



DIGNITY FUND

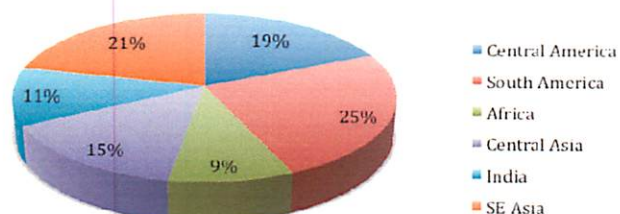
INVESTOR UPDATE

As of December 31, 2007

Report from Management

Investment Activities: In the fourth quarter of 2007, we structured one new facility: a US\$300,000 guarantee for Adhikar, India, alongside Unitus Inc., which enabled the MFI to draw Indian Rupee 19.8 million from Citibank, India. We also funded our US\$400,000 commitment to Lifebank Foundation, Philippines, in partnership with Blue Orchard managed Dexia Micro-Credit Fund, and our additional commitments of US\$150,000 each to PT Mitra Bisnis Keluarga Ventura, Indonesia and KAMURJ, Armenia.

The chart below shows the geographic diversity in the Dignity Fund's portfolio:



Portfolio Investments

December 31, 2007

MFI / Country	Amount Invested	% of Total
ACODEP / Nicaragua	\$500,000	8.7%
Adhikar / India	300,000	5.2%
Confianza / Peru	500,000	8.7%
D-MIRO / Ecuador	500,000	8.7%
FIS / Argentina	324,884	5.7%
Grama Vidiyal Trust / India	300,000	5.2%
KLF / Kazakhstan	500,000	8.7%
KAMURJ / Armenia	300,000	5.2%
Lifebank / Philippines	400,000	7.0%
MBK / Indonesia	729,051	10.1%
Pro Mujer / Mexico	500,000	8.7%
SOCREMO / Mozambique	500,000	8.7%
Subtotal Portfolio Investments	5,353,935	93.3%
Liquid Assets	382,313	6.7%
TOTAL Investment Assets	\$5,736,248	100.0%

Portfolio Update

Since December 2006, the Dignity Fund has doubled the number of facilities from 6 MFIs in 6 countries to 12 MFIs in 11 countries all over the developing world. Below are some highlights of the MFIs in our portfolio:

- Grama Vidiyal, India, which had slightly more than 100,000 clients when we first provided a guarantee for them in 2006 now has over 230,000 clients
- Even faster growing is our MFI in Indonesia, MBK. It had 28,000 borrowers when we first evaluated them in December 2006 and by December 2007 they reached almost 64,000 borrowers, a growth rate of 130% p.a.
- MCO "KazMicroFinance" LLC (formerly Kazakhstan Loan Fund), our MFI in Kazakhstan was named one of the Top 50 MFIs in the world by Forbes Magazine. KMF was ranked #37 according to scale, efficiency, returns and risk profile
- Grama Vidiyal, Lifebank (Philippines), MBK, Confianza (Peru) and KMF ranked within the Top 100 MFIs in the world for 2007 as rated by MixMarket, the industry database, which ranked MFIs based on outreach, efficiency, profitability and transparency
- ACODEP, our MFI in Nicaragua, was one of 20 winners of the 2006 CGAP Financial Transparency Awards, bestowed on MFIs with the highest standards of financial transparency in the industry
- 10 out of our 12 MFIs have 5 diamond ratings from MixMarket indicating the highest level of information disclosure (our younger MFIs, Adhikar and FIS, have 2 and 4 diamonds each)

Lifebank Foundation, Philippines:

In October 2007, partnering with Blue Orchard's Dexia Micro-Credit Fund, the Dignity Fund funded US\$400,000 of a US\$800,000 facility to Lifebank Foundation, Philippines. The facility was delivered in Philippine Peso so Lifebank faces no foreign currency exposure on the transaction. Lifebank is a well-run, fast-growing MFI that began operations in 2003. It serves over 90,000 borrowers with a total loan portfolio of approximately US\$7 million (average loan size of \$76). Lifebank is headquartered in one of the central islands of the Philippine archipelago and operates over 110 branches through 4 major Philippine islands. It targets enterprising poor women between 18-50 years of age who have an average monthly income of roughly \$20 per family member. Following are photos of Lifebank's borrowers in front of their small businesses. Most of the borrowers interviewed use their loans as working capital to set up small stores, vegetable stands, food service businesses and the like. Increased income goes largely to fund educational expenses for the children as well as home improvement.



Adhikar, Orissa, India:

At the end of December 2007, the Dignity Fund partnered with Unitus, Inc. to provide US\$300,000 of a US\$550,000 guarantee to Adhikar. The guarantee allowed Adhikar to draw down an Indian Rupee loan from Citibank India. Adhikar is a not-for-profit MFI organization in Orissa, one of the northeast coastal states in India. It was founded in 1993 to provide housing services and other rights to slum dwellers and began its microfinance program in 2001. Adhikar now provides financial services to over 45,000 borrowers in over 250 villages and 15 slums in the state of Orissa and has a loan portfolio of approximately US\$4 million (average loan size of \$90). Adhikar follows a modified Grameen lending model and provides group loans, housing and livelihood individual loans and also provides remittance services to workers from Orissa who have migrated temporarily to richer states in India to find work. The following is the story of one of Adhikar's borrowers:



Smt Hadiani Das joined Adhikar's Sanchayika microfinance program as a borrower in 2005. Prior to receiving her loan, she was a housewife in a snake charmer's family and helped her mother in law to sell herbal medicine and cosmetics to rural women. Her husband fell on hard times due to a government bank on snake charmers so she applied for a microfinance loan of Rupees 1,000 (US\$25) to buy inventory for a small shop that she set up in her village. Over time she was able to qualify for larger loans (most recent loan size is Rupees 8,000) to purchase more inventory and supply more goods to her customers. Her daily profit has increased and she has been able to send her children to school and improve the quality of their meals. She says: "Gradually my dreams are coming true because of Sanchayika".