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FIB AVANGARD - MONTHLY REVIEW

March 2011

Data as a per 31 March 2011

NAV

NAV	BGN 1,139,750
NAV per share	BGN 0.5925

Return (%)

Monthly (MoM)*	-3.23%
Annual (YoY)*	12.29%
Year-to-date*	5.29%
Since Inception (annualized)	-15.11%

Statistics (%)

Standard Deviation*	13.76%
Alpha (α) – MSCI EM EE *	-19.69%
Beta (β) – MSCI EM EE *	0.111
R^2 – MSCI EM EE *	7.43%
Sharpe Ratio (0%)*	n.m.

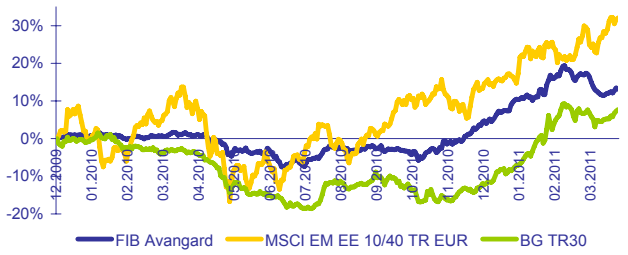
** see notes*

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

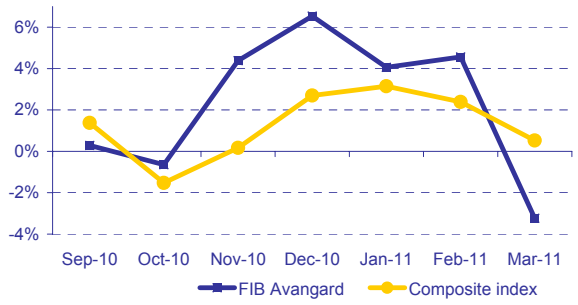


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

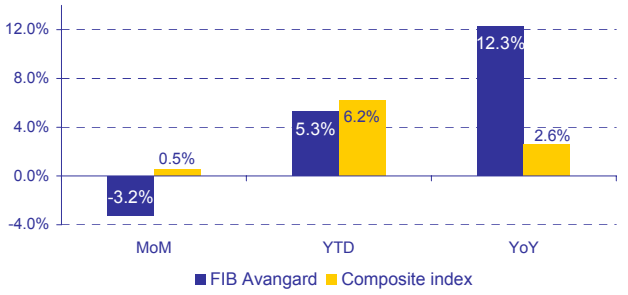
Fact sheet and fee information

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*

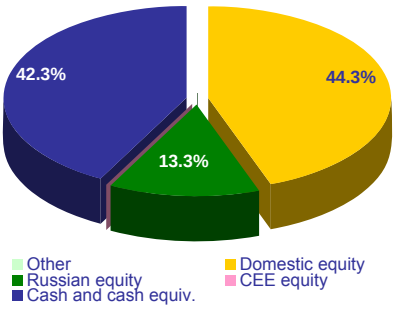


MoM, YoY and YtD return to composite index*



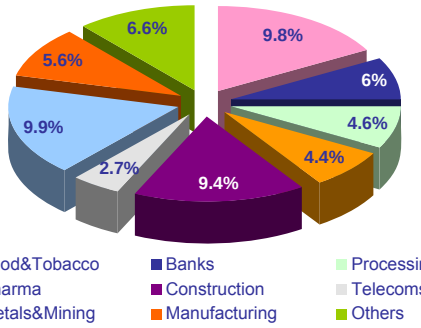
Source: BAAMC, FFBH Asset Management calculations

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: Σ (1/n*Ri).

MARKET OVERVIEW:

- Japan's powerful earthquake and tsunami disaster on March 11th, followed by a subsequent nuclear accident in Fukushima, sharply increased volatility and started massive sell-offs in mid-March. The prevention of worst-case nuclear disaster scenario eased markets and investors turned to supportive global macro data and post-accident Japan's recovery to finish Q1 on positive note. During the period WTI crude oil jumped to 106.72 dollars per barrel, its highest level since September 26, 2008, as the Western forces launched air strikes on Libya. All the above supported commodities and Russian investment case in particular and, as a result, MSCI Russia posted a 5% gain last month, additionally boosted by a 1.8% appreciation of RUB against the dollar. At the same time, Bulgarian indices slid 1% in March, after the strong performance in January and February. Still, BSE-Sofia was put back on the radar in Q1 with 23% YtD jump in SOFIX, 37% YoY increase in turnover and 52% YoY in the number of transaction.
- In Bulgaria the trade balance in January 2011 was positive and represented 0.3% of the GDP projected for 2011, and January's FDI almost doubled on annual base, and amounted to EUR 103.8m.
- Bulgaria's budget deficit contracted by 46.3% YoY at the end of February 2011. Inflation continued to accelerate and in February 2011 HICP reached 4.6% YoY, pushed by external factors. The unemployment level remained stable for the second consecutive month in February at 11.6% but, still, is among highest in EU. Business climate deteriorated in March as a whole after improvements in January and February but positive short-term expectations were registered by retail trade sector.
- In Russia, key positive signal of February macro data came from unexpected retail trade growth acceleration to 3.3% YoY. However, further improvements lack short-term fundamental support as real disposable income decreased by 1.5% YoY in February and unemployment stood at 7.4%. Investments marked a slow recovery to -0.4% YoY last month after posting -4.7% YoY in January, but construction activity was still depressed growing at 0.4% YoY growth. Still, there was a 15% YoY increase in bricks production in February which suggests that construction is on the recovery track.
- Oncoming State Duma elections in Autumn 2011 started to shape policy initiatives with President Medvedev raising pensions by 10% in April and suggesting to cut the payroll tax back to 26% in 2012.
- CBRF* kept it refinancing rate at 8%, as annual inflation in March remained unchanged at 9.5% YoY. Central bank once again increased reserve requirements on banks' short-term foreign borrowing from 3.5% to 4%, since April, 1st 2011, trying to restrict hot money inflows in Russia.

** CBRF – Central Bank of Russian Federation*

PORTFOLIO ALLOCATION:

- In March FIB Avangard undertook a defensive strategy, moving to protect foreign investments due to rising volatility after the Japanese nuclear accident and slow-down in global leading indicators. As a result fund's NAV lost 3.23% due to decrease in Bulgarian equities and the weak USD.
- After our investment decision we cashed in most of our foreign investments and Russian stocks dropped to 9% of NAV. In end-March we opened a position in construction sector again due to improvement in sector indicators.
- 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 invested 58% of NAV in equities as compared to 78% in February.

OUTLOOK & STRATEGY:

- We deem that global economy continues to improve in spite of some hurdles. 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. Since the beginning of the year we have noticed outflows from some emerging markets. Still, interest remains strong in our target regions – Russia and SEE as the smallest and less liquid exchanges like BSE are yet to perform and decrease market discounts back to normal. While 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 April expectations are that market consolidation in Bulgaria would continue as Q1 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 should keep our cautious investment strategy looking for value and laggards. We will be watching closely commodity trends as they may lead to turnaround in preferences towards Russia.

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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, +359 (2) 810 6413, website: www.ffbham.bg and First Investment Bank branches, explicitly listed at www.ffbham.bg.