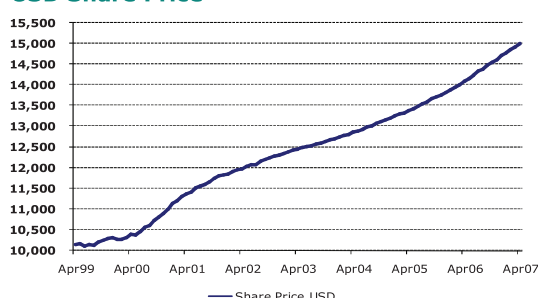
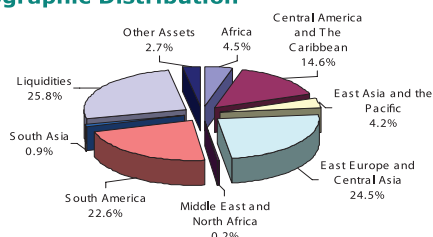


MICROFINANCE/ SOCIALLY RESPONSIBLE INVESTING

USD Share Price



Geographic Distribution



Funds performance since inception and portfolio's geographic distribution
Source: BlueOrchard Finance

DEXIA MICRO CREDIT FUND (BLUEORCHARD)

Focus: • A commercial investment fund designed to refinance microfinance institutions specialised in financial services to small companies in emerging markets; targets returns of US 6 month LIBOR +/- 1-2%

• BlueOrchard specialises in selectin microfinance institutions via its well established network of contacts in socio- economic, developmental and promoting organisations

• BlueOrchard's evaluation serves as a basis for the investment decisions taken by Dextra's financing committee

It is active in 25 developing countries in Latin America, Asia and Eastern Europe, and finances 60 institutions, which serve over one million micro-entrepreneurs.

Strengths: • Network, expertise, track record (incepted in September 1998)

Weaknesses: • Have to balance capital inflows with capacity constrains; high fees/transaction cost with respect to the annual returns generated.

Opportunities: • At least 10,000 micro finance funds exists globally; it is estimated that roughly 2% of those are open to investors

• According to research many microfinance institutions (MFIs) report historical repayment levels on loans of 97% or more

• Threats: geo-political risks, easily available subsidised money; if banks were to turn active in the space

Risk Management

Low Low / Moderate Moderate Moderate to High High

• Major risk at fund level: **Non performing loans, fraud related risk**

• Expertise in identifying genuine micro finance investment opportunities:



• Access to deal flow:



• Ability to secure capacity:



• Expertise in conducting due diligence (onsite)



• Ability to track performance:



• Ability to secure interest payments due



• Liquidity of underlying asset :



• Loan related risks

• Valuation:



• Default:



• Fraud:



• Non-performance:



• Collateralisation:



• Currency :



• Key person risk :



Performance Parameters

Insufficient Adequate Satisfactory Good Outstanding

• Performance - last 5 years annualised = **4.51%**

• Total no. of loans = **398**

• Efficiency in putting investor capital to work:



• Management Fee: **2.5%**

• Worst case scenario: **High default and non performing loans, fraud**

• Ability to consistently deliver targeted returns since inception:



• Diversification achieved:

• Geographic: (28 countries: E. and Central Europe: 24.5%; South America: 22.6%)



• No. of MFI: **75**

• By type of loan:



• Loan avg. maturity **23.6 months**

Outlook

• Barriers to entry : **Network**

• Threat posed by competition: **by new vehicles such as CDOs - where the risk is rated and a secondary market make exist**

• Outlook on investing in this sector: **Upside Potential**

• Outlook for a fund such as Dextra: **Range Bound**

• Ability to deliver targeted returns over the next:

• 1 year: **Upside Potential**

• 3 - 5 years: **Upside to Range Bound**

• Ability to deliver in up, side ways, down markets: **Upside Potential**

• Suitable for:

• A conservative portfolio **Suitable**

• A balanced portfolio **Fairly Suitable**

• An thematic portfolio **Suitable**

• Peculiarities displayed by the underlying sector: **Investors are all chasing the same limited, but fortunately growing opportunities**

Investment

• This fund is targeted at: **Thematic investors looking at socially responsible investing**

• To optimise returns recommend avg. holding period of: **Min 2 years**

• Geographic restrictions - **different classes serve different investor bases**

• Fund's base currency **USD** and other currencies the fund is available in **EUR, CHF**

• Fund complexity for an investor: **simple**

• Liquidity provided: **monthly, with no exit fee**

• Transparency provided to investor: **moderate**

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