

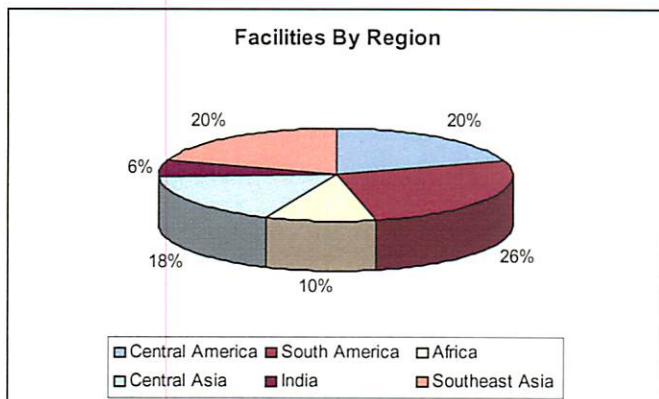


DIGNITY FUND

Report from Management

Investment Activities: In the third quarter of 2007, we structured two new facilities: a US\$500,000 guarantee for Pro Mujer Mexico, alongside Deutsche Bank managed Global Commercial Microfinance Consortium (“GCMC”) and a Philippine Pesos 17.5 million loan (US\$400,000) to LifeBank Foundation, Philippines, in partnership with Blue Orchard managed Dexia Micro-Credit Fund. Both transactions are slated to close in October 2007.

The chart below shows the geographic diversity in the Dignity Fund’s portfolio (including committed facilities):



Portfolio Investments

September 30, 2007

MFI / Country	Amount Invested	% of Total
Confianza / Peru	\$500,000	8.8%
D-MIRO / Ecuador	500,000	8.8%
FIS / Argentina	324,952	5.7%
Grama Vidiyal Trust / India	300,000	5.3%
KLF / Kazakhstan	500,000	8.8%
MBK / Indonesia	593,931	10.4%
SOCREMO / Mozambique	500,000	8.8%
KAMURJ / Armenia	150,000	2.6%
ACODEP / Nicaragua	500,000	8.8%
Commitments to be funded (a)	1,150,000	20.2%
Liquid Assets	667,323	11.7%
Total Investment Assets	5,649,196	

(a) Funds for the following commitments to be disbursed: \$500,000 to Pro Mujer Mexico, \$400,000 to LifeBank Foundation and \$250,000 to KAMURJ

INVESTOR UPDATE

As of September 30, 2007

Case Study: Pro Mujer Mexico

In December 2005, Dignity Fund structured a US\$500,000 guarantee for Pro Mujer Mexico (“PMM”) alongside US\$500,000 from Unitus. The guarantees enabled PMM to establish a relationship with Banco Nacional de México (“Banamex”), a subsidiary of Citibank and obtain local currency financing to fund loan portfolio growth. PMM is focused on providing microfinance and social services to poor women in the states north of Mexico City.

When we extended our guarantee facility in December 2005, PMM had subsidized debt financing from just one Mexican development bank and several foundations. On the basis of the Dignity Fund and Unitus’ guarantees, Banamex extended the Mexican Peso equivalent of US\$1,000,000 to PMM. Over the next 18 months, building on the relationship that we facilitated with Banamex, PMM was able to secure funding from two new commercial lenders. After Dignity Fund’s initial guarantee expired in December 2006, PMM was able to refinance the amount extended with new loans. Moreover, after a year’s positive experience lending to PMM, Banamex began lending to the MFI on a clean basis, providing Mexican Pesos 1,000,000 (approximately US\$100,000) without requiring a guarantee.

In late 2006, spurred in part by the fact the Dignity Fund’s confidence in PMM, Deutsche Bank’s GCMC began conversations with PMM about extending a guarantee to back a local currency loan from Grupo Financiero BBVA Bancomer (“Bancomer”). Given our relationship with PMM, GCMC approached the Dignity Fund to participate in the facility. The GCMC three-year facility provides for a US\$1,000,000 guarantee, 50% funded by GCMC and 50% funded by the Dignity Fund, with the underlying loan provided in local currency by Bancomer.

Since we initiated our relationship with in December 2005, PMM has grown its base of borrowers by approximately 35% and its loan portfolio by approximately 120%. It achieved profitability at the end of 2005.

Profile of Microfinance Institutions funded (data as of June 2007):

MFI, Country	Rating	# Clients	Loan Portfolio	Average Loan Size	Return on Assets	PAR > 30 days	Operating Self-Sufficiency
SOCREMO , Mozambique	B-	12,246	\$12,603,889	\$1,029	5.1%	2.8%	107%
Pro Mujer Mexico , Mexico	B-	16,067	4,434,661	342	0.7%	1.4%	109%
MBK Ventura , Indonesia	A	41,136	1,753,585	43	NA	0.0%	108%
Confianza , Peru	B+	38,323	46,219,448	1,206	2.7%	3.5%	118%
D-MIRO , Ecuador	B+	16,118	9,771,289	606	7.1%	2.3%	133%
FIS , Argentina	None	3,992	1,461,315	366	NM	5.9%	85%
KLF , Kazakhstan	A	23,802	35,122,248	1,476	7.2%	0.4%	127%
Grama Vidiyal , India	A-	199,345	16,214,127	87	2.9%	0.7%	116%
KAMURJ , Armenia	Satis.	10,510	6,032,157	574	16.3	0.5%	214%
ACODEP , Nicaragua	A+	74,725	32,891,935	440	6.7%	5.3%	110%

The Dignity Fund, L.P.

Income Statement (unaudited)

	Fiscal Year Ended		Quarters Ended		
	12/31/05	12/31/06	3/31/07	6/30/07	9/30/07
Total Investment Income	\$13,880	\$214,236	\$65,594	\$96,209	\$105,293
Operating Expenses	3,190	132,317	35,418	44,086	31,331
Organizational Expenses	--	60,871	--	--	--
Noncash Expenses/(Gains)	--	9,953	5,031	(7,507)	10,087
Net Income	\$10,690	\$11,095	\$25,145	\$59,630	\$63,874

Balance Sheet (unaudited)

	9/30/2007
Total Loans Receivable	\$2,938,882
Interest in MFI Obligation to GCMC	500,000
Certificate of Deposits (for Guarantees & other)	502,637
Cash and Equivalents	1,744,686
Other Current Assets	68,171
Total Assets	\$5,754,377
Foreign currency exchange contracts	6,446
Other liabilities	10,231
Total Liabilities	16,677
Total Net Assets	\$5,737,699
Limited Partnership Interests	\$5,594,980
Retained Earnings	142,915
Distributions	(196)
Total Equity	\$5,737,699

During the third quarter of 2007, facilities to microfinance institutions held at \$3.7 million (including certificates of deposit backing guarantees). Income was generated primarily from interest income (60% of investment income) and guarantee fees (11% of investment income) related to facilities provided to MFIs as well as interest income from funds in money market deposits. Operating expenses reflect reimbursement of general partner expenses incurred on behalf of The Dignity Fund as well as bank service charges. Noncash Expenses reflect unrealized losses on translation of foreign currency loans and foreign currency hedging contracts.