

**Investment Review**

The DSM/Hereford SMID Cap Fund appreciated 3.8% for the month of February compared to a 5.1% appreciation for the Russell 2500 Growth index and a 3.1% appreciation for the S&P500. At the end of February, the Fund was invested primarily in the health care, technology, business services, consumer, and financial services sectors, with smaller weights in the industrial and defense sectors.

During the month, the Fund lagged its benchmark, on a gross-of-expense basis, by 66 basis points. This was primarily the result of DSM's overweight as well as stock selections in health care as well as DSM's stock selections in industrials, offset by the firm's stock selections in technology.

In February, the best performing positions in the portfolio were Affiliated Managers (a holding company of investment managers), Vanceinfo Technologies (business process outsourcing and other contract services), F5 Networks (internet traffic software), Altera (maker of programmable logic devices) and CTRIP.com (a Chinese internet travel agency). The worst performers in February were Dun & Bradstreet (business information products), Nuance Communications (leading voice recognition software), Icon PLC and Pharmaceutical Product Development (contract management of pharmaceutical trials) and Varian Medical Systems (radiation therapy devices).

During the month, the Fund exited positions in Intuitive Surgical (robotic surgery) due to the stock's higher market cap, Syntel (contract software development) due to an unexpected contract re-negotiation, Strayer (for-profit education) based on possible negative regulatory reform, Pharmaceutical Product Development due to difficulty in predicting trial activity and Dun & Bradstreet as new offerings failed to pick up DNB's growth rate.

The Fund initiated positions in Rockwell Collins (airborne navigation and flight control systems, displays), Expeditors International (leading freight forwarder) and National Instruments (maker of industrial testing and measurement software).

At this point in early 2010, the economy appears to be moving along a track of steady, moderate improvement. The various economic indicators inconsistently perform ahead of, or behind expectations, keeping the markets volatile. That said, the 10,000 foot view is that the economy is moving in the right direction. How long it will take for housing prices to clearly bottom and then trend upward, or for the unemployment rate to begin trending down are good questions, and the "U-shaped" vs "V-shaped" recovery camps continue their analysis and debate. The economic news year-to-date has been dominated by the dire economic situation in Greece, set against a backdrop of the other "PIGS" nations (Portugal, Italy, Greece and Spain) with similar indebtedness and uncompetitive economies. The near-bankrupt status of the "PIGS" countries puts a spotlight on the over-indebtedness and worsening fiscal situation of many developed nations. While all of this may well create a negative investment environment, it is highly unlikely that Greece or other similar countries would be "cut loose" from the IMF safety net and allowed to fail. The glass half-full view is that these situations are serious enough to force true reform which, over time, is good for the developed world and its economies.

**Key information**

NAV A Shares (26/02/10): US\$ 61.27

Total Fund Size: US\$ 1.0 mil

Strategy Assets: US\$50.7 mil<sup>(a)</sup>

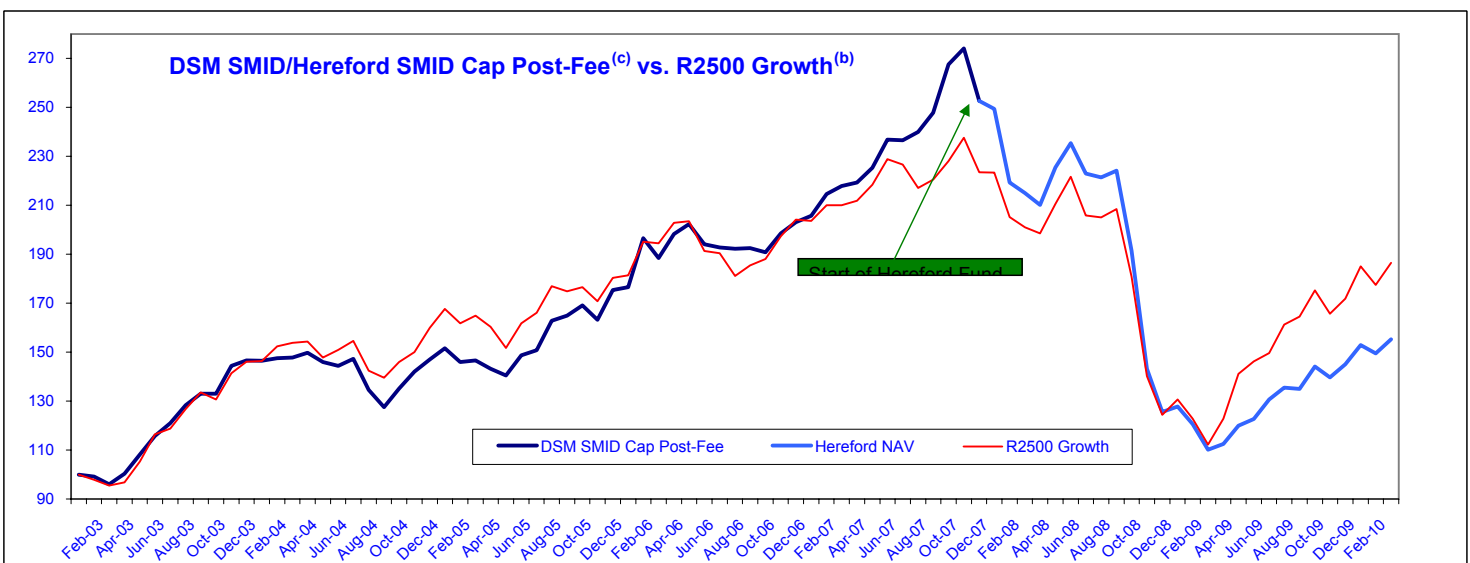
Fund Launch Date: 29-Nov-07

**Monthly Performance (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	(2.2)	3.8											1.6
Russell 2500 Growth <sup>(b)</sup>	(4.1)	5.1											0.8

**Period Performance (%)**

	YTD	2009	2008	2007	2006	2005	2004	2003	Since Inception 01/01/03	
									Cumulative	Annualised
DSM SMID Cap/Hereford SMID Returns <sup>(c)</sup>	1.6	19.6	(48.8)	21.3	16.5	16.4	3.6	46.4	55.3	6.3
Russell 2500 Growth <sup>(b)</sup>	0.8	41.7	(41.5)	9.7	12.3	8.2	14.6	46.3	86.5	9.1



**Top Ten Holdings**

Affiliated Managers  
 Altera Corp.  
 C. R. Bard  
 Conceptus, Inc.  
 DaVita  
 Dolby Laboratories  
 F5 Networks  
 Genoptix  
 Gen-Probe  
 Varian Medical Systems

**Sector Breakdown****% of assets**

Health Care	41.2%
Information Technology	27.7%
Services	12.3%
Financials	7.0%
Industrials	5.0%
Consumer Discretionary	4.8%
Consumer Staples	1.6%

**Investment Objective**

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

**Fund Codes (Share Class A)**

		Since Inception Risk Profile	Hereford DSM US SMID	DSM SMID Composite	R2500 Growth
Bloomberg	DSMUSMA LX	Volatility	n/a	19.3	19.5
ISIN	LU0327605118	Sharpe Ratio	n/a	0.2	0.3
Reuters	LP65102019	Information Ratio	n/a	-0.4	
Sedol	B28TM17	Tracking Error	n/a	8.3	
Valoren	3504786	Beta	n/a	0.9	
WKN	A0M58X	Alpha	n/a	-2.1	

**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) is net of 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 [www.dsmcapital.com](http://www.dsmcapital.com).  
 (d) The fund is registered with the AFM for public distribution in the Netherlands.

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