

**Fund Information**

Jurisdiction: The Netherlands, semi-open ended FGR  
 Inception date: November 2<sup>nd</sup>, 2006  
 Subscriptions: Monthly  
 Redemptions: Monthly  
 Notice period: 30 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**

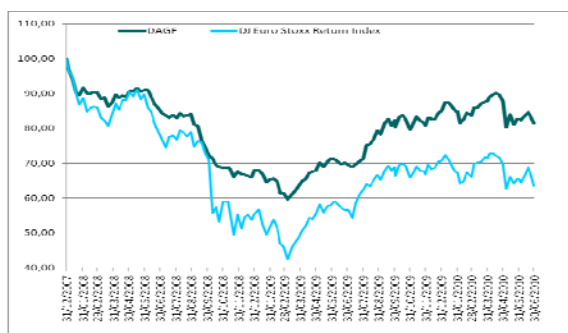
The Deminor Active Governance Fund (DAGF) aims to generate long term positive returns by investing in undervalued listed companies with clear value improvement potential, to be unlocked via active shareholder engagement or other external factors.

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

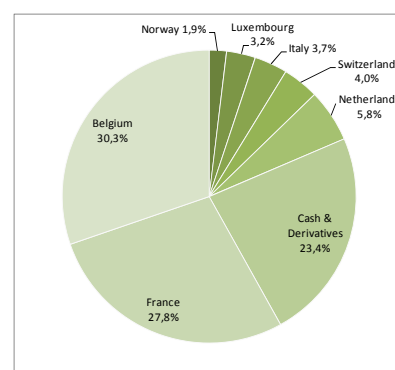
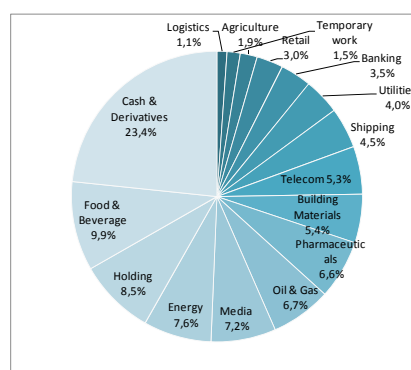
Furthermore, the discount must be attributable to clearly identifiable governance factors which can be improved through active engagement or external catalysts.

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%
2010	-0.2%	-1.4%	+5.1%	-0.0%	-5.8%	-1.3%							-4.0%

**Performance Year to Date – as of June 30, 2010**  
 DAGF vs DJ Euro Stoxx Return Index, rebased at 100 on 31/12/07



**Current DAGF Allocation - as of June 30, 2010 (net of inflow & outflow)**  
 Allocation by sector Allocation by country



Stock	Return Q2	Total return	% NAV June	% NAV March
Deceuninck	0,26%	24,76%	3,54%	3,40%
OC Oerlikon	19,50%	19,50%	0,00%	0,00%
Danone	1,67%	15,56%	5,51%	6,00%
Sofina	-4,82%	15,31%	3,95%	6,40%
Delhaize	4,14%	10,81%	2,96%	6,10%
Canal +	-6,48%	10,50%	4,05%	5,20%
Sword	5,60%	5,60%	0,00%	0,00%
Belgacom	-5,25%	4,39%	2,25%	4,00%
RHJ International	0,37%	3,40%	0,00%	0,60%
OPAP	2,60%	2,60%	0,00%	0,00%
RTL	6,85%	1,93%	3,18%	4,30%
Euronav	-8,72%	-6,60%	4,52%	5,10%
Theolia Convertible	-6,24%	-20,95%	7,58%	7,70%
Other investments			39,10%	31,90%
<b>Total investments</b>			<b>76,6%</b>	<b>95,1%</b>
<b>Cash &amp; Options</b>			<b>23,4%</b>	<b>4,9%</b>

### Quarterly review

As of June 30, 2010, the Fund had a cash position of 23.4% versus 4.9% at the end of Q1/10. The invested part of the fund included also convertible bonds representing 9.3% of the portfolio. The return of the fund amounted to -7.26% during the second quarter while the DJ Euro Stoxx Return Index declined by -11.01 % over this period. During the quarter, the Fund has progressively decreased its exposure to the market due to the emergence of many risks, like risk on Sovereign debt, fears about the strength of the recovery. The volatility of the weekly return of the Fund was much lower than the volatility of the broad index since the start of the year. The NAV amounted to EUR 79.42 at the end of June 2010.

### Portfolio manager comment

During the month of June, the equity market was very volatile with a strong start followed by a sharp decline in the second half. The NAV of the Fund posted a slightly negative performance of -1.3% compared to a decrease of -3.0% for the DJ Euro Stoxx Return Index.

On the side of the best performers, we find companies like Danone (+5.2%) which have good fundamentals, as well as a significant exposure to emerging markets, RTL (+4.2%) which also has good fundamentals and presents a good momentum in term of earnings, or Belgacom (+3.5%) which represents a defensive play.

On the side of the worst performers, we find companies like Eurotunnel (-11.6%), Delhaize (-7.3%), GDF Suez (-7.0%) or Iliad (-7.0%). For these companies, we remain fully confident about their business case and the solidity of their business model. However, we have already taken some profit at the beginning of the year from part of these positions.

### Engagement review and important events after the closing of the quarter

As reported in our previous quarterly report, DAGF had entered into discussions with **Theolia's** management in order to renegotiate the terms of the convertible bond issue. Those discussions led to a proposal for the restructuring of the convertible debt. During the first quarter of 2010, our focus was mainly on the realization of first conditions precedent in order for the restructuring plan to become effective. The general meeting of bondholders unanimously approved the restructuring plan on 18 February 2010. On 19 March 2010, the plan was also approved by the general meeting of shareholders with more than 99% of the votes. The positive outcome of both general meetings confirmed the support of all stakeholders for the capital restructuring which already represents a significant achievement. DAGF also had contacts with the company's board of directors and management in order to raise several core issues with respect to the next steps of the restructuring plan and particularly the capital increase. The company announced on 24 June 2010, the launch of a capital increase of €60.5 million which was the last precedent condition for the coming into force of the restructuring plan. DAGF also had the opportunity to meet with Mr Fady Khallouf, the new General Manager of the company who had a large experience in the management of large companies as well as projects in the energy sector. The announcement of the capital increase is really good news for the company which will finally have the opportunity to close its capital restructuring and as from now build up its future on a more solid and balanced financial structure.

As decided when the first investment took place in **Deceuninck**, DAGF took part in meetings with the management and the Chairman of the board together with family members, in order to have a good understanding of the decisions and actions taken to restore growth, to improve the margins and to provide the company with a better governance structure and organisation. The company also gradually succeeded to explain to the market that a new era had begun from a management and governance point of view. DAGF participated to the general meeting together with Risk Metrics. DAGF issued a list of questions that was submitted to the Chairman and management before the GM.

During this quarter, DAGF continued to work on restructuring cases, as the Fund gained some substantial know-how over the last few months on that theme. DAGF initiated an investment case on the Swiss conglomerate **OC Oerlikon** which had carried on a heavy capital restructuring. The company had to cope with heavy financial difficulties after having acquired by mean of a huge debt leverage of the textile business Saur at the top of the cycle in term of valuation and activities. With the financial crisis, OC Oerlikon suffered huge financial losses and had to restructure its balance sheet. DAGF which had the opportunity to meet with the company representatives, has been able to take profit from this capital restructuring by investing in the company before the announcement of the capital restructuring and by exploiting arbitrage linked to the capital increase with the maintenance of preferred rights for existing shareholders.

The Fund also investigated into an investment case in **OPAP**, the national Greek lottery company. This company which features a real lack in terms of corporate governance, was quite interesting regarding many aspects, including a monopoly position till 2020, a significant cash position, or a dividend yield of around 13% (at the timing of the investment). Regarding the magnitude of the Greek sovereign problems, and the fears of a potential direct tax on the gaming activities in Greece, DAGF decided to exit from its investment in OPAP, as the profile risk/return wasn't good anymore. Doing so, we managed to realise a moderate capital gain.

In the **RTL Group** case, news are better on several aspects: the results of the company are improving and we expect the political process that will help redraft the Luxembourg legislation on squeeze outs to be completed for the summer. We met the management of RTL together with investors. There seems to be lots of buyers of the stock in a very illiquid market. This results in a very positive evolution of the stock price, in line with the evolution of RTL's peers. The business profile of RTL remains one of the most solid among its peers. As a consequence, there is a very strong demand of buyers of the stock, in a quite illiquid market.

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. Regarding the nuclear central plans, an agreement occurred in Belgium to extend the lifetime by 10 years of the three oldest nuclear reactors. In this context DAGF presented a thorough study of the implication of such decision on the valuation of both Electrabel and **GDF Suez**. Those implications also have been revealed quite recently by the CREG, the commission in charge of the regulation of the electricity sector in Belgium.

**Bolloré Group** has adopted at his general meeting the recommendation of DAGF regarding the cancellation of the double voting rights. DAGF has welcomed that news, and regard it as a positive evolution of the corporate governance in the Group. The Fund exited from Bolloré during this quarter. We still believe that the company represents really interesting features like a.o. its exposure to the African economy, the battery for electric cars or the Blue car.

### Risk Review

The Beta of the invested part of the portfolio amounted to 0.75 at the end of June (0.73 end of March). The distribution of the Betas can be presented as follows:

Equity Beta	100,0%
0.0 - 0.3	0,7%
0.3 - 0.6	34,7%
0.6 - 0.8	25,6%
0.8 - 1.0	26,8%
1.0 - 1.4	12,3%

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	1,76%	2,78%	3,29%	3,94%

The theoretical weighted average unwinding period of the invested part of the portfolio was 4.56 days at the end of June 2010.

### 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](mailto:dagf@deminor.com) or call us at +31- 20 30 12 340.

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