



DIGNITY FUND

INVESTOR UPDATE

As of June 30, 2006

Report from Management

Investment Activities: During the second quarter of 2006, The Dignity Fund completed a \$200,000 direct loan to FIS, Argentina and a \$500,000 direct loan to Kazakhstan Loan Fund (see page 2 for descriptions). In addition, in mid-July, the fund provided a \$60,000 guarantee to FIS allowing it to secure Argentine Pesos 900,000 in funding from FONCAP, S.A., an Argentine development fund.

Capital Raising: The Dignity Fund raised \$1.35 million this quarter from new and existing investors, bringing total capital under management to \$5.5 million.

Governance: The Dignity Fund is pleased to announce that William S. Price III (see bio to the right) has joined our Board of Directors, complementing an already impressive team of individuals with deep finance and microfinance experience.

Partnerships: A cornerstone of our operating philosophy is to partner with leading funds and networks operating in the microfinance space. In addition to our co-investing relationships with Unitus, Inc. and MicroVest I, L.P., this quarter we began working actively with the Deutsche Bank team managing the Global Commercial Microfinance Consortium, with MicroCredit Enterprises, LLC, and with Katalysis Bootstrap Fund to identify and collaborate on promising microfinance institutions that need funding for growth.

Portfolio Investments

June 30, 2006

Country / MFI	Amount Invested	% of Total
Mexico / Pro Mujer Mexico	\$ 509,215	9%
Argentina / FIS	203,563	4%
Kazakhstan / KLF	504,986	9%
MicroVest Notes	507,170	9%
Liquid Assets	3,799,906	69%
Total Available Assets	\$ 5,524,839	100%

New Addition to the Board of Directors: William S. Price, III

Bill Price is one of the founding partners of the Texas Pacific Group ("TPG"), a leading global private investment firm with over \$20 billion of capital under management. Prior to forming TPG in 1992, Bill was Vice President of Strategic Planning and Business Development for G.E. Capital, responsible for acquiring new business units and determining the business and acquisition strategies for existing businesses. From 1985 to 1991 Bill was employed by the management consulting firm of Bain & Company, attaining officer status and acting as co-head of the Financial Services Practice. Prior to 1985, Bill was an associate specializing in corporate securities transactions with the legal firm of Gibson, Dunn & Crutcher. Bill serves on the Board of Directors of Bally International AG, British Vita, Cranium, DoveBid, Inc., Grohe AG, and IRMC Holdings, Inc. He also serves on the boards of four non-profit organizations: COPIA, The California Mentor Foundation, The Gladstone Institute and Just Give. Bill is a member of the California Bar and graduated with honors in 1981 from the Boalt Hall School of Law at the University of California, Berkeley. He is a 1978, Phi Beta Kappa graduate of Stanford University.



Maya Chorenge, Managing Director of The Dignity Fund, visits one of Pro-Mujer Mexico's borrowers along with Unitus staff and supporters during a Unitus Partner Expedition to Hidalgo, Mexico.

FIS, Argentina

FIS is one of the largest microfinance institutions operating in Argentina. Serving over 3,000 clients, FIS is focused on providing financial services to the urban poor (both men and women) in Argentina. The Dignity Fund provided a \$200,000 loan in Argentine Pesos (hedged), which enabled FIS to increase its loan portfolio by 25%. We are continuing to work with FIS to provide guarantees that will allow the institution to source additional local currency funding. FIS's clients are engaged in trade, services and manufacturing.



Kazakhstan Loan Fund

Kazakhstan Loan Fund is the leading microfinance institution in Kazakhstan, Central Asia. A non profit institution based in Almaty with a loan portfolio of US\$17.5 million, KLF serves over 20,000 clients. The majority of KLF's clients are women (78%) who earn, on average, \$230 a month. KLF's micro and small entrepreneurs are engaged in trade, manufacturing and services. The Dignity Fund provided a \$500,000 loan to KLF alongside \$2.5 million from MicroVest I, L.P. The \$3 million loan enabled KLF to obtain back-to-back local currency financing from a major local commercial bank.



The Dignity Fund, L.P. Balance Sheet (unaudited)

	6/30/2006
Total Investments at Cost	1,724,934
Cash and Equivalents	3,799,906
Prepaid Expenses	2,500
Total Assets	5,527,322
DF Inc Operating Expense Payable	8,660
Other Liabilities	3,125
Total Liabilities	11,785
Total Net Assets	5,515,554
Limited Partnership Interests	5,495,000
Retained Earnings	8,509
Net Income	12,045
Total Equity	5,515,554

Note: Organizational Expenses to be charged are approximately \$60,000

The Dignity Fund, L.P. Income Statement (unaudited)

	Quarter Ending	
	3/30/2006	6/30/2006
Income	\$ 33,463	\$ 50,119
Operating Expenses	24,947	38,074
Net Income	\$ 8,516	\$ 12,045

During the second quarter of 2006, the fund added \$1.35 million in capital from new and existing limited partners. Income during the second quarter was generated primarily from the investment of capital in money market funds, interest income from loans to KLF and FIS and guarantee fees from Pro Mujer Mexico. Operating expenses reflect reimbursement of general partner expenses incurred on behalf of The Dignity Fund during the quarter.