



## Hereford Funds

## DSM US Large Cap Growth

November 2013

### Investment Review

The Hereford/DSM Large Cap Fund appreciated 4.0% for the month of November compared to a 2.8% appreciation for the Russell 1000 Growth Index and a 3.0% appreciation for the S&P 500 including dividends. At the end of November, the Fund was invested primarily in the consumer discretionary, technology, health care, industrials and materials sectors, with smaller weights in the consumer staples, financials and energy sectors.

During the month the Fund exceeded its benchmark by approximately 120 bps. This was primarily the result of the outperformance of our stock selections in the healthcare and consumer staples sectors, as well as our underweight of the energy sector. In November, the best performing positions in the portfolio were Celgene, Yum! Brands, Priceline.com, Biogen Idec and Monsanto. The worst performers for the month were Time Warner, eBay, Discovery Communications, Dollar General and Swatch Group. During the month, we sold SAP AG and Union Pacific. Sluggish end markets led us to sell SAP, as we felt there were better investment opportunities for the portfolio. Union Pacific was sold on weaker than expected earnings and softer on-going business trends. The proceeds of these sales were used to initiate positions in Biogen Idec, Invesco and Swatch Group. Biogen Idec discovers, develops and manufactures drugs for the treatment of neurodegenerative diseases, as well as hemophilia and autoimmune disorders. With a particular emphasis on multiple sclerosis, the company is a leading global biotech business. Invesco, a diversified global investment manager with over \$740b in AUM and operations in more than 20 countries, offers a broad range of investment strategies and vehicles to retail, institutional and high net worth clients. With ~66% of Invesco's AUM exposed to "equity like" assets (equity, balanced and alternatives) and only 23% toward fixed income, we believe the company should benefit from net inflows over the next several years leading to further operating margin expansion. Swatch Group is a Swiss luxury watch company with major brands including Omega, Breguet, Blancpain, Longines and Swatch. With the luxury watch market's growth being driven by demand from emerging markets and tourists from these economies, Swatch's strong emerging markets exposure should benefit sales.

Recent economic data continues to be supportive of our long held view of a "muddle through" global economic outlook. Global GDP growth in the 2% to 3% range remains probable. That said, it is possible that Europe and Japan's emerging but tentative economic growth, combined with North America's ongoing slow growth, and complemented by strong growth in China, may result in a self-sustaining cycle of global growth over the next year or two.

Current consensus estimates for the S&P 500 earnings for 2013 and 2014 have increased to approximately \$110 and \$120 respectively, up from \$105 in 2012. Therefore, the forward four quarter P/E for the S&P 500 through December of 2014 approximates 15x earnings, assuming S&P 500 earnings of \$120. Historically, in low inflation periods, the S&P 500 has generally sold at a forward P/E between 15x and 20x. Accordingly, we feel that the market still has upside potential of 5% to 20%, assuming our scenario of "muddle through" global economic growth continues to be the case. In our view, the market has appreciated this year driven by its reasonable valuation, earnings growth, the search for yield and the large quantity of cash on the sidelines. Moreover, many risks are well known and often discussed. However, the positive scenario of an improving and increasingly stable global financial system, low inflation, slow global economic growth, low interest rates and growing corporate earnings are positive variables that, while not headline-making news, form the foundation of an upwardly driven bull market.

As we have described previously, we have constructed the portfolio based on our view of slow growth in the US, faster growth in the emerging markets and a modest recession in Europe. Our strategy continues to focus on investments in businesses that generate the majority of their revenue in North America and emerging markets. At this time, emerging markets account for approximately 25% of weighted portfolio revenue, with North America at approximately 50%. We estimate that other developed markets account for 5% of revenue, and therefore the portfolio's revenue exposure to Europe approximates 20%.

### Key Information

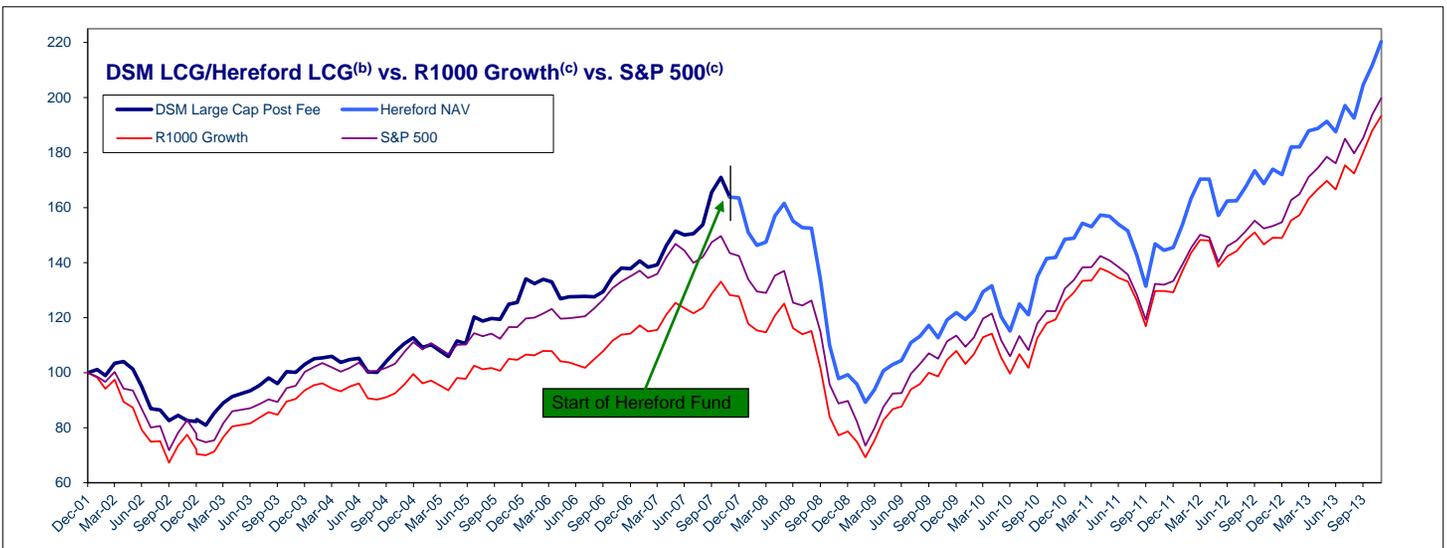
NAV A Shares (30/11/13)	US\$ 129.28
Total Fund Size	US\$ 159.6 mil
Strategy Assets	US\$ 4,488.2 mil <sup>(a)</sup>
Fund Launch Date	29-Nov-07

### Monthly Performance (%)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Hereford Funds NAV	5.8	0.0	3.2	0.5	1.4	(2.0)	5.1	(2.3)	6.3	3.5	4.0		28.1
Russell 1000 Growth <sup>(c)</sup>	4.3	1.2	3.8	2.1	1.9	(1.9)	5.3	(1.7)	4.5	4.4	2.8		29.8
S&P 500 <sup>(c)</sup>	5.2	1.4	3.8	1.9	2.3	(1.3)	5.1	(2.9)	3.1	4.6	3.0		29.1

### Period Performance (%)

	YTD	Since Inception 01/01/02											Cumulative	Annualised
		2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002		
DSM LCG/Hereford LCG Returns <sup>(b)</sup>	28.1	18.2	(2.0)	21.9	22.8	(39.3)	18.7	9.8	11.4	9.4	25.2	(17.7)	120.3	6.9
Russell 1000 Growth <sup>(c)</sup>	29.8	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	29.7	(27.9)	93.3	5.7
S&P 500 <sup>(c)</sup>	29.1	16.0	2.1	15.1	26.5	(37.0)	5.5	15.8	4.9	10.9	28.7	(22.1)	99.7	6.0





### Top Ten Holdings

BlackRock	Monsanto
Celgene	Priceline.com
EADS	Tencent Holdings
Google	Time Warner
Las Vegas Sands	Visa

### Sectoral Breakdown

Sectoral Breakdown	% of Assets
Consumer Discretionary	30.1%
Information Technology	22.1%
Health Care	17.4%
Industrials	8.8%
Materials	8.6%
Financials	5.5%
Consumer Staples	5.5%
Energy	1.9%

### 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\$ 5 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)

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

### Since Inception Risk Profile

Volatility	n/a
Sharpe Ratio	n/a
Information Ratio	n/a
Tracking Error	n/a
Beta	n/a
Alpha	n/a

### Hereford DSM US LCG

n/a

### DSM LCG Composite

15.0
0.4
0.2
6.9
0.9
1.7

### R1000 Growth

15.5
0.3

### 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 BaFin for public distribution in Germany from 17/10/12, registered with the AFM for public distribution in the Netherlands and registered with the AMF for public distribution in France.  
 (e) Share Class U has been granted Reporting Status by HMRC as of October 1, 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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