

**August 2008 Investment Review**

The Hereford/DSM SMID Cap Fund advanced 1.3% for the month of August compared to a 1.7% advance for the Russell 2500 Growth index and a 1.5% advance 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 16.3x which we believe is attractive relative to our estimated earnings growth of 20%.

For the past number of months we have focused much attention on the movement of commodity prices, oil in particular. With respect to oil, it appears that the sell off is largely a response to expectations for a global economic slowdown. Unemployment in the U.S. reached 6.1% recently, a level not seen since 2004, and a significant jump from the 4.5% level we had seen during 2007. China's Shenzhen Index is down approximately 60% year-to-date, foreshadowing a likely slowdown in economic activity. With the U.S. representing 25% of global oil demand and China representing 80% of incremental demand, it is not surprising that a coincident slowing in these two economies would place significant downward pressure on the price of oil. It remains unclear as to whether the actual supply/demand picture will change significantly enough to keep a lid on future advances in oil prices. For the near term at least, the drop in oil and other commodity prices is a clear positive for the stock market.

We made a number of changes to the SMID portfolio during the month of August. We initiated new positions in Affiliated Managers (AMG), F5 Networks (FFIV), Johr Bean Technologies (JBT), Kendle International (KNDL), McDermott International (MDR), and Powell Industries (POWL). AMG is an attractively valued asset manager that has significant potential to emerge from this downdraft with sector leading EPS revisions and EPS growth. F5 Networks (FFIV), a provider of products and services which enhance the manageability and security of corporate websites. JBT spun-off from FMC Technologies and we used the disruption from the spin-off to own a company that is well positioned in its markets to generate attractive low-teens EPS growth at a high single-digit multiple. KNDL is a CRO (outsourcing company for pharma/biotech R&D) that was attractively priced relative to other CROs. MDR is the leading exposure to global energy engineering and construction that was attractively valued relative to its 3 year EPS growth rate as a result of the commodity sell off. Powell Industries (POWL), a manufacturer of equipment and systems used in the management and control of electric power distribution. The company also sells process control systems used in oil and natural gas production. We also added to positions in Ansys, Integra Lifescience, Intertek Group, Nuance and Riverbed.

On the sales side of the ledger, we exited positions in Lenovo (LVNGY), Morningstar (MORN), Smart Balance (SMBL), and Varian (VAR). LVNGY is experiencing margin compression due to an increased level of competition in PC's. With MORN, we became incrementally less positive on the 2009 outlook based on commentary from the Q2 earnings release. With regard to SMBL, our confidence was reduced on the heels of a below-expectation quarter and margin pressure resulting from rising raw material prices. VAR was sold for valuation reasons. We also trimmed Idexx Laboratories (IDXX).

Key information

NAV A Shares (29/08/08): \$88.44

Total Fund Size: \$3.8 mil

Strategy Assets: \$16.8 mil^(a)

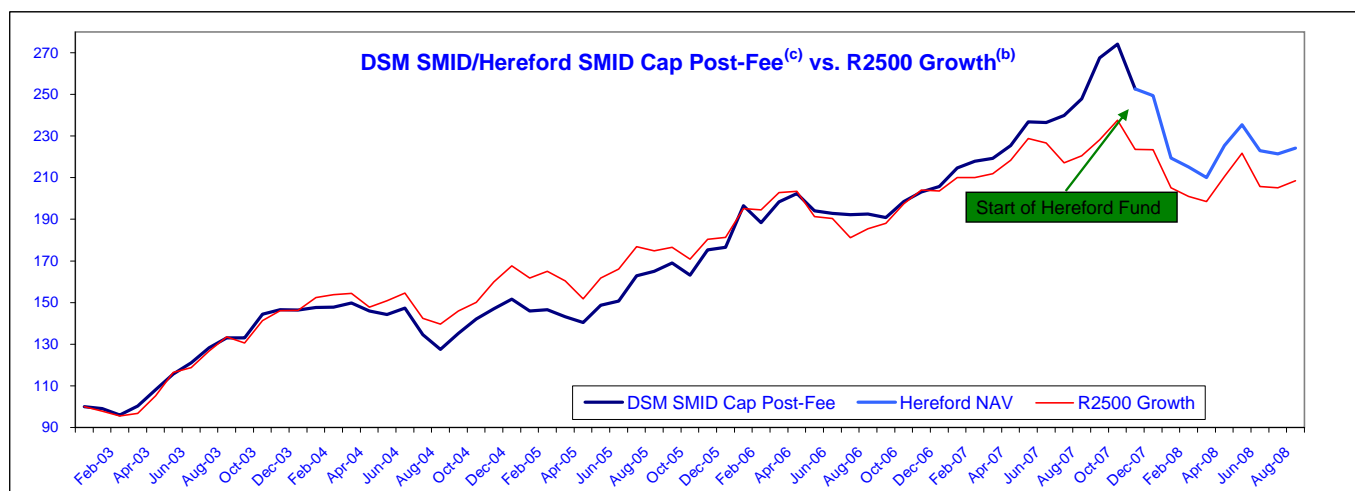
Fund Launch Date: 29-Nov-07

Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	(12.1)	(2.0)	(2.3)	7.3	4.4	(5.3)	(0.7)	1.3					(10.1)
Russell 2500 Growth ^(b)	(8.2)	(2.0)	(1.2)	6.0	5.3	(7.2)	(0.4)	1.7					(6.6)

Period Performance (%)

	YTD	2007	2006	2005	2004	2003	Since Inception 01/01/03	
							Cumulative	Annualised
DSM SMID Cap/Hereford SMID Returns ^(c)	(10.1)	21.3	16.5	16.4	3.6	46.4	124.2	15.3
Russell 2500 Growth ^(b)	(6.6)	9.7	12.3	8.2	14.6	46.3	108.5	13.8



**Top Ten Holdings**

	% NAV
C. R. Bard	4.2%
Chart Industries	4.0%
Zoll Medical	3.7%
Core Laboratories	3.6%
Gen-Probe	3.5%
SEI Investments	3.4%
Covance	3.3%
Ion Geophysical	3.3%
Hologic	3.1%
Petroleum Geo-Services	3.1%

Sectoral Breakdown

	% of assets
Health Care	30.6%
Informational Technology	30.0%
Energy	18.0%
Industrials	9.6%
Financials	7.7%
Services	2.6%

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 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 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	DSM US SMID	DSM SMID	R2500 Growth
		Risk Profile			
Bloomberg	DSMUSMA LX	Volatility	n/a	14.86	14.33
ISIN	LU0327605118	Sharpe Ratio	n/a	0.84	0.77
Reuters	LP65102019	Information Ratio	n/a	0.16	
Sedol	B28TM17	Tracking Error	n/a	7.20	
Valoren	3504786	Beta	n/a	0.91	
WKN	A0M58X	Alpha	n/a	2.38	

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

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- (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 footnote: as shown at dsmcapital.com.

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