

**Fund Information**

Jurisdiction: The Netherlands, semi-open ended FGR  
 Inception date: November 2<sup>nd</sup>, 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.

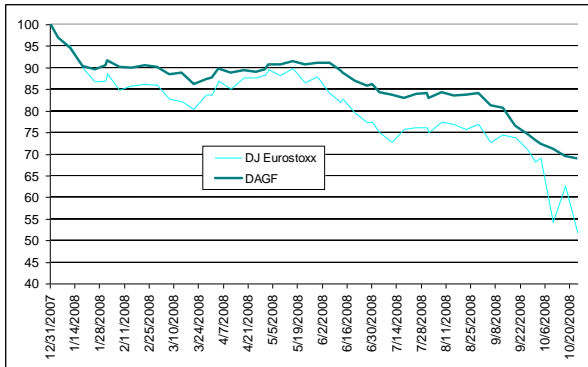
Furthermore, the discount must be attributable to clearly identifiable governance factors which can be improved through active engagement or external catalysts.

**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%				-26.7%

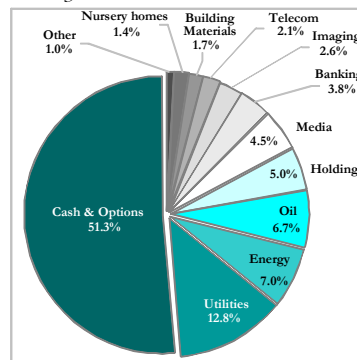
**2008 Performance**

DAGF vs DJ Eurostoxx

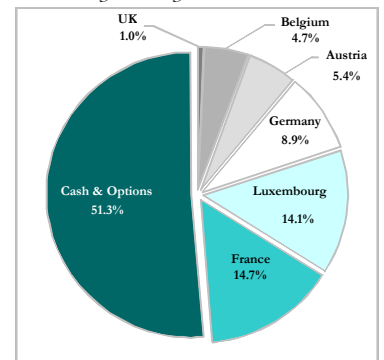


**Current DAGF Allocation - as of September 30, 2008**

Allocation by sector



Allocation by country



**Portfolio review**

Stock	Total return	Return Q3	% NAV Sept	% NAV June
<b>Cegebel</b>	50,6%	10,5%	9,50%	5,40%
<b>OMV</b>	-28,4%	-36,8%	5,40%	2,80%
<b>Financière Odet</b>	-22,9%	-8,6%	5,00%	4,60%
<b>RTL</b>	-29,4%	-35,3%	4,50%	7,00%
<b>Aleo Solar</b>	-16,6%	-27,2%	4,20%	5,00%
<b>Caisses Régionales Crédit Agricole</b>	-27,6%	-18,3%	3,80%	4,30%
<b>EnBW</b>	-25,1%	-21,9%	3,30%	3,90%
<b>Theolia Convertible</b>	-31,0%	-26,2%	2,80%	2,50%
<b>Agfa Gevaert</b>	-15,1%	11,8%	2,60%	3,10%
<b>Belgacom</b>	-3,1%	-0,2%	2,10%	4,70%
<b>Other investments</b>			5,4%	18,5%
<b>Total investments</b>			<b>48,6%</b>	<b>61,8%</b>
<b>Cash &amp; Options</b>			<b>51,4%</b>	<b>38,2%</b>
<b>Total Portfolio</b>			<b>100,0%</b>	<b>100,0%</b>

### Quarterly review

The cash level at the end of the quarter amounted to 50.1%. Put options to hedge the invested part of the portfolio represented 1.1 % of the fund. The invested part of the fund included also a convertible bond representing 2.8 %. The return of the fund amounted to -14.3% during the third quarter amid a very difficult and volatile stock market. The DJ Eurostoxx declined by -11.7 % over the quarter. From the start of the year until end September the performance of the fund amounted to -26.7 %. Over the same period the DJ Eurostoxx declined by -31.5 %. The NAV amounted to EUR 71.36 at end September.

The size of the portfolio amounted to EUR 41.9 m at end September 2008. At the start of Q4, the fund witnessed redemptions for 15.6% of the fund.

### Portfolio managers comment

September was a very difficult month with a decline of -11.1% of the DJ Eurostoxx in line with the performance of the Fund -12.8%. On the side of the best performer, we find **Belgacom** (-2.7%) and **EnBW** (-3.8%) which resisted quite well during the turmoil thanks to a profile of strong cash flow generation and a relative stability in their business. **Cegedel** has also done a relative good performance with a limited loss of -5.7% despite the fact that a public offer is pending on the company at a price of EUR 178.4. Regarding the worst performers, we find **OMV** (-32.1%) which was hit by the drop of the oil price caused by fears of recession coupled with its inclusion in the Austrian index which lost -23.4 % over September. Forced selling of funds which are facing redemptions and bleak economic outlook weighed on the stock price of **RTL Group** which dropped by -31.2%.

Over the quarter, the fund increased its cash position and decreased its exposure to the stock market by selling its position in Theolia, Umicore, Omega Pharma, and Mobistar. This combined with put options hedging have helped to protect the fund in the current negative market environment. During the first part of October (till 24 October close), the fund has had a good relative performance of (-5.9 %) compared to the DJ Eurostoxx with (-24.1 %) and a much lower volatility. YTD the decline of DAGF amounts to -31 % versus -48.3 % for the index implying a relative out performance of +25 %.

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

Following its letters to the board of directors of **Cegedel** and to all large known shareholders of Cegedel, including the Luxembourg government, and after its main concerns for minority shareholders were publicly raised in several press articles, DAGF met with the executive committee of Cegedel in order to discuss about the situation, the evolution of the discussions and the position of Cegedel's minority shareholders. The Fund also participated actively in the annual general meeting of Cegedel and asked many questions on the pending discussions related to a merger involving Cegedel. On 23 July 2008, the Government of Luxembourg announced that a Memorandum of Understanding (MoU) had been signed with E.ON, RWE Energy, ArcelorMittal and Electrabel with respect to the merger between Cegedel, Soteg and Saar Ferngas. According to this MoU, the merger will include the launch of a takeover on all Cegedel shares held by the public (around 18% of the share capital) at a price of €178.44 per share implying a premium of 28.4 % over the last close. The fund continued to increase its stake during July. Today Cegedel represents 8.7 % of the portfolio. The whole transaction is subject to conditions that have not yet been realized. DAGF will keep monitoring the whole process very closely in order to make sure that Cegedel's shareholders are treated fairly.

DAGF participated in the annual general meeting of **RTL Group** in April 2008 where it met with the parties involved in this case. It also held discussions with Bertelsmann in order to better understand its position and find solutions to remove the obstacles to a fair exit for RTL Group shareholders. The solution clearly lies with the Luxembourg authorities (government and parliament) which can remove the legal uncertainty created by the CSSF. A draft bill of law including a new legal provision that would solve this situation has already been presented to the parliament even several months before Bertelsmann made its announcement in December 2007. In spite of DAGF's suggestions, the authorities seem to refuse to accelerate the discussions and vote on this specific provision.

The hearings have already taken place in the procedure related to the squeeze-out of **Electrabel** shareholders launched by Suez in July 2007. According to information gathered from the court, the decision in the procedure launched by DAGF and Trafalgar Asset Management was expected before the end of June. At a last hearing before the summer holidays, the court informed us that the judgement could not be rendered (although it had been scheduled for the same hearing) and it was postponed until after the summer (early September). In the meantime, there are still discussions at political level concerning a possible extension of the lifetime of Belgium's nuclear power plants. Those who were strongly opposed to such an extension now seem to be willing to reconsider their position. The positive impact of such extension on Electrabel's valuation was one of DAGF's main arguments in the procedure before the Court of Brussels. In total, DAGF claimed an additional amount of around €200 per Electrabel share. In case of positive outcome of the legal procedure, it would therefore also have a significant positive impact for DAGF NAV.

DAGF invested in several **Caisses Régionales du Crédit Agricole** (cooperative banks) through *Certificats Coopératifs d'Investissement* (CCI). Those financial instruments do not carry voting rights but they do give right to a share in the reserves (contrary to cooperative shares). The CCI usually show a significant discount towards the banks' (consolidated) equity. Following the announcement of write-downs and the impact of Basel II on its solvency ratios, Crédit Agricole S.A. announced that it had structured a plan that would require the financial contribution of the Caisses Régionales du Crédit Agricole. There are still not many details available on this transaction. DAGF already met twice with Crédit Agricole S.A., including with the CFO.

The purpose of those meetings was to better understand the plan proposed by Crédit Agricole S.A. and its financial implications for the Caisses Régionales and, indirectly, for the holders of CCI. In the meantime, there have been rumours that some Caisses Régionales were not satisfied with the banking group's management (more particularly the activities and results of Calyon). The CEO and the Chairman threatened to resign if they no longer enjoyed the support of the board of directors. At a recent meeting, the board confirmed its support for the management. However, the position of the holders of CCI still needs to be addressed.

The Belgian technology group **Agfa Gevaert** (with three divisions: graphics, healthcare, materials) recently suffered from a downturn of its activities (particularly the healthcare division), poor cost management and questionable governance practices. In addition, Agfa suffered from a weak dollar and from the price increase of raw materials. In 2006, the management had decided to separate (split) the group's three main divisions. Some private equity investors had been interested in buying those divisions but the offers were all rejected by the board. The group has already taken some measures to improve its profitability and a new management has been put in place. In the meantime, the company has lost 75% of its market value over the last 12 months. DAGF recently acquired a stake in Agfa while the share price hit a bottom. DAGF will monitor the management's action plan and will make sure that any transaction related to one or more of the group's division will take place in full transparency and in a professional way in order to maximise value creation for shareholders.

## Risk Review

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

<b>Equity Beta</b>	<b>100,0%</b>
<b>0.0 - 0.3</b>	<b>31,8%</b>
<b>0.3 - 0.6</b>	<b>31,0%</b>
<b>0.6 - 0.8</b>	<b>8,5%</b>
<b>0.8 - 1.0</b>	<b>25,1%</b>
<b>1.0 - 1.4</b>	<b>3,6%</b>

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

<b>VaRs</b>	<b>2 Days</b>	<b>5 Days</b>	<b>7 Days</b>	<b>10 Days</b>
<b>% of total value</b>	<b>1,13%</b>	<b>1,79%</b>	<b>2,12%</b>	<b>2,53%</b>

The theoretical weighted average unwinding period of the invested part of the portfolio was 4.24 days at the end of September 2008.

## 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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