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FIB AVANGARD - MONTHLY REVIEW

February 2011

Data as a per 28 February 2011

NAV

NAV	BGN 1,177,845
NAV per share	BGN 0.6123

Return (%)

Monthly (MoM)*	4.56%
Annual (YoY)*	16.93%
Year-to-date*	8.81%
Since Inception (annualized)	-14.53%

Statistics (%)

Standard Deviation*	13.81%
Alpha (α) – MSCI EM EE *	-7.85%
Beta (β) – MSCI EM EE *	0.111
R^2 – MSCI EM EE *	8.22%
Sharpe Ratio (0%)*	n.m.

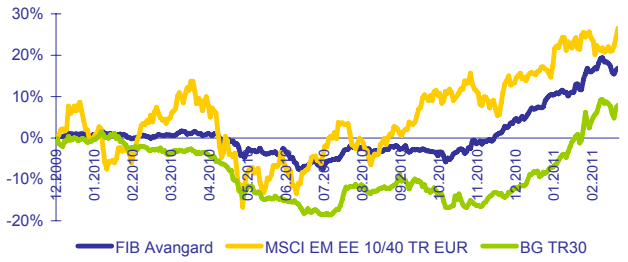
** see notes*

Investment strategy

FIB Avangard is a high-yield, actively-managed, mutual fund, incepted on Nov 11, 2007, whose investment objective is to achieve high long-term growth, bearing medium to high levels of risk. Its portfolio is allocated in Emerging Europe equity with focus on Bulgarian and Russian companies. FIB Avangard is benchmarked to MSCI EM Eastern Europe 10/40 Total Return EUR Index

FIB Avangard's investment strategy for 2011 includes allocation to liquid Bulgarian companies on economy recovery and sentiment improvements and sizeable stake in Russian "blue chips" and cyclicals on global economy growth and domestic consumption stories.

FIB Avangard vs. MSCI EM EE 10/40

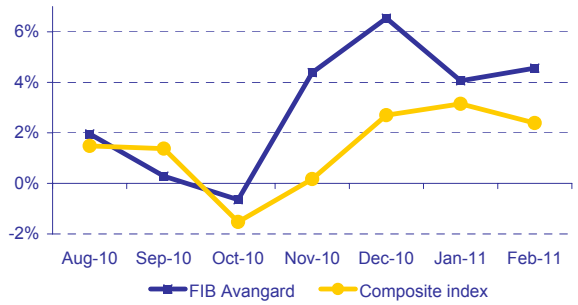


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

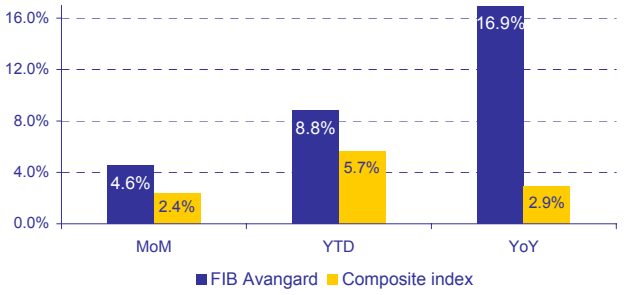
Fact sheet and fee information

Type	Open-end equity fund	Currency	BGN
FSC Classification	High-yield fund	Minimum subscription	BGN 100
Manager	FFBH Asset Management	Entry fee (less than BGN 100,000)	0.50%
Custodian	First Investment Bank	Entry fee (above BGN 100,000)	0.00%
Subscriptions/ Redemptions	Every Business Day	Redemption fee	0.50%
Incorporation	Bulgaria	Management fee (annual % of average AUM)	3.00%

MoM return comparison to composite index*

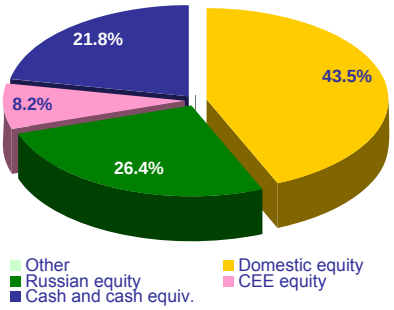


MoM, YoY and YtD return to composite index*



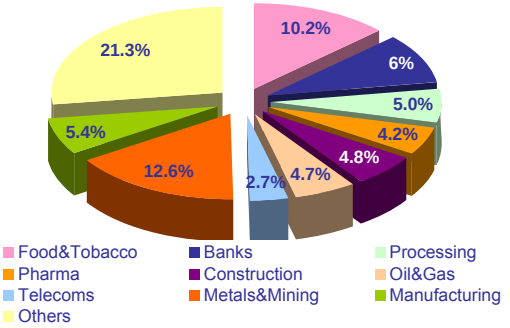
Source: BAAMC, FFBH Asset Management calculations

Asset Allocation



Source: FFBH Asset Management

Equity Portfolio



Source: FFBH Asset Management

Notes

Monthly return /MoM/ is calculated as the ratio between the NAV/share as per the report date and the NAV per share on the last working day of the previous month.
Annual return /YoY/ is calculated as the ratio between the NAV/share as per the report date and the NAV per share on the last working day of the same month a year ago.
Year-to-date return /YtD/ is calculated as the ratio between the NAV/share as per the report date and the NAV per share on the last working day of the previous year.
Standard deviation is the annualized standard deviation of the weekly return over the last five years or since inception, whichever is smaller.
Alpha (α) – MSCI EM EE is the difference between the annual return of NAV per share of FIB Avangard and the annual return of MSCI EM Eastern Europe 10/40 Total Return EUR Index over the last three years or since benchmarking to this index, whichever is smaller. If the relevant period is smaller than one year we use YtD data/
Beta (β) – MSCI EM EE has been calculated using the weekly returns of NAV per share of FIB Avangard and MSCI EM Eastern Europe 10/40 Total Return EUR Index over the last five years or since benchmarking to this index, whichever is smaller.

R2 – MSCI EM EE has been calculated using the weekly returns of NAV per share of FIB Avangard and MSCI EM Eastern Europe 10/40 Total Return EUR Index over the last five years or since benchmarking to this index, whichever is smaller.
Sharpe Ratio has been calculated using the weekly returns of NAV per share of FIB Avangard over the last five years or since the inception of the fund, whichever is smaller,and using 0% as risk-free return.
Composite Index is composed of 30 mutual funds that apply similar investment strategy to FIB Avangard and measures their equal-weighted return. The Index is calculated in a standardized way, using the MoM, YoY and YtD returns of each fund (Ri, i=1 to n), based on formula: $\Sigma\ (1/n*Ri)$.

MARKET OVERVIEW:

- The political tensions in North Africa and some Middle East countries overshadowed the global equity markets. Deepening political unrest in Libya swept supplies of Libyan "sweet" oil to Europe, evoking upward pressure on the some oil price indices to close $120/bbl in mid-February. Thus, oil prices have been Russia's saving grace amid a pullback in other sectors (financial, telecom, construction) with MSCI Russia Energy Index the only outperforming sector. The inflows between Dec 29 and Feb 23 were more than USD 1.5bn in EMEA-dedicated funds (2.8% of AUM), led by Russia with USD 2bn of subscriptions. Russian equity market kept the high level since the beginning of the year and marked an increase of 6.3% in the last month.
- The strong interest in Bulgarian equities continued in the February as indices rose by 13% (after 10% in January), while turnover and number of transactions doubled on annual basis.
- Business climate continued to improve in Bulgaria in February backed by the industry sector, which is still below pre-crisis level. GDP growth rate for 2010 was 0.3%, according to preliminary data, which appeared less optimistic that government expectation of 0.7% growth. According to preliminary estimates, the general government deficit reached 3.6% of 2010 GDP on accrual basis, marginally lower than the revised target of 3.9%, but increasing the credibility of the fiscal policy. Inflation continued to accelerate and January 2011 HICP reached 4.3% YoY.
- In Russia, macroeconomic statistics for January were below market expectation: construction shrank by 1.1% YoY after 11.6% YoY increase in December 2010; investments dropped by 4.7% YoY. The strong industry output was the only positive indicator; the sector gained 6.7% YoY in Jan, which supported monthly GDP growth of 4.3% YoY.
- Retail trades growth in Russia decelerated to 0.5% YoY in January, influenced by the increase in the payroll tax from 26% to 34% this year and high level of unemployment (7% in January). CBRF* unexpectedly increased its refinancing rate by 25ppt to 8% at the end of February, addressing the speeding 9.6% YoY CPI. Since the March 1st the central bank increased for second month in a row reserve requirements on banks' short-term foreign borrowing from 3.5% to 4%, in order to restrict hot money inflows in Russia.

** CBRF – Central Bank of Russian Federation*

PORTFOLIO ALLOCATION:

- In February FIB Avangard gained 4.56% MoM on the strong positive performance in Bulgarian equities while Russian portfolio performed also solid on strong finish over the last two business days of February.
- During mid-February we took more defensive approach towards international equity due to the MENA riots and rising inflation. Thus, we sold oil&gas and construction names on the way down and re-bought some of them cheaper. We also cashed in some event-driven profit on Russia's second largest bank – VTB.
- We applied passive approach to our Bulgarian exposure which remains close to our strategic allocation limits but still finds good support by attractive stock valuations.
- Overall, the Fund remained about 78% invested in equity.

OUTLOOK & STRATEGY:

- We deem that global economy continues to improve in spite of some hurdles - European debt crisis concerns, EM monetory tightening and MENA unrests, lately. However, commodity-fuelled inflation may limit global growth and should be watched closely as it may trigger faster than expected removal of monetary stimulus in developed markets. Nevertheless, high liquidity still supports emerging markets among which the smallest and less liquid exchanges like BSE are yet to perform and decrease market discounts back to normal. Our other major focus - Russia - boasts high 2011 expectations as being a leading producer in oil&gas and most commodites – benefits directly from commodity trends.
- Among other advantages for Russian investment case in 2011 are the possible entry in WTO; the emergence of the Russian middle class which continues to grow; the large domestic market and its convergence potential; prudent fiscal policy, low government debt; large currency reserves and many more.
- Our high expectation about Bulgarian equities are supported by expected economy recovery which accelerated, boosted by external demand and is expected slowly to become broad-based on turnaround in domestic demand; high EU fund's absorption, especially in infrastructure projects. With the help of announced privatization plans of tobacco and some state energy assets, the above should put Bulgaria back on the investors' radar.
- Our March expectations are for market consolidation in Bulgaria as the recent BSE growth should wait for some confirmation in economic and financial data. FIB Avangard is to remain invested in liquid local shares with stable fundament. About Russia we see more potential as valuation discount remains above historical average. We continue to favor cyclical stocks but will be watching global growth outlook.

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WE NOTE THAT ANYONE WHO WANTS TO SUBSCRIBE SHARES IN FIB AVANGARD SHOULD MAKE A DECISION BASED ON THE INFORMATION PUBLISHEDD IN THE MOST RECENT PROSPECTUS OF FIB AVANGARD, DATED 25 AUGUST 2008. The prospectus and fund's by-laws are available in FFBH Asset Management office – 2 Enos Street, 5th floor, Sofia 1408, Bulgaria, ph. num: +359 (2) 810 6400, website: www.ffbham.bg and First Investment Bank branches, explicitly listed at www.ffbham.bg.