



# 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.

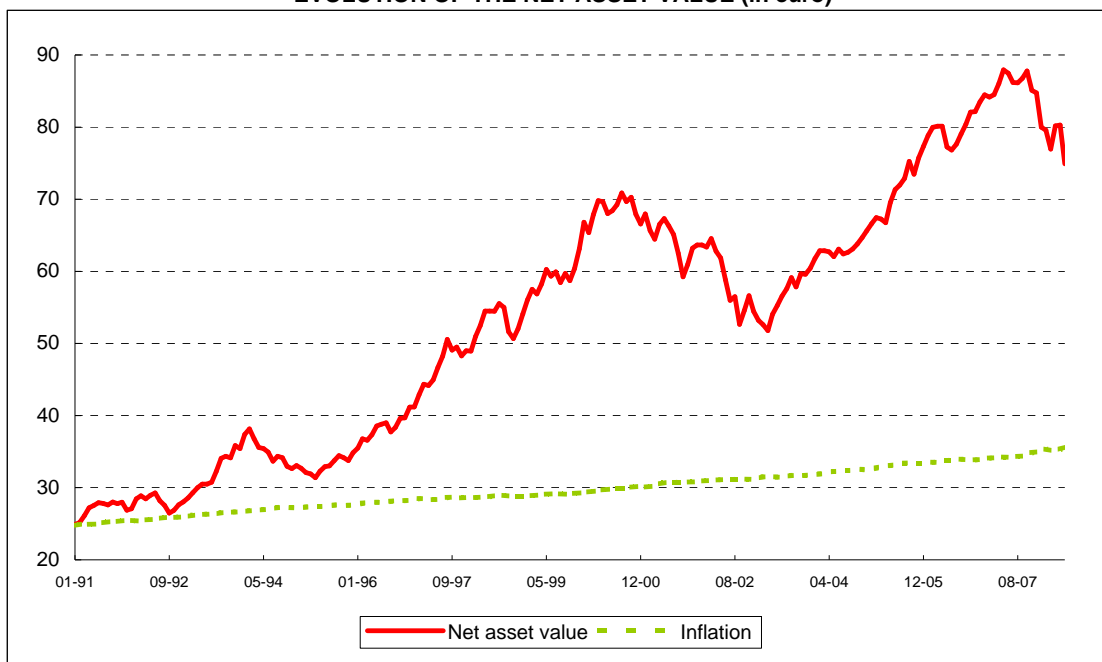
*Benoît Dehem*

## 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%

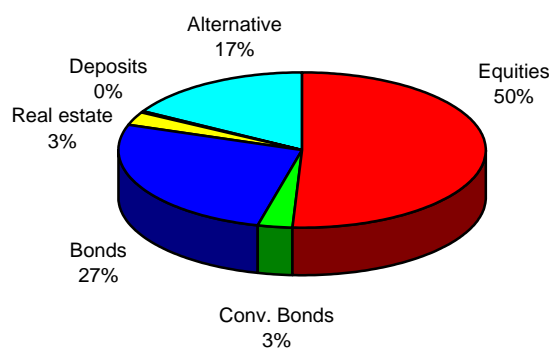
### EVOLUTION OF THE NET ASSET VALUE (in euro)



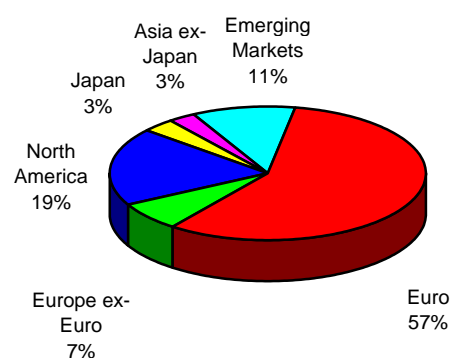
# STRUCTURE OF THE PORTFOLIO AS AT 30 JUNE 2008

## GLOBAL PORTFOLIO

### Asset allocation

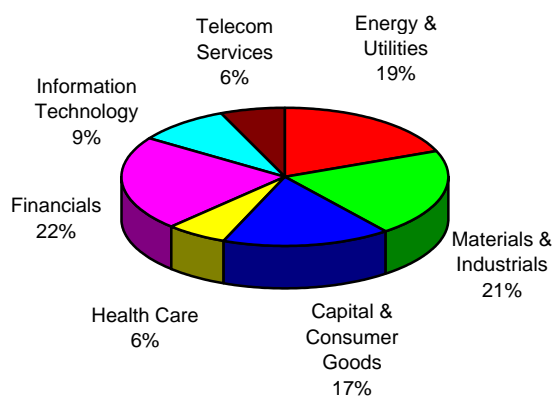


### Geographical breakdown

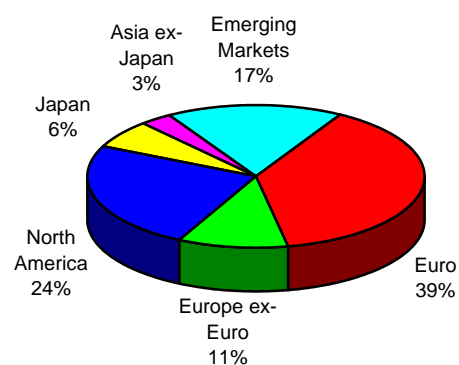


## EQUITIES

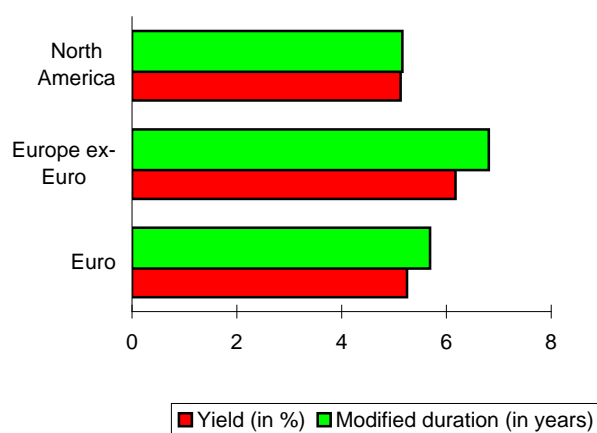
### Sectorial breakdown



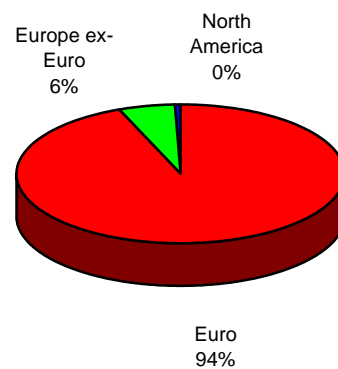
### Geographical breakdown



## BONDS



### Geographical breakdown



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

## BONDS, ALTERNATIVE, CASH

Convertibles Bonds	% Total
TREETOP Convertible Intern	1.78
TREETOP Convertible Pacific	1.09
<b>Total</b>	<b>2.88</b>
Alternative	% Total
D Global Int Flexible	7.98
D Equ World Flexible	4.77
D Alt FOHF Low volatility	1.92
Phaunos Timber Fund Ltd	1.02
DGC Euroarbitrage Ltd	0.54
Reliance Multi-Advisor Fnd-D-usd	0.35
AIMS Low Volatility-usd	0.21
<b>Total</b>	<b>16.79</b>
<b>Total convert. and alternative</b>	
	<b>19.67</b>

Bonds	% Total
EIB 15/02/28, 5.625%	2.16
RFF 12/10/2020, 6%	1.66
D Bonds Corporate Eur	1.56
CFF 23/02/15, 6.125%	1.30
CNA 24/03/13, 5.85%	0.92
KFW 22/01/18, 5.5%	0.90
OATi 25/07/29, 3.4 %	0.89
BTP 01/11/09, 4.25%	0.76
OLO 44 28/03/35, 5%	0.74
CNA 19/05/14, 4.325%	0.73
RFF 17/03/2014, 4.625%	0.71
Iboxx 100 FRN 22/06/09	0.67
Corealcredit Bk 20/01/14, 4.25%	0.63
BBV Argentaria 27/09/10, 5.75%	0.62
BTP I/L 15/09/14, 2.15%	0.60
KFW 17/06/13, 5.125%	0.58
E.On 29/05/09, 5.75%	0.58
AHB 12/01/09, 4%	0.55
Finland 23/02/2011, 5.75%	0.52
Caja de Madrid 15/01/10, 5.5%	0.51
Portugal 20/05/10, 5.85%	0.51
Portugal 16/10/17, 4.35%	0.49
Banco Santander 04/05/27, 4.625%	0.45
OLO 28/09/14, 4.25%	0.45
Sigma Fin capital notes 30/04/14	0.43
BBV Argentaria 24/01/21, 3.5%	0.42
OLO 31 28/03/28, 5.5%	0.39
Future Bund	-0.15
Others	4.35
<b>Euro</b>	<b>24.93</b>
Nykredit 01/10/38, 5%	0.62
Nykredit 1/10/25, 4%	0.60
Nykredit 01/10/35, 5%	0.28
<b>Denmark</b>	<b>1.50</b>
Delhaize America 15/04/31, 9%	0.07
IADB 18/11/08, 5.375%	0.06
Future Long Bond 20y	-0.02
<b>U.S.A.</b>	<b>0.12</b>
<b>Total Bonds</b>	<b>26.55</b>

Cash	% Total
<b>Euro</b>	-2.16
<b>USD</b>	0.95
<b>GBP</b>	0.12
<b>Yen</b>	0.04
<b>Others</b>	1.14
<b>Total Cash</b>	<b>0.09</b>

<b>Total bonds and cash</b>	<b>26.64</b>
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