 3% appears achievable. Currently, US industrial growth appears to be accelerating and the consumer has stabilized or perhaps even improved a bit over the past year. Nevertheless, with only sluggish economic growth, the American unemployment rate will remain elevated, and that simple fact likely means that the housing market will remain weak. In fact, recent statistics confirm ongoing weakness in the US housing market, a situation that is unlikely to change anytime soon given the enormous number of homes available for sale, as well as the "grey market" of homes ready to come to market if and when housing prices improve. We continue to be skeptical of the Federal Reserve's QEII as a recipe to create sustainable economic growth. We had expected this policy to create strong equity markets, and clearly that has been the case. Rising stock markets create a wealth effect and some consumer spending results from that, but we believe the impact is limited. Moreover, as has been said many times in the press, QEII does risk creating inflation over the intermediate to long-term time frame.

**Key information**

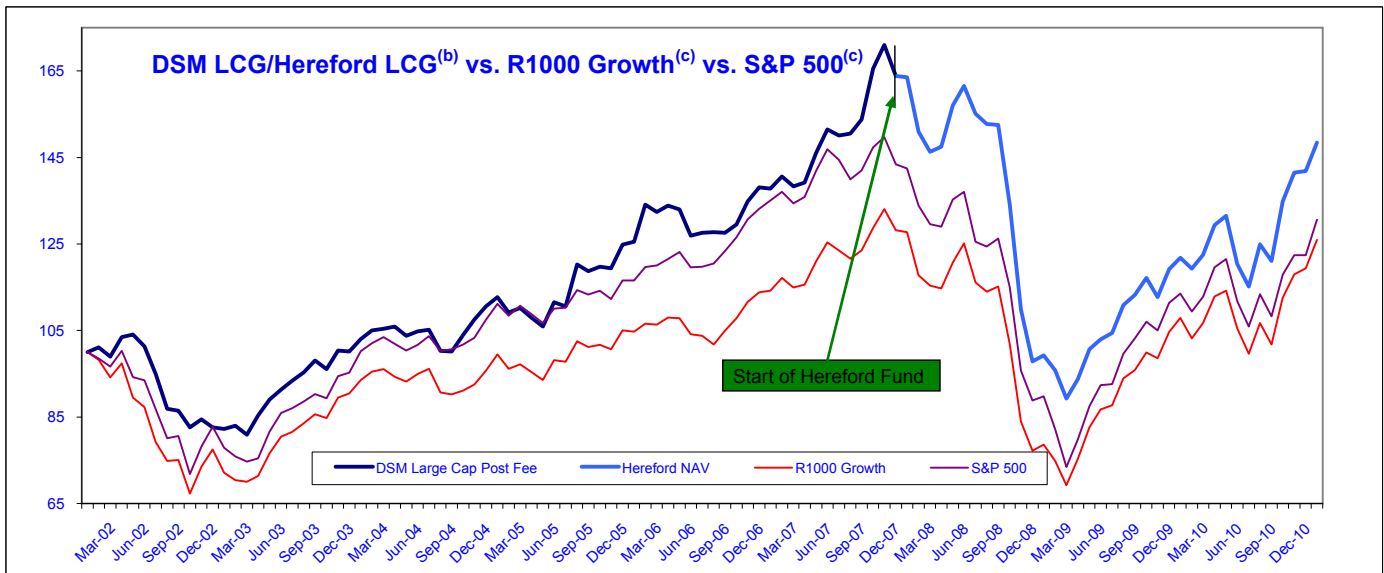
NAV A Shares (31/12/10): US\$ 90.61  
 Total Fund Size: US \$109.0 mil  
 Strategy Assets: US\$2,775.4 mil<sup>(a)</sup>  
 Fund Launch Date: 29-Nov-07

**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	4.9	0.3	4.6	21.9
Russell 1000 <sup>(c)</sup>	(4.4)	3.4	5.8	1.1	(7.6)	(5.5)	7.1	(4.7)	10.7	4.8	1.2	5.5	16.7
S&P 500 <sup>(c)</sup>	(3.6)	3.1	6.0	1.6	(8.0)	(5.2)	7.0	(4.5)	8.9	3.8	0.0	6.7	15.1

**Period Performance (%)**

	2010	2009	2008	2007	2006	2005	2004	2003	2002	Since Inception 01/01/02	
										Cumulative	Annualised
DSM LCG/Hereford LCG Returns <sup>(b)</sup>	21.9	22.8	(39.3)	18.7	9.8	11.4	9.4	25.2	(17.7)	48.4	4.5
Russell 1000 <sup>(c)</sup>	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	29.7	(27.9)	25.9	2.6
S&P 500 <sup>(c)</sup>	15.1	26.5	(37.0)	5.5	15.8	4.9	10.9	28.7	(22.1)	30.6	3.0



**Top Ten Holdings**

Apple Computer  
 C.H. Robinson Worldwide  
 Celgene  
 Cognizant Technology Solutions  
 Expeditors International  
 Google  
 Juniper Networks  
 NetApp  
 Priceline.com  
 Schlumberger

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

Information Technology	28.9%
Health Care	17.9%
Services	14.7%
Consumer Discretionary	11.7%
Consumer Staples	7.3%
Energy	7.2%
Financials	5.2%
Materials	3.0%
Industrials	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	Volatility	n/a	15.3	16.4
ISIN	LU0327604228	Sharpe Ratio	n/a	0.2	0.0
Reuters	LP65102015	Information Ratio	n/a	0.2	
Sedol	B28TLX2	Tracking Error	n/a	7.6	
Schwab and Northern Trust, two fine bus	3504726	Beta	n/a	0.8	
WKN	A0M58T	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	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 and has applied for UK Reporting Fund Status for the year to September 2011
- (g) Share Class D is German tax registered from October 1, 2010.

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