



**Investment manager's comments**

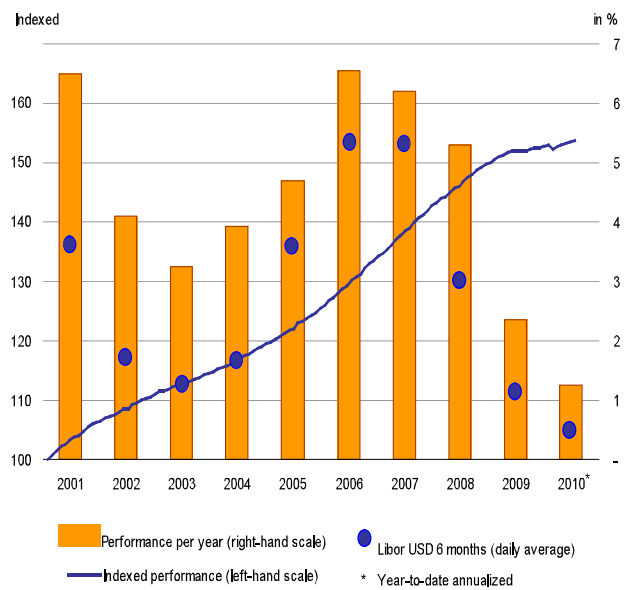
Placement activity continues to be strong in the Dexia MicroCredit Fund and more than USD 20mm in new loans were extended during the month of October. Funding was provided to five MFIs located in a highly diverse group of countries including Serbia, Nigeria, Nicaragua, Paraguay and, adding a new country exposure to the fund, Ghana. While the micro-finance sector in Nicaragua still faces considerable difficulties, we feel that some specific institutions in the country have the managerial and operational strength to successfully see them through this very challenging period, and we therefore continue to support them through prudent lending and close ongoing monitoring. The fund's investment level was mostly unchanged over last month at 82% as large amortizations offset new lending activity, and performance in all share classes was stable

**Summary Portfolio details**

Net Asset Value (NAV)*	USD	517'934'730.26
Total Assets	USD	517'934'730.26
Microfinance loan portfolio	USD	422'958'003.65
Average loan size	USD	2'627'068.35
Portfolio average life (in months)		16.38
Number of countries		38
Number of MFIs		97
Number of loans outstanding		161
Total new disbursements	USD	20'579'500.00
Number of loans disbursed		5
Total disbursements since inception	USD	943'140'819.88
Number of loans disbursed since inception		696

\* Please note that the calculation of Total Assets has been changed to equal NAV plus borrowings from the credit line, in contrast to the previous definition which included outstanding net foreign exchange forwards.

**Performance chart - USD share class**



**Performance data**

	USD	EUR	CHF
NAV	176'212'983.38	203'252'313.60	55'423'742.44
Share Value	17'097.15	13'134.84	12'266.74
Monthly return (28 days)	0.16%	0.16%	0.13%
Return on investment year-to-date	1.04%	0.91%	0.72%
Last 12 months	1.16%	1.03%	0.77%
Last 3 years (annualized)*	3.18%	3.33%	2.35%
Last 5 years (annualized)*	4.44%	3.80%	2.49%
Since inception (total return)	70.97%	31.35%	22.67%
Inception date	September 1998	April 2003	December 2001

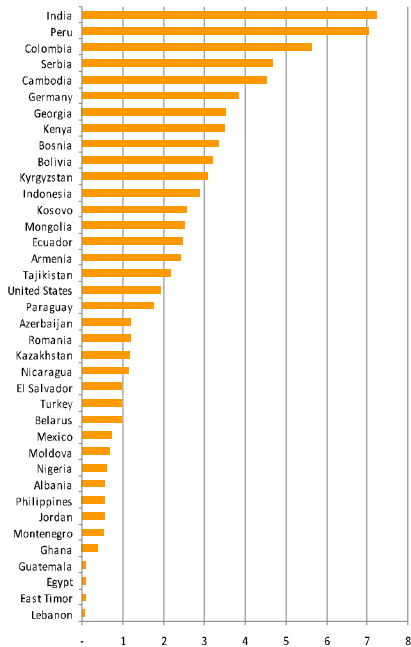
\*Calculation takes into account compounding effect.

**Social performance indicators**

Total # of microentrepreneurs reached by MFIs in the portfolio	16'694'667
# of microentrepreneurs reached by funding provided by DMCF	572'377
% of rural clients*	45%
% of female clients*	53%
Average loan outstanding in USD	1'810.06

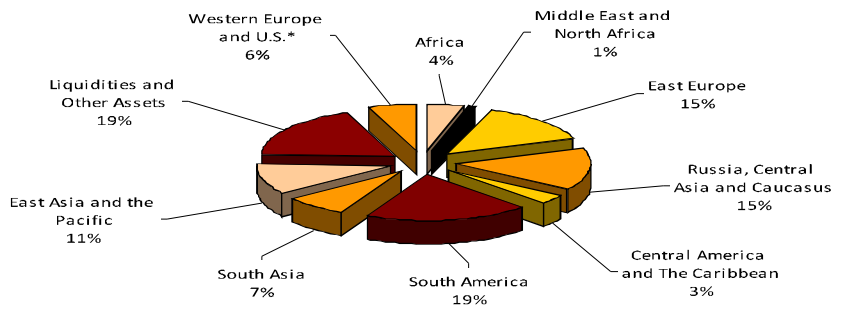


**Exposure by country (in % of NAV)**



\* Data is net of provisions

**Exposure by region (as % of total assets)**



\* Loans to microfinance networks for the purpose of on-lending to regional affiliates and liquidity management  
\*\* Data is net of provisions

**Five largest outstanding positions (as % of NAV)**

PROCREDIT BANK SERBIA	Serbia	4.64%
MIBANCO	Peru	3.97%
PROCREDIT HOLDING	Germany	3.83%*
WWB - BUCARAMANGA	Colombia	3.11%
SPANDANA	India	2.90%

\* additional information can be provided upon request

**Fund description, facts and information**



Structure: Luxemburg SICAV, part II  
 Inception date: September 1998  
 Registration: Luxemburg  
 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: 1<sup>st</sup> Wed. of each month  
 Subscriptions: Monthly (with 1 day's notice) effective the 1st Wed + 3 business days of each month  
 Issuing Fees: 0-4%  
 Redemptions: Monthly, with 30 days notice, effective the 1st Wed + 3 business days of each month  
 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.: Vincent Oswald, Investor Relations, vincent.oswald@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, micro-entrepreneurs 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%.