

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.

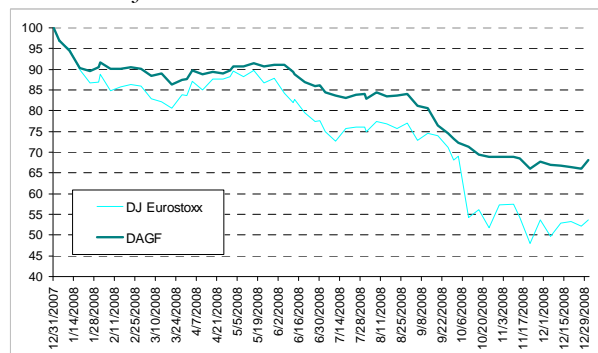
Furthermore, the discount must be attributable to clearly identifiable governance factors which can be improved through active engagement or external catalysts.

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%
2008	-9.5%	-0.4%	-2.8%	+2.3%	+1.5%	-5.4%	-2.4%	0.0%	-12.8%	-6.1%	-1.7%	+0.6%	-32.0%

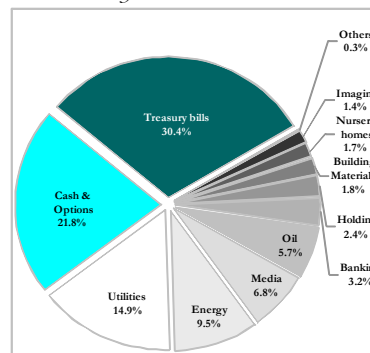
2008 Performance

DAGF vs DJ Eurostoxx

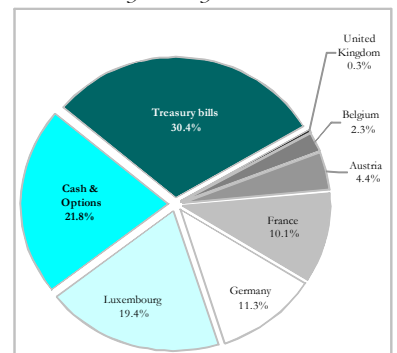


Current DAGF Allocation - as of December 31, 2008

Allocation by sector



Allocation by country



Portfolio review

Stock	Total return	Return Q4	% NAV Dec	% NAV Sept
Cegebel	55,3%	3,1%	12,60%	9,50%
Aleo Solar	-20,4%	-4,6%	7,30%	4,20%
RTL	-28,9%	0,8%	6,80%	4,50%
OMV	-52,2%	-33,3%	4,40%	5,40%
Caisses Régionales Crédit Agricole	-55,8%	-39,0%	3,20%	3,80%
EnBW	-36,2%	-14,8%	2,30%	3,30%
Theolia Convertible	-56,8%	-37,3%	2,20%	2,80%
Other investments			9,0%	15,1%
Total investments			47,8%	48,6%
Cash & Options			52,2%	51,4%
Total Portfolio			100,0%	100,0%

Quarterly review

The cash level at the end of the quarter amounted to 51.9% of the fund, including 30.4% in French Treasury notes. Put options to hedge the invested part of the portfolio represented 0.4 % of the fund. The invested part of the fund included also a convertible bond representing 2.2 %. The return of the fund amounted to -7.2 % during the fourth quarter amid a very difficult and volatile stock market. The DJ Eurostoxx declined by -23.15 % over the quarter. For the full year the performance of the fund amounted to -32.0 %. Over the same period the DJ Eurostoxx declined by - 44.1 %. The NAV amounted to EUR 66.20 at end December 2008.

The size of the portfolio amounted to EUR 32.8 m at end December 2008. At the start of Q1, the Fund witnessed redemptions as many funds in the industry for 17.5% of the Fund.

Portfolio managers comment

December has been a positive month for the fund with a performance of +0.6 % compared to a negative performance for the DJ Eurostoxx of -2.3% over the same period. On the side of the strong performers, we find companies like Aleo Solar (+29.7%), EnBW (+10.8%) and RTL (10.4%). On the side of the weak performers, we find Agfa Gevaert (-20.4%) which is impacted by its difficulties to sell its healthcare division, the negative global economic outlook and its large debt position, Theolia Convertible bond (-12.5%) which is oversold in view of the tight financial situation of the company.

Over the quarter, the fund has maintained its significant cash position (+/-50%) and a reduced exposure to the stock market. This combined with put options hedging have helped to protect the fund in the negative market environment. For the full year, the fund has quite well resisted against extremely difficult market conditions, implying a relative outperformance of +21.7 % versus DJ Eurostoxx with a much lower volatility. The weekly standard deviation of the fund's return was 1.64% vs 4.82% for the DJ Eurostoxx in 2008.

Engagement review and important events after the closing of the quarter

There are some very important news regarding **Cegedel**. On 23 January 2009, the Government of Luxembourg announced that all preliminary conditions to the completion of the merger between Cegedel, Soteg and Saar Ferngas had been satisfied. As a result of the different contributions of Cegedel shares to Soteg, Soteg will hold 82.82% of Cegedel. Soteg must therefore launch a mandatory takeover bid on all Cegedel shares it does not hold already. This takeover will take the form of a cash offer of €163.57 per Cegedel shares. This offer price takes into account the distribution of a special interim dividend of €14.87 on 9 January 2009. Together with the offer price, this represents a total of €178.44 per Cegedel share (as announced in July 2008). The offer will be made in Luxembourg and in Brussels (Cegedel shares are listed on both stock markets). Soteg has already declared that it had the intention to exercise a squeeze-out right following the takeover (provided the conditions for such squeeze out are met) and that, depending on the result of the offer, it would seek the delisting of Cegedel shares from both stock markets. The launch of this takeover represents a major achievement for DAGF who had actively engaged with the board of Cegedel in order to promote the interests of the company's minority shareholders and to make sure that all shareholders and parties to the negotiations were treated equally and fairly. DAGF will now monitor the further developments of the takeover bid (analysis of the Offer Documents, etc.).

In the **RTL Group** case, the Government of Luxembourg recently filed a bill of law in order to introduce the squeeze out and the sell out in Luxembourg law. This corresponds to what DAGF had been requesting as soon as it had become clear that a new law was necessary to remove the legal uncertainty around this case. While the decision to launch a takeover still lies with Bertelsmann, a new legislation could improve the position of RTL shareholders. This depends also on the legislation itself and how it will be drafted/implemented. DAGF has already contacted members of the Parliament in order to inform them that the text of the draft legislation could still be improved in order to take into account the interests of minority shareholders.

The decision of the Court of appeal of Brussels in the procedure related to the squeeze-out of **Electrabel** shareholders was rendered early December 2008. We had been waiting for this decision for several months. For the first time in Belgium, the Court of appeal (which now has exclusive jurisdiction over disputes regarding squeeze out) decided that minority shareholders have the right to claim a "fair price" in case of a squeeze out. This issue had long been disputed by companies' majority shareholders (including Suez in this case) and there were many controversies among legal scholars. However, while finding in favour of DAGF on this issue of principle, the Court considered that Electrabel shareholders should have disputed the validity of the decision of the Banking Commission (CBFA) to authorize the exercise of the squeeze out right, including the decision on the "fairness" of the price, instead of suing Suez directly. Such decision is very surprising as the CBFA (and the legal doctrine) has always defended the idea that the CBFA did not have the power to impose a "fair price". The Court of appeal also referred to the obligation for the CBFA to motivate and publish its decision on the fairness of the price. Such decision was however never communicated to shareholders and we do not even know whether such decision exists. DAGF is currently considering filing an appeal against this decision of the Court (before Belgium's highest civil court, the *Cour de Cassation/Hof van Cassatie*). DAGF has also written to the

CBFA in order to seek clarifications on the Court's reasoning. At this stage, we could not exclude any (legal) steps against the Banking Commission in case it would appear that the CBFA has violated the law (which is in charge of enforcing). The potential gain for DAGF in case of a positive outcome of this legal procedure would contribute positively to the NAV.

In the legal procedure against **ArcelorMittal**, we finally received the first arguments of the adverse parties. There were no new elements compared to what we already know. There were however some interesting – and also positive – developments in another legal procedure launched in the Netherlands on behalf of SRM Advisors and Trafalgar Asset Management (with whom DAGF collaborates on the ArcelorMittal case). In a procedure against a decision of the Dutch market regulator (AFM), the District Court of Rotterdam overruled the decision of the AFM in a procedure regarding the information disclosed by Arcelor and by Mittal Steel. Arcelor shareholders, including DAGF, have always claimed that the exchange ratio of 8 for 7 for the merger between Arcelor and Mittal Steel was in violation of the agreements between both companies as disclosed during the takeover bid launched by Mittal Steel on Arcelor (Summer 2006). This exchange ratio was also not consistent with the information disclosed by both companies. The AFM had decided that there were no such evidence of market abuse. The District Court of Rotterdam found however that the AFM's investigations supporting its decision were insufficient. Furthermore, the Court finds that, based on its limited investigation, the AFM could not have come to the conclusion that the information disclosed by Mittal Steel in May 2006 (exchange ratio of 8 for 7) did not differ (significantly) from the information disclosed previously. The decision of the Court but also its reasoning are very important as they confirm DAGF's analysis of the case. These new elements will therefore be used in the legal procedure launched by DAGF, SRM Advisors and Trafalgar in Luxembourg in which they claim damages for the losses suffered as the result of a change in the exchange ratio for the merger.

Following the recent (dramatic) changes at **Theolia**, DAGF decided to raise several issues with the new management of the company and with the board of directors. A letter was sent to the Chairman and to the CEO. Depending on their reaction, DAGF may consider additional steps to protect and defend its interests as convertible bondholder and potential shareholder.

Risk Review

The Beta of the invested part of the portfolio amounted to 0.54 at the end of December (0.50 end of September). The distribution of the Betas can be presented as follows:

Equity Beta	100,0%
0.0 - 0.3	34,6%
0.3 - 0.6	29,7%
0.6 - 0.8	4,4%
0.8 - 1.0	27,4%
1.0 - 1.4	3,9%

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	2,02%	2,86%	3,30%	3,87%

The theoretical weighted average unwinding period of the invested part of the portfolio was 3.95 days at the end of December 2008 (Cegedel has been excluded from the calculation in view of the pending takeover in cash).

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- 20 30 12 340.

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