



Investment manager's comments

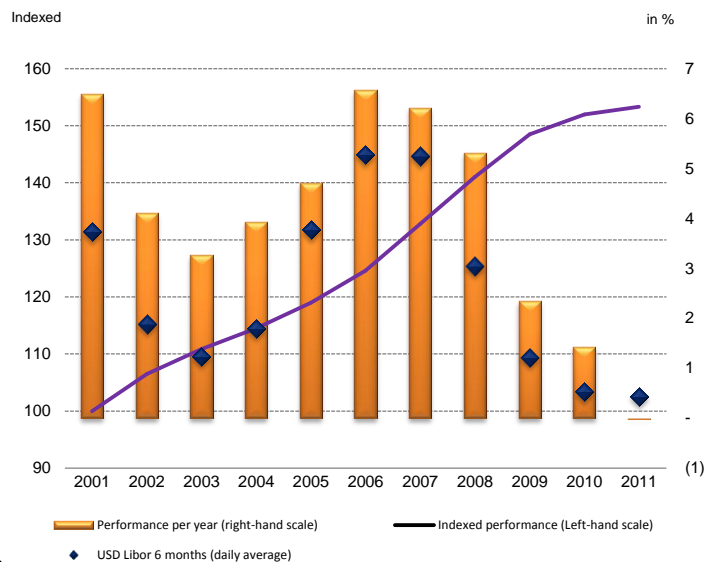
Demand for financing remains steady as MFIs continue to expand at a moderate pace, and median portfolio growth rates are currently in the 25-30% range. Importantly, portfolio quality in most regions is stable, with PAR30 delinquencies in the 2-3% range on average. A notable exception to this is in India, where the sector remains under stress and PAR30 figures continue to increase. In Bosnia and Nicaragua, on the other hand, countries that have been suffering from local microfinance crises in the past couple of years, the situation has stabilized.

The fund remains nearly fully invested, and the portfolio currently includes microfinance investments in 112 different MFIs located in 45 countries. Performance was flat this month as additional reserves were taken against Indian MFIs operating in the state of Andhra Pradesh and also a small Mexican MFI. These higher reserves were partially offset by recoveries received on a previously provisioned position. For the Indian MFIs, uncertainty still surrounds the Corporate Debt Restructuring and portfolio quality has been worsening slightly as well. We expect to get more clarity on the restructuring in the coming weeks.

Summary portfolio details

Net Asset Value (NAV)	USD	504'406'840
Total Assets	USD	504'406'840
Microfinance loan portfolio	USD	423'884'229
Average loan size	USD	2'381'372
Portfolio average life (in months)		18.11
Number of countries		45
Number of MFIs		112
Number of loans outstanding		178
Total new disbursements	USD	4'044'818
Number of loans disbursed		3
Total disbursement since inception	USD	1'096'892'130
Number of loans disbursed since inception		761

Performance chart - USD share class



Performance data

	USD	EUR	CHF
NAV	171'020'719	166'405'310	74'654'959
Share value	17'166.94	13'225.21	12'276.97
Monthly return (28 days)	0.02%	0.08%	-0.02%
Return on investment year-to-date	0.02%	0.26%	-0.20%
Last 12 months	0.93%	1.21%	0.50%
Last 3 years (annualized) *	1.97%	2.00%	1.36%
Last 5 years (annualized) *	3.60%	3.28%	2.15%
Since inception (total return)	71.67%	32.25%	22.77%
Inception date	September 1998	April 2003	December 2001

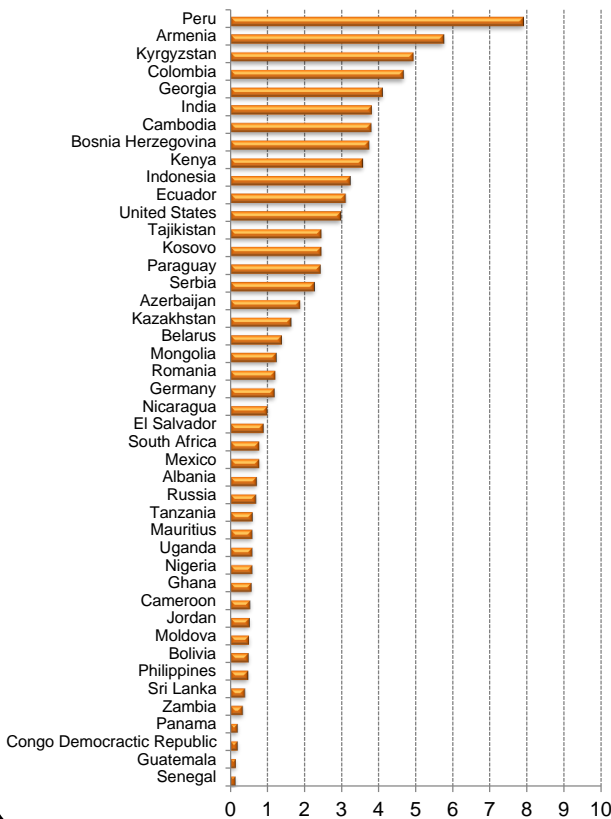
Social performance indicators

Total # of microentrepreneurs by MFIs in the portfolio	16'223'849
# of microentrepreneurs reached by funding provided by DMCF	453'452
% of rural clients*	44%
% of female clients*	58%
Average loan outstanding in USD	2'453.00

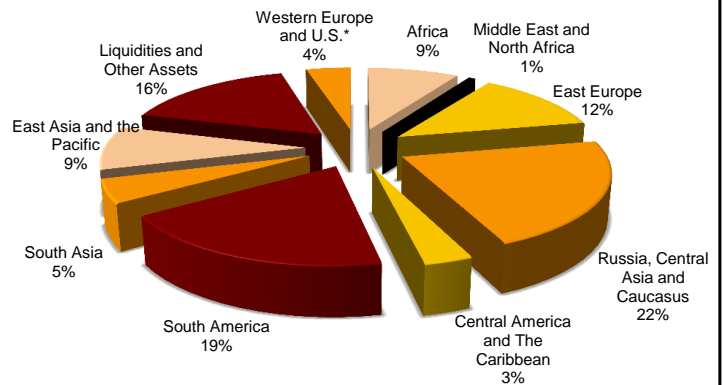
*Data as of 31 December 2010



Exposure by country (in % NAV)



Exposure by country (as % of Total Assets)



*Loans to microfinance networks for the purpose of on-lending to regional affiliates and liquidity management.

Data are net of provisions

Five largest outstanding positions (as % of NAV)

MIBANCO	Peru	4.07%
PROCREDIT BANK GEORGIE	Georgia	2.97%
Inecobank	Armenia	2.97%
BTPN	Indonesia	2.94%
EQUITY BANK	Kenya	2.58%

Fund description, facts and information

Structure :	Luxembourg SICAV, part II
Inception date :	September-98
Registration :	Luxembourg
Investment Managers :	BlueOrchard Finance S.A. www.blueorchard.com Dexia Asset Management www.dexia-am.com
Custodian Bank:	RBC Dexia
Sponsor Bank/ Distributor:	Dexia BIL
ISIN Number:	USD share class – LU0091117944 CHF share class – LU0136928586 EUR share class – LU0164081316

Valuation Dates:	1st Wed. of each month
Subscriptions:	Monthly (with 1 day's notice) effective the 1st Wed + 3 BD
Issuing Fees:	0-4%
Redemptions:	Monthly, with 30 days notice, effective the 1st Wed + 3 BD
Income:	Reinvested
Total Expense Ratio:	approx. 1.8%
Minimum subscriptions:	USD 10,000 CHF 15,000 EUR 10,000

For additional information, please contact:

At BlueOrchard Finance S.A.:	Heide Jimenez Davila, heidejimenezdavila@blueorchard.com
At RBC Dexia Investor Services:	David Rossi, Client Service Manager, David.Rossi@rbcdexia-is.net

Fund description

The Dexia Micro Credit Fund (DMCF) invests in debt instruments of up to 3 years in maturity issued by microfinance institutions (MFIs) located in Africa, Asia, Eastern and Central Europe and Latin America. The MFIs provide small loans and other financial services to microentrepreneurs who lack access to traditional banking services. With the capital provided by these loans, microentrepreneurs are able to develop and grow productive businesses and improve their families' standard of living. Thus, the DMCF seeks to achieve an attractive return for investors while providing important social impacts, including poverty alleviation, empowerment of the working poor and the strengthening of inclusive financial systems. The target annual return of the fund is 6-month Libor plus 1-2%.