



# Degroof Global Isis MEDIUM Capitalisation

*Quarterly Report*

30 june 2008

# Economic slowdown confirmed

## PERFORMANCES SECOND QUARTER 2008

The return of uncertainty to the financial sector and concerning the economic slowdown put skids under the stock markets in June. Likewise, fears associated with a fresh wave of inflation are pulling long-term interest rates upwards and dampening any hopes of a relaxation in short-term rates.

The month of June alone cancelled out the positive performances recorded in April and May. Overall, the second quarter figures were negative for shares as well as bonds.

Performances in euros	Second Quarter 2008	January - June 2008
Shares world	-1.6%	-17.2%
Shares emerging countries	-1.5%	-19.2%
Shares Europe	-4.1%	-18.9%
Bonds Euroland	-3.0%	-0.7%
USD	+0.1%	-7.4%
Isis Low	-2.4%	-6.8%
Isis Medium	-2.7%	-11.6%
Isis High	-2.8%	-16.6%

## PARALLEL MANAGEMENT IN SHARES AND BONDS

Remaining faithful to our contrarian strategy, we took advantage of this difficult six-month period to realign the portfolio. For shares, index volatility exceeded 25% in January and March, periods during which we sold Put options highly lucratively. The options sold in January on the EuroStoxx with volatility of more than 30% were repurchased in March at a low price despite the market downtrend. The position had been converted into shares in direct lines, which benefited as the markets recovered in April. In March, we also sold Put options on the S&P500 index (USA) with a volatility of 25%. The short maturity (1 month) quickly rendered the option worthless and the premium remains definitively vested in the fund. Even though the markets started moving down again in May and June, this options strategy enabled us to enhance our position in shares to good effect.

These special options strategies fit in with the overall allocation of shares for which, owing to the high risk premiums in March, reinforcement was required. As from April, the increase in long rates, coupled with an end to expectations of a fall in short rates, prompted us to show greater caution. We sold 2% of European shares at this precise moment, before the sharp fall in June.

The same contrarian approach was applied to bonds. Fears concerning financial shares in March sparked off a flight to quality, causing long-term interest rates to sink to an extremely low level. We reduced the duration of our bonds to 5.3 years at the beginning of April. Next, German 10-year rates moved up again to reach, and even overtake, our target of 4.5%. According to our analysis, this was a catching up and not the first fruits of a lasting uptrend over the medium term. Recent business

indicators, such as the PMI, IFO and ISM, all point towards an economic slowdown, favouring stable rates. We have therefore extended the duration for bonds to close on 6 years, by giving preference to the bonds of first-class companies or specific government bonds (Portugal) at the expense of German government bonds.

For currencies, we believe that the overall appreciation of the euro against all the currencies is drawing to an end. The last remaining dollar cover has been removed.

Fresh concerns emerged in late June again concerning the financial sector, where the first dividend reductions made their appearance, but also concerning other cyclical sectors, such as automobiles and construction materials, which is a new development. This, together with the recent fall in long-term interest rates, is a sign that the economic slowdown announced six months ago is now taking hold. As with all slowdowns, we cannot predict either its duration or its scale. Valuation ratios such as price/earnings and dividend yield have climbed back to attractive levels, as we highlighted in our previous report before the April bounceback. Once again we need to stick with the contrarian approach and gradually repurchase shares, which is what we set about doing during the last month of June.

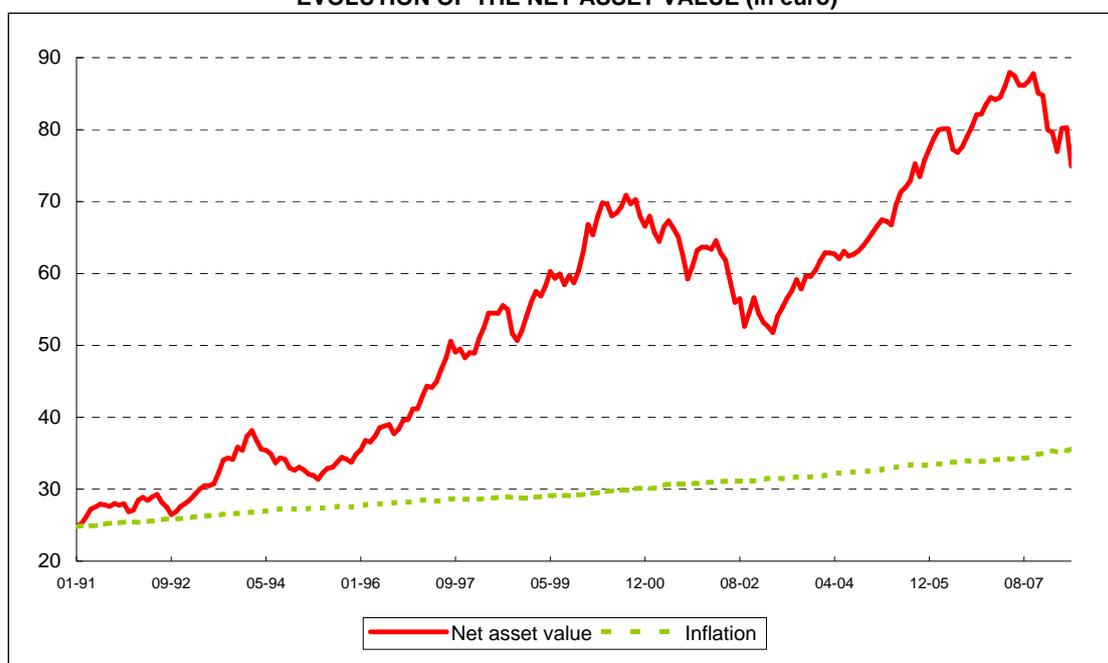
*Benoît Dehem*

## RETURN OF ISIS MEDIUM CAP. AS AT 30 JUNE 2008

Period	Valuation date	Value B share	Return over the period	Accumulated return
<b>1990</b>	04/12/90	24.79		
<b>1991</b>	31/12/91	27.07	8.66%	9.20%
<b>1992</b>	05/01/93	28.58	5.59%	15.30%
<b>1993</b>	04/01/94	37.38	30.79%	50.80%
<b>1994</b>	03/01/95	32.70	-12.53%	31.90%
<b>1995</b>	02/01/96	35.50	8.57%	43.20%
<b>1996</b>	31/12/96	41.20	16.07%	66.20%
<b>1997</b>	29/12/97	48.93	18.74%	97.40%
<b>1998</b>	04/01/99	56.05	14.54%	126.10%
<b>1999</b>	31/12/99	66.80	19.18%	169.47%
<b>2000</b>	31/12/00	66.57	-0.34%	168.54%
<b>2001</b>	31/12/01	63.65	-4.39%	156.76%
<b>2002</b>	31/12/02	54.44	-14.47%	119.61%
<b>2003</b>	31/12/03	60.43	11.00%	143.77%
<b>2004</b>	31/12/04	65.63	8.60%	164.75%
<b>2005</b>	31/12/05	77.33	17.83%	211.95%
<b>2006</b>	31/12/06	83.49	7.97%	236.80%
<b>2007</b>	31/12/07	84.73	1.49%	241.80%
<b>1° quarter 2008</b>	31/03/08	76.95	-9.18%	210.42%
<b>2° quarter 2008</b>	30/06/08	74.91	-2.65%	202.19%

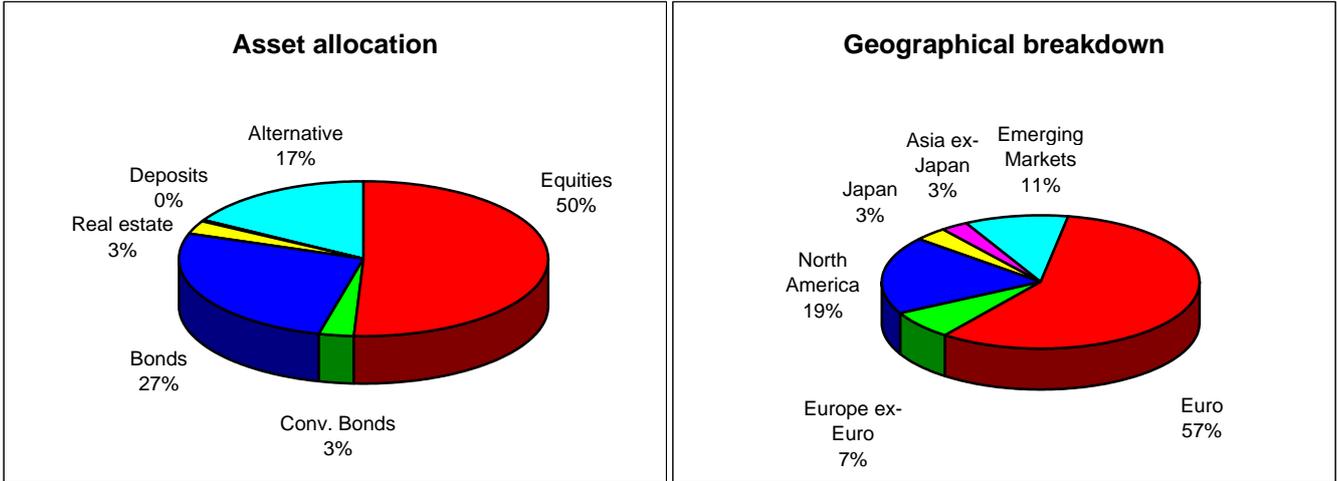
Period	Valuation date	Value B share	Annualized return	Accumulated return
<b>Since</b>				
<b>the origin</b>	04/12/90	24.79	6.49%	202.19%
<b>10 years</b>	29/06/98	55.53	3.04%	34.90%
<b>5 years</b>	30/06/03	56.56	5.78%	32.44%
<b>3 years</b>	30/06/05	71.34	1.64%	5.00%
<b>2 years</b>	30/06/06	76.81	-1.24%	-2.47%
<b>Since</b>				
<b>12 months</b>	30/06/07	87.48		-14.37%
<b>9 months</b>	30/09/07	86.75		-13.65%
<b>6 months</b>	31/12/07	84.73		-11.59%
<b>3 months</b>	31/03/08	76.95		-2.65%

### EVOLUTION OF THE NET ASSET VALUE (in euro)

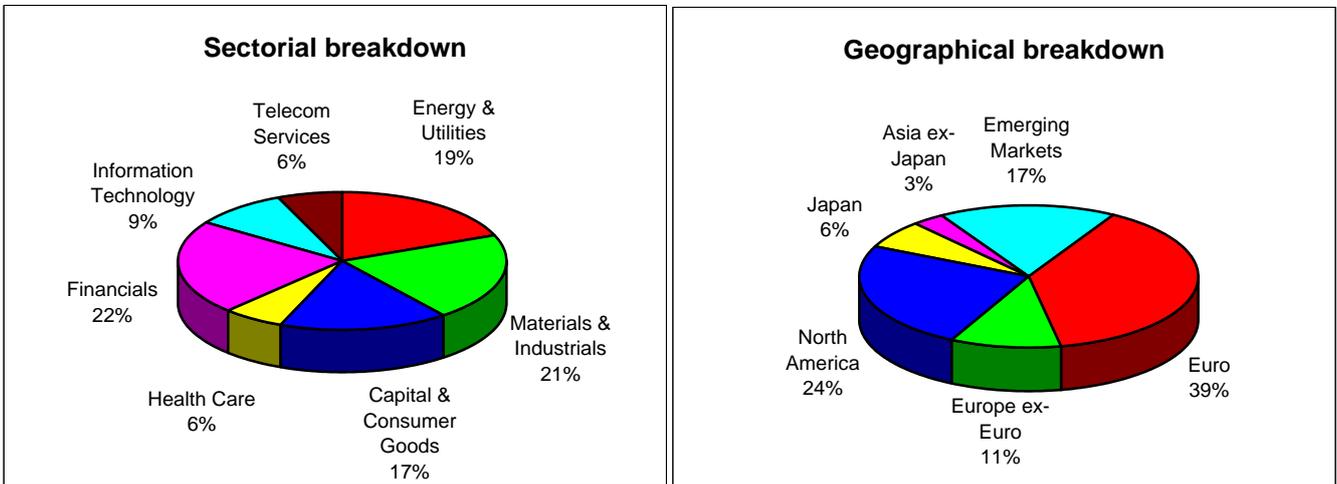


# STRUCTURE OF THE PORTFOLIO AS AT 30 JUNE 2008

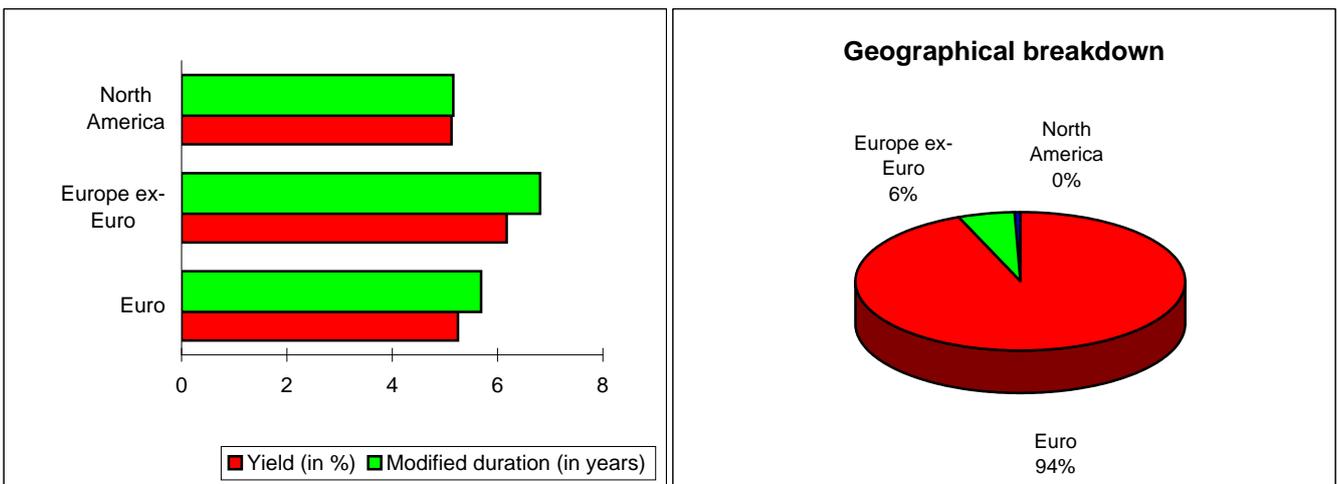
## GLOBAL PORTFOLIO



## EQUITIES



## BONDS



Average yield : 5.30%

Mean modified duration : 5.75 years

**COMPOSITION OF ISIS MEDIUM AS AT 30 JUNE 2008**

**EQUITIES AND REAL ESTATE**

Indexed management	% Total
Future DAX	1.23
D Equ Belgium Index	0.68
D Equ EMU Index	0.44
Total	0.43
Future CAC 40	0.35
Future AEX	0.34
Telefonica de Espana	0.29
Nokia	0.29
E.On	0.28
Banco Santander	0.26
Arcelor Mittal	0.22
ENI	0.20
BBVA	0.18
BNP Paribas	0.17
Siemens	0.17
Sanofi Aventis	0.16
Opals MSCI Italy	0.16
Unicredito Italiano	0.15
Future SPMIB	0.15
Volkswagen	0.15
Suez	0.11
Axa	0.10
Groupe Danone	0.10
Generali Assig.	0.10
Allianz AG Holding	0.09
Endesa	0.09
SAP	0.09
Vivendi Universal	0.09
Repsol	0.08
France Telecom	0.08
L'Oréal	0.08
Alstom regroupement	0.08
Opals Germany MSCI	0.08
Philips	0.08
Deutsche Bank	0.08
Air Liquide	0.08
Iberdrola	0.08
Deutsche Telekom	0.08
Société Générale	0.08
LVMH	0.07
Basf	0.07
Intesa Sanpaolo	0.07
ACS Cons y Serv	0.07
ETF HEX 25 Index Fund	0.07
Gas Natural	0.07
Bouygues	0.07
KPN	0.07
Renault	0.07
Fortis B	0.06
Metro	0.06
Bayer	0.06
ING Groep	0.06
Daimler Chrysler	0.06
Fortum	0.06
Munchner R.	0.06
Others	2.26
<b>Eurozone</b>	<b>11.26</b>

Indexed management	% Total
Future FTSE 100	1.89
Future SMI	0.51
Opals UK MSCI	0.36
Nestle	0.10
BP	0.10
XACT OMXS30	0.09
Novartis	0.07
Roche Holding	0.06
HSBC	0.06
Syngenta	0.05
Royal Dutch Shell A	0.05
Rio Tinto	0.05
Statoilhydro Asa	0.05
UBS	0.04
Vodafone	0.03
Glaxosmithkline	0.03
Diageo	0.03
CS Group	0.03
Royal Dutch Shell B	0.03
Richemont	0.02
Others	0.36
<b>Europe ex-euro</b>	<b>4.02</b>
Opals S&P500	1.44
Future SP500	0.72
Future SP/TSE 60	0.70
D Equ US Index	0.39
Opals MSCI Canada	0.28
Canadian natural resources	0.14
Exxon Mobil	0.14
IBM	0.09
GE	0.09
Microsoft	0.08
Petro-Canada	0.07
ATT & Inc	0.06
Procter & Gamble	0.06
Cisco	0.06
Wal Mart	0.05
Royal Bank of Canada	0.05
Chevron	0.05
Schlumberger	0.05
Transcanada	0.05
Bank of Nova Scotia	0.05
Exelon	0.05
Monsanto	0.04
Pfizer	0.04
Intel	0.04
Honeywell	0.04
Verizon Comm.	0.04
Union Pacific	0.04
Johnson & Johnson	0.04
Pepsico	0.04
State Street	0.04
Mdco Health Solutions	0.04
Abbott Labs	0.04
Others	1.93
<b>North America</b>	<b>7.03</b>

## EQUITIES AND REAL ESTATE

Indexed management	% Total	Active management	% Total
Future Topix	1.73	D Equ EMU Behav Value	2.07
Opals MSCI Japan	0.41	D Equ Europe Beh Value	2.98
D Equ Japan Index	0.27	D Equ EMU Behav Profit	1.38
Toyota	0.05	TR European Growth	0.40
Nintendo	0.04	Eurofund V b	0.21
Kao Corp.	0.03	D Equ Sml Cap Europe Beh Value	0.15
Secom	0.03	Carlyle Europe Partners III	0.10
Mizuho Financial Group	0.03	Eurofund IV b	0.10
NTT	0.03	Etex Group	0.02
Orix	0.03	Degroof PE Fund	0.02
Canon	0.03	<b>Eurozone</b>	<b>7.42</b>
Sony Corp	0.03	D Equ Europe Beh Value	2.07
Shin-Etsu Chem	0.02	Pantheon Intl	0.22
Mitsubishi Electric	0.02	D Equ Sml Cap Europe Beh Value	0.15
Fanuc	0.02	TR European Growth	0.09
Tokyo Electric Power	0.02	<b>Europe ex-euro</b>	<b>2.53</b>
Nippon Steel	0.02	D Equ US Behav Value	4.53
Millea Holdings	0.02	Vanguard index small cap	0.52
TDK	0.02	Carlyle US Partners V	0.10
Matsushita Electric	0.02	Future Nasdaq100	0.04
Hitachi	0.01	<b>North America</b>	<b>5.20</b>
Takeda Health Careceutical	0.01	Ocean Japan Target II	0.13
NTT Do Co Mo	0.01	Japan Smaller Cap	0.10
Astellas Health Care	0.01	<b>Japan</b>	<b>0.23</b>
Sumitomo Mitsui Financial Group	0.01	Genesis EMF	2.21
Daiwa Securities	0.01	Emerg Mkt Strategic Fund	1.32
Others	0.06	Asia Pacific Performance B	1.01
<b>Japan</b>	<b>2.99</b>	CAAM-Emerging Mkt AI	0.89
Future ASX/SPI	0.64	Morgan Stanley Emerg Markets	0.48
Future HSI	0.24	Future HSCEI	0.33
BHP Billiton	0.09	Templeton Emerg Mkt UK	0.26
CSL	0.05	Latin America Equity	0.15
Woodside Petroleum	0.05	Mexico Fund	0.13
Westpac Banking	0.04	<b>Emerging Markets</b>	<b>6.79</b>
Hang Seng Bank	0.04	Atlas Real Estate EMU	2.06
National Australian bank	0.04	Aedifica Sicafi	0.32
Singapore Telecom	0.03	Wereldhave Belgium	0.09
United Overseas Bank	0.03	Unibail-Rodamco	0.08
Wesfarmers	0.03	Optimum Immo	0.08
ANZ	0.02	Cofinimmo	0.07
Brambles Industries	0.02	Wereldhave	0.04
DBS Group Holdings	0.02	Cheung Kong Holdings	0.03
Alumina	0.02	Swire Pacific	0.03
Keppel Corp	0.02	Westfield Group	0.02
Telstra	0.02	United Overseas Land	0.00
AMP	0.02	<b>Real estate</b>	<b>2.81</b>
Hutchison Whampoa	0.02	<b>Total Active management</b>	<b>24.98</b>
Singapore Airlines	0.02		
MacQuarie Bank	0.02		
Hong Kong Electric Holdings	0.02		
Others	0.15		
<b>Asia ex-Japan</b>	<b>1.63</b>		
Ishares MSCI Emerg Mkt Fund	1.78		
<b>Emerging Markets</b>	<b>1.78</b>		
		<b>Total equities and real estate</b>	<b>53.69</b>
<b>Total Indexed management</b>	<b>28.71</b>		

