

Fund Information

Jurisdiction: The Netherlands, semi-open ended FGR
Inception date: November 2nd, 2006
Subscriptions: Quarterly
Redemptions: Quarterly
Notice period: 45 days
Min. investment: EUR 250'000 Feeder - ISIN NL0000687044
Master - ISIN NL0000687036
Administrator: Fastnet Netherlands
Custody Bank: Kas Bank N.V., The Netherlands
Auditor: Ernst & Young
Manager: Deminor Investment Management BV
Fees: 1.50% mgt fee & 20% performance fee above Euribor 3 months + 200 bp & high watermark
Web site: www.dagfund.com

Investment Philosophy

The Deminor Active Governance Fund (DAGF) aims to generate long term positive absolute returns by investing in undervalued listed companies with clear value improvement potential, to be unlocked via active shareholder engagement.

The DAGF invests in European companies that represent sound business fundamentals, yet are valued at a substantial discount towards their peers.

Furthermore, the discount must be attributable to clearly identifiable governance factors which can be improved through active engagement or external catalysts.

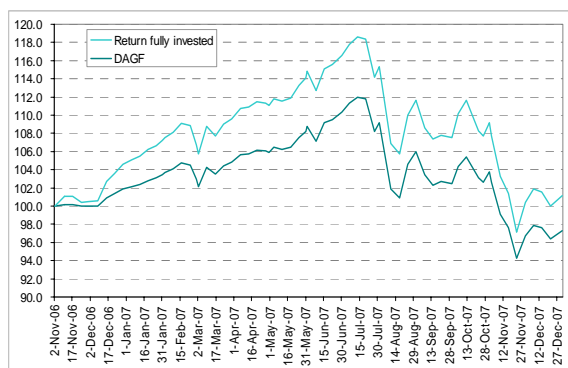
Deminor Active Governance Fund – fund performances in EUR since inception on November 2, 2006

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2006											0.0%	+1.9%	+1.9%
2007	+1.5%	-0.5%	+1.9%	+1.0%	+2.2%	+2.0%	-1.0%	-2.9%	-3.3%	+1.2%	-6.8%	+0.6%	-4.5%

DAGF performances differ from returns on portfolio fully invested since investments were made progressively.

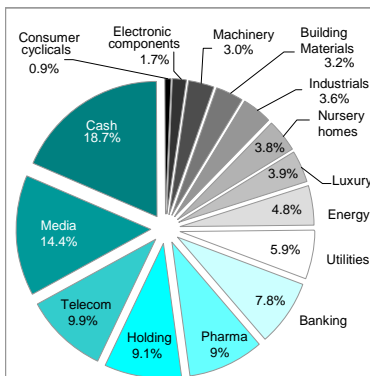
Performance since inception

DAGF vs Portfolio fully invested

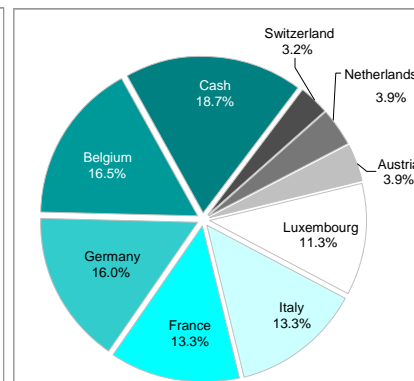


Current DAGF Allocation - as of December 31, 2007

Allocation by sector



Allocation by country



Portfolio review

Stock	Total return	Return Q4	% NAV Dec.	% NAV Sept.
RTL	9.3%	9.3%	10.6%	0.0%
Mobistar	3.3%	1.5%	9.9%	4.7%
Banca Popolare di Milano	-15.7%	-10.0%	5.4%	7.7%
EnBW	22.5%	5.6%	5.2%	5.0%
Omega Pharma	-9.8%	-22.4%	4.9%	5.1%
Aleo Solar	65.9%	8.6%	4.8%	6.5%
Financière Odet	-5.6%	-2.3%	4.8%	5.1%
Paris Orleans	8.4%	-12.5%	4.3%	5.1%
TMG	5.1%	5.6%	3.9%	2.0%
Ciments Français	-19.0%	-4.5%	3.2%	4.6%
Investment A (*)	-10.6%	-6.9%	3.2%	4.0%
Tornos	-30.9%	-16.5%	3.0%	4.6%
Other investments			17.7%	30.4%
Total investments			80.9%	84.9%
Cash			19.1%	15.1%
Total Portfolio			100.0%	100.0%

(*) Investment line which is not fully completed as at December 31

Quarterly review

The cash level at the end of the quarter amounted to 19.1 %. The invested part of the fund includes a convertible bond representing 2.1 % of the assets. The return of the fund amounted to -5.2 % during the fourth quarter while the return of the invested part of the fund amounted to - 6.2 % better than the DJ Eurostoxx Small cap value index which declined by - 8 %. The large index DJ Eurostoxx declined by - 1.2 % over the quarter. The fund rose by 0.4 % in December while the DJ Eurostoxx and the DJ Eurostoxx Small cap value index declined by respectively - 0.6 % and -1.6 %. The NAV amounted to 97.33 at end December.

The size of the portfolio amounted to EUR 58.3 m at end December 2007. At the start of Q1, the fund witnessed some redemptions for an amount of EUR 0.55 m bringing the size of the fund to EUR 57.8 m at the start of Q1.

Portfolio managers comment

In December the evolution of the portfolio was characterised by the strong evolution of **RTL** (10.6 % of the portfolio) which rose by 16.6 %. **Aleo Solar** rose also by 17 % over the moment thanks to a good news flow. **Telegraaf Media Groep** and **Mobistar** (9.9 % of the portfolio) were also strong with progressions of respectively 6 % and 3.6 %. **EnBW** continued its gradual rise and gained another 2 % in December. On the other hand, **Paris Orleans** slipped by 10.7 % in December without any specific news. Banca Popolare di Milano declined by 5.9 % in a unfavourable context for the banks and because it becomes clearer that the strategic reorientation of the bank will take time and will be difficult to implement within the framework of the current governance structure.

Engagement review and important events after the closing of the quarter

In the court procedure against Suez and **Electrabel** before the Court of Appeals of Brussels, DAGF filed its last arguments on 31 December 2007. Suez and Electrabel have until 31 January 2008 to also file their last court brief. The following step will be a court hearing for the pleadings. Suez and Electrabel keep repeating that Electrabel's minority shareholders do not have any right to claim a "fair" price when they are forced to sell their shares although there are several sources in the legal doctrine that confirm that shareholders do have a right to a fair price in case of a squeeze-out. On the core issue of DAGF's claim, i.e. the valuation of Electrabel and the impact of an extension of the nuclear power plants' lifetime, Suez and Electrabel are using arguments that are now contradicted by Electrabel's recent statements. DAGF argues that an extension of the plants' life-time is the only realistic scenario. This was supported by the discussions to form a government during the summer. Since the last weeks, there are an increasing number of statements and opinions supporting such extension. Politicians are still defending this option. Studies had been commissioned during the summer to examine the possibility of such extension from a legal point of view and its financial impact. The Belgian business organization (FEB-VBO) recently said in a report on climate that a decommissioning of the nuclear plants would imply high risks for the domestic energy supply. Suez and Electrabel are lobbying for such extension. The CEO of Electrabel, Mr. Hansen, even publicly put pressure on the Belgian government to clarify the situation in the coming months. This evolution confirms that DAGF's analysis and arguments are accurate. An extension of the nuclear power plants' lifetime would represent substantial additional profits for Electrabel (and now for Suez). Considering Suez and Electrabel's positions in this debate (they are clearly in favor of an extension), there was no reason for them to exclude the scenario of an extension while valuing Electrabel.

Bertelsmann recently announced that it was considering making an offer for all remaining shares of **RTL Group**. Bertelsmann currently holds about 90% of RTL Group. RTL minority shareholders had launched several legal procedures in order to also have the possibility to sell their shares to Bertelsmann under the same terms and conditions as those offered to GBL. The Luxembourg courts have so far rejected their claims. A voluntary offer launched by Bertelsmann represented a solution to end the dispute with those minority shareholders. The intention of Bertelsmann was apparently to launch a voluntary offer followed by a squeeze-out (provided Bertelsmann acquired at least 95% of RTL Group, i.e. about 50% of the free float) in order for Bertelsmann to hold 100% of RTL as a result of the transaction. It was therefore necessary to guarantee a fair price to all RTL shareholders. On 20 December 2007, Bertelsmann announced however that it would not proceed with a voluntary public offer for RTL shares at this time "in light of uncertainties" in the Luxembourg takeover law. Bertelsmann did not provide additional explanations on those "uncertainties". Nevertheless, Bertelsmann confirmed that acquiring 100% of RTL Group was a "strategic goal" and that it would continue to "assess all routes that are or may become available" in order to achieve this goal. In a press release of 21 December 2007, DAGF commented on Bertelsmann's statement and said that an offer for all RTL Group shares at a fair price would clarify the position of the RTL Group shareholders and that any obstacle, including uncertainties in the Luxembourg takeover law, should be removed immediately. DAGF added that it was up to the Luxembourg authorities to take necessary measures. In the meantime, DAGF has contacted the CSSF to ask for clarifications on the situation. Additional measures (lobbying, etc.) are still being considered. The decision will essentially depend on the government's reaction. In case Bertelsmann would eventually proceed with an offer for all RTL shares, DAGF will carefully scrutinize the terms and conditions of such an offer in order to make sure that the price proposed is "fair".

Engagement review and important events after the closing of the quarter (continued)

The merger between Mittal Steel and **Arcelor** was approved on 5 November. DAGF actively participated in the extraordinary general meeting (EGM) in Luxembourg. Several questions were asked to the Arcelor board. DAGF voted against the merger. A press conference had been organized before the EGM to present the analysis and to announce the decision to sue Arcelor, its controlling shareholder (Mittal family) and the directors. In this case, DAGF has decided to join forces with other Arcelor shareholders, i.e. SRM and Trafalgar Asset Management. DAGF met again in October with the French market regulator, the *Autorité des Marchés Financiers*, to discuss about the situation and to ask for the regulator's intervention. DAGF believes that Arcelor shareholders have been misled on the terms of the merger which were announced during the takeover of Mittal on Arcelor in 2006. The new merger terms are also in violation of the agreement (Memorandum of Understanding) signed between Arcelor, Mittal Steel and the Mittal family. A court procedure has been launched in Luxembourg. DAGF and other Arcelor shareholders claim damages corresponding to the losses that resulted from a lower share exchange ratio than previously announced (representing 27% of the value of Arcelor shares). DAGF could also become involved in any additional steps (including court procedures) that would help defend the interests of the Fund.

Further to the sales warning of October 2007, DAGF had sent a letter to the board of directors of **Omega Pharma** in order to complain about the company's communication with investors. Since there had been no reaction to this first letter, DAGF decided to send another letter to each member of the board of directors individually. An action plan with several proposals and suggestions to improve the company's corporate governance and communication was attached to the letter. The proposals included the launch of a share buyback programme. On 21 November 2007, Omega Pharma announced its decision to buy back 2 millions shares until May 2008. DAGF is now expecting the reaction of the board to the other proposals and suggestions formulated in the action plan. In the meantime, Omega Pharma has published its sales figures for the fourth quarter and the full year 2007. Sales figures for Belgium showed a strong decline compared to last year. Omega Pharma invokes the disappointing evolution of the Belgian market for generics (the same argument had already been used for the Q3 results). This evolution would also explain why Omega Pharma has decided to revise its sales growth guidance, from 7% to between 3% and 7%. Several members of the pharma industry seem however to be surprised by Omega Pharma's arguments. Considering those reactions and based on the information available (including market data from Febelgen, the Belgian business organization of generics), DAGF decided to ask for additional clarifications on the Belgian sales figures as well as the arguments used by Omega Pharma to justify those figures. A letter was sent to the company's CEO and CFO. The Banking, Finance and Insurance Commission has also been informed of this letter.

As far as other investments are concerned, DAGF pursues its active shareholder approach in order to improve the governance of targeted companies.

Risk Review

The Beta of the invested part of the portfolio increased slightly during the quarter and amounted to 0.67 at the end of December (0.61 end of September). The distribution of the Betas can be presented as follows:

<u>Equity Beta</u>	<u>100%</u>
0.0 - 0.3	1.1%
0.3 - 0.6	62.9%
0.6 - 0.8	8.4%
0.8 - 1.0	3.7%
1.0 - 1.4	23.9%

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

<u>VaRs</u>	<u>2 Days</u>	<u>5 Days</u>	<u>7 Days</u>	<u>10 Days</u>
% of total value	1.45%	2.30%	2.72%	3.25%

The theoretical weighted average unwinding period of the invested part of the portfolio was 2.35 days at the end of December (2.7 days at end September 2007).

Contact

To receive the prospectus and subscription documents or for more information about the Fund, please send us an e-mail at dagf@deminor.com or call us at +31-23-750.5220.

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