



DIGNITY FUND

Report from Management

During the first nine months of 2005, the founders, staff and board members of the Dignity Fund, L.P. focused on structuring the fund, crystallizing our microfinance investment strategy, and defining how best to provide investors with access to microfinance-related material, events and educational information. We also laid the groundwork for fundraising and developing a pipeline of potential microfinance investments.

During the fourth quarter of 2005, the Dignity Fund, L.P. **structured a first-loss reserve, completed its first close** (on December 15, 2005), and **made its first investment in a Mexican microfinance institution, Pro Mujer Mexico.**

Over the course of the next few months, we look forward to reporting back to you on the development of our investment pipeline and additional fundraising efforts.



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

	12/31/2005
PMM Guarantee – CD	\$ 500,478
Total Investments at Cost	500,478
Cash and Equivalents	3,350,192
Prepaid Expenses	5,000
Total Assets	\$ 3,855,670
Income Payable to LPs	10,670
Organizational Expenses Payable (a)	-
Total Liabilities	10,670
Total Net Assets	\$ 3,845,000
Total Limited Partner Interests	\$ 3,845,000

(a) To be charged in 2006; 2005 Organizational Expenses to be charged to Dignity Fund, L.P. total approximately \$52,000

INVESTOR UPDATE

As of December 31, 2005

Portfolio Earning Assets

December 31, 2005

Country / MFI	Amount Invested	% of Total
Mexico / Pro Mujer Mexico	\$ 500,000	13%
Liquid Assets	3,345,000	87%
Total Available Assets	\$ 3,845,000	100%

Our \$500,000 commitment to Pro Mujer Mexico (www.promujer.org/mexico.html) enabled the organization to establish a relationship with Banco Nacional de México and obtain local currency financing to fund its loan portfolio. PMM is focused on poor women primarily in the state of Hidalgo, north of Mexico City. Serving over 12,000 women, with our help PMM was able to increase its loan portfolio by 20% to almost 30 million pesos to help meet rapidly growing demand for credit from clients. PMM's borrowers use their loans to start small businesses such as selling vegetables, flowers or clothes either at the market or from their home, food preparation and animal husbandry. PMM also offers educational sessions about health, family planning and child development.

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

	Period Ending 12/31/2005
Interest Income	\$ 13,880
Operating Expenses (a)	3,190
Net Income	\$ 10,690

(a) Does not reflect Organizational Expenses

During the fourth quarter of 2005, the fund added \$3.845 million in capital from newly admitted limited partners. An additional \$300,000 was added in January 2006. Interest income during the fourth quarter was generated primarily from the investment of capital in money market funds and operating expenses reflect reimbursement of general partner expenses on behalf of the fund as of December 15, 2005.