

**December 2007 Investment Review**

The Hereford/DSM SMID Cap Fund declined 1.3% for the month of December compared to a 0.1% decline in the Russell 2500 Growth. Recent economic indicators are indeed pointing to further slowing in the US. No doubt, the declining housing market and higher energy prices are having an impact. With inflation low, interest rates moderate and valuations reasonable, we see no reason to raise cash. Additionally, we have configured the portfolio for a slower economy and weaker consumer spending in 2008. To us, the current data looks more like one of the several "mid-cycle" slowdowns that have occurred in each of the past decades. These too were brought on by a cycle of Fed tightening. On the other hand if there is a recession, we believe it will be short and shallow, similar to the last two recessions (July 1990 to March 1991 and March to November 2001) which due to Fed easing lasted just eight months each.

Pessimism remains widespread, creating opportunity when the reality is not dire. At present, the portfolio continues to generate weighted earnings growth well in excess of 20% per annum and is selling at 21 x 2008 (next four quarters) earnings. This ratio of P/E to earnings growth is uncharacteristically attractive, especially in light of current interest rates. We continue to believe that we have identified investment opportunities that will generate an attractive rate of return, while remaining aware of economic and company specific risks.

Key information

NAV A Shares (31/12/07): \$98.41

Total Fund Size: \$1.6 Million

Strategy Assets: \$15m^(a)

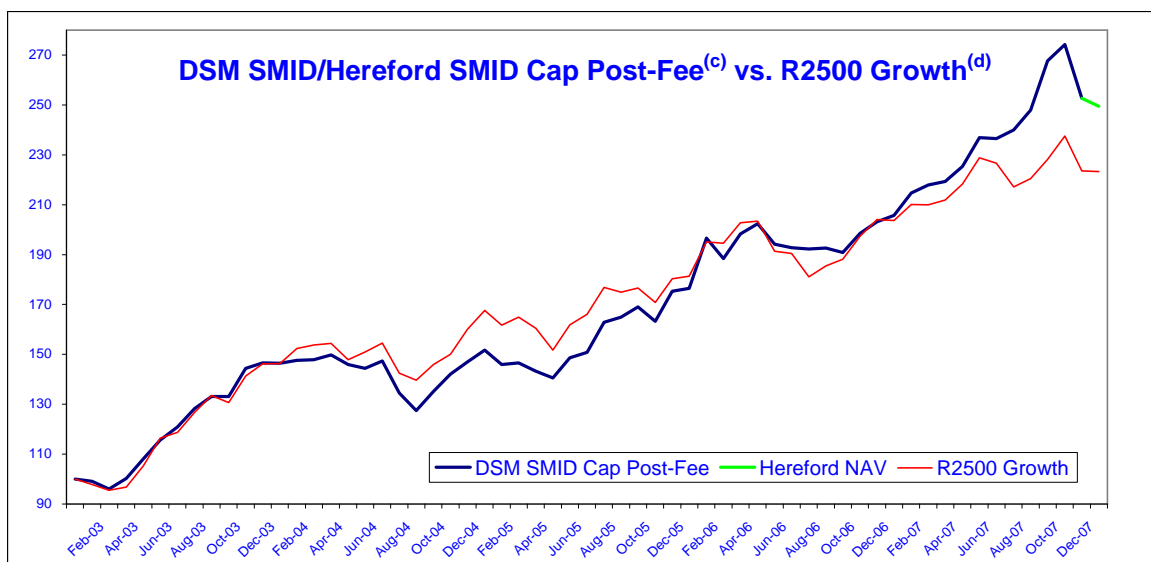
Fund Launch Date: 29-Nov-07

Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
DSM SMID Cap Returns ^(b)	4.3	1.5	0.7	2.8	5.1	(0.1)	1.4	3.3	8.0	2.4	(7.8)		22.9
Hereford Funds NAV ^(c)												(1.3)	
Russell 2500 Growth ^(d)	3.2	(0.1)	0.9	3.1	4.8	(1.0)	(4.2)	1.5	3.5	4.1	(5.9)	(0.1)	9.7

Period Performance (%)

	YTD	1 yr	2 yr	3yr	4 yr	5 yr	Since Inception 01/01/03	
							Cumulative	Annualised
DSM SMID Cap Returns ^(b)	21.3	21.3	18.9	18.1	14.3	20.1	149.5	20.1
Russell 2500 Growth ^(d)	9.7	9.7	11.0	10.0	11.2	17.4	123.4	17.4

**Top Ten Holdings**

Ion Geophysical
SEI Investments
Varian Medical Systems
Hologic Inc.
National Instruments
Tessera Technologies
Core Laboratories
Satyam Comp Svc
Gen-Probe
Zoll Medical

% NAV

4.3%
4.1%
4.1%
3.6%
3.3%
3.2%
3.2%
3.2%
3.1%
3.1%

Sectoral Breakdown

Health Care
Informational Technology
Energy
Financials
Consumer Discretionary
Industrials
Materials

% of assets

33.0%
21.9%
18.7%
8.5%
6.5%
5.9%
2.1%



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 million and 10 billion dollars. These companies are chosen for their growth prospects, attractive returns, solid business fundamentals and intelligent management. Companies invested in 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 Depositary Receipts and American Depositary 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 SMID	R2500 Growth
Bloomberg	DSMUSMA LX	Volatility	n/a	13.8	13.7
ISIN	LU0327605118	Sharpe Ratio	n/a	1.2	1.0
Reuters	LP65102019	Information Ratio	n/a	0.3	
Sedol	B28TM17	Tracking Error	n/a	7.3	
Valoren	3504786	Beta	n/a	0.9	
WKN	A0M58X	Alpha	n/a	4.5	

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:

VPB Finance S.A.
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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) 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.
 (c) Data and graph depict DSM Composite through November 2007 and Hereford Funds DSM US SMID Cap Growth Fund Class A thereafter.
 (d) Total return including dividends.

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An investment should be made only on the basis of the prospectus, the annual and any subsequent semi-annual reports of HEREFORD FUNDS (the “Fund”), a société d’investissement à capital variable, established in Luxembourg and registered under Part I of Luxembourg law of 20 December, approved by the Commission de Surveillance du Secteur Financier (CSSF). These can be obtained from [the Fund, 26, avenue de la Liberté, L-1930 Luxembourg or from VPB Finance S.A., 26, avenue de la Liberté, L-1930 Luxembourg and any distributor or intermediary appointed by the Fund].

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