



# **Fonds Bloemendaal**

**Semi annual Report 2010**

## Content

General Information	2
Development Fonds Bloemendaal	3
Profile	4
Fund Manager Report	5
Financial statements January 1, 2010 - June 30, 2010	15
Balance sheet	16
Profit and Loss account	17
Cash flow statement	18
Notes	19
Notes to the balance sheet	25
Notes to the profit and loss account	27
Portfolio Breakdown	30
Supplementary information	31

## General Information

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### Custodian and Banker

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### Banking Relationship

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### Legal and Tax Advisor

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### Administrator

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### Auditor

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Antonio Vivaldistraat 150  
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## Development Fonds Bloemendaal

	30-06-2010	31-12-2009	31-12-2008
<b>Net Asset Value EUR x 1000</b>			
Net Asset Value of the Fund	<b>8,470</b>	6,869	4,845
Income from investments	<b>109</b>	89	265
Realized results	<b>475</b>	-663	-886
Unrealized results	<b>-400</b>	2,096	-2,249
Expenses	<b>-148</b>	-234	-424
Total investment result	<b>36</b>	1,288	-3,294
Total units outstanding	<b>111,548</b>	92,036	81,503
<b>Per Share EUR</b>			
Net Asset Value	<b>75.93</b>	74.64	59.44
Dividend	-	-	-
Income from investments	<b>0.98</b>	1.06	3.25
Realized results	<b>4.26</b>	-7.92	-10.87
Unrealized results	<b>-3.59</b>	25.05	-27.59
Expenses	<b>-1.33</b>	-2.80	-5.19
Total result	<b>0.32</b>	15.39	-40.40

## Profile

Fonds Bloemendaal is a Dutch multi-strategy hedge fund with a global focus. The Fund is authorized and regulated by the Netherlands Authority for the Financial Markets (AFM) and is a mutual fund with an open-ended structure. This means that the Fund Manager regulates the issuance, transfer or redemption of Participations.

Bloemendaal Investment Management B.V., which has been granted a licence based on the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht - Wft*) is the independent Manager of the Fund. The Fund Manager is subscribed in the register of the AFM as meant in article 1:107 Wft.

Fonds Bloemendaal aims to realize balanced capital growth for her participants, regardless the direction of the financial markets (absolute return). The basic premise of the Fund is to focus on specific situations with a relatively attractive risk/return profile. Additionally, the Fund optimizes risk/return characteristics by using derivatives. The Fund has an opportunistic and flexible approach and attempts to obviate the volatility of the capital markets with a multi-strategy approach and its three important core strategies, Alpha, Beta and Theta\*). The various strategies and investment techniques form the basis for the 'absolute return' goal.

The target of the Fund is an average yearly return of 12% for the participant, after deduction of fees, costs and expenses, realized under stringent risk management. There is no guarantee that the Fund will achieve its investment objective. The value of the investment may fluctuate. Returns on past investments are no guarantee as to the returns on future investments. An investment in the Fund carries a high degree of risk and is suitable only for persons who can assume the risk of losing their entire investment. Investors are expected to invest only a limited amount of their capital in the Fund. There is a financial insert for Fonds Bloemendaal including information about the costs and the risks involved. Investors should read this carefully before buying participations in the Fund.

\*) 'Alpha' is a risk-adjusted measure of the so-called "excess return" on an investment or in other words an investment that has a better performance versus another investment, 'Beta' is defined as general market return and 'Theta' is the time decay regarding option pricing.

## Fund Manager Report

We are pleased to present the 2010 semi-annual report of Fonds Bloemendaal. This report is covering the period 1st January 2010 – 30th June 2010.

Total assets under management rose from EUR 6.869 million to EUR 8.470 million (+23.3%). In this period Fonds Bloemendaal achieved a net return of +1.73% and net new inflows added the remainder to the Fund base.

We are pleased to welcome new participants growing the Fund base. Moreover, several current participants added to their holding as well. We also received increasing interest from other new investors.

## Economic background

Risk appetite with investors has been hit by increasing fear that governments could become insolvent as can be seen along the periphery of the eurozone. The global economy is still picking up, however, we would not be surprised that any recovery period is not sustainable in nature and weak at best in the aftermath of a busted asset and credit bubble of the magnitude we have seen in 2008. The secular change in the credit cycle is beyond our collective experience with a risk to underestimate the role that asset deflation and debt repayment will play in the economy. Therefore, we are of the opinion that markets are just in a bear market rally driven by monetary and fiscal policy. However, there is increasing evidence that this artificial cyclical recovery will end early. We believe that in a post-bubble world recoveries are fragile at best as interest rates are exceptionally low and policy makers are trying to determine when a recovery is strong enough to withdraw the plentiful stimulus. Moreover, it is likely that consumer spending remains constrained by a weak employment market, no income growth, lower housing wealth and tight credit. Budget difficulties at state and local governments should also restrain the economy.

## Performance

On 30<sup>th</sup> June 2010 Fonds Bloemendaal had a net asset value per participation of EUR 75.93, a gain of +1.73% compared with the 1<sup>st</sup> of January 2010. We would like to emphasize that the Fund achieved this absolute return with markets under severe pressure, e.g. Eurostoxx 50 (-13.21%), MSCI Global (-10.88%) and AEX (-5.52%). Moreover, the volatility of market moves were above average as well. Therefore, option pricing increased significantly. This has also pressured our performance as we value our earlier sold option strategies mark-to-market. We have various option strategies in our portfolio that enable us to buy underlying assets often (more than) 10% lower than actual pricing (when taking a position) without paying premiums. We are sellers of premiums of rights that our counterparty is able to sell assets at a fixed price or vice versa. It is important to understand that periods of volatility are a temporary phenomenon. Another point to note is that options have a fixed time to maturity, so every day that passes a part of the received premium decays. The performance of the Fund is expected to benefit in case of a normalization in pricing.

Table: Monthly performance of Fonds Bloemendaal (in %)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Okt	Nov	Dec	Year	Cum
2007											1.27	1.30	2.59	2.59
2008	-8.09	4.35	-2.57	3.85	3.50	-1.23	-1.78	2.65	-19.39	-33.87	2.72	5.78	-42.06	-40.56
2009	0.17	-2.32	4.45	11.65	4.30	0.10	-3.08	-1.12	2.33	-0.76	1.22	7.00	25.57	-25.36
2010	1.76	2.79	5.96	-0.86	-4.72	-2.83							1.73	-24.07

During the first half, we increased our portfolio hedge to protect for deteriorating conditions. We would like to emphasize that the Fund had approximately 36% market exposure on average during the first half year ending this period with just 18%.

Our multi-strategy approach has been successful as our combination of different strategies creates an attractive risk/return profile. The Fund is widely diversified with various different global investment themes with a focus on equity (related) investments. We continued our policy to further add to/diversify our portfolio on attractive levels (buy the dip) including focusing on specific investments with re-rating potential driven by thematic and fundamental drivers. Moreover, we are using several option strategies that improves risk/return in our portfolio.

It's incumbent upon us to navigate through this volatile period and to create value for our participants in the medium term. All in all, we are of the opinion that our specific multi-strategy approach (combination of alpha, beta, theta strategies\*) is able to create value. The approach has been successful in most of the periods since inception. However, in analyzing our portfolio returns we are of the opinion we should be able to improve returns by an increasing focus on highest conviction investment opportunities. Therefore, we decided to decrease the number of investments that have smaller weightings taking the opportunity to raise concentration in our portfolio. We started this process in June. Relevant developments will be described in our monthly newsletters.

Additionally it is worth mentioning, that we are constantly improving our shorter term tactical decision process to protect our portfolio better against sudden negative market swings.

\* 'Alpha' is a risk-adjusted measure of the so-called "excess return" on an investment or in other words an investment that has a better performance versus another investment, 'Beta' is defined as general market return and 'Theta' is the time decay regarding option pricing.

## Investment Policy

The strategy of the Fund is to focus on developing opportunities (themes, trends, re-rating ideas) and to translate these opportunities in 'high probability for return' investments. We stick to our flexible multi-strategy approach with different sources of return with a tailor-made risk profile (dependent on market conditions), which offers enough opportunities for an attractive return target. We have acted disciplined regarding our fine-tuned risk management process to protect our portfolio better against shorter term negative market swings.

The Fund was largely hedged during this period (using expensive call options) as market conditions should create better investment opportunities going forward. On balance, we approximately had an average net exposure of 36% varying in a range of -5% (just below market neutral) and 58%. We finished June 2010 with a total net exposure of 18%.

Additionally, we used various option strategies to lower the cost price of several earlier made investments. Moreover, we continued to create specific exposures with attractive risk/return characteristics, i.e. strategies that have immediate upside, but a significant part of the downside protected. We created exposures where the first 10-20% downside is protected without losing a 25% upside potential. Our portfolio has several of these highly attractive specific exposures.

The core of our portfolio is based on a diverse set of strong global investment themes with different performance drivers. We have a focus for undervalued assets that have enough reasons to re-rate or vice versa (see for full description our monthly newsletters).

Hereby, an overview of our global investment themes:

1. Resource management for critical strategic resources, such as energy, food and water. Demand for these resources will increase continuously as global projected population growth is enormous in combination with increased standards of living in emerging regions with mega-populations. We have various specific positions:  
  
In Energy: exploration companies with ample resources, such as oil sands Connacher Oil & Gas, Brazilian resources Galp Energia, Gazprom (Oil & Gas), Nexen, Royal Dutch Shell and attractive smaller players with material commercialization upside in Africa: Afren and Bowleven. Related sub-themes are: a) nuclear power: Areva, uranium: Cameco and nuclear power generation: Constellation Energy; and b) clean power: First Solar;  
  
In water-related: water-treatment provider Hyflux;  
  
In food-related: a potash producer for fertilizer Potash Corp, an integrated global agribusiness Bunge and seeds and agri-genomics Monsanto;
2. A re-rating of emerging markets should happen as demographics and earnings growth are superior in combination with sizeable valuation discounts. Fundamentally, we are convinced that the developed world is going to be growth-constrained (debt, demographics) in respect to emerging markets, which should be more resilient (themes: urbanization and increasing demand from upcoming middle class boosting domestic purchases). We have positions in a basket of emerging telecom operators, Brazil and Vietnam;
3. Sustainable and responsible investing: Imtech and Sociedad Quimica y Minera de Chile (SQM);
4. Demographics or developed countries growing grey: Curanum and investment company HAL Trust;
5. The safe tangible asset theme: gold. The loose fiscal and monetary policies should yield significantly higher budget deficits/inflation rates and/or confidence in printed paper money will decrease in favor of tangible assets. Gold mining companies are inexpensive relative to the price of gold. We have long positions in the world largest gold miner Barrick Gold;
6. The sector Healthcare is another sector that has general defensive characteristics. We selected several specific companies in various areas with solid performance drivers:  
  
a) in dialysis: Fresenius SE; b) in cancer therapy equipment: Varian Medical and 3) immunotherapy market: ALK-Abelló and Stallergènes;
7. The sector Utilities has defensive characteristics as well. We stick to our holding in Italian toll road operator Atlantia and German power generation giant E.ON;
8. In the sector Telecom we have KPN as a defensive dividend play and a basket of emerging telecom companies for growth potential;
9. The Financial sector. We believe it is better to avoid this sector. Our portfolio has only few fundamental names with specific performance drivers mostly hedged versus a basket of peers: BinckBank, alternative investment manager MAN Group, insurers Delta Lloyd and Munich RE;
10. Long positions in specific companies with specific growth drivers at a very reasonable price: Intralot (lottery and sports betting operator) and Telegraaf Media Group.
11. Deflationary environment as a theme. Walmart well positioned given its discount price positioning, sizeable market share, cash flow generating power and solid balance sheet ratios;

12. Specific short positions that have a combination of weak balance sheets/refinancing risks and difficult outlook for end-markets: Aegon, Brunswick and a basket of North American commercial real estate;
13. Specific short positions that have too expensive valuations in our view: Berkshire Hathaway and Amazon.com;
14. Specific valuation pair trades: long Akzo Nobel versus short PPG Industries, long Toyota versus short Ford, long Heineken Holding versus short Heineken NV, long ASM International versus short ASML and long Metro versus short Carrefour.

See below for some additional description of our specific investments. Earlier described investments are described more briefly than new investments.

1) Resource Management (energy, water, agriculture/food)

**Connacher Oil & Gas Limited** is a Canadian oil and natural gas exploration, development, production and refining company. The company's principal asset is an interest in acres of oil sands leases to produce bitumen. This company has a very successful oil sands execution plan. It took them only four years from land acquisition to the first production of bitumen. The fastest in the sector. We are of the opinion that longer term this company should re-rate considerably as it is a well-managed, highly attractive company with significant growth prospects in a geopolitical stable country.

**Galp Energia** is an energy company in Portugal. This is a strong investment case as Galp has clear exposure to one of the main themes in the Oil & Gas sector: access to resources. Galp has a meaningful exposure to several new recoveries in Brazil. Interestingly, this new exploration frontier is one of the most exciting areas in the industry and should be an important driver of share performance for exposed stocks. Another important driver is the transformation from a downstream biased integrated company to a company with explosive growth potential from the upstream, i.e. a move to higher margin activities.

We remain convinced in the strong fundamentals of our long position in **Gazprom**, which is the largest gas production and transportation company in the world. Gazprom is a compelling value proposition. This company has the deepest resource base of any global oil major with 30 years reserves life as well as advantaged access to resources. Currently, the market values one barrel of reserves with Gazprom at less than US\$1.00 (bear in mind that the global average find and development costs are US\$15 per barrel) versus US\$5.00 with Royal Dutch, while this company has more difficulties to resources access, increasing risk of shrinking reserves and significant less reserve base.

However, **Royal Dutch Shell** attracted our attention as well. The company should be able to regain momentum versus its peers as it has invested considerable amounts to rebuild its upstream assets since the reserves crisis a few years ago. The bulk of these investments are expected to come on-stream as from mid-2010. Additionally, cost cutting should gain momentum as well as RDS has started a more aggressive approach by amongst others announcing a 10% cut in its capital expenditure budget for 2010. We believe the shares are attractive as valuation has ca 10% discount to peers and offers a 6% dividend yield. We largely hedged this specific position against its peer group to capture expected returns with a low exposure to general market risk, i.e. a source for absolute return.

Canadian energy company **Nexen** is a highly attractive medium-sized player with proven reserves, material exploration and commercialization upside. Their oil production volumes are expected to build as several turnarounds/ maintenance of fields has been completed in combination with the start-up of new production. Additionally, they are on the brink of using a propriety new technology that creates a US\$10/bbl margin advantage in oil-sands. Obviously, this technology gives additional potential for increasing shareholders' value in the near future.

**Afren and Bowleven** are attractive smaller players with sizeable proven reserves, material exploration and commercialization upside in Africa.

**Areva** is the world's largest nuclear reactor maker and produces concentrated uranium and metallic as well as recycling and reprocessing nuclear fuel. We would like to play the structural theme that nuclear energy has several clear advantages over other sources of energy as nuclear energy is able 1) to meet increasing energy demand; 2) to reduce CO2 emissions; 3) has security of supply; and 4) is cheap. Currently, there are 439 operating reactors in the world (of which 58 in France). Some 50 countries are considering introducing nuclear power and about 12 are actively preparing it. Currently, almost 200 new nuclear power plants are planned worldwide (source: International Atomic Energy Agency). We believe that this structural growth component is not yet discounted in the valuation of this company.

**Cameco** is the world's second-largest uranium producer used as fuel for generating electricity in nuclear power reactors. Interestingly, current nuclear power reactors use more uranium than mined each year resulting in lower stock piles. Obviously, this situation is to benefit uranium producers. Canada is a country rich in uranium resources and has a long history of exploration, mining and generation of nuclear power. Canada is the world's largest uranium producer. Production is expected to increase significantly after 2011 as the new Cigar Lake mine comes into operation. The proven and probable ore reserves at Cigar Lake are extremely large and very high grade. Therefore, Cameco is in a really strong position to grow market share and meet future world demand.

**Constellation Energy** is a leading supplier of energy products and services. This company has good cash flow generation, solid balance sheet ratios and a very reasonable valuation. It owns a diversified fleet of generating units located in the United States and Canada. This company is among the leaders pursuing the development of new nuclear plants in the United States.

BP's tragedy in Gulf of Mexico is a powerful reminder that the time to embrace a clean energy future is near (source: president Obama). Clean energy companies should benefit. **First Solar** uses a thin film semiconductor technology to manufacture electricity-producing solar modules. Industry fundamentals have deteriorated after years of tight supply as too much solar production capacity is coming online. The process of severe price pressure should eliminate weaker competitors for the benefit of the stronger players. We believe First Solar has ample power to weather these conditions as it is one of the leading sector players with a solid balance sheet. In our opinion the drop in the shares is overdone.

**Hyflux.** We expanded to an earlier described theme regarding the observation there is already a global fresh water shortage. According to the UN, a third of the global population is already suffering from absolute water stress or scarcity. And to make matters worse, the world population growth is projected approx 30% over the next 20 years from ca 6bn people today to just ca 8bn. It is estimated that by 2025 more than 60% of the global population will be living in countries suffering high or medium-high relative water stress. In other words: water is (non-cyclical) growth and water infrastructure should grow 6-7% a year independent from economic developments. Therefore, we look for water-related companies that have reasonable valuations given their specific growth outlook. Key growth areas are re-cycling, desalination, packaged water and agricultural efficiencies. We initiated a position in the largest water-treatment company in Singapore: **Hyflux Limited**. This company designs, fabricates, installs, commissions, and maintains treatment systems for water purification, wastewater treatment, water recycling, advanced membrane filtration and piping systems. Importantly, they have exposure to growth areas (huge populations and urbanization) such as China with more than 50% of revenues coming from this area. Interestingly, a few months ago this company signed a joint venture agreement with Japan's JGC Corporation to jointly develop water projects in China. This should enforce bigger projects tapping additional growth potential.

**Potash Corp** is the world's largest (ca 25% of global supply) producer of potash, a crop nutrient, used in fertilizers. The challenge is to produce a record crop every year as we have a record demand every year as well. We believe this food and fertilizer demand trend has just started. The farming community around the world recognizes the value added from potash (a mineral increasing crop yields). Interestingly, the industry is characterized by high barriers to entry

We continued to add to an earlier described theme regarding the observation there is already a global fresh water shortage (source: United Nations). We are focused on a more indirect view, 'the virtual water trade', i.e. trade the product instead of piping the water. Importing agricultural products rather than domestic production in water-scarce areas saves water resources. Therefore, trade must increase as demand for more water-intensive food groups rises on the back of rising real incomes in developing markets. We introduced a position in **Bunge Limited**. This company is an integrated global agribusiness spanning the farm-to-consumer food chain processing among others soybeans, edible oils and milling dry corn and wheat. Revenues and results were significant lower in 2009 due to lower product pricing across the board. Balance sheet ratios are solid. The shares are now relatively cheap trading even below book value with meager return on invested capital. However, we believe that a recovery in pricing will drive revenues, results and returns higher acting as a trigger for a re-rating of the shares.

Another related theme is looking for improvements in agricultural efficiency. We earlier described our conviction regarding fertilizers making plants hardier and increasing crop yields. We diversified further into this theme using significant weakness to build a position in **Monsanto**. This company provides agricultural products for farmers producing a wide range of seeds and developing biotechnology traits that assist farmers in controlling insects and weeds. Pressure on the shares is caused by lower company guidance regarding revenue growth and earnings. The company acknowledged the need to adjust its price and product strategy to better deal with the competitive environment and drive penetration of its newer technologies. We believe that planned product price reductions are fully discounted now. We prefer to focus on the high innovative power of Monsanto driving market share gains. The company has an impressive track record for 'game-changing' technologies. There are several potential game-changers in the pipeline, such as 'RR2Yield soybeans' (insect-protected), 'SmartStax Refuge-in-a-Bag' (eliminate the need for farmers to set aside a portion of their field as a refuge by including the right amount of transgenic and conventional seeds in the same bag) and 'SmartStax Drought' (less fresh water intensive). Commercial launch of these products should help Monsanto to mitigate current negative sentiment.

## 2) Re-rating of emerging markets

In the last few decades, the largest countries (G7) in terms of spending power (GDP) have come from the rich developed economies. Their incomes were so much higher that even developing economies with much larger populations were responsible for much smaller shares of global spending. However, by now, this has clearly begun to change with China in the top seven and Brazil, India and Russia not far behind (BRIC countries). As a result of their growth success, a powerful shift of global purchasing power is poised to emerge. This shift is even likely to accelerate by a continuous growth of the middle class in 'emerging' economies in combination with increasing incomes. We are gradually building emerging market exposure as we are strong believers of upcoming global middle class in these countries. Previous periods of middle class expansion have been times of enormous progress and change. It is estimated that the global middle class is growing an astonishing 50 million people per annum. This growth dynamic is not seen since the formation of the developed country middle classes in the 2<sup>nd</sup> part of the 19<sup>th</sup> century.

**Brazil** is another highly interesting investment case as this country is a play on many global themes, such as 1) a global agricultural producer (now 20% of GDP). Water tables of big agricultural producers, such as China, India, the US and Australia are declining rapidly. Brazil offers considerable comparative advantages as they have regular rainfall (and access to ca 25% of total global water with water tables constant), large areas of flat land, relatively long growing seasons and soil that can retain fertilizer. Brazil should gain at the expense of Australia and the US in global agricultural exports and 2) evidence is increasing that Brazil offers an exciting oil and gas exploration story. Brazilian government expects that total potential is 70-100bn barrels. That's 3-4x the reserves of Norway. Remember that Norway is the world's 5<sup>th</sup> largest oil exporter. The influx of oil revenue has resulted in significant prosperity. This permitted Norway to expand government spending and established a sizeable state petroleum fund (size ca US\$400bn, Norway GDP US\$400bn, Brazil GDP US\$900bn).

We introduced another emerging market exposure: **Vietnam**. Vietnam is a neighbor of China, but is lagging in economic development. However, economic prospects are good. Demographics are favorable with ca 87 million people of which a significant amount has an age below 30. The solid rate of population growth is expected to continue. Moreover, there have been significant finds of oil and gas in the Southern part of the country. Development should bring additional prosperity to Vietnam. We took exposure at a discount. We bought Vietnam Opportunity Fund Ltd. This is a close-ended investment company with the aim to achieve medium to longer-term capital appreciation. This company invests in listed and unlisted companies, debt, assets and other opportunities in Vietnam and surrounding Asian countries. Net asset value per share is around USD 2.40 with the shares trading in the low USD 1.40s or in other words a discount of approx. 40%.

Moreover, the banking systems in these emerging regions are stronger than in the turmoil of a decade ago and the governments of the BRIC nations have accumulated the world's largest financial reserves (e.g. better stability and ability to adopt fiscal stimulus). All in all emerging market stocks look attractive as valuations are really reasonable and even trading at a discount versus developed market stocks despite their higher growth profile.

### 3) Sustainable and responsible investing

**Imtech** is a technical services provider in the fields of electrical engineering, information and communication technology and mechanical engineering. Therefore, this company is able to offer multidisciplinary technical total solutions which proves valuable as the order book is still up despite this difficult economic period. Drivers for stable growth are twofold. Sustainability emphasis by offering high-tech total solutions in the field of energy, water, environment and fine particles. Interestingly, a high part (55%) of revenues is recurring business. This company is gradually building an European coverage for its successful technical services offering by acquiring other electrical engineering companies, such as NEA. This acquisition almost doubled Imtech's size in the Nordics and is complementing its mechanical engineering offering in that region probably repeating the successful strategy in Germany. The acquisition makes Imtech the #3 player in the Nordics and will create important opportunities for cross-selling and attracting new integrated projects (including green projects). The strong balance sheet will also help to further reinforce its profile as a stable and trustworthy supplier for especially large long-term projects. We strongly believe Imtech is not only gaining further market share, but growing operational margins as well. Potential is not yet priced in. We expect these shares to re-rate.

We have a position in a company combining two separate themes: sustainability and energy efficiency. Lithium is used in batteries that power electric cars. There is no other metal better at holding a charge and dissipating heat with as little weight, making lithium the best ingredient known to make batteries for electric cars. The automobile industry is betting that electric cars built to run on lithium batteries will help the industry recover from its worst crisis in three decades. President Obama's administration is providing more than US\$10 billion in loans and grants to car and battery makers to reduce the dependence of the U.S. on foreign oil. The carmakers are planning to introduce dozens of electric models with lithium batteries in the next several years (source: Price Waterhouse Coopers). Car battery sales could jump to over an estimated US\$100 billion a year in the next two decades (now ca US\$100 million) as just one in ten cars will be powered by lithium batteries. Interestingly, the global market for lithium is controlled by only two companies, which produce about 70 percent of the world's low-cost lithium. We took a position in **Sociedad Quimica y Minera de Chile (SQM)**. This company markets its products in over 100 countries. In fact, SQM has another angle to an earlier described global theme (agricultural efficiency) as the company markets specialty fertilizers as well.

### 4) Demographics or developed countries growing grey

A focus on Germany. Currently, in Germany every fifth person is 65 or older, but this situation will change to every third person by 2050. The German nursing home market is highly fragmented and worth as much as EUR 20 billion. Obviously, specific players in this market have structural growth potential. We have exposure in one of the bigger players, **Curanum**, which operates skilled care nursing homes, rehabilitation clinics, retirement homes and support facilities in southern Germany. This company has solid cash flow generation and a growth profile, but still a market share of only 1 percent (nursing homes with a total of 7,700 beds). Additional growth drivers are their acquisition policy and a continuing increase in occupancy levels as their occupancy rate is 88%.

We expanded exposure in **HAL Trust**, an investment company that manages a diversified portfolio. Interestingly, HAL has not only a portfolio of attractive diversified non-quoted investments, but big stakes in solid performing companies Vopak and Boskalis as well. However, HAL shares are lagging. We are the opinion that HAL has a significant discount in the range of 30-40%. We partly hedged this position with selling exposure in Vopak and Boskalis. Additionally, there are several global themes in their portfolio as well, such as demographic trends (population in the West growing grey: retail optical products, growing and relatively young population in emerging markets: storage facilities for bulk liquids), global warming (dredging services, land reclamation activities), transport services (maritime services, heavy transport), oil services (e.g. heavy-lift ships which transport oil drilling equipment).

### 5) The safe tangible asset theme: gold.

**Barrick Gold** is the world's largest gold company in terms of annual output. Gold mining companies are inexpensive relative to the price of gold. We selectively invest in companies with valuation metrics that point to undervaluation. The price of gold continued its upward move, but Barrick slowly follows. We believe this is a good opportunity to take a position. Barrick has hedged its energy demand at a relatively high price in 2008 resulting in higher gold production costs in 2009 in combination with a decline in production. Obviously, the reason for the dismal performance, however, this seems priced in now. Barrick stated that production and costs are to improve over the course of 2009. Interestingly, guidance for 2010 is clearly better with higher production and lower cash costs. We are the opinion that Barrick should re-rate considerably as the combination of higher gold prices, higher production levels and lower costs will drive cash flow and profits significantly higher than current consensus forecasts.

### 6) The sector Healthcare

German **Fresenius SE**. This company is a global health care group with products and services for dialysis, the hospital and the medical care of patients at home. This is a very cheap stock. In September 2008 the US injectables generics business APP Pharmaceuticals was bought for a quite expensive \$3.7bn in cash. The deal was almost wholly debt financed. We described earlier that the increase in leverage and the lack of potential earnings accretion left market participants skeptical, but in our opinion overly discounted. Obviously, the shares have re-rated since then. There is still upside left given their 13-14% estimated growth.

We have a long position in **Varian Medical Systems**. This company is a worldwide supplier of integrated cancer-care systems, which is clearly a non-cyclical growth area. They have a global competitive edge regarding innovation, scale and financial position. The performance drivers are solid, i.e. continuous revenue growth, high margins and good cash generation power. Earnings revisions are pointing upwards as well.

The World Health Organization (WHO) predicts that allergies will become the epidemic of the 21st century. Allergies strike hard in precisely those countries with high hygiene and public health levels. Within a few years one in two newly-born children will suffer from an allergic disorder. The European market for immunotherapy used to treat inhalation allergies has increased by approx. 7% per annum in the years since 2000 to ca € 575 million. The major European players are ALK-Abelló in Denmark and Stallergènes in France. These two companies jointly have a share of more than 80% of the European immunotherapy market. We have positions in the two European leaders **ALK-Abelló** and **Stallergènes**.

#### 7) The sector utilities

**Atlantia** is Italy's biggest toll-road manager. We like this company as regulatory uncertainty has been solved. The Berlusconi election campaign committed to increasing infrastructure investment, which we believe will lead to a more accommodative approach to Atlantia. Italy's lower house approved a new tariff system that has cut regulatory risks for Atlantia and make toll increases simpler and more certain. Additionally, the company also owns an indirect stake in Impregilo, Italy's largest builder, which has interests in Brazilian and Argentine highways. The company is expanding in Latin America and Eastern Europe to cut dependence on the Italian economy. Interestingly, Atlantia is controlled by the Schemaventotto holding company of Italy's Benetton family.

**E.ON** operates in power generation and gas production including conventional, nuclear and renewable-source facilities. The company has solid cash flow generation and strong balance sheet ratios combined with a very reasonable valuation. Dividend yield is attractive (6.6%) as well.

#### 8) The sector Telecom

**KPN** provides telecommunications services throughout the Netherlands and offers mobile telecommunications through E-Plus in Germany and BASE in Belgium. The company has solid cash flow generation and strong balance sheet ratios combined with a very reasonable valuation. Dividend yield is attractive (6.5%) as well. Specific option strategies are used to improve return characteristics.

We diversify our portfolio as we build long positions in various **emerging market telecom companies**. These companies are cash(flow)-rich, have relatively low debt and higher dividend yields than average. They are able to invest for future growth as well. One of our favorites is China Mobile, the world's biggest wireless carrier, as it is the dominant player in the biggest telecommunications market in the world trading at a very reasonable price.

#### 9) The Financial sector – companies with specific performance drivers

**BinckBank** offers securities brokerage services, such as Internet brokerage services for private investors, executes orders and offers automated securities administrative and reporting services to investment professionals. The business model of Binck is clearly more attractive and transparent than general banking peers. Binck is gaining market share, because of their efficient automated systems and relatively low cost services. Trading activity with retail clients is more resilient given market turmoil and expansion in their third market France should drive additional growth going forward. Binck is one of the very few financial companies that are highly cash generative with rising solvency ratios. Valuation is undemanding. It is growth at a very reasonable price with 20%+ growth expectations combined with a P/E ratio (price to earnings multiple) of only 10x. Moreover, relative valuation is attractive as well with Binck shares ca 30% cheaper versus international peers.

A clear value proposition is Dutch insurer **Delta Lloyd**. The shares are at a discount to its competitors as Aviva has sold shares in a difficult market climate to boost its reserves after investment losses depleted capital. This climate forced transparency as well. The balance sheet is solid. Shareholders equity is EUR 4.2 billion versus a total market capitalization of EUR 2.4 billion. The so-called 'embedded value' (estimated profit from life insurance products) is EUR 4.3 billion. Interestingly, Delta Lloyd uses a very conservative estimate for two reasons: 1) costs are not booked as an asset on the balance sheet; and 2) it is 'market-consistent' embedded value, that calculates embedded value on a risk-free basis. All competitors are still using European embedded value, but new regulation rules will require more stringent calculation. The difference between these embedded valuation calculations for Delta Lloyd is EUR 1 billion. Therefore, we hedged our position versus a basket of European insurers as we believe this valuation gap is too wide.

**Munich Re** is the world's biggest reinsurer. This company has more capital available than other reinsurers. We strongly believe this company will grow market share as numerous primary insurers are short of capital. Selling new shares or raising debt is expensive, so reinsurance is a competitive alternative to replenish capital. Last year Joachim Wenning, management board member confirmed Munich Re has a capital buffer of about EUR 7bn available for its life, health and property and casualty reinsurance units. Therefore, the odds are in favor that the shares of Munich Re should outperform other insurers. Additionally, the shares are relatively cheap. Moreover, the shares started to perform somewhat better than other insurers. We stick to our long position in Munich Re versus a short in the European insurers. Importantly, we managed to improve the risk/return characteristics considerably. We build option strategies that have more attractive outcomes than just having a position in the shares. As a reminder we achieved a positive performance attribution in 2009 despite the fact that Munich Re lagged its European insurer peers by 10% since exposure was taken.

**Man Group** is a global provider of alternative investment products and solutions for private and institutional investors to deliver returns with a low correlation to equity and bond market benchmarks. Interestingly, an attractive risk/return opportunity is available using the high dividend yield (10.9%) combined with a high implied volatility in option pricing. The share price were hit over 35% in the last three months driven by the fact that performance of their largest fund AHL is deteriorating and now 18% below its performance fee high watermarks, thus reducing performance fee forecasts considerably. However, the valuation of the company is now increasingly attractive as most of the downside risks to consensus forecasts are largely reflected in the share price in our view. The acquisition of GLG make strategic sense as well as financial sense thanks to their solid cash generation and strong capital base. This combined entity has great exposure to the secular growth of hedge funds. The business is vertically integrated encompassing distribution, risk control, product structuring and access to content. This company should be able to provide superior earning growth over the medium term. We build exposure in Man Group (249p per share) giving a positive return in a share price range of GBP 200p-340p. Best profit range is GBP 260-280p giving almost 24% return in 8 months.

10) Long positions in specific companies with specific growth drivers

**Intralot** is a Greek developer of integrated on-line lottery systems. The company produces, operates and markets the Lotto game, sports betting and other betting opportunities. We strongly believe in significant re-rating potential for many reasons. Several thematic drivers, such as 1) global gaming market liberalization (privatizations as well as a partner for governments, because many governments would like to develop a legal betting framework); 2) illegal gaming market size is estimated much bigger than the legal market (Intralot cooperates with governments, so should take market share) and 3) technological developments (e.g. betting by mobile phone) should make betting easier to access for (potential) clients. This all bodes very well for total market size growth giving substantial probability for ample upward potential.

There are several specific company drivers as well. Intralot has a so-called scalable business model with a high operational leverage. Very successful track record regarding new contract wins has resulted in a rapid expansion outside Greece (> 40 countries). Margins are attractive as cash flow generating power is strong and invested capital needs are relatively modest. In summary, Intralot is well placed to capitalize on global betting growth. The shares offer a rare combination of deep value and structural growth with an attractive dividend yield. The shares deserve a significant re-rating as the growth profile is not reflected in current valuation.

We build a long position in **Telegraaf Media Groep** (TMG), which is best known as the publisher of the Dutch daily newspaper 'De Telegraaf', but has several interests in a diverse set of other media services, such as a radio station. The company is in the process to lower its cost base. Furthermore, expectations are really cautious for advertising revenues, which are an important performance driver. This operational leverage is not yet priced in. Moreover, TMG has a 12% stake in German pan-European broadcasting group ProSieben Media. This 12% stake is worth approx. 25% of the total market value of TMG. Therefore, valuation metrics are highly attractive. We would welcome any recovery in advertising markets, which should trigger a re-rating process.

11) Deflationary environment as a theme

We like the world's largest retailer **Walmart** given its discount price positioning, sizeable market share, cash flow generating power and solid balance sheet ratios. In our view the equity markets are not (yet) focused on the rapidly vanishing core consumer price inflation (CPI) rates in the US and the European zone with both moving below 1%. This trend is in favor for companies that are used to work in a deflationary/discounting environment. Additionally, Walmart has significant financial strength and is to use its cash to buy back almost 10% of its own capital. We strongly believe this company should re-rate versus peers and should do better than market averages given a meager outlook for general economic conditions.

12) Specific short positions that have a weak balance sheets/refinancing risks and difficult outlook for end-markets

We are short in life insurer **Aegon** as balance sheet ratios are fragile with exposure in mostly growth constrained regions such as North America (38% of revenues), UK (34%) and the Netherlands (19%). In fact, we now have a pair position in the portfolio with a long position in much better positioned reinsurer Munich Re.

Another short position is in recreation consumer products manufacturer **Brunswick**. This company has 70% of its activities in marine segment, i.e. marine engines, pleasure and high performance boats. Balance sheet ratios are fragile after two loss-making years with probably more difficult times ahead. It seems to us that a recovery in the retail boat markets is unlikely. This is a clear example of difficult end-markets combined with an unattractive valuation.

Therefore, we used temporary strength in the shares (in 2010: +30%) to initiate a specific net short position. We create a position in such a way that we are only at risk after another 40% upside move. Our performance will not be sensitive to any downside. We are able to set up this kind of positions as implied volatility with options is really high.

We initiate a short position in a basket of **North American commercial real estate** after a quite considerable rebound in 2009. We are believers that the higher cost of capital is there to stay as real estate participants are serious struggling to get loans from balance sheet constrained banks. Additionally, the recession caused building vacancies to increase, rental rates to fall and cash flows to shrink. Banks that own commercial properties as a result of bad loans could well turn into (forced) sellers, which will further depress valuations. We are strong believers all these factors will not improve soon resulting in major underperformance for many years to come.

13) Specific short positions that have too expensive valuations in our view

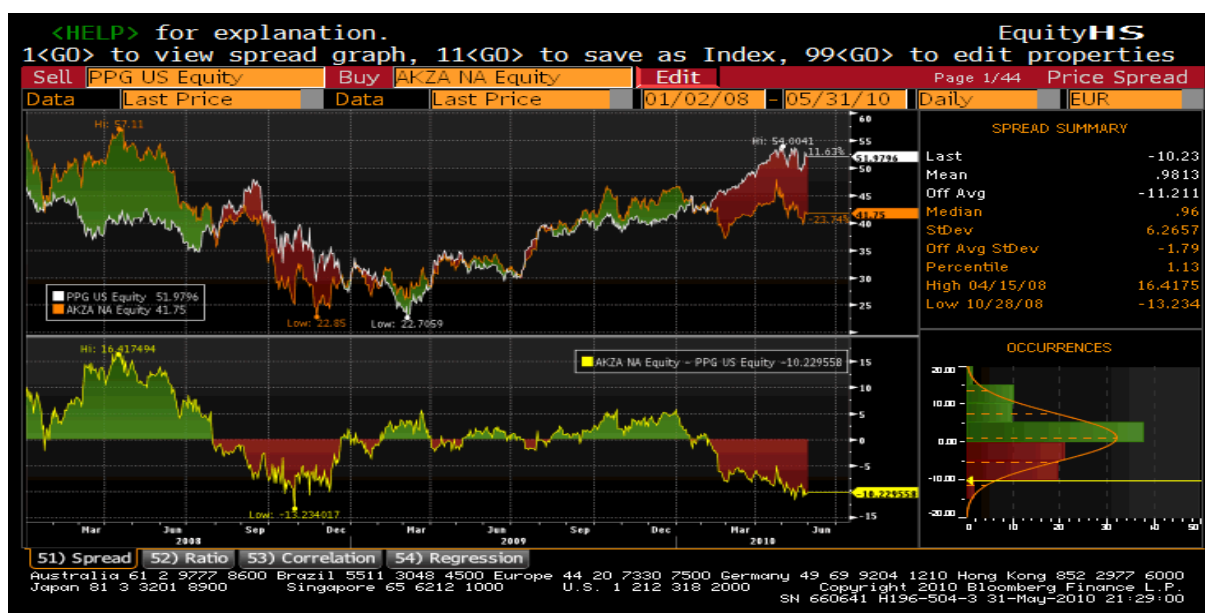
We introduced a short position in a temporary overvalued asset: **Berkshire Hathaway (BRK)**. The implementation of Warren Buffett's investment company into the North American Russell 1000 index in June is an example of a temporary change in demand and supply characteristics that is having a significant impact on its valuation. Large adds have market impact as mutual funds that track this benchmark have to buy, pushing up the price. This happened in February as well with the addition to the S&P500 index. In February BRK outperformed the S&P500 with approximately 15% but lost almost all of its outperformance afterwards. In June BRK performed again solid with a 14% better performance. The stock trades at a premium to both its peers and near the upper end of its historical averages as well. We do not question the capabilities of Mr Buffett, but we are the opinion the BRK is too expensive now. We built a short position with selling highly priced call options playing additional theta, which act as some 'margin of safety' as well.

We are short in online retailer **Amazon.com** as its share price is still based on an amazing high earnings multiple (above 40x). We expect compression in the valuation multiple as competition will increase in e-books from Apple and Barnes & Noble. Near term news flow will likely raise uncertainty hurting multiples attached to the contribution from e-books and should negatively impact the valuation on physical books as well. Growth should slow here as e-books market accelerate.

14) Specific valuation pair trades

**Long Akzo Nobel versus short PPG Industries.** We reinitiated in a (global) relative valuation proposition between Europe and the U.S.A. The pressure on the European markets and its currency has created attractive opportunities. Euro weakness should enforce competitive positions for well positioned European companies. There are several European companies that have better (global) market positions than their U.S. peers, but are trading at a significant discount.

Akzo Nobel showed a disappointing share price development versus PPG Industries. We believe it is a good moment to reintroduce a pair trade to capture the valuation gap between Akzo Nobel and PPG Industries, which is unwarranted in our view.



Significant underperformance Akzo Nobel versus PPG Industries overdone in our view

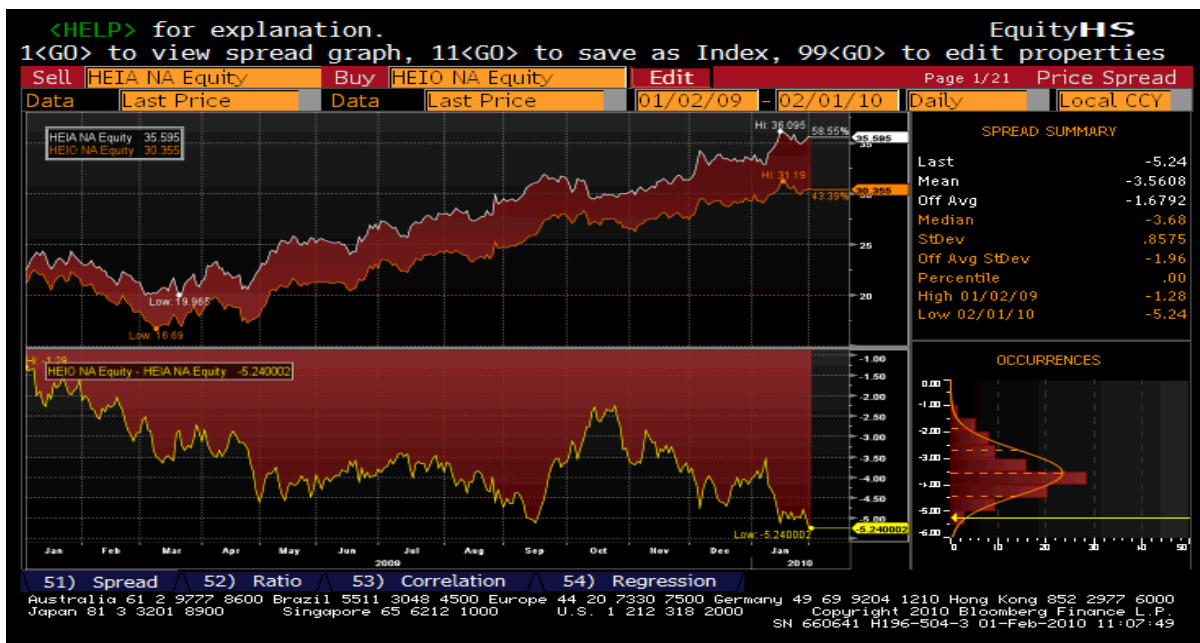
Source: Bloomberg

Akzo Nobel produces and markets chemicals, coatings and paints. This company is the world's largest paint manufacturer. PPG Industries is the second-largest paint producer in the world. These companies have a similar client base. However, Akzo has less exposure in most cyclical exposed decorative paints as well as significant higher exposure in fast growing regions, such as Asia (ca 30% of sales versus 15% for PPG). Therefore, earnings growth expectations are higher with Akzo. Moreover, Akzo's balance sheet is more solid. Interestingly, Akzo has a significant valuation discount versus PPG. We strongly believe that a normalization in relative valuation should take place resulting in better share price performance for Akzo (see graph).

Or in other words, average share prices of these companies are in line, but currently there is a significant gap (EUR 11.21 per share) given the relative fundamentals.

**Long Toyota versus short Ford.** We introduced a long in Toyota Motor after severe share price pressure due to huge amounts of recalls. A drop of over 20% or erasing USD 34 billion in market capitalization seems overdone to us. We believe that Toyota is able to weather this storm given management capabilities and balance sheet strength. Obviously, the competition has opportunities to gain back some market share, but this could well be a temporary phenomenon. We hedged our position versus a short in Ford Motor as we believe this company is overvalued now and the valuation gap is too wide. Moreover, this company has a significant debt burden, so a weak balance sheet in our view.

**Long Heineken Holding versus short Heineken NV.** We built a spread position between Heineken NV (short) en Heineken Holding (long) as the discount between these shares has risen above average (see graph). The mean of the discount is EUR 3.56, but EUR 5.24 currently. In a longer 5-year period the range of the discount is EUR 0.09 – EUR 7.60 with a mean at EUR 3.80. We are focused on a narrowing spread. We enhanced our return expectations by selling longer-dated in-the-money call options on (relatively expensive) Heineken NV without having market exposure. We managed to receive an additional EUR 2 premium on top of the intrinsic value. Therefore, we are well placed for an attractive return without exposure to a share price move.



Spread graph - Heineken NV versus Heineken Holding

Source: Bloomberg

**Long ASM International versus short ASML.** Relative value proposition in the technology sector. We strongly believe ASM International has significant upside potential versus ASML. There is an increasing difference in valuation between their two groups of products lately: machines used to produce semiconductors (front-end activities) and to package semiconductors (back-end). ASML has a 53% stake in back-end product manufacturer ASM Pacific, which is listed in Hong Kong. The valuation of this stake is approx. EUR 10 per share higher than current total market capitalization of ASML. These levels indicate that the Dutch front-end activities have a negative value of more than EUR 500 million. These activities are loss-making, but a program to reduce costs is in progress targeting a 40% lower cost base mid 2010. Additionally, there are signs that the market for front-end machines is to grow more than 20% per year. Revenue growth combined with a clearly lower cost base should turn results into a profit. Therefore, we are of the opinion that a re-rating of ASML is a likely scenario. This kind of undervaluation is not the case with ASML. Therefore, we hedge sector specific risks with a short position in ASML.

**Long Metro versus short Carrefour.** Relative value proposition in retail sector. French Carrefour and German Metro both have issues to solve. Carrefour should manage to get rid of the negative price perception with their customers. Metro is an attractive restructuring story. We are of the opinion that both companies have significant upside if they are successful in solving their issues. However, we strongly believe it should be much harder to turn a negative price perception than managing cost savings. Moreover, turning a negative price perception requires additional price investment that pressures margins. Interestingly, Metro trades at a substantial discount versus Carrefour, 13x and 17x price to earnings respectively. The odds are in favor for Metro to show upgrades to earnings expectations from cost savings and productivity gains associated with their 'Shape 2012' plan. We are long Metro and short Carrefour

## **Governance**

The Fund Manager has a system of checks and balances in place in order to ensure compliance with both the applicable law and regulation and the fund governance principles that protect the interest of investors and mitigate conflicts of interest. Our view on Fund Governance and a more detailed description on how it is managed in our organization is published on our website.

## **AO/IC statement**

Our activities are organized in accordance with a description of the operational structure which fulfils the requirements of the Act on Financial Supervision and the Decree on the Supervision of the Conduct of Financial Enterprises.

We have reviewed certain aspects of our operational structure with respect to the fourth quarter 2008. While conducting our review, we have not become aware of facts or other elements that would make us believe that the description of the operational structure as provided for under article 121 of the Decree of the Supervision of the Conduct of Financial Enterprises does not comply with the Act on Financial Supervision and the regulations adapted pursuant to such Act. We are therefore able to confirm, in our capacity as Manager of the Fund, that our activities are carried out based on a description of the operational structures as referred to under article 121 of the Decree on the Supervision of the Conduct of Financial Enterprises and that such a description fulfils the requirements of the Decree of the Supervision of the Conduct of Financial Enterprises.

We have not become aware of any fact or other element that would make us believe that the operational structure was not carried out in an efficient way and in accordance with the description. We therefore state with a reasonable level of certainty that our operations are carried out effectively and in accordance with the description.

## **Outlook**

There is little doubt we are in a bear market rally driven by monetary and fiscal policy. However, there is increasing evidence that this artificial cyclical recovery will end early. General economic uncertainties will not be solved soon. It is most likely that consumer spending remains constrained by a weak employment market, no income growth, lower housing wealth and tight credit. Households have a bias toward higher savings. Budget difficulties at state and local governments should also restrain the economy. Several fundamental issues are not yet solved as well (such as excess leverage, housing inventories, increasing regulation, demographics and probably the relatively high margins with companies could come under considerable pressure).

Given all economic uncertainties we stick to our cautious investment approach and we continue to focus on relative value plays. Many larger companies can issue debt in the capital markets, but smaller and mid-sized firms are still struggling with tight bank lending standards. This will force diverging growth scenarios between companies as well as divergent valuations. We foresee a market where well-financed, quality companies and (free) cash flow generating power will be rewarded.

We strongly believe there are significant valuation opportunities for medium term investors, but we need to be aware of macro uncertainties. Therefore, we continue to use option contracts to create specific exposures with attractive risk/return characteristics, i.e. strategies that have immediate upside, but a significant part of the downside protected. In fact we translate opportunities in 'high probability for return' investments. Therefore, we are focused to diversify our portfolio with specific investments with re-rating potential driven by thematic and fundamental drivers.

Moreover, currently derivatives pricing is attractive as high implied volatility is priced into specific option strategies. Interestingly, we do not necessarily need higher underlying asset prices for a positive performance. Or in other words we created some additional 'margin of safety'.

Our portfolio is currently largely hedged (using call options).

We finished June 2010 with a total net exposure of 18%.

Bloemendaal, August 20, 2010

The Fund Manager

Bloemendaal Investment Management B.V.

**Financial statements January 2010 - June 2010**

**Fonds Bloemendaal**

## Balance sheet

	Note	30-06-2010 EUR	31-12-2009 EUR
<b>Investments long</b>			
Shares	4.1	4,722,710	4,423,059
Options	4.2	411,235	323,201
Bonds	4.3	<u>532,661</u>	<u>169,613</u>
		<b>5,666,606</b>	4,915,873
<b>Intangible assets</b>			
	5	<u>44,403</u>	<u>53,825</u>
		<b>44,403</b>	53,825
<b>Receivables</b>			
Receivable on security transactions	6.1	153,918	147,000
Other receivables	6.2	<u>10,486</u>	<u>24,347</u>
		<b>164,404</b>	171,347
<b>Cash</b>			
	7	<b>8,720,026</b>	3,557,612
<b>Liabilities (due within one year)</b>			
Due to credit institutions	8.1	-	-
Payable on security transactions	8.2	554,370	266,900
Subscriptions received in advance	8.3	41,400	50,000
Other liabilities	8.4	<u>34,752</u>	<u>35,180</u>
		<b>630,522</b>	<b>352,080</b>
<b>Total of intangible assets, receivables and cash minus liabilities (due within one year)</b>		<b>8,298,311</b>	3,430,704
<b>Investments short</b>			
Shares	9.1	-	-
Options	9.2	<u>5,494,928</u>	<u>1,477,269</u>
		<b>5,494,928</b>	1,477,269
<b>Total of assets minus liabilities (due within one year)</b>		<b>8,469,989</b>	<b>6,869,308</b>
<b>Shareholders' equity</b>			
Issued capital	10.1	10,438,935	8,874,043
General reserve	10.2	-2,004,735	-3,293,285
Undistributed earnings	10.3	<u>35,789</u>	<u>1,288,550</u>
		<b>8,469,989</b>	<b>6,869,308</b>
<b>Net asset value per unit</b>		<b>75.93</b>	74.64

## Profit and loss account

	Note	01-01-2010 30-06-2010 EUR	01-01-2009 30-06-2009 EUR
<b>Income from investments</b>			
Dividends	11.1	87,394	34,072
Other interest	11.2	10,627	16,007
Distribution fees	11.3	4,610	118
Interest on bonds		6,310	-
		<b>108,941</b>	50,197
<b>Realized results</b>			
Price results on shares long		25,909	-776,355
Currency exchange result on shares long		112,160	-34,749
Price results on options long		60,337	192,120
Currency exchange results on options long		9,128	-2,836
Price results on shares short		-21,683	-68,719
Currency exchange results on shares short		-54	-386
Price results on options short		313,936	386,447
Currency exchange results on options short		-75,397	-4,012
Price results on futures		-33,650	-37,288
Currency exchange results on other receivables and liabilities		83,804	-128,790
		<b>474,490</b>	-474,568
<b>Unrealized results</b>			
Price results on shares		-330,300	1,296,386
Currency exchange results on shares		110,666	132,718
Price results on bonds		9,448	-
Price results on options		-5,539	29,787
Currency exchange results on options		-184,277	37,027
		<b>-400,002</b>	1,495,918
<b>Total income</b>		<b>183,429</b>	1,071,547
<b>Expenses</b>			
Asset management expenses	12.1	85,411	58,353
Interest expenses		-	8,753
Other expenses	12.2	62,229	78,476
<b>Total expenses</b>		<b>147,640</b>	145,582
<b>Result of operation</b>		<b>35,789</b>	925,965
<b>Total result per unit</b>		<b>0.32</b>	11.41

## Cash flow statement

	01-01-2010	01-01-2009
	30-06-2010	30-06-2009
	EUR	EUR
<b>Cash flow from investment activities</b>		
Result of operation	35,789	925,965
Realized and unrealized results	-74,488	-1,021,350
Depreciation intangible assets	9,422	9,422
	<u>          </u>	<u>          </u>
Direct investment result	-29,277	-85,963
Purchases	-15,363,013	-15,140,956
Sales	18,654,273	16,808,201
	<u>          </u>	<u>          </u>
	3,291,260	1,667,245
Realized price results on futures	-33,650	-37,288
Currency exchange results on other receivables and liabilities	83,804	-128,790
	<u>          </u>	<u>          </u>
	50,154	-166,078
Change in receivables	6,943	15,884
Change in liabilities (due within one year)	278,442	-290,848
	<u>          </u>	<u>          </u>
	285,385	-274,964
<i>Cash flow from investment activities</i>	<b>3,597,522</b>	1,140,240
<b>Cash flow from finance activities</b>		
Received on units issued	1,657,947	-
Paid on units redeemed	-93,055	-23,608
	<u>          </u>	<u>          </u>
<i>Cash flow from finance activities</i>	<b>1,564,892</b>	-23,608
<b>Change in cash</b>	<b>5,162,414</b>	1,116,632
Cash Position at December 31, 2009	<u>3,557,612</u>	<u>2,826,091</u>
<b>Cash June 30, 2010</b>	<b>8,720,026</b>	<b>3,942,723</b>

## Notes

### 1. General

The fund is an investment fund (*beleggingsfonds*) as referred to in Article 1:1 of the Wft. The Fund is not a legal entity, but the aggregate of the assets less an amount equal to all accrued debts, liabilities and obligations of the Fund, in which monies or other assets are called or received for the purpose of collective investment by the Participants, as governed by the Terms and Conditions and the Prospectus.

The Fund was established on 1 November 2007 and shall continue to exist for an indefinite period of time. The Fund's office address is that of the Fund Manager, being Dennenweg 19, 2061 HW Bloemendaal. This semi annual report reports over the first 6 months of this year, from 1 January 2010 until 30 June 2010.

The format of these financial statements are in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Act on Financial Supervision. The cash flow statement has been prepared according to the reconciliation method (*indirecte methode*). The financial year is equal to the calendar year.

The base currency of the Fund is Euro.

### 2. Risks

There can be no assurance that the Fund's investment policy will be successful or that the Fund will achieve its investment objectives as described in the Prospectus. An investment in Participations carries a high degree of risk and is suitable only for persons who can assume the risk of losing their entire investment. Potential investors should consider, among others, the risks mentioned below, review the Prospectus and its ancillary documents such as the Subscription Form carefully and in their entirety and consult with their professional advisors. Returns on past investments are no guarantee as to the returns on future investments. The Prospectus does not purport to identify, and does not necessarily identify, all of the risk factors associated with investing in the Participations and certain risks not identified herein may be substantially greater than those that are. Accordingly, each prospective investor, prior to making any investment decision, must conduct and subsequently rely upon its own investigation of risk factors associated with the proposed investment. The value of the investments may fall as well as rise. Investment in the Fund should therefore be regarded as long-term and should only form part of a diversified investment portfolio. An investment in the Fund requires the financial ability and willingness to accept for an indefinite period of time the risk and lack of liquidity inherent in the Fund.

#### 2.1 Investment Risks

##### 2.1.1 Short selling

The Fund may make extensive use of short selling, including synthetic short selling constructions (buy open puts and sell open calls) within the limits set out in the Investment Restrictions. As there is no limited downside to such transactions, the Fund may incur heavy losses before short positions can be closed out. The Fund's vulnerability to potential losses incurred in short selling may be enlarged due to the illiquidity of the securities involved. Losses on short selling may exceed the Net Asset Value of the Fund causing Participants to lose out on their entire investment in the Fund.

##### 2.1.2 Leverage

The Fund may use financial leverage, but only up to a maximum of 100% of the net assets of the Fund taking into account the sum of the margin requirements plus borrowing. If due to special circumstances this limit is exceeded, the Fund Manager will aim to undo this within 3 months.

While leverage presents opportunities for increasing total return, it has the effect of potentially increasing losses as well. If income and appreciation on investments made with borrowed funds are higher than the cost of the leverage, the Net Asset Value of the Fund and the Net Asset Value per Participation will increase. If income and appreciation on investments made with borrowed funds are less than the cost of leverage, the value of the Net Asset Value of the Fund and the Net Asset Value per Participation will decrease. Accordingly, any event, which adversely affects the value of an investment by the Fund will be multiplied by an extent closely related to the leverage employed.

Repayment obligations to funding parties (including but not necessarily limited to the Prime Broker) will be secured upon the Fund's assets. This means that funding parties will be preferred creditors of the Fund.

### 2.1.3 Lack of Liquidity

A part of the investments of the Fund may be in financial instruments, which are illiquid or may become illiquid under certain market conditions. Accordingly, it may not always be possible to purchase or sell those financial instruments for the prices quoted on the various exchanges or for their expected value. The Fund's ability to respond to market movements may be impaired and the Fund may experience severe adverse price movements upon liquidation of its investments.

Investments made by the Fund may or may not benefit from any stabilisation action undertaken by the issuer of the respective investment. Any stabilisation action undertaken in relation to an investment must comply with any limits imposed by all applicable laws and regulations and may be limited in time. Consequently, any such action may be insufficient to positively affect the investment(s) concerned.

If trading on an exchange is suspended, the Fund may not be able to execute trades or sell positions at preferred prices. OTC transactions may involve additional risk, as there is no exchange or market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the Fund's exposure to the associated risks.

### 2.1.4 Concentration of Investments

The Fund may hold relatively few, large investments in relation to the size of the Fund. The Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected. Lack of liquidity as mentioned in paragraph 2.1.3 (Lack of Liquidity) may aggravate such losses significantly.

In addition, the Fund may own a significant percentage of the shares or (convertible) bonds issued by a company. It may not always be possible to dispose of such shares or (convertible) bonds without incurring significant losses. Potential profits may not always be immediately realisable and may therefore be lost prior to realisation.

### 2.1.5 Valuation of Investments in Non-Listed Financial Instruments

Valuations of investments in non-listed financial instruments will be made with all appropriate care and diligence and in accordance with market standards. However, no guarantee can be given that the value attributed to such interest is entirely accurate. Therefore, the Net Asset Value of the Fund may not accurately describe the amount, which may be realised upon sale of the investments of the Fund.

### 2.1.6 Redemption Risk

The Fund is an open-ended fund and Participations may be redeemed in accordance with section 14 of the Prospectus and the Terms and Conditions. Redemptions may cause the Fund to dispose of assets in order to meet its redemption obligations earlier than anticipated or under less favourable market conditions than the Fund would otherwise have disposed of such assets. This may result in a lower Net Asset Value of the Fund generating lower or negative returns for the non-redeeming Participants. Significant redemptions may lead to significant losses to Participants, which remain invested in the Fund.

### 2.1.7 Limited Due Diligence

The Fund Manager will not always carry out a business analysis and will usually not engage in extensive due diligence procedures prior to investing in certain companies.

## 2.2 General Risks

### 2.2.1 Business Risk

The investment performance of the Fund is substantially dependent on the services of key individuals who are responsible for managing the investments of the Fund. These key individuals are connected with the Fund Manager. In the event of death, disability, departure, insolvency or withdrawal of any of these key individuals or the Fund Manager, the performance of the Fund may be adversely affected.

No assurance can be given that the Participations of the Fund will increase in value. An investment in Participations therefore carries a high degree of risk and is suitable only for persons who can assume the risk of losing their entire investment.

### 2.2.2 Net Asset Value Considerations

The Net Asset Value per Participation is expected to fluctuate heavily over time with the performance of the Fund's investments. A Participant may not fully recover its initial investment when he chooses to redeem his Participations or upon compulsory redemption if the Net Asset Value per Participation at the time of such redemption is less than the Total Subscription Amount paid by such Participant or if any un-amortized costs and expenses of establishing the Fund remain.

### 2.2.3 Illiquidity of Participations

The Participations are not listed on any exchange. Participants will, however, be able to redeem their Participations subject to the restrictions set out herein and in accordance with the Terms and Conditions and they have the option to transfer their Participations to third parties. The Fund Manager reserves the right to reject any application for transfer in whole or in part at its absolute discretion and without motivation. As redemption is subject to the restrictions set out herein and in the Terms and Conditions, a Participant may not always be in the position to redeem at the expected Net Asset Value per Participation.

#### 2.2.4 Inflation & Deflation

Due to inflation, the relative value of Participations may decline. The Fund will not specifically hedge inflation risk or take other measures to mitigate this specific risk.

#### 2.2.5 Securities Borrowing and Lending

Securities borrowing transactions may involve that borrowed securities will need to be returned to the lender on a date earlier than expected in which case such securities may need to be purchased in the market against prices which are higher than anticipated. Any re-call of securities by the lender may involve that the Fund will not be able to purchase securities in the market for redelivery in which case the Fund may incur fines or penalties, or, alternatively, it may have to pay significantly higher prices to buy back the securities.

In case of securities lending, the Fund is subject to various additional risks, such as credit risk. The Fund may receive security in case of securities lending, which security can consist of cash or cash equivalent assets, bonds and equity securities.

#### 2.2.6 Custody Risk

Due to the insolvency, the negligence or fraudulent actions of the Depository or third parties used for the custody of assets of the Fund, the value of Participations may decline.

### 2.3 Market Risks

#### 2.3.1 Settlement Risk

Some of the markets in which the Fund may effect its transactions are OTC or "interdealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight in contrast to members of "exchange-based" markets. To the extent the Fund invests in OTC transactions, on these markets, the Fund may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions, which generally are backed by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections. This will expose the Fund to the risk that a counterparty will fail to settle a transaction in accordance with its terms and conditions due to a dispute concerning contractual terms (whether or not bona fide) or due to credit and/or liquidity problems, thus causing the Fund to suffer a loss. The Fund will not be restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. The ability of the Fund to transact business with any one or a number of counterparties, the lack of any independent evaluation of such counterparties' financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund.

In addition, with respect to synthetic positions (buy open puts and sell open calls), the Fund will not usually have a contractual relationship with the underlying issuer of the underlying obligation. Therefore, the Fund will generally have no direct right to enforce compliance by the actual issuer with the terms of the underlying obligation nor have any voting rights with respect to the underlying obligation. In the event of the insolvency of the counterparty to such synthetic position (buy open puts and sell open calls), the Fund will be treated as a general unsecured creditor of such counterparty and will not have any claim with respect to the underlying obligation.

#### 2.3.2 Pre-IPO risk

"Pre-IPO" investing involves buying a stake in a company before the company makes its initial public offering of securities. Many companies and promoters entice investors by promising an opportunity to make high returns by investing in a start-up enterprise. Investing at the pre-IPO stage can involve significant risks as fraudulent and illegal practices may take place or the premises on which the investment decision was originally made fail to materialize. The possibility that the relevant company never goes public, that the offering is illegal or that the securities that are subscribed for are restricted may cause the Fund to lose out on its entire subscription.

#### 2.3.3 Currency Exposure

The Participations are denominated in Euro and will be issued and redeemed in this currency. A large part of the assets may, however, be invested in securities and other investments which are denominated in other currencies than Euro. Accordingly, the value of such assets may be affected favourably or unfavourably by fluctuations in currency rates. In addition, potential investors whose assets and liabilities are predominantly denominated in other currencies should take into account the potential risk of loss arising from fluctuations in value between Euro and such other currencies. Any currency exposures of the Fund will in principle not be hedged.

### 2.4 Risks Inherent to the Use of OTC Derivatives

#### 2.4.1 Margin and Leverage

The OTC derivatives used may be highly volatile and may expose the Fund to a high risk of loss. The initial margin deposits required to establish a position in such instruments permit a high degree of leverage. As a result, depending on the type of instrument, a relatively small movement in the price of a contract may result in a profit or a loss, which is high in proportion to the amount of funds actually placed as initial margin and may result in losses exceeding the margin deposited.

#### 2.4.2 Liquidity Risk

Transactions in OTC derivatives may also involve additional liquidity risk, as there is no exchange or market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of a position or to assess the exposure to risk. In adverse market conditions, there may be virtually no liquidity with very significant price movements as a result, which could lower the Net Asset Value of the Fund significantly within a short period of time.

#### 2.4.3 Hedges

Appropriate hedges may not at all times be available to the Fund to cover the risks posed by derivative transactions which it enters into. Therefore, the Fund may not be able to limit losses incurred in those transactions or may only be able to close out a position at significant costs to the Fund.

### 2.5 Other Risks

#### 2.5.1 Political Risk

The investments of the Fund may be adversely affected by developments in the countries that the Fund may invest in. This may result in a partial or complete loss of the investments made by the Fund. Such developments include, without limitation:

- (i) war;
- (ii) civil unrest, ranging from protests to civil war;
- (iii) changes in the political situation and/or government of a country;
- (iv) natural disasters; and
- (v) acts of terrorism.

#### 2.5.2 Conflicts of Interest

It is possible that the Fund Manager, the Depositary or the Administrator may, in the course of business, have conflicts of interest with the Fund. Each will, at all times, have regard in such event to its obligations to the Fund and will endeavour to ensure that such conflicts are resolved fairly.

In addition, subject to applicable law, any of the foregoing may deal, as principal or agent, with the Fund, provided that such dealings are carried out as if effected on normal commercial terms negotiated on an arm's length basis.

The Fund Manager or any person connected with the Fund Manager may, directly or indirectly, invest in, manage or advise other investment funds or accounts, which invest in assets which may also be purchased or sold by the Fund. Neither the Fund Manager nor any person connected with it is under any obligation to offer investment opportunities of which any of them become aware to the Fund or to account to the Fund in respect of (or share with the Fund or inform the Fund of) any such transactions or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Fund and other clients.

#### 2.5.3 Profit Sharing

In addition to receiving a Management Fee, the Fund Manager receives a Performance Fee as described in paragraph 14.3 of the Prospectus. The Performance Fee will increase accordingly with regard to unrealised appreciation, as well as realised gains. The Performance Fee may create an incentive for the Fund Manager to take more risks than it would take in the absence of a fee based on the performance of the Fund.

#### 2.5.4 Regulatory Risk

The regulatory environment for investment funds is evolving and changes therein may adversely affect the Fund's ability to pursue its investment strategies. In addition, the regulatory and/or tax environment for derivative and related instruments is evolving and may be subject to modification by government or judicial action, which may adversely affect the value of the investments held by the Fund. The effect of any future regulatory or tax change on the Fund is impossible to predict.

Furthermore, unclear rules and regulations and conflicting advice may result in a breach of rules and regulations applicable to the Fund. Resulting fines and other sanctions and consequent damage to the reputation of the Fund, the Fund Manager and/or any other connected persons may result in a negative impact on the Net Asset Value of the Fund and Participations.

### 3. Net Asset Value

#### 3.1 Net Asset Value

The Net Asset Value (and the Net Asset Value per Participation) will be expressed in Euro and determined at the close of business on each Valuation Date by the Fund Manager. The Net Asset Value and the Net Asset Value per Participation can be found on the website of the Fund Manager.

"Valuation Date": Each Friday and the last calendar day of each month, or such other date or dates as may be determined by the Fund Manager, the actual calculation being made on the first Business Day following such date.

#### 3.2 Basis of valuation

Assets and liabilities are valued at fair value, unless explicitly indicated.

#### Investments

The valuation of investments are valued based on the following most important principles:

- listed securities with a regular marketability are valued at most recent stock market prices.
- any security which is neither listed nor quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no regular prices are available, will be valued at its probable realization value as determined by the Fund Manager in good faith having regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue. Such other factors as the Fund Manager in its sole discretion deems relevant in considering a positive or negative adjustment to the valuation.
- cash and deposits are valued at nominal value plus accrued interest.
- any value other than Euros is converted to Euros at the end of year exchange rate.

Trading costs are included in the cost of investments. These expenses are capitalized into the capital gains/-losses due to the valuation at fair values.

The Fund Manager may, at their discretion, permit any other method of valuation to be used if they consider that such method of valuation better reflects value and is in accordance with good accounting practice.

#### Financial instruments

Financial instruments are valued at fair value. The fair value of financial instruments is based on market values. An explanation of the risks related to financial instruments, is provided in the 'Notes to the balance sheet'.

#### Other assets and liabilities

Other assets and liabilities are stated at nominal value. If required, provisions have been taken for irrecoverable receivables.

#### Investments (short positions)

Short positions are valued according to principles mentioned under "investments". Short positions are lent securities which are directly sold with the purpose to buy these securities at lower prices due to expected decrease in the market value of the specific investment. The risk for the Fund is that the market value of these investments increases instead of decreases. As a consequence the Fund needs to buy the investments at higher market prices in order to close the short position. Each business day the short position is revalued at market prices. The revaluation result is part of the unrealized gains/-losses. As long as the short position is open, the Fund makes expenses, such as interest and if applicable dividend, which the Fund needs to accrue in order to pay to the legal owner of the 'short' security. These expenses will be reported to the corresponding accounts in the profit and loss account.

#### Subscription and redemption fees

The Fund issues capital against Net Asset Value per unit, with a maximum markup of 1.0%. This markup is split up in 0.25% for the benefit of the Fund to cover costs such as transaction expenses (this amount is reported as other income), and a distribution fee of (maximum) 0,75% for the Fund Manager. The Fund repurchases units from redemptions against Net Asset Value per unit, with a maximum markdown of 3% during the first year of participation. After the first year the redemption fee shall be 1.5% of the Total Redemption Price. Of the redemption fees so withheld point five per cent (0.5%) will be for the benefit of the Fund and two point five per cent (2.5%) or one per cent (1%), as the case may be, will be for the benefit of the Fund Manager.

#### Accounting principles for determining results

The result is determined by deducting expenses from the proceeds of dividend, interest, income from securities lending and other income in the period under review. The realized and unrealized revaluations of investments are determined by deducting the purchase price or the balance sheet value at the start of the period under review from the sale proceeds or the balance sheet at the end of the period under review.

#### Tax

The Fund is a mutual fund ( fonds voor gemene rekening) and qualifies as a tax-exempt investment fund (vrijgestelde beleggingsinstelling) within the meaning of article 6a of the Dutch Corporate Income Tax Act (Wet op de vennootschapsbelasting 1969). The Dutch tax authorities have confirmed this in an advance tax ruling. As a 'vrijgestelde beleggingsinstelling' the Fund is not subject to Dutch corporate income tax.

## Notes to the balance sheet

	30-06-2010	31-12-2009
	EUR	EUR
<b>(4) Investments long</b>		
<i>(4.1) Statement of changes in equities</i>		
Position at 1 January	4,423,059	2,873,820
Purchases	4,348,052	9,912,644
Sales	-3,966,836	-9,490,862
Realized results on shares	138,069	-851,449
Unrealized results on shares	-219,634	1,978,906
	<u>4,722,710</u>	<u>4,423,059</u>
Position at June 30, 2010		
Historical cost	5,426,536	4,907,251
<i>(4.2) Statement of changes in options</i>		
Position at 1 January	323,201	139,965
Purchases	340,799	1,589,200
Sales	-440,371	-1,350,527
Realized result on options	69,465	-80,958
Unrealized result on options	118,141	25,521
	<u>411,235</u>	<u>323,201</u>
Position at June 30, 2010		
<i>(4.3) Statement of changes in bonds</i>		
Position at 1 January	169,613	-
Purchases	353,600	178,500
Sales	-	-
Realized result on bonds	-	-
Unrealized result on bonds	9,448	-8,887
	<u>532,661</u>	<u>169,613</u>
Position at June 30, 2010		
Historical cost	307,779	178,500
Transaction costs are either also capitalised in the cost price investments (purchases) or set off against the realised results (sales).		
In total, an amount of EUR 74,060 was capitalised/set off in the first six months of the 2010 financial year.		
<b>(5) Intangible assets</b>		
Intangible assets is the total amount of set-up costs minus the depreciation of the set-up costs.		
Position at 1 January	53,825	72,825
Amortization	-9,422	-19,000
	<u>44,403</u>	<u>53,825</u>
Position at June 30, 2010		
<b>(6) Receivables</b>		
<i>(6.1) Receivable on security transactions</i>		
	153,918	147,000
This includes receivables from security transactions not yet settled as per balance sheet date.		
<i>(6.2) Other receivables</i>		
Dividend to be received	763	7,728
Accrued interest on bonds	498	2,357
Prepaid expenses	3,188	3,816
Accrued interest on bank accounts	6,037	10,446
	<u>10,486</u>	<u>24,347</u>
Position at June 30, 2010		
<b>(7) Cash</b>		
This includes the positive balances of the accounts held at Fortis Bank Nederland N.V. and Kasbank N.V.		

**(8) Liabilities (within one year)***(8.1) Due to credit institutions*

This includes the negative balances of accounts held at Fortis Bank Nederland N.V. and Kasbank N.V.

*(8.2) Payable on security transactions*

This includes liabilities from security transactions not yet settled as per balance sheet date.

*(8.3) Subscriptions received in advance*

This includes liabilities from subscriptions not yet settled as per balance sheet date.

	<b>30-06-2010</b>	31-12-2009
	EUR	EUR
<i>(8.4) Other liabilities</i>		
Management fees to be paid	<b>12,709</b>	10,308
Other management fees to be paid	<b>2,033</b>	634
Depositary Fees to be paid	<b>496</b>	496
Administration fees to be paid	<b>2,500</b>	2,500
Publication fees to be paid	<b>4,959</b>	-
NAV calculation fees to be paid	-	417
Audit fees to be paid	<b>10,327</b>	20,825
Supervisory fees to be paid	<b>1,728</b>	-
	<b><u>34,752</u></b>	<u>35,180</u>

**(9) Investments short***(9.1) Statement of changes in equities*

Position at 1 January	-	-
Purchases	<b>-522,834</b>	-971,526
Sales	<b>501,097</b>	900,938
Realized results on shares	<b>21,737</b>	70,588
Unrealized results on shares	-	-
Position at June 30, 2010	<b><u>-</u></b>	<u>-</u>

Historical cost

-

*(9.2) Statement of changes in options*

Position at 1 January	<b>1,477,269</b>	446,736
Purchases	<b>-9,797,728</b>	-11,089,208
Sales	<b>13,745,969</b>	12,771,527
Realized results on options	<b>-238,539</b>	-551,421
Unrealized result on options	<b>307,957</b>	-100,365
Position at June 30, 2010	<b><u>5,494,928</u></b>	<u>1,477,269</u>

Historical cost

**-5,541,379**      -1,831,677

**(10) Shareholders' equity***(10.1) Issued capital*

	<b>number</b>		
Position at 1 January	92,036	<b>8,874,043</b>	8,138,196
Issued	20,703	<b>1,657,947</b>	782,805
Redeemed	-1,191	<b>-93,055</b>	-46,958
Position at June 30, 2010	<b><u>111,548</u></b>	<b><u>10,438,935</u></b>	<u>8,874,043</u>

*(10.2) General reserve*

Position at 1 January	<b>-3,293,285</b>	-
Transferred from Undistributed result	<b>1,288,550</b>	-3,293,285
Position at June 30, 2010	<b><u>-2,004,735</u></b>	<u>-3,293,285</u>

*(10.3) Undistributed earnings*

Position at 1 January	<b>1,288,550</b>	-3,293,285
Transferred to General reserve	<b>-1,288,550</b>	3,293,285
Result current financial year	<b>35,789</b>	1,288,550
Position at June 30, 2010	<b><u>35,789</u></b>	<u>1,288,550</u>

## Notes to the profit and loss account

### (11) Income from investments

#### (11.1) Dividends

This refers to the net cash dividend.

#### (11.2) Other interest

This includes interest received on bank accounts.

#### (11.3) Distribution fees

This includes the subscription and redemption fees for the benefit of the fund.

	01-01-2010	01-01-2009
	30-06-2010	30-06-2009
	EUR	EUR

### (12) Expenses

#### (12.1) Asset management expenses

Investment management fees	72,785	47,353
Performance fee	-	-
Other expenses	12,626	11,000
	<b>85,411</b>	<b>58,353</b>

Investment management fees:

The Fund Manager will receive a monthly management fee equal to 0.15% of the Net Asset Value excluding (i.e. before deduction of) the Management Fee and the Performance Fee, as at the last Valuation Date of each calendar month, payable monthly in arrears out of the Fund's assets.

Performance fees:

The Fund Manager will also be entitled to a quarterly performance fee at a rate of 20% of any increase in the Net Asset Value of the Fund (including net realised gains) over the relevant quarter, adjusted for subscriptions and redemptions of Participations and distributions.

The Performance Fee is subject to the high water mark principle which means that no Performance Fee shall be payable if the Net Asset Value, adjusted for subscriptions and redemptions of Participations and distributions, at the end of a quarter is lower than the same amount at the end of the previous quarter or any other such amount at the end of an earlier previous quarter (the "High Water Mark").

In the event the Fund is liquidated prior to the last day of a quarter, the Performance Fee will be computed as though the determination date were the last day of the quarter. The Performance Fee will be calculated in respect of each Valuation Date and is payable quarterly in arrears. Reservations for the Performance Fee will be made in the calculation of the Net Asset Value. The Performance Fee shall be paid out of the Fund Assets. Prospective Participants should note that certain inequities may arise from the method of Performance Fee calculation. The Performance Fee is charged to the Fund as a whole and is not calculated in respect of the gain or loss achieved by individual Participations.

Other expenses

This relates to Bloomberg costs.

	01-01-2010	01-01-2009
	30-06-2010	30-06-2009
	EUR	EUR

#### (12.2) Other expenses

Depreciation on set-up costs	9,422	9,422
Custody Fees	3,264	3,719
Depository Fees paid	2,975	2,975
Transfer agency fees paid	550	-
Administration fees paid	15,000	15,000
Publication fees paid	4,959	17,370
NAV calculation fees paid	2,967	2,717
Audit fees paid	10,327	20,600
Supervisory fees paid	3,341	-2,431
Bank charges paid	1,844	9,104
Others fees	7,580	-
	<b>62,229</b>	<b>78,476</b>

Depreciation of set-up costs:

Costs and expenses in relation to the formation of the Fund and the issuance and placement of the Participations, such as, but not limited to, legal, audit, tax and other professional fees and expenses and marketing costs, estimated to an amount of Euro 95,000 will be fully paid out of the Fund's assets. These formation costs shall be activated and written off over a period of 5 years.

Custody Fees

These costs relate safekeeping fees charged by the custodian of the fund.

Depository fees:

The Depository is entitled to receive an annual fee of Euro 5,000. This is exclusive of value added tax and shall be payable out of the Fund's assets monthly in arrears.

Transfer agent, administration and Nav calculation fees:

The Administrator will receive a monthly administration fee at normal commercial rates. The Administrator will also be reimbursed by the Fund for any reasonable out-of-pocket expenses necessarily incurred in the performance of its duties. The administration fee is calculated in relation to the Net Asset Value of the Fund according to the following table, provided that the minimum administration fee will be Euro 30,000 per year.

Euro 0 - Euro 25,000,000	1/12 of 0.075 %
Euro 25,000,000 < Euro 50,000,000	1/12 of 0.065 %
Euro 50,000,000 < Euro 100,000,000	1/12 of 0.055 %
Euro 100,000,000 < Euro 250,000,000	1/12 of 0.045 %
Euro 250,000,000 < Euro 500,000,000	1/12 of 0.035 %
Euro 500,000,000 <	1/12 of 0.025 %

The Administrator will receive a fixed fee for keeping the Register, payable monthly in arrears.

1 - 200 Participants	1/12 of Euro 100
201 - 400 Participants	1/12 of Euro 75
401 - 600 Participants	1/12 of Euro 50
601 - 800 Participants	1/12 of Euro 25
> 800 Participants	-

In addition, a fee of Euro 25 will be payable to the Administrator for each mutation in the Register.

The administration fees will be paid out of the Fund's assets. The above fees are exclusive of value added tax (if any).

Supervisory fees:

These costs relate to costs for the Stichting Autoriteit Financiële Markten (AFM).

Audit fees

This semi annual report 2010 does not require an external auditor statement.

### Actual costs compared to prospectus

The table hereunder presents a cost comparison between costs as described in the prospectus with the actual costs the Fund incurred in 2010. This cost comparison is in accordance with article 123 paragraph j Bgfo Wft.

Table: Cost comparison actual costs versus prospectus (x 1 EURO)

Expenses	Prospectus	Actual Costs	Difference
Management fee	72,785	72,785	-
Performance fee	-	-	-
Administration fee	15,000	15,000	-
Depositary Fee	2,975	2,975	-
Other Fees and Expenses *	423,499	56,880	366,619

- \* - Other fees and expenses are according to the prospectus maximum 5% of the Net Asset Value.  
Actual cost percentage of Other Fees and Expenses divided by the total Net Asset Value is: 0.67 %.

### Expense ratio

The expense ratio (cost ratio) is calculated as follows: the total expenses of the Company divided by the average Net Asset Value \*\*.

The expense ratio of the Company for the reporting period is equal to: 3.74 %, ( first half 2009 5.37%)

### Turnover ratio

The turnover ratio is calculated as follows: the total sum of purchases plus sales minus subscriptions minus redemptions divided by the average Net Asset Value \*\*.

The turnover ratio of the Company for the reporting period is equal to: 408.6 %, ( first half 2009 626%)

- \*\* - The average Net Asset Value of the Company for reporting period is calculated as the sum of the Net Asset Value as per 31 December 2009, 31 March 2010, 30 June 2010 in the proportion 0.5 : 1 : 0.5, divided by the weighted number of observations.

Bloemendaal, August 20, 2010

The Fund Manager

Bloemendaal Investment Management B.V.

## Portfolio Breakdown

June 30, 2010

Investments	Sector			Market value EUR	Percentage total Net Asset Value
	Consumer discretionary	Options	Long	57,556	
	Consumer discretionary	Bond	Long	345,912	
	Consumer discretionary	Options	Short	-503,926	
	Consumer discretionary	Shares	Long	583,092	
	Total Consumer discretionary			482,634	5.7
	Consumer staples	Options	Short	-464,029	
	Consumer staples	Shares	Long	611,070	
	Total Consumer staples			147,040	1.7
	Energy	Options	Short	-360,608	
	Energy	Shares	Long	990,785	
	Total Energy			630,177	7.4
	Financials	Options	Long	69,298	
	Financials	Bond	Long	186,750	
	Financials	Options	Short	-1,736,235	
	Financials	Shares	Long	1,354,333	
	Total Financials			-125,855	-1.5
	Healthcare	Options	Short	-20,410	
	Healthcare	Shares	Long	165,449	
	Total Healthcare			145,039	1.7
	Index	Options	Short	-571,150	
	Index	Shares	Long	9,904	
	Total Index			-561,246	-6.6
	Industrials	Options	Short	-203,613	
	Industrials	Shares	Long	361,950	
	Total Industrials			158,337	1.9
	Information technology	Options	Short	-498,887	
	Information technology	Shares	Long	59,333	
	Total Information technology			-439,555	-5.2
	Materials	Options	Long	284,382	
	Materials	Options	Short	-952,946	
	Materials	Shares	Long	176,768	
	Total Materials			-491,796	-5.8
	Telecommunication services	Options	Short	-22,800	
	Telecommunication services	Shares	Long	219,975	
	Total Telecommunication services			197,175	2.3
	Utilities	Options	Short	-160,325	
	Utilities	Shares	Long	190,053	
	Total Utilities			29,728	0.4
<b>Total investments</b>				171,678	2.0
Total of receivables and other assets less current liabilities				<u>8,298,311</u>	<u>98.0</u>
<b>Total Net Asset Value</b>				<u>8,469,989</u>	<u>100.0</u>

## **Supplementary information**

### **Act on Financial Supervision**

Since October 4, 2007 the Fund is licenced to undertake investment activities according to the Dutch Act on Financial Supervision 2007 (Wet op het Financieel Toezicht).

### **Personal interest**

In the reported period the Fund Manager did not invest personally in securities in which the Fund had a position.

### **Employees**

The Fund did not have any employees during the financial year.