

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.

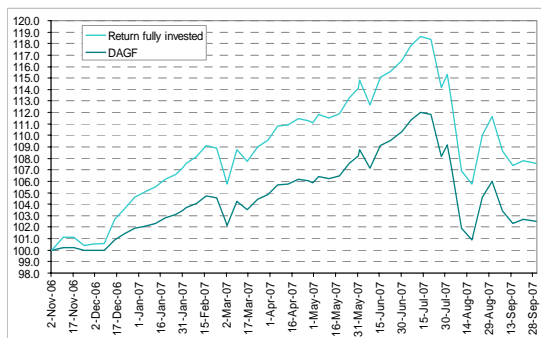
Deminor Active Governance Fund – fund performances in EUR since inception on November 2, 2006

	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%				+0.6%

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

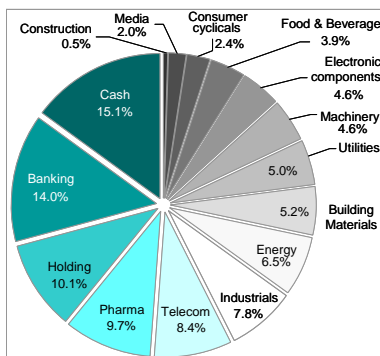
Performance since inception

DAGF vs Portfolio fully invested

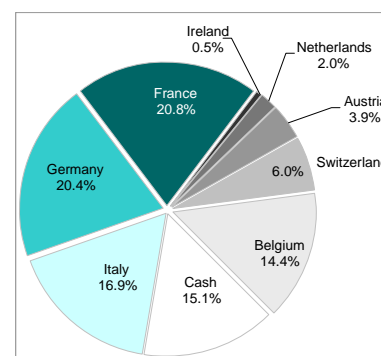


Current DAGF Allocation - as of September 30, 2007

Allocation by sector



Allocation by country



Portfolio review

Stock	Total return	Return Q3	% NAV Sept.	% NAV June
Investment A (*)	-7.1%	-7.1%	7.7%	0.0%
Aleo Solar	69.2%	0.6%	6.5%	7.0%
Omega Pharma	11.4%	-4.3%	5.1%	5.0%
Financière Odet	-4.0%	-4.7%	5.1%	4.7%
Paris Orleans	23.8%	-7.0%	5.1%	5.9%
EnBW	16.0%	-0.5%	5.0%	5.5%
Arcelor	19.0%	14.5%	5.0%	4.7%
Mittal short	-28.4%	-19.0%	-5.2%	-4.7%
Depfa	9.7%	10.8%	4.9%	7.0%
Mobistar	1.8%	-2.9%	4.7%	4.8%
Ciments Français	-14.8%	-27.7%	4.6%	5.2%
Investment B (*)	-18.2%	-13.6%	4.6%	4.7%
Barco	-11.5%	-12.0%	4.6%	4.6%
Investment C (*)	-3.8%	-3.8%	4.0%	0.0%
Investment D (*)	-14.5%	-14.5%	4.0%	1.7%
Investment E (*)	-5.8%	-12.7%	3.9%	5.1%
Completel	66.3%	22.6%	3.7%	3.2%
Other investments			11.6%	34.0%
Total investments			84.9%	98.3%
Cash			15.1%	1.7%
Total Portfolio			100.0%	100.0%

(*) Investment line which is not fully completed as at September 30

Quarterly review

The cash level at the end of the quarter amounted to 15.1 %. The invested part of the fund includes a convertible bond representing 2.2 % of the assets. The return of the fund amounted to -7.1 % during the third quarter while the return of the invested part of the fund amounted to - 7.7 % in line with the DJ Eurostoxx Small cap value index but below the large index DJ Eurostoxx which declined by - 3.4 % over the quarter. While the performance of the fund was relatively strong in July (DJ Eurostoxx declined by 3.8 % during July), the fund suffered from its small cap exposure especially in August and September. The month of September was difficult for the fund in view of its significant exposure to the construction and building materials sector. In addition 2 stocks suffered from their USD exposure. The NAV amounted to 102.48 at end September. Our fund witnessed a decline of - 3.3 % in September while the small cap stocks (DJ Eurostoxx Small cap Value) declined by - 1.2 %. The performance of the invested portfolio at end September amounts to 7.6 % since the inception of the fund.

The size of the portfolio amounted to EUR 56.6 m at end September 2007. At the start of Q4, the fund received additional subscriptions for EUR 4.9 m bringing the size of the fund to EUR 61.5 m at the start of Q4.

Portfolio managers comment

The evolution of the portfolio was characterised by the negative evolution of the construction and building materials sector and was negatively influenced by its small cap exposure. **Ciments Français** declined by 19 % in September. **Barco** suffered from its dollar exposure and declined by 13 % in September. We reduced our exposure to the construction sector, cyclical and dollar stocks during the month. **Investment B** declined by 8.3 % in September without any specific fundamental reason except the limited liquidity of the stock. Investment D abandoned 4.2 % in view of its exposure to the residential construction sector in Germany. Paris Orleans slipped by 5.5 % in September due to some profit taking. **Aleo Solar** rose by 7.6 % during the month. **Depfa** and **Investment C** rebounded by respectively 4.3 % and 5.7 %. The recent stock price decline that affected various investments has led to an increased value gap that we are in the process of trying to bridge, among others through our active engagement policy (cfr. below).

Engagement review and important events after the closing of the quarter

DAGF sued Suez and **Electrabel** before the Court of Appeals of Brussels. Deminor Investment Management is asking the Court to order Suez to pay a higher price since 590 Eur per share underestimates the fair value of the Electrabel shares. One of the arguments is that Suez did not take into account the possibility of an extension of the lifetime of nuclear power plants (currently prohibited by law). During the summer, however, discussions between political parties to form a Belgian government have led to preliminary agreements on energy policy which provide for the lifetime extension of at least some nuclear power plants. According to available information (including from the Belgian independent regulator), such an extension would result in significant additional profits for Electrabel. By refusing to include those profits in the valuation of Electrabel, Suez has clearly and voluntarily underestimated the value of Electrabel. Additional arguments include the methodology and the financial references used by Suez to justify and explain the price of 590 Eur per share. DAGF also holds the board of Electrabel liable for breach of its fiduciary duties to minority shareholders of Electrabel. Suez and Electrabel have already communicated their first arguments. Those arguments include some interesting elements for our case which were used in the reply that DAGF filed on 30 October. Suez and Electrabel now have the opportunity to reply to the arguments presented by DAGF. As already mentioned in the previous quarterly report, we expect the exchange of arguments to last until the end of January 2008. A hearing for the pleadings will then be requested from the Court.

With respect to the proposed merger between **Mittal Steel** and **Arcelor**, DAGF communicated its comprehensive analysis to market regulators. This document listed all arguments identified by DAGF that related to the (misleading) information disclosed by the companies. We even had a meeting with the European Commission in order to raise our concerns with this merger from a European perspective as we believe that allowing companies to propose/impose transactions (such as a merger in this case) under conditions that materially differ from those previously agreed and announced would constitute a bad precedent in Europe. Other shareholders are also opposed to the merger under the new share exchange ratio (less favorable for Arcelor shareholders than the ratio agreed and disclosed by the companies in 2006). Until now, the market regulators and the European Commission have not yet publicly indicated whether they would take actions (the internal procedure leading to such decisions is usually confidential). In the meantime, the first-step merger between Mittal and a Luxembourg company, ArcelorMittal (a "shell company") was approved at the end of August. Legal procedures had been launched in the Netherlands and in France in order to seek a summary injunction that would block this first-step merger. Both claims were dismissed by the courts. DAGF did not however participate in either procedure. The second-step merger (merger between Arcelor and ArcelorMittal) will most likely be approved (ArcelorMittal holds 94% of Arcelor) at an extraordinary shareholders' meeting on 5 November. DAGF, together with other Arcelor shareholders, have decided to launch a procedure in order to claim damages corresponding to the loss (dilution) that result from the less favorable share exchange ratio for the merger (1 Arcelor share for 1,14 Mittal shares instead of 1 Arcelor share for 1,57 Mittal shares). DAGF believes that the new share exchange ratio is a breach of the agreement (MoU) signed in 2006 between Arcelor, Mittal Steel and the Mittal family. DAGF also believes that this new ratio qualifies as misleading information since it does not correspond to the ratio that had been announced previously (in July 2006, during the takeover launched by Mittal on Arcelor). At this stage, DAGF does not exclude other actions that would help defend the interest of the Fund and of its investors.

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

Completel is currently being the target of a takeover launched by Altice B2B France. This takeover follows the acquisition of shares representing two thirds of the company's share capital. Altice B2B France acquired those shares from former Completel core shareholders. The price now offered to all remaining Completel shareholders corresponds to the highest price paid for those acquisitions. DAGF reviewed the terms of this takeover and found that it represented an opportunity for shareholders to sell their shares at an interesting price.

DAGF pursued its active engagement strategy concerning its **Depfa** position. Following the announcement of the proposed merger with Hypo Real Estate (HRE), we sent a letter to the Chairman of Depfa in order to raise several issues and ask additional questions on this merger. We were invited for a meeting in London in order to discuss about our letter. The meeting lasted several hours as we kept insisting for answers and explanations. Depfa's representatives admitted at some point that DAGF's concerns were legitimate. DAGF attended the Court Hearing and the Extraordinary General Meeting in Dublin on 24 September. This was another occasion to express our opinion and concerns. In parallel, we conducted an analysis of HRE in order to understand the implications of becoming a HRE shareholder from a financial and governance point of view. Although the share price of HRE suffered from the liquidity crisis during the month of August (which had a negative impact on Depfa's own value, at least for the part of the merger offer expressed in HRE shares), HRE is recovering. Although the merger did not represent a significant gain for Depfa shareholders in terms of value (we should note however that the share price ended on 2 October at 14.9 Eur, compared with an average level of around 13.5 Eur over the last months), we believe that this merger has finally ended a long period of uncertainty about Depfa's future business while offering an exit (in cash and in HRE shares) to shareholders.

The IPO of **Omega Pharma's** B2B business (Arseus) took place in September-October 2007. DAGF supported this move as it enabled Omega Pharma to focus on its core business (OTC). DAGF also took note of Omega Pharma's intention to review the company's corporate governance charter. The company had already improved its governance structure in July 2007 but we still considered that further improvements were possible which were in the company's interest. Since we knew that such evolution was on its way, we decided not to exercise too much pressure, at least not at an early stage, in order to prevent any defensive reaction from the company. We chose instead to rely on the influence of the independent directors within the board of directors who are also aware of our suggestions and arguments. We were however very surprised (like the market in general) by the recent trading update in which the company announced disappointing sales for the third quarter (below the budget) and decided to revise its FY 2007 forecasts while the latter was reconfirmed end August without mentioning risks factors already known at that stage. This is not the first time that Omega Pharma takes investors by surprise (negatively). DAGF reacted immediately by sending a letter to the board of directors in order to have explanations on how this could have occurred. DAGF also asked the board to take measures in order to prevent such disorder in the communication from happening again in the future. A letter was also sent to the Banking, Finance and Insurance Commission (BFIC) in order to raise questions with respect to the timing of the communication. DAGF is still analyzing the situation in order to identify possible additional actions that could be taken. The further course of action will also depend on the reaction of the company and the result of the investigation conducted by the BFIC.

DAGF held additional discussions with the management of **Barco** and also met with the recently appointed new CFO. The purpose of those discussions and meeting was to insist on the need for Barco to improve its cash management and to have a better understanding of the strategic evolution of the company (including in terms of M&A). The results for the third quarter were less disappointing than the market had expected (sudden drop of the share price a few days before the publication of Q3 2007 results) although the foreign currency risk (USD) still remains a concern. The company slightly raised its guidance for FY 2007 sales. Barco also announced its decision to redistribute €70 million to its shareholders. While DAGF believes that Barco could have been more generous (according to our own analysis, the amount of €70 million is a minimum), it is already a positive indication that Barco is willing to improve its cash policy. Barco's argument for not taking debt at once (as a result of a high distribution of cash to shareholders) consists in pointing to possible acquisitions. If, however, Barco fails to make acquisitions in the coming months, the issue of the optimization of the balance sheet will have to be raised once more (Barco's argument will have become less valid).

At a recent meeting with **Ciments Français**, the CEO confirmed that the board had taken into account our proposal to organize a supervision of transactions between Ciments Français and Italcementi. Instead of creating a special ad-hoc committee, the board rather decided to assign this responsibility to the audit committee under the chairmanship of Mr. Viénot. Further explanations will be included in the corporate governance section of the next annual report. We also raised the issue of the share buybacks. The board of Ciments Français has the authorization to repurchase up to 3% of the company's shares. Following intensive buybacks during the summer, Ciments Français has now reached the maximum of this authorization (i.e. Ciments Français can no longer repurchase own shares). We told the CEO that it should look for solutions in order to remove this unnecessary obstacle to an efficient share buyback policy (a company may legally repurchase up to 10% of its share capital and, in the past, the board used to have this maximum authorization). There seems however to be no intention to call an EGM in order to renew or extend this authorization. In the meantime, Italcementi also bought shares of Ciments Français and therefore further increased its stake. This situation will be closely monitored in the coming months.

As far as other investments are concerned, DAGF pursues its active shareholder approach in order to improve the governance of targeted companies. This way, the market will better understand the companies in which DAGF is involved.

Risk Review

The Beta of the invested part of the portfolio increased strongly over the quarter due to market conditions changes and amounted to 0.61 at the end of September 2007 (0.39 end of June). The distribution of the Betas can be presented as follows:

Equity Beta	100%
0.0 - 0.3	10.0%
0.3 - 0.6	54.5%
0.6 - 0.8	0.0%
0.8 - 1.0	21.6%
1.0 - 1.2	13.9%

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	1.28%	2.02%	2.39%	2.86%

The theoretical weighted average unwinding period of the invested part of the portfolio was 2.7 days at the end of September 2007 and declined since end of June (4.22 days).

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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