

DAGF N.V.

SEMI-ANNUAL REPORT 2008

Content

Profile	3
Fund Manager Report	4
Financial statements first half year 2008	
Balance sheet	12
Profit and loss account	13
Cash flow statement	14
Notes to the financial statements	15
Attachments	23
Supplementary information	25
Dividend policy	25
Proposal profit destination	25
Manager's personal interest	25

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Profile

The DAGF N.V. (Feeder) is a limited liability company (naamloze vennootschap) under the laws of the Netherlands and is structured to meet the criteria of fiscal investment institution (fiscale beleggingsinstelling) within the meaning of section 28 of the said Dutch Corporate Tax.

The Feeder is an investment company offering investors the opportunity to invest in an actively and professionally managed portfolio of listed European companies. The Feeder Fund invests its assets exclusively in Units of the Deminor Active Governance Fund.

The Feeder is managed by the Manager. No separate depository shall be appointed to hold legal title to the Feeder Fund Assets. The Feeder Fund Assets will be held by the Feeder. The Feeder Fund Assets are managed by the Manager in the interest of the Feeder Unitholders.

Fund Manager Report as per 30 June 2008

Introduction

We are pleased to present you herewith the annual report of Deminor Investment Management regarding the activities of the DAGF N.V. for the financial half year ended on 30 June 2008.

DAGF N.V. is an investment company whose objective is to invest in Units of the Deminor Active Governance Fund. The Deminor Active Governance Fund (hereafter the "Fund") invests in European listed companies in accordance with the Offering Memorandum issued by Deminor Investment Management. The assets of DAGF N.V. therefore consist of an indirect investment in the Fund's assets.

Total assets of the Fund amounted to €49.5 million at the end of June 2008 (€58.3 million at the end of 2007 and €52.5 million one year ago).

Investment and operational review - Portfolio return

At the end of June 2008, the investment portfolio represented 61.8% of the Fund Assets. This is the consequence of a prudent investment policy due to the negative evolution on the financial markets. During the last months of 2007, the Fund Manager had already decided to lower the equity exposure of the Fund. Considering the evolution since the beginning of 2008, the Fund Manager decided that it was necessary to remain cautious while at the same time concentrating on active cases to unlock shareholder value (see below the description of active engagement during the first half of 2008).

The first half of 2008 was indeed still extremely difficult on the financial markets. The situation significantly worsened compared to the last months of 2007. Most European stock market indices lost between 20% and 25% over the first six months of 2008. Those losses were mainly explained by the consequences of the sub-prime crisis and by increasing worries about the evolution of the global economy (fears of a recession in the US, inflation, oil prices, US dollar, etc.).

Although the Fund's investment philosophy consists in selecting and investing in companies offering value improvement potential through active engagement, this overall negative evolution on the markets and in the economy in general has inevitably had repercussions on the Fund's performance.

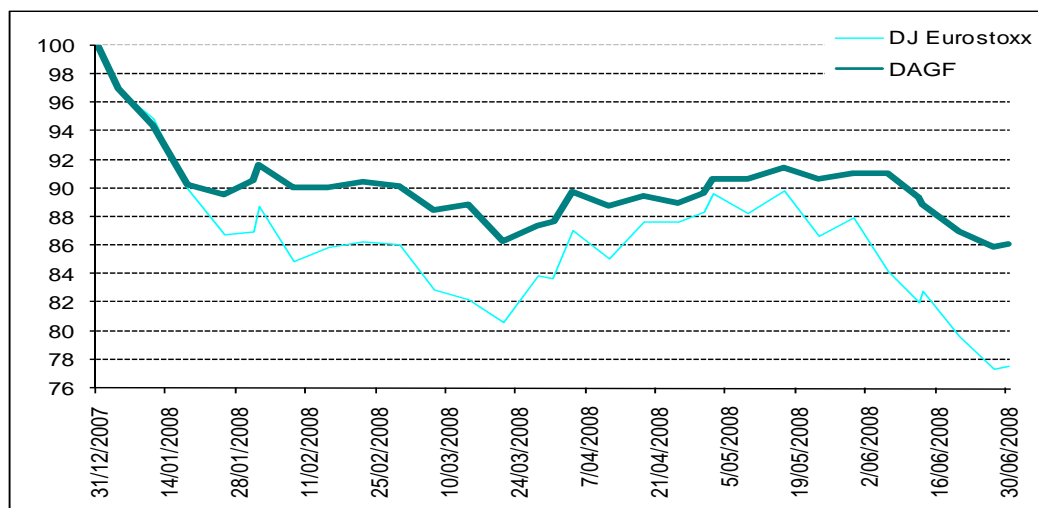
However, thanks to the combination of a cautious asset allocation and a selection of investments with interesting value potential in combination with opportunities for shareholder activism, the Fund managed to outperform most stock market indices during the first half of 2008.

The Fund Manager also gradually repositioned the Fund's market exposure in order to protect it from adverse macro economic factors. This repositioning implied the use of hedging techniques and investments in convertible bonds in order to reduce the volatility and downside risks while still keeping a significant part of the medium term upside potential.

The cash level was raised to 38.2% at the end of June 2008 (from 19% as of 31 December 2007).

In those difficult circumstances, the Fund's year-to-date return was negative and amounted to -13.9% for the first half of 2008. This is however much better than most European stock indices.

The following graph shows the evolution of the DAGF compared to the evolution of the DJ Eurostoxx index since the beginning of 2008:



The Fund's performance does not take into account any possible outcome of pending legal procedures that have been launched as part of the Fund's active engagement policy (see further below).

Active engagement during the first half of 2008

The Fund's investment philosophy consists in investing in undervalued companies with value improvement potential with the objective to unlock this value by implementing an active shareholder engagement strategy.

During 2007, the Fund was actively involved and engaged with several companies. Different kinds of engagement strategies were implemented in function of the specific circumstances of each company. In what follows, we give an overview of the most important public cases in which the Fund was involved.

- **Cegedel**

In January 2008, Cegedel reacted to an article in the Luxembourg press about discussions relating to a possible merger with Soteg and Saar Ferngas, a company controlled by ArcelorMittal. In May 2007, Cegedel had announced that it was holding talks with Soteg in order to explore a combination of both companies. There had been no news since that announcement.

The Luxembourg government is the controlling shareholder of Cegedel with 45%. The government also holds a significant stake in Soteg while ArcelorMittal holds 20% of Soteg and 76.9% of Saar Ferngas.

DAGF is looking for guarantees on (1) the strategic rationale behind a merger at 3 instead of 2, (2) the transparency on the discussions and on the process leading to a combination and (3) the terms of the merger (or takeover) that must reflect the true fair value of Cegedel.

Several letters were sent to the board of directors of Cegedel in order to raise those concerns and to ask for guarantees. DAGF also sent letters to all large known shareholders of Cegedel, including the Luxembourg government, to insist on the need to take all necessary measures to preserve the interests of all Cegedel shareholders.

DAGF met with the executive committee of Cegedel to discuss about the situation and the position of minority shareholders. The Fund also participated actively in the annual general meeting of Cegedel in May 2008 and asked several questions on the pending discussions related to a merger involving Cegedel.

- **RTL Group**

Early 2008, DAGF sent a letter to the Luxembourg market authority (CSSF) and to the Minister of Justice in which it raised concerns about the decision by Bertelsmann to postpone its takeover bid on remaining RTL Group shares (around 10% of all outstanding shares). DAGF questioned the position of the CSSF which considered that Bertelsmann could not proceed with a takeover followed by a squeeze out. This position is contrary to the CSSF's decision in November 2006 to authorize a takeover bid on Quinsa launched by its controlling shareholder (AmBev) and which was also meant to be followed by a squeeze out. DAGF believes that the opinion of the CSSF in the RTL Group case is not consistent with its own doctrine.

Since the first announcement by Bertelsmann of its intention to take RTL Group private, DAGF has publicly supported a transaction that (1) would solve the existing conflict between RTL Group shareholders and Bertelsmann and (2) would be based on RTL Group's fair value.

DAGF participated in the annual general meeting of RTL Group in April 2008 where it met with the parties involved in this case. It also held discussions with Bertelsmann in order to better understand its position and find solutions to remove the obstacles to a fair exit for RTL Group shareholders.

The solution clearly lies with the Luxembourg authorities (government and parliament) who can remove the legal uncertainty created by the CSSF. A draft bill of law including a new legal provision that would solve this situation has already been presented to the parliament even several months before Bertelsmann made its announcement in December 2007. In spite of DAGF's suggestions, the authorities still seem to refuse to accelerate the discussions and vote on this specific provision.

- **Electrabel**

The hearings took place in the procedure related to the squeeze-out of Electrabel shareholders launched by Suez in July 2007. The decision in the procedure launched by DAGF and Trafalgar Asset Management was expected before the end of June. At a last hearing before the summer holidays, the court informed us that the judgement could not be rendered (although it had been scheduled) and was postponed until after the summer (early September).

In the meantime, there are still discussions at political levels concerning a possible extension of the lifetime of Belgium's nuclear power plants. Those who were strongly opposed to such an extension now seem to be willing to reconsider their position. The positive impact of such extension on Electrabel's valuation was one of DAGF's main arguments in the procedure before the Court of Brussels. In total, DAGF claims an additional amount of around €200 per Electrabel share. In case of positive outcome of the legal procedure, it would therefore also have a significant positive impact for DAGF's NAV.

- **ArcelorMittal**

In the legal procedure against ArcelorMittal, the court in Luxembourg had proposed a calendar for the exchange of arguments between the plaintiffs and the defendants. The court recently granted an extension to the defendants who have now until 16 October 2008 (instead of 16 June 2008) to file their first court briefs. According to this new calendar proposed by the Court, the last exchange of court briefs would take place in April 2009. DAGF, together with SRM and Trafalgar Asset Management, immediately complained about this extension. They are now awaiting the reaction of the court.

Arcelor minority shareholders are claiming damages corresponding to the losses that resulted from a change in the share exchange ratio for the merger between Arcelor and Mittal Steel. The "new" ratio imposed to Arcelor shareholders was 27% lower than the one agreed and disclosed in 2006 as part of the takeover of Arcelor by Mittal Steel. The objective of the legal procedure is to recover the important losses suffered by Arcelor shareholders following the merger in November 2006. As it is the case for Electrabel, a positive outcome of the legal procedure would have a positive impact for DAGF's NAV.

- **Caisses Régionales du Crédit Agricole**

DAGF invested in several Caisses Régionales du Crédit Agricole (cooperative banks) through *Certificats Coopératifs d'Investissement* (CCI). Those financial instruments do not carry voting rights but they give right to a share in the reserves (contrary to cooperative shares). The CCI usually show a significant discount towards the banks' (consolidated) equity.

Following the announcement of write-downs and the impact of Basel II on its solvency ratios, Crédit Agricole S.A. announced that it had structured a plan that would require the financial contribution of the Caisses Régionales du Crédit Agricole. The Caisses Régionales control Crédit Agricole S.A. through a non-listed holding ("La Boétie") although Crédit Agricole has the power to monitor and supervise the Caisses Régionales (prudential supervision). Crédit Agricole claims that the Caisses Régionales currently have capital surpluses which enable them to contribute to Crédit Agricole's own solvency.

Under the plan, Crédit Agricole S.A. would issue preference shares with the guarantee of the Caisses Régionales and would transfer the "most extreme part" of its risks related to its investments in the Caisses Régionales to the same Caisses Régionales (reciprocal guarantees). There are not many details available on this transaction but the main question for the investors in some Caisses Régionales is whether this recapitalization of Crédit Agricole is not organized to the detriment of the Caisses Régionales.

DAGF already met twice with Crédit Agricole S.A., including with the CFO. The purpose of those meetings was to better understand the plan proposed by Crédit Agricole S.A. and its financial implications for the Caisses Régionales and, indirectly, for the holders of CCI.

In the meantime, there had been rumours that some Caisses Régionales were not satisfied with the banking group's management (more particularly the activities and results of Calyon). The CEO and the Chairman threatened to resign if they no longer enjoyed the support of the board of directors. At a recent meeting, the board confirmed however its support for the management. Nevertheless, the position of the holders of CCI still needs to be addressed.

- **Agfa Gevaert**

The Belgian technology group (with three divisions: graphics, healthcare, materials) recently suffered from a downturn of its activities (particularly the healthcare division), poor cost management and questionable governance practices. In addition, Agfa suffered from a weak dollar and from the price increase of raw materials. In 2006, the management had decided to separate (split) the group's three main divisions. Private equity investors had been interested in buying those divisions but the offers were all rejected by the board. In the meantime, the company has lost 75% of its market value over the last 12 months.

The group has already taken some measures to improve its profitability and a new management has been put in place.

DAGF recently acquired a stake in Agfa when the share price hit a bottom. DAGF will monitor the management's action plan and will make sure that any transaction related to one or more of the group's division will take place in full transparency and in a professional way in order to maximise value creation for shareholders.

- **Active engagement involving other companies**

The Fund Manager also engaged with other companies included in its portfolio in order to raise several issues related to their strategy, communication, cash management and corporate governance.

With respect to Ciments Français, DAGF sent a letter to the *Autorité des Marchés Financiers* (AMF) in order to raise concerns about the poor communication of the group and the lack of transparency regarding transactions on the shares (share buybacks and acquisition by the controlling shareholder). DAGF asked the AMF to take appropriate measures.

DAGF participated in the annual general meeting of Omega Pharma and asked questions about the company's corporate governance, following the decision to bring back Mr. Coucke as CEO of the company. In March 2008, the company made several changes to its corporate governance. Several of those changes had been formally requested by the DAGF. Questions remained concerning Mr. Coucke's remuneration and a decision of the board of directors to pay him a remuneration for services as consultant in 2007. DAGF raised those issues with the *Commission Bancaire, Financière et des Assurances* (CBFA) which is in charge of supervising the information published by Belgian listed companies. Omega Pharma has already been forced to publish additional information in order to explain this decision of the board of directors. Although DAGF reduced its investment in Omega Pharma, it is still monitoring this company very closely.

The discussions that were initiated with several other companies were still ongoing at the end of June 2008. Those companies usually see the Fund Manager as a valuable partner for a constructive dialogue. In many cases, the discussions have already produced some positive results without DAGF having had to make its intervention public. Where those discussions do not lead to any improvement or no longer represent the most efficient way to achieve the Fund's objectives, the Fund Manager had to consider taking more resolute actions as illustrated by the cases described above.

As part of its investment philosophy, the Fund Manager participated in the AGMs and EGMs of companies in which the Fund invested, either by being present or represented at the meetings or by exercising the voting rights through other means (including voting by mail).

Financial performance and cash position at 30 June 2008.

The decrease of the Fund capital during the first half of 2008 (€8,818,456) was due to the combination of net repurchases of units (€808,442) and undistributed losses.

Realized losses on investments amounted to €6,950,772 while unrealized losses represented €1,597,050 as of 30 June 2008. The Fund received net dividends for an amount of €700,552 and interest income for an amount of €250,812.

Total expenses amounted to €446,061 of which the major part consists of the Fund Manager's fees for an amount of €392,731. 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, fees paid to auditors and other advisors, publicity expenses, commissions and bank charges and depreciation of intangibles.

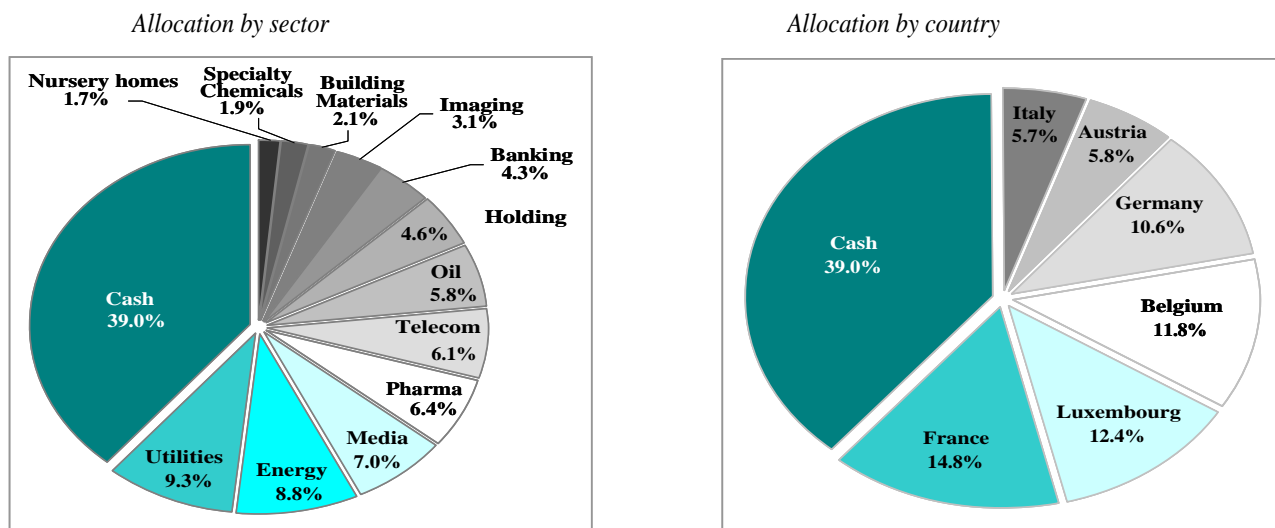
Net loss for the first half year amounted to €8,010,014. Shareholders' equity amounted to €49,501,038 which corresponds to a NAV per Unit of the Fund of €83.82.

At the end of the first half of 2008, the total cash position amounted to €20.2 million. The Fund had no financial debt outstanding as of 30 June 2008.

Composition of the investment portfolio and NAV

The Fund Assets are invested in European equity instruments spread over various sectors (see left hand graph below) and various countries (see right hand graph below).

Current DAGF Allocation - as of June 30, 2008



The Net Asset Value (NAV) per Unit amounted to €83.82 at the end of June 2008.

Risk review

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

The various risks to which the Fund is subject are described in more detail in the Offering Memorandum.

The main risks to which the Fund was subject during the first half of 2008 were essentially the risks resulting from the negative evolution of and the higher volatility on financial markets since July 2007, massive sales by investors who want to reduce their equity exposure which put additional pressure on the stock prices and the growing uncertainty regarding the evolution of the economy.

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.

A well-balanced diversification of its portfolio, as illustrated by the sector and country allocation of the Fund's (see graphs above), also contributes to risk mitigation.

The Beta of the invested part of the portfolio at the end of June 2008 amounted to 0.54 (0.63 at the end of March 2008 and 0.67 at the end of December 2007). The distribution of the Betas can be presented as follows:

Equity Beta	100%
0.0 - 0.3	11.8%
0.3 - 0.6	54.6%
0.6 - 0.8	5.7%
0.8 - 1.0	20.2%
1.0 - 1.4	7.7%

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	1.21%	1.91%	2.25%	2.69%

The theoretical weighted average unwinding period of the invested part of the portfolio was 3.53 days at the end of June 2008 (2.35 days at the end of December 2007).

Important events occurred after the end of the reporting period

On 23 July 2008, the Government of Luxembourg announced that a Memorandum of Understanding (MoU) had been signed with E.On, RWE Energy, ArcelorMittal and Electrabel with respect to the merger between Cegedel, Soteg and Saar Ferngas. According to this MoU, the merger includes the launch of a takeover on all Cegedel shares held by the public (around 18% of the share capital) at a price of €178.44 per share. The whole transaction is subject to conditions that have not yet been realized.

Expectations for the future and investment objective

The outlook for the second half of 2008 still remains uncertain as shown by the negative developments on the stock market since the beginning of the year and the concerns about the economy. Nevertheless, the Fund will keep screening the market for additional investment opportunities that offer interesting perspectives in terms of value creation. The Fund will also further implement its active engagement strategies that were initiated so far.

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.

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

Amsterdam, 21 August 2008

The Fund Manager
Deminor Investment Management B.V.

Investment Policy

The Feeder Fund invests its assets exclusively in shares of Deminor Active Governance Fund (The Fund). Investors can invest directly in the Fund or through the Feeder Fund.

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 within 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 DAGF N.V.

Balance sheet

(before profit appropriation)

		30-06-2008	31-12-2007
		EUR	EUR
		<hr/>	<hr/>
Investments			
Shares	(4.1)	19,397,792	23,123,467
		<hr/>	<hr/>
		19,397,792	23,123,467
Fund capital			
Issued capital	(5.1)	23,618,059	24,216,644
General reserve	(5.2)	-1,093,177	265,406
Undistributed earnings	(5.3)	-3,127,090	-1,358,583
		<hr/>	<hr/>
		19,397,792	23,123,467
		<hr/>	<hr/>
Net Asset Value per Unit		83.82	97.33
		<hr/>	<hr/>

Profit and loss account

		01/01/2008	01/01/2007
		30/06/2008	30/06/2007
		EUR	EUR
		<u> </u>	<u> </u>
Income from investments			
Distribution fees	(6.1)	27,920	-
		<u>27,920</u>	-
Results on investments			
Realized gains/-losses		-56,825	0
Unrealized gains/-losses		-3,098,185	1,556,503
		<u>-3,155,010</u>	1,556,503
Total income		-3,127,090	1,556,503
		<u> </u>	<u> </u>
Result of operation		-3,127,090	1,556,503
		<u> </u>	<u> </u>

Cash flow statement

	01/01/2008	01/01/2007
	30/06/2008	30/06/2007
	EUR	EUR
Cash flow from investment activities	<u> </u>	<u> </u>
Purchases	-213,300	-4,147,923
Sales	783,965	-
	<u>570,665</u>	<u>-4,147,923</u>
Cash flow from financing activities		
Received on shares issued	213,300	4,147,923
Paid on shares redeemed	-783,965	-
<i>Cash flow from financing activities</i>	<u>-570,665</u>	<u>4,147,923</u>
Change in cash	-	-
Cash in bank	-	-
Bankoverdraft	-	-
Cash at 1 January	-	-
Cash in bank	0	0
Bankoverdraft	-	-
Cash at 30 June	<u>-</u>	<u>-</u>

Notes to the financial statements

General information

The DAGF N.V (Feeder), has been incorporated on 2 November 2006 and has its corporate seat in Amsterdam, the Netherlands.

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

1 Basis of valuation

Assets and liabilities are valued at fair value, unless explicitly indicated.

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.

Other assets and liabilities

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

2 Risk factors

General

An investment in the Fund carries a substantial degree of risk. The value of the Fund's underlying investment 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 times 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 times 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 visa-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 percent 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.

Uncertain outcome of active engagements - Litigation

The outcome of active engagements on behalf of the Fund is dependent on various factors and is difficult to predict. In some circumstances, active engagement programs may even lead to litigation, as it is the case for the Fund's investments in Arcelor and Electrabel (please see p. 6 and 8 for more details). The outcome of litigation is typically subject to various factors outside the Fund Manager's control. It may have an adverse impact on the Fund's investment.

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 Assets Value of the Fund causing Unitholders to lose out their entire investment in the Fund.

3 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 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 Vennootschapsbelasting 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.

Notes to the balance sheet

	30-06-2008	31-12-2007
	EUR	EUR
4 Investments		
<i>4.1 Statement of changes in securities</i>		
Position as at 1 January	23,123,467	16,025,327
Purchases	213,300	8,456,723
Sales	-783,965	-
Realized gains/-losses on investments	-56,825	-
Unrealized gains/-losses on investments	-3,098,185	-1,358,583
Position as at 30 June	19,397,792	23,123,467
Historical cost	23,589,154	24,216,644

This relates to 231,422 of the 590,560 outstanding participations of DAGF (the Master Fund). The balance sheet of DAGF is attached to these financial statements.

	30-06-2008	31-12-2007
	units	EUR
5 Fund capital		
<i>5.1 Issued capital</i>		
Position as at 1 January	237,578	15,759,921
Issued	2,500	8,456,723
Repurchased	-8,656	-
Position as at 30 June	231,422	24,216,644

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.

	30-06-2008	31-12-2007
	EUR	EUR
<i>5.2 General reserve</i>		
Position as at 1 January	265,406	-
Transferred to General reserve	-1,358,583	265,406
Position as at 30 June	-1,093,177	265,406
<i>5.3 Undistributed result</i>		
Position as at 1 January	-1,358,583	265,406
Transferred to General reserve	1,358,583	-265,406
Result of the year	-3,127,090	-1,358,583
Position as at 30 June	-3,127,090	-1,358,583

Notes to the Profit and Loss account

• *General*

The Feeder Fund invests its assets exclusively in shares of Deminor Active Governance Fund, therefore the results of DAGF NV (Feeder) dependent from Deminor Active Governance Fund.
(the balance sheet and profit & loss sheet are indicated below)

6.1 Distribution fees

This includes the subscription and redemptions fees.

Other information

Turnover ratio

The turnover rate is calculated as follows: total purchases and sales minus subscriptions and redemptions divided by the average NAV 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 2007, 31 March 2008 and 30 June 2007 weighted 0,5 : 1 : 0,5.

The turnover ratio of the fund for the period from 31 December 2007 to 30 June 2008 was negative.

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%

Depositary activities

Stichting Bewaarbedrijf Guestos, or any of its sub-depositaries is the Depositary. Stichting Bewaarbedrijf Guestos or any of its sub-depositaries 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 Depositary presently comprises:
Josef Gerard Marie Tabbers
Jasper van der Sluis
Karina Anna Christina Wirschell

The Depositary 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 Depositary has no shareholders and is not affiliated with any company within the Deminor Group.

The purpose of the Depositary is limited to acting as Depositary (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 Depositary shall act with due observance of the Placing Documents, solely upon the instructions of the Manager and in the interest of the Unitholders.

The Depositary 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 Depositary in the performance or non-performance by it under the Placing Documents. The Depositary will be indemnified out of the Fund Assets for damages incurred by the Depositary for which it is not liable.

Haarlem, xx xx 2008

The Fund Manager

Deminor Investment Management B.V.

Attachement

Deminor Active Governance Fund

Balance sheet

(before profit appropriation)

	30/06/2008	31/12/2007
	EUR	EUR
Investments		
Shares	26,487,677	46,193,457
Convertible Private Bonds	3,776,324	1,202,760
Options	321,580	9,460
	30,585,581	47,405,677
Receivables		
Other receivables and prepaid costs	1,287,823	-
Dividends	49,312	-
	1,337,135	-
Other assets		
Cash at banks	20,178,266	11,118,117
Intangible assets	66,652	76,618
	20,244,918	11,194,735
Current liabilities (due within one year)		
Due to security transactions	2,449,365	-
Other liabilities	217,231	280,918
	2,666,596	280,918
Total of receivables and other assets less current liabilities	18,915,457	10,913,817
Total assets less current liabilities	49,501,038	58,319,494
Fund capital		
Issued capital	60,038,402	60,846,844
Legal reserve	66,652	76,618
General reserve	-2,594,002	645,828
Undistributed earnings	-8,010,014	-3,249,796
	49,501,038	58,319,494
Net Asset Value per Unit	83.82	97.33

Profit and loss account

	01/01/2008 30/06/2008 EUR	01/01/2007 30/06/2007 EUR
Income from investments		
Dividends	700,552	464,248
Interest income	250,812	199,740
Distribution fees	32,505	-
	<u>983,869</u>	<u>663,988</u>
Results on investments		
Realized gains/-losses	-6,950,772	344,863
Unrealized gains/-losses	-1,597,050	4,174,788
	<u>-8,547,822</u>	<u>4,519,651</u>
Total income	<u>-7,563,953</u>	<u>5,183,639</u>
Expenses		
Investment management fees	392,731	1,041,025
Depository fee	2,959	2,951
Depreciation of intangible assets	9,966	9,938
Interest expenses	1,460	7,086
Other expenses	38,945	66,813
Total expenses	<u>446,061</u>	<u>1,127,813</u>
Result of operation	<u>-8,010,014</u>	<u>4,055,826</u>

Supplementary information

Distributions

Article 15 of the Agreement of Management and Custody states:

Dividend policy

The Fund's profits will, to the fullest extent possible, be re-invested and not distributed. Where distributions must be made, they shall be made pro rata to the number of Units held by a Unitholder. Distributions (if any) are declared due and payable by notification to the Unitholder and publication thereof on the Website.

Distributions (if any) will be made in cash.

Proposal profit destination

The Fund Manager proposes not to distribute any interim dividend. The result of operation will be added to the General Reserve.

Manager's personal interest

As per 30 June 2008 the Fund manager as well as the direction of the Fund do not have any holdings admitted in the Fund's portfolio.