



**Investment Review**

The Hereford/DSM Large Cap Fund depreciated (7.7)% for the month of May compared to a (6.4)% depreciation for the Russell 1000 Growth Index and a (6.0)% depreciation for the S&P 500 including dividends. At the end of May, the Fund was invested primarily in the business services, consumer discretionary, health care and technology sectors, with smaller weights in the industrials and energy sectors.

During the month the Fund trailed its benchmark by approximately 130 bps. This was primarily the result of the underperformance of our stock selections in the health care, technology and consumer staples sectors as well as our underweight in the consumer staples sector. Our stock selections in the materials sector benefitted performance. In May, the best performing positions in the portfolio were Dollar General, Walt Disney, Monsanto, Family Dollar Stores and Ecolab. The worst performers for the month were Cognizant Technology Solutions, Priceline.com, Las Vegas Sands, Schlumberger and Shire. During the month, we trimmed the Fund's holdings in Apple and Priceline.com on valuation. With the proceeds of these sales, we added to existing positions in Cognizant, Ecolab, Monsanto and Walt Disney.

While we previously believed that the prospects for global growth were improving, recent statistics clearly indicate slower global growth. That said, DSM's long held view of a "muddle-through" outcome for the global economy remains intact. We continue to see slow 2.0%-2.5% US growth, with much faster growth in emerging markets and with an ongoing shallow recession in Europe. In addition, Japan should have slow growth of about 1%, or perhaps a touch more. All told, global growth remains mired in the 2.5% to 3% range. The major risk is that Europe's shallow recession turns into a deeper recession, which could cause world growth to slow, or to enter a recession as well. At this point, we do not believe that outcome is likely.

In the United States, income growth and employment growth have been lackluster. The result is sluggish consumer spending growth and a low savings rate. On the other hand, fuel and other commodity prices have recently declined, and the housing market appears to be at a bottom, although as yet there is no clear upturn. Accordingly, recent inflation statistics have been under control. Furthermore, the US manufacturing sector continues to be solid, and remains the bright spot in the US economic recovery. In Europe, election results in France and Greece have created increased uncertainty concerning the direction of fiscal and monetary policy. Increasingly, European banks are using ECB liquidity to purchase the sovereign debt of their own nation. Bailout programs for Spanish and Italian banks seem very likely. No doubt, never-ending rumors about the possibility of Greece (and other nations) leaving the Euro are also unsettling to investors. In China, recent economic statistics have been worrisome, indicating a slowing of both exports and imports, which may well indicate slowing global and Chinese economic growth. In light of the slowing rate of growth, the PBOC reduced the reserve requirements of the banks, in order to increase credit availability and to maintain economic growth. Additional reductions in reserve requirements are considered quite likely by many economists.

We have constructed the present portfolio based on our view of slow growth in the US, faster growth in the emerging markets, and a modest recession in Europe. As a result, the combined portfolio holdings generate revenue approximately 50% from North America, 25% from the rest of the developed world (with Europe generating less than 20%), and 25% from emerging markets. We believe that the valuation of the portfolio, at 14.6x next-four-quarter earnings, continues to be attractive in the current economic environment and relative to the market.

**Key Information**

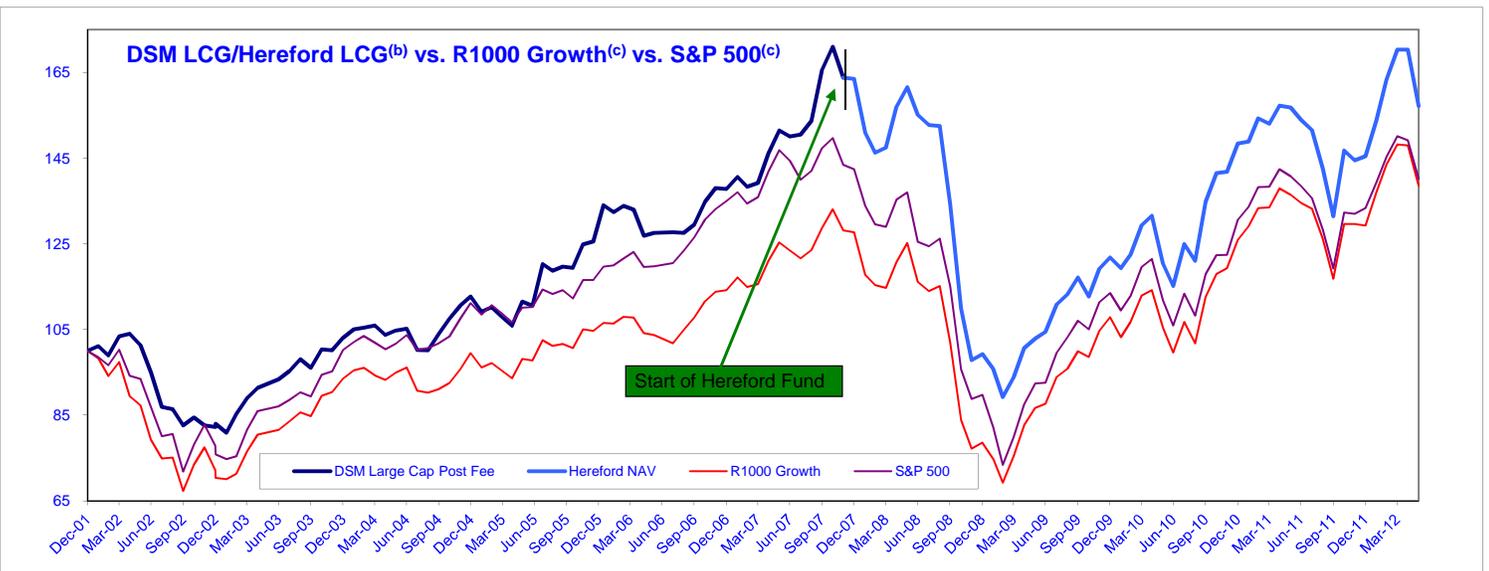
NAV A Shares (31/05/12)	US\$ 95.93
Total Fund Size	US\$ 95.8 mil
Strategy Assets	US\$ 2,392.8 mil(a)
Fund Launch Date	29-Nov-07

**Monthly Performance (%)**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	5.7	6.2	4.3	(0.0)	(7.7)								8.0
Russell 1000 Growth <sup>(c)</sup>	6.0	4.8	3.3	(0.2)	(6.4)								7.2
S&P 500 <sup>(c)</sup>	4.5	4.3	3.3	(0.6)	(6.0)								5.2

**Period Performance (%)**

	YTD	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	Since Inception 01/01/02	Annualised
DSM LCG/Hereford LCG Returns <sup>(b)</sup>	8.0	(2.0)	21.9	22.8	(39.3)	18.7	9.8	11.4	9.4	25.2	(17.7)	57.2	4.4
Russell 1000 Growth <sup>(c)</sup>	7.2	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	29.7	(27.9)	38.5	3.2
S&P 500 <sup>(c)</sup>	5.2	2.1	15.1	26.5	(37.0)	5.5	15.8	4.9	10.9	28.7	(22.1)	40.2	3.3





### Top Ten Holdings

Allergan  
 Apple  
 Celgene  
 Cognizant Technology Solutions  
 Dollar General  
 General Electric  
 Monsanto  
 Philip Morris International  
 Schlumberger  
 Visa

### Sectoral Breakdown

Sectoral Breakdown	% of Assets
Services	20.7%
Consumer Discretionary	18.5%
Health Care	16.5%
Information Technology	14.0%
Materials	9.6%
Financials	5.6%
Consumer Staples	5.2%
Industrials	4.7%
Energy	3.6%

### Investment Objective

The investment objective of the LCG sub fund is to provide capital appreciation principally through investments in US-based growing corporations with market capitalizations generally above US\$ 2 billion. These companies are chosen for their growth prospects, attractive returns, solid business fundamentals and intelligent management. The sub fund may, on an ancillary basis, invest in US-based companies with lower market capitalizations as well as in non-US based companies. The Compartment may invest in American Depository Receipts and American Depository Shares. The reference benchmark for this strategy is the Russell 1000 Growth Index.

Fund Codes (Share Class A)		Since Inception Risk Profile	Hereford DSM US LCG	DSM LCG Composite	R1000 Growth
Bloomberg	DSMUSLA LX	Volatility	n/a	15.5	16.2
ISIN	LU0327604228	Sharpe Ratio	n/a	0.2	0.1
Reuters	LP65102015	Information Ratio	n/a	0.2	
Sedol	B28TLX2	Tracking Error	n/a	7.2	
	3504726	Beta	n/a	0.9	
WKN	AOM58T	Alpha	n/a	1.4	

### Fund Details

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

### Annual Management Charge

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

### Minimum Investment

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

### Order Transmission Information

#### Original Applications To:

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

#### Subsequent Applications Only Via Facsimile:

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](mailto:luxfunds.info@vpbank.com)

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

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Switzerland - Representative and Paying Agent as defined by Swiss Regulation:  
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