Deminor Active Governance Fund

Quarterly Report as of December 31, 2009

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.

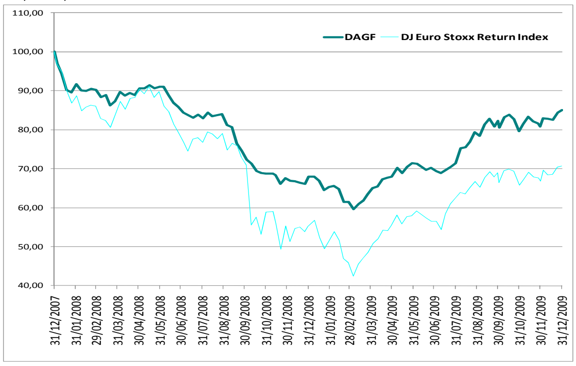
Furthermore, the discount must be attributable to clearly identifiable governance factors which can be improved through active engagement or external catalysts.

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%
2009	-3.9%	-6.0%	+3.5%	+6.9%	+5.1%	-2.2%	+2.2%	+10.5%	+4.3%	-3.1%	+1.4%	+5.2%	+25.0%

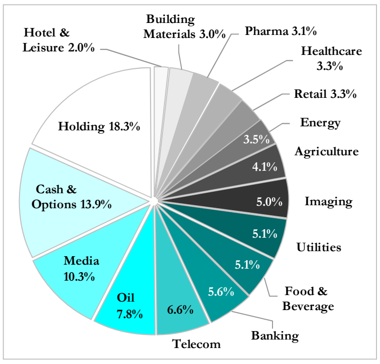
Performance Year to Date – *as of December 31, 2009*

DAGF vs DJ Euro Stoxx return Index, rebased at 100 on 31/12/07

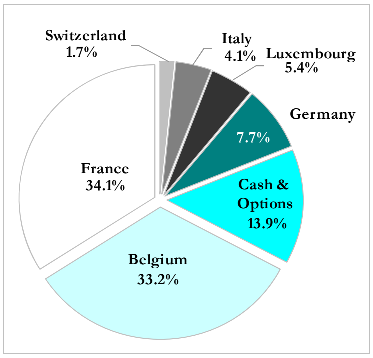


Current DAGF Allocation - *as of December 31, 2009*

Allocation by sector



Allocation by country



Stock	Total return	Return Q4	% NAV Dec.	% NAV Sept.
Bolloré	29,30%	-1,90%	7,50%	4,70%
RTL	-0,54%	-0,70%	5,40%	8,20%
GBL	27,53%	4,80%	5,40%	4,90%
Sofina	25,24%	4,60%	5,40%	0,00%
GDF SUEZ	9,63%	-0,70%	5,10%	6,90%
Danone	15,61%	4,00%	5,10%	5,20%
Agfa Gevaert	22,45%	17,30%	5,00%	0,00%
Canal +	16,57%	1,90%	4,90%	5,00%
Belgacom	7,72%	0,40%	4,70%	0,00%
ENI	2,09%	3,50%	4,10%	4,90%
KWS Saat	3,60%	3,60%	4,10%	0,00%
Other investments			35,5%	46,5%
Total investments			**86,1%**	**86,3%**
Cash & Options			**13,9%**	**13,7%**
Total Portfolio			**100,0%**	**100,0%**

Quarterly review

As of December 31, 2009, the Fund had a cash position of 13.9% versus 56.8% at the end of Q2/09. The invested part of the fund included also convertible bonds representing 4.8% of the portfolio. The return of the fund amounted to 3.3 % during the fourth quarter while the DJ Eurostoxx climbed by 2.1 % over the quarter. Since the start of the year, the NAV increased by 25 % in line with the DJ Eurostoxx Return Index (27,6%, dividend included). During the quarter, the Fund remained largely invested like the previous quarter and has adopted many new investment themes. The volatility of the weekly return of the fund was about half of the volatility of the broad index since the start of the year. The NAV amounted to EUR 82.77 at end December 2009.

Portfolio manager comment

During the month of December, the equity market continued its rally. The NAV of the Fund increased by +5.2% during the month, in line with the DJ Eurostoxx which progressed by +4.4%.

During this period the vast majority of our investments posted a positive contribution to the performance of the Fund. On the side of the best performers, we find RTL (+14.7%) which seems to have attracted the interest of different investors or Fresenius which is also like RTL discounted compared to its peers.

On the side of the weak performers, we find Crédit Agricole (-11.9%) which is impacted like the other cooperative banks by the new rules of Basel II and Deceuninck (-5.8%) which has published full year sales in line with our expectations. We believe that the company has taken the right measures in order to turnaround its situation and to cope with the current adverse market conditions.

During the second half of the year, we have progressively reallocated the cash to many new investment cases around new thematic like turnarounds, M&A targets, abnormal discount vs peers,... This strategy has paid off with an overperformance of 6.51% vs the DJ Eurostoxx during the second half of the year.

Engagement review and important events after the closing of the quarter

During the last months, DAGF entered into discussions with **Theolia**. The purpose of those discussions was to renegotiate the terms and conditions of the convertible bonds (OCEANES) issued by Theolia in 2007. In September 2009, Theolia had informed the market that it expected to have difficulty to reimburse its OCEANES (€253 million) in case the bondholders would ask for an early redemption on 1 January 2012. The company had requested the appointment of a "*mandataire ad-hoc*" in order to assist it in the renegotiation and the restructuring of its debt. DAGF actively took part in the discussions which were kept strictly confidential. DAGF considered that it could certainly play a positive and constructive role in those discussions while making sure that its interests as bondholder were preserved. On 29 December 2009, Theolia announced that bondholders representing 65.5% of the nominal issue amount had accepted a restructuring plan for the OCEANES. DAGF is among those bondholders. As part of this restructuring, Theolia also announced its intention to launch a capital increase up to a maximum of €100 million in order to support the company's development in the coming years. The modifications to the terms and conditions of the OCEANES still have to be formally approved by a bondholders meeting in the coming weeks. This meeting will be followed by a shareholders' meeting who will also have to approve the restructuring of the OCEANES. In the meantime an independent financial expert has already rendered an opinion confirming the fairness of the restructuring from both the shareholders' and the bondholders' points of view. Although the new terms and conditions imply some concessions from the bondholders, DAGF believes that the results achieved represent an improvement compared to the previous situation. Several conditions still need to be realised in order for the restructuring to become effective but the stock market already reacted positively to this announcement which has been reflected in an increase of the market value of the bonds (+20%). DAGF believes that, as soon as all parties involved will have approved the restructuring and all conditions will have been realised, the market value of the OCEANES may further increase.

DAGF invested in the Group Credit Agricole at the level of both **Credit Agricole SA (CASA)** and of **Regional Bank of the Credit Agricole**. At the end of September 2009, DAGF had contacted Credit Agricole following the announcement by two Regional Banks that they would repurchase their CCIs listed on the stock exchange. Early October 2009, the documents relating to those repurchases were made public. General meetings of holders of CCIs were called in order to approve the transactions. Although DAGF was not invested in those two regional banks, it considered that there were many concerns to be raised in connection with the terms and conditions of those repurchases and particularly on the valuation of the CCIs. The meetings of both regional banks approved the transactions which were completed in November 2009. DAGF still believes that further evolutions (simplifications of the group structure?) could be possible within the group although Credit Agricole announced that the other regional banks had stated that they did not intend to pursue any similar programs "in the next few years". DAGF's objective is to make sure that any transaction that would take place will lead to value creation at both levels (Credit Agricole SA and regional banks). DAGF will therefore pursue its constructive dialogue with the group.

In the **RTL Group** case, DAGF formally communicated to the Luxembourg Parliament its remarks and proposals on the draft bill of law introducing the squeeze out and sell out procedures in Luxembourg law. This law would facilitate the finding of a solution in the conflict between Bertelsmann and RTL Group minority shareholders. DAGF's opinion on the draft bill of law also received exposure in the media. DAGF wants to make sure that the law will provide sufficient safeguards and protections to the minority shareholders, particularly on the fairness of the price to be offered. In the meantime, The European Court of Justice (ECJ) has rendered a decision in the legal procedure between Bertelsmann and RTL Group minorities. Our understanding of this decision is that it is not favourable for the minority shareholders. The Luxembourg High Court (*Cour de cassation*) still needs to render its own decision but the outcome of the procedure before the ECJ may already be an argument to support a change to Luxembourg law as this would be the most efficient way to defend the interests of the shareholders. DAGF will therefore remained actively involved in the whole (legal) process.

The procedure before Belgium's High Court (Cour de cassation/Hof van cassatie) is still pending in the **Electrabel** case (squeeze out of Electrabel minority shareholders in 2007). The legal arguments have been exchanged between the parties. We now await the pleadings in this procedure. The potential gain for DAGF in case of a positive outcome of this legal procedure would contribute positively to the NAV. DAGF also invested in **GDF Suez**. DAGF believes that the extension of the lifetime of some nuclear power plants in Belgium will have a positive impact on the value of GDF Suez (100% owner of Electrabel). DAGF gathered all available public information on those power plants and on nuclear energy in general. We conducted a thorough and detailed financial analysis of this information. The findings of our analysis were communicated to the press in December 2009. Furthermore, this extension (and its positive impact on the value of Electrabel) is an argument used in the procedure regarding the Electrabel squeeze out. We therefore consider that, as far as DAGF is concerned, we could benefit from this value potential both in the legal procedure and in our portfolio.

In addition, DAGF is still actively engaging **Deceuninck**'s management. DAGF is involved in a constructive though critical dialogue with Deceuninck regarding the restructuring of capital and debt positions, changes to the governance of the company, stabilization of the business.

Risk Review

The Beta of the invested part of the portfolio amounted to 0.74 at the end of December (0.80 end of September). The distribution of the Betas can be presented as follows:

Equity Beta	**100,0%**
0.0 - 0.3	0,6%
0.3 - 0.6	28,0%
0.6 - 0.8	35,5%
0.8 - 1.0	22,1%
1.0 - 1.4	13,8%

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	3,09%	4,36%	5,04%	5,91%

The theoretical weighted average unwinding period of the invested part of the portfolio was 4.10 days at the end of December 2009.

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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