



Investment manager's comments

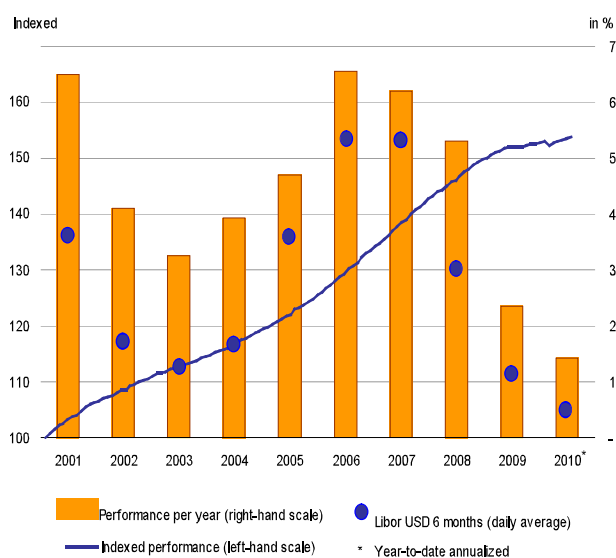
The Dexia Micro-Credit Fund ended the year 2010 on a strong note: December saw more than USD 35mm of new loans placed to 16 MFIs in countries as diverse as Peru, Belarus, Uganda, Tanzania and Cambodia. The investment level of the fund reached 83%, with total NAV just shy of its historical high, at USD 528mm; and the number of MFIs financed by the fund reached an all-time high of 106. We also expanded our currency coverage to two new local currencies in Africa (the Tanzanian and Ugandan shillings) bringing to 14 the number of local currencies hedged in the fund. The total volume of loans placed by the DMCF since its inception now exceeds an impressive USD 1 billion, demonstrating the fund's important contribution in helping finance micro-businesses around the globe. While provisions early in the year reduced the fund's 2010 performance to just below our target, at approximately L+90bps in the USD share class, annualized performance in the second half of the year was in line with the targeted L + 100-200 bps.

Market conditions in most regions continue to improve, as shown by the high level of demand for credit by MFIs, and we expect this trend to continue well into 2011. The fund's exposure to India declined in December as two MFIs repaid loans coming due. The situation in Andhra Pradesh (described in last month's update) continues to be quite uncertain, however, and we are monitoring developments closely. We remain available for any questions that investors may have, and wish you all a very Happy New Year.

Summary Portfolio details

Net Asset Value (NAV)	USD	528'477'634.32
Total Assets	USD	528'477'634.32
Microfinance loan portfolio	USD	438'768'788.24
Average loan size	USD	2'480'623.81
Portfolio average life (in months)		17.74
Number of countries		39
Number of MFIs		106
Number of loans outstanding		177
Total new disbursements	USD	35'344'578.90
Number of loans disbursed		16
Total disbursements since inception	USD	1'011'465'697.80
Number of loans disbursed since inception		723

Performance chart - USD share class



Performance data

	USD	EUR	CHF
NAV	177'394'118.73	213'333'583.92	63'472'816.06
Share Value	17'162.94	13'190.72	12'305.68
Monthly return (35 days)	0.22%	0.22%	0.18%
Return on investment year-to-date	1.43%	1.34%	1.04%
Last 12 months	1.43%	1.34%	1.04%
Last 3 years (annualized)*	3.00%	3.13%	2.31%
Last 5 years (annualized)*	4.34%	3.71%	2.49%
Since inception (total return)	71.63%	31.91%	23.06%
Inception date	September 1998	April 2003	December 2001

*Calculation takes into account compounding effect.

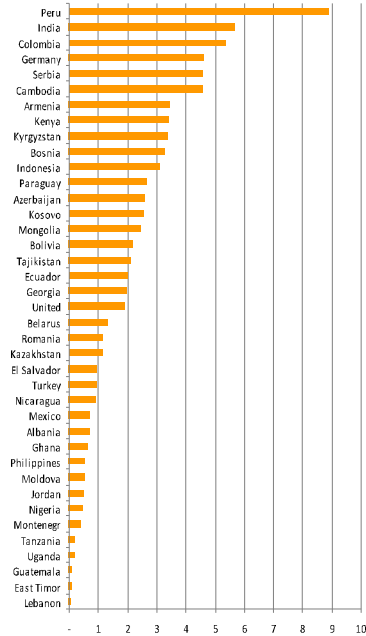
Social performance indicators

Total # of microentrepreneurs reached by MFIs in the portfolio	17'458'565
# of microentrepreneurs reached by funding provided by DMCF	536'841
% of rural clients*	46%
% of female clients*	59%
Average loan outstanding in USD	1'920.27

*Data as of 30 June 2010

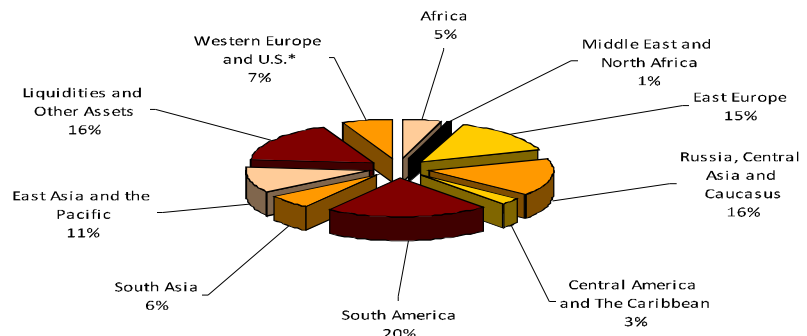


Exposure by country (in % of NAV)



* 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 HOLDING	Germany	4.59%*
PROCREDIT BANK SERBIA	Serbia	4.55%
MIBANCO	Peru	3.89%
WWB - BUCARAMANGA	Colombia	3.05%
SPANDANA	India	2.84%

* Additional information can be provided upon request

Fund description, facts and information



Structure: Luxembourg SICAV, part II
 Inception date: September 1998
 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 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.: Jean-Pierre Klumpp, CEO, Jean-Pierre.Klumpp@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%.