



# Audited annual report

AS OF 30.9.2015

## *Hereford Funds*

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**Investment Company with variable capital under Luxembourg Law (SICAV)**

**R.C.S. Luxembourg N° B 134 375**

Hereford Funds – DSM US Large Cap Growth Fund

Hereford Funds – DGHM US All-Cap Value Fund

Hereford Funds – FIRTH ASIAN Value Fund

Hereford Funds – IMVA Opportunity Fund



# Audited annual report as of 30 September 2015

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## **Sales restrictions**

Shares of this Company may not be offered, sold or distributed within the United States of America.

# Management and Administration

Annual Report as of 30 September 2015  
Hereford Funds

## Registered Office

Since 1 December 2014:  
44F, rue de la Vallée,  
L-2661 Luxembourg

Until 30 November 2014:  
26, avenue de la Liberté  
L-1930 Luxembourg

## Board of Directors

### Chairman

*Mr Anthony Galliers-Pratt*  
Managing Partner  
Hereford Funds Advisory S.à r.l.  
8, Boulevard Royal, L-2449 Luxembourg  
(previously 44F, rue de la Vallée, L-2661 Luxembourg)

### Directors

*Mr Jérôme Wigny*  
Partner  
Elvinger, Hoss & Prussen  
2, Place Winston Churchill, L-2014 Luxembourg

*Mr Yves de Vos*  
President  
VHC Capital Management S.A.  
25, Op der Heckmill, L-6783 Grevenmacher

*Mr Mark Henderson*  
Managing Partner  
Hereford Funds Advisory S.à r.l.  
8, Boulevard Royal, L-2449 Luxembourg  
(previously 44F, rue de la Vallée, L-2661 Luxembourg)

*Mr Enrico Mela*  
Conducting Officer  
BSI Fund Management S.A.  
44F, rue de la Vallée, L-2661 Luxembourg

## Management Company

Since 1 December 2014:  
BSI Fund Management S.A.  
44F, rue de la Vallée,  
L-2661 Luxembourg

Until 30 November 2014:

VPB Finance S.A.  
26, avenue de la Liberté  
L-1930 Luxembourg

## Advisory Company

Hereford Funds Advisory S.à r.l.  
8, Boulevard Royal,  
L-2449 Luxembourg  
(previously 44F, rue de la Vallée, L-2661 Luxembourg)

## Investment Managers

### For the Compartment

Hereford Funds – DSM US Large Cap Growth Fund  
DSM Capital Partners LLC  
116 Radio Circle Drive, Suite 200, Mount Kisco,  
NY 10549

### For the Compartment

Hereford Funds – DGHM US All-Cap Value Fund  
Dalton, Greiner, Hartman, Maher & Co., LLC  
565 Fifth Avenue, Suite 2101, New York,  
NY 10017

### For the Compartment

Hereford Funds – FIRTH ASIAN Value Fund  
Firth Investment Management Pte. Ltd  
180 Cecil Street, #13-03 Bangkok Bank Building  
Singapore 069546

### For the Compartment

Hereford Funds – IMVA Opportunity Fund  
Investment Management of Virginia, LLC  
East Main Street, 16th Floor,  
Richmond, Virginia 23219

## Countries where the following Compartments of the Fund are authorized for distribution

### Germany

### Luxembourg

Hereford Funds – DSM US Large Cap Growth Fund  
Hereford Funds – DGHM US All-Cap Value Fund  
Hereford Funds – FIRTH ASIAN Value Fund  
Hereford Funds – IMVA Opportunity Fund

*France*  
*Netherlands*  
*Switzerland*  
Hereford Funds – DSM US Large Cap Growth Fund  
Hereford Funds – DGHM US All-Cap Value Fund

#### **Paying Agent in France**

Société Générale  
29, Boulevard Haussmann  
F-75009 Paris, France

#### **Paying Agent in Germany**

Marcard, Stein & Co AG  
Ballindamm 36  
D-20095 Hamburg, Germany

#### **Paying Agent in Switzerland**

Société Générale Paris, Zurich Branch  
Talacker 50  
P.O. Box 1928  
CH-8021 Zurich, Switzerland

#### **Custodian Bank**

*since 1 December 2014:*  
BSI Europe S.A.  
122, rue Adolphe Fischer,  
L-1521 Luxembourg

*until 30 November 2014:*  
VP Bank (Luxembourg) S.A.  
26, avenue de la Liberté  
L-1930 Luxembourg, Luxembourg

#### **Central Administration, Registrar and Transfer Agent**

*since 1 December 2014:*  
UBS Fund Services (Luxembourg) S.A.,  
33A, avenue J.F. Kennedy,  
L-1855 Luxembourg

*until 30 November 2014:*  
VPB Finance S.A.  
26, avenue de la Liberté  
L-1930 Luxembourg, Luxembourg

#### **Cabinet de révision agréé**

Deloitte Audit Société à responsabilité limitée,  
*Cabinet de révision agréé*  
560, rue de Neudorf, L-2220 Luxembourg

#### **Legal Advisor in Luxembourg**

Elvinger, Hoss & Prussen  
2, Place Winston Churchill,  
L-1340 Luxembourg

The sales prospectus, the articles of association of the Company, the annual and semi-annual reports, the KIID (Key Investor Information Document) as well as the portfolio movements of the Fund are available free of charge at the sales agencies and at the registered office of the Fund.

# General Information

Annual Report as of 30 September 2015  
Hereford Funds

Hereford Funds ("the Fund") is an open-end investment fund with multiple compartments ("société d'investissement à capital variable" (SICAV) à compartiments multiples) governed by Part I of the law of 17 December 2010, relating to undertakings for collective investment, as may be amended from time to time (the "Law").

The Fund was incorporated for an indefinite period on 23 November 2007, with an initial capital of USD 50,000. Its Articles of Incorporation were published in the official gazette "Mémorial C, Recueil des Sociétés et Associations du Grand Duché de Luxembourg" on 8 January 2008. The Fund is registered with the Registre de Commerce et des Sociétés of Luxembourg under number B 134 375.

The Fund's capital shall at all times be equal to the value of its total net assets. The minimum capital required by law (EUR 1,250,000 or its equivalent) must be reached within a period of six months following registration of the Fund by the supervisory authorities on the official list of undertakings for collective investment.

The purpose of the Fund is to offer investors access to a world-wide selection of markets and a variety of investment techniques via a range of specialised products divided into several compartments ("Compartments") included under a same and single structural umbrella.

The Board of Directors has appointed BSI Fund Management S.A. with effective date 1 December 2014 in replacement of VPB Finance S.A. as the Management Company of the Fund to be responsible on a day-to-day basis, under the supervision of the Board of Directors, for providing administration, marketing and investment management and advisory services in respect of all Compartments.

BSI Fund Management S.A. is a public limited company ("société anonyme"). It was incorporated in Luxembourg on 27 March 2014. Its registered office is at 44F, rue de la Vallée, L-2661 Luxembourg in the Grand Duchy of Luxembourg. Its share capital amounted to EUR 2,500,000 as at 27 March 2014.

The Management Company shall also ensure compliance of the Fund with the investment restrictions and will implement the Fund's strategies and investment policy. The Management Company, with the consent of the Fund, may appoint i) an investment manager to provide those investment management services

relating to a specific Compartment or ii) any other adviser, as set out in the relevant Appendix. The fees and expenses payable to such investment manager or adviser in respect of the relevant Compartment will be set out in the relevant Appendix.

The Management Company shall also send reports to the Board of Directors on a regular basis and inform each board member without delay of any non-compliance of the Fund with the investment restrictions.

The Management Company also acts as the domiciliary agent of the Fund.

The Management Company has delegated, with the consent of the Fund, its administrative function to the Central Administrator.

The Management Company also acts as management company for other investment funds. The names of these other funds are available upon request from the Management Company.

As at 30 September 2015 the following Compartments are active:

Hereford Funds – DSM US Large Cap Growth Fund  
Hereford Funds – DGHM US All-Cap Value Fund  
Hereford Funds – FIRTH ASIAN Value Fund  
Hereford Funds – IMVA Opportunity Fund

The before-mentioned Compartments pursue a policy of achieving capital growth and reinvests income earned; as a result, no dividends shall be paid out.

Currently the following share classes are offered:

Hereford Funds – DSM US Large Cap Growth Fund

Class A Shares - available in: EUR, USD, GBP  
Class B and E Shares - available in: USD  
Class C and D Shares - available in: EUR, USD  
Class U Shares - available in: USD, GBP

Hereford Funds – DGHM US All-Cap Value Fund

Class A Shares - available in: EUR, USD, GBP  
Class B Shares - available in: USD  
Class D Shares - available in: EUR, USD

Hereford Funds – FIRTH ASIAN Value Fund

Class A Shares - available in: EUR, USD, GBP  
Class D Shares - available in: EUR, USD

Hereford Funds – IMVA Opportunity Fund

Class A and L Shares - available in: USD

Class D Shares - available in: EUR, USD

Description of the share classes:

Class A, Class B, Class E and Class U

These Shares shall be reserved for investments made by investors qualifying as Institutional Investors within the meaning of the Law.

Class C and Class D Shares

These Shares shall be normally available in accordance with the provisions of the Prospectus and the Appendix to the Prospectus.

Class L Shares

This share class is only available to investors having entered into a suitable agreement with the Advisory Company.

No subscription may be accepted on the basis of the financial reports. Subscriptions are accepted only on the basis of the current prospectus accompanied by the latest annual report and the latest semi-annual report if available.

The figures stated in the report are historical and not necessarily indicative of future performance.

# Report of the Board of Directors

Annual Report as of 30 September 2015  
Hereford Funds

## Hereford Funds – DSM US Large Cap Growth Fund Portfolio

### Review

For the year ended 30 September 2015, the Hereford Funds DSM US Large Cap Growth Sub-Fund was up 5.93% (NAV \$144.07 to NAV \$152.61) while the total return (including dividends) of the Russell 1000 Growth was up 3.17% and the S&P 500 was down (0.62)%.

The investment manager, DSM Capital Partners, commented as follows:

In our view, with the exception of energy and commodity-related businesses, corporate profits remain reasonably solid. Therefore, we believe the recent market downturn was more a result of fear and uncertainty rather than actual reductions in earnings. As it has been many years since the last market correction, we see this as a normal market correction which will, in time, play itself out. At that point, price/earnings ratios will have contracted and the growing stream of earnings should once again drive stock prices higher. In a slow growth global economy, we believe our portfolio of quality growth companies, nearly one-third of which have contractual relationships with their customers, will be very well positioned.

Our expectations for the portfolio's revenue and earnings growth during calendar 2015 remain unchanged: low double-digit revenue growth and high teens earnings growth, excluding the impact of the dollar's appreciation which at this point is moderating. Third quarter earnings in the portfolio appear thus far to be solid, as our holdings are in unique businesses, with modest economic sensitivity, strong secular growth characteristics and outstanding financial characteristics. Core to our investment process has always been the belief that if the portfolio generates earnings growth largely as expected, then the value of the portfolio should increase as well. While many well-publicized geopolitical risks remain of concern to investors, the positive scenario of an improving and increasingly stable global financial system, low inflation, low energy prices, steady global economic growth, low interest rates and growing corporate earnings are positive variables that, while not headline-making news, continue to form the foundation of an upwardly-driven bull market.

The majority of the portfolio is invested in the technology, health care and consumer discretionary sectors, with smaller weightings in the industrials, financials and consumer staples sectors. While there is not an "internet services" sector, we note that the portfolio has maintained a solid weighting in the global internet business through investment in Alibaba, Facebook, Google, Priceline Group and Tencent. The portfolio holdings also include several "business-to-business" global services companies, which also do not have a specific sector. Cognizant Technology Solutions, MasterCard and Visa have been held in the portfolio for some time. In recent months we initiated positions in Adobe Systems, Cerner, FleetCor Technologies, IMS Health Holdings, Nielsen, Stericycle and Verisk Analytics. These holdings all share "contractual" relationships with their customers, which feature consistently high annual customer renewal rates between 65% and 90%.

The strongest contributors to performance over the reporting year were Starbucks (specialty coffee chain operator), Cognizant Technology Solutions (business software development and outsourcing services), Regeneron Pharmaceuticals (specialty pharmaceuticals), Celgene (specialty pharmaceuticals) and Visa (electronic payments).

The weakest contributors to performance were Alibaba Group (Chinese e-commerce), Invesco (diversified investment management services), Shire PLC (specialty pharmaceuticals), Affiliated Managers Group (diversified investment management services) and Wynn Resorts (casino resorts in China and the US).

### Changes in Holdings

During the reporting year, the larger positions sold due to appreciation included BlackRock (diversified investment management services), Monsanto (agricultural productivity company), Perrigo (OTC and generic pharmaceuticals manufacturer/distributor) and Safran (aerospace engines and equipment). Earnings disappointments/weaker business fundamentals led to the sales of Abbott Laboratories (diversified healthcare products manufacturer), Airbus Group (aircraft and aircraft components manufacturer), Biogen (specialty pharmaceuticals), Comcast (media

and television broadcasting services provider), Discovery Communications (non-fiction cable television programmer), Las Vegas Sands (casino resorts in China and the US), Precision Castparts (metal components manufacturer for aerospace applications), Time Warner (media and entertainment producer) and Wynn Resorts.

The larger positions added to the portfolio in the year were Adobe Systems (application software development), Allergan (specialty pharmaceuticals), Affiliated Managers Group, Bristol-Myers Squibb (pharmaceuticals), Cerner (healthcare solutions and services), Facebook (social networking website operator), FleetCor Technologies (specialized payment products and services to commercial fleets), IMS Health Holdings (healthcare solutions and services), Intuitive Surgical (robotic surgical systems), Nielsen (audience measurement and analytics), NXP Semiconductors (semiconductor and software design), Royal Caribbean Cruises (global cruise operator), Shire PLC, Stericycle (medical waste management services) and Verisk Analytics (information services to the property, casualty and mortgage industries).

#### Outlook

DSM's long-standing multi-year global economic outlook of stable 3% type growth remains unchanged. Although several geopolitical factors provide reason for worry, we believe these dynamics are well known to investors and will in time subside. Economic growth in the US has been steady in 2015, with second quarter GDP growth revised upwards, and the second half of the year appears solid as well. In 2016, we believe US economic growth might reach 3%, but slower growth in China, as well as ongoing slow growth in Europe and Japan might limit the upside next year.

Even as the US economy continues on its steady slow-growth path, with some economists projecting that the nation may experience its longest economic growth cycle in its history, investors worry that a recession is near. Certainly the risk of inflation remains low, creating an ideal environment for a historically extended cycle of economic growth. The long-awaited Federal Reserve rate hike many expected in September did not occur. Perhaps this is not a surprise, since commodity prices have declined by more than one-third, emerging market currencies are down as much as 20% and junk bond prices are falling as well. Steady economic growth is causing America's unemployment

rate to fall, although the labor force participation rate remains low, and wages are growing only moderately. Eventually, falling unemployment will probably create modest wage inflation which will, in our view, be the catalyst for the Fed to finally raise interest rates.

In Europe, while growth continues to be slightly positive, unemployment remains over 10% and inflation has turned slightly negative. We continue to expect only modest growth in Europe, as political problems abound. In the UK, a national vote will be called to possibly reduce Britain's involvement in the EU. The current government desires, at minimum, a significant change in the country's relationship with Europe. Meanwhile, the Scottish secessionists, having been defeated in a recent referendum to split from the UK, are now calling for another vote. In Spain, regional elections were held, with the pro-independence movement gaining ground in Catalonia. At the same time refugees from the Middle East continue to pour into Europe, creating additional economic and political pressures over how to deal with the crisis. Another concern is the situation in Ukraine, which though now more stable, remains unresolved.

China's growth may be below the 7% the government has targeted, as the country continues its challenging shift from an export-oriented economy to one driven by internal consumption. Although recent corporate profit statistics have been weak, we believe growth in the 5% to 6% range is achievable. Over the last few weeks, seemingly in response to fears of slowing growth, the government has accelerated fiscal stimulus with cuts to sales tax rates on certain new cars and lower down payment requirements for first-time home buyers. Interestingly, a recent Bloomberg poll identified corruption and pollution as the top concerns of Chinese citizens, rather than economic growth. Meanwhile, the Chinese continue to travel, with Japanese retailers noting that the number of Chinese tourists visiting Japan reached a record high. Although commodity prices hurt the export economies of many EM nations, it is important to remember that China is an importer of commodities and therefore benefits from lower commodity prices. Certainly another Yuan devaluation is possible, but as a commodities importer, China does not have to devalue to compete with most other EM nations.

Recently, the Japanese government reduced its GDP growth forecast, implying that the massive quantitative easing policies of recent years were having only

modest success. It is unclear that the Japanese economy can grow, given the demographic challenges Japan faces including that of an aging population. Recent data indicates that the economy is stagnant and inflation may be negative, both of which represent disappointments for the government and central bank. It has been reported in the press that the government's next step to stimulate growth will be to reduce corporate tax rates to 30% from nearly 35% currently.

We have constructed the portfolio based on our view of slow growth in the US, faster growth in the emerging markets and fractional growth in Europe and Japan. Our strategy continues to focus on investments in businesses that generate the majority of their revenue in North America and primarily Asian emerging market economies. At this time, emerging markets account for approximately 17% of weighted portfolio revenue, with North America at approximately 55%. We estimate that other developed markets (principally Japan) account for 6% of revenue, and therefore the portfolio's revenue exposure to Europe approximates 22%.

The portfolio continues to be focused on unique global businesses that have been identified and continuously subject to analysis by our investment team. We believe that the valuation of the portfolio based on our calculations, at 21.6x next-four-quarter earnings through September of 2016, and 20.6x 2016 earnings, continues to be attractive in the current slow growth economic environment and relative to the market. We also continue to project a low double-digit revenue growth and "high-teens" earnings growth rate through 2019. Additionally, the portfolio holdings remain characterized by strong balance sheets and significant free cash flow.

October 2015  
DSM Capital Partners LLC

### **Hereford Funds – DGHM US All-Cap Value Fund**

The investment manager, Dalton, Greiner, Hartman, Maher & Co., LLC, commented as follows:

#### **Outlook**

Our market outlook continues to be similar to what we have espoused in these letters over the last

several years. The US economy continues to grow, albeit slowly. The valuation of the market is more or less at the midpoint of its historical range. What has recently changed is that there are renewed fears that the muted recovery in Europe has stalled and that China's rate of growth continues to slow. In spite of these concerns and the subsequent market selloff, we continue to have a positive market outlook going into 2016. In the current environment, we believe US stocks will continue to grow their sales and earnings. Our market view would only change, all else being equal, if the US economy were to slip back into a recession or if China were too materially slow.

The list of market worries that continually make headlines and are endlessly debated on TV is also familiar. This list includes the health of various European economies, China imploding, turmoil in the Middle East, and the US economy slipping back into a recession. You could also add to this list the fear of the Federal Reserve raising interest rates. We believe that all of these issues have been discounted in the market. In fact, an increase in rates is most likely beneficial for the long-term health of the US economy. Historically, the market has done well in a rising-interest rate environment as long as rates are at a reasonably low level and the rise is gradual.

With all of that being said, our investment process is based upon bottom-up analysis of individual stocks. While we are cognizant of the economic backdrop and understand its implications for individual stocks, it is not where we start our analysis. We let our process determine the stocks we should be conducting research on, and factor in macroeconomic conditions. Thus we believe we can outperform regardless of the market outlook, as our record in both up- and down markets shows.

#### **Review**

The Compartment's underperformance during the past fiscal year was driven by the Retail, Capital Goods, and Insurance sectors. Retail was weak due to Kohl's (-22%) and Bed Bath & Beyond (-13%). Both of these stocks failed to meet investors' growth expectations. Capital Goods lagged due to MRC Global (-34%). This stock suffered from its exposure to energy end markets. We have subsequently sold this position. Insurance lagged due to Lincoln National (-10%). This stock was weak due to concerns over its equity-linked annuity products in a volatile market. We continue to hold

Kohl's, Bed Bath & Beyond, and Lincoln National as we believe the issues negatively impacting the stocks are temporary.

Sectors that added value to performance were led by Utilities, Healthcare, and Energy. Utilities was driven by WEC Energy Group (+26%). This stock performed well as electric utilities benefited from a safety trade. Healthcare was strong due to Covance (+27%). This stock was up as they were bought by another company at a premium. Energy was driven by PDC Energy (+6%). This stock was up in a sector under pressure due to a strong balance sheet, extensive hedges, and profitable production. We continue to hold WEC Energy Group and PD Energy. Covance was sold as a result of its takeover.

#### Conclusion

Given our approach of applying upper and lower sector bands versus the Russell 3000 Value benchmark, there are no significant sector over- or under-weightings at this time. While we do not make large sector bets, we do take large active positions in stocks. This is by design, so our performance will always be driven by stock selection as opposed to sector weightings. We believe our past results demonstrate that our added value is in stock-picking.

Finally, at this time, we continue to favor mid- and large cap stocks. While small cap stocks have historically outperformed large caps coming out of a recession, they are above their average historical valuation range relative to large caps. We continue to find mid- and large cap stocks with attractive valuations, significant free cash flow generation, solid returns, and reasonable growth. Many of our stocks now pay a dividend.

It is important to understand that we will not outperform every quarter and every year. Our process and our emphasis on continuity have stood the test of time across various cycles. We will not overreact and chase the flavor of the day. We invest for the long run using a risk-controlled, systematic process, and we want our clients to be with us for the long run as well.

October 2015

Dalton, Greiner, Hartman, Maher & Co., LLC

## **Hereford Funds – FIRTH ASIAN Value Fund, Report for the year ended 30 September 2015**

#### Review

For the year ended 30 September 2015, the Hereford Funds – FIRTH ASIAN Value Fund declined by 11.5%. By comparison, the compartment's benchmark, the MSCI AC Asia ex Japan Small Cap Net USD index declined by 12.6% and the MSCI AC Asia ex Japan USD Net index (which tracks large and mid cap stocks) declined by 12.4 %. While absolute returns have been very poor recently, the compartment has outperformed both the benchmark index and the wider regional index over the past year and also since inception (31 May 2011). Our "value" bias, low exposure to financials and commodity stocks, and a high cash balance all contributed to this result.

Equities in this region have responded in a predictable manner to a stronger dollar. The transmission mechanism for this negative result is the continued reliance of Asia's financial markets on dollar capital flows and hence sensitivity to the direction of US monetary policy. After a positive start to 2015, stock markets in the region weakened significantly during the third quarter and returns in US dollars are worse as a result of material local currency depreciation.

Throughout the year investments have been made in accordance with the compartment's objectives and our value-investing approach in smaller capitalisation stocks listed in Asia ex Japan's equity markets. As of 30 September 2015 the portfolio was invested in 56 stocks, five more than as at the previous year-end. 19 new stocks were added and 14 were sold completely. As a result of portfolio changes and market movements, exposure to Hong Kong/China declined in favour of India and the Philippines in particular, with the overall weighting in South Asia now representing 32% of the portfolio. The cash position was 10%, similar to the position a year earlier and in line with our medium term preference of 5-10%.

#### Outlook

Disinflationary forces continue to sweep through regional economies. Producer prices are typically falling and consumer price inflation has also been negative in a number of countries. Growth has been weakening. In response most countries have been able to reduce interest rates, allow currencies to slide and initiate other stimulus measures. Much of the region

is linked to China's supply chain and related demand. The obvious impact from China's slowing economy has been seen on commodity and energy prices, but excess capacity there is depressing prices around the world. For example, according to tyre manufacturers in India, Chinese producers are selling radial tyres in India at a thirty percent discount, thus below the price of locally-made (and lower quality) cross-ply tyres. Reuters report that Wal-Mart has been asking for two to six per cent price reductions from their suppliers in China, thus negating the benefit of the recent modest depreciation of China's currency. Ironically Wal-Mart explain that they need to cut costs in order to offset an increase in minimum wages in the US.

As a result of the sell-off in markets this year, the valuation of the mainstream Asia ex Japan index (which incorporates large and mid-cap stocks but not small caps) as measured by the historic price to book ratio has fallen to within 10% of the level seen in the trough of the 2008 global financial crisis. Using the same measure, small cap stocks are cheaper but still materially more expensive than their 2008 level. Companies with the strongest business models have not been sold-off significantly. However, valuation of the mainstream index may be skewed by the heavy weighting of Chinese financials and commodity and energy stocks.

It is not part of our process to take strong views on market direction or the macro-economic cycle into the decisions for the compartment. The portfolio is built predominantly at the stock level. Our approach to stock selection is to invest in stocks which offer value and positive change. A strong balance sheet, ability to self-finance from internal cash flow, dividends and lower valuations have been, and will continue to be, key components of our investment process. The changing cyclical and structural environment in Asia allied to change amongst listed companies should continue to provide the compartment with positive investment opportunities in the year ahead.

## Hereford Funds – IMVA Opportunity Fund

### Review

The Fund has continued to underperform the U.S. equity market during 2015. The Energy and Materials Sectors have been areas of pronounced weakness while Industrials and Healthcare have been positive contributors. The Fund's concentrated strategy also missed many of the leading large capitalization performers in what became an increasingly narrow U.S. market.

Please find hereafter a copy of the Opportunity Portfolio 3<sup>rd</sup> Quarter update to complement this review; both should be considered through 30 September 2015.

As mentioned above, Materials have been a weak sector all year. I liquidated losses in FreeportMcMoRan and Rayonier Advanced Materials but maintained a small position in Intrepid Potash (IPI). IPI continued to weaken, and I have reduced the position in the 4<sup>th</sup> Quarter, 2015, given the weakness in the sector.

Industrials were a bright spot for the Fund. At the end of September, the Fund had unrealized gains in its three Industrials positions.

Consumer Discretionary has been slightly negative for the Fund. Chico's FAS was about flat, MDC Holdings (a housing company) had a gain, and Pier One had a substantial unrealized loss. The Fund currently holds all three positions.

The Energy Sector exposure continued to hurt the Fund. In the first three quarters of this year, I liquidated a variety of positions for a loss and generally used the capital to maintain the Fund's exposure in higher quality names, in my opinion.

Financials have also been a drag on the Fund. The positions associated with Ocwen Financial, namely, Ocwen (OCN), Altisource Asset Management (AAMC), and Altisource Portfolio Solutions (ASPS), have all declined. I liquidated OCN and AAMC but maintained a position in Altisource Portfolio Solutions. Both American Express and T. Rowe Price were down slightly; Endurance Specialty Holdings, which purchased Montpelier Re, was the lone winner in the sector.

Information Technology has been generally negative, led by large unrealized losses in 3D Systems (DDD). As I have stated in previous correspondence, I have confidence in the long-term stability and potential in DDD and am maintaining the Fund's position. CREE was another major detractor in Information Technology. Advanced Energy Industries and Apple were positive contributors to the Fund in this sector.

Healthcare has been relatively successful for the Fund, thanks mostly to explosive returns from Anacor Pharmaceuticals. Luminex and Abbott Labs have been relatively neutral, and Quidel had a substantial unrealized loss. I am maintaining the Fund's positions in all of these stocks.

## Outlook

The Fund's general positioning has not changed dramatically over the past several quarters. That persistence, in the face of continuing under-performance, is due to my opinion that the trends and positions that have hurt the Fund the most may be the ones that may be most valuable going forward; these trends include a bottoming in energy and industrial stocks, including the additive manufacturing (3D printing) industry. This strategy has clearly been wrong, year-to-date and since inception, but that is my outlook. A couple of general comments along these lines:

- Energy and Materials equities seem to be slowly improving. The dramatic weakness in Caterpillar and Glencore may be signs that these sectors are bottoming. Also, Schlumberger's bid for Cameron International might be considered a potential "all clear" for the energy sector. SLB has, in the past, timed its acquisitions well. The oil market appears to be making a gradual bottom, and the widespread pessimism towards the sector may set up an unpredictable change in the trend.
- In a similar vein, the equity market may be transitioning from dominance by growth names (Facebook, Amazon, Netflix, and Google) to broader participation by cyclicals.
- Low interest rates, reasonable valuations, highly nervous investor sentiment, relatively positive consumer sentiment (supported by solid consumer finances), and positive U.S. economic momentum all seem to be reasons to maintain a relatively positive overall outlook; this outlook is reflected in the Fund's positioning.

Our larger positions look very promising to me and may begin to get traction over the next couple of quarters. These include:

MDR: McDermott appears poised to make more award announcements before year-end. Both Saudi Aramco and the UAE recently reiterated their intent to move ahead on energy infrastructure investments despite the current price of oil. They are both major customers of MDR. MDR has an investor day in New York City on November 17<sup>th</sup> that should highlight its recent wins and backlog for 2016.

ASPS: Management provided an update on its growth initiatives at its recent earnings conference call. ASPS appears to be making good progress at diversifying its business and has, in my opinion, a portfolio of growth businesses that should offset the natural run-off of

its mortgage servicing business with Ocwen Financial. According to Altisource management, ASPS is trading at less than 5x the middle of their earnings guidance range for 2016, and they believe earnings will grow in 2017. The company repurchased equity and debt during the 3<sup>rd</sup> Quarter. The low multiple investors currently assign to management's forward guidance is likely due to worries about the long-term stability of the Ocwen mortgage servicing business. I believe that business is highly likely to stay in place through 2020 which should give ASPS enough time to replace the OCN servicing with other real estate market products.

DDD: 3D Systems equity appears to be bottoming, and the launch of the ProX 400 metal printer in the next few quarters should be a positive, long-term catalyst for the stock. DDD has indicated they won't announce this product launch for competitive reasons (and NDAs with aerospace customers), and there are no resellers involved in this product, so the results will only be apparent in the quarterly numbers/commentary. DDD's competitor, Stratasys (SSYS), recently announced another massive write-down of acquired businesses amid generally sluggish business conditions; I believe DDD's upcoming conference call (November 4<sup>th</sup>) may reveal that DDD is cutting expenses, has or is poised to generate substantial cash from its balance sheet, and is making progress in beta testing towards its next metal printer launch.

CREE: Cree is trading near book value; in the past, book value has generally marked a bottom for the stock and subsequent returns have been good. Cree's Insiders purchased shares this past summer at higher prices, and the company has a substantial stock repurchase plan in place.

KVHI: In my last meeting with the CEO of KVH Industries, he stressed the attractiveness and growth potential of the company's offshore satellite communications business. Growth in this business has been slowed, in part, by the weakness in the offshore energy industry, but, otherwise, general fleet adoption of the service has been steady. He also mentioned that KVHI is seeing a pickup in its military (fiber optic gyro) business. I suspect much of this is from Middle Eastern clients.

LMNX: Luminex recently received FDA approval for Project Aries (a user-friendly diagnostic device for hospitals); this is a major step for the company and clears the path for device placements and assay development and sales. Management and Board members seem very sanguine about this product's potential,

and I believe the success of Project Aries could make Luminex an attractive M&A candidate in 2017.

QDEL: Quidel stock has been weak lately which may reflect predictions for a warm winter in North America (and a weak flu season). Flu diagnostics is clearly an important product line and cyclical factor for QDEL, but I believe the company's product pipeline will eventually support the stock and reverse the current decline.

#### Opportunity Portfolio

The 3<sup>rd</sup> Quarter was a rough quarter for the market and worse for the Opportunity Portfolio. After 18 months of substantial under-performance and losses, I have to admit, I am a little bit mystified by the market. Buying promising companies when they are out of favor is not paying off the way it had done traditionally. Our holdings are clearly more volatile than the broad market, but the current price action seems detached from the stability and prospects of most of our holdings. We had a couple of great successes during the quarter, but these were offset by weakness in several positions and the general malaise in the materials, industrials, and energy sectors. The energy sector, in particular, continued to suffer as oil prices collapsed, again. Valuations for the integrated oil companies (large producers and marketers of oil and gas) are now at book value multiples and dividend yield levels not seen in 20 to 30 years.<sup>1</sup> Oilfield services companies' price-to-book value multiples are also near decade lows. I believe the oil market is gradually rebalancing, and Schlumberger's pending acquisition of Cameron International may have marked the bottom of this cycle. In general, I have gradually "high graded" our energy holdings over the past quarter or so in order to stay with this out of favor sector. Consequently, we now own some of the most conservative energy companies, when taken on the whole, that I can remember in this portfolio (keep in mind that CAM is trading in-line with Schlumberger due to their pending transaction). That may be cold comfort when the sector is totally out of favor, but I think it is an important point as we stagger through continuing commodity weakness. For Opportunity Portfolio clients, an important question in this uncertain time must be how much more downside risk is in the portfolio? I clearly have little feel, at the moment, for short-term market gyrations, but, in general, the

portfolio is deployed in companies I would be happy to set aside, undisturbed, for five years.

#### The Portfolio<sup>2</sup>

Sales during the quarter included a dramatic reduction in our position in Anacor Pharmaceuticals. ANAC management announced favorable clinical trial results in early July, and I reduced our position into the stock's powerful move higher. I liquidated Altisource Asset Management and added to Altisource Portfolio Solutions (ASPS). These companies are obviously related, and I feel that ASPS has a clearer path to earnings growth and much better trading liquidity. I also liquidated Rayonier Advanced Materials (RYAM). RYAM management announced an ugly lawsuit against their largest customer during the quarter; this was a shock and came shortly after management had announced several insider purchases, so they appear to have been just as surprised by the problems with their customer. Finally, I reduced our position in Chico's FAS (CHS). Chico's management announced that they were in buy-out talks with private equity firms, and that positive news took the stock to a fair valuation, in my opinion.

Purchases included additions to existing positions in Altisource Portfolio Solutions, as mentioned above, EPIQ Systems, T. Rowe Price Group, McDermott International, 3D Systems, Bottomline Technologies, and Quidel Corp. I have discussed all of these companies before and, suffice to say, like the long-term potential of each very much. Byron Wein, the Vice Chairman of Blackstone Advisory Partners, writes a quarterly memo that is usually very informative.<sup>3</sup> In his memo from this summer, he says, basically, that the only way to create real wealth is to invest in technology and biotechnology for long-term capital gains. This strategy obviously involves some patience and tolerance for volatility, but it is the underlying theme behind my incremental investments in Altisource (financial services technology), 3D Systems (technology and bio-technology exposure), Bottomline Technology (financial services technology), and Quidel Corp (medical devices/diagnostics). These companies, when taken as a group, are likely to produce very good returns over the next several years, in my opinion. The same point could be made for Luminex, which we already own in size. 3D Systems, in particular, appears to me to be bottoming out and, hopefully, getting reloaded

<sup>1</sup> Evercore ISI Reports for 9/29/15. Doug Terreson.

<sup>2</sup> The transactions/securities discussed in this section are generally portfolio-wide transactions for the accounts in this Portfolio and have not been selected by any performance criteria. It should not be assumed that all accounts in the Portfolio had the same transactions or that transactions in the future will be as profitable or will equal the performance of the securities mentioned.

for a resumption in revenue and earnings growth and cash flow generation. DDD should be close to releasing a powerful new metal printer that should become a market leader in aerospace applications; this may be a watershed event for DDD and should, in my opinion, get the company back on the strong growth trajectory forecast for the sector by Gartner (Gartner recently forecast 72% compound annual growth, in dollars, for the 3D printing market from 2014 through 2019).<sup>4</sup>

I established initial positions in Trimas Corporation (TRS), and Fastenal Co. (FAST). Trimas is a good quality industrial company that has seen its aerospace and energy sector businesses weaken lately. The company is conservatively managed, and insiders have stepped up their purchases of TRS stock this summer. Finally, I established a new position in Fastenal. FAST is a mid-capitalization company with blue chip characteristics: 3% dividend yield, fortress-like balance sheet, extremely high returns on equity, and a sterling reputation. Blue chip status does not confer automatic outperformance, but it should offset some of the volatility in our other positions.

#### The Market

The U.S. equity market entered "correction" territory during the 3<sup>rd</sup> Quarter. The collapse in late August was so sudden that some have called it a "mini crash". Investors did not like seeing China devalue its currency, and their concerns about the world economy were exacerbated by the Federal Reserve's decision not to raise interest rates in September. Additionally, volatile oil prices, extremely weak currencies in developing nations, and the Volkswagen scandal contributed to a wave of fear about the potential for deflation and/or a recession. This uncertainty and fear ultimately translated into lower equity prices, widening spreads between U.S. Treasuries and corporate debt (espe-

cially junk bonds), and a flight to risk-free assets. U.S. investors might logically ask why our markets, and the Federal Reserve, are driven by events overseas. Our economic growth is sluggish but positive, our unemployment rate is low, and our domestic companies seem to be healthy, for the most part, including having the strongest balance sheets in a generation. The connection seems to be investors' worry that the Federal Reserve knows more than we do: if they didn't raise interest rates in September, is there a greater risk of world-wide recession than we understand?

We suspect the Fed is simply being cautious and do not believe that the U.S. is headed into recession near-term. Moreover, there are multiple reasons to be constructive on U.S. equities. First, the current weakness could well be a re-test of the market low made in August. A re-test is a common occurrence and, while nerve wracking, can be expected. Second, as Jim Paulsen of Wells Capital recently explained, the market may be in transition from growth companies (which can excel in a low interest rate, low growth environment) to cyclicals which normally outperform when interest rates begin to increase due to higher economic growth and tighter economic conditions.<sup>5</sup> A bottoming and subsequent upturn in commodities would support this thesis. This is certainly a bold prediction, but, given that Mr. Paulsen's forecasts have been very good, and given the extreme loathing of cyclicals by most investors, we would not be surprised to see this type of sea change play out over the next six months.

<sup>3</sup> "Only Way to Make Serious Money", Byron Wein, 7/1/15

<sup>4</sup> Gartner, "Hype Cycle for 3D Printing, 2015, Executive Summary", October, 2015.

<sup>5</sup> Jim Paulsen of Wells Capital on CNBC, 9/4/15

# Report of the réviseur d'entreprises agréé

To the shareholders of  
Hereford Funds  
33A, avenue J.F. Kennedy  
L-1855 Luxembourg

Following our appointment by the Annual General Meeting of the Shareholders dated of 21 January 2015, we have audited the accompanying financial statements of Hereford Funds (the "Fund") and of each of its Compartments, which comprise the statement of net assets and the statement of investments in securities and other net assets as at 30 September 2015, the statement of operations and the statement of changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements.

## Responsibility of the Board of Directors of the Fund for the financial statements

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of financial statements and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Responsibility of the réviseur d'entreprises agréé

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the *Commission de Surveillance du Secteur Financier*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors of the Fund, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Hereford Funds and of each of its Compartments as of 30 September 2015, and of the results of their operations and changes in their net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the financial statements.

## Other matter

Supplementary information included in the annual report has been reviewed in the context of our mandate but has not been subject to specific audit procedures carried out in accordance with the standards described above. Consequently, we express no opinion on such information. However, we have no observation to make concerning such information in the context of the financial statements taken as a whole.

For Deloitte Audit, *Cabinet de révision agréé*



Nicolas Hennebert, *Réviseur d'entreprises agréé*  
Partner

Luxembourg, 7 January 2016

## Consolidated Statement of Net Assets

	<b>USD</b>
<b>Assets</b>	<b>30.9.2015</b>
Investments in securities, cost	328 682 570.05
Investments in securities, unrealized appreciation (depreciation)	7 123 214.83
Total investments in securities (Note 1)	335 805 784.88
Cash at banks, deposits on demand and deposit accounts (Note 1)	7 728 750.29
Receivable on securities sales (Note 1)	6 143 396.68
Receivable on subscriptions	329 705.44
Receivable on dividends	293 823.94
Other receivables	752.50
Formation expenses, net (Note 1)	26 397.65
<b>Total Assets</b>	<b>350 328 611.38</b>
<b>Liabilities</b>	
Payable on securities purchases (Note 1)	-5 648 848.96
Payable on redemptions	-504 017.90
Provisions for Investment Advisory fees (Note 2)	-1 059 946.17
Provisions for distribution fees (Note 2)	-50 803.82
Provisions for service fees (Note 2)	-613 294.81
Provisions for directors fees (Note 2)	-9 302.46
Provisions for taxe d'abonnement (Note 3)	-19 713.62
Provisions for audit fees, legal and economic advice (Note 2)	-101 885.41
Provisions for other commissions and fees (Note 2)	-24 369.21
Total provisions	-1 879 315.50
<b>Total Liabilities</b>	<b>-8 032 182.36</b>
<b>Net assets at the end of the financial year</b>	<b>342 296 429.02</b>

## Consolidated Statement of Operations

	USD
<b>Income</b>	<b>1.10.2014-30.9.2015</b>
Interest on liquid assets	2 100.29
Dividends (Note 1)	5 109 584.45
<b>Total income</b>	<b>5 111 684.74</b>
<b>Expenses</b>	
Investment Advisory fees (Note 2)	-4 726 856.23
Distribution fees (Note 2)	-64 648.98
Service fees (Note 2)	-722 174.42
Performance fees (Note 2)	-119 102.53
Directors fees (Note 2)	-9 208.12
Taxe d'abonnement (Note 3)	-56 134.53
Preparing, printing and filing of administrative documents fees (Note 2)	-9 639.40
Audit fees, legal and economic advice (Note 2)	-95 183.23
Publications, printing costs and publicity (Note 2)	-6 856.82
Amortization of formation expenses (Note 2)	-2 092.84
Other commissions and fees (Note 2)	-198 681.30
Interest on cash and bank overdraft	-3.42
<b>Total expenses</b>	<b>-6 010 581.82</b>
<b>Net income (loss) on investments</b>	<b>-898 897.08</b>
<b>Realized gain (loss) (Note 1)</b>	
Realized gain (loss) on market-priced securities without options	38 397 228.23
Realized gain (loss) on forward foreign exchange contracts	-22 746.18
Realized gain (loss) on foreign exchange	-123 053.32
<b>Total realized gain (loss)</b>	<b>38 251 428.73</b>
<b>Net realized gain (loss) of the financial year</b>	<b>37 352 531.65</b>
<b>Changes in unrealized appreciation (depreciation)</b>	
Unrealized appreciation (depreciation) on market-priced securities without options	-43 455 798.98
<b>Total changes in unrealized appreciation (depreciation)</b>	<b>-43 455 798.98</b>
<b>Net increase (decrease) in net assets as a result of operations</b>	<b>-6 103 267.33</b>

# Hereford Funds

## – DSM US Large Cap Growth Fund

Annual Report as of 30 September 2015

### Three-year comparison

Date	ISIN	30.9.2015	30.9.2014	30.9.2013
Net assets in USD		107 188 174.87	129 936 344.21	145 065 762.73
<b>Class A (USD)</b>	<b>LU0327604228</b>			
Shares outstanding		383 684.1360	463 684.7040	816 589.2270
Net asset value per share in USD		152.61	144.07	124.89
<b>Class B (USD)<sup>1</sup></b>	<b>LU0327604574</b>			
Shares outstanding		253 411.5060	381 479.0900	-
Net asset value per share in USD		104.61	98.19	-
<b>Class C (USD)</b>	<b>LU0327604731</b>			
Shares outstanding		13 798.3700	21 219.4570	21 404.9900
Net asset value per share in USD		136.90	133.99	120.29
<b>Class D (USD)</b>	<b>LU0327604905</b>			
Shares outstanding		34 577.4150	39 786.6090	121 169.5860
Net asset value per share in USD		245.51	233.04	203.09
<b>Class U (USD)</b>	<b>LU0371643130</b>			
Shares outstanding		73 845.3770	90 300.7710	122 097.9550
Net asset value per share in USD		159.09	150.19	130.20

<sup>1</sup> First NAV: 5.3.2014

### Performance

	Currency	2014/2015	2013/2014	2012/2013
Class A (USD)	USD	5.9%	15.4%	18.0%
Class B (USD)	USD	6.5%	-	-
Class C (USD)	USD	2.2%	11.4%	14.0%
Class D (USD)	USD	5.4%	14.7%	17.3%
Class U (USD)	USD	5.9%	15.4%	18.0%

Historical performance is no indicator of current or future performance.  
 The performance data does not take account of any commissions and costs charged when subscribing and redeeming shares.  
 The performance data were not audited.  
 The compartment has no benchmark.

### Structure of the Securities Portfolio

Geographical Breakdown as a % of net assets	
United States	87.92
China	6.08
Ireland	3.41
Netherlands	2.28
<b>Total</b>	<b>99.69</b>

Classification by Currency as a % of net assets	
USD	99.69
<b>Total</b>	<b>99.69</b>

## Statement of Net Assets

	<b>USD</b>
	<b>30.9.2015</b>
<b>Assets</b>	
Investments in securities, cost	91 395 774.69
Investments in securities, unrealized appreciation (depreciation)	15 458 849.12
Total investments in securities (Note 1)	106 854 623.81
Cash at banks, deposits on demand and deposit accounts (Note 1)	591 597.34
Receivable on securities sales (Note 1)	1 350 431.29
Receivable on subscriptions	299 999.94
Receivable on dividends	26 466.79
Other receivables	752.50
<b>Total Assets</b>	<b>109 123 871.67</b>
<b>Liabilities</b>	
Payable on securities purchases (Note 1)	-1 305 283.68
Provisions for Investment Advisory fees (Note 2)	-358 353.90
Provisions for distribution fees (Note 2)	-17 457.47
Provisions for service fees (Note 2)	-195 251.98
Provisions for directors fees (Note 2)	-2 986.81
Provisions for taxe d'abonnement (Note 3)	-7 521.80
Provisions for audit fees, legal and economic advice (Note 2)	-40 192.18
Provisions for other commissions and fees (Note 2)	-8 648.98
Total provisions	-630 413.12
<b>Total Liabilities</b>	<b>-1 935 696.80</b>
<b>Net assets at the end of the financial year</b>	<b>107 188 174.87</b>

## Statement of Operations

	<b>USD</b>
	<b>1.10.2014-30.9.2015</b>
<b>Income</b>	
Dividends (Note 1)	655 321.54
<b>Total income</b>	<b>655 321.54</b>
<b>Expenses</b>	
Investment Advisory fees (Note 2)	-1 500 886.31
Distribution fees (Note 2)	-21 892.66
Service fees (Note 2)	-273 580.11
Performance fees (Note 2)	-119 102.53
Directors fees (Note 2)	-2 955.71
Taxe d'abonnement (Note 3)	-19 163.95
Preparing, printing and filing of administrative documents fees (Note 2)	-2 969.33
Audit fees, legal and economic advice (Note 2)	-25 600.28
Publications, printing costs and publicity (Note 2)	-1 907.67
Other commissions and fees (Note 2)	-58 437.13
<b>Total expenses</b>	<b>-2 026 495.68</b>
<b>Net income (loss) on investments</b>	<b>-1 371 174.14</b>
<b>Realized gain (loss) (Note 1)</b>	
Realized gain (loss) on market-priced securities without options	24 459 133.48
Realized gain (loss) on foreign exchange	-476.68
<b>Total realized gain (loss)</b>	<b>24 458 656.80</b>
<b>Net realized gain (loss) of the financial year</b>	<b>23 087 482.66</b>
<b>Changes in unrealized appreciation (depreciation)</b>	
Unrealized appreciation (depreciation) on market-priced securities without options	-13 236 693.19
<b>Total changes in unrealized appreciation (depreciation)</b>	<b>-13 236 693.19</b>
<b>Net increase (decrease) in net assets as a result of operations</b>	<b>9 850 789.47</b>

## Statement of Changes in Net Assets

	<b>USD</b>
	<b>1.10.2014-30.9.2015</b>
Net assets at the beginning of the financial year	129 936 344.21
Subscriptions	8 535 982.33
Redemptions	-41 134 941.14
Total net subscriptions (redemptions)	-32 598 958.81
Net income (loss) on investments	-1 371 174.14
Total realized gain (loss)	24 458 656.80
Total changes in unrealized appreciation (depreciation)	-13 236 693.19
Net increase (decrease) in net assets as a result of operations	9 850 789.47
<b>Net assets at the end of the financial year</b>	<b>107 188 174.87</b>

## Changes in the Number of Shares outstanding

	<b>1.10.2014-30.9.2015</b>
<b>Class</b>	<b>A (USD)</b>
Number of shares outstanding at the beginning of the financial year	463 684.7040
Number of shares issued	15 654.5930
Number of shares redeemed	-95 655.1610
<b>Number of shares outstanding at the end of the financial year</b>	<b>383 684.1360</b>
<b>Class</b>	<b>B (USD)</b>
Number of shares outstanding at the beginning of the financial year	381 479.0900
Number of shares issued	33 086.8570
Number of shares redeemed	-161 154.4410
<b>Number of shares outstanding at the end of the financial year</b>	<b>253 411.5060</b>
<b>Class</b>	<b>C (USD)</b>
Number of shares outstanding at the beginning of the financial year	21 219.4570
Number of shares issued	4 546.3590
Number of shares redeemed	-11 967.4460
<b>Number of shares outstanding at the end of the financial year</b>	<b>13 798.3700</b>
<b>Class</b>	<b>D (USD)</b>
Number of shares outstanding at the beginning of the financial year	39 786.6090
Number of shares issued	5 791.0000
Number of shares redeemed	-11 000.1940
<b>Number of shares outstanding at the end of the financial year</b>	<b>34 577.4150</b>
<b>Class</b>	<b>U (USD)</b>
Number of shares outstanding at the beginning of the financial year	90 300.7710
Number of shares issued	2 280.5740
Number of shares redeemed	-18 735.9680
<b>Number of shares outstanding at the end of the financial year</b>	<b>73 845.3770</b>

## Statement of Investments in Securities and other Net Assets as of 30 September 2015

Description	Quantity/ Nominal	Valuation in USD Unrealized gain (loss) on Futures/ Forward Exchange Contracts/ Swaps (Note 1)	as a % of net assets
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### Transferable securities and money market instruments listed on an official stock exchange

#### Bearer shares

##### Netherlands

USD	NXP SEMICONDUCTORS EURO.20	28 050.00	2 442 313.50	2.28
<b>Total Netherlands</b>			<b>2 442 313.50</b>	<b>2.28</b>

##### United States

USD	ADOBE SYSTEMS INC COM USD0.0001	45 300.00	3 724 566.00	3.47
USD	AFFILIATED MNGRS COM USD0.01	18 000.00	3 077 820.00	2.87
USD	ALEXION PHARMACEUT COM USD0.0001	28 500.00	4 457 115.00	4.16
USD	ALLERGAN PLC COM USD0.0001	19 350.00	5 259 523.50	4.91
USD	BRISTOL MYERS SQUIBB CO COM	36 100.00	2 137 120.00	1.99
USD	CELGENE CORP COM USD0.01	44 700.00	4 835 199.00	4.51
USD	CERNER CORP COM	61 250.00	3 672 550.00	3.43
USD	COGNIZANT TECHNOLO COM CL'A'USD0.01	98 250.00	6 151 432.50	5.74
USD	DOLLAR GENERAL CP COM USD0.875	44 800.00	3 245 312.00	3.03
USD	DOLLAR TREE INC	33 100.00	2 206 446.00	2.06
USD	FACEBOOK INC COM USD0.000006 CL 'A'	61 550.00	5 533 345.00	5.16
USD	FLEETCOR TECHNOLOG COM STK USD0.001	11 900.00	1 637 678.00	1.53
USD	GOOGLE INC COM USD0.001 CL'A'	7 025.00	4 484 549.25	4.18
USD	IMS HEALTH HOLDING COM USD0.01	83 000.00	2 415 300.00	2.25
USD	INTUITIVE SURGICAL COM USD0.001	5 025.00	2 309 389.50	2.15
USD	INVESCO LTD COM STK USD0.20	98 100.00	3 063 663.00	2.86
USD	MASTERCARD INC COM USD0.0001 CLASS 'A'	38 300.00	3 451 596.00	3.22
USD	MONSTER BEV CORP USD0.005(NEW)	21 900.00	2 959 566.00	2.76
USD	NIELSEN HLDGS PLC COM EURO.07	68 450.00	3 043 971.50	2.84
USD	PRICELINE.COM INC.COM USD0.008	4 610.00	5 701 924.60	5.32
USD	REGENERON PHARMACEUTICALS COM	4 100.00	1 907 074.00	1.78
USD	ROYAL CARIBBEAN COM USD0.01	39 650.00	3 532 418.50	3.30
USD	STARBUCKS CORP COM USD0.001	68 100.00	3 870 804.00	3.61
USD	STERICYCLE INC COM	16 200.00	2 256 822.00	2.11
USD	VERISK ANALYTICS I CL A USD0.001	34 400.00	2 542 504.00	2.37
USD	VISA INC COM STK USD0.0001	72 000.00	5 015 520.00	4.68
<b>Total United States</b>			<b>92 493 209.35</b>	<b>86.29</b>

<b>Total Bearer shares</b>			<b>94 935 522.85</b>	<b>88.57</b>
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#### Depository receipts

##### China

USD	ALIBABA GROUP HLDG SPON ADS EACH REP ONE ORD-ADR	50 050.00	2 951 448.50	2.75
<b>Total China</b>			<b>2 951 448.50</b>	<b>2.75</b>

##### Ireland

USD	SHIRE ADR EACH REPR 3 ORD	17 800.00	3 653 094.00	3.41
<b>Total Ireland</b>			<b>3 653 094.00</b>	<b>3.41</b>

<b>Total Depository receipts</b>			<b>6 604 542.50</b>	<b>6.16</b>
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<b>Total Transferable securities and money market instruments listed on an official stock exchange</b>			<b>101 540 065.35</b>	<b>94.73</b>
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### Transferable securities and money market instruments traded on another regulated market

#### Depository receipts

##### China

USD	TENCENT HLDGS LIM UNSP ADR EACH REP 1 ORD	211 650.00	3 572 652.00	3.33
<b>Total China</b>			<b>3 572 652.00</b>	<b>3.33</b>

<b>Total Depository receipts</b>			<b>3 572 652.00</b>	<b>3.33</b>
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<b>Total Transferable securities and money market instruments traded on another regulated market</b>			<b>3 572 652.00</b>	<b>3.33</b>
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Description	Quantity/ Nominal	Valuation in USD Unrealized gain (loss) on Futures/ Forward Exchange Contracts/ Swaps (Note 1)	as a % of net assets
<b>Transferable securities and money market instruments not listed on an official stock exchange and not traded on another regulated market</b>			
<b>Bearer shares</b>			
<b>United States</b>			
USD GOOGL GOOGL INC COM USD0.001 CL/C'	2 863.00	1 741 906.46	1.63
<b>Total United States</b>		<b>1 741 906.46</b>	<b>1.63</b>
<b>Total Bearer shares</b>		<b>1 741 906.46</b>	<b>1.63</b>
<b>Total Transferable securities and money market instruments not listed on an official stock exchange and not traded on another regulated market</b>		<b>1 741 906.46</b>	<b>1.63</b>
<b>Total investments in securities</b>		<b>106 854 623.81</b>	<b>99.69</b>
Cash at banks, deposits on demand and deposit accounts and other liquid assets		591 597.34	0.55
Other assets and liabilities		-258 046.28	-0.24
<b>Total net assets</b>		<b>107 188 174.87</b>	<b>100.00</b>

# Hereford Funds

## – DGHM US All-Cap Value Fund

Annual Report as of 30 September 2015

### Three-year comparison

Date	ISIN	30.9.2015	30.9.2014	30.9.2013
Net assets in USD		199 538 286.25	264 192 060.86	131 719 706.26
<b>Class A (USD)</b>	<b>LU0435791347</b>			
Shares outstanding		116 512.3640	202 420.2600	574 441.9360
Net asset value per share in USD		177.79	188.48	167.67
<b>Class B (USD)</b>	<b>LU0947125729</b>			
Shares outstanding		1 601 585.3760	1 894 989.7130	260 000.0000
Net asset value per share in USD		109.70	115.85	102.68
<b>Class D (USD)</b>	<b>LU0435791420</b>			
Shares outstanding		21 878.5190	42 595.1090	63 727.9510
Net asset value per share in USD		143.26	152.75	136.63

### Performance

	Currency	2014/2015	2013/2014	2012/2013
Class A (USD)	USD	-5.7%	12.4%	23.5%
Class B (USD)	USD	-5.3%	12.8%	-
Class D (USD)	USD	-6.2%	11.8%	22.8%

Historical performance is no indicator of current or future performance.  
 The performance data does not take account of any commissions and costs charged when subscribing and redeeming shares.  
 The performance data were not audited.  
 The compartment has no benchmark.

### Structure of the Securities Portfolio

Geographical Breakdown as a % of net assets	
United States	86.92
Israel	3.17
Canada	3.01
Switzerland	2.59
Ireland	2.54
<b>Total</b>	<b>98.23</b>

Classification by Currency as a % of net assets	
USD	98.23
<b>Total</b>	<b>98.23</b>

## Statement of Net Assets

	USD
<b>Assets</b>	<b>30.9.2015</b>
Investments in securities, cost	196 677 253.96
Investments in securities, unrealized appreciation (depreciation)	-661 385.38
Total investments in securities (Note 1)	196 015 868.58
Cash at banks, deposits on demand and deposit accounts (Note 1)	3 644 799.25
Receivable on securities sales (Note 1)	4 792 965.39
Receivable on subscriptions	29 705.50
Receivable on dividends	154 999.60
<b>Total Assets</b>	<b>204 638 338.32</b>
<b>Liabilities</b>	
Payable on securities purchases (Note 1)	-4 051 230.88
Payable on redemptions	-64 028.70
Provisions for Investment Advisory fees (Note 2)	-551 819.61
Provisions for distribution fees (Note 2)	-29 424.14
Provisions for service fees (Note 2)	-337 729.13
Provisions for directors fees (Note 2)	-5 246.18
Provisions for taxe d'abonnement (Note 3)	-10 144.15
Provisions for audit fees, legal and economic advice (Note 2)	-39 476.88
Provisions for other commissions and fees (Note 2)	-10 952.40
Total provisions	-984 792.49
<b>Total Liabilities</b>	<b>-5 100 052.07</b>
<b>Net assets at the end of the financial year</b>	<b>199 538 286.25</b>

## Statement of Operations

	USD
<b>Income</b>	<b>1.10.2014-30.9.2015</b>
Dividends (Note 1)	2 742 796.98
<b>Total income</b>	<b>2 742 796.98</b>
<b>Expenses</b>	
Investment Advisory fees (Note 2)	-2 420 416.31
Distribution fees (Note 2)	-38 469.78
Service fees (Note 2)	-317 736.48
Directors fees (Note 2)	-5 194.10
Taxe d'abonnement (Note 3)	-30 673.37
Preparing, printing and filing of administrative documents fees (Note 2)	-5 402.76
Audit fees, legal and economic advice (Note 2)	-52 503.35
Publications, printing costs and publicity (Note 2)	-4 223.58
Amortization of formation expenses (Note 2)	-36.07
Other commissions and fees (Note 2)	-87 572.42
<b>Total expenses</b>	<b>-2 962 228.22</b>
<b>Net income (loss) on investments</b>	<b>-219 431.24</b>
<b>Realized gain (loss) (Note 1)</b>	
Realized gain (loss) on market-priced securities without options	17 211 409.70
Realized gain (loss) on foreign exchange	-593.49
<b>Total realized gain (loss)</b>	<b>17 210 816.21</b>
<b>Net realized gain (loss) of the financial year</b>	<b>16 991 384.97</b>
<b>Changes in unrealized appreciation (depreciation)</b>	
Unrealized appreciation (depreciation) on market-priced securities without options	-25 791 277.17
<b>Total changes in unrealized appreciation (depreciation)</b>	<b>-25 791 277.17</b>
<b>Net increase (decrease) in net assets as a result of operations</b>	<b>-8 799 892.20</b>

## Statement of Changes in Net Assets

	<b>USD</b>
	<b>1.10.2014-30.9.2015</b>
Net assets at the beginning of the financial year	264 192 060.86
Subscriptions	25 896 846.66
Redemptions	-81 750 729.07
Total net subscriptions (redemptions)	-55 853 882.41
Net income (loss) on investments	-219 431.24
Total realized gain (loss)	17 210 816.21
Total changes in unrealized appreciation (depreciation)	-25 791 277.17
Net increase (decrease) in net assets as a result of operations	-8 799 892.20
<b>Net assets at the end of the financial year</b>	<b>199 538 286.25</b>

## Changes in the Number of Shares outstanding

	<b>1.10.2014-30.9.2015</b>
<b>Class</b>	<b>A (USD)</b>
Number of shares outstanding at the beginning of the financial year	202 420.2600
Number of shares issued	16 045.1420
Number of shares redeemed	-101 953.0380
<b>Number of shares outstanding at the end of the financial year</b>	<b>116 512.3640</b>
<b>Class</b>	<b>B (USD)</b>
Number of shares outstanding at the beginning of the financial year	1 894 989.7130
Number of shares issued	178 501.5710
Number of shares redeemed	-471 905.9080
<b>Number of shares outstanding at the end of the financial year</b>	<b>1 601 585.3760</b>
<b>Class</b>	<b>D (USD)</b>
Number of shares outstanding at the beginning of the financial year	42 595.1090
Number of shares issued	4 170.9990
Number of shares redeemed	-24 887.5890
<b>Number of shares outstanding at the end of the financial year</b>	<b>21 878.5190</b>

## Statement of Investments in Securities and other Net Assets as of 30 September 2015

Description	Quantity/ Nominal	Valuation in USD Unrealized gain (loss) on Futures/ Forward Exchange Contracts/ Swaps (Note 1)	as a % of net assets
<b>Transferable securities and money market instruments listed on an official stock exchange</b>			
<b>Bearer shares</b>			
<b>Canada</b>			
USD SUNCOR ENERGY INC COM NPV 'NEW'	224 363.00	5 994 979.36	3.01
<b>Total Canada</b>		<b>5 994 979.36</b>	<b>3.01</b>
<b>Ireland</b>			
USD XL GROUP PLC USD0.01	139 700.00	5 073 904.00	2.54
<b>Total Ireland</b>		<b>5 073 904.00</b>	<b>2.54</b>
<b>Israel</b>			
USD CHECK POINT SFTWRE ORD ILS0.01	79 800.00	6 330 534.00	3.17
<b>Total Israel</b>		<b>6 330 534.00</b>	<b>3.17</b>
<b>United States</b>			
USD 3M CO COM	29 708.00	4 211 703.16	2.11
USD ABBOTT LABS COM	113 116.00	4 549 525.52	2.28
USD ALEXANDRIA REAL ESTATE EQ INC COM	58 664.00	4 967 080.88	2.49
USD ANALOG DEVICES INC COM	85 718.00	4 835 352.38	2.42
USD AT&T INC COM USD1	269 442.00	8 778 420.36	4.40
USD BAKER HUGHES INC COM USD1	64 434.00	3 353 145.36	1.68
USD BED BATH & BEYOND INC COM	73 441.00	4 187 605.82	2.10
USD CISCO SYSTEMS COM USD0.001	252 210.00	6 620 512.50	3.32
USD CIT GROUP INC COM NEW USD0.01	149 320.00	5 977 279.60	3.00
USD EASTMAN CHEM CO COM	68 853.00	4 456 166.16	2.23
USD GENERAL MILS INC COM	98 673.00	5 538 515.49	2.78
USD GLATFELTER COM	210 822.00	3 630 354.84	1.82
USD HALLIBURTON COM STK USD2.50	141 186.00	4 990 925.10	2.50
USD INVESCO LTD COM STK USD0.20	167 704.00	5 237 395.92	2.63
USD JP MORGAN CHASE & COM USD1	144 478.00	8 808 823.66	4.41
USD KEYCORP NEW COM	411 106.00	5 348 489.06	2.68
USD KOHL'S CORPORATION COM USD0.01	78 471.00	3 633 992.01	1.82
USD LINCOLN NATL CORP COM NPV	92 405.00	4 385 541.30	2.20
USD MID-AMER APARTMENT COM STK USD0.01	52 730.00	4 317 005.10	2.16
USD OMNICOM GROUP INC COM USD0.15	57 080.00	3 761 572.00	1.89
USD PDC ENERGY INC COM USD0.01	115 295.00	6 111 787.95	3.06
USD PFIZER INC COM USD0.05	300 060.00	9 424 884.60	4.72
USD PUBLIC SVC ENTERPRISE GROUP COM	160 795.00	6 779 117.20	3.40
USD RANGE RES CORP COM USD0.01	141 598.00	4 548 127.76	2.28
USD REGAL BELOIT CORP COM	85 742.00	4 840 135.90	2.43
USD REGION'S FINANCIAL CORP NEW COM	545 550.00	4 915 405.50	2.46
USD STRYKER CORP COM USD0.10	61 261.00	5 764 660.10	2.89
USD SUNTRUST BKS INC COM	145 229.00	5 553 556.96	2.78
USD THOR INDS INC COM	106 451.00	5 514 161.80	2.76
USD TIME WARNER INC COM USD0.01	88 287.00	6 069 731.25	3.04
USD UNION PACIFIC CORP COM USD2.50	59 158.00	5 230 158.78	2.62
USD WEC ENERGY GROUP COM USD0.01	136 170.00	7 110 797.40	3.56
<b>Total United States</b>		<b>173 451 931.42</b>	<b>86.92</b>
<b>Total Bearer shares</b>		<b>190 851 348.78</b>	<b>95.64</b>
<b>Registered shares</b>			
<b>Switzerland</b>			
USD ACE LIMITED ORD CHF30.27	49 947.00	5 164 519.80	2.59
<b>Total Switzerland</b>		<b>5 164 519.80</b>	<b>2.59</b>
<b>Total Registered shares</b>		<b>5 164 519.80</b>	<b>2.59</b>
<b>Total Transferable securities and money market instruments listed on an official stock exchange</b>		<b>196 015 868.58</b>	<b>98.23</b>
<b>Total investments in securities</b>		<b>196 015 868.58</b>	<b>98.23</b>
<b>Cash at banks, deposits on demand and deposit accounts and other liquid assets</b>		<b>3 644 799.25</b>	<b>1.83</b>
<b>Other assets and liabilities</b>		<b>-122 381.58</b>	<b>-0.06</b>
<b>Total net assets</b>		<b>199 538 286.25</b>	<b>100.00</b>

# Hereford Funds – FIRTH ASIAN Value Fund

Annual Report as of 30 September 2015

## Three-year comparison

Date	ISIN	30.9.2015	30.9.2014	30.9.2013
Net assets in USD		33 968 887.89	75 449 313.14	61 156 535.31
<b>Class A (USD)</b>	<b>LU0618975774</b>			
Shares outstanding		337 641.3310	663 396.0020	553 609.8440
Net asset value per share in USD		100.61	113.73	110.47

## Performance

	Currency	2014/2015	2013/2014	2012/2013
Class A (USD)	USD	-11.5%	3.0%	11.9%

Historical performance is no indicator of current or future performance.  
 The performance data does not take account of any commissions and costs charged when subscribing and redeeming shares.  
 The performance data were not audited.  
 The compartment has no benchmark.

## Structure of the Securities Portfolio

Geographical Breakdown as a % of net assets	
Hong Kong	29.69
Singapore	16.00
India	12.71
South Korea	9.33
Taiwan	9.31
Philippines	7.08
Indonesia	3.76
Thailand	2.56
Malaysia	1.53
China	0.56
<b>Total</b>	<b>92.53</b>

Classification by Currency as a % of net assets	
HKD	30.25
SGD	15.17
INR	11.54
KRW	9.33
TWD	9.30
PHP	7.08
IDR	3.77
THB	2.56
USD	2.00
MYR	1.53
<b>Total</b>	<b>92.53</b>

## Statement of Net Assets

	USD
<b>Assets</b>	<b>30.9.2015</b>
Investments in securities, cost	38 516 749.41
Investments in securities, unrealized appreciation (depreciation)	-7 085 230.93
Total investments in securities (Note 1)	31 431 518.48
Cash at banks, deposits on demand and deposit accounts (Note 1)	3 392 614.20
Receivable on dividends	112 357.55
Formation expenses, net (Note 1)	14 676.64
<b>Total Assets</b>	<b>34 951 166.87</b>
<b>Liabilities</b>	
Payable on securities purchases (Note 1)	-292 334.40
Payable on redemptions	-439 989.20
Provisions for Investment Advisory fees (Note 2)	-149 772.66
Provisions for distribution fees (Note 2)	-3 763.03
Provisions for service fees (Note 2)	-77 403.55
Provisions for directors fees (Note 2)	-1 026.23
Provisions for taxe d'abonnement (Note 3)	-1 974.54
Provisions for audit fees, legal and economic advice (Note 2)	-11 495.07
Provisions for other commissions and fees (Note 2)	-4 520.30
Total provisions	-249 955.38
<b>Total Liabilities</b>	<b>-982 278.98</b>
<b>Net assets at the end of the financial year</b>	<b>33 968 887.89</b>

## Statement of Operations

	USD
<b>Income</b>	<b>1.10.2014-30.9.2015</b>
Interest on liquid assets	2 100.29
Dividends (Note 1)	1 681 187.39
<b>Total income</b>	<b>1 683 287.68</b>
<b>Expenses</b>	
Investment Advisory fees (Note 2)	-799 580.99
Distribution fees (Note 2)	-4 112.46
Service fees (Note 2)	-120 889.47
Directors fees (Note 2)	-1 015.53
Taxe d'abonnement (Note 3)	-6 059.29
Preparing, printing and filing of administrative documents fees (Note 2)	-1225.24
Audit fees, legal and economic advice (Note 2)	-12 228.62
Publications, printing costs and publicity (Note 2)	- 697.68
Amortization of formation expenses (Note 2)	-1 585.86
Other commissions and fees (Note 2)	-44 095.36
Interest on cash and bank overdraft	-3.42
<b>Total expenses</b>	<b>-991 493.92</b>
<b>Net income (loss) on investments</b>	<b>691 793.76</b>
<b>Realized gain (loss) (Note 1)</b>	
Realized gain (loss) on market-priced securities without options	-1 907 501.50
Realized gain (loss) on forward foreign exchange contracts	-22 746.18
Realized gain (loss) on foreign exchange	-122 018.71
<b>Total realized gain (loss)</b>	<b>-2 052 266.39</b>
<b>Net realized gain (loss) of the financial year</b>	<b>-1 360 472.63</b>
<b>Changes in unrealized appreciation (depreciation)</b>	
Unrealized appreciation (depreciation) on market-priced securities without options	-4 643 730.70
<b>Total changes in unrealized appreciation (depreciation)</b>	<b>-4 643 730.70</b>
<b>Net increase (decrease) in net assets as a result of operations</b>	<b>-6 004 203.33</b>

## Statement of Changes in Net Assets

	<b>USD</b>
	<b>1.10.2014-30.9.2015</b>
Net assets at the beginning of the financial year	75 449 313.14
Subscriptions	4 965 747.23
Redemptions	-40 441 969.15
Total net subscriptions (redemptions)	-35 476 221.92
Net income (loss) on investments	691 793.76
Total realized gain (loss)	-2 052 266.39
Total changes in unrealized appreciation (depreciation)	-4 643 730.70
Net increase (decrease) in net assets as a result of operations	-6 004 203.33
<b>Net assets at the end of the financial year</b>	<b>33 968 887.89</b>

## Changes in the Number of Shares outstanding

	<b>1.10.2014-30.9.2015</b>
<b>Class</b>	<b>A (USD)</b>
Number of shares outstanding at the beginning of the financial year	663 396.0020
Number of shares issued	44 193.6990
Number of shares redeemed	-369 948.3700
<b>Number of shares outstanding at the end of the financial year</b>	<b>337 641.3310</b>

## Statement of Investments in Securities and other Net Assets as of 30 September 2015

Description	Quantity/ Nominal	Valuation in USD Unrealized gain (loss) on Futures/ Forward Exchange Contracts/ Swaps (Note 1)	as a % of net assets
<b>Transferable securities and money market instruments listed on an official stock exchange</b>			
<b>Bearer shares</b>			
<b>China</b>			
HKD HOPEFLUENT GP HLDG HKD0.01	740 000.00	190 011.68	0.56
<b>Total China</b>		<b>190 011.68</b>	<b>0.56</b>
<b>Hong Kong</b>			
HKD AEON STORES(HK) CO NPV	1 001 000.00	968 703.43	2.85
HKD ALLAN INTL HLDGS HKD0.10	1 076 000.00	280 452.38	0.83
HKD BOSSINI INTL HLDGS HKD0.10	8 202 000.00	677 322.08	1.99
HKD CHEN HSONG HOLDING HKD0.10	2 988 000.00	701 693.54	2.07
HKD CLEAR MEDIA HKD0.10	509 000.00	507 683.18	1.50
HKD DAPHNE INTL HOLDS HKD0.10	1 738 000.00	394 691.65	1.16
HKD GLORIOUS SUN ENTER HKD0.10	4 090 000.00	670 227.93	1.97
HKD HUNG HING PRINTING HKD0.10	5 412 000.00	677 368.53	1.99
HKD HUTCHISON TEL HK H HKD0.25	834 000.00	334 673.97	0.99
HKD LUNG KEE(BERMUDA) HKD0.10	2 629 000.00	719 154.07	2.12
HKD MOISELLE INTL HKD0.01	815 000.00	130 399.16	0.38
HKD NATURAL BEAUTY BIO HKD0.10	9 600 000.00	769 233.75	2.26
HKD ORIENTAL WATCH HLD HKD0.10	2 658 000.00	356 684.15	1.05
HKD PICO FAR EAST HLDG HKD0.05	3 196 000.00	742 291.99	2.19
HKD SAMSON HOLDING USD0.05	2 498 000.00	315 874.09	0.93
HKD SUN HING VISION GR HKD0.10	2 425 000.00	907 413.50	2.67
HKD TRANSPORT INTL HLD HKD1	351 600.00	930 032.71	2.74
<b>Total Hong Kong</b>		<b>10 083 900.11</b>	<b>29.69</b>
<b>India</b>			
INR EROS INTL MEDIA INR10	140 015.00	1 119 010.80	3.29
INR GEOMETRIC LTD INR2	209 343.00	422 736.36	1.25
INR HT MEDIA LTD INR2	578 178.00	717 437.51	2.11
INR JAMMU & KASHMIR BA INR1	550 444.00	755 560.70	2.22
USD MAKEMYTRIP LTD USD0.0005	28 814.00	396 192.50	1.17
INR MPHASIS BFL LTD INR10	144 922.00	905 762.50	2.67
<b>Total India</b>		<b>4 316 700.37</b>	<b>12.71</b>
<b>Indonesia</b>			
IDR ASAHIMAS FLAT GLAS IDR500	1 247 300.00	493 810.98	1.45
IDR LINK NET TBK IDR100	2 561 300.00	784 998.13	2.31
<b>Total Indonesia</b>		<b>1 278 809.11</b>	<b>3.76</b>
<b>Malaysia</b>			
MYR ALLIANZ MALAYSIA MYR1	215 900.00	520 625.60	1.53
<b>Total Malaysia</b>		<b>520 625.60</b>	<b>1.53</b>
<b>Philippines</b>			
PHP INTEGRATED MICRO-E PHP1	3 667 100.00	447 207.32	1.32
PHP MANILA WATER CO PHP1	626 400.00	291 489.09	0.86
PHP PEPSI-COLA PRODUCT PHP0.15	11 589 200.00	1 016 596.49	2.99
PHP PHILIPPINE NATL BK PHP40	612 090.00	650 198.30	1.91
<b>Total Philippines</b>		<b>2 405 491.20</b>	<b>7.08</b>
<b>Singapore</b>			
SGD AURIC PACIFIC GP NPV	1 302 900.00	691 813.42	2.04
SGD COURTS ASIA LTD NPV	2 443 000.00	670 068.22	1.97
SGD CWT LIMITED SGD0.25	246 100.00	342 694.99	1.01
USD ELEC & ELTEK INTL SGD0.8	409 200.00	282 348.00	0.83
SGD HOUR GLASS NPV (POST-SPLIT)	1 391 100.00	665 270.41	1.96
SGD KINGSMEN CREATIVE NPV	1 209 900.00	650 941.35	1.92
SGD QAF SGD0.40	1 403 930.00	1 002 172.41	2.95
SGD UOB-KAY HIAN HOLDI SGD0.10	385 600.00	394 576.27	1.16
SGD VENTURE CORP LTD SGD0.25	126 200.00	735 774.67	2.16
<b>Total Singapore</b>		<b>5 435 659.74</b>	<b>16.00</b>
<b>South Korea</b>			
KRW ATLASBX CO LTD KRW1000	16 791.00	559 558.36	1.64
KRW DAEGU DEPARTMENT S KRW5000	9 919.00	117 993.68	0.35
KRW FURSUS KRW1000	24 567.00	777 239.97	2.29
KRW G2R KRW1000	84 363.00	707 473.42	2.08
KRW MEGASTUDY EDUCATIO KRW500	5 962.00	318 898.86	0.94
<b>Total South Korea</b>		<b>2 481 164.29</b>	<b>7.30</b>

Description	Quantity/ Nominal	Valuation in USD Unrealized gain (loss) on Futures/ Forward Exchange Contracts/ Swaps (Note 1)	as a % of net assets
<b>Taiwan</b>			
TWD 104 CORP TWD10	61 000.00	266 767.90	0.79
TWD CAPITAL SECURITIES TWD10	1 499 000.00	408 807.84	1.20
TWD CLEANAWAY COMPANY TWD10	9 000.00	40 179.18	0.12
TWD CYBERLINK CORP TWD10	250 711.00	518 515.50	1.53
TWD E-LIFE MALL CORP TWD10	211 000.00	355 004.18	1.04
TWD MOMO COM INC TWD10	54 000.00	319 793.49	0.94
TWD TSANN KUEN ENTERPR TWD10	591 000.00	332 047.68	0.98
TWD UNIMICRON TECHNOLO TWD10	1 045 000.00	396 704.88	1.17
<b>Total Taiwan</b>		<b>2 637 820.65</b>	<b>7.77</b>
<b>Total Bearer shares</b>		<b>29 350 182.75</b>	<b>86.40</b>
<b>Investment funds, closed end</b>			
<b>Thailand</b>			
THB TRUE TELECOMMUNICATION GROWTH INFRASTRUCTURE FUND	2 504 800.00	869 554.48	2.56
<b>Total Thailand</b>		<b>869 554.48</b>	<b>2.56</b>
<b>Total Investment funds, closed end</b>		<b>869 554.48</b>	<b>2.56</b>
<b>Total Transferable securities and money market instruments listed on an official stock exchange</b>		<b>30 219 737.23</b>	<b>88.96</b>
<b>Transferable securities and money market instruments traded on another regulated market</b>			
<b>Bearer shares</b>			
<b>South Korea</b>			
KRW INTOPS CO KRW500	43 699.00	689 421.52	2.03
<b>Total South Korea</b>		<b>689 421.52</b>	<b>2.03</b>
<b>Taiwan</b>			
TWD YUFO ELECTRONICS C TWD10	1 000 000.00	522 359.73	1.54
<b>Total Taiwan</b>		<b>522 359.73</b>	<b>1.54</b>
<b>Total Bearer shares</b>		<b>1 211 781.25</b>	<b>3.57</b>
<b>Total Transferable securities and money market instruments traded on another regulated market</b>		<b>1 211 781.25</b>	<b>3.57</b>
<b>Total investments in securities</b>		<b>31 431 518.48</b>	<b>92.53</b>
<b>Cash at banks, deposits on demand and deposit accounts and other liquid assets</b>		<b>3 392 614.20</b>	<b>9.99</b>
<b>Other assets and liabilities</b>		<b>-855 244.79</b>	<b>-2.52</b>
<b>Total net assets</b>		<b>33 968 887.89</b>	<b>100.00</b>

# Hereford Funds – IMVA Opportunity Fund

Annual Report as of 30 September 2015

## Most important figures

Date	ISIN	30.9.2015	30.9.2014
Net assets in USD		1 601 080.01	4 136 399.52
<b>Class A (USD)<sup>1</sup></b>	<b>LU1022309220</b>		
Shares outstanding		9 940.7130	10 853.2790
Net asset value per share in USD		54.72	86.17
<b>Class L (USD)<sup>1</sup></b>	<b>LU1022310400</b>		
Shares outstanding		19 230.0000	37 030.0000
Net asset value per share in USD		54.97	86.45

<sup>1</sup> First NAV: 31.1.2014

## Performance

	Currency	2014/2015	2014
Class A (USD)	USD	-36.5%	-
Class L (USD)	USD	-36.4%	-

Historical performance is no indicator of current or future performance.  
The performance data does not take account of any commissions and costs charged when subscribing and redeeming shares.  
The performance data were not audited.  
The compartment has no benchmark.

## Structure of the Securities Portfolio

Geographical Breakdown as a % of net assets	
United States	86.34
Luxembourg	4.11
Bermuda	3.47
<b>Total</b>	<b>93.92</b>

Classification by Currency as a % of net assets	
USD	93.92
<b>Total</b>	<b>93.92</b>

## Statement of Net Assets

	USD
<b>Assets</b>	<b>30.9.2015</b>
Investments in securities, cost	2 092 791.99
Investments in securities, unrealized appreciation (depreciation)	-589 017.98
Total investments in securities (Note 1)	1 503 774.01
Cash at banks, deposits on demand and deposit accounts (Note 1)	99 739.50
Formation expenses, net (Note 1)	11 721.01
<b>Total Assets</b>	<b>1 615 234.52</b>
<b>Liabilities</b>	
Provisions for distribution fees (Note 2)	-159.18
Provisions for service fees (Note 2)	-2 910.15
Provisions for directors fees (Note 2)	-43.24
Provisions for taxe d'abonnement (Note 3)	-73.13
Provisions for audit fees, legal and economic advice (Note 2)	-10 721.28
Provisions for other commissions and fees (Note 2)	-247.53
Total provisions	-14 154.51
<b>Total Liabilities</b>	<b>-14 154.51</b>
<b>Net assets at the end of the financial year</b>	<b>1 601 080.01</b>

## Statement of Operations

	USD
<b>Income</b>	<b>1.10.2014-30.9.2015</b>
Dividends (Note 1)	30 278.54
<b>Total income</b>	<b>30 278.54</b>
<b>Expenses</b>	
Investment Advisory fees (Note 2)	-5 972.62
Distribution fees (Note 2)	-174.08
Service fees (Note 2)	-9 968.36
Directors fees (Note 2)	-42.78
Taxe d'abonnement (Note 3)	-237.92
Preparing, printing and filing of administrative documents fees (Note 2)	-42.07
Audit fees, legal and economic advice (Note 2)	-4 850.98
Publications, printing costs and publicity (Note 2)	-27.89
Amortization of formation expenses (Note 2)	-470.91
Other commissions and fees (Note 2)	-8 576.39
<b>Total expenses</b>	<b>-30 364.00</b>
<b>Net income (loss) on investments</b>	<b>-85.46</b>
<b>Realized gain (loss) (Note 1)</b>	
Realized gain (loss) on market-priced securities without options	-1 365 813.45
Realized gain (loss) on foreign exchange	35.56
<b>Total realized gain (loss)</b>	<b>-1 365 777.89</b>
<b>Net realized gain (loss) of the financial year</b>	<b>-1 365 863.35</b>
<b>Changes in unrealized appreciation (depreciation)</b>	
Unrealized appreciation (depreciation) on market-priced securities without options	215 902.08
<b>Total changes in unrealized appreciation (depreciation)</b>	<b>215 902.08</b>
<b>Net increase (decrease) in net assets as a result of operations</b>	<b>-1 149 961.27</b>

## Statement of Changes in Net Assets

	<b>USD</b>
	<b>1.10.2014-30.9.2015</b>
Net assets at the beginning of the financial year	4 136 399.52
Redemptions	-1 385 358.24
Total net subscriptions (redemptions)	-1 385 358.24
Net income (loss) on investments	-85.46
Total realized gain (loss)	-1 365 777.89
Total changes in unrealized appreciation (depreciation)	215 902.08
Net increase (decrease) in net assets as a result of operations	-1 149 961.27
<b>Net assets at the end of the financial year</b>	<b>1 601 080.01</b>

## Changes in the Number of Shares outstanding

	<b>1.10.2014-30.9.2015</b>
<b>Class</b>	<b>A (USD)</b>
Number of shares outstanding at the beginning of the financial year	10 853.2790
Number of shares issued	0.0000
Number of shares redeemed	-912.5660
<b>Number of shares outstanding at the end of the financial year</b>	<b>9 940.7130</b>
<b>Class</b>	<b>L (USD)</b>
Number of shares outstanding at the beginning of the financial year	37 030.0000
Number of shares issued	0.0000
Number of shares redeemed	-17 800.0000
<b>Number of shares outstanding at the end of the financial year</b>	<b>19 230.0000</b>

## Statement of Investments in Securities and other Net Assets as of 30 September 2015

Description	Quantity/ Nominal	Valuation in USD Unrealized gain (loss) on Futures/ Forward Exchange Contracts/ Swaps (Note 1)	as a % of net assets
<b>Transferable securities and money market instruments listed on an official stock exchange</b>			
<b>Bearer shares</b>			
<b>Bermuda</b>			
USD ENDURANCE SPECIALT COM USD1	910.00	55 537.30	3.47
<b>Total Bermuda</b>		<b>55 537.30</b>	<b>3.47</b>
<b>United States</b>			
USD 3 D SYSTEMS INC COM USD0.001	8 470.00	97 828.50	6.11
USD ABBOTT LABS COM	830.00	33 382.60	2.08
USD ADVANCED ENERGY INDS COM	2 010.00	52 863.00	3.30
USD AMERICAN EXPRESS CO COM	770.00	57 080.10	3.56
USD ANACOR PHARMACEUTI COM STK USD0.001	314.00	36 960.94	2.31
USD ANADARKO PETROLEUM COM USD0.10	551.00	33 274.89	2.08
USD BOTTLINGLINE TECH DEL INC COM	2 090.00	52 270.90	3.26
USD BWX TECHNOLOGIES I COM USD0.01	3 074.00	81 030.64	5.06
USD CHICO'S FAS INC COM USD0.01	2 630.00	41 369.90	2.58
USD CREE INC COM	2 639.00	63 942.97	3.99
USD EPIQ SYS INC COM	2 300.00	29 716.00	1.86
USD FASTENAL CO COM	1 170.00	42 833.70	2.68
USD INTL BUSINESS MCHN COM USD0.20	300.00	43 491.00	2.72
USD INTREPID POTASH IN COM STK USD0.001	7 490.00	41 494.60	2.59
USD KVH INDUSTRIES COM USD0.01	7 930.00	79 300.00	4.95
USD LUMINEX CORP DEL COM	7 775.00	131 475.25	8.21
USD M D C HLDGS INC COM	1 520.00	39 793.60	2.49
USD MCDERMOTT J RAY S COM USD1	29 220.00	125 646.00	7.85
USD PIER 1 IMPORTS INC COM USD0.001	3 960.00	27 324.00	1.71
USD QUIDEL CORP COM	4 120.00	77 785.60	4.86
USD STHWESTN ENERGY CO COM USD0.01	2 410.00	30 582.90	1.91
USD T ROWE PRICE GROUP COM USD0.20	870.00	60 465.00	3.78
USD TRIMAS CORP COM STK USD0.01	2 110.00	34 498.50	2.15
<b>Total United States</b>		<b>1 314 410.59</b>	<b>82.09</b>
<b>Total Bearer shares</b>		<b>1 369 947.89</b>	<b>85.56</b>
<b>Registered shares</b>			
<b>Luxembourg</b>			
USD ALTISOURCE PORTFOL COM USD1.00	2 761.00	65 822.24	4.11
<b>Total Luxembourg</b>		<b>65 822.24</b>	<b>4.11</b>
<b>United States</b>			
USD CAMERON INTL CORP COM USD0.01	1 109.00	68 003.88	4.25
<b>Total United States</b>		<b>68 003.88</b>	<b>4.25</b>
<b>Total Registered shares</b>		<b>133 826.12</b>	<b>8.36</b>
<b>Total Transferable securities and money market instruments listed on an official stock exchange</b>		<b>1 503 774.01</b>	<b>93.92</b>
<b>Total investments in securities</b>		<b>1 503 774.01</b>	<b>93.92</b>
<b>Cash at banks, deposits on demand and deposit accounts and other liquid assets</b>		<b>99 739.50</b>	<b>6.23</b>
<b>Other assets and liabilities</b>		<b>-2 433.50</b>	<b>-0.15</b>
<b>Total net assets</b>		<b>1 601 080.01</b>	<b>100.00</b>

# Notes to the Financial Statements

Annual Report as of 30 September 2015  
Hereford Funds

## **Note 1 – Summary of significant accounting policies**

The financial statements of the Fund are prepared in accordance with generally accepted accounting policies and Luxembourg legal and regulatory requirements relating to undertakings for collective investment. The combined financial statements are expressed in USD and are presented for information purposes only.

### *a) Calculation of the net asset value*

The net asset value as well as issue, redemption and conversion prices for Shares are calculated by the Central Administration for each Compartment in the reference currency of the Compartment on the basis of the latest available prices, at intervals which may vary for each Compartment and are specified in the Appendix to the Prospectus.

The net asset value of a Share in each Compartment will be calculated by dividing the net assets of that Compartment by the total number of Shares outstanding of that Compartment. The net assets of a Compartment correspond to the difference between the total assets and the total liabilities of the Compartment.

The Fund's total net assets will be expressed in US Dollars and correspond to the difference between the total assets and the total liabilities of the Fund. In order to calculate this value, the net assets of each Compartment will, unless they are already expressed in US Dollars, be converted into US Dollars, and added together.

### *b) Valuation principles*

- Securities and/or financial derivative instruments admitted to official listing on an official stock exchange or traded on any other organised market will be valued at the last available price, unless such a price is not deemed to be representative of their fair market value;
- Securities not listed on stock exchanges or not traded on any regulated market and securities with an official listing for which the last available price is not representative of a fair market value are valued prudently and in good faith by the Board of Directors, on the basis of their estimated sale prices;
- Cash and other liquid assets will be valued at their face value with interest accrued;
- Financial derivative instruments which are not listed on a regulated market will be valued in a reliable and verifiable manner on a daily basis, in accordance with market practice;

- Swaps are valued at their fair value based on the underlying securities (at close of business or intra-day) as well as on the characteristics of the underlying commitments, interest rate swaps will be valued on the basis of their market value established by reference to the applicable interest rate curve;
- Liquid assets and money market instruments may be valued at market value plus any accrued interest or on an amortised cost basis as determined by the Board of Directors. All other assets, where practice allows, may be valued in the same manner;
- The units/shares of undertakings for collective investment will be valued on the basis of the last known net asset value;
- In the event that the above mentioned calculation methods are inappropriate or misleading, the Board of Directors may adjust the value of any investment or permit some other method of valuation to be used for the assets of the Fund if it considers that the circumstances justify that such adjustment or other method of valuation should be adopted to reflect more fairly the value of such investments;
- For each Compartment, securities whose value is expressed in a currency other than the reference currency of that Compartment will be converted into that reference currency at the average rate between the last available buy/sell rate in Luxembourg or, failing that, in a financial center which is most representative for those securities.

### *c) Formation expenses*

The costs and expenses incurred in connection with the formation of the Fund respectively in connection with the launching of new Compartments or Classes of Shares are amortised over a period not exceeding 5 years.

### *d) Conversion of foreign currencies*

Bank accounts, other net assets and the valuation of the investments in securities held denominated in currencies other than the reference currency of the different compartments are translated at the mid closing spot rates of exchange ruling on the valuation date. Income and expenses denominated in currencies other than the currency of the different Compartments are converted at the mid closing spot rates at payment date. Profit and loss on foreign exchange is included in the statement of operations.

The cost of securities denominated in currencies other than the reference currency of the different Compartments is converted at the mid closing spot rate on the day of acquisition.

*e) Net realized result on sales of securities*

Capital gains or losses arising from sales of investment securities are computed using the weighted average cost basis.

*f) Income recognition*

Interest income is accounted for on an accrual basis. Dividends are accrued on the date upon which the relevant security becomes ex-dividend. These are accounted for net of any applicable withholding taxes in the relevant country.

*g) Consolidated financial statements*

The consolidated financial statements of the Fund are expressed in USD. The various items of the consolidated statement of net assets and the consolidated statement of operations and statement of changes as of 30 September 2015 of the Fund are equal to the sum of the corresponding items in the financial statements of each Compartment.

The exchange rates used as of 30 September 2015 are as follows:

Exchange rates	
USD 1 = EUR	0.895857
USD 1 = HKD	7.750050
USD 1 = IDR	14 650.000000
USD 1 = INR	65.640000
USD 1 = KRW	1 185.300000
USD 1 = MYR	4.395750
USD 1 = PHP	46.740000
USD 1 = SGD	1.421900
USD 1 = THB	36.295000
USD 1 = TWD	32.927500

*h) Receivable on securities sales,  
Payable on securities purchases*

The account "Receivable on securities sales" can also include receivables from foreign currency transactions. The account "Payable on securities purchases" can also include payables from foreign currency transactions.

**Note 2 – Fees and Expenses**

The Custodian Bank, the Central Administrator and the Management Company are entitled to fees in line with current practice in Luxembourg, payable on a monthly basis, which shall in aggregate not exceed 0.5% of the average net asset value of the respective Compartment. These fees are disclosed as Service fees in the Statement of Operations.

**Hereford Funds – DSM US Large Cap Growth Fund**

*Advisory fees specific to this Compartment*

Class A Shares: 1.25% per annum.  
Class B Shares: 0.75% per annum.  
Class C Shares: 1.00% per annum.  
Class D Shares: 1.75% per annum.  
Class E Shares: 0.90% per annum.  
Class U Shares: 1.25% per annum.

*Performance fees specific to this Compartment*

In addition, in relation to Class C, a performance fee may be paid to the Advisory Company on a quarterly basis, with the amount based on the relative performance of the relevant Class to the 3 Month T-Bill rate and calculated on the average month-end assets during the quarter, subject to a high water mark provision. Relative performance is defined as the return of the relevant Class, after advisory fees and other fees and expenses attributable to the Class for the quarter less the return of the 3 Month T-Bill rate for the quarter. The high water mark is defined as the largest positive cumulative relative performance percentage figure for the relevant Class since its launch. A performance-based fee will only be paid in quarters where the cumulative relative performance exceeds the high water mark and where the quarter-end NAV per Share is equal or higher to the NAV per Share of the previous quarter-end. In such instances, the performance fee is computed as 20% of the difference between the current quarter's cumulative relative performance and the high water mark.

For the year from 1 October 2014 to 30 September 2015, a performance fee of USD 119 102.53 was due.

**Hereford Funds – DGHM US All-Cap Value Fund**

*Advisory fees specific to this Compartment*

Class A Shares: 1.25% per annum.  
Class B Shares: 0.95% per annum.  
Class D Shares: 1.75% per annum.

There are no performance fees in relation to this Compartment.

**Hereford Funds – FIRTH ASIAN Value Fund**

*Advisory fees specific to this Compartment*

Class A Shares: 1.50% per annum.  
Class D Shares: 2.00% per annum.

#### *Performance fees specific to this Compartment*

In addition, in relation to Class A and D Shares, a performance fee may be paid to the Advisory Company on an annual basis (referring to the financial year of the Fund, ending in September), with the amount based on the cumulative relative performance of the relevant Class to the MSCI AC Asia ex Japan Small Cap USD Net index (Bloomberg ticker MSLUAAJN), subject to a high water mark provision.

The high water mark is defined as the latest NAV per Share of the Class in respect of which a performance fee was paid or if none, the NAV at which the relevant Class has been launched.

Relative performance is defined as the return of the relevant Class above the high water mark after advisory fees and other fees and expenses attributable to the Class for the period since the payment of the previous performance fee or if none, since the launch of the relevant Class, less the positive return of the MSCI AC Asia ex Japan Small Cap USD Net Index benchmark since the payment of the previous performance fee or if none since launch.

A performance-based fee will thus only be paid in years where the relative performance of the Class is positive and where the high water mark has been exceeded. In such instances, the performance fee is computed as 10% of the relative performance.

The Performance Fee is accrued as of each Valuation Day based on the number of Shares in issue on that Valuation Day. The amounts accrued for the Performance Fee will be paid to the Advisory Company annually, within 30 days following the financial year end.

The first performance fee of any Share Class will be calculated for the period starting with the launch of the relevant Class of Shares and ending at the end of the financial year in which such Class was launched.

For the year from 1 October 2014 to 30 September 2015, no performance fee was due.

#### **Hereford Funds – IMVA Opportunity Fund**

#### *Advisory fees specific to this Compartment*

Class A Shares: 1.25% per annum.

Class D Shares: 1.75% per annum.

Class L Shares: 0.75% per annum.

There are no performance fees in relation to this Compartment.

Other costs charged to the Fund include:

- All taxes (such as any financial transaction tax) and duties which might be due on the Fund's assets or income earned by the Fund, in particular the subscription tax (see paragraph Tax Status below) charged on the Fund's net assets.
- Brokerage fees and charges on transactions involving securities in portfolio as well as any cash payments.
- Remuneration of the Custodian Bank's correspondents.
- Extraordinary costs incurred, particularly for any verification procedures or legal proceedings undertaken to protect the Shareholders' interests.
- The cost of preparing, printing and filing of administrative documents, prospectuses and explanatory memoranda with all authorities, the rights payable for the registration and maintenance of the Fund with all authorities and official stock exchanges, the cost of preparing, translating, printing and distributing periodical reports and other documents required by law or regulations, the cost of accounting and calculating the net asset value, the cost of preparing, distributing and publishing notifications to Shareholders, fees for legal consultants, experts and independent auditors, and all similar operating costs.

The fees associated with the creation of a new Compartment will be, in principle, exclusively borne by this new Compartment. Nevertheless the Board of Directors of the Fund may decide, in circumstances where it would appear to be fairer to the Compartments concerned, that the initial setting up costs of the Fund, not yet amortised at the time the new Compartment is launched, will be equally borne by all existing Compartments including the new Compartment. The Board of Directors may also decide that the costs associated with the opening of new Compartments be borne by the existing Compartments.

Each of the Directors will be entitled to remuneration for his services at the rate determined by the general meeting of Shareholders from time to time. In addition, each Director and Delegate may be paid reasonable travelling, hotel and other incidental expenses for attending and returning from board meetings or general meetings of Shareholders as well as for visiting the Investment Manager(s). All recurring expenditure is paid when incurred or invoiced from the net assets of the Compartment. Other expenditure may be amortised over a period not exceeding five years.

Charges involved in the calculation of the net asset values of the various Compartments shall be spread between the Compartments in proportion to their net assets, except in cases where charges specifically relate to one Compartment, in which case they will be charged to that Compartment.

### Note 3 – Taxe d’abonnement

According to the law and practice currently in force in the Grand Duchy of Luxembourg, the Fund is not liable to any Luxembourg tax on withholding, income, capital gains or wealth taxes. The Fund is, however, liable in Luxembourg to a tax of 0.05% per annum (“Taxe d’abonnement”) of its net asset value, such tax being payable quarterly on the basis of the value of the net assets of the Fund at the end of the relevant quarter. However this percentage is reduced to 0.01% per annum for share classes reserved for institutional investors.

The Taxe d’abonnement is waived for that part of the Fund assets invested in units or shares of other undertakings for collective investment that have already paid the Taxe d’abonnement in accordance with the statutory provisions of Luxembourg law.

### Note 4 – Dividend Policy

It is the policy of the Fund that dividends will not be distributed and income will be capitalized.

The Board of Directors reserves the right to introduce a distribution policy which may vary according to each Compartment.

### Note 5 – Transaction costs

During the financial year from 1 October 2014 until 30 September 2015 the Fund incurred transaction costs relating to purchase or sale of investments in securities and similar transactions as follows:

Hereford Funds	Transaction costs
– DSM US Large Cap Growth Fund	113 476.05 USD
– DGHM US All-Cap Value Fund	224 645.07 USD
– FIRTH ASIAN Value Fund	185 423.74 USD
– IMVA Opportunity Fund	14 014.96 USD

Not all transaction costs are separately identifiable. For fixed income investments, forward currency contracts and other derivative contracts, transaction costs are included in the purchase and sale price of the investment. Whilst not separately identifiable these transaction costs are captured within the performance of each Compartment.

### Note 6 – Related party transactions

All transactions with related parties were entered into the ordinary course of business and under normal commercial terms. The related parties to the fund is the Advisory Company. The fees for the transactions with related parties are described in note 2.

As of 30 September 2015, the Compartments had not invested in related parties and there were no direct shareholdings in the Fund by any member of the Board of Directors.

### Note 7 – Changes in securities portfolio

Information about the changes that have occurred in the securities portfolio of the Compartments during the year can be obtained free of charge at the Registered Office of the Fund or from the Custodian Bank.

### Note 8 – Event

On 30 November 2014 with effective date 1 December 2014, the functions of the Management Company and the Custodian Bank were transferred from VPB Finance S.A. to BSI Fund Management S.A. respectively from VP Bank (Luxembourg) SA to BSI Europe S.A.

UBS Fund Services (Luxembourg) S.A. has been appointed Central Administration.

### Note 9 – Subsequent event

On 16 November 2015 the Board of Directors of the Fund decided to put the subfund Hereford Funds – IMVA Opportunity Fund into liquidation with effect as of 17 November 2015.

# Unaudited Information

Annual Report as of 30 September 2015  
Hereford Funds

## 1) Global Exposure

Risk Management is applied pursuant to the applicable laws and regulatory provisions. Global Exposure is calculated based on commitment approach.

Leverage is defined pursuant to the applicable CESR directives as the total of the notional values of the derivatives used by the respective compartment. According to this definition, leverage may result in artificially increased leverage amounts, as some derivatives that can be used for hedging purposes may be included in the calculation. Consequently, this information does not necessarily reflect the precise actual leverage risk that the investor is exposed to.

Compartment	Global risk calculation method
Hereford Funds – DSM US Large Cap Growth Fund	Commitment approach
Hereford Funds – DGHM US All-Cap Value Fund	Commitment approach
Hereford Funds – FIRTH ASIAN Value Fund	Commitment approach
Hereford Funds – IMVA Opportunity Fund	Commitment approach

## 2) UK Distributing status - reporting fund status

As of 30 September 2015 the following Compartments and Classes of Shares of Hereford Funds were granted UK reporting fund status:

- Hereford Funds – DSM US Large Cap Growth Fund  
Class A in USD  
Class B in USD  
Class C in USD  
Class D in USD  
Class E in USD  
Class U in USD
- Hereford Funds – DGHM US All-Cap Value Fund  
Class A in USD  
Class B in USD  
Class D in USD
- Hereford Funds – FIRTH ASIAN Value Fund  
Class A in USD
- Hereford Funds – IMVA Opportunity Fund  
Class A in USD  
Class L in USD

## 3) Total Expense Ratio (TER)

The calculation of the Total Expense Ratio (TER) is based on the stipulated fees and commissions paid by the Compartments on the average net assets of the Compartments during the reporting period (annualised), as allocated to each Class of Shares. Transaction costs are excluded from the calculation.

TER for the last 12 months:

Hereford Funds	Total Expense Ratio (TER)
– DSM US Large Cap Growth Fund Class A (USD)	1.53%
– DSM US Large Cap Growth Fund Class B (USD)	0.90%
– DSM US Large Cap Growth Fund Class C (USD)	5.43%*
– DSM US Large Cap Growth Fund Class D (USD)	2.08%
– DSM US Large Cap Growth Fund Class U (USD)	1.53%
– DGHM US All-Cap Value Fund Class A (USD)	1.52%
– DGHM US All-Cap Value Fund Class B (USD)	1.09%
– DGHM US All-Cap Value Fund Class D (USD)	2.06%
– FIRTH ASIAN Value Fund Class A (USD)	1.75%
– IMVA Opportunity Fund Class A (USD)	0.86%
– IMVA Opportunity Fund Class L (USD)	0.72%

\* thereof performance fee 4.11%

## 4) Applicable law, place of performance and authoritative language

The Luxembourg District Court is the place of performance for all legal disputes between the Shareholders, the Fund and the Custodian Bank. Luxembourg law applies. However, in matters concerning the claims of Shareholders from other countries, the Fund and/or the Custodian Bank can elect to make themselves subject to the jurisdiction of the countries in which Fund shares were bought and sold.

The English version of these financial statements is the authoritative version and only this version was audited by the auditor. However, in the case of shares sold to investors from the other countries in which Fund shares can be bought and sold, the Fund and the Custodian Bank may recognize approved translations (i.e. approved by the Fund and the Custodian Bank) into the languages concerned as binding upon themselves and the Fund.

