

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)



ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

As of 30 September 2014

Luxembourg R.C.S. B 134 375

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MANAGEMENT AND ADMINISTRATION

BOARD OF DIRECTORS

CHAIRMAN

Mr Anthony GALLIERS-PRATT
Managing Partner
Hereford Funds Advisory S.à r.l.
26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

DIRECTORS

Mr Mark HENDERSON
Managing Partner
Hereford Funds Advisory S.à r.l.
26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

Mr Yves DE VOS
President
VCH Capital Management
25, op der Heckmill
L-6783 Grevenmacher, Luxembourg

Mr Jérôme WIGNY
Partner
Elvinger, Hoss & Prussen
2, place Winston Churchill
L-1340 Luxembourg, Luxembourg

(until 6 August 2014)
Mr Romain MOEBUS
Member of the Management Board
VP Bank (Luxembourg) SA
26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

(until 30 June 2014)
Mr Enrico MELA
Managing Director
VPB Finance S.A.
26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

REGISTERED OFFICE

26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

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MANAGEMENT AND ADMINISTRATION

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REGISTRATION NUMBERS

Luxembourg R.C.S. B 134 375
Luxembourg VAT number LU23764818

MANAGEMENT COMPANY

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

ADVISORY COMPANY

Hereford Funds Advisory S.à r.l.
26, avenue de la Liberté
L-1930 Luxembourg, 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
New York, NY 10549, USA

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, USA

For the Compartment
HEREFORD FUNDS – FIRTH ASIAN VALUE FUND

Firth Investment Management Pte. Ltd
180 Cecil Street #13-03
Bangkok Bank Building
SGP-Singapore 069546, Singapore

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MANAGEMENT AND ADMINISTRATION

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INVESTMENT MANAGERS (continued)

For the Compartment
HEREFORD FUNDS – IMVA OPPORTUNITY FUND
(launched 31 January 2014)

Investment Management of Virginia, LLC
919 East Main Street, 16th Floor
Richmond, Virginia 23219, USA

CUSTODIAN BANK AND PAYING AGENT

VP Bank (Luxembourg) SA
26, avenue de la Liberté
L-1930 Luxembourg, Luxembourg

ADMINISTRATOR, DOMICILIARY AGENT, REGISTRAR AND TRANSFER AGENT

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

COUNTRIES WHERE THE FOLLOWING COMPARTMENTS OF THE FUND ARE AUTHORIZED FOR DISTRIBUTION

Luxembourg

Germany

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

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MANAGEMENT AND ADMINISTRATION

(continued)

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

CABINET DE RÉVISION AGRÉÉ

Deloitte Audit
Société à responsabilité limitée
560, rue de Neudorf
L-2220 Luxembourg, Luxembourg

LEGAL ADVISER IN LUXEMBOURG

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

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REPORT OF THE BOARD OF DIRECTORS

To the shareholders of
Hereford Funds
26, avenue de la Liberté
L-1930 LUXEMBOURG

Hereford Funds – DSM US Large Cap Growth Fund

Review

For the year from 1 October 2013 to 30 September 2014, the Compartment Hereford Funds - DSM US Large Cap Growth Fund – Class A USD was up 15.4% (NAV per share of USD 124.89 to NAV per share of USD 144.07) while the Russell 1000 Growth total return was up 19.2% and the S&P 500 total return was up 19.7% (both including dividends).

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

Our performance versus the benchmarks in the reporting period is disappointing. Almost all of the underperformance occurred from 1 March 2014 through 30 April 2014. Over this two month increment, the Compartment decreased by 7.2%, as compared to a decrease of 1.0% for the Russell 1000 Growth total return and an increase of 1.6% for the S&P 500 total return (both including dividends).

Over the five months from 1 October 2013 to 28 February 2014, the Compartment was up 17.1% versus an increase of 12.8% for the Russell 1000 Growth total return and an increase of 11.6% for the S&P 500 total return (both including dividends). Furthermore, in the months since April, investor fears have subsided and performance of the Compartment has approximated that of the indices. Specifically, from 1 May 2014 through 30 September 2014, the Compartment appreciated approximately 6.1%, while the Russell 1000 Growth total return and the S&P 500 total return (both including dividends) appreciated 6.7% and 5.6% respectively.

In our view, the underperformance of the March/April 2014 period was caused by fears of slowing US and Chinese economic growth as well as the Russia-Ukraine conflict. At that time, these headlines caused investors to rotate to "safe havens" as evidenced by the outperformance of the traditional yield-oriented, safe-haven sectors such as energy, utilities and consumer staples. The decline in US Treasury yields during this same period, which has not yet reversed, also supports this view.

We have experienced periods of underperformance in the past. Our ability to rebound from past periods of underperformance was due to the realization of ongoing earnings growth. Given strong earnings growth thus far in 2014, we have every reason to believe that will be the case in these circumstances as well. Substantial earnings growth, moderate valuations and receding investor fears remain the factors which we believe can drive the portfolio higher. Our investment team continues to implement the same research and valuation process across all of the Compartment's strategies. We remain focused on research, earnings, valuation and new investment ideas.

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REPORT OF THE BOARD OF DIRECTORS

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Portfolio

The majority of the portfolio is invested in the health care, consumer discretionary and technology sectors, with smaller weightings in the industrials, financials, consumer staples and materials 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 Group Hldg Ltd, Google Inc., Priceline.Com Inc. and Tencent Holdings ADR. The portfolio holdings also include three "business-to-business" global services companies, which also do not have a specific sector: Cognizant Technology Solutions, MasterCard Inc. and Visa Inc.

The strongest contributors to performance over the reporting period were Monster Beverage Corp. (energy drinks and other alternative beverages), Celgene Corp. (special pharmaceuticals), Alexion Pharmaceuticals Inc. (special pharmaceuticals), Tencent Holdings ADR (instant messaging and electronic gaming platforms) and Google Inc. (internet search and advertising).

The weakest contributors to performance were Discovery Communications (non-fiction cable television programmer), The Swatch Group ADR (manufacturer of watches and watch components), eBay Inc. (online retail and payment services), Kinder Morgan Inc. (a pipeline transportation and energy storage company) and Estee Lauder Companies Inc. (skin care, cosmetics and fragrance).

Changes in Holdings

During the reporting period, the larger positions sold due to appreciation included Ecolab (industrial cleaning services), Praxair (industrial gases) and TJX Companies Inc. (off-price apparel and home fashion retailer). Earnings disappointments/weaker business fundamentals led to the sales of eBay Inc., Estee Lauder Companies Inc., Kinder Morgan Inc. and Union Pacific Corp. (western US railroad). Initially, Intuitive Surgical Inc. (robotic surgery machines) was trimmed due to price appreciation; however the company pre-announced disappointing earnings shortly thereafter and the rest of the position was sold.

The larger positions added to the portfolio in the period were Abbott Laboratories (diversified healthcare products manufacturer), Allergan Inc. (special pharmaceuticals), Alibaba Group Hldg Ltd (Chinese e-commerce), Biogen Idec Inc. (special pharmaceuticals), Comcast Corp. (media and television broadcasting services provider), Invesco Ltd (financial services provider), Perrigo Company Plc (global healthcare supplier), Priceline.Com Inc. (online travel) and Regeneron Pharmaceuticals Inc. (special pharmaceuticals).

Outlook

Our global economic outlook remains largely unchanged. We continue to expect global economic growth of approximately 3.5%: with the U.S. over 2%, Europe in the 0% to 1% range, Japan near 1%, and China about 7%. Unfortunately, recent economic weakness, particularly in Europe, as evidenced by Germany's just-reduced economic growth forecast, 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. In recent days, western world government bond yields have plunged, confirming the slow growth and low inflation outlook.

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The latest U.S. employment report pegged unemployment at 5.9%, although the labor participation rate declined again to 62.7%. Unfortunately, average hourly earnings are up just 2% year-over-year, and wage inflation remains subdued. With U.S. economic data coming in better than that out of Europe and Japan, the USD has strengthened recently. This combination of factors puts the Federal Reserve in an awkward position. The inflation data, strong USD and weak income gains likely do not indicate that the Federal Reserve should tighten. On the other hand, unemployment at 5.9% indicates tightening is required before increasing wages push inflation upward. Consensus is leaning towards a mid-2015 tightening, but as always, the timing of such a decision will be "data dependent".

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 JPY'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.

Based on our view of slow growth in the U.S., faster growth in the emerging markets and fractional growth in Europe, 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 54%. We estimate that other developed markets account for 5% of revenue, and therefore the portfolio's revenue exposure to Europe approximates 20%.

The portfolio continues to be focused on unique global businesses that have been identified, and are continuously subject to analysis, by our ten-member investment team. We believe that the valuation of the portfolio, at 19.0x next-four-quarter earnings through September of 2015 based on our calculations, continues to be attractive in the current slow growth economic environment and relative to the market. We also continue to project a mid-to-high "teens" earnings growth rate through 2018. Additionally, the portfolio holdings remain characterized by strong balance sheets, attractive returns on equity and assets and significant free cash flow.

October 2014
DSM Capital Partners LLC

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Hereford Funds – DGHM US All-Cap Value Fund

For the year from 1 October 2013 to 30 September 2014, the Compartment Hereford Funds - DGHM US All-Cap Value Fund – Class A USD was up 12.4% (NAV per share of USD 167.67 to NAV per share of USD 188.48) while the Russell 3000 Value total return was up 15.0% (including dividends).

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 U.S. 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 sell-off, we continue to have a positive market outlook going into 2015. In this current environment, we believe U.S. stocks will continue to grow their sales and earnings. Our market view would only change if, all else being equal, the U.S. economy were to slip back into a recession.

The list of market worries that continuously make headlines or 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 U.S. economy slipping back into a recession, et cetera. 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 U.S. 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.

The following commentary is taken from last year's report, and we are including it again as the U.S. continues to grow oil production at a rapid pace.

"We would like to comment on the positive long-term ramifications of what is taking place with oil and natural gas here in the United States. As many of you are aware, the U.S. has material hydrocarbon reserves in a multitude of shale rock formations. New drilling/extraction technology has resulted in an abundance of natural gas and an increase in the production of oil. The net result of all this is lower energy prices and thus lower costs. This makes the U.S. more competitive from an export standpoint. It means more jobs and a stronger currency. New chemical plants are being built in the U.S. for the first time in decades. This is all extremely positive from an investment standpoint for U.S. markets vis-à-vis the rest of the world."

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.

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Review

The Compartment's underperformance during the past fiscal year was driven by the Capital Goods, Retail, and Healthcare sectors. Capital Goods lagged due to MRC Global Inc. (-27%). This stock suffered from weak results due to pricing pressure from excess inventory in their various pipe/tubular businesses. Retail lagged due to Chico's Fas Inc. (-5%). This stock was weak due to poor results in its core stores. We have subsequently sold this position. Healthcare was weak due to Covance Inc. (-9%). This stock suffered from weak results as bookings were soft and expenses came in higher than expected. We continue to hold both MRC Global Inc. and Covance Inc. as we believe the issues negatively impacting the stocks are temporary.

Sectors that added value to performance were led by Insurance, Energy, and Consumer Services. Insurance was driven by Lincoln National Corp. (+27%). This stock performed well due to a rising interest rate environment which is positive for their business model. Energy was driven by Helmerich & Payne (+62%). This stock was up due to solid fundamentals in its core drilling rig business driven by the shale revolution. Consumer Services was driven by DIRECTV (+45%). This stock performed well as it is subject to a takeover offer from AT&T that is currently under review for regulatory approval. We continue to hold Lincoln National Corp. and DIRECTV but have sold Helmerich & Payne due to valuation concerns.

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 favour 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 large and mid-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 continuity has stood the test of time across various cycles. We will not overreact and chase the latest flavour 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 2014
Dalton, Greiner, Hartman, Maher & Co., LLC

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Hereford Funds – FIRTH ASIAN Value Fund

For the year from 1 October 2013 to 30 September 2014, the Compartment Hereford Funds - FIRTH ASIAN Value Fund – Class A USD was up 2.9% (NAV per share of USD 110.47 to NAV per share of USD 113.73) while the MSCI AC Asia ex Japan Small Cap USD Net Index total return was up 9.8% (including dividends).

The investment manager, Firth Investment Management Pte. Ltd, commented as follows:

Review

For the year from 1 October 2013 to 30 September 2014, the Compartment Hereford Funds – FIRTH ASIAN Value Fund – Class A USD gained 2.9%. By comparison, the Compartment's benchmark, the MSCI AC Asia ex Japan Small Cap Net USD index rose by 9.8% and the MSCI AC Asia ex Japan USD Net index (which tracks large and mid cap stocks) rose by 8.3%. Following two initial years of outperformance compared to the benchmark indices, in the last year the Compartment has lagged the benchmarks although over the full three year period and since inception remains well ahead. High growth markets (eg those in South Asia) and sectors (eg technology) have generated higher stock price returns than has been the case from those markets and sectors in which we have found more traditional "value".

Notable positive contributions to returns were made by holdings in India and Hong Kong and in the consumer sector. The USD remained strong, thereby reducing returns from regional currencies, and Asian markets were subdued by comparison with the US.

The macro-economic background has been dominated by the outlook for economic recovery in most parts of the world and how this will impact interest rates, especially in the US. While most regions are growing in broad GDP terms, concerns remain over either the speed at which interest rates will rise, or alternatively the weakness of the recovery. Low growth and loose money in the face of deleveraging in the western developed economies have continued to provide the backdrop for Asian markets. Generally lower rates of economic growth in the larger emerging markets are becoming standard in forecasts for the next few years.

Throughout the business 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 2014, the portfolio was invested in 51 stocks, one less than as at the previous year-end. Fourteen new stocks were added and fifteen were sold completely. As a result of portfolio changes and market movements, exposure to Hong Kong/China declined in favour of India, Singapore and Korea. The cash position was lower at the end of the business year, below 10% and in line with our medium term preference.

Outlook

Asian stock markets historically have not responded well to a strengthening USD and a tightening of monetary policy. Many Asian companies still finance themselves in USD which has increased this effect. USD strength and tightening monetary conditions are as likely to dominate the outlook over the next year as was the case a year ago.

In some respects the outlook has not changed, the US economy is growing, Europe is weak and Asia remains dominated by concerns over a "soft landing" for the Chinese economy. However, asset prices

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generally have risen to higher levels, this is reflected in Asia in real estate prices in particular, and some indices have reached all-time highs in the middle of 2014.

Valuations of companies in Asia, especially those we research, are more reasonable than these headline figures would imply, and the China-fear factor has contributed to global allocators' caution to emerging markets in general and Asia in particular. There is still plenty of interesting investment opportunities for our Compartment.

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.

October 2014
Firth Investment Management Pte. Ltd

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Hereford Funds – IMVA Opportunity Fund

For the year from 31 January 2014 to 30 September 2014, the Compartment Hereford Funds - IMVA Opportunity Fund – Class A USD was down 13.8% (NAV per share of USD 100.00 to NAV per share of USD 86.17) while the S&P 1500 Index total return was up 9.7% (including dividends).

The investment manager, Investment Management of Virginia, LLC, commented as follows:

Review

The Compartment has had very disappointing performance since inception in February 2014. The strategy's concentration and long-term investment horizon have worked very well in the past, but this year's results have been abysmal.¹ The main culprits have been weakness in some of our core positions and pronounced weakness in cyclical more recently. Collectively, large capitalization stocks' outperforming small capitalization stocks, a strengthening dollar, weak commodity prices, and the ten-year Treasury Bond yield at record lows have been a very difficult macro backdrop for our holdings.

Energy, Information Technology, and Financials have been our weakest sectors. We remain overweight in Energy and believe the current weakness caused by a collapse in oil prices should be bought, not sold. We have confidence in our Information Technology companies and believe they will be rewarding to long-term investors. Ocwen Financial Corp. and Altisource Portfolio Solutions have been the main source of our weakness in Financials; we continue to think the long-term risk/reward for these related companies is very attractive, though it is unclear when they will be able to settle their regulatory issues with the State of New York.

Healthcare, Industrials, and Consumer Discretionary sectors were positive for the Compartment. The Compartment has a slight overweight in Healthcare and is underweighted in Industrials and Consumer Discretionary.

Among our largest positions, Ocwen Financial Corp., Stone Energy Corp., and 3D Systems Corp. have been the largest detractors. Niko Resources Ltd has also generated a substantial loss. We remain fully invested in Ocwen Financial Corp., Stone Energy Corp. and 3D Systems Corp. but have not increased our investment in Niko Resources Ltd.

Our best performers have been Anadarko Petroleum Corp., Anacor Pharmaceuticals Inc. and Luminex Corp. We remain invested in each of these positions, and Anacor Pharmaceuticals Inc. and Luminex Corp. are among our top ten positions.²

Outlook

Although the Compartment's performance is driven by individual stock positions, a recovery from the dramatic weakness in cyclical will be an important macro factor in the short-term performance of the Compartment. An end to the current correction in small capitalization stocks would also be helpful.

¹Past performance is no guarantee of future results, and no representation is made that results similar to those shown can be achieved. To receive a complete list and description of Investment Management of Virginia, LLC's composites and/or a presentation that adheres to the Global Investment Performance Standards (GIPS), contact Investment Management of Virginia at (804) 643-1100.

² The securities discussed in this section have not been selected by any performance criteria. It should not be assumed that transactions in the future will be as profitable or will equal the performance of the securities mentioned.

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Generally speaking, we believe that the US equity market is fairly valued; we are looking for potential upside from earnings growth, driven by a modestly improving economy. We continue to believe volatility will remain elevated as the Federal Reserve's policy of Quantitative Easing comes to an end.

Longer term, we suspect that we are getting towards the end of the snapback from the market's collapse in 2008/2009. Historically low interest rates around the world indicate that investors have very modest return expectations for the next decade. This should create a relatively favorable environment for active managers. Our outlook for the Compartment's top ten positions is as follows:³

Luminex Corp.: LMNX has been performing well, likely reflecting a positive reception for the Company's new product launch, Project Aries. In recent weeks, the management team implied they are putting more capital behind this launch due to strong interest from potential customers. The projected consumables (which carry very high gross margins) from each of these machines could be very impressive. We continue to think this stock has excellent potential over the next couple of years and believe this franchise could eventually be attractive to larger medical device companies.

3D Systems Corp.: DDD appears, to us, to be doing very well, and we suspect investors who can take a long-term point of view will be rewarded. The company's consumer products are, most likely, not keeping pace with the company's other products/markets, but management appears to be fixing these shortcomings. Moreover, the consumer division is a relatively small portion of the business. The rest of the business appears to be running full out and may be capacity constrained. Gross margins should be improving in the third and fourth quarters of 2014. Our long-term thesis on DDD is based upon improving organic revenue growth, improving gross margins, and an increasing realization that DDD's competitive position is stronger than currently assumed. For next year, increasing estimates for revenue and earnings should improve the stock's performance. These developments are supported by a strong balance sheet and substantial insider ownership within management and at the Board level.

Altisource Portfolio Solutions & Ocwen Financial Corp.: ASPS and OCN have been large detractors from our performance, year-to-date. This weakness is the result of regulatory issues with the New York State Supervisor of Financial Services. We continue to believe the two companies and the State of New York will eventually come to an agreement, but the timing of a resolution is not clear. Meanwhile, both stocks are trading at very low multiples of earnings and cash flow, relative to their history, and have strong balance sheets. Both companies have been buying back their own stock, and we think this is a positive sign from very experienced management teams with substantial insider ownership.

Stone Energy Corp.: SGY has been hurt recently by weakness in commodities (and a strong USD), but we believe the company is set up for strong performance over the next several quarters. Stone's recent operations update showed smooth progress in both its onshore (Appalachian basin) and offshore (Gulf of Mexico) projects, and management just announced the signing of a deep-water drilling rig for their multiple year drilling programs in the Gulf of Mexico. Stone is a conservative company with exciting long-term prospects.

Emerald Oil: EOX is doing much better than the current stock price suggests, in our opinion. EOX has an attractive drilling inventory and liquidity to fund its operations into 2015. We expect the company to access the high-yield market sometime next year. Emerald Oil's current valuation appears, to us, to be very attractive. Once EOX proves up its holdings, it is reasonable to assume that a larger company

³ The securities discussed in this letter are the top ten largest holdings of the Fund on 30 September 2014. It should not be assumed that the Portfolio will engage in transactions in the future that will be as profitable or will equal the performance of the securities mentioned.

HEREFORD FUNDS

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REPORT OF THE BOARD OF DIRECTORS

(continued)

with a lower cost of capital would be attracted to the long-lived production potential of the EOX assets. We think a transaction like that could come at substantially higher prices.

Murphy Oil Corp.: MUR is a relatively new position in the Compartment. Murphy has had a string of exploration misses and earnings shortfalls, and its valuation reflects these disappointments. Nonetheless, the company's transition into a pure-play E&P company looks very promising; MUR continues to optimize its assets and has future exploration upside. Moreover, the company could be an eventual candidate/target for acquisition. Claiborne Deming, Chairman of the Board of Directors, returned to the company a little over two years ago and has been a substantial inside purchaser at prices above today's price. He was CEO of Murphy from 1994 to 2008 and is the nephew of the founder, Charles Murphy.

KVH Industries Inc.: KVHI has two businesses: a defense industry business that is built around fiber optic gyro (FOG) sensors, used in any system that needs inertial navigation, including UAVs and driverless cars; and a satellite communications business, including hardware and a network capacity and content for ships at sea. The FOG business is lumpy but very profitable, and the satellite communications business is growing rapidly and should generate very high incremental margins as revenues grow. KVHI has finished a substantial manufacturing capacity expansion and seems poised for rapid revenue, earnings, and free cash flow growth. The company is run by the sons of the founder, and insider ownership is significant.

Freeport McMoRan Copper & Gold: FCX has been hurt by copper and gold prices lately, but our long-term thesis remains solid. Freeport and the Indonesian government recently signed an agreement which allows FCX to resume copper concentrate exports from the country. The agreement enables Freeport to get mining operations at the Grasberg mine back up to capacity (had been at 40% to 50%) and, importantly, proceed into a higher margin portion of the Grasberg mine plan (moving into higher grade ore for both gold and silver). Freeport has excellent visibility into its potential production growth, has diversified its asset base, and should continue to pay down debt and maintain its attractive dividend. Longer term, FCX should be able to increase returns to shareholders through asset sales/rationalization, an increased dividend, and, eventually, share repurchases.

Quidel: QDEL has been a good performer lately. The company develops and manufactures rapid diagnostic products for point-of-care illness detection. QDEL is working to diversify its product line away from the flu market, and we believe the potential of its future product pipeline is not reflected in today's stock price. In the near-term, an active flu season in Australia (which can be predictive of the North American risk) and forecasts for a cold winter in North America are positive for QDEL's diagnostic business.

Conclusion

Our performance year-to-date has been a severe disappointment, but most of the Compartment's holdings are executing well and have very attractive upside potential over the medium- to long-term. We have always maintained a long-term investment horizon, and investors who can sustain that outlook should see a dramatic turnaround in performance at some point. Along these lines, the Fund manager remains deeply/significantly invested in the Opportunity Portfolio.

October 2014
Investment Management of Virginia, LLC

Notice: The information in this report represents historical data and is not an indication of future results.

REPORT OF THE RÉVISEUR D'ENTREPRISES AGRÉÉ

To the shareholders of
Hereford Funds
26, avenue de la Liberté
L-1930 LUXEMBOURG

Following our appointment by the annual general meeting of the Shareholders dated 15 January 2014, 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 securities portfolio as at 30 September 2014, 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* judgement, 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.

**REPORT OF THE RÉVISEUR
D'ENTREPRISES AGRÉÉ**

(continued)

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 2014, 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, *Réviser d'entreprises agréé*
Partner

Luxembourg, 2 December 2014

HEREFORD FUNDS

Société d'Investissement à Capital Variable
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STATEMENT OF NET ASSETS

As of 30 September 2014

	Hereford Funds - DSM US Large Cap Growth Fund (in USD)	Hereford Funds - DGHM US All-Cap Value Fund (in USD)	Hereford Funds - FIRTH ASIAN Value Fund (in USD)	Hereford Funds - IMVA Opportunity Fund ¹⁾ (in USD)	Combined (in USD)
ASSETS					
Securities portfolio (at cost)	101,105,660.59	233,561,004.17	71,094,653.81	4,856,943.09	410,618,261.66
Unrealised appreciation/depreciation (-)	28,695,542.31	25,129,891.79	-2,441,500.23	-804,920.06	50,579,013.81
Securities portfolio at market value	129,801,202.90	258,690,895.96	68,653,153.58	4,052,023.03	461,197,275.47
Cash at banks	809,575.59	5,990,440.09	8,322,142.11	187,099.00	15,309,256.79
Receivables on subscriptions	-	112,843.38	-	-	112,843.38
Receivables on securities sold	464,987.49	-	228,828.75	-	693,816.24
Dividends receivable	8,914.50	136,656.33	225,767.51	469.42	371,807.76
Receivables on spot foreign exchange transactions	-	-	190,607.88	-	190,607.88
Formation expenses (net)	-	-	16,242.83	12,174.48	28,417.31
TOTAL ASSETS	131,084,680.48	264,930,835.76	77,636,742.66	4,251,765.93	477,904,024.83
LIABILITIES					
Payables on redemptions	-73,185.00	-86,878.19	-868,557.09	-74,154.00	-1,102,774.28
Payables on securities purchased	-630,083.04	-	-298,182.25	-	-928,265.29
Payables on spot foreign exchange transactions	-	-	-191,011.02	-	-191,011.02
Accrued expenses	-445,068.23	-651,896.71	-829,679.16	-41,212.41	-1,967,856.51
TOTAL LIABILITIES	-1,148,336.27	-738,774.90	-2,187,429.52	-115,366.41	-4,189,907.10
NET ASSETS	129,936,344.21	264,192,060.86	75,449,313.14	4,136,399.52	473,714,117.73

¹⁾ Initial subscription: 31 January 2014

HEREFORD FUNDS

Société d'Investissement à Capital Variable
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STATEMENT OF OPERATIONS

For the year/period ended 30 September 2014

	Hereford Funds - DSM US Large Cap Growth Fund (in USD)	Hereford Funds - DGHM US All-Cap Value Fund (in USD)	Hereford Funds - FIRTH ASIAN Value Fund (in USD)	Hereford Funds - IMVA Opportunity Fund ¹⁾ (in USD)	Combined (in USD)
INCOME					
Dividends, net	967,248.40	2,733,529.27	2,284,030.38	41,903.40	6,026,711.45
Interest on bank accounts	-	-	4,174.37	-	4,174.37
Other income	3,030.86	4,510.17	81,301.93	-	88,842.96
TOTAL INCOME	970,279.26	2,738,039.44	2,369,506.68	41,903.40	6,119,728.78
EXPENSES					
Performance fees	-107,554.35	-	-525,281.59	-	-632,835.94
Investment advisory and management fees	-1,797,395.22	-2,342,502.04	-1,044,248.72	-69,998.97	-5,254,144.95
Administration fees	-6,069.94	-4,069.98	-1,356.62	-1,162.34	-12,658.88
Custodian and central administration fees	-249,788.19	-269,201.72	-123,819.19	-14,260.46	-657,069.56
Subscription tax	-20,787.22	-27,237.47	-7,112.16	-1,748.93	-56,885.78
Depreciation of formation expenses	-	-2,579.65	-9,751.04	-1,867.68	-14,198.37
Audit fees	-18,814.94	-17,047.85	-7,943.68	-10,270.55	-54,077.02
Transaction fees	-168,244.83	-368,549.41	-199,681.20	-51,821.30	-788,296.74
Other charges	-112,083.65	-137,797.38	-104,907.17	-12,100.63	-366,888.83
Interest paid on bank overdraft	-	-	-78.07	-	-78.07
TOTAL EXPENSES	-2,480,738.34	-3,168,985.50	-2,024,179.44	-163,230.86	-7,837,134.14
NET INCOME/LOSS (-) FROM INVESTMENTS	-1,510,459.08	-430,946.06	345,327.24	-121,327.46	-1,717,405.36
Net realised gain/loss (-) on foreign exchange	264.62	296.64	-234,503.18	30.16	-233,911.76
Net realised gain/loss (-) on sales of securities	23,829,678.74	17,953,892.28	3,497,065.71	-639,706.30	44,640,930.43
NET REALISED PROFIT/LOSS (-) FOR THE YEAR/PERIOD	22,319,484.28	17,523,242.86	3,607,889.77	-761,003.60	42,689,613.31
NET CHANGE IN UNREALISED APPRECIATION/DEPRECIATION - on securities	-1,142,242.84	3,185,532.63	-1,825,110.12	-804,920.06	-586,740.39
INCREASE/DECREASE (-) IN NET ASSETS AS A RESULT OF OPERATIONS	21,177,241.44	20,708,775.49	1,782,779.65	-1,565,923.66	42,102,872.92

¹⁾ Initial subscription: 31 January 2014

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Société d'Investissement à Capital Variable
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STATEMENT OF CHANGES IN NET ASSETS

For the year/period ended 30 September 2014

	Hereford Funds - DSM US Large Cap Growth Fund (in USD)	Hereford Funds - DGHM US All-Cap Value Fund (in USD)	Hereford Funds - FIRTH ASIAN Value Fund (in USD)	Hereford Funds - IMVA Opportunity Fund ¹⁾ (in USD)	Combined (in USD)
NET ASSETS					
Beginning of the year/period	145,065,762.73	131,719,706.26	61,156,535.31	-	337,942,004.30
CHANGES FROM INVESTMENT ACTIVITIES					
Increase/decrease (-) in net assets as a result of operations for the year/period	21,177,241.44	20,708,775.49	1,782,779.65	-1,565,923.66	42,102,872.92
CHANGES FROM CAPITAL TRANSACTIONS					
Proceeds from shares issued	66,951,012.95	197,877,783.16	25,422,475.96	14,399,978.74	304,651,250.81
Payments for shares redeemed	-103,257,672.91	-86,114,204.05	-12,912,477.78	-8,697,655.56	-210,982,010.30
	-36,306,659.96	111,763,579.11	12,509,998.18	5,702,323.18	93,669,240.51
NET ASSETS					
End of the year/period	129,936,344.21	264,192,060.86	75,449,313.14	4,136,399.52	473,714,117.73

¹⁾ Initial subscription: 31 January 2014

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Société d'Investissement à Capital Variable
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CHANGES IN THE NUMBER OF SHARES OUTSTANDING

For the year/period ended 30 September 2014

Hereford Funds - DSM US Large Cap Growth Fund

	Class A USD	Class B USD ¹⁾	Class C USD	Class D USD	Class U USD
Number of shares at the beginning of the year/period	816,589.227	-	21,404.990	121,169.586	122,097.955
Number of shares issued	110,685.150	468,965.398	4,351.316	15,596.142	7,531.307
Number of shares redeemed	-463,589.673	-87,486.308	-4,536.849	-96,979.119	-39,328.491
Number of shares outstanding at the end of the year/period	463,684.704	381,479.090	21,219.457	39,786.609	90,300.771

Hereford Funds - DGHM US All-Cap Value Fund

	Class A USD	Class B USD	Class D USD
Number of shares at the beginning of the year/period	574,441.936	260,000.000	63,727.951
Number of shares issued	38,419.107	1,700,741.213	18,221.984
Number of shares redeemed	-410,440.783	-65,751.500	-39,354.826
Number of shares outstanding at the end of the year/period	202,420.260	1,894,989.713	42,595.109

Hereford Funds - FIRTH ASIAN Value Fund

	Class A USD
Number of shares at the beginning of the year/period	553,609.844
Number of shares issued	224,775.189
Number of shares redeemed	-114,989.031
Number of shares outstanding at the end of the year/period	663,396.002

Hereford Funds - IMVA Opportunity Fund ²⁾

	Class A USD	Class L USD
Number of shares at the beginning of the year/period	-	-
Number of shares issued	44,498.261	100,480.000
Number of shares redeemed	-33,644.982	-63,450.000
Number of shares outstanding at the end of the year/period	10,853.279	37,030.000

¹⁾ Initial subscription: 5 March 2014

²⁾ Initial subscription: 31 January 2014

HEREFORD FUNDS

Société d'Investissement à Capital Variable
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STATISTICAL INFORMATION

For the year/period ended 30 September 2014

	30 September 2014	30 September 2013	30 September 2012
Total Fund			
Net Assets of the Fund (in USD)	473,714,117.73	337,942,004.30	219,148,795.49
Hereford Funds - DSM US Large Cap Growth Fund			
Total net assets (in USD)	129,936,344.21	145,065,762.73	113,498,743.91
Class A USD			
Shares outstanding	463,684.704	816,589.227	666,095.246
Net asset value per share (in share class currency)	144.07	124.89	105.85
Class B USD ¹⁾			
Shares outstanding	381,479.090	-	-
Net asset value per share (in share class currency)	98.19	-	-
Class C USD			
Shares outstanding	21,219.457	21,404.990	26,109.169
Net asset value per share (in share class currency)	133.99	120.29	105.53
Class D USD			
Shares outstanding	39,786.609	121,169.586	147,941.997
Net asset value per share (in share class currency)	233.04	203.09	173.07
Class U USD			
Shares outstanding	90,300.771	122,097.955	132,606.466
Net asset value per share (in share class currency)	150.19	130.20	110.35
Hereford Funds - DGHM US All-Cap Value Fund			
Total net assets (in USD)	264,192,060.86	131,719,706.26	95,659,043.96
Class A USD			
Shares outstanding	202,420.260	574,441.936	654,857.348
Net asset value per share (in share class currency)	188.48	167.67	135.75
Class B USD			
Shares outstanding	1,894,989.713	260,000.000	-
Net asset value per share (in share class currency)	115.85	102.68	-
Class D USD			
Shares outstanding	42,595.109	63,727.951	60,810.647
Net asset value per share (in share class currency)	152.75	136.63	111.24

¹⁾ Initial subscription: 5 March 2014

HEREFORD FUNDS

Société d'Investissement à Capital Variable
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STATISTICAL INFORMATION

For the year/period ended 30 September 2014

(continued)

	30 September 2014	30 September 2013	30 September 2012
Hereford Funds - FIRTH ASIAN Value Fund			
Total net assets (in USD)	75,449,313.14	61,156,535.31	9,991,007.62
Class A USD			
Shares outstanding	663,396.002	553,609.844	101,199.727
Net asset value per share (in share class currency)	113.73	110.47	98.73
Hereford Funds - IMVA Opportunity Fund²⁾			
Total net assets (in USD)	4,136,399.52	-	-
Class A USD			
Shares outstanding	10,853.279	-	-
Net asset value per share (in share class currency)	86.17	-	-
Class L USD			
Shares outstanding	37,030.000	-	-
Net asset value per share (in share class currency)	86.45	-	-

²⁾ Initial subscription: 31 January 2014

HEREFORD FUNDS

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HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND

Securities Portfolio as of 30 September 2014 (in USD)

Transferable securities admitted to an official stock exchange listing

Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	94,400	ABBOTT LABORATORIES	3,926,096.00	3.02
USD	33,900	ALEXION PHARMACEUTICALS INC	5,621,298.00	4.33
USD	28,950	ALIBABA GROUP HLDG LTD	2,572,207.50	1.98
USD	26,950	ALLERGAN INC	4,804,376.50	3.70
USD	15,200	BIOGEN IDEC INC	5,028,312.00	3.87
USD	15,000	BLACKROCK INC	4,924,800.00	3.79
USD	103,950	CELGENE CORP	9,852,381.00	7.58
USD	110,150	COGNIZANT TECH SOLUTIONS -A-	4,931,415.50	3.80
USD	56,600	COMCAST CORP -A-	3,043,948.00	2.34
USD	46,500	DISCOVERY COMMUNICATIONS -A-	1,757,700.00	1.35
USD	46,500	DISCOVERY COMMUNICATIONS -C-	1,733,520.00	1.33
USD	41,250	DOLLAR GENERAL	2,521,612.50	1.94
USD	36,150	DOLLAR TREE INC	2,026,930.50	1.56
USD	212,650	EADS NV	3,321,593.00	2.56
USD	5,600	GOOGLE INC -A-	3,295,096.00	2.54
USD	4,800	GOOGLE INC -C-	2,771,328.00	2.13
USD	100,200	INVESCO LTD	3,955,896.00	3.04
USD	46,350	LAS VEGAS SANDS CORP	2,883,433.50	2.22
USD	50,000	MASTERCARD INC -A-	3,696,000.00	2.84
USD	36,650	MONSANTO CO	4,123,491.50	3.17
USD	69,200	MONSTER BEVERAGE CORP	6,343,564.00	4.88
USD	24,450	PERRIGO COMPANY PLC	3,672,145.50	2.83
USD	24,200	PRECISION CASTPARTS CORP	5,732,496.00	4.41
USD	4,605	PRICELINE.COM INC	5,335,260.90	4.11
USD	14,500	REGENERON PHARMACEUTICALS INC	5,227,540.00	4.02
USD	66,200	STARBUCKS CORP	4,995,452.00	3.84
USD	41,900	TIME WARNER INC	3,151,299.00	2.43
USD	21,000	VISA INC -A-	4,480,770.00	3.45
USD	19,300	WYNN RESORTS LTD	3,610,644.00	2.78
USD	50,100	YUM! BRANDS INC	3,606,198.00	2.78
Total transferable shares admitted to an official stock exchange listing			122,946,804.90	94.62

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HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND

Securities Portfolio as of 30 September 2014 (in USD)

(continued)

Transferable securities dealt on an other regulated market

Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	313,900	TENCENT HOLDINGS ADR	<u>4,651,998.00</u>	<u>3.58</u>
		Total transferable shares dealt on an other regulated market	<u>4,651,998.00</u>	<u>3.58</u>

Other transferable securities

Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	137,650	SAFRAN SA ADR	<u>2,202,400.00</u>	<u>1.70</u>
		Total other transferable shares	<u>2,202,400.00</u>	<u>1.70</u>
		TOTAL SECURITIES PORTFOLIO	<u>129,801,202.90</u>	<u>99.90</u>

HEREFORD FUNDS

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HEREFORD FUNDS – DSM US LARGE CAP GROWTH FUND

Securities Portfolio as of 30 September 2014
(in USD)

(continued)

Breakdown by country

	% of Net Assets
Cayman Islands	5.56
France	4.26
Ireland	2.83
United States of America	87.25
TOTAL	99.90

Breakdown by currency

	% of Net Assets
USD	99.90
TOTAL	99.90

HEREFORD FUNDS

Société d'Investissement à Capital Variable
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HEREFORD FUNDS – DGHM US ALL-CAP VALUE FUND

Securities Portfolio as of 30 Septembre 2014 (in USD)

Transferable securities admitted to an official stock exchange listing

Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	43,310	3M COMPANY	6,136,160.80	2.32
USD	144,984	ABBOTT LABORATORIES	6,029,884.56	2.28
USD	64,737	ACE LTD	6,788,969.19	2.57
USD	294,984	ACTIVISION BLIZZARD INC	6,132,717.36	2.32
USD	75,764	ALEXANDRIA REAL ESTATE EQUIT	5,587,595.00	2.12
USD	110,240	ALLSTATE CORP	6,765,428.80	2.56
USD	395,747	AMERICAN HOMES 4 RENT -A-	6,684,166.83	2.53
USD	123,531	ANALOG DEVICES	6,113,549.19	2.32
USD	195,003	AT&T INC	6,871,905.72	2.60
USD	104,910	BAKER HUGHES INC	6,825,444.60	2.58
USD	91,531	BED BATH & BEYOND INC	6,025,485.73	2.28
USD	131,860	CIT GROUP INC	6,060,285.60	2.29
USD	83,659	COVANCE INC	6,583,963.30	2.49
USD	223,908	DELTA AIR LI	8,094,274.20	3.06
USD	80,831	DIRECTV	6,993,498.12	2.65
USD	75,197	EASTMAN CHEMICAL CO	6,082,685.33	2.30
USD	127,603	GENERAL MILLS INC	6,437,571.35	2.44
USD	118,354	HALLIBURTON CO	7,635,016.54	2.89
USD	328,315	HELIX ENERGY SOLUTIONS GROUP	7,242,628.90	2.74
USD	216,534	INVESCO LTD	8,548,762.32	3.24
USD	147,908	JPMORGAN CHASE & CO	8,909,977.92	3.37
USD	222,707	KAPSTONE PAPER AND PACKAGING CORP	6,229,114.79	2.36
USD	532,176	KEYCORP	7,093,906.08	2.69
USD	87,712	KOHL'S CORP	5,353,063.36	2.03
USD	144,396	LINCOLN NATIONAL CORP	7,736,737.68	2.93
USD	74,588	MANPOWER GROUP	5,228,618.80	1.98
USD	231,413	MRC GLOBAL INC	5,396,551.16	2.04
USD	362,010	PFIZER INC	10,704,635.70	4.05
USD	221,845	PUBLIC SERVICE ENTERPRISE GP	8,261,507.80	3.13
USD	110,672	REGAL-BELOIT CORP	7,110,676.00	2.69
USD	705,820	REGIONS FINANCIAL CORP	7,086,432.80	2.68
USD	66,165	SANDISK CORP	6,480,861.75	2.45
USD	78,191	STRYKER CORP	6,313,923.25	2.39
USD	187,719	SUNTRUST BANKS INC	7,138,953.57	2.70
USD	103,221	THOR INDUSTRIES INC	5,315,881.50	2.01

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

HEREFORD FUNDS – DGHM US ALL-CAP VALUE FUND

Securities Portfolio as of 30 September 2014 (in USD)

(continued)

Transferable securities admitted to an official stock exchange listing (continued)
Shares (continued)

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	86,386	TIME WARNER INC	6,497,091.06	2.46
USD	176,620	WISCONSIN ENERGY CORP	7,594,660.00	2.88
USD	178,574	ZOETIS INC -A-	6,598,309.30	2.50
Total transferable shares admitted to an official stock exchange listing			258,690,895.96	97.92
TOTAL SECURITIES PORTFOLIO			258,690,895.96	97.92

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

HEREFORD FUNDS – DGHM US ALL-CAP VALUE FUND

Securities Portfolio as of 30 September 2014
(in USD)

(continued)

Breakdown by country

	% of Net Assets
Switzerland	2.57
United States of America	95.35
TOTAL	97.92

Breakdown by currency

	% of Net Assets
USD	97.92
TOTAL	97.92

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

HEREFORD FUNDS – FIRTH ASIAN VALUE FUND

Securities Portfolio as of 30 September 2014 (in USD)

Transferable securities admitted to an official stock exchange listing

Investment Funds

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	106,600	MSCI ALL COUNT. ASIA EX JAP. INDEX FD	6,536,712.00	8.66
Total transferable investment funds admitted to an official stock exchange listing			6,536,712.00	8.66

Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
TWD	165,000	104 CORP	678,023.94	0.90
HKD	1,679,500	AEON STORES (HONG KONG) CO LTD	2,068,546.38	2.74
HKD	2,758,000	ALLAN INTL HLDGS LTD	746,175.38	0.99
MYR	402,500	ALLIANZ MALAYSIA BERHAD	1,462,523.09	1.94
KRW	18,520	ATLASBX CO LTD	724,450.84	0.96
SGD	2,116,000	AURIC PACIFIC GROUP LTD	1,891,418.32	2.51
HKD	8,930,000	BOSSINI INTL HLDG	839,849.91	1.11
HKD	5,416,000	CHEN HSONG HLDGS	1,486,228.62	1.97
HKD	1,645,000	CLEAR MEDIA LTD	1,712,397.66	2.27
SGD	2,154,000	COURTS ASIA LTD	760,020.47	1.01
TWD	637,711	CYBERLINK CO LTD	1,832,257.10	2.43
KRW	88,427	DAEDUCK ELECTRONICS CO. LTD	769,694.34	1.02
KRW	45,150	DAEGU DEPARTMENT STORE	699,187.09	0.93
HKD	1,954,000	DAPHNE INTL HLDGS LTD	989,337.50	1.31
USD	503,000	ELEC & ELTEK INTL (R)	729,350.00	0.97
TWD	291,000	E-LIFE MALL	598,850.47	0.79
KRW	44,280	FURSYS INC	1,407,077.52	1.87
KRW	224,478	GIIR INC	1,703,037.41	2.26
HKD	7,328,000	GLORIOUS SUN ENTERPRISES LTD	1,586,069.10	2.10
HKD	9,124,788	GOME ELECTRICAL APPLIANCES	1,481,223.83	1.96
KRW	65,783	GS RETAIL CO LTD	1,623,077.63	2.15
THB	363,700	HANA MICROELECTRONICS PUBLIC CO LTD	473,903.57	0.63
SGD	927,000	HOOR GLASS LTD	1,402,827.01	1.86
INR	1,033,746	HT MEDIA LTD	1,857,909.33	2.46
SGD	523,000	HTL INTL HLDGS LTD	120,973.65	0.16
HKD	12,354,000	HUN HING PRINTING GROUP LTD	1,766,680.18	2.34
KRW	68,020	INTOPS CO LTD	1,108,110.23	1.47
SGD	376,000	KINGSMEN CREATIVES LTD	269,759.05	0.36
HKD	4,953,000	LUNG KEE (BERMUDA) HLDGS	1,493,177.88	1.98
KRW	20,347	MEGASTUDY CO LTD	1,308,543.15	1.73

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

HEREFORD FUNDS – FIRTH ASIAN VALUE FUND

Securities Portfolio as of 30 September 2014 (in USD)

(continued)

Transferable securities admitted to an official stock exchange listing (continued)
Shares (continued)

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
HKD	4,147,000	MOISELLE INTL HLDGS LTD	844,147.78	1.12
INR	279,526	MPHASIS LTD	1,942,085.83	2.57
HKD	25,210,000	NATURAL BEAUTY BIO-TECHNOLOGY LTD	1,883,771.41	2.50
HKD	2,458,000	PARKSON RETAIL GROUP LTD	712,511.30	0.94
SGD	8,088,000	PENGUIN INTL LTD	1,490,308.17	1.98
PHP	13,448,200	PEPSI COLA PROD PHILIPPINES	1,438,370.49	1.91
HKD	6,856,000	PICO FAR EAST	1,545,739.19	2.05
HKD	1,376,000	PORTS DESIGN LTD	546,004.86	0.72
SGD	2,493,000	QAF	1,896,099.35	2.51
HKD	5,092,000	ROADSHOW HLDGS	557,615.30	0.74
HKD	14,533,000	SAMSON HLDG LTD	1,928,500.96	2.56
KRW	10,724	SINDOH CO LTD	763,822.65	1.01
HKD	4,505,000	SUN HING VISION GROUP HLDGS LTD	1,526,433.56	2.02
HKD	1,072,000	TOP FORM INTL LTD	273,455.92	0.36
HKD	827,200	TRANSPORT INTL HLDGS	1,523,961.25	2.02
TWD	1,603,000	TSANN KUEN ENTERPRISE CO LTD	1,904,990.86	2.52
TWD	2,041,000	UNIMICRON TECHNOLOGY CORP	1,523,070.24	2.02
SGD	254,000	VENTURE CORP LTD	1,515,602.98	2.01
HKD	696,000	YGM TRADING LTD	1,551,253.25	2.06
TWD	1,854,000	YUFO ELECTRONIC CORP	1,158,015.58	1.53
Total transferable shares admitted to an official stock exchange listing			62,116,441.58	82.33
TOTAL SECURITIES PORTFOLIO			68,653,153.58	90.99

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

HEREFORD FUNDS – FIRTH ASIAN VALUE FUND

Securities Portfolio as of 30 September 2014 (in USD)

(continued)

Breakdown by country

	% of Net Assets
Bermuda Islands	12.11
Cayman Islands	2.50
China	2.25
Hong Kong	19.00
India	5.03
Malaysia	1.94
Philippines	1.91
Singapore	13.37
South Korea	13.40
Taiwan	10.19
Thailand	0.63
United States of America	8.66
TOTAL	90.99

Breakdown by currency

	% of Net Assets
HKD	35.86
INR	5.03
KRW	13.40
MYR	1.94
PHP	1.91
SGD	12.40
THB	0.63
TWD	10.19
USD	9.63
TOTAL	90.99

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

HEREFORD FUNDS – IMVA OPPORTUNITY FUND

Securities Portfolio as of 30 September 2014 (in USD)

Transferable securities admitted to an official stock exchange listing

Shares

Currency	Nominal Value/ Quantity	Description	Market Value	% of Net Assets
USD	5,265	3D SYSTEMS CORP	244,296.00	5.91
USD	2,406	ABBOTT LABORATORIES	100,065.54	2.42
USD	7,500	ADVANCED ENERGY INDUSTRIES	140,925.00	3.41
USD	60	ALTISOURCE ASSET MANAGEMENT CORP	40,500.60	0.98
USD	2,756	ALTISOURCE PORTFOLIO SOL	277,804.80	6.71
USD	42,100	AMERICAN EAGLE ENERGY CORP	171,347.00	4.14
USD	5,869	ANACOR PHARMACEUTICALS INC	143,614.43	3.47
USD	1,146	ANADARKO PETROLEUM CORP	116,250.24	2.81
USD	930	APPLE INC	93,697.50	2.26
USD	1,534	CAMERON INTL CORP	101,826.92	2.46
USD	3,114	CREE INC	127,518.30	3.08
USD	5,052	FREEPORT-MCMORAN COPPER	164,947.80	3.99
USD	10,315	INTREPID POTASH INC	159,366.75	3.85
USD	15,100	KVH INDUSTRIES INC	170,932.00	4.13
USD	15,520	LUMINEX CORP	302,640.00	7.32
USD	16,820	MCDERMOTT INTL INC	96,210.40	2.33
USD	3,353	MONTPELIER RE HLDGS LTD	104,244.77	2.52
USD	3,030	MURPHY OIL CORP	172,437.30	4.17
USD	142,301	NIKO RESOURCES LTD	96,010.48	2.32
USD	9,971	OCWEN FINANCIAL CORP	261,040.78	6.31
USD	6,181	QUIDEL	166,083.47	4.02
USD	9,590	STONE ENERGY CORP	300,742.40	7.27
USD	5,374	THE BABCOCK & WILCOX CO	148,806.06	3.60
USD	4,623	ULTRA PETROLEUM CORP	107,623.44	2.60
USD	39,527	VOYAGER OIL & GAS INC	243,091.05	5.88
Total transferable shares admitted to an official stock exchange listing			4,052,023.03	97.96
TOTAL SECURITIES PORTFOLIO			4,052,023.03	97.96

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

HEREFORD FUNDS – IMVA OPPORTUNITY FUND

Securities Portfolio as of 30 September 2014 (in USD)

(continued)

Breakdown by country

	% of Net Assets
Bermuda Islands	2.52
Canada	2.32
Luxembourg	6.71
United States of America	85.43
US Virgin Islands	0.98
TOTAL	97.96

Breakdown by currency

	% of Net Assets
USD	97.96
TOTAL	97.96

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2014

Note 1

Organisation and objective of the company

a) General information

Hereford Funds (the "Fund") is an open-ended investment fund with multiple compartments (société d'investissement à capital variable ("SICAV") à compartiments multiples), incorporated for an indefinite period on 23 November 2007 and governed by Part I of the amended Luxembourg Law of 17 December 2010 (the "2010 Law") relating to 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 of the Fund has appointed VPB Finance S.A. to act as Management Company for the Fund under the terms of the Management Company Services Agreement dated 1 December 2011. The Management Company is a public limited company ("société anonyme"). Its articles of incorporation have been amended on 20 June 2006 in order to allow it to act as a Management Company for undertakings for collective investment, currently in accordance with Chapter 15 of the 2010 Law. It exists for an unlimited period of time. As such, the Management Company will perform and render without limitation: (i) investment management services, (ii) administrative agency, corporate and domiciliary agency, registrar and transfer agency services, and (iii) marketing, principal distribution and sales services. The Management Company also acts as Management Company for other undertakings for collective investments. The names of the other undertakings for collective investments are available upon request from the Management Company.



The Fund contains the following Compartments and Classes of Shares:

- Hereford Funds – DSM US Large Cap Growth Fund
Class A Shares, available in USD, GBP and EUR
Class B and Class E Shares, available in USD
Class C and Class D Shares, each available in USD and EUR
Class U Shares, available in USD and GBP
- Hereford Funds – DGHM US All-Cap Value Fund
Class A Shares, available in USD, GBP and EUR
Class B Shares, available in USD
Class D Shares, available in USD and EUR
- Hereford Funds – FIRTH ASIAN Value Fund
Class A Shares, available in USD, GBP and EUR
Class D Shares, available in USD and EUR

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2014

(continued)

- Hereford Funds – IMVA Opportunity Fund (launched on 31 January 2014)

Class A Shares, available in USD
Class D Shares, available in USD and EUR
Class L Shares, available in USD, EUR and GBP

Class A, Class B, Class E and Class U Shares shall be reserved for investments made by investors qualifying as institutional investors within the meaning of the 2010 Law.

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

Class L Shares is only available to investors having entered into a suitable agreement Hereford Funds Advisory S.à r.l. (the "Advisory Company").



As of 30 September 2014, the following Classes of Shares were active:

- Hereford Funds – DSM US Large Cap Growth Fund

Class A in USD
Class B in USD (initial subscription on 5 March 2014)
Class C in USD
Class D 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 (initial subscription on 31 January 2014)
Class L in USD (initial subscription on 31 January 2014)

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

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2014

(continued)

b) Investment policies

Hereford Funds – DSM US Large Cap Growth Fund

The investment objective of the Compartment is to provide capital appreciation principally through investments in US-based growing corporations with market capitalizations generally above USD 2 billion. These companies are chosen for their growth prospects, attractive returns, solid business fundamentals and intelligent management. Companies invested in will often have higher revenue and earnings growth rates and less “sell-side” research coverage than comparable larger capitalization corporations.

The Compartment 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 Compartment may hold liquid assets on an ancillary basis. Under normal market conditions, investment in liquid assets and debt instruments of any kind will not exceed 15% of the Compartment's net assets. In exceptional market circumstances and on a temporary basis only, this limit may be increased to 100% with due regard to the principle of risk spreading.

Hereford Funds – DGHM US All-Cap Value Fund

The investment objective of the Compartment is to provide long-term capital appreciation over a multi-year investment horizon by investing primarily in a diversified portfolio of publicly traded equity securities of US-based companies, which the Investment Manager believes to be undervalued. The companies will generally have a market capitalization of more than USD 750 million.

The Compartment may, on an ancillary basis, invest in US-based companies with higher or lower market capitalizations as well as in non US-based companies. The Compartment may invest in American Depository Receipts (“ADR”) and American Depository Shares (“ADS”).

The Compartment will invest, under normal circumstances, at least 85% of its net assets in publicly traded equity securities, including common stocks, preferred stocks, convertible securities, and similar instruments of various issuers.

Within the same limits as above, the Compartment may also purchase exchange-traded funds whose underlyings belong to the Compartment's investment universe.

The Compartment has the flexibility to invest in other types of securities when the Investment Manager believes they offer more attractive opportunities or as a temporary defensive measure in response to adverse market, economic, political, or other conditions, or to meet liquidity, redemption, and short-term investing needs. Under normal market conditions, investment in liquid assets and debt instruments of any kind will not exceed 15% of the Compartment's net assets. In exceptional market circumstances and on a temporary basis only, this limit may be increased to 100% with due regard to the principle of risk spreading.

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2014

(continued)

Hereford Funds – FIRTH ASIAN Value Fund

The investment objective of the Compartment is to generate long term capital growth from a portfolio of listed company securities in Asia (ex-Japan). The Compartment will follow a value-based investing approach and will have a bias towards smaller capitalisation stocks.

The Compartment will directly invest primarily in shares of companies located in, incorporated in, headquartered in, listed on exchanges in or with significant operations in or significant income derived from Hong Kong, India, Indonesia, Korea, Malaysia, the Philippines, the PRC Singapore, Taiwan and Thailand. The Compartment may also directly invest in smaller or developing economies in Asia such as Bangladesh, Cambodia, Laos, Pakistan, Sri Lanka or Vietnam. The Compartment will not invest in China A Shares when investing in the PRC.

The Compartment will directly invest actively in a diversified portfolio of listed equity securities. The Compartment will generally only invest in securities admitted to official listing on recognized stock exchange, or dealt in on another regulated market. Although the Compartment intends to invest in a portfolio of not less than 40 stocks and not more than 100 stocks, it is not restricted in or subject to any material concentration or diversification restrictions, and may hold a more limited number of investment positions.

The Compartment will typically be near fully invested but may hold liquid assets on an ancillary basis. Under normal market conditions, investment in liquid assets and debt instruments of any kind will not exceed 25% of the Compartment's net assets. In exceptional market circumstances and on a temporary basis only, this limit may be increased to 100% with due regard to the principle of risk spreading.

The Investment Manager intends to meet the Fund's objective primarily through stock selection and country allocation based upon the investment advice of the Investment Adviser. Typically stocks will be bought and held. This is not a trading strategy and it is not intended to attempt to time general market movements. While portfolio returns will be measured against the Benchmark Index, portfolio management will not be constrained by reference to the index.

Hereford Funds – IMVA Opportunity Fund (initial subscription 31 January 2014)

The investment objective of the Compartment is to provide capital appreciation principally through investments in equity securities of US-based companies with market capitalizations generally above USD 100 million which the Investment Manager believes to represent unique opportunities for capital appreciation with reasonable risk and to have an attractive price. These companies are select, inter alia, based on their reasonable price/earnings multiples relative to projected earnings and cash flow growth, strong or improving profit margins, solid financial position and on the assessment of their management.

The Compartment employs a concentrated investment style and may produce results that are considerably more volatile than those of the broader market.

The Compartment 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 ("ADR") and American Depository Shares ("ADS").

HEREFORD FUNDS

Société d'Investissement à Capital Variable
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NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2014

(continued)

The Compartment may hold liquid assets on an ancillary basis. Under normal market conditions, investment in liquid assets and debt instruments of any kind will not exceed 15% of the Compartment's net assets. In exceptional market circumstances and on a temporary basis only, this limit may be increased to 100% with due regard to the principle of risk spreading.

Note 2

Summary of significant accounting policies

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

a) Foreign currency translation

In each Compartment, investments as well as other assets and liabilities stated in foreign currencies are translated at the exchange rates prevailing as of the closing date. The costs of investments are at historical exchange rates. Transactions in foreign currency during the year/period are translated at the rates prevailing at the date of transaction. Realised and unrealised exchange gains and losses, if any, are recorded in the statement of operations of each Compartment under the captions "net realised gain/loss (-) on foreign exchange" and "net change in unrealised appreciation/depreciation (-) on foreign exchange".

Combined statements are obtained by the arithmetic sum of statements of each individual Compartment.

b) Investments

The value of securities, which are traded on a stock exchange or traded on an other regulated market providing reliable price quotations are valued at the latest price available on the valuation day. In the event that any securities held in the portfolio are not listed on any stock exchange or not traded on any other regulated market or if the price obtained as described above is not representative of the fair market value of the securities, the value of such securities will be based on the reasonably foreseeable sales price determined prudently and in good faith by the Board of Directors of the Fund.

The cost of investments sold is determined on the basis of the weighted average price method.

c) 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.

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2014

(continued)

Note 3 Net asset value

a) Computation

The net asset value ("NAV") per share is expressed in the currency of the relevant Class of Shares and is determined as of each banking day as defined in relation to each Compartment in the Prospectus of the Fund, by dividing the net assets of the relevant Class of Shares of the Compartment by the number of shares issued and outstanding in the relevant Class of Shares of the Compartment. The net assets of a Class of Shares correspond to the difference between the total assets and the total liabilities of the Class of Shares.

b) Redemption of shares

Each shareholder of any Class of Shares of the Compartment has the right to request at any time the redemption of his/her shares at an amount equal to the net asset value of the relevant Class of Shares of the Compartment as described in the preceding paragraph.

For each Compartment the Fund may temporarily suspend the calculation of the NAV per share, the redemption and the conversion of shares under certain well defined circumstances as disclosed in the Prospectus.

Note 4 Investment advisory and management fees

The Fund has appointed as Advisory Company Hereford Funds Advisory S.à r.l.

The Management Company, with the consent of the Fund and with the assistance of the Advisory Company, has appointed the following Investment Managers:

- Hereford Funds – DSM US Large Cap Growth Fund
- DSM Capital Partners LLC as investment manager
- Hereford Funds – DGHM US All-Cap Value Fund
- Dalton, Greiner, Hartman, Maher & Co., LLC as investment manager
- Hereford Funds – FIRTH ASIAN Value Fund
- Firth Investment Management Pte. Ltd as investment manager
- Hereford Funds – IMVA Opportunity Fund (initial subscription 31 January 2014)
- Investment Management of Virginia, LLC as investment manager

In relation to the Compartment Hereford Funds – DSM US Large Cap Growth Fund, the Advisory Company is entitled to receive fees, payable on a quarterly basis at a total annual rate of 1.25% for Class A and Class U Shares, 0.75% for Class B Shares, 1.00% for Class C Shares, 1.75% for Class D

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2014

(continued)

Shares and 0.90% for Class E Shares based on the average net asset of the relevant share class or Compartment during the relevant period. The investment manager is remunerated by the Advisory Company out of the fees that it receives from the Compartment.

In relation to the Compartment Hereford Funds – DGHM US All-Cap Value Fund, the Advisory Company is entitled to receive fees, payable on a quarterly basis at a total annual rate of 1.25% for Class A Shares, 0.95% for the Class B Shares and 1.75% for Class D Shares based on the average net asset of the relevant share class or Compartment during the relevant period. The investment manager is remunerated by the Advisory Company out of the fees that it receives from the Compartment.

In relation to the Compartment Hereford Funds – FIRTH ASIAN Value Fund, the Advisory Company is entitled to receive fees, payable on a quarterly basis at a total annual rate of 1.50% for Class A Shares and 2.00% for Class D Shares based on the average net asset of the relevant share class or Compartment during the relevant period. The investment manager is remunerated by the Advisory Company out of the fees that it receives from the Compartment.

In relation to the Compartment Hereford Funds – IMVA Opportunity Fund, the Advisory Company is entitled to receive fees, payable on a quarterly basis at a total annual rate of 1.25% for Class A Shares, 1.75% for Class D Shares and 0.75% for Class L Shares based on the average net asset of the relevant share class or Compartment during the relevant period. The investment manager is remunerated by the Advisory Company out of the fees that it receives from the Compartment.

Note 5 **Custodian and central administration fees**

The commissions for the custodian and administration services are payable monthly and calculated on the average of the total net assets of the respective Compartment in accordance with the agreements signed with VP Bank (Luxembourg) SA and VPB Finance S.A. on 1 December 2011.

Note 6 **Taxes**

In accordance with current Luxembourg law, the Fund is not subject to any tax on income, capital gains tax or wealth tax. Moreover, no dividends distributed by the Fund, if any, are subject to withholding tax.

Interest/dividend income may be subject to non-recoverable withholding tax in the country of origin. However, income collected by the Fund on securities in its portfolios may be subject to withholding tax which, in normal circumstances, cannot be reclaimed.

The Fund is registered under the Luxembourg law as an investment company (*Société d'Investissement à Capital Variable* "SICAV"). Accordingly, no Luxembourg income or capital gains tax is, at present, payable. The Fund is only subject to the Luxembourg subscription tax ("taxe d'abonnement") payable quarterly, at the annual rate of 0.05% for Class C and D Shares and of 0.01% for Class A, B, E, L and U Shares. The tax is calculated on the basis of the total net assets on the last day of each quarter; however no tax is levied on the asset value represented by shares held in other undertakings for collective investment falling under Luxembourg law.

HEREFORD FUNDS

Société d'Investissement à Capital Variable
(Investment Company organised under the laws of the Grand Duchy of Luxembourg)

NOTES TO THE FINANCIAL STATEMENTS

As of 30 September 2014

(continued)

Note 7 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.

Note 8 Transaction fees

In accordance with the 2010 Law, the transaction fees have to be disclosed separately in the statement of operations and are representing broker transaction fees in relation to the purchases and sales of securities during the reporting period/year.

Note 9 Performance fee

The Advisory Company may also be entitled to a performance fee specific to each Class of Shares:

Hereford Funds – DSM US Large Cap Growth Fund

In relation to Class C Shares, a performance fee may be paid to the Advisory Company on a quarterly basis. The performance fee is 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. The investment manager is remunerated by the Advisory Company out of the fees that it receives from the Compartment.

For the year from 1 October 2013 to 30 September 2014, a performance fee of USD 107,554.35 was due.

Hereford Funds – DGHM US All-Cap Value Fund

There are no performance fees in relation to this Compartment.

Hereford Funds – FIRTH ASIAN Value Fund

In relation to Class A and Class 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 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

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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 2013 to 30 September 2014, a performance fee of USD 525,281.59 was due.

Hereford Funds – IMVA Opportunity Fund

There are no performance fees in relation to this Compartment.

Note 10 **Exchange rates**

The exchange rates used as of 30 September 2014 are as follows:

1 USD = CNY	6.139483	1 USD = MYR	3.280495
1 USD = EUR	0.791632	1 USD = PHP	44.878118
1 USD = HKD	7.761982	1 USD = SGD	1.275360
1 USD = INR	61.760714	1 USD = THB	32.425003
1 USD = KRW	1,055.801105	1 USD = TWD	30.419280

Note 11 **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 are the Investment Managers and Advisory Company. The fees for the transactions with related parties are described in notes 4 and 9.

As of 30 September 2014, 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 of the Fund.

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Note 12 **Changes in securities portfolio**

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

Note 13 **Corporate governance statement**

The Board of Directors of the Fund confirms its adherence with the principle contained in the ALFI (*Association Luxembourgeoise des Fonds d'Investissement*) Code of Conduct for Luxembourg Investment Funds.

Note 14 **Events**

On 21 January 2014, the Board of Directors of the Fund resolved to launch the Compartment named Hereford Funds – IMVA Opportunity Fund with two share classes: Class A in USD and Class L in USD, both on 31 January 2014, with an initial subscription price of USD 100.00 each.



On 27 February 2014, the Board of Directors of the Fund resolved to launch Class B Shares in USD of Hereford Funds – DSM US Large Cap Growth Fund with initial subscription date 5 March 2014 and subscription price of USD 100.00.



On 29 July 2014, the Board of Directors of the Fund resolved the transfer of Management Company from VPB Finance S.A. to BSI Fund Management S.A. and the transfer of Custodian Bank from VP Bank (Luxembourg) SA to BSI Europe S.A. by 30 November 2014 with effective date 1 December 2014.

Note 15 **Subsequent Events**

On 30 November 2014 with effective date 1 December 2014, the current functions of the Management Company and the Custodian Bank will be transferred to BSI Fund Management S.A. and to BSI Europe S.A.

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SHAREHOLDER INFORMATION

The articles of incorporation, the prospectus, the key investor information documents, the statement of changes in the composition of the portfolios, the semi-annual and annual reports are available free of charge at the registered office of Hereford Funds, at 26, avenue de la Liberté, L-1930 Luxembourg, as well as at the paying agents and representative banks mentioned under chapter "Management and Administration".

The semi-annual and annual reports contain general information about the Fund as well as data showing the Fund's development and its total net assets.

The business year of the Fund begins on 1 October and ends on 30 September of the following year.



As a result of certain legislative changes in Germany regarding the taxation of portfolio dividends (Streubesitzdividenden) and the effects of these changes on fund reporting requirements under the Investment Tax Act (Investmentsteuergesetz, InvStG), especially as regards the share profit (Aktiengewinn), share profits were accordingly modified. Information on such adjusted share profits is available on the website of Hereford Funds for each concerned Class of Shares below www.herefordfunds.com.



According to the circular of 9 July 2013 and 4 December 2013 from the German Federal Ministry of Finance, the subsequent publication of the "Aktiengewinn 2 – AKG2" for the period 1 March 2013 to 30 June 2013 is available on the website of the Management Company (www.vpbfinance.com).

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Unaudited supplementary information

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TOTAL EXPENSE RATIO

For the year/period ended 30 September 2014

Hereford Funds - DSM US Large Cap Growth Fund

Total Expense Ratio (TER) - Class A USD	1.53%	including performance fees	1.53%
Total Expense Ratio (TER) - Class B USD ¹⁾	0.99%	including performance fees	0.99%
Total Expense Ratio (TER) - Class C USD	1.32%	including performance fees	4.99%
Total Expense Ratio (TER) - Class D USD	2.04%	including performance fees	2.04%
Total Expense Ratio (TER) - Class U USD	1.53%	including performance fees	1.53%

Hereford Funds - DGHM US All-Cap Value Fund

Total Expense Ratio (TER) - Class A USD	1.49%	including performance fees	1.49%
Total Expense Ratio (TER) - Class B USD	1.14%	including performance fees	1.14%
Total Expense Ratio (TER) - Class D USD	2.05%	including performance fees	2.05%

Hereford Funds - FIRTH ASIAN Value Fund

Total Expense Ratio (TER) - Class A USD	1.81%	including performance fees	2.56%
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Hereford Funds - IMVA Opportunity Fund ²⁾

Total Expense Ratio (TER) - Class A USD	1.77%	including performance fees	1.77%
Total Expense Ratio (TER) - Class L USD	1.27%	including performance fees	1.27%

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

¹⁾ Period from the date of initial subscription on 5 March 2014

²⁾ Period from the date of initial subscription on 31 January 2014

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PORTFOLIO TURNOVER RATE

For the year/period ended 30 September 2014

Hereford Funds - DSM US Large Cap Growth Fund	19.99%
Hereford Funds - DGHM US All-Cap Value Fund	28.36%
Hereford Funds - FIRTH ASIAN Value Fund	29.46%
Hereford Funds - IMVA Opportunity Fund ¹⁾	4.81%

The "Portfolio Turnover Rate" indicates the turnover rate of the holdings of the Compartment and is computed using the following formula (annualised) as stated in the CSSF Circular 03/122:

$$\text{PTR} = [(\text{Total 1} - \text{Total 2}) / \text{M}] * 100$$

with:

- Total 1 = Total of securities transactions during the relevant period = X + Y,
where X = purchases of securities and Y = sales of securities.
- Total 2 = Total of transactions in shares of the Compartment during the relevant period = S + T,
where S = subscriptions of shares of the Compartment and T = redemptions of shares
of the Compartment.
- M = Average net assets of the Compartment during the relevant period.

¹⁾ Since its initial subscription on 31 January 2014

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UK DISTRIBUTING STATUS - REPORTING FUND STATUS

On 4 February 2011, the HMRC accepted the entry of below mentioned Compartments and Classes of Shares of Hereford Funds into the UK reporting Fund regime:

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

Class A in USD
Class B in USD (initial subscription on 5 March 2014)
Class C in USD
Class D in USD
Class E in USD
Class U in USD

For Class U Shares, the distributor status tax regime for offshore funds has been granted for the financial year ended 30 September 2010. As of the financial year starting 1 October 2010, the Board of Directors of the Fund has applied for and obtained reporting fund status (replacing the UK distributor status tax regime).

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

Class A in USD
Class B in USD
Class D in USD

For Class A Shares, as of the financial year starting 1 October 2010, the Board of Directors of the Fund has applied for and obtained reporting fund status (replacing the UK distributor status tax regime).

- **Hereford Funds – FIRTH ASIAN Value Fund**

Class A in USD

For Class A Shares, as of the financial year starting 1 October 2010, the Board of Directors of the Fund has applied for and obtained reporting fund status (replacing the UK distributor status tax regime).

- **Hereford Funds – IMVA Opportunity Fund** (launched on 31 January 2014)

Class A in USD
Class L in USD

For Class A and L Shares, as of the financial year starting 1 October 2013, the Board of Directors of the Fund has applied for and obtained reporting fund status (replacing the UK distributor status tax regime).

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Risk Management Process

For the year/period ended 30 September 2014

The global exposure of the Compartments is calculated using the commitment approach as detailed in applicable laws and regulations including but not limited to the CSSF Circular 11/512.