

THE DEMINOR ACTIVE GOVERNANCE FUND

Creating value with corporate governance and activist expertise



DAGF

The Deminor Active Governance Fund (DAGF): benefit from the value creation potential of governance improvements



Need for governance change

Over the last years shareholders of European listed companies have increasingly voiced their concerns and proposed governance changes aimed at improving these companies' performance. Many companies have already embraced this evolution and have started improving their governance structure. Shareholders have often been able to generate superior returns as a result of their interventions. Many European companies are nevertheless still underperforming for lack of focus on corporate governance and shareholder value. With its track record and many years of experience, Deminor is ideally positioned to identify these companies and to propose changes that may help to remove the undervaluation.

Deminor: a pioneering role

Deminor has been at the forefront of this evolution. For more than fifteen years, Deminor has assisted investors to maximize shareholder value in mergers, takeovers, restructurings, squeeze-outs and other special situations. It has thus been able to create billions of Euros of shareholder value in more than a hundred cases with a success ratio of 85%. Through its Active Value Research, Deminor has also helped investors to successfully target underperforming companies and in various cases, to boost their return through activist interventions.

In 2004-2006, the Research has outperformed the DJ Eurostoxx index by 73.8%¹.

DAGF aims to actively create value through governance change

- DAGF will not wait for the undervaluation to disappear but will actively engage the company to induce change and actually unlock the hidden value. The undervaluation should typically be around 25%-30%.
- Governance weaknesses that DAGF will be looking for include a lack of disclosure, non-transparent group structure, poor communication with investors, poison pills, unstable ownership, limitations of shareholder rights, legal issues and many other factors that are not related to the underlying business, but which lead to a discount.
- Once DAGF has invested, the engagement teams will start to interact with the company and discuss the possibility of change. Engagements require time for discussion and for building a relationship based on mutual trust. Deminor however will be determined in achieving the changes that it believes are in the interest of the company. In some cases, change may be brought about by external catalysts that Deminor will actively monitor.

¹ Performance calculated on Deminor's Active Value Research, from the date on which the reports were submitted to clients up to October 31, 2006, based on a fully invested hypothesis, an equal weighting of all investments and a buy and hold strategy, excluding dividends and costs. Deminor has not invested in the companies which were the object of the Research.

DAGF was set up by Deminor in November, 2006 as an investment fund aimed at investing in European undervalued listed companies where there is value improvement potential through shareholder engagement. DAGF is managed by Deminor Investment Management B.V. (DIM), a fully dedicated subsidiary of Deminor International.

Deminor's stock selection process to the exclusive benefit of DAGF

Deminor has developed a unique stock selection process combining a traditional "value" approach and corporate governance analysis. Companies are scored on the basis of their undervaluation, corporate governance, improvement potential and risk profile. Usually company visits are undertaken before the investment is carried out as a further check of the valuation case and to better understand the improvement potential.

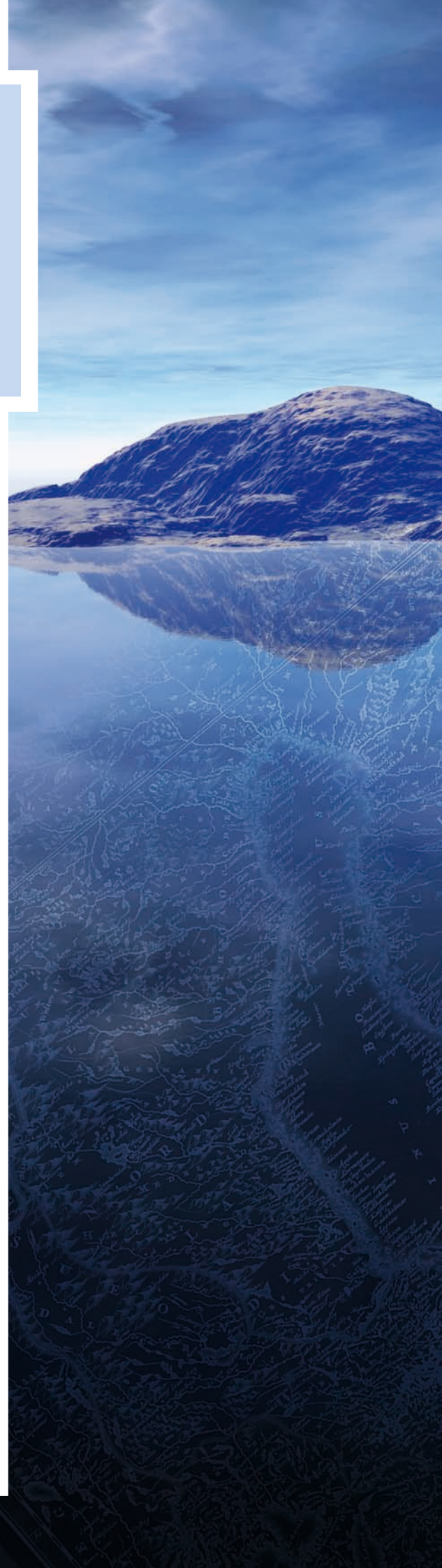
A unique portfolio of European equities

The core portfolio consists of long equity investments in approximately 15 European listed companies selected from various sectors. The Fund may however make use of straightforward hedging techniques to protect against certain risks. The Fund focuses on mid-cap listed companies in the Benelux, France, Germany, Italy, Spain, Austria and Switzerland.

DAGF, a semi-open end mutual fund based in The Netherlands

DAGF has been set up as a semi-open end mutual fund (FGR) in The Netherlands. The Fund is addressed to both private and institutional investors who have a long term investment horizon. The required minimum investment is 250,000 Euro, although financial institutions can bundle individual investments of minimum 50,000 Euro each. The Fund offers a tax efficient structure for private individuals, corporations and institutional investors. Persons interested in subscribing to the Fund should consult the Offering Memorandum, which can be obtained from Deminor Investment Management B.V.

"DAGF sets out to be a catalyst for governance improvement, in the interest of its portfolio companies and their shareholders, and to reap the benefits of such improvement through the resulting increase of these companies' value."



Please contact Deminor Investment Management
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