



## Hereford Funds

## DSM US Large Cap Growth Sub-Fund

October 2014

### Investment Review

The Hereford/DSM US Large Cap Growth Sub-Fund appreciated 4.6% for the month of October compared to a 2.6% appreciation for the Russell 1000 Growth Index and a 2.4% appreciation for the S&P 500 including dividends. At the end of October, the Fund was invested primarily in the health care, consumer discretionary and technology sectors, with smaller weights in the financials, industrials, consumer staples and materials sectors.

For the month, the Fund exceeded its benchmark by approximately 200 bps. This was primarily the result of the Manager's selections in technology, as well as the Fund's overweight in health care and underweight in energy versus the benchmark. In October, the best performing positions in the portfolio were Celgene, Alexion Pharmaceuticals, Visa, Monster Beverage and Regeneron Pharmaceuticals. The worst performers for the month were Precision Castparts, Airbus Group, Biogen Idec, Google and Discovery Communications.

### Manager's Commentary

Our global economic outlook remains largely unchanged. We continue to expect global economic growth of approximately 3.5% with the US over 2%; Europe in the 0% to 1% range; Japan near 1%; and China about 7%. Unfortunately, recent economic weakness, particularly in Europe, and to some extent in Japan, has caused the projected rate of growth to come into question. Certainly lower oil prices act like a tax cut to the global economy, but the declines in the prices of oil and gold, as well as continued low interest rates, also raise concerns about deflation.

Recent headlines indicate continued improvement in the Russia-Ukraine situation, while Ebola, ISIS and other turmoil in the Mid-East, remain of concern. Europe's economic circumstances are still stressed, with even German economic growth a disappointment. Virtually every economic official is talking about new approaches to boost growth, along with the ECB's ongoing commitment to QE to fight deflation. We remain of the opinion that Europe's economic results will remain disappointing until policies are pro-private sector, and enhanced by lower tax rates, flexible labor laws and fewer regulations. Until such "structural reform" occurs, the ECB will have to manage low GDP growth, disappointing job and income growth and possibly deflation, with quantitative easing policies.

Turning to Asia, Japan's economy continues to recover gradually, driven in part by the mixed success of the much touted "Abenomics" program. Exports are weak, but are expected to recover at least partially due to the Yen's decline. In the near future the government must decide whether or not to increase the sales tax rate to 10% as previously planned. In our view, such a decision can only have negative economic consequences. Regarding China, we believe the government is clearly emphasizing private sector-driven growth in order to build an economic foundation that is sustainable over a long period of time. Many observers continue to expect a "hard landing" in China. However we feel that given the steps China has taken over the past three years, it will be able to control its economic problems with time.

Our strategy continues to focus on investments in businesses that generate the majority of their revenue in North America and emerging markets. At this time, emerging markets account for approximately 21% of weighted portfolio revenue, with North America at approximately 55%. It is estimated that other developed markets account for 5% of revenue, and therefore the portfolio's revenue exposure to Europe approximates 19%.

### Key Information

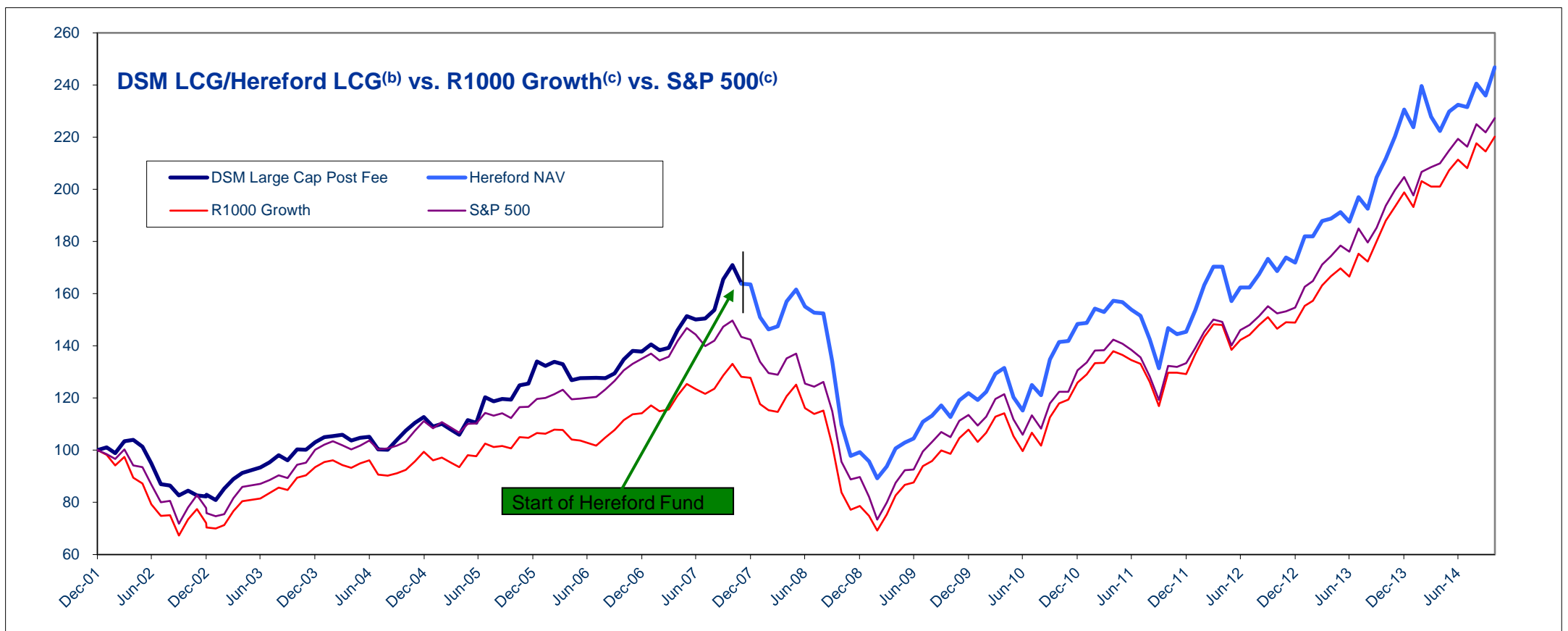
NAV A Shares (31/10/14)	US\$ 150.65
Total Fund Size	US\$ 132.7 mil
Strategy Assets	US\$ 4,272.4 mil <sup>(a)</sup>
Fund Launch Date	29-Nov-07

### Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	(3.0)	7.1	(4.9)	(2.4)	3.3	1.1	(0.4)	3.9	(1.9)	4.6			7.0
Russell 1000 Growth <sup>(c)</sup>	(2.9)	5.2	(1.0)	0.0	3.1	2.0	(1.5)	4.6	(1.5)	2.6			10.7
S&P 500 <sup>(c)</sup>	(3.5)	4.6	0.8	0.7	2.3	2.1	(1.4)	4.0	(1.4)	2.4			11.0

### Period Performance (%)

	YTD	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Since Inception 01/01/02	Annualised
DSM LCG/Hereford LCG Returns <sup>(b)</sup>	7.0	34.1	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	11.4	9.4	25.2	(17.7)	146.8	7.3
Russell 1000 Growth <sup>(c)</sup>	10.7	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	29.7	(27.9)	120.2	6.3
S&P 500 <sup>(c)</sup>	11.0	32.4	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	4.9	10.9	28.7	(22.1)	127.3	6.6



**Top Ten Holdings**

Alexion Pharmaceuticals	Precision Castparts
Allergan	Priceline Group
Celgene	Regeneron Pharmaceuticals
Cognizant Technology Solutions	Tencent Holdings
Google (Cl. A & C)	Visa

**Sectoral Breakdown**

Sectoral Breakdown	% of Assets
Health Care	30.8%
Consumer Discretionary	27.4%
Information Technology	21.5%
Financials	6.1%
Industrials	5.9%
Consumer Staples	3.7%
Materials	3.1%

**Investment Objective**

The investment objective of the LCG sub fund is to provide capital appreciation principally through investments in US-based growing corporations with market capitalizations generally above US\$ 5 billion. These companies are chosen for their growth prospects, attractive returns, solid business fundamentals and intelligent management. The sub fund may, on an ancillary basis, invest in US-based companies with lower market capitalizations as well as in non-US based companies. The Compartment may invest in American Depository Receipts and American Depository Shares. The reference benchmark for this strategy is the Russell 1000 Growth Index.

Fund Codes (Share Class A)		Since Inception Risk Profile	Hereford DSM US LCG	DSM LCG Composite	R1000 Growth
Bloomberg	DSMUSLA LX	Volatility	n/a	14.8	15.2
ISIN	LU0327604228	Sharpe Ratio	n/a	0.4	0.3
Reuters	LP65102015	Information Ratio	n/a	0.1	
Sedol	B28TLX2	Tracking Error	n/a	6.8	
	3504726	Beta	n/a	0.9	
WKN	A0M58T	Alpha	n/a	1.5	

**Fund Details**

Dealing Day	Daily
Dividends	None - income accumulated within the fund
Investment Manager	DSM Capital Partners LLC, 116 Radio Circle Drive, Suite 200, Mount Kisco, NY 10549, USA
Promoter	VP Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Management Company	VPB Finance S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Custodian	VP Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Legal Advisers	Elvinger, Hoss & Prussen, 2 Place Winston Churchill, L-1340 Luxembourg
Auditor	Deloitte, 560 Rue de Neudorf, L-2220 Luxembourg

**Annual Management Charge**

Share Class A & U <sup>(e)</sup>	1.25%
Share Class D <sup>(f)</sup>	1.75%

**Minimum Investment**

Share Class A & U <sup>(e)</sup>	\$100,000 initial / \$10,000 subsequent
Share Class D	\$10,000 initial / \$1,000 subsequent

**Order Transmission Information****Original Applications To:**

VPB Finance S.A.  
attn. Fund Operations / TA-HFF  
P.O. Box 923  
L-2019 Luxembourg  
or, for transmissions via courier service,  
26, avenue de la Liberté, L-1930 Luxembourg

**Subsequent Applications Only Via Facsimile:**

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Fax : (+352) 404 770 283  
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e-mail: luxfunds.info@vpbank.com

- (a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.
- (b) Data and graph depict DSM Composite through November 2007 and Hereford Funds DSM US Large Cap Growth Fund Class A thereafter. Historical gross performance of DSM Large Cap Composite returns (the Reference Strategy) is net of modeled fee and expense typical of Hereford Funds DSM US Large Cap Growth Fund Class A (1.25% fee + 0.25% expense). Fund follows same strategy. Performance presentation incomplete without accompanying footnotes as shown at [www.dsmcapital.com](http://www.dsmcapital.com).
- (c) Total return including dividends.
- (d) The fund is registered with the BaFin for public distribution in Germany from 17/10/12, registered with the AFM for public distribution in the Netherlands and registered with the AMF for public distribution in France.
- (e) Share Class U has been granted Reporting Status by HMRC as of October 1, 2010.
- (f) Share Class D is German tax registered from October 1, 2010.

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