



Hereford Funds **DSM US SMID Cap Growth Fund** January 2008

January 2008 Investment Review

The Hereford/DSM SMID Cap Fund declined (11.8%) for the month of January compared to a (8.2%) decline in the Russell 2500 Growth and a (6.0%) decline in the S&P500. We have been surprised by the ferocity of the correction in the equity markets this month. If we had seen this coming, we might have raised cash; but we didn't see it coming, and we feel it is too late to sell now. We believe that investors are largely selling without regard for the "intrinsic value" of what they own. Many investors are "in pain" and pain breeds fear and fear causes panicked selling. As a result, the prices simply represent the balance of supply overwhelming demand, as large numbers of investors seek to stop the pain by raising cash. Given that we believe it is too late to raise cash now, our strategy is to make selective changes to upgrade the portfolio as opportunities present themselves. We hope that these selective changes will enable the long-term returns on the portfolio to be superior to what they otherwise would have been.

Pessimism remains widespread, creating opportunity when the reality is not dire. At present, the portfolio continues to generate weighted earnings growth well in excess of 20% per annum and is selling at 16.7x 2008 (next four quarters) earnings. This ratio of P/E to earnings growth is uncharacteristically attractive, especially in light of current interest rates. We continue to believe that we have identified investment opportunities that will generate an attractive rate of return, while remaining aware of economic and company specific risks. We believe the portfolio is significantly undervalued.

Key information

NAV A Shares (31/01/08): \$86.84

Total Fund Size: \$3.4 Million

Strategy Assets: \$16.0m^(a)

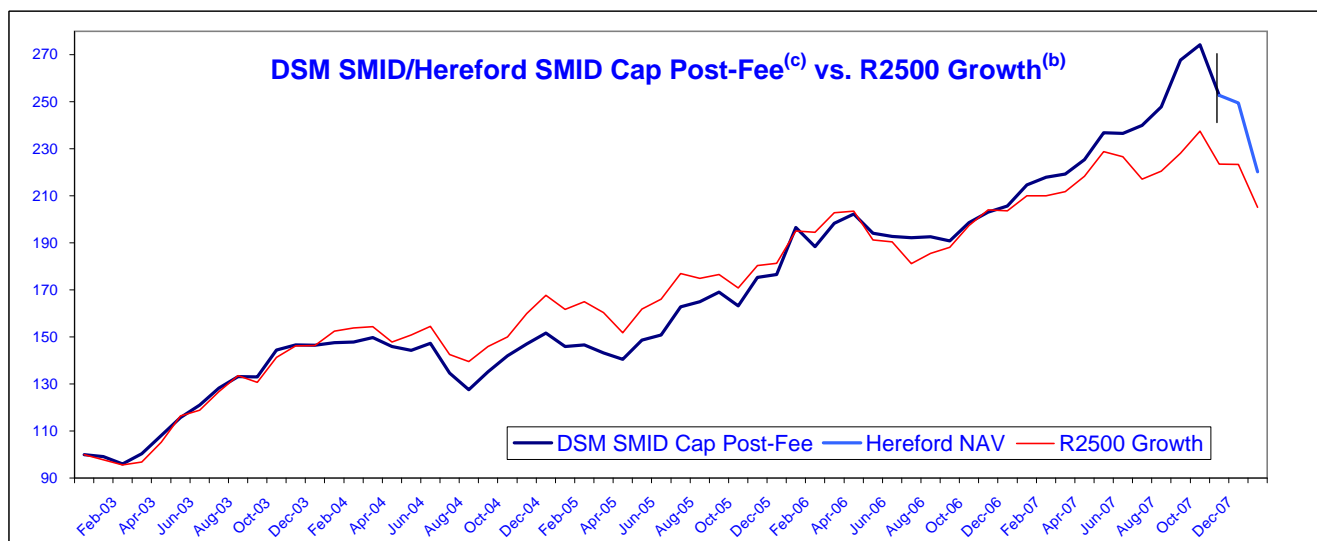
Fund Launch Date: 29-Nov-07

Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	(11.8)												(11.8)
Russell 2500 Growth ^(b)	(8.2)												(8.2)

Period Performance (%)

	YTD	2007	2006	2005	2004	2003	Since Inception 01/01/03	
							Cumulative	Annualised
DSM SMID Cap/Hereford SMID Returns ^(c)	(11.8)	21.3	16.5	16.4	3.6	46.4	120.2	16.8
Russell 2500 Growth ^(b)	(8.2)	9.7	12.3	8.2	14.6	46.3	105.2	15.2



Top Ten Holdings

Varian Medical Systems	4.8%
Aircastle	4.4%
Hologic Inc.	4.2%
Ion Geophysical	4.1%
SEI Investments	4.1%
Tessera Technologies	4.0%
C.R. Bard	3.5%
Zoll Medical	3.5%
Gen-Probe	3.4%
Satyam Computer Services	3.4%

% NAV

4.8%
4.4%
4.2%
4.1%
4.1%
4.0%
3.5%
3.5%
3.4%
3.4%

Sectoral Breakdown

Health Care
Informational Technology
Energy
Financials
Consumer Discretionary
Industrials
Materials

% of assets

28.0%
24.7%
18.0%
7.1%
5.0%
11.1%
1.9%



Investment Objective

The investment objective of the sub fund is to provide capital appreciation principally through investments in US-based growing corporations with market capitalizations generally between 300 million and 10 billion dollars. These companies are chosen for their growth prospects, attractive returns, solid business fundamentals and intelligent management. Companies invested in will often have higher revenue and earnings growth rates and less "sell-side" research coverage than comparable larger capitalization corporations. The sub fund may, on an ancillary basis, invest in US-based companies with higher or lower market capitalizations as well as in non-US based companies. The sub fund may invest in American Depository Receipts and American Depository Shares. The reference benchmark for this strategy is the Russell 2500 Growth Index.

Fund Codes (Share Class A)		Since Inception Risk Profile	DSM US SMID	DSM SMID	R2500 Growth
Bloomberg	DSMUSMA LX	Volatility	n/a	14.9	14.3
ISIN	LU0327605118	Sharpe Ratio	n/a	0.9	0.9
Reuters	LP65102019	Information Ratio	n/a	0.2	
Sedol	B28TM17	Tracking Error	n/a	7.5	
Valoren	3504786	Beta	n/a	0.9	
WKN	A0M58X	Alpha	n/a	2.7	

Fund Details

Dealing Day	Daily
Dividends	None - income accumulated within the fund
Investment Manager	DSM Capital Partners LLC, 320 East Main Street, Mount Kisco, NY 10549, USA
Promoter	VP Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Authorized Corporate Director	VPB Finance S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Custodian	VP Bank (Luxembourg) S.A., 26 Avenue de la Liberté, L-1930 Luxembourg
Legal Advisers	Elvinger, Hoss & Prussen, 2 Place Winston Churchill, L-1340 Luxembourg
Auditor	Deloitte, 560 Rue de Neudorf, L-2220 Luxembourg

Annual Management Charge

Share Class A	1.25%
Share Class B	0.25% + 20% performance fee on outperformance vs US T-Bill with HWM
Share Class C	1% + 20% performance fee on outperformance vs US T-Bill with HWM
Share Class D	1.75%

Minimum Investment

Share Class A&B	\$100,000 initial / \$10,000 subsequent
Share Class C&D	\$10,000 initial / \$1,000 subsequent

Order Transmission / Information

Original Applications to:

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

Subsequent Applications Only Via Facsimile:

VPB Finance S.A.
attn. Fund Operations / TA-HFF
Fax : (+352) 404 770 283
Tel: (+352) 404 770 260

e-mail: luxfunds.info@vpbank.com

- (a) This refers to the total assets invested in the reference strategy managed by the Investment Manager.
(b) Total return including dividends.
(c) Data and graph depict DSM Composite through November 2007 and Hereford Funds DSM US SMID Cap Growth Fund Class A thereafter. Historical gross performance of DSM SMID Cap Composite returns (the Reference Strategy) minus modeled fee and expense typical of Hereford Funds DSM US SMID Cap Growth Fund Class A (1.25% fee + 0.25% expense). Fund follows same strategy. Performance presentation incomplete without accompanying footnotes as shown at dsmcapital.com.

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