



### Investment manager comments

Demand from microfinance institutions (MFIs) continues to be robust, and the Dexia Micro Credit Fund was fully invested at the end of Q2, with 90% of NAV invested in microfinance. As seen in the MFI indicators at the end of this report, median annual growth rates for MFIs in the fund has been steadily increasing, and portfolio quality is high, with median PAR30 now just slightly more than 2%. For the quarter as a whole, new loans were made to 26 MFIs in 17 different countries. Six of these MFIs were new borrowers to the fund, and three new countries were added over the 3-month period: Democratic Republic of the Congo, Panama and Senegal, boosting the fund's geographical diversity and enhancing the fund's outreach in underserved markets. Performance in the DMCF was hurt this quarter by provisions, taken principally against Indian exposures. While this resulted in the first negative quarterly performance of the fund since its inception, the last 12-month performance remains positive. As reported in previous updates, the microfinance sector in India was badly damaged by an ordinance passed last fall in the state of Andhra Pradesh which severely impacted the operations of MFIs in the state, resulting in significant delinquencies and a virtual halt to new lending. A corporate debt restructuring is to be finalized between Indian MFIs operating in Andhra Pradesh and their main lenders in the coming months which will likely include some debt conversions and a lengthening of maturities. As a result of the significant decline in portfolio quality and the likelihood of a debt restructuring, DMCF took provisions against its outstanding exposure to MFIs operating in the state. Upcoming developments include the finalization of the debt restructuring as well as Parliament's review of the draft Micro Finance Institutions Development and Regulation. If approved in its current form, the Bill would confirm the Reserve Bank of India's oversight of the microfinance market essentially nullifying the Andhra Pradesh Ordinance.

### Quarter-end snapshot

Total Net Asset Value (NAV)	USD	503'549'106
Share class NAV	USD	171'996'792
Net subscriptions/redemptions for quarter		
All share classes	USD	-30'892'030
USD share class	USD	-7'036'170
Net disbursements to microfinance institutions (MFIs) for quarter		
	USD	-21'699'434
Return for the quarter		-0.55%
Return year-to-date (YTD)		0.00%
Return last 12 months		1.04%

### Performance vs. benchmark



### Performance details - history

#### 12-month rolling returns (USD share class)\*

Year	Q1	Q2	Q3	Q4
2003	3.94	3.86	3.22	3.26
2004	3.29	3.55	3.83	3.95
2005	4.05	4.42	4.56	4.70
2006	5.39	5.73	6.11	6.56
2007	6.41	6.30	6.34	6.21
2008	6.25	5.81	5.32	5.31
2009	4.70	4.38	3.61	2.33
2010	1.79	0.96	1.04	1.43
2011	1.61	1.04		

#### Spread over 6 month Libor (daily average for prior 12 months)

Year	Q1	Q2	Q3	Q4
2003	2.26	2.41	1.92	2.04
2004	2.09	2.27	2.34	2.14
2005	1.73	1.61	1.26	0.88
2006	1.09	0.98	1.01	1.29
2007	1.03	0.92	1.00	1.00
2008	1.61	1.81	1.78	2.25
2009	2.00	2.07	1.91	1.22
2010	1.00	0.37	0.51	0.90
2011	1.08	0.57		

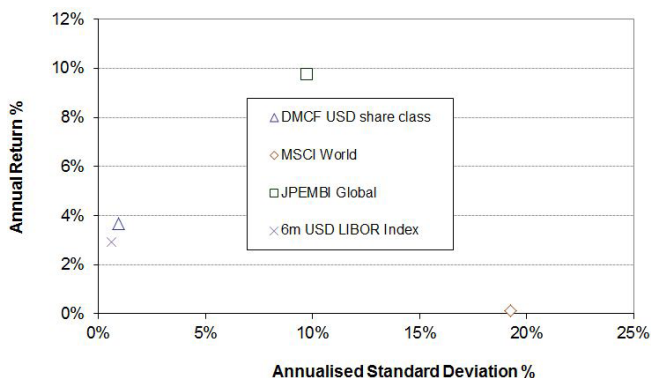
### Fund statistics (last 5 years)

Average annualized return	3.31%
Average quarterly return	0.82%
Average monthly return	0.27%
Best month	0.56%
Worst month	-1.03%

Standard Deviation	0.86%
Sharpe Ratio*	0.81

\*calculated using a risk free rate of 2.5%

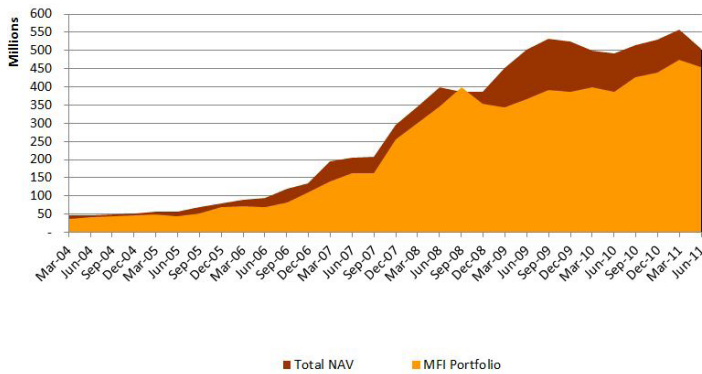
Correlation with :	
MSCI World	-0.11
JP EMBI Global	-0.08
6-month USD Libor Index	0.69





**Portfolio evolution during past quarter**

**MFI portfolio and NAV growth, by quarter**



<b>Current MFI portfolio</b>	USD	452'105'302
<b>New disbursements this quarter</b>		
Value	USD	42'843'647
Number		26
<b>New disbursements in whole year</b>		
Value	USD	122'766'649
Number		52
Repayments this quarter	USD	64'543'081
Repayments whole year	USD	98'806'812

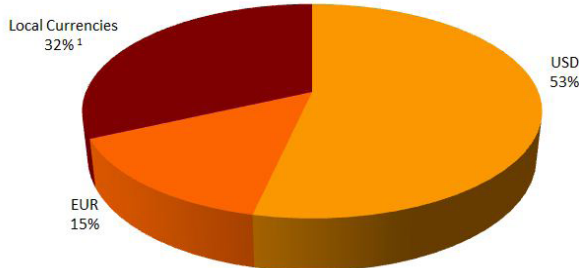
**Current portfolio characteristics**

Weighted average spread over Libor of MFI portfolio: 4.48%

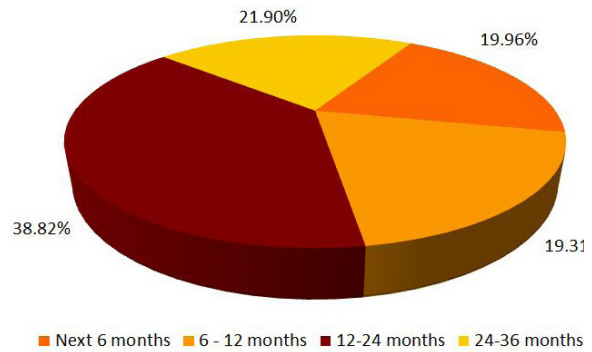
**% of loan portfolio in loans to MFIs which are repeat borrowers from DMCF**

by # of MFIs	51.75%
by volume of loans outstanding	55.32%

**Currency composition of loans to MFIs\***



**Outstanding maturity breakdown of loans to MFIs**



<sup>1</sup> Loans in 18 local currencies are included in the portfolio, including the Peruvian sol (10%); Colombian peso (6%); Indonesian rupiah (4%); Armenian dram (2%); Kazakh tenge (2%); Azeri manat (1%); West African CFA (1%); Russian rouble (1%); Philippine peso (1%), and others.

\*All local currency loans are hedged and investors do not take on foreign exchange risk

**MFI portfolio - summary statistics**

**Financial indicators\***

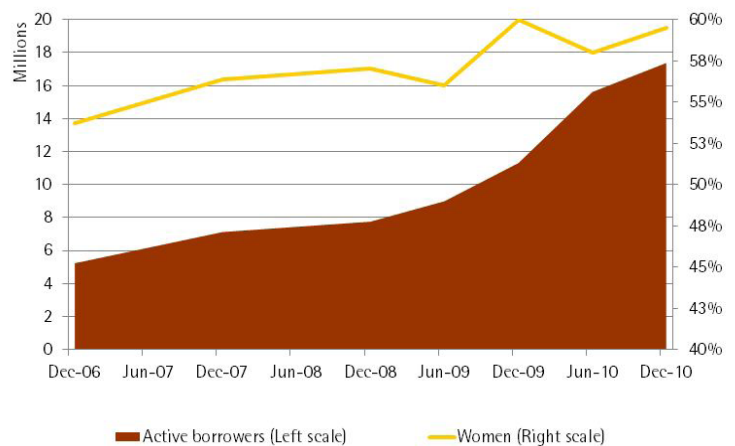
Asset growth (last 12 months)	24.51%
Portfolio growth (last 12 months)	28.62%
Return on assets (ROA) (last 12 months)	2.41%
Return on equity (ROE) (last 12 months)	15.18%

Portfolio at risk (PAR) 30	2.10%
Write-offs (YTD)	0.15%
Debt/ equity ratio	3.26x
Portfolio yield	28.48%

**Social performance indicators\*\***

Average outstanding loan size	USD	2'407
% women/% men***		59%/41%
% rural		42%
% individual		78%
% group		22%

**Number of active borrowers reached by MFIs in the DMCF**



\*Data presented are medians across MFIs in the portfolio for period ending 31 May 2011. \*\*Data presented are simple averages across MFIs in the portfolio for period ending 31 December 2010.

\*\*\* Excludes clients classified as "legal entities".