FIB AVANGARD - MONTHLY REVIEW

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Data as a per 31 January 2011

NAV	
NAV	BGN 1,097,223
NAV per share	BGN 0.5856

Return (%)	
Monthly (MoM)*	4.06%
Annual (YoY)*	10.99%
Year-to-date*	4.06%
Since Inception (annualized)	-15.66%

Statistics (%)	
Standard Deviation*	13.76%
Alpha (α) – MSCI EM EE *	-8.60%
Beta (β) – MSCI EM EE *	0.111
R^2 – MSCI EM EE *	9.15%
Sharpe Ratio (0%)*	n.m.

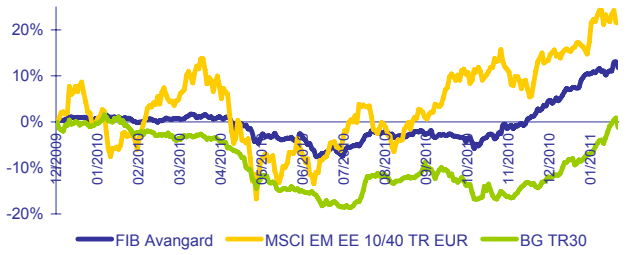
** see notes*

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

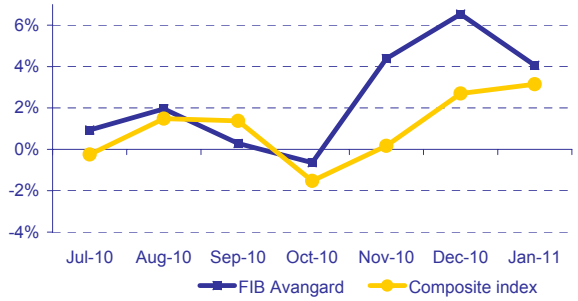


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

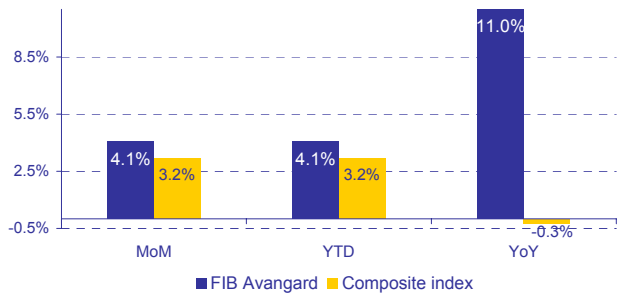
Fact sheet and fee information

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*

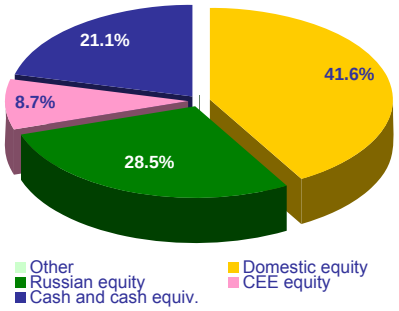


MoM, YoY and YtD return to composite index*



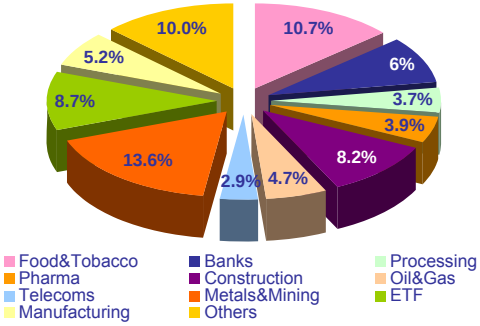
Source: BAAMC, FFBH Asset Management calculations

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 "n" 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: Σ (1/n*Ri).

FIB Avangard

MARKET OVERVIEW:

- In January we saw a strong interest in Emerging Europe equities, shaped by cheap valuations compared to other emerging regions and underperformance of some of the less liquid markets. Between Dec 29 and Jan 26 we saw more than USD 1.5bn inflows in EMEA-dedicated funds (2.5% of AUM), led by Russia with USD 1.2bn subscriptions (6.5% of AUM).

- The regional indices were led by Bulgaria which finally attracted some foreign institutionals' interest and indices gained 10% in January with turnover more than doubled. Russia also started good on high inflows combined with strong commodity prices and Russian equities quickly gained 7% during the first week after the holidays (All Russian exchanges were closed till Jan 11). However, stocks lost momentum due to rising concerns about interest rate hikes in EM countries and the riots in Egypt and other MENA countries. As a result, MSCI Russia posted a modest 4% gain last month, partially supported by 2.5% appreciation of RUB against the dollar.

- Business climate continued to improve in Bulgaria confirmed by speeding industrial production and improved absorption of EU funds available. As expected the government increased spending in December and 2010 budget deficit reached target level of 3.9% of GDPe on cash basis up from 2.6% for January - November period. Inflation continued to accelerate and 2010 HICP reached 4.4% YoY after rising 0.8% MoM in December alone while December PPI was 12% YoY higher.

- The reporting season started in end-January in Bulgaria. We saw some margin decline in Q4 for companies whose costs depend on commodity prices. In financial sector we saw mostly improved operating profitability but NPLs remain elevetated for the banking system which puts pressure on bottomline.

- In Russia where we remain focused we saw preliminary 2010 GDP figure coming at 4% above market consensus but below initial expactations for 5-6% growth because of harsh weather conditions which should have wiped at least 1pp of GDP, according to some estimates. Still, we view that the low base effect remains in place for 2011 and the speeding of industrial sector in the fall and strong investment growth of 6% YoY are major positive signals for this view.

- We still would like to see more from domestic consumption where retail trades and real wages grew by 4.4% YoY and 4.3% YoY in 2010, respectively, negatively affected by inflation which accelereted from 5.5% in July to 8.8% in end-2010 on food prices. CBR kept its refinancing rate at 7.75% for 8th month in a row but January CPI of 2.4% MoM and 9.7% YoY must put upside pressure for the next meeting. At the same time the central bank increased reserve requirements on banks' short-term foreign borrowing from 2.5% to 3.5%, trying to restrict hot money inflows in Russia.

PORTFOLIO ALLOCATION:

- In January FIB Avangard gained 4.06% MoM on good performance in Bulgarian equities while Russian portfolio performed mixed on USD depreciation.

- During last month we increased our investments in Russian stocks and our equity portfolio reached 79% of total assets. We bought shares in the construction sector which we deem will be a major overperformer in 2011 on the back of infrastructure spending and recovery of housing market. Another new addition to our portfolio was an Internet IT&Media company whose investment case is supported by low penetration of Internet in Russia (37% vs. 77% in US and 83% in UK).

- In Bulgaria we closed illiquid positions and invested in liquid banks which we deem to outperform market. Overall, domestic allocation remained unchanged.

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. The former combined with high liquidity 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, will be a major beneficiary of global growth and its proximity to China and the other fast-growing Asian states.

- Among other advantages for Russian investment case in 2011 is the possible entry in WTO; the emergence of the Russian middle class which continues to grow; the large domestic market and its convergence potential; the prudent fiscal policy, low government debt and large currency reserves and many more.

- Our high expectation about Bulgarian equities are supported by expected economy recovery which is set to accelerate and become broad-based, boosted by external demand and turnaround in domestic demand; high EU fund's absorption, especially in infrastructure projects and privatization of tobacco and some state energy assets which should put Bulgaria back on the radar.

- Our February expectations are for market consolidation in Bulgaria after the speedy start of the month. 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 favour cyclicals and intend to further diversify portfolio among sectors.

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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.