

Profile

Orange European Smallcap Fund N.V. (OESF) aims to generate strong long-term investment results by investing in a concentrated portfolio of small European companies. The fund is managed on the basis of a bottom-up stock picking strategy that focuses on the identification of high quality companies and special situations. High quality companies have a proven and sustainable competitive advantage that has translated in strong returns on invested capital, while special situations include companies that will benefit from restructuring, new management, new regulation or a cyclical recovery. The fund manager believes that consistent investment results can be achieved using its investment philosophy that focuses on earnings as a key driver of stock prices in the long run, and change within a company as a catalyst. The fund only invests when risk and reward are asymmetrically related.

Performance ¹



Performance ²	month	3 month	YTD	2008	2007	2006	1 year	3 year ³	5 year ³	since start ³
Fund (net)	5.3%	27.2%	23.2%	-51.8%	0.8%	34.8%	-35.5%	-10.4%	4.5%	7.7%
Index (net)	7.0%	33.6%	22.4%	-52.0%	-6.5%	30.4%	-34.4%	-13.6%	1.8%	2.4%
Fund (gross) ⁴	-	-	-	-50.9%	1.8%	36.2%	-	-	-	-

¹ indexed value

² based on net asset value

³ on an annual basis

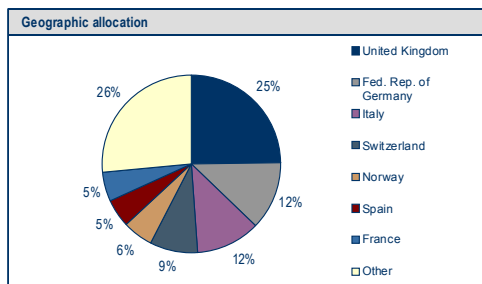
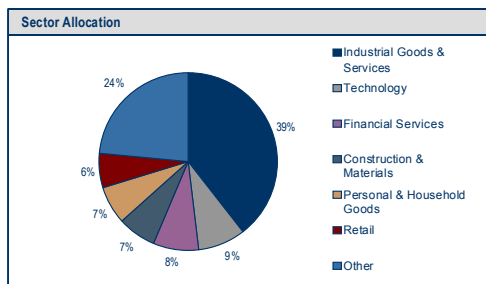
⁴ the gross performance of the fund is based upon calculations using the Global Investment Performance Standards (GIPS), the worldwide accepted standard for the presentation of historic performance.

Performance Review

Fund NAV recorded an increase of 5.3% during May. The market continued to rebound as appetite for risk improved. The rally started to broaden out beyond higher risk and financially distressed companies lending support that the rally is more than a bear-market rally. Market reaction to companies undertaking equity fundraisings has generally been positive which is encouraging. Economic newsflow has generally been less gloomy than expected with signs that Government intervention is having the desired effect with lead indications becoming more positive.

Large detractors from performance came mostly from the UK with Dunelm the fund's largest position leading the charge (but still 83% for the year thus far) and followed by other UK names including WS Atkins, Michael Page and Bellway. On the positive side, Trevi added the most value alongside other oil sensitive stocks such as John Wood Group and Tecnicas Reunidas. In absolute terms, the best

Top 5 holdings by contribution			Bottom 5 holdings by contribution		
	perf.	contr.		perf.	contr.
Trevi Finanziaria Eur0,50	14.9%	0.7%	Dunelm Group Plc Ord 1P (Wi)	-10.2%	-0.7%
Imm Grande	28.7%	0.5%	Atkins Ws Ord 0,05P	-14.0%	-0.3%
Wood Group (John) Ord 3,333P	22.1%	0.5%	Bellway Ord 12,5P	-10.1%	-0.2%
Tecnicas Reunidas Ord Eur0,10	15.2%	0.5%	Neopost Eur1	-9.9%	-0.2%
Partners Group Hdlg Chf0,01 (Regd)	12.6%	0.4%	Michael Page Intl Ord 1P	-3.5%	-0.1%



KEY FIGURES

as at 31 May 2009

NAV per share: €17.01

Share Price: €17.06

No. of shares: 9.8mln

Fund Size: €166.2mln

No. of holdings: 41

Last Dividend: € 0.65

Date Last Dividend: January 2009

Total Expense Ratio: Oct'07-Sep'08 1.8%

Turnover: Oct'07-Sep'08 34%

As of the book year 2003/2004 the turnover ratio of investments is calculated in accordance with the calculation method published in October 2004 by the Netherlands Authority for the Financial Markets. This method takes into account both the purchase and the sale in case of a switch in the portfolio.

Index:

HSBC Smaller European Companies Index with the UK component reduced by half

Launch Date: October 1997

Status: (semi) open-ended

Base currency: Euro

Asset Class:

Equity 93% / Real estate 2% /

Liquidity 4%

Euro valuta exposure: 51%

Director: Kempen Capital Management N.V.

Investment adviser:

Kempen Capital Management (UK) Ltd.

ISIN: NL000288504

Reuters: OREU.AS

Share transactions:

The fund is listed on Euronext Amsterdam. The fund will in principle issue or redeem shares on each business day, plus a premium of 0.3% in case of a net subscription and minus a discount of 0.3% in case of a net redemption.

performing stock was Greek non-food retailer Sprider stores which jumped over 50% on the month on slightly better first quarter numbers and thanks to a strong Greek equity market. On the downside, WS Atkins fell 14% on worries of weak overseas demand for its services within the context of a weak UK market.

Fund Characteristics	fund	index
2 year earnings growth	-4 %	7 %
Dividend yield	3.9 %	2.7 %
Price/earning ratio	8.9	10.1
No. of holdings	41	1388
Weighted average market cap. (x mln €)	1199	896.2

Risk Analysis (ex post)	3 year	since start
Maximum drawdown	-59.7 %	-59.8 %
Tracking error	6.2 %	9.7 %
Information ratio	0.5	0.6
Beta	1.0	1.1

Top 10 holdings	weight
Dunelm Group	6.1%
Trevi Finanziaria	5.3%
Tandberg	3.7%
Michael Page	3.6%
Tecnicas Reunidas	3.6%
Partners Group	3.4%
Dignity	3.4%
Amec	3.3%
Prysmian	3.1%
DSV	3.0%
Total	38.6%
Calculated excluding cash	

Investment Policy

The spread between best/worst performing sectors was nearer to March's 30% than April's 50% with the steel sector 25% and furniture and apparel -4%. Within the portfolio nearly 40% of assets produced a double digit return and that would normally have been a precursor to good relative performance. On the downside however the fund remains overweight in UK equities and the UK market was considerably the most sluggish market this month. The UK market rose 3.4% compared to a best from Ireland of 31.7% and a benchmark return of 7.0% with the UK representing 17% of the benchmark.

Trading in May was relatively active with the main focus being a reduction in weightings of defensive names in favour of existing more cyclically exposed investments. One new holding was added to the portfolio, PZ Cussons which is a UK manufacturer of soaps, detergents and cosmetics. No holdings were sold so the portfolio now contains 41 investments.

We have now had a 40% plus bounce since the low point in early March, whereas recent economic data and the first quarter corporate results season were decidedly weak. At this point, it appears that most companies still anticipate tougher times ahead and are planning accordingly. To our way of thinking this is positive, as companies should emerge from this recession leaner, meaner and better equipped to take advantage of whatever opportunities arise going forward.

It is probable that the number of special situations in the portfolio increases from current levels (around 10% of assets) but this shall

depend on the outcome of our analysis and not a knee-jerk response to the "dash for trash".

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The value of your investments may fluctuate. Past performance provides no guarantee for the future.

The realised performances are influenced by incurred (transaction) costs. Any investment in investment funds always entails a financial risk. Most investment funds are designed for medium to long-term investments. By investing in an investment fund you may realise capital gains, but you can also incur a loss. This publication contains an outline description of the investment fund, and does not offer a sufficient basis for an investment decision. Investors are advised to read the prospectus and the financial information leaflet and seek advice from an investment adviser before making any investment decisions.

