



Investment manager's comments

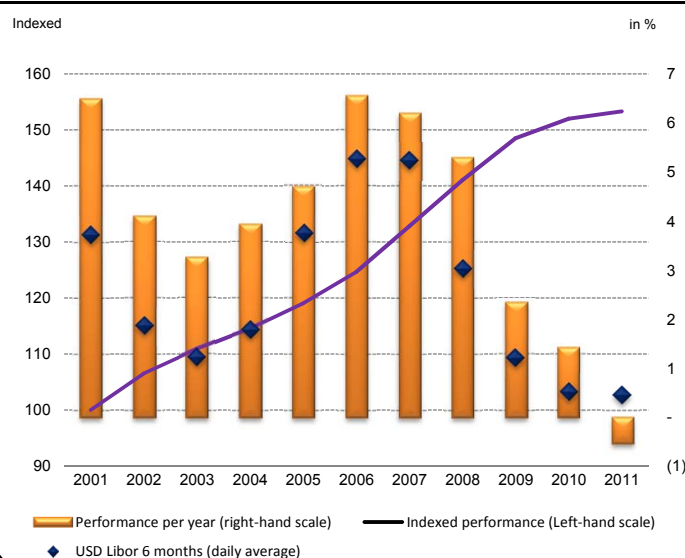
Performance in the DMCF was impacted this month by provisioning principally against exposures to Indian MFIs operating in the state of Andhra Pradesh (AP). As noted in previous monthly updates, the microfinance sector in AP has been in a state of crisis since the issuance of an ordinance in October 2010 by the state government that significantly impacted the operations of MFIs. Delinquency levels on loans to the MFIs' borrowers has risen substantially and the disruption to operations has led banks to stop virtually all lending to the sector. A comprehensive debt restructuring plan is to be agreed between MFIs operating in the state with their lenders by early June. Given this backdrop and the continued uncertainty, we felt it necessary to take provisions against these positions. However, we continue to consider India as an important market for the microfinance industry and have very positively received the Reserve Bank of India (RBI)'s recent re-affirmation of priority sector status for loans to microfinance institutions.

The above referred to provisions are the main factor for the current negative year-to-date performance. We nonetheless continue to target a positive fiscal year (July 2010 – June 2011) performance in excess of Libor. Elsewhere in the portfolio, placement activity has been strong and investment levels remain in the mid-80s. The fund's first exposure to Zambia was added to the portfolio this month, bringing the number of countries in the portfolio to 41, and the number of MFIs to 109, historical highs on both counts. We continue to see strong demand from MFIs in most regions, and are pleased to have the currency hedging capacity in place to lend to a broad diversity of countries.

Summary portfolio details

Net Asset Value (NAV)	USD	550'036'827
Total Assets	USD	550'036'827
Microfinance loan portfolio	USD	463'244'094
Average loan size	USD	2'477'241
Portfolio average life (in months)		18.36
Number of countries		44
Number of MFIs		115
Number of loans outstanding		187
Total new disbursements	USD	17'952'624
Number of loans disbursed		8
Total disbursement since inception	USD	1'090'712'924
Number of loans disbursed since inception		750

Performance chart - USD share class



Performance data

	USD	EUR	CHF
NAV	178'218'639	196'812'889	68'610'057
Share value	17'069.66	13'134.34	12'221.48
Monthly return (28 days)	-1.09%	-1.03%	-1.09%
Return on investment year-to-date	-0.54%	-0.43%	-0.65%
Last 12 months	0.39%	0.42%	-0.16%
Last 3 years (annualized) *	2.18%	2.30%	1.58%
Last 5 years (annualized) *	3.81%	3.35%	2.19%
Since inception (total return)	70.70%	31.34%	22.21%
Inception date	September 1998	April 2003	December 2001

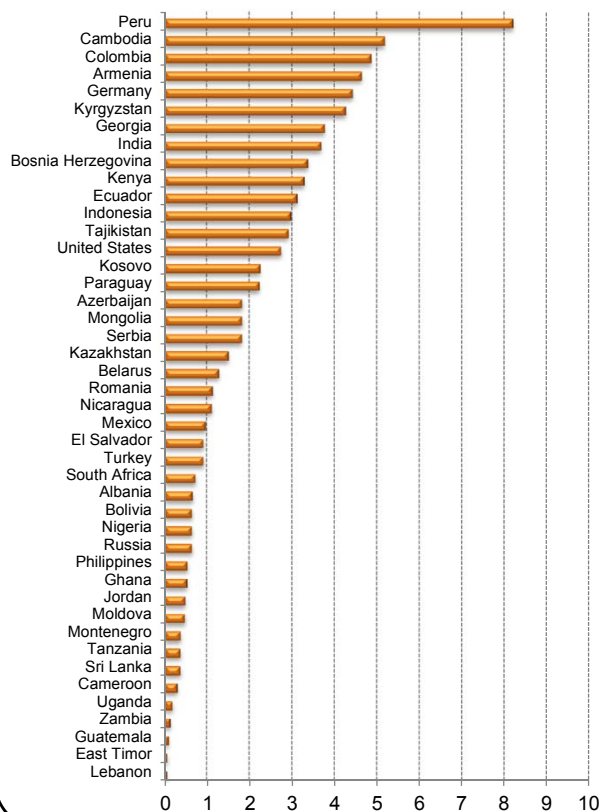
Social performance indicators

Total # of microentrepreneurs by MFIs in the portfolio	17'483'266
# of microentrepreneurs reached by funding provided by DMCF	519'945
% of rural clients*	44%
% of female clients*	58%
Average loan outstanding in USD	2'288.05

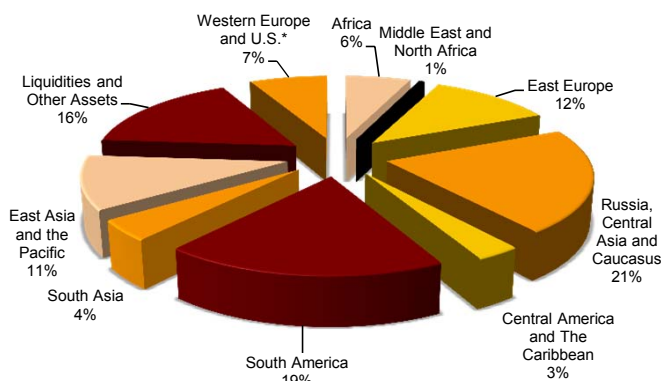
*Data as of 31 December 2010



Exposure by country (in % NAV)



Exposure by country (in % NAV)



*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)

ProCredit Holding	Germany	4.41% *
MIBANCO	Peru	3.73%
PROCREDIT BANK GEORGIE	Georgia	2.73%
BTPN	Indonesia	2.69%
WWB - POPAYAN	Colombia	2.63%

*Additional information can be provided upon request

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)
 effectively 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:

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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%.