

DEMINOR ACTIVE GOVERNANCE FUND

SEMI-ANNUAL REPORT 2007

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Deminor Active Governance Fund

Semi open-end mutual fund, established on 2 November 2006

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Profile

The Deminor Active Governance Fund (The Fund) is a semi-open end mutual fund (fonds voor gemene rekening) under the laws of the Netherlands. It is transparent for Dutch corporate income tax purposes. Investors can invest in the Fund directly, or indirectly, through the Feeder. The Feeder is a limited liability company (naamloze vennootschap) under the laws of the Netherlands and is structured to meet the criteria of a fiscal investment institution (fiscale beleggingsinstelling) within the meaning of section 28 of the said Dutch Corporate Tax.

The Fund does not have legal personality. It comprises a contractual arrangement governed by the placing documents among the Manager, the Depository and each Unitholder. The Units are governed by the placing documents. Upon the first subscription of Units, a prospective investor agrees to be bound by the terms of the placing documents.

The Fund Assets are managed by the Manager and held in the name of the Depository for the account (ten titel van beheer) of the Unitholders. Unitholders have no proprietary interest in respect of the Fund's Assets. Pursuant (and subject) to the Placing Documents, Unitholders are beneficially entitled to the Fund's Assets pro ratae the number of their respective Units. According to the placing documents, a Unitholder can not be held liable (i) by third parties for any of the Fund's obligations, and (ii) by the Manager and the Depository for any of the Fund's obligations for any amount in excess to the amount of its Subscription Amount. The Fund is established for an indefinite period of time and may only be dissolved and liquidated pursuant to a resolution to that effect by the Manager and the Depository.

Fund Manager Report as per 30 June 2007

Introduction

We are pleased to present you herewith the semi-annual report of Deminor Investment Management regarding the activities of Deminor Active Governance Fund for the financial half year ended on June 30, 2007.

The Deminor Active Governance Fund (the Fund) is comprised of a Master Fund and a Feeder Fund. All investments in the Fund Assets are undertaken by the Master Fund. The Feeder Fund has as only objective to invest in Units of the Master Fund. The assets of the Feeder Fund therefore consist of an indirect investment in the Master Fund's assets. The present report relates to the Deminor Active Governance Fund (Master Fund).

At the end of December, 2006 the portfolio was invested at 51.6 %. The Fund Manager continued investing the Fund assets in equities as new opportunities arose to reach 98% of investment at the end of June, 2007. The invested part of the fund includes a convertible bond representing 2.6% of the assets.

The size of the portfolio amounted to EUR 52.5 m at end June 2007. At the start of Q3, the fund received additional subscriptions for EUR 5.3 m bringing the size of the fund to EUR 58 m at the start of Q3.

Investment and operational review

The main event of the **first quarter** was the proposed squeeze out transaction at EUR 590 on Electrabel which constitutes the biggest weight in the investment portfolio. This investment provided a return of almost 20 % in 4 months with a limited risk.

After a strong run in January, 2007, Ciments Français consolidated in February and March following the prudent guidance of the company for 2007. Depfa's performance continued to be weak in a context of financial communication which has much room for improvement. Paris Orleans performed nicely in view of the increased interest by investors for this undiscovered quality holding of the Rothschild family. This renewed interest is explained by the willingness of the company to increase its transparency. Océ's stock price jumped in a context of expected better financials for 2007.

The evolution of the portfolio in the **second quarter** was characterised by the strong evolution of several stocks in particular Aleo Solar which jumped by 37 % in June. The company announced new contracts and upgraded its guidance for this year and next year. In addition, a distribution contract for the thin-film products of Johanna Solar Technology, which was signed with the company, and a capacity increase both have supported the momentum.

Paris Orléans had a strong run in June with a rise of 8 % in anticipation of the strong results that were announced in July. Completel witnessed an increase of its stock price by 5 %. Completel announced a nice contract with Bouygues Telecom.

On the other hand, Depfa's performance (- 4 %) continued to be weak in the absence of any improvement regarding the prospects of the company and its governance.

Regarding Electrabel, the prospectus for the squeeze out was approved by the CBFA and the price of EUR 590 was confirmed by Suez.

Portfolio return

The return of the fund amounted to 2.9 % during the **first quarter** while the return of the invested part of the fund amounted to 4.3 % ahead of the DJ Eurostoxx which grew by 3.4 % over the first 3 months. The evolution of the portfolio was stronger and less volatile than the general index. The cumulative outperformance of the invested part of the fund since inception compared to the DJ Eurostoxx amounts to 0.7 % at the end of March. The NAV amounted to 104.86 at end March.

The month of March witnessed a negative evolution until March 14th and then the market rebounded strongly. In this difficult context, the invested part of our portfolio grew by 0.7 % during the first 2 weeks while the market was down 1.8 %. During the last 2 weeks, our equity investments continued their growth at 1.5 % but at a lower pace than the market. The beta of the portfolio to achieve this performance amounted to 0.66 well below the market level.

The return of the fund amounted to 5.2 % during the **second quarter** while the return of the invested part of the fund amounted to 6.3 % in line with the DJ Eurostoxx. The evolution of the portfolio was much less volatile than the general index with a standard deviation of the return about half of the general index. As a result, the Sharpe ratio of the invested part of the fund amounts to 2.78 vs 1.22 for the index.

The cumulative outperformance of the invested part of the fund since inception compared to the DJ Eurostoxx amounted to 1.2% at the end of June. The NAV amounted to 110.35 at end June. Our fund witnessed a strong evolution (+ 2 %) in June while the market declined by 1 %. The beta of the portfolio to achieve this performance amounted to 0.39 well below the market level.

Financial performance and financial position at year end

The rise of shareholders' equity was especially due to unrealized and realized gains on investments for an amount of 4,519,651 Eur (of which 4,174,788 Eur unrealized gains). The Fund also received net dividends for an amount of 464,248 Eur and interest income for an amount of 199,740 Eur.

Total expenses amounted to 1,127,813 million Eur, of which the major part consists of investment management fees (management fee and performance fee) for an amount of 1,041,025 Eur. These fees were calculated by Fastnet, our independent Fund Administrator, in accordance with the Offering Memorandum. Other expenses consist of depositary fees, interest expenses, administration fees, auditors and tax advisors' fees, publicity expenses and commissions and bank charges.

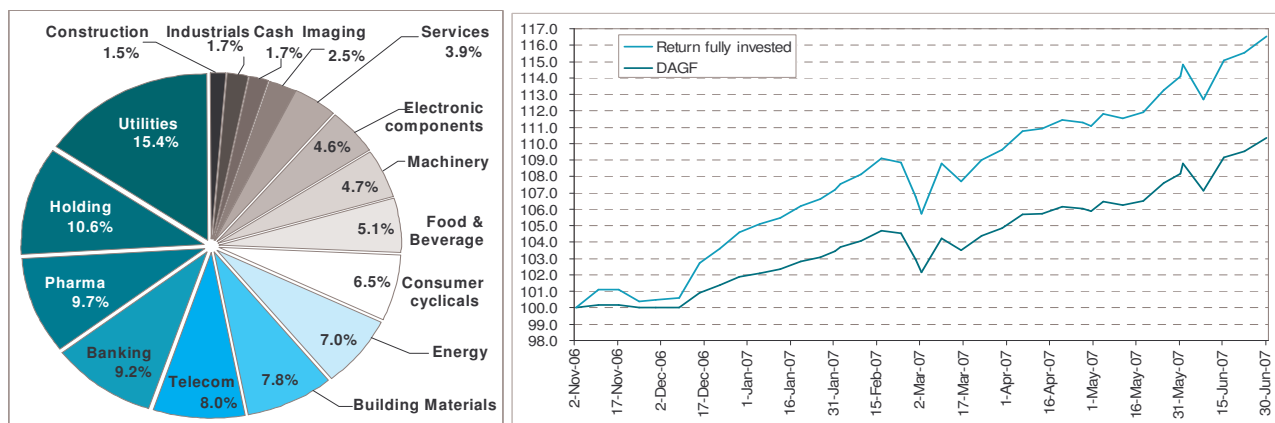
Incorporation costs for an amount of 100,000 Eur were recorded as an asset on the balance sheet. This asset is depreciated over 5 years, which results in a depreciation of intangible assets for an amount of 9,938 Eur for the reporting period. These incorporation costs mainly consist of legal and notary fees and expenses for setting up the Fund. Total incorporation costs were substantially higher than the amount of 100,000 Eur but the remainder was taken into charge by Deminor Investment Management.

Net profit for the reporting period amounts to 4,055,826 Eur which results in an increase of shareholders' equity of 4,045,888 Eur and an increase of the NAV per Unit of the Fund to 110.35 Eur.

On June 30, 2007 the total cash position amounted to 2,126,496 m Eur. The Fund had no financial debt outstanding as at year end. The Fund had an outstanding short equity position for an amount of 2,467,150 Eur.

Composition of the investment portfolio and monthly evolution of NAV

As of June 30, 2007, the Fund Assets were invested in European equity instruments spread over various sectors (see left hand graph below). The right hand graph below shows the monthly evolution of the NAV per Unit of the Fund in comparison with the return of the equity portfolio (in fully invested hypothesis).



Risk review

The Fund Manager accepts market risk as a result of its investment strategy. It may protect the Fund against market risk, currency or sector risk at any given time on the basis of its own assessment of the portfolio's risk profile. The Fund Manager attempts to protect the Fund against specific company risk by investing in companies which present sound business fundamentals.

The Fund Manager has as objective to increase the Fund's assets in the future.

The Beta of the invested part of the portfolio at the end of June 2007 is well below the market level and amounted to 0.39.

The distribution of the Betas can be presented as follows:

| Equity Beta | 100% |
|-------------|-------|
| - 0.4 - 0.0 | 7.3% |
| 0.0 - 0.3 | 20.1% |
| 0.3 - 0.6 | 48.7% |
| 0.6 - 0.8 | 17.3% |
| 0.8 - 1.0 | 6.6% |

The VAR analysis of the portfolio can be presented as follows (5 % interval):

| VaRs | 2 Days | 5 Days | 7 Days | 10 Days |
|------------------|--------|--------|--------|---------|
| % of total value | 1.15% | 1.82% | 2.16% | 2.58% |

The theoretical weighted average unwinding period of the invested part of the portfolio was 4.22 days at the end of June 2007.

The Fund's risks are subjected to a regular review by the Portfolio Managers and the Risk & Compliance Officers, who reports to the Board of Directors. The Risk & Compliance monitors compliance with the the investment restrictions such as set forth in the Offering Memorandum.

Important events occurred after the end of the reporting period

DAGF sued Suez on July 10, 2007 before the Court of Appeals of Brussels in connection with the squeeze-out offer launched by Suez on the outstanding Electrabel shares. DAGF, together with other investors, is asking the Court to order Suez to pay a higher squeeze-out price. Deminor Investment Management, as representative of DAGF, believes that the squeeze-out price of 590 Eur per share underestimates the fair value of the Electrabel shares for several reasons: the price does not take into account the extension of the life span of the nuclear power plants; DAGF does not agree with the hypotheses underpinning the DCF valuation performed by Suez; a correct comparison with similar utilities, especially those with a strong exposure to nuclear energy, leads to a substantially higher valuation. The introductory hearing has taken place on July 31st.

DAGF is opposed to the terms of the proposed merger between Mittal Steel and Arcelor that were announced in May 2007. Mittal Steel and Arcelor have agreed to merge on the basis of an exchange ratio of 8 Mittal Steel shares for 7 Arcelor shares. The "new" merger terms are much less favorable than those that had been previously communicated to investors in the public documents (offer documents, etc.) filed by Mittal Steel and Arcelor in July 2006 in connection with the offer launched by Mittal Steel on Arcelor which included an agreement ("Memorandum of Understanding") between both companies. Those documents contained clear provisions and explanations on the exchange ratio that would be offered to Arcelor shareholders in the subsequent merger with Mittal Steel. By changing the merger terms, Mittal Steel and Arcelor not only violated their contractual obligations but also misled investors with respect to the merger terms announced several months earlier. Deminor Investment Management will defend DAGF's interest as shareholders of Arcelor. Deminor Investment Management has already raised those issues with market regulators and even with the European Commission and may take any other useful action, including in court, to defend the Fund's interest.

Expectations for the future and investment objective

The Fund Manager has as objective to increase the Fund's assets in the future.

The Fund Manager will continue to invest the Fund Assets in accordance with the investment philosophy set out in the Offering Memorandum. The Fund Manager's objective is to achieve long term capital appreciation. Given the specific investment strategy of the Fund such as set forth in the Offering Memorandum, the Fund's returns may substantially deviate from market returns. As a result, the Fund has no benchmark with which to compare its returns.

Haarlem, September 1st, 2007

The Fund Manager
Deminor Investment Management B.V.

Investment Policy

The investment objective of the Fund is to achieve capital growth by investing primarily in listed companies within Europe that are fundamentally sound, but whose shares or other financial instruments trade at discount towards peers or estimated intrinsic values and where shareholder engagement or other external factors can lead to improved performance and creation of value for the shareholders, independent of overall market trends.

The Fund aims at producing long-term positive returns over multiple market cycles through a combination of traditional value analysis, governance assessment and active engagement.

The Fund will pursue an active voting policy as part of its active engagement programs.

When fully invested, the Fund will typically have 10 to 15 core investments in target companies that it envisages to actively engage. The Fund will initially focus on Listed Companies in with Europe with market capitalisations between EUR 200 million and 1.5 billion.

The number of core investments or their respective market capitalisation may increase as the Fund's assets under management grow over time. In addition, outside the group of core investments, the Fund may take positions in listed companies where external factors can lead to improved performance and value creation. Positions will typically be held between 6 and 36 months, with a clearly defined exit once the previously defined value creation target is realized or regarded no longer possible, though it may be a much shorter or longer period depending on particular circumstances. Holdings may represent a substantial part of the total share capital of the target companies. The Manager may take advantage of short term market price movements to increase or decrease the Fund's positions.

The Fund may use derivatives (primarily listed options and futures), or other techniques (short selling) to hedge market, sector and currency risk.

The Manager will act as the manager (beheerder) of the Fund, subject to the terms of the placing documents. The Manager will act in the interest of the Unitholders. The Manager is governed by its Board of Directors. Certain members of the Board of Directors have been designated to act as the Fund's portfolio managers. The Board of Directors comprises one person who will be the Fund's risk & compliance officer. Investment decisions will be made by the Board of Directors on the basis of proposals submitted to it by the portfolio managers. The Board of Directors may instigate one or more committees, including an investment committee. If instituted, the investment committee shall inter alia approve or disapprove proposed investments of the Fund and monitor the compliance by the Fund with the placing documents, in particular the compliance with the Fund's investment strategy and restrictions. Absent an investment committee, the Board of Directors will perform the tasks and duties of the investment committee. Any reference to the investment committee throughout this offering memorandum shall apply to the Board of Directors if so and so long no investment committee has been instituted.

The Fund Manager

Deminor Investment Management B.V.

Financial Report

Deminor Active Governance Fund

Balance sheet

(before profit appropriation)

| | Note | 30/06/2007 EUR | 31/12/2006 EUR |
|---|-------|-------------------|-------------------|
| Investments | | | |
| Shares | (4.1) | 52.885.395 | 22.487.069 |
| Convertible Private Bonds | | 1.207.440 | - |
| Options | | - | - |
| | | 54.092.835 | 22.487.069 |
| Receivables | | | |
| Other receivables and prepaid expenses | (5.1) | 334 | 8.872 |
| Dividends | | 13.290 | - |
| | | 13.624 | 8.872 |
| Other assets | | | |
| Cash at banks | (6.1) | 3.729.775 | 25.863.678 |
| Intangible assets | (6.2) | 86.721 | 96.659 |
| | | 3.816.496 | 25.960.337 |
| Cash and cash equivalents | | | |
| | | 3.816.496 | 25.960.337 |
| Current liabilities (due within one year) | | | |
| Due to security transactions | (7.1) | 531.619 | 1.089.101 |
| Due to participants | (7.1) | 1.690.000 | 3.675.000 |
| Other liabilities | (7.2) | 692.870 | 185.151 |
| | | 2.914.489 | 4.949.252 |
| Total of receivables and other assets less current liabilities | | | |
| | | 915.630 | 21.019.957 |
| Investments | | | |
| Short positions | (7.3) | 2.467.150 | - |
| | | 52.541.316 | 43.507.026 |
| Total assets less current liabilities | | | |
| | | 52.541.316 | 43.507.026 |
| Fund capital | | | |
| Issued capital | (8.1) | 47.776.323 | 42.787.921 |
| Legal reserve | (8.2) | 86.721 | 96.659 |
| General reserve | (8.4) | 622.446 | - |
| Undistributed earnings | (8.4) | 4.055.826 | 622.446 |
| | | 52.541.316 | 43.507.026 |

Profit and loss account

| | | 01/01/2007 |
|-----------------------------------|--------|------------------|
| | | 30/06/2007 |
| | | EUR |
| Income from investments | | |
| Dividends | (9.1) | 464.248 |
| Interest income | (9.2) | 199.740 |
| | | <u>663.988</u> |
| Results on investments | | |
| Realized gains/-losses | | 344.863 |
| Unrealized gains/-losses | | 4.174.788 |
| | | <u>4.519.651</u> |
| Total income | | <u>5.183.639</u> |
| Expenses | | |
| Investment management fees | (10.1) | 1.041.025 |
| Depositary fee | (10.2) | 2.951 |
| Depreciation of intangible assets | | 9.938 |
| Interest expenses | | 7.086 |
| Other expenses | (10.3) | 66.813 |
| | | <u>1.127.813</u> |
| Total expenses | | <u>1.127.813</u> |
| Result of operation | | <u>4.055.826</u> |

Cash flow statement

| | 01/01/2007 |
|---|-------------------|
| | 30/06/2007 |
| | <u>EUR</u> |
| Cash flow from investment activities | |
| Income from investments | 663.988 |
| Expenses | -1.127.813 |
| Depreciation of intangible assets | <u>9.938</u> |
| Investment result | -453.887 |
| Purchases | -35.118.381 |
| Sales | <u>10.499.416</u> |
| | -24.618.965 |
| Change in receivables | -4.752 |
| Change in current liabilities | <u>-46.422</u> |
| | <u>-51.174</u> |
| <i>Cash flow from investment activities</i> | -25.124.026 |
| Cash flow from financing activities | |
| Received on shares issued | 10.472.923 |
| Paid on repurchased shares | -5.497.800 |
| Due to participants | <u>-1.985.000</u> |
| <i>Cash flow from financing activities</i> | 2.990.123 |
| Change in cash | -22.133.903 |
| Cash in bank | 3.729.775 |
| Cash on 1 January | 25.863.678 |
| Cash in bank | 3.729.775 |
| Bankoverdraft | <u>-</u> |
| Cash on 30 June | <u>3.729.775</u> |

Notes to the financial statements

General information

The Deminor Active Governance Fund, has been incorporated on 2 November 2006 and has its corporate seat in Haarlem, the Netherlands.

Investors can invest in the Deminor Active Governance Fund or indirectly, through the Feeder.

1 Principles of valuation of assets and liabilities

General

Unless stated otherwise, assets and liabilities have been accounted for face value.

Investments and financial instruments

Investments are valued based on the following most important principles:

- listed securities with a regular marketability are valued at most recent stock market prices;
- any security which is neither listed nor quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no regular prices are available, will be valued at its probable realisation value as determined by the Fund Manager in good faith having regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue and such other factors as the Fund Manager in its sole discretion deems relevant in considering a positive or negative adjustment to the valuation.
- Cash and deposits are valued at nominal value plus accrued interest.
- Investments, other than securities, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued on the basis of the latest available valuation provided by the relevant counterparty.
Any value other than Euros will be converted into Euros at the exchange rate which the Administrator in its absolute discretion deems applicable as at close of business on the relevant business day.

Expenses related to the purchase of investments are included in the cost of investments. These expenses are activated into the capital gains/losses due to the valuation at fair value. Sales charges, if any, are deducted from gross proceeds and will be expressed in the profit and loss account.

The Fund Manager and Depositary may, at their discretion, permit any other method of valuation to be used if they consider that such method of valuation better reflects value and is in accordance with good accounting practice.

Intangible fixed assets

The foundation and introduction expenses are capitalized at the start of the Fund and are subsequently depreciated on a straight-line basis in 5 years.

Valuation foreign currency

Assets and liabilities in foreign currencies are translated into Euros at the exchange rate at the balance sheet date. Income and expenses in foreign currencies are translated at the exchange rate as per the transaction date. All exchange differences are taken to the profit and loss account.

Other assets and liabilities

Other assets and liabilities are stated at nominal value. If required, provisions have been taken for questionable receivables.

Principles of result determination

General

Income and expenditure are allocated to the financial year to which they relate.

Dividends

Dividend income is recorded on the ex-dividend date.

Interest income

Interest income and interest expenses are recognised in the income statement on an accrual basis using the original effective interest rate of the instrument and in line with the contractual terms. Interest is accrued on a daily basis.

Tax position

The Fund qualifies as a tax transparent mutual fund (*besloten fonds voor gemene rekening*) for Dutch corporate tax purposes. Consequently, the Fund is not subject to Dutch corporate income tax. For Dutch tax purposes, the assets, liabilities, income, expenses and capital gains of the Fund are deemed to be assets, liabilities, income, expenses and capital gains of the Investors in the Fund pro rata to their interest in the Fund.

The Feeder Fund decided to opt for a FBI status, but has till 30 December 2007 to qualify to the terms.

The Feeder Fund qualifies as a taxable mutual fund (*fonds voor gemene rekening*) for Dutch corporate tax purposes within the meaning of Article 2, paragraph 2 of the Dutch Corporate Tax Act 1969 (*Wet op de Venootschapsbelasting 1969*). The fund has opted for the tax status of fiscal investment institution (*beleggingsinstelling*) within the meaning Article 28 of the Dutch Corporate Tax Act 1969. As a fiscal investment institution, the fund is subject to a 0% Dutch Corporate Tax rate. In order to qualify as a fiscal investment institution, the Feeder Fund is required to distribute to the unitholders its for distribution available income reduced with the settled distribution deficits as determined by the law, within eight months after the financial year. The compulsory distribution does not apply to capital gains realized by the Fund. Such capital gains may be allocated to a reinvestment reserve.

2 Risk factors

General

An investment in the Fund carries a substantial degree of risk. The value of the Fund's underlying investments is subject to market fluctuations on the financial markets and risks that are inherent to investments. There is no assurance or guarantee that the Fund's investment policy will be successful or that the Fund will realise its investment objectives. The Net Asset Value of Units may increase or decrease over time. Unitholders should be aware that the return (if any) on their investment in the Fund is dependent on the value of the Fund's underlying investments. If the value of the underlying investments decreases, the return on a Unitholder's investment will also decrease. There is no assurance or guarantee that the Fund shall at all times be able to repay to a Unitholder any Redemption Amount.

Without prejudice to the foregoing, the value of the Fund's underlying investments may be affected inter alia if any of the risks identified below materialises, and, as a result, the Net Asset Value of a Unit may decrease.

Market risks

The value of the Fund's underlying investments is subject to market fluctuations on the financial markets. The prices of securities may decrease globally, or on the stock markets in Europe. The Fund accepts market risks as inherent to its investment strategy and in general does not aim to protect against it by using market neutral hedging strategies.

Concentration risks

The prices of securities of an investee company or group of investee companies within the same sector may decrease due to circumstances that affect that particular investee company or sector. As a result, the Fund may sustain significant losses if it holds a large position in a particular investee company or group of investee companies within the same sector. In addition, it may not at all time be possible to timely sell or otherwise liquidate large positions of securities or other investments.

The Fund will generally seek to spread its investments among various sectors. However, the Fund will not decline investment opportunities for the reason that they lead to an overexposure to a specific sector.

The Fund investments will also depend on the existence of investment opportunities corresponding to the Fund's specific investment policy and objective. These opportunities may therefore have an influence on the number of investments made, which may be less than 10 at certain times, and on the diversity of the investment portfolio. Derivatives or short selling techniques may be used to hedge portfolio risks.

There can be no insurance or guarantee that an optimal use of derivatives or short selling techniques will, or can, at all times be made.

Currency exposure

The value of the Fund's underlying investments may be affected by fluctuations in currency rates. The currency exchange rate of the Euro may increase in relation to the currency in which the Fund's underlying investments are denominated. Derivatives may be used to hedge currency exposure. There can be no assurance or guarantee that an optimal use of derivatives will, or can, at all times be made.

Lack of Liquidity

It may not at all time be possible to timely sell or otherwise liquidate securities or other investments for the prices quoted on the relevant stock market or for their expected value due to a lack of liquidity of those securities or investments on such markets. The Fund may invest in stocks with a limited liquidity.

Redemptions risks

Redemptions may cause the Fund to dispose of investments in order to satisfy the aggregate Redemption Amounts payable in respect thereof under less favourable conditions than the Fund would have otherwise enjoyed upon a disposal of such investments.

Counterparty, settlement risks and custody risks

An issuing institution, or counterparty to a derivative, may fail to comply with one or more of its obligations vis-a-vis the Fund and losses may be sustained by the Fund as a result thereof.

Settlement through a clearing system may not take place as expected due a failure by the Funds counterparty to deliver the relevant securities or payment in respect thereof and losses may be sustained by the Fund as a result thereof.

Losses may be sustained by the Fund as a result of negligence, fraudulent behaviour and/or the liquidation, bankruptcy or insolvency, of the Depository, the Custodian Bank and any sub-custodian banks engaged by the Custodian Bank.

Inflation

Due to inflation, the relative value of Units may decrease. The Fund will not specifically hedge inflation risk or take other measures to mitigate this specific risk.

Securities borrowing

Securities borrowing transactions may result in borrowed securities having to be returned to the lender on a date earlier than expected in which case such securities may need to be purchased in the market against prices which are higher than anticipated. Any re-call of securities by the lender may cause the Fund not being able to purchase securities in the market for redelivery in which case the Fund may incur fines or penalties, or, alternatively, it may have to pay significantly higher prices to buy back the securities.

Change in legislation

The tax and regulatory environment for investment funds is evolving and changes therein may adversely affect the Fund's ability to pursue its investment strategies. The regulatory and/or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action which may adversely affect the value of the investments held by the Fund. The effect of any future regulatory or tax charge on the Fund is impossible to predict.

Active engagement programs may also require the Fund to comply with specific legal or regulatory provisions the breach of which may result in fines or other sanctions. The Manager will use its best efforts to have the Fund comply with such provisions. Changes in legislation may limit the Fund's ability to effectively conduct active engagement campaigns in the future.

The Feeder will opt for the status of a fiscal investment institution (fiscale beleggingsinstelling), pursuant to which it will be subject to a zero per cent rate of corporate income tax. If the Feeder will not comply with one of the conditions for the fiscal investment institution regime, it may lose its status and become subject to Dutch corporate income tax on its profits.

Lack of track record

The Manager has no track record in managing investment portfolios. The Manager is a subsidiary of Deminor International, which has extensive experience and a reputable track record in the field of corporate governance and the defence of shareholder rights. Deminor International will put its expertise available to the Manager pursuant to a service agreement. However, Deminor International's experience is no guarantee for achieving the Fund's investment objectives. The investment performance of the Fund is substantially dependent on the services of key individuals who are responsible for managing the investments of the fund. These key individuals are connected with the Manager. In the event of death, disability, departure, insolvency or withdrawal of any of these key individuals, the performance of the Fund may be adversely affected.

Short selling

The Fund may use short selling techniques. As there is no limited downside to such transactions, the Fund may incur significant losses before short positions can be closed out. The Fund's vulnerability to potential losses incurred in short selling may be enlarged due to the illiquidity of the involved securities. Losses on short selling may exceed the Net Asset Value of the Fund causing Unitholders to lose out on their entire investment in the Fund.

Notes to the balance sheet

| | 30/06/2007 | 31/12/2006 |
|--|-------------------|-------------------|
| | EUR | EUR |
| 4 Investments | | |
| <i>4.1 Statement of changes in securities</i> | | |
| Balance at 1 January | 22.487.069 | - |
| Purchases | 33.426.419 | 23.092.971 |
| Sales | -7.919.346 | -1.235.491 |
| Realized gains/-losses on investments | 477.465 | - |
| Unrealized gains/-losses on investments | 4.413.788 | 629.589 |
| | <u>52.885.395</u> | <u>22.487.069</u> |
| Balance at 30 June | <u>52.885.395</u> | <u>22.487.069</u> |
| Historical cost | 47.842.018 | 21.857.480 |
| 4 Investments | | |
| <i>4.1 Statement of changes in convertible bonds</i> | | |
| Balance at 1 January | - | - |
| Purchases | 1.200.000 | - |
| Sales | - | - |
| Realized gains/-losses on investments | - | - |
| Unrealized gains/-losses on investments | 7.440 | - |
| | <u>1.207.440</u> | <u>-</u> |
| Balance at 30 June | <u>1.207.440</u> | <u>-</u> |
| Historical cost | 1.200.000 | - |
| 4 Investments | | |
| <i>4.1 Statement of changes in options</i> | | |
| Balance at 1 January | - | - |
| Purchases | 198.660 | - |
| Sales | -80.520 | - |
| Realized gains/-losses on investments | -118.140 | - |
| Unrealized gains/-losses on investments | - | - |
| | <u>-</u> | <u>-</u> |
| Balance at 30 June | <u>-</u> | <u>-</u> |
| Historical cost | - | - |
| 5 Receivables | | |
| <i>5.1 Other assets and prepaid expenses</i> | | |
| Other receivables and prepaid expenses | 334 | 8.872 |
| Dividends | 13.290 | - |
| | <u>13.624</u> | <u>8.872</u> |
| Balance at 30 June | <u>13.624</u> | <u>8.872</u> |

6 Other assets

6.1 Cash at banks

These include bank balances at free disposal of the Fund.

| | 30/06/2007 | 31/12/2006 |
|--------------------------------|------------|------------|
| | EUR | EUR |
| Balance as at 1 January | 96.659 | - |
| Set-up cost | - | 100.000 |
| Depreciation intangible assets | -9.938 | -3.341 |
| Balance at 30 June | 86.721 | 96.659 |

The foundation and introduction expenses activated at the start of the Fund are depreciated in 5 years.

7 Current liabilities (due within one year)

7.1 Liabilities due to security transactions

This includes payables from unsettled security transactions as per balance sheet date and subscriptions due to participants.

7.2 Other liabilities

| | | |
|-------------------------|---------|---------|
| Accrued performance fee | 465.147 | 81.433 |
| Accrued expenses | 227.723 | 103.718 |
| Balance at 30 June | 692.870 | 185.151 |

7.3 Statement of changes in short positions

| | | |
|---|------------|---|
| Balance at 1 January | | |
| Purchases | 307.763 | - |
| Sales | -2.514.012 | - |
| Realized gains/-losses on investments | -14.462 | - |
| Unrealized gains/-losses on investments | -246.439 | - |
| Balance at 30 June | -2.467.150 | - |
| Historical cost | -2.220.711 | |

8 Fund capital

units

8.1 Issued capital

| | | | |
|--------------------------------|---------|------------|------------|
| Balance at 1 January | 427.870 | 42.787.921 | 42.787.921 |
| Issued | 100.755 | 10.472.923 | - |
| Repurchased | -52.500 | -5.497.800 | - |
| Transferred from Legal reserve | | 13.279 | - |
| Balance at 30 June | 476.125 | 47.776.323 | 42.787.921 |

Redemption charge

Unitholders wishing to redeem one or more Units shall not be required to pay a Redemption Charge, save in the event that the Units proposed to be redeemed were acquired within a period of two years prior the date of Redemption. The Redemption Charge shall accrue to the Fund.

The Redemption Charge (if any) payable subject to the terms of the Placing Documents equals:

- 5% of the relevant Redemption Amount during the first year.
- 4% of the relevant Redemption Amount during the first quarter of the second year.
- 3% of the relevant Redemption Amount during the second quarter of the second year.
- 2% of the relevant Redemption Amount during the third quarter of the second year.
- 1% of the relevant Redemption Amount during the fourth quarter of the second year.

Subscription

Units may be issued at the request of a Unitholder at their respective Net asset Value. Subject to the terms of the placing document, units are issuable on the first business day of each calendar quarter (January, April, July and October), provided no suspension event shall have occurred or is continuing. The manager is authorised to fix additional dates for subscription of units.

Units will be issued against payment of the subscription amount. The number of units to be issued will be calculated by dividing the subscription amount by the Net asset Value per unit as per the business day immediately prior to the relevant date fixed for subscription. Fractions of units may be issued up to four decimal positions.

The minimum subscription amount payable by prospective investors wishing to invest in the Fund amounts to EUR 250,000. The manager may accept investments in the Fund for any lesser amount, provided no investor be permitted to invest in the Fund for an amount that falls below EUR 50,000. Unitholders can make further applications for units in one or more multiples of EUR 25,000.

| | 30/06/2007 | 31/12/2006 |
|--------------------------|-------------------|------------|
| | EUR | EUR |
| <i>8.2 Legal reserve</i> | | |
| Balance at 1 January | 96.659 | - |
| Allocation | - | 100.000 |
| release | -9.938 | -3.341 |
| Balance at 30 June | 86.721 | 96.659 |

The legal reserve relates to the capitalized foundation and introduction expenses.

8.4 Undistributed result

| | | |
|--------------------------------|------------------|---------|
| Balance at 1 January | 622.446 | - |
| Transferred to General reserve | -622.446 | - |
| Result of the year | 4.055.826 | 622.446 |
| Balance at 30 June | 4.055.826 | 622.446 |

Notes to the Profit and Loss account

9 Income from investments

9.1 Dividends

This refers to net cash dividend.

9.2 Interest income

This includes the interest income in respect of the liquid assets held in the context of the investment activities.

10 Expenses

10.1 Investment management fees

Performance fee

Management fee

01/01/2007

30/06/2007

EUR

677.450

363.575

1.041.025

• Performance fee

The Performance Fee due to the Manager equals 20% of the increase in Net Asset Value of the Fund compared to the highest Net Asset Value of the Fund at the end of any calendar quarter in the preceding two years, adjusted for Subscriptions and Redemptions and distributions to Unitholders and after deduction of all costs and expenses (including the Management Fee) above a fixed hurdle rate of one quarter of the Euribor 3 months rate plus 50 bps. The relevant Euribor 3 months rate is the rate on the first Business Day of each calendar. The Performance Fee shall be calculated on a “high water mark” basis.

Management fees

Other fees are fees directly related to the management of investments, like custody fee, transaction cost, expenses for lending securities.

10.2 Depositary fee

The Depositary Charge of the Depositary equals EUR 5,000 (exclusive of VAT). The Depositary Charge shall be borne by the Fund.

10.3 Other expenses

Administration fee

Auditor and fiscal advisor fee

Commissions and bank charges

lawyers and notary fees

23.603

8.877

3.890

30.443

66.813

Related party information

Deminor Investment Management BV is the manager of the fund. The manager is a fully owned subsidiary of Deminor International. The manager will enter into a contract with Deminor International pursuant to which Deminor International or any of its subsidiaries will provide research, investment advice, services related to the manager. The manager of the fund earned a management fee and a performance fee for the period 1 January 2007 to 30 June 2007 of EUR 363,575 and EUR 677,450 respectively.

Transaction costs

During 2007 the transaction costs amount to EUR 88.582 and can be divided into purchase transaction costs of EUR 71.076 and sales transaction costs of EUR 17.506.

Actual costs compared to prospectus

The table hereunder presents a cost comparison between costs as described in the prospectus with the actual costs. A specific calculation of these costs is not available in advance as these costs are mostly future and variable costs and contingent upon circumstances arising.

| Expenses | Actual cost | Prospectus | Difference in % |
|-------------------------|--------------------|-------------------|------------------------|
| Management Fee | 363.575 | 363.575 | 0% |
| Performance Fee | 677.450 | 677.450 | 0% |
| Administration Fee | 23.603 | 23.603 | 0% |
| Depositary Fee | 2.951 | 2.951 | 0% |
| lawyers and notary fees | 30.443 | 30.443 | 0% |
| Other Fees and Expenses | 12.767 | 12.767 | 0% |
| | <u>1.110.789</u> | <u>1.110.789</u> | <u>0%</u> |

Other information

Expense ratio

The expense ratio is calculated as following : total expenses divided by the average Net Asset Value of the Fund.

- Total expenses are the costs which are reported at the profit and loss account. The expenses related to subscriptions and redemptions covered by a mark-up or down, will not be taken into account.
- The average Net Asset Value of the Fund is calculated as the sum of the Net Asset Value's divided by the number of Net Asset Value's. The average Net Asset Value of the Fund is based on the values at the followings date : 31 December 2006, 31 March 2007 and 30 June 2007 weighted 0,5 : 1 : 0,5.

The Expense ratio of the Fund for the period from 31 December 2006 to 30 June 2007 amounts: 2,4%.

Turnover ratio

The turnover rate is calculated as follows: total purchases and sales minus subscriptions and redemptions divided by the average net asset value of the fund.

- The average Net Asset Value of the Fund is calculated as the sum of the Net Asset Value's divided by the number of Net Asset Value's. The average Net Asset Value of the Fund is based on the values at the followings date : 31 December 2006, 31 March 2007 and 30 June 2007 weighted 0,5 : 1 : 0,5.

The turnover ratio of the Fund for the period from 31 December 2006 to 30 June 2007 amounts: 63,67%.

The Fund has outsourced the following duties :

Administration

The Fund has engaged Fastnet Netherlands N.V. to provide certain financial, accounting, administrative and other services to the Fund. The Administrator provides, subject to the overall direction of the Fund Manager, administrative services, for instance daily Net Asset Value calculation and general administration, of the Fund assets, register and transfer agent services. Furthermore the administrator provides information for the composition of the semi-annual and annual accounts. The Administrator received a fee with a minimum of EUR 30,000 per year. The fee is based on the following applicable percentage related to the Net Asset Value:

| | |
|---------------------|-------|
| EUR 25,000,000: | 0,06% |
| in the range up to: | |
| EUR 50,000,000 | 0,05% |
| in the range up to: | |
| EUR 100,000,000 | 0,04% |
| in the range up to: | |
| EUR 200,000,000 | 0,03% |

Depository activities

Stichting Bewaarbedrijf Guestos, or any of its sub-depositories is the Depository. Stichting Bewaarbedrijf Guestos or any of its sub-depositories is a foundation (stichting) under the laws of the Netherlands. Stichting Bewaarbedrijf Guestos is registered in the Trade Register at the Chamber of Commerce of Amsterdam under number 34145801. The board of directors of the Depository presently comprises:
Josef Gerard Marie Tabbers
Karina Anna Christina Wirschell

The Depository is specialised in the safekeeping of assets and liabilities of contractual investment funds such as the Fund and is known for being professional and reputable. The Depository has no shareholders and is not affiliated with any company within the Deminor Group.

The purpose of the Depository is limited to acting as Depository (bewaarder) of investment funds, including the acquisition, holding and disposal of legal title securities and other assets for the account of of such fund's investors. The Depository shall act with due observance of the Placing Documents, solely upon the instructions of the Manager and in the interest of the Unitholders.

The Depository shall be liable for damages to the extent such damages are the direct result of the gross negligence (grove schuld of toerekenbare nalatigheid), fraud or wilful misconduct (opzet) of the Depository in the performance or non-performance by it under the Placing Documents. The Depository will be indemnified out of the Fund Assets for damages incurred by the Depository for which it is not liable.

Haarlem, September 1st, 2007

The Fund Manager
Deminor Investment Management B.V.

Amsterdam, September 1st, 2007

The Depository
Stichting Bewaarbedrijf Guestos