



## Hereford Funds **DSM US Large Cap Growth Fund** May 2008

### May 2008 Investment Review

The Hereford/DSM Large Cap Fund appreciated 2.9% for the month of May compared to 3.7% for the Russell 1000 Growth index and 1.3% for the S&P500. Consistent with last month, the majority of the fund remains invested in the health care, technology, business services, and energy services sectors. The weighted average P/E of the portfolio is 21.1x which we believe is attractive relative to our estimated earnings growth of 20%.

Following a nearly uninterrupted rally that began in mid-March and peaked mid-May, the equity markets have generally cooled off of late with the price of oil making the headlines almost daily. With the price of crude topping \$130/bbl and \$4.00 gasoline the norm, there is significant concern regarding inflation. Indeed, Fed Chairman Bernanke expressed concern that the weak dollar has "implications for inflation and inflation expectations" which, in Fed-speak, means no more cuts in the immediate future. We understand the Chairman's concern, but continue to believe that Federal Reserve policy will cause inflation to remain under control. We are also hopeful that the dollar has stabilized. However, with a 12% drop y/y in the dollar index (6 major currencies) and a 40% drop since early 2002, it is going to take more than hope to turn things around for the greenback.

As we write this letter, the Department of Labor has announced that the unemployment rate has surged from 5.0 to 5.5% during the month of May. This increase is at least partially the result of a large number of new workers entering the workplace and being unable to find a job quickly. In fact, the economy shed 49,000 jobs for the month, which was actually below the 60,000 loss expected from the payroll survey. Thus far the economy remains in a "muddle through" mode and continues to post consecutive quarters of slow economic growth. Importantly, the market discounts the future and we continue to have confidence in our portfolio and the long term outlook.

During the month of May, we made some adjustments to the portfolio. We have exited our position in State Street (STT) and initiated a position in Cameron International (CAM). In the case of STT, we were concerned over the stability of the credit markets and potential exposure to mortgage related assets. CAM is an oilfield service equipment company with exposure to deep water exploration and production which we believe has an attractive growth profile and is relatively cheap.

We trimmed our positions in Apple (AAPL), Expeditors International (EXPD), and FMC Technologies (FTI). In each case, valuation was the primary reason for the trim. We have added to our positions in Autodesk (ADSK), Invesco (IVZ), CVS, Schering Plough (SGP), and SEI Investments (SEIC). We continue to like Autodesk given their exposure to international markets, which are growing quickly due to the build out of IT infrastructure. Invesco is an attractively valued turnaround story in the financial services sector. We also believe that IVZ is an attractively valued financial services name. In the case of SGP, we continue to follow the business trends closely and believe that the company is delivering well above the performance that is implied by the current stock price.

### Key information

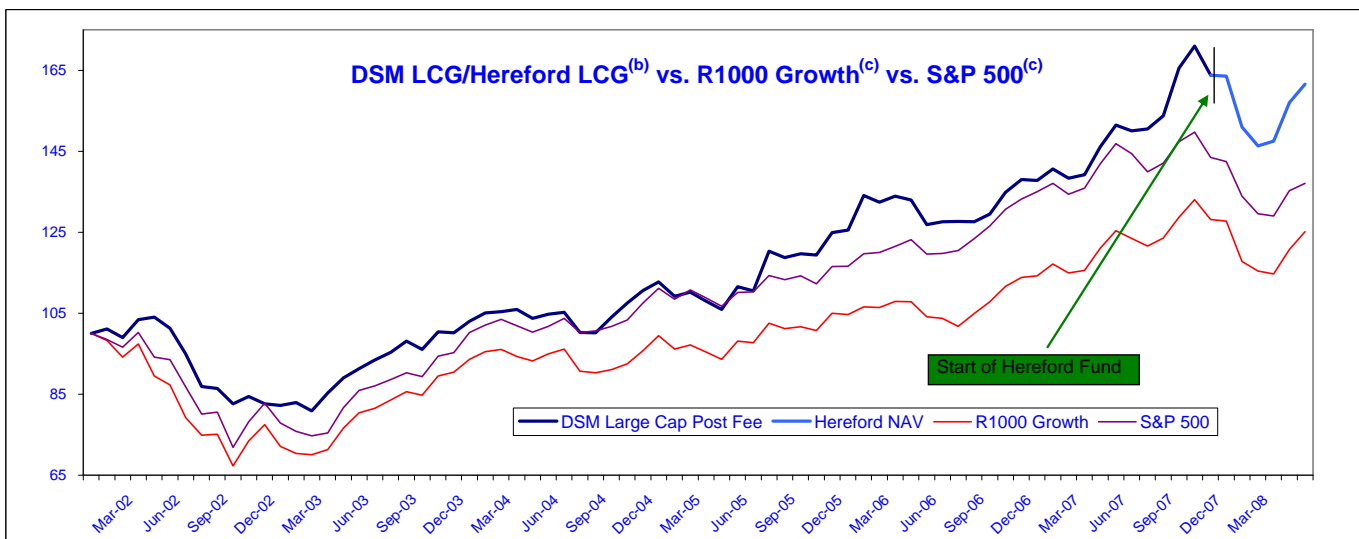
NAV A Shares (30/05/08): \$98.61  
 Total Fund Size: \$19.5 mil  
 Strategy Assets: \$1,398.8mil<sup>(a)</sup>  
 Fund Launch Date: 29-Nov-07

### Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	(7.7)	(3.1)	0.8	6.5	2.9								(1.2)
Russell 1000 <sup>(c)</sup>	(7.8)	(2.0)	(0.6)	5.3	3.7								(2.0)
S&P 500 <sup>(c)</sup>	(6.0)	(3.3)	(0.4)	4.9	1.3								(3.8)

### Period Performance (%)

	YTD	2007	2006	2005	2004	2003	2002	Since Inception 01/01/02 Cumulative	Annualised
DSM LCG/Hereford LCG Returns <sup>(b)</sup>	(1.2)	18.7	9.8	11.4	9.4	25.2	(17.7)	61.6	7.8
Russell 1000 <sup>(c)</sup>	(2.0)	11.8	9.1	5.3	6.3	29.7	(27.9)	25.2	3.6
S&P 500 <sup>(c)</sup>	(3.8)	5.5	15.8	4.9	10.9	28.7	(22.1)	37.0	5.0





## Top Ten Holdings

	% NAV
Celgene Corp	8.4%
Schlumberger Ltd	7.7%
Google Inc-Cl A	5.5%
Weatherford Intl Ltd	5.3%
Genzyme Corp	4.9%
ABB	4.0%
Monsanto Co	3.6%
Stryker Corp	3.6%
Adobe Systems	3.5%
SEI Investments	3.5%

## Sectoral Breakdown

	% of Assets
Health Care	31.2%
Information Technology	22.6%
Energy	15.2%
Industrials	7.8%
Materials	5.6%
Financials	5.5%
Services	5.4%
Consumer Staples	2.9%
Consumer Discretionary	2.8%

## 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 above 2 billion dollars. 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)

Bloomberg	DSMUSLA LX
ISIN	LU0327604228
Reuters	LP65102015
Sedol	B28TLX2
Valoren	3504726
WKN	A0M58T

## Since Inception Risk Profile

Volatility
Sharpe Ratio
Information Ratio
Tracking Error
Beta
Alpha

## DSM US LCG

n/a
n/a
n/a
n/a
n/a
n/a

## DSM LC

11.33
0.37
0.42
8.30
0.68
4.36

## R1000 Growth

12.79
0.00

## 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(d)	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) 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) minus 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 dsmcapital.com
- (c) Total return including dividends.
- (d) Share Class C is German tax registered from 4/1/08.

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