The U.S. Russia Investment Fund

USAID Semi-Annual Review

March 21, 2001

Washington, D.C.

Not USG Classification

[redacted]

Business Information or Predecisional Document under the Freedom of Information Act

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Investment Strategy

The Fund does not seek so called "asset plays." The Fund seeks to finance high quality entrepreneur/managers who have original business ideas which offer high value propositions to their customers. We only back those companies whose managements embrace transparency and corporate governance.

Our approach to portfolio management is extremely "hands on." At least two investment staffers, and sometimes three, work every deal. We have also begun a trend of requiring board chairmanships and control over cash disbursements whenever possible.

During the past year our investment strategy has been refined and narrowed in focus to include three areas:

- TMT (telecommunications, media and technology) - examples include Port.ru, Pentacom, RadioPAGE, StoryFirst Communications, Cybiko and INTH
- Financial Services - examples include DeltaCredit, DeltaLeasing and DeltaBank
- Consumer Products Distribution - examples include Invacorp, Saint Springs, SPAR and Polygraph

Direct Investment Program

Highlights

General

There has been slow but steady progress towards structural reforms in a number of areas: Financial (exchange rate balanced; tax collection enforced); Industrial (more controlled licensing; better corporate governance; power sector reforms); the State (federal districts established; Duma and government in synch; oligarchs at arms length). Also a re-energized commitment to meeting debt obligations.

On the other hand the government has increased social expenditure (Putin has raised pensions 30% since his inauguration); capital flight is still high, at $100 billion the shadow economy is still reckoned to be 40% of GDP. And everything depends on continuing high oil prices.

Portfolio

Our dispute with HIT over our *Nizhny Newsprint* share entitlement is reaching resolution, with a negotiated deal brokered by Alfa Bank on behalf of an anonymous buyer.

Pentacom is now selling service, and has just agreed terms for a $3.5 million investment from Mint Capital. These represent a 52% uplift on the Fund's initial investment.

Port.ru is completing the non-cash acquisition of Netbridge. Although the Fund put together a group of co-investors in February, including Eagle Ventures and Intel, the company decided to complete the merger before raising new outside capital.

The *MRCI* liquidation process is moving forward. The Fund has managed to get management to agree to a priority assignment of their liquidation distributions until the Fund has received its initial $1.25 million capital back.

Direct Investment Program

Highlights

Pipeline

Delta IT Services, the proposed spin-off of DeltaBank's IT group, is moving forward steadily. The business plan is nearly complete, and the target date for incorporation is the end of June 2001. Other potential technology investments include offshore software development (*InterProgma*), machine translation (*ABBY NLC* – founded by David Yang, creator of *Cybiko*), and holography and security applications (*Spekl*).

Sladkhaya Zhizn and *Tander* are two active consumer products distribution projects, one in Nizhny Novgorod, and the other in the Southern Volga region of Russia.

Direct Investment Program

Pipeline Projects

Project	Investment Amount ($ Millions)	Description of Transaction	Description of Business
ABBY NLC	$1.00	Equity investment along with ABBY Software owners and a private German investors led by Christer Fahraeus (founder and main shareholder of C Technologies).	ABBY NLC specializes in development of Machine Translation software and algorithms. ABBY NLC is a spin-off of ABBY Software house.
DELTA IT	$1.00	Spin-off and follow-up equity financing of the developer and software provider. 100% owned by the Fund, with external finance raising scheduled after this round.	DeltaBank's spin-off developer and provider of software and services (including system integration and maintenance) for commercial banks and other financial institutions. Development of ASP is under consideration and subject to market research.

Direct Investment Program

Pipeline Projects

Project	Investment Amount ($ Millions)	Description of Transaction	Description of Business
Golden Telecom II	$10.00	GTS is looking to sell at least 51% of NASDAQ listed Golden Telecom (GLDN), a leading Russian CLERC, internet and data service provider. The Fund is considering participation in a $140 million consortium to acquire GTS' controlling stake at a low valuation.	Golden Telecom (GLDN) is a NASDAQ-listed leading CIS voice, data and internet telecom service provider. 2000 revenues were $113 million; EBITDA, $16.7 million.
InterProgma	$2.00	Equity investment. Cognitive will co-invest.	Off-shore software development project. Spin-off of Cognitive Technologies, a leading Russian software company. Cognitive will transfer its software development contracts with Intel, HP and others to InterProgma.

Direct Investment Program

Pipeline Projects

Project	Investment Amount ($ Millions)	Description of Transaction	Description of Business
MCT Corp.	$5.00	Delta would provide $5 million along side others in a $65 million placement. Possible EBRD lead with $20 million.	MCT is a leading provider of mobile wireless telecommunications services in Russia and Central Asia through 24 joint ventures with licenses covering approximately 98 million people. The Company's ownership interests in the joint ventures range from 22% to 100%. As of December 10, 2000, the Company had approximately 327,600 and 15,200 combined subscribers in Russia and Central Asia, respectively. The Company is positioned to integrate its regional ventures into Russia's first, unified nationwide GSM network.

Direct Investment Program

Pipeline Projects

Project	Investment Amount ($ Millions)	Description of Transaction	Description of Business
NIS	$2.00	Potential co-investment with Intel Capital. Framlington has already invested in the Company.	Leading broadband data communication company and Internet service provider in Nizhny Novgorod region. Possible synergies with Pentacom.
National Job Club	$.60	Equity investment with the Fund receiving more than 50%. Company founders will co-invest with the Fund.	Online recruitment related project. Spin-off of a traditional off-line Russia focused employment search agency, called "PeopleYouNeed". The system is currently used by 170 Russian and foreign companies.
Pentacom (follow-on)	$3.00	Equity investment in support of $30 million in third round financing.	Moscow region provider of broadband TV, voice and data communications.

Direct Investment Program

Pipeline Projects

Project	Investment Amount ($ Millions)	Description of Transaction	Description of Business
Port.ru	$1.0	Possible $1 million co-investment with Intel/Eagle Ventures.	Port.ru is the leading Russian language portal with strongly growing advertising revenues.
Sladkhaya Zhizn Trade Group	$3.0	Equity investment to finance business growth and expansion of retail outlets.	Sladkhaya Zhizn is a regional food distribution company based in Nizhny Novgorod with plans to expand its wholesale and retail businesses. This is the revival of a project for which negotiations were stopped at the end of last year when the company decided to delay raising additional outside equity capital. Having successfully implemented its business plan to date, it has now approached the Fund to re-open investment discussions.

Direct Investment Program

Pipeline Projects

Project	Investment Amount ($ Millions)	Description of Transaction	Description of Business
Spektro Recognition, Inc.	$1.00	Equity investment ($1 million is an approximate amount, which will probably be adjusted)	SPECKTRO Recognition, Inc. ("SRI") provides high security and anti-counterfeit products and technologies for documents, currency and manufactured goods. SRI is engaged in research, design, development, manufacturing and marketing of high security advanced optical technology and products. SRI sees its goal in helping clients to obtain brand name and counterfeit protection, as well as fraud prevention leading to the increase in their security, profits and/or customer satisfaction.

Direct Investment Program

Pipeline Projects

Project	Investment Amount ($ Millions)	Description of Transaction	Description of Business
Staffwell	$3.00	Equity investment. Possible co-investment with another financial institution.	Recruitment agency. Provides internet based recruitment and HR solutions.
TANDER	$10.00	Equity and debt investment in parent company.	One of the largest FMCG wholesale distributors and retailers in Russia with a $11M/month turnover in 2000. Headquartered in Krasnodar, they also operate in Moscow, St. Petersburg and Rostov-on-Don. Company owns 28 discount shops (seven in Krasnodar) as of the end of 2000. Plans to have 100 shops by the end of 2001. Assortment: 3900 SKUs (70% non-food, 30% food – dry and dairy, no fresh food).

Bank Partner Program

Small Business Lending

The priority of new financing is being directed towards fueling the growth of our financial services companies. However, we plan to continue small business financing to a select number of strategically important banks in Moscow. These banks have shown solid results with small business financing and may be future candidates for work with DeltaBank. Reflows of up to $5 million from the existing small business portfolio are being recycled until the end of the year into new financing to these banks to finance small businesses and automobile lending. Financing activities for small to medium-sized businesses in the regional markets are now focused on leasing.

The portfolio continues to maintain a strong repayment rate and we are carefully monitoring our bank risk as the overall portfolio pays down.

Financial Services Investments

Highlights

DeltaCredit

ЖИЛИЩНОЕ ФИНАНСИРОВАНИЕ

DeltaCredit focused its efforts on controlling growth and maintaining its cash position until additional third party financing becomes available. The overall pipeline of pre-approved loans is approaching $25 million while loans with final approval from the credit committee currently stands at $9 million. The rate of disbursements is starting to increase as we eliminate bottlenecks in the system and manage current available financing with demand. Marketing efforts were scaled back in order to control the timing of future third party financing with pipeline growth.

Management's goal is to build the value of the Company through a solid product distribution network which will give DeltaCredit a significant market advantage. This strategy has already captured the interest of at least one third party investor interested in purchasing the Company. Concentrated efforts were made to further strengthen the Company's distribution network through realtors and partner banks. We have been training realtors on how to work with mortgage clients and are listening to ideas realtors have on how to improve the system. The majority of demand is coming from new construction. In response to this demand, DeltaCredit is forging relationships with stable developers to provide mortgage financing to their client base. We have also expanded our financing to Moscow Oblast, the territory surrounding the City of Moscow. This move will enable the Company to capitalize on expanding single family home development immediately outside the city limits. Management believes that the efforts made during the quarter will enable the Company to meet its forecasts by the third quarter of 2001.

With regard to third party financing, The European Bank for Reconstruction and Development (EBRD) issued a mandate letter to DeltaCredit to provide a line of credit for $20 million for ten years. We are currently in the legal due diligence process and we anticipate that funding will commence during late summer 2001. In the meantime, we are in negotiations for a second line of credit from IFC in the amount of $20 million which we anticipate will be in place by late 2001. Discussions are also taking place with OPIC to provide credit enhancements in order for DeltaCredit to borrow from U.S. banks.

During this quarter, the Company signed an agreement with ABN AMRO Bank to conduct to outsource their mortgage business to DeltaCredit. ABN AMRO will actively market the DeltaCredit brand name to over 10,000 corporate and credit card customers of ABN AMRO Bank. In addition, Citibank has given early indications that it will also outsource its mortgage business to DeltaCredit pending management approval.

Financial Services Investments

Highlights

DeltaLeasing
ФИНАНСОВАЯ АРЕНДА ОБОРУДОВАНИЯ

As a result of new funding, DeltaLeasing began a gradual ramp up through targeted marketing to its vendor network. The Company currently has $9 million outstanding in leases diversified over 110 companies ranging from wood processing and furniture manufacturing, printing and label production, packaging and others. The average deal size in DeltaLeasing's portfolio is slightly above $80,000 with a repayment rate of 99.5%. Over 70% of all DeltaLeasing customers represent businesses employing less than 100 workers.

DeltaLeasing continues to maintain a strong market position in SME leasing services sector in the 11 regions where it operates through a network of leasing offices and regional representatives. The Company has a growing pipeline which currently stands at $5 million in new leases. As part of its overall strategic plan, DeltaLeasing continues to strengthen the channels of its distribution network of vendors who generate the bulk of new business for the Company. In addition, the Company performed a series of training seminars for its key vendor contacts in the first quarter of 2001. During early 2001, DeltaLeasing will implement direct marketing campaigns to targeted industries in order to attract new medium-sized clients to its portfolio.

As a result of efforts to attract third party financing to sustain growth, DeltaLeasing received a mandate letter from EBRD for a $10 million 5-year credit line. The Company has begun the process of legal due diligence with the bank which should lead to financing in early fall this year. DeltaLeasing is also working intensively with IFC to secure a $10 million 5-year credit line. We expect the IFC credit team from Washington to begin legal due diligence of the Company in Moscow in mid April 2001. If everything goes as expected, DeltaLeasing should have IFC commitment to provide financing by the end of 2001.

In February 2001, DeltaLeasing announced plans to expand into the Volga region by opening its fifth leasing office in Nizhny Novgorod. DeltaLeasing entered into a cooperation agreement with the Nizhny Novgorod Leasing Company under which DeltaLeasing gets infrastructural and marketing support to ensure smooth and cost effective entry into the market. The Company plans to open another leasing office in the second largest market in the Volga region, Samara, by the beginning of April.

During Q4 2000, DeltaLeasing began efforts to reduce operational costs by streamlining operations and centralizing accounting, tax and MIS functions to the Moscow headquarters. These steps will lead to a reduction of back office functions in the regions, eliminating duplication in order to focus regional activity on sales and monitoring. These steps will also reduce auditing and control review procedures to minimize the Company's future costs associated with it. The consolidation of financial flows through DeltaBank will also enhance the development of the centralized treasury function and eliminate the Company's Russian bank risk.

Financial Services Investments

Highlights

DeltaBank
КОММЕРЧЕСКИЙ БАНК

During Q4 2000, the former DRB was officially renamed DeltaBank as part of the Fund's corporate branding strategy of Delta Financial Services Group. A comprehensive corporate branding and public relations strategy was developed and is ready to be implemented in order to present an updated image to the general public. We plan to actively cross-sell the financial group's other services through the bank while it builds its client base. The bank's mortgage program has been merged with DeltaCredit and the first mortgages through DeltaBank have begun. DeltaBank has also been actively training DeltaCredit staff on back office functions for these transactions as well as support on IT development.

The documentation to re-capitalize DeltaBank has been completed and will be filed with the Central Bank and Anti-Monopoly Committee before the end of March. New capital, as a result of the Fund's investment, will be injected upon completion of registration formalities (beginning of July). In the meantime, the bank's organizational structure has been fully revamped with business development units established and staffed with strong Relationship Managers. Headcount has been reduced by 20 people during the reorganization stage, resulting in a $100,000 annual savings.

Significant work was done on fine tuning the bank's strategy as well as identifying its target market. Staff was trained on various issues ranging from customer service, risk management, and marketing. The bank's existing customer base was reviewed in order to determine what other services could be offered. New customers were identified, including many prospects from the Fund's existing portfolio companies, and the pipeline list already includes a dozen mid-sized companies.

Customer deposits are stable at $2.7M while revenues have been slowly increasing. We continue to review operations in order to streamline and eliminate unnecessary costs. The initial results are promising with the bank's losses being steadily reduced each month. During the next quarter, we intend to concentrate on developing the bank's asset side of the business. These steps will include developing the bank's credit policies. We also intend to focus significant efforts on developing risk management, internal controls, and product development.

Financial Services Investments

Highlights

DeltaLeasing - Far East

Q4 2000 represented DLFE's third operational quarter and December the company's seventh full month of activity. During the year, the company produced deal volume that allowed analytical, accounting and legal staff to gain significant underwriting experience in this new business. Additionally, constant deal flow facilitated the establishment of efficient internal policies and procedures, resulting in normal communication and cooperation among company offices. Most importantly, income generated from leasing projects resulted in "buy-in" by staff to the leasing concept - offices previously involved exclusively in credit activities now understand that leasing is (a) demanded in the RFE, (b) logistically possible and (c) interesting. "Buy-in" was further facilitated by staff participation in the planning of business targets and budgets for 2001. The end result of this work indicated that DLFE runs a solid chance of reaching breakeven (with 100% of Fund expenses shifted to it) in the second quarter of 2002[1].

As of February 22, the company's portfolio consisted of 11 active projects, totaling $610,430. Of this amount, $258,525 has been disbursed, with the remainder scheduled for disbursal in February, March and April according to payment schedules with equipment suppliers. Disbursals have proven difficult and lengthy, mainly due to shipping logistics in the RFE.

Active Projects	Location	Business	Amount	Status
Vostochnoye	Kamchatka	Food processing (meats)	$84,847	Fully Disbursed
S.P. Davidova	Khabarovsk	Food processing (tea)	$13,041	Fully Disbursed
Aqua Spring	Sakhalin	Water Bottling	$15,120	Fully Disbursed
Fillipov	Sakhalin	Wholesale of construction materials (fork-lift for warehouse)	$20,250	Fully Disbursed
Unis ST	Vladivostok	Manufacturing of Plastic folders	$8,982	Fully Disbursed
Interstroy Company	Vladivostok	Manufacturing of PVC windows and doors	$150,750	Partially Disbursed
Kononov	Vladivostok	Food processing (meats)	$33,282	Fully Disbursed
Severnaya Zvezda	Sakhalin	Water Bottling	$50,000	Undisbursed
Berg	Vladivostok	Manufacturing of toilet paper (truck for distribution)	$26,250	Fully Disbursed
Gibraltar Trade	Vladivostok (Nakhodka)	Water Bottling	$120,000	Undisbursed
Bolshakov	Sakhalin	Food processing (fish)	$87,908	Undisbursed
		Total	***$610,430***	
		Disbursed as of 22 February	***$258,524***	

[1] This timeframe does not include a decrease in monthly operational expenses due to the possible purchase of an office space and termination of lease payments.

Financial Services Investments

Highlights

Despite its successes, 2000 was not without problems. At the end of the year, DLFE lost four of its earlier approved projects, which amounted to $470k. Losses were due to a failed security check, two post-approval client refusals and one client's inability to fulfill a key condition precedent.

For the period 1 January to 22 February 2001, the company was on track in meeting its planned disbursals of $270,000[2] for Q1 2001. Pipelines are healthy and indicate realistic projects[3] amounting to approximately $1,000,000 ($350k in Khabarovsk, $150k on Sakhalin, and $500k in Vladivostok).

DLFE's major plans for 2001 include:

1. The purchase of office space in Vladivostok: At this time, rent accounts for nearly $30k yearly in Vladivostok and our landlord has already informed us of further increases in March. The real estate market in Vladivostok is currently quite attractive and allows for the purchase and finishing-out of quality office space for approximately $60k (i.e., two years' rent at current rates).
   The purchase of office space will result in significantly lower operational expenses, thereby accelerating breakeven and assisting in sustainability.

2. Equity increase: Currently, DLFE's equity is equal to only $3k. All projects and operational expenses are financed by debt issued from the Fund. While workable, this strategy results in a weak balance sheet and does not assure the company's long-term viability; should financing for the Fund be reduced, DLFE's survival would be at risk. Establishment of an equity base that allows for self-sufficient operations would eliminate this risk and allow for a balance sheet that would be attractive to 3rd party investors.

Continue to consider and finance projects that are characteristic of the RFE economy (i.e. forestry, fishing and mining). These projects tend to be larger in size and more complex in structure. However, demand for equipment in these business areas is strong and DLFE needs to develop methodologies for working prudently with them.

[2] Business plan for 2001 includes $90,000 in monthly leasing disbursals

[3] Defined as those projects with a realistic chance for approval in the upcoming 3-6 months

Raising A Private Fund

The private equity market for Russia has been extremely difficult. In recent money management conferences, the panelists would not even entertain questions on Russia. As a result, our major efforts have been postponed until spring of 2001. We are cautiously optimistic we can have a first closing by the end of calendar 2001.

Direct Investment Program

Funded Investments as of December 31, 2000

(Dollars in Millions)

	Committed Amount	Funded to Date	Amount Realized Principal	Amount Realized Interest, Fees & Gains	Technical Assistance Grant Committed
Satisfactory					
1. Agribusiness	$5.00	$5.00	$0.00	$0.00	$0.00
2. Bitech	3.00	3.00	0.00	0.00	0.00
3. Cybiko	1.00	1.00	0.00	0.00	0.00
4. Independent Network Television Holding	4.38	4.38	0.00	0.01	0.00
5. Interstom	0.08	0.08	0.00	0.00	0.01
6. Invacorp	10.00	10.00	0.00	0.00	0.10
7. Pentacom	5.00	5.00	0.00	0.00	0.00
8. Polygraf	2.80	2.80	0.00	0.00	0.09
9. SPAR Moscow	0.50	0.50	0.00	0.00	0.00
10. SUN-Interbrew Ltd.	15.50	15.50	5.00	0.65	0.00
11. Time	0.28	0.20	0.19	0.07	0.00
12. TsUM	0.50	0.50	0.11	0.14	0.00
Focus					
13. FunTech	2.00	2.00	0.09	0.06	0.12
14. GVCO	0.90	0.90	0.06	0.10	0.07
15. Lomonosov	5.64	4.59	0.30	0.01	0.00
16. ZAO Hotel Corporation (Nevsky 49)	9.13	8.93	0.71	0.00	0.00
17. Nizhny Newsprint Holdings	4.14	4.14	0.00	0.00	0.00
18. Phargo	2.60	2.60	0.00	0.00	0.02
19. Port.ru	1.00	1.00	0.00	0.00	0.00
20. Saint Springs	3.50	3.50	0.00	0.22	0.08

Direct Investment Program

Funded Investments as of December 31, 2000

(Dollars in Millions)

	Committed Amount	Funded to Date	Amount Realized: Principal	Amount Realized: Interest, Fees & Gains	Technical Assistance Grant Committed
21. Segol RadioPAGE	3.30	3.30	0.00	0.00	0.07
22. StoryFirst	6.10	6.10	0.00	0.00	0.00
23. Vita Plus	5.00	5.00	0.00	0.00	0.20
Work Out					
24. Marine Resources	8.25	8.25 (a)	20.09	1.84	0.00
25. Russian Petroleum Investor, Inc.	1.95	1.95	0.10	0.01	0.21
Exited					
26. Dieselprom	3.66 (b)	3.66	0.07	0.00	0.00
27. FSS	0.25	0.21	0.00	0.00	0.02
28. GIANT	2.98 (b)	2.98	0.08	0.00	0.00
29. Grant	0.60	0.60	0.60	0.12	0.00
30. IBCS	5.00	5.00	0.00	0.00	0.00
31. Plyko LLC	5.83	5.83	2.33	1.58	0.25
32. USGH (Columbia Presbyterian-Moscow)	3.77	3.77	0.00	0.00	0.00
33. Zapsibinvest	0.97	0.97	0.08	0.00	0.00
Total	$124.61	$123.24	$29.75	$4.81	$1.24

(a) Revolving line of credit of $7 million fully repaid in June 2000.

(b) Amounts originally committed for Dieselprom and GIANT were $8.8 million and $8.0 million, respectively. Given the current status of these investments, it is not contemplated that the Fund will provide further funding.

Direct Investment Program

Reflows

		1995 - 1997 Fiscal Years		1998 Fiscal Year		1999 Fiscal Year		2000 Fiscal Year		2001 Fiscal Year		Total Since Inception	
		Principal	Interest, Fees and Gain	Principal	Interest, Fees and Gain			Principal	Interest, Fees and Gain	Principal	Interest, Fees And Gain	Principal	Interest, Fees and Gain
EX	Dieselprom	$72,000	-	-	-	-	-	-	-	-	-	$72,000	-
EX	FSS	-	-	-	$3,250	-	-	-		-	-	-	$3,250
	FunTech	-	$60,999	$90,000	44,292	-	$(41,688)	-		-	-	90,000	63,603
EX	Giant	75,793	-	-	-	-	-	-	-	-	-	75,793	-
EX	Grant	600,000	116,795	-	-	-	-	-	-	-	-	600,000	116,795
	GVCO	-	6,000	55,213	36,265	-	59,703	-		-	-	55,213	101,968
	INTH	-	2,547	-	7,685	-	-	-	-	-	-	-	10,232
	Lomonosov	-	-	-	-	-	-	$180,000	$6,465	$115,000	$4,327	295,000	10,792
	MRCI	5,920,659	493,104	6,034,254	391,728	4,144,650	591,593	3,992,958	365,794	-	-	20,092,521	1,842,219
	Nevsky 49	-	-	-	-	-	-	-	-	709,573	-	709,573	-
EX	Plyko	-	7,344	-	88,080	2,325,000	1,483,691	2,325,000		-	-	2,325,000	1,579,115
	RPI	100,000	6,792	-	-	-	-	-		-	-	100,000	6,792
	Saint Springs	-	222,050	-	-	-	-	-		-	-	-	222,050
	Segol RadioPAGE	-	-	-	1,404	-	-	-	1,917			-	3,321
	StoryFirst	-	-	-	1,094	-	-	-		-	-	-	1,094
	SUN-Interbrew	-	-	-	255,733	5,000,000	396,928	5,000,000	-	-	-	5,000,000	652,661
	Time	169,000	33,598	20,000	31,719	-	-	-	-	-	-	189,000	65,317
	TsUM	108,578	135,922	-	-	-	-	-		-	-	108,578	135,922
EX	Zapsibinvest	81,627	-	-	-	-	-	-	-	-	-	81,627	-
	Total	$7,127,657	$1,085,151	$6,199,467	$861,250	$11,469,650	$2,490,227	$11,469,650	$3,992,958	$824,573	$4,327	$29,794,305	$4,815,131

Portfolio Review

Portfolio Company: **Agribusiness Partners International L.P.**
Status: Satisfactory
Investment Officer: Vladimir Suleimanov

The Fund's Investments (12/31/00) Date of Initial Investment: 12/95

	Committed	Funded	Repaid	Carrying Value
Equity	$ 1,250,000	$ 1,250,000	$ 0	$ 1,250,000
Debt	$ 3,750,000	$ 3,750,000	$ 0	$ 3,750,000
Total	$ 5,000,000	$ 5,000,000	$ 0	$ 5,000,000

EQUITY Shareholders	Contribution	Ownership* Fully-Diluted
Archer Daniels Midland	$6,250,000	25.0%
BV Capital Markets	$5,625,000	22.5%
US West Pension Trust	$4,250,000	17.0%
Others	$3,875,000	15.5%
RHO Management	$2,500,000	10.0%
The Fund	$5,000,000	5.0%
America First	$1,250,000	5.0%

* The Fund's contribution amount shows cost of the remaining stake.

Business Description

Agribusiness Partners International L.P. (API) is a privately managed direct investment fund established to invest in companies working in food processing and agribusiness-related industries in the CIS. API is capitalized with $100 million from private investors and is managed by CIS Management Company LLC, an affiliate of America First Investment Company, an Omaha-based fund manager. In addition to its $5 million investment commitment, the Fund has co-investment rights with API. Unlike the other limited partners, the Fund's participation is not included in the guarantee by OPIC.

In 1999 the Fund relinquished its board seat, considering that API is fully invested.

Current Status

During the last quarter of 2000, API focused primarily on two of its portfolio companies: a glass factory and Iron Brew (branded soft drinks). The latter faced serious price competition from Coca Cola and Pepsi and is losing market share.

The glass factory, however, performed very successfully and reached its designed capacity. The factory has decided to launch another production facility (a $20 million project), and API has already secured vendor and bank financing. Upon completion of this new facility, the Company will become the largest glass bottle producer in Russia, with market share in excess of 10%.

Outlook

Despite some changes in API's portfolio companies, the Company has not announced any revaluation of its portfolio and return expectations since the last annual report. Most of API's investors record their contributions into the fund at cost because of the OPIC guarantee. Delta is also keeping its contribution at cost, though its position is less favorable as the investment was not secured by OPIC. As soon as the Company's 2000 Annual Report is released, the investment team will make revaluation (if required).

As announced during the last API shareholders' meeting, main exits are planed for 2003-2004, with a 19% return expected for API investors. This return depends on the success of four major deals, which total $56 million and represent more than 70% of portfolio.

Financial Information
(Dollars in '000s)

	12/31/00*	12/31/99
Months	*12*	*12*
Revenue	N/a	$1,674
Net Profit (Loss)	N/a	($7,300)
Total Assets	N/a	$82,453
Net Worth	N/a	$1,723
IAS	☐	☑
Audited	☐	☑

* 2000 financials will only be available in April.

Portfolio Review

Portfolio Company: **Bitech Petroleum**
Status: Satisfactory
Investment Officer: Piers Cumberlege

The Fund's Investments (12/31/00) Date of Initial Investment: 06/97

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 3,000,000	$ 3,000,000	$ 0	$ 2,182,200
Debt				
Total	$ 3,000,000	$ 3,000,000	$ 0	$ 2,182,200

* The Fund's shares are carried at C$1.67 (US$1.10) each, as per the recent IFC investment.

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Public shareholders	$7,952,333	35.7%
YPF	$15,000,000	15.6%
Stena Group	$19,973,000	12.8%
IFC	$7,500,000	9.2%
Invesco	$9,450,000	8.4%
Management	N/a	7.9%
Wind (Paus)	$5,000,000	2.8%
Lidner Funds	$3,020,000	2.7%
The Fund	$3,000,000	2.7%
Framlington	$2,250,000	2.3%

Business Description

Bitech Petroleum Corporation is the parent company of Bitech-Silur, an oil production company which owns and operates six licenses with proven reserves in fields in the Komi Republic, 200 kilometers south of the Arctic Circle. The parent company is listed on the Toronto Stock Exchange and is quoted in Frankfurt and Berlin. Its registered office is in Toronto, but operations are directed from London and its main base is in Pechora, Komi Republic.

Bitech-Silur is currently producing oil from wells in the South Kyrtayel field, and started drilling in the Lekker field in early 1998. The oil is primarily exported via the Transneft pipeline or sold to domestic refineries to produce downstream product for export and local markets.

In June 1997 the Fund invested $3 million in a private placement to increase drilling capacity and position the Company to develop its production base, both in existing licenses and through participation in other projects with proven reserves.

Current Status

Nicholas Gay, who was CFO until he left Bitech in March last year, has been recruited back to the company as CEO, and started in mid-December.

Bitech continues to produce efficiently, and is generating strong cash flow. However the company has still not succeeded in acquiring additional assets, although it has a number of plans in place.

Bitech has been introduced to DeltaBank, and are currently discussing opening a banking relationship.

Outlook

The company claims that its acquisition projects are proceeding well. However the Fund is continuing to look for possible acquirers of our stock.

There are rumours of a possible buyer in the Russian market, which we are actively working on.

Financial Information

(Dollars in '000s)

	12/31/00 *	12/31/99
Months	*12*	*12*
Revenue	$52,000	$35,127
Net Profit (Loss)	$4,800	$7,357
Total Assets	$94,000	$82,930
Net Worth	N/a	$77,886
IAS	☑	☑
Audited	☐	☑

* 2000 preliminary data prior to formal release of audited results in early April.

2000 Net Profit reflects an extraordinary charge of $6,851,317 for an out of court litigation settlement.

Portfolio Review

Portfolio Company: Cybiko
Status: Satisfactory
Investment Officer: Vitaly Belik

The Fund's Investments (12/31/00) Date of Initial Investment: 12/00

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 1,000,000	$ 1,000,000	$ 0	$ 1,000,000
Debt				
Total	$ 1,000,000	$ 1,000,000	$ 0	$ 1,000,000

* At cost.

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Common Stock Holders	N/a	54.5%
Series A Preferred Investors	$8,453,150	23.4%
Series B Preferred Investors	$1,500,000	20.7%
The Fund	$1,000,000	1.4%

Business Description

Cybiko is a technology company which has successfully integrated a number of core technologies to produce a commercially viable wireless handheld device. The Company's first product, Cybiko 1.0, combines wireless messaging, PDA features and a games platform, and is targeted at the Gen Y market.

The Cybiko 1.0 – which is about the size of a Walkman - already offers multi-task processing through a lean operating system running on a 16bit platform, combined with full duplex wireless communications, operating at 15kbps in the 900 MHz free frequency band.

Future generations of the Cybiko devise will have a wider communication range and a touch screen, as well as compatibility with BlueTooth technology.

Current Status

The slowing of the US economy in general, and the toy industry in particular, has resulted in 2000 sales of $20.1 million, as opposed to projected sales of $23.8 million. Gross margins have also been squeezed. Fortunately, Cybiko's exposure to troubled retailers is limited (outstanding account receivable from Montgomery Ward and eToys are $170K). However, given the industry slowdown, some stable retailers have reconsidered their strategies and adjusted their stocks accordingly (for instance, Office Depot discontinued sales of Cybiko and WalMart returned some of the stock.)

In light of this situation, the Company has revised its projections downward and is reviewing its financing strategy, as well as its overall strategy. The Company needs to start the next round of financing shortly, so as to prepare for both the launch of the next generation of Cybiko and Christmas 2001 sales.

The Company has been unable to prepare full scale results for Y2000 as the Company's CFO and KPMG are still developing an accounting policy to properly account for sales, R&D and Moscow office expenses, etc.

Outlook

The gloomy outlook for the US economy has forced the Company to reconsider its projections and financing strategy for Y2001. Most likely, the Company will go through another round of raising private financing, and postpone the planned IPO until the end of the year.

Projections for next year will be added later.

Financial Information

(Dollars in `000s)

	12/31/00	12/31/99
Months	*12*	*12*
Revenue	$20,108	N/a
Net Profit (Loss)	($15,510)	N/a
Total Assets	$20,929	N/a
Net Worth	$20,380	N/a
IAS	☑	☐
Audited	☐	☐

Portfolio Review

Portfolio Company: **Independent Network Television Holding (INTH)**
Status: Satisfactory
Investment Officer: Evelina Baxter

The Fund's Investments (12/31/00) Date of Initial Investment: 11/95

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 4,377,690	$ 4,377,690	$ 0	$ 4,377,690
Debt				
Total	$ 4,377,690	$ 4,377,690	$ 0	$ 4,377,690

* The last private placement was made in July 1998 at $110 per share. However, due to the uncertain future of the advertising market the Fund carries the investment at its cost of $60.53 per share.

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
New Investors	$18,240,090	23.9%
Botts/Allen Investor Group	$7,558,559	22.5%
ACT III Investors	$6,801,444	17.8%
ACT III Russia	N/a	12.7%
The Fund	$4,377,690	10.4%
INTH Management	N/a	5.1%
World Group Television	$1,149,085	3.7%
Founders	N/a	3.6%
Other	N/a	0.3%

Business Description

Independent Network Television Holding Ltd. (INTH) holds a 100% interest in Telekanal 27 (TK27), a Russian joint stock company engaged in the development of a Russia-wide terrestrial commercial broadcast network.

Telekanal 27 currently broadcasts under the name TV3 in St. Petersburg and Moscow. INTH also owns and operates stations in Chelyabinsk, Voronezh, Omsk and Saratov, reaching an estimated 23 million viewers.

By obtaining additional broadcast signals, expanding its audience base, upgrading existing transmission capability and developing a combination of high-quality, locally developed programming, TK27 aims to be a leading national Russian broadcast network.

Current Status

In 2000, INTH's operating subsidiaries recorded $2.5M in net profits or 221% of the 1999 revenue performance. The operating loss decreased by 20% to $3.23M. Growth in revenue has been driven by increasingly effective sales efforts in Moscow and St. Petersburg, as well as the use of TV3-trained sales people as managers in regional stations.

In the regions, the Company acquired stations in Omsk, Voronezh (2 channels) and Saratov (2 channels) in addition to its Chelyabinsk operation. Both revenue and cash flows increased dramatically at the new stations and currently represent 18.6% of total revenue.

The INTH station group closed 2000 with a 17.6% increase in revenues over the November forecast. Every station in the group generated positive cash flow in December.

The acquisition program is adding value to the company as an asset base, and provides for additional contribution to cash flow.

Outlook

INTH will continue with its aggressive acquisition program in 2001 to become a leading television station operator in Russia. Top 20 markets are targeted.

The company will continue to manage a diverse Russian station group and aim to develop modern, effective operations at every station. This year, INTH expects revenue streams from the stations to increase significantly and EBITDA to turn positive.

The Fund will lead the initiative to realize synergies between INTH and SFC in order to maximize the potential of both companies.

Financial Information

(Dollars in `000s)

	12/31/00 *	12/31/99
Months	*12*	*12*
Revenue	$2,521	$1,074
Net Profit (Loss)	($2,590)	($3,409)
Total Assets	$13,260	$15,782
Net Worth	$10,720	$14,358
IAS	☐	☑
Audited	☐	☑

* U.S. GAAP

Portfolio Review

Portfolio Company: **Invacorp**
Status: Satisfactory
Investment Officer: Vladimir Suleimanov

The Fund's Investments (12/31/00) Date of Initial Investment: 07/97

	Committed	Funded	Repaid	Carrying Value
Equity	$ 10,000,156	$ 10,000,156	$ 0	$ 10,000,156
Debt				
Total	$ 10,000,156	$ 10,000,156	$ 0	$ 10,000,156

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Company Management	N/a	30.2%
The Fund	$10,000,156	22.8%
Other Individuals	N/a	19.1%
Sector Capital	$4,965,955	18.2%
Absolut Bank	$2,190,375	5.8%
Oriflame	$2,000,000	3.9%

Business Description

Invacorp is one of Russia's leading pharmaceutical distributors. It ranks in the top three in terms of market share, regional presence and infrastructure. Invacorp supplies pharmaceutical products to pharmacies and regional wholesalers all over Russia through its branch network. The Company has a 7% market share and is well positioned to further solidify its position.

Invacorp was founded in 1992. In November 1996, Sector Capital made a $5 million equity investment into the Company. In Q3 1997 the Fund and Oriflame, a European producer of health and beauty products, invested $5 million and $2 million respectively, to support Invacorp's regional expansion. In May 1999 the Fund invested a further $5 million.

Current Status

According to preliminary results Invacorp has met its 2000 revenue target ($141M or 35%YOY growth), but not its net profit target ($441K vs. $3.6M projected). Annual profitability was negatively impacted by 1Q results, when the company had a lack of working capital and was selling its goods with the minimum GPM markup (14.8%) to speed up working capital turnover. Another major contributor of decreased margins was operational expenses growth.

The company's budget for 2001 was rejected by the BOD in February and will be reviewed by the end of March. The final 2001 budget projects sales growth at 40%, exceeding 15% forecasted market growth. The company plans to decrease its operational expense growth, and improve profitability by changing its sales structure and improving the working capital turnover.

Outlook

Current exit opportunities through a strategic sale remain unlikely as the largest European distributors such as Gehe, Alliance Unichem and Phoenix are tied up investing in the Eastern European market.

However most experts predict the large multinationals will come to Russia in 2001-2002. Should Invacorp secure a 10% market stake it might be an attractive acquisition target as a single company with an efficient corporate structure and transparent financial statements.

Invacorp's shares are not publicly traded on the market at the moment. Benchmarking public European analogs on various multiples, Invacorp's valuation could be in the $35-36M range.

Financial Information

(Dollars in '000s)

	12/31/00	12/31/99
Months	*12*	*12*
Revenue	$140,967	$104,667
Net Profit (Loss)	$441	$33
Total Assets	$76,681	$60,637
Net Worth	$24,250	$23,286
IAS	☑	☑
Audited	☐	☑

Portfolio Review

Portfolio Company: **Pentacom**
Status: Satisfactory
Investment Officer: Evelina Baxter

EQUITY Shareholders	Contribution	Ownership* Fully-Diluted
The Fund	$5,000,000	69.0%
Management	$22,464	31.0%

* Management options are exercisable during a 2- year period.

The Fund's Investments (12/31/00) Date of Initial Investment: 05/00

	Committed	Funded	Repaid	Carrying Value*
Equity	$ 5,000,000	$ 5,000,000	$ 0	$ 5,000,000
Debt				
Total	$ 5,000,000	$ 5,000,000	$ 0	$ 5,000,000

* The investment is valued at cost.

Business Description

Pentacom is a cable and wireless cable company with licenses to operate in Moscow Oblast and parts of Moscow City. It was founded by the Fund in May 2000.

The Company started selling multi channel pay TV services in December 2000. In time it also intends to provide voice-over-internet-protocol telephony, high speed internet access, video-on-demand and other value added services.

Pentacom is a wholly owned subsidiary of Russia Broadband Communications N.V., a Dutch holding company. The Fund currently controls RBC's Board.

Current Status

In December 2000 Pentacom acquired a small (25,000 subscriber) local network in Mitishi, and is now selling service to existing and new subscribers. As of February 28 the company had 500 paying subscribers.

The company has obtained all of its licenses.

In December the Board terminated the CFO's contract. He has now been replaced by an acting CFO, Judy Thompson, who previously worked in Motorola's strategic investments group.

Mint Capital has agreed to invest $3.5 million in Pentacom at a premium of 52% to the Fund's initial investment. This is structured as a blend of Founders' stock at $1.0/share and first outside round at $2.5/share. The resulting new round pricing values the company at $23 million, and the investment should be closed in mid-March, enabling the company to continue its current growth through June.

Outlook

Pentacom has been continuing talks with investors with a view to raising a $30 million round in the middle of the year. EBRD has shown interest, as have a number of Russia-specific investors. The Fund expects to support this round with up to a further $3 million investment.

The company is also in advanced due diligence on the $500,000 acquisition of a Moscow LMDS company which has licenses and equipment to provide wireless broadband within the city itself. This acquisition would give Pentacom 2.0 GHz of broadcast spectrum, and would position it to be the only operator licensed to provide service both within Moscow and in the region.

Financial Information
(Dollars in '000s)

	12/31/00*	12/31/99
Months	*12*	*12*
Revenue	$0	N/a
Net Profit (Loss)	($1,553)	N/a
Total Assets	$3,709	N/a
Net Worth	$3,447	N/a
IAS	☑	☐
Audited	☐	☐

* Operations started in May 2000.

Portfolio Review

Portfolio Company: **Polygraf**
Status: Satisfactory
Investment Officer: Vladimir Suleimanov

The Fund's Investments (12/31/00) Date of Initial Investment: 08/97

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 2,799,067	$ 2,799,067	$ 0	$ 2,799,067
Debt				
Total	$ 2,799,067	$ 2,799,067	$ 0	$ 2,799,067

* At cost

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Management	N/a	45.0%
The Fund	$2,799,067	22.2%
API	$5,000,000	22.2%
Individuals	N/a	10.6%

Business Description

JSC Polygrafoformlenie ("Polygraf" or the "Company") is a leading producer of packaging materials. The Company is one of Russia's premier producers of printed folding cartons and labels, flexographic printed plain paper labels and high-relief printed folding cartons. It sells these products predominately to the confectionery, beverage, food, tobacco, dairy, medical and pharmaceutical industries. Located in St. Petersburg, Polygraf controls significant regional market share in each of its business segments and is well positioned to benefit from import substitution.

Polygraf was founded in 1879 and privatized in 1994. In July 1997 the Fund made a $1.7 million installment of its $2.8 million committed investment. The remainder was invested in November 1997. Late in 1998 Agribusiness invested $5 million at a premium to the Fund's investment, to fund plant acquisition.

Current Status

Operating results for Polygraph in 2000 were satisfactory. Sales grew by 31% and net margin increased by 37%. The whole Company's capacity utilization rate has been close to 100% and production output has exceeded the average European rate.

For 2001 Polygraph plans to increase sales by 20% due to improvements in production efficiency, but the most significant part of the growth ($15 million annually) should come from the implementation of its investment strategy: building a new modern production site ($2 million internally generated cash) and installing $7M of new deep printing equipment (financing already committed from local bank as 5 year lease).

Polygraph is also considering an acquisition of a Moscow-based competitor, MKPK, currently owned by Invesco investment fund. The proposed deal structure is $2M down payment for 56% of MKPK plus an additional $6-8M payable in 4 installments by 2005.

Outlook

Despite some interest from Western and Russian companies, Polygraph's investment bankers UCB Fleming, Chase, JP Morgan have failed to identify a strategic buyer to divest Polygraph. According to UCB Fleming, there are two main problems: the relatively small size of Polygraph ($33M sales compared with $500M+ for interested buyers) and the lack of competition among potential buyers. Western players have so far been reluctant to set up local operations.

According to UCB Fleming, Polygraph's attractiveness will grow with the company's growth. UCB Fleming suggests that a sale now would be valued at a significant (20-30%) discount to Polygraph's fair market value, which UCB Fleming calculated as $30M.

Currently the Fund is trying to sell its shares to a buyer acceptable to the other shareholders. Meanwhile, the Fund will support the company's development strategy as long as it contributes to company value.

Financial Information

(Dollars in '000s)

	12/31/00 *	12/31/99 **
Months	*12*	*12*
Revenue	$33,622	$25,659
Net Profit (Loss)	$3,154	$2,153
Total Assets	$21,477	$16,642
Net Worth	$14,311	$11,173
IAS	☑	☑
Audited	☐	☐

* Preliminary Results, non audited

** Preliminary results subject to change upon the completion of audit. Audit results have been delayed due to the complexity of the organizational structure and the fact that it is the first international audit for the Company.

Portfolio Review

Portfolio Company: **SPAR Moscow Holdings Ltd**
Status: Satisfactory
Investment Officer: Paul Price

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
The Fund	$500,000	75.0%
Elliot & Co., Inc	N/a	25.0%

The Fund's Investments (12/31/00) Date of Initial Investment: 10/00

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 2,000,000	$ 500,000	$ 0	$ 500,000
Debt				
Total	$ 2,000,000	$ 500,000	$ 0	$ 500,000

* Valued at cost.

Business Description

SPAR Moscow Holdings (SPAR) was established in July 2000 by a leading Moscow distributor to develop a chain of supermarkets in Moscow and Moscow Region under a franchise from SPAR International. SPAR International is a world leading retail franchiser with over 17,000 stores in 27 countries.

In October 2000 the Fund acquired 75% of SPAR for $2.0 million. This is the first stage of a three-stage investment project with a total equity requirement of $5 - 7 million. Any commitment to second and third round funding by the Fund is dependant on success in the first phase, which consists of establishing the SPAR platform in Moscow and launching the first flagship store.

Current Status

Loss for the quarter of $103K includes operational setup costs. Transaction costs of $300K were capitalized. The company's current rate is approximately $30K per month.

The Company has not yet secured its first store premises. There are currently three interesting prospects undergoing due diligence. More than 40 stores have been researched to date. Title issues continue to be the single greatest obstacle to closing a deal. Despite rising real estate prices, the company will fit the store launch within the budget. The target launch remains June 2001.

Numerous franchise applications have been received. The Company is considering granting a franchise to "ABK", a chain of 7 small-format stores, ahead of the flagship store launch. A letter of intent has been signed with this chain. There current annual retail sales are $5M.

SPAR has negotiated supply agreements with 30% of its planned suppliers to date. Approximately 90% of these suppliers have granted terms similar to the other large Moscow chains in advance of any trading.

Outlook

SPAR management is working with a sense of urgency to secure the launch of their flagship store in June. This is the primary focus of management and the Fund.

The two leading real estate developers in Moscow, Jones Lang LaSalle and Styles Riabokobylko, are keen to use SPAR as a ground floor anchor tenant in trading center developments. One such project is at an advanced stage.

Once the first store premises are secured the Fund and SPAR will commence second phase fund raising activities.

Financial Information

(Dollars in '000s)

	12/31/00 *	12/31/99
Months	*12*	*12*
Revenue	N/a	N/a
Net Profit (Loss)	($103)	N/a
Total Assets	$410	N/a
Net Worth	$398	N/a
IAS	☑	☐
Audited	☐	☐

* Operations started in 4Q 2000. Other assets include $300,000 for transaction costs.

Portfolio Review

Portfolio Company: **SUN Interbrew Limited**
Status: Satisfactory
Investment Officer: Piers Cumberlege

The Fund's Investments (12/31/00) Date of Initial Investment: 08/95

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 10,500,000	$ 10,500,000	$ 0	$ 7,316,400
Debt	$ 5,000,000	$ 5,000,000	$ 5,000,000	$ 0
Total	$ 15,500,000	$ 15,500,000	$ 5,000,000	$ 7,316,400

* Based on 6/15/99 cash closing of strategic deal between SUN and Interbrew. Share price is $4.24 after the split.

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Interbrew	$253,923,828	64.9%
SUN Trade International Ltd.	$74,728,867	17.2%
Institutional Investors	$58,486,401	16.3%
The Fund	$10,500,000	1.5%

Business Description

SUN-Interbrew was created in June 1999 following the merger of Sun Brewing (The Fund's original investment) with the CIS brewing businesses of Interbrew S.A., the privately owned Belgian brewing company.

With the June 2000 completion of the acquisition of Klin in Moscow, and Rogan in Ukraine, the company now has eight breweries in Russia, and four in the Ukraine, giving a total capacity of approximately 8 million hectoliters in Russia, and a further 4 million in Ukraine. Current capacity now represents 16% of the Russian market, and 34% of the Ukrainian market.

Following the merger, senior Interbrew executives have been appointed to key management positions. The company is focusing on developing the quality and capacity of its operations in Russia and Ukraine.

Current Status

Sun-Interbrew completed the year well: focused marketing brought the three Core segment brands (Klinskoye, Tolstiak, and Siberskiy Korona) up to 57% of volume from 15% in 1999. Net sales/hectoliter grew from E18 to E28, and gross margin averaged E10/hectoliter. EBITDA margin grew from 13% to 22%, despite a 33% increase in G & A overheads.

The company invested E112 million, primarily in improved production quality and capacity, and is planning to invest a further E90 million in 2001. This has brought shelf life up to between 60-90 days for the Core brands, and all others exceed 30 days; the long term target is 6 months for all brands.

The strong focus on improving HR quality has also paid off, with lower employee churn, and a higher ratio of Russian staff in senior positions: 5 of the 14 person senior management team are now Russian.

Outlook

The operational outlook is rosy: beer consumption has grown strongly in Russia and Ukraine over the last few years, and Sun-Interbrew should benefit from the continued growth, allied to increasing margins from brand re-positioning. The company expects to launch locally-brewed Stella Artois in mid-2001.

Sun-Interbrew is completing a SEAQ registration which should improve visibility and may help get greater liquidity.

The Board is also reviewing longer-term options of raising additional capital with a primary issue, to increase the size of the float - another critical factor in getting more outside institutional investment. It is possible that some of the current $65 million short-term debt facility may be converted in an equity placement later in the year, provided that the right level of pricing can be established.

Although the Fund's anticipated return on the investment was badly impacted by the 1998 crisis and slow recovery period, we should still hold our position until we can recover our investment fully on exit.

Financial Information

(Dollars in '000s)

	12/31/00	12/31/99
Months	*12*	*12*
Revenue	$275,825	$103,419
Net Profit (Loss)	$10,539	($5,446)
Total Assets	$468,945	$316,445
Net Worth	$319,742	$172,308
IAS	☑	☑
Audited	☑	☑

Portfolio Review

Portfolio Company: Torgovy Dom TSUM (TSUM)
Status: Satisfactory
Investment Officer: Piers Cumberlege

The Fund's Investments (12/31/00) Date of Initial Investment: 12/96

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 495,838	$ 495,838	$ 244,508	$ 246,100
Debt				
Total	$ 495,838	$ 495,838	$ 244,508	$ 246,100

* Carrying value based on Moscow OTC last price on 11/10/00 at $0.23 per share.

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Other Individuals/Entities	$10,114,500	30.2%
Societe Generale Placement	$6,170,000	18.7%
Management and Employees	$5,740,000	17.4%
Moscow Government	$5,380,000	16.3%
Brunswick Millennium Fund	$3,300,000	10.0%
Other Foreign Investors	$2,050,000	6.2%
The Fund	$387,260	1.2%

Business Description

OAO Torgovy Dom TsUM ("TsUM"), is Moscow's second largest department store and is one of Russia's leading retailers. Located in the very center of Moscow, TsUM has 9,300 sq. meters of prime retail space.

The Fund invested in December 1996 after the Company appointed a new General Director who initiated a dramatic turnaround in the business: boosting sales, improving margins, strengthening concession contracts and embarking on an ambitious $22 million renovation project.

The Fund initially purchased 1,370,000 shares at $0.3619 per share, and then sold 300,000 shares in July 1997 at $0.815/share, generating $244,500 from the transaction and realizing a $136,000 gain.

Current Status

In 2000 TsUM revenues, EBITDA and Net Income grew respectively 8, 17, and 39%. However revenue growth was only 2.4% ahead of the sector average for the same period.

The company is trying to negotiate with Moscow City Government to acquire additional building space adjacent to the store, in order to increase retail space by a further 25%. This is also partially a defensive move against greenmail from a small retail outfit which has apparently obtained the rights for itself via personal contacts in the City Government.

The General Director's employment contract has been restructured so that over 40% is driven by stock price growth and 25% by revenue growth compared to the sector, and 25% by absolute EBITDA growth. This breaks new ground for a Russian listed company, and was partially structured in order to make TsUM stand out from its competitor group, including GUM.

Outlook

TsUM is currently trading at around a 40% discount to GUM, its nearest competitor, principally due to lack of liquidity.

However a takeover bid has emerged, led by the Chairman of RTS (the Russian equivalent of Nasdaq), and shares are starting to change hands privately at around 30 cents - approximately 50% above the traded price, and only just below the Fund's 36 cent entry price. Millenium has said they would sell their block at 54 cents, and the Fund initially agreed to tag along with them if they do.

However, the terms of Millenium's offer included 18 month deferred payment, so the Fund has entered direct negotiations with the buyer for a cash pay-out, which may be at a lower price.

Financial Information
(Dollars in `000s)

	12/31/00 *	12/31/99
Months	*12*	*12*
Revenue	$34,818	$32,335
Net Profit (Loss)	$2,583	$1,869
Total Assets	$22,087	$14,964
Net Worth	$14,838	$9,891
IAS	☑	☑
Audited	☐	☑

* FY 2000 will be the first year for which TsUM has IAS audited financials.

Portfolio Review

Portfolio Company: **FunTech**
Status: Focus
Investment Officer: Vitaly Belik

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
FUN Group	N/a	70.0%
The Fund	$1,000,000	26.0%
Rank Xerox	$153,848	4.0%

The Fund's Investments (12/31/00) Date of Initial Investment: 08/96

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 1,000,000	$ 1,000,000	$ 0	$ 0
Debt	$ 1,000,000	$ 1,000,000	$ 90,000	$ 910,000
Total	$ 2,000,000	$ 2,000,000	$ 90,000	$ 910,000

* In 1998 the Fund took a 90% equity write-down. FunTech remains insolvent. At 9/30/99 the balance of equity was written down in full.

Business Description

FunTech is a Moscow-based company involved in Xerox copy equipment trading and services, including equipment repair. FunTech also operates seven full-service document centers.

The venture was established by two Russian entrepreneurs, Evgeny Kolikov and Anatoly Shlugleit, with further investment by the Fund and Xerox.

The Fund has invested a total of $2 million, including $1 million for the purchase of a 26% stake in the Company and a $1 million, 4-year loan at 14% annual interest. Xerox invested at the same price as the Fund and acquired a 4% stake. The Fund has two seats on FunTech's Board of Directors; Xerox holds one seat and the FUN Group holds the remaining two seats.

Current Status

Y2000 results are encouraging, as sales grew 43% compared with last year, and profitability improved slightly. Sales efforts also intensified and many clients started increasing business volume.

At the same time, profitability remains low as the Company had to increase sales efforts and regain customers lost when the Company reduced its credit terms to preserve cash. Profitability of copy centers remains low, although overall copy center operations broke even.

A major hurdle is the lack of cash to replace the aging equipment at its copy centers. Faced with increasing competition and rising costs (including rent) in the Moscow market, the Company will review its copy center operations and develop a strategy. Possibly, the Company may decide to divest the business.

The Fund's loan to the Company still needs to be restructured and the terms are under negotiation. Xerox remains interested in the Company's operations which may signal that the Company is willing to restructure the loan instead of going through bankruptcy.

Outlook

The Company has plans to repay the debt to the Fund within 3 years. However, it is necessary to ensure that Xerox does not cut off its credit line to FunTech. Negotiations are currently underway with Xerox.

The outlook for the copy centers is currently unclear. The Company is reviewing Y2000 results and renegotiating rent terms for its major locations. Depending on the success of these negotiations, the Company may decide to exit the business, and the exit options are under review.

The Company continues to prepare Y2000 results. Preliminary information is given here.

Financial Information

(Dollars in `000s)

	12/31/00 *	12/31/99 **
Months	*12*	*12*
Revenue	$10,063	$7,024
Net Profit (Loss)	$31	$24
Total Assets	N/a	$2,472
Net Worth	N/a	($1,159)
IAS	☐	☑
Audited	☐	☐

* The company does not have its 2000 Balance Sheet yet, and it will be available in March.

** In the second half of 1999 the company switched from cash-based to accrual accounting.

Portfolio Review

Portfolio Company: **Genesee-Volkhov Connection, Inc. (GVCO)**
Status: Focus
Investment Officer: Paul Price

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Other Shareholders	$675,000	49.1%
Management & Directors	$400,000	29.1%
The Fund	$300,000	21.8%

The Fund's Investments (12/31/00) Date of Initial Investment: 04/97

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 300,000	$ 300,000	$ 0	$ 0
Debt	$ 600,000	$ 600,000	$ 55,213	$ 450,000
Total	$ 900,000	$ 900,000	$ 55,213	$ 450,000

* The Fund's carrying value for both debt and equity was written down by 25% as of 9/30/98 based on the company's generally negative trend. As of 9/30/99 the equity value was fully written down as the trend continued.

Business Description

Genesee-Volkhov Connection, Inc. (GVCO) is a U.S. corporation formed in 1994. The Company is a product of a sister city program, which links Rochester, New York, and the Russian city of Novgorod. GVCO's founders sought to leverage their relationship with Eastman Kodak to build a network of Kodak minilabs. The Company owns and operates minilab processing centers, as well as several additional sales points in and around the cities of Novgorod, Tver, and Cheboksary.

In April 1997, the Fund acquired approximately 24% of GVCO for $300k and extended a $600k, 5-year loan to the company at interest of 10%. Current equity holding is 21.82% subsequent to a new share offering. Investment proceeds have helped finance GVCO's expansion plans, including the acquisition of 16 new Noritsu minilabs through the first quarter of 1998.

Current Status

The Company was marginally profitable for the year. Sales grew 18% (37% in Ruble terms). GVCO failed to service any interest or principal on its loan.

The Company introduced selling incentives for staff in May and has seen steady growth in product sales since, particularly in sales of cameras and film.

Early in the year management cut the monthly cash burn through a corporate restructuring that significantly reduced VAT on sales. The Company's market continues to be fiercely competitive.

Outlook

GVCO's 2001 budget shows USD sales growth of 10% and a small profit for the year.

Management has been requested to service $60k interest/principal on the Fund's loan in 2001 and to redraft the budget to achieve this. The Fund will meet with GVCO management to discuss the elements of a profit improvement plan. The revised budget will be presented in late February. January sales grew 15% y-o-y showing promising signs of growth in the year ahead.

The Fund has obtained benchmarking information from a Rostov lease client (Delta Leasing) who is in the same business that is managing to service a similar sized debt from a smaller operation.

Financial Information

(Dollars in '000s)

	12/31/00	12/31/99
Months	*12*	*12*
Revenue	$637	$539
Net Profit (Loss)	$1	($70)
Total Assets	N/a	$906
Net Worth	N/a	$286
IAS	☑	☑
Audited	☐	☑

Portfolio Review

Portfolio Company: **Lomonosov Porcelain**
Status: Focus
Investment Officer: Evelina Baxter

The Fund's Investments (12/31/00) Date of Initial Investment: 08/98

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 4,299,081	$ 4,299,081	$ 0	$ 4,299,081
Debt	$ 1,350,000	$ 295,000	$ 295,000	$ 0
Total	$ 5,649,081	$ 4,594,081	$ 295,000	$ 4,299,081

* Valued at cost

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
The Fund	$4,299,081	29.8%
KKR	$4,344,683	29.5%
Stoomhamer	N/a	25.7%
Private individuals	N/a	15.1%
Max Asgari	N/a	0.0%
Others	N/a	0.0%

Business Description

The Lomonosov Porcelain Factory, based in St. Petersburg, is the leading producer of porcelain tableware in Russia. The Lomonosov brand is well known throughout the country and is associated with high quality porcelain. Lomonosov is one of the few brand names developed during the Soviet economy, which preserved the old tradition of Russian artistry.

The Fund co-invested with KKR and Max Asgari, former head of Asea Brown Bovari's Russian operations and CEO of SUN Brewing Ltd., to develop the under-utilized assets of Lomonosov's brand name and its production capabilities.

Current Status

In 2000 net revenues increased by $839,000 (11.7%) in comparison with 1999, gross profit increased by $414,000 or 10.9% and represented 52.4% of sales revenues. Operating margin increased from 20.6% to 22.9% and net margin increased from 16.8% to 22.4%.

Return on equity increased to 8.5% in comparison with last year's 6.3%. Although cost of sales increased by 12.5% due to increases in payroll and material costs this was offset by tax optimization and reduction of other expenses.

The Company has won a court case against the tax inspectorate saving $950,000 in taxes for the years 1999 and 2000. Income tax expense in 2000 was reduced by 82% and the effective tax rate was 3%.

The MIS project is underway and the accounting package is fully operational.

Shareholders loans have been fully repaid. Currently the Company has access to a ruble overdraft facility at 13.5%.

Outlook

An experienced COO and Marketing and Sales directors will join the Company by the end of the 1st quarter. Technical and marketing experts are being employed to develop a 3-year business plan by mid-year. MIS production and planning module will be operational by the end of the second quarter allowing production to match sales needs.

Lomonosovy will continue litigating in order to re-establish its ownership of the trademark and Cobalt net patent. Settlement of the recent intellectual property infringement litigation in the US resulted in a new export contract for Lomonosov.

A Ministry of Culture agreement will entrust the Museum collection to the Hermitage and place certain obligations on the Company for maintaining the exhibition on its premises. The Hermitage has agreed to allow commercial copying of all collection pieces.

The Fund and KKR have been approached by a Russian commercial bank which expressed an interest in acquiring a controlling stake in the Company.

Financial Information
(Dollars in '000s)

	12/31/00	12/31/99
Months	*12*	*12*
Revenue	$8,042	$7,202
Net Profit (Loss)	$1,798	$1,207
Total Assets	$21,955	$20,068
Net Worth	$21,087	$19,289
IAS	☑	☑
Audited	☐	☑

Portfolio Review

Portfolio Company: **Nevsky 49**
Status: Focus
Investment Officer: Paul Price

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
The Fund	$8,047,188	46.4%
Radisson SAS	$4,516,059	26.7%
Moscow-America	$2,968,169	21.5%
Ucgen	$939,041	5.5%

The Fund's Investments (12/31/00) Date of Initial Investment: 07/98

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 8,047,188	$ 8,047,188	$ 0	$ 8,047,188
Debt	$ 1,080,000	$ 880,000	$ 709,573	$ 170,427
Total	$ 9,127,188	$ 8,927,188	$ 709,573	$ 8,217,615

* Valued at cost. Debt commitment includes a bridge loan of $880,000 and a shortterm VAT loan of $400,000.

Business Description

ZAO Hotel Corporation, a Russian joint stock company, was established to develop a 164 room first-class international hotel at 49 Nevsky Prospect. This will be the first privately owned and financed international quality hotel in St. Petersburg.

The Fund's $7.9 million investment is part of a total financing package of $32 million formed to fund the construction of a four-star hotel to be managed by Radisson SAS. As part of that package, EBRD will provide $14.5 million debt financing.

The Hotel is now planned to open in Summer of 2001.

Current Status

At the end of January the Fund's bridge loans of $880,000 were fully repaid. In December we funded our portion of delay changes of $145,200. This sum was committed in August 2000.

EBRD loan disbursements to date were $9.1 million at March 13 and a further disbursement of $0.6 million was approved.

Construction works were largely within schedule at the end of February. FF&E is scheduled for delivery in April. Completion is planned for June. Radisson SAS will appoint the hotel manager before 21 March and they expect to have the full pre-opening team in place by mid-April.

There have been no changes in the Customs Code nor are any expected. Therefore the contingent liability for the loss of customs exemption will not materialize. The contingent liability of $445k for the hotel property lease cannot be extinguished until the lease is cancelled. This cannot happen until the hotel is completed. An investment agreement was signed with the city in December that will give us ownership on completion.

Outlook

The hotel is scheduled for completion in June and opening its doors in July. Some time was lost by the Contractor in early February due to manning delays caused by visa issues. The contractor is committed to a June completion but it will be tight.

St. Petersburg occupancy levels continue to improve. Average occupancy rates for four-star hotels in St.Petersburg center are up to 55%. The company forecasts are based on 50% occupancy over the first two years.

Financial Information

(Dollars in `000s)

	12/31/00	12/31/99
Months	*12*	*12*
Revenue	N/a	N/a
Net Profit (Loss)	N/a	N/a
Total Assets	$26,960	$12,731
Net Worth	$17,495	$11,831
IAS	☑	☑
Audited	☐	☑

Portfolio Review

Portfolio Company: **Nizhny Newsprint**
Status: Focus
Investment Officer: David A. Jones

The Fund's Investments (12/31/00) Date of Initial Investment: 05/95

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 4,144,490	$ 4,144,490	$ 0	$ 0
Debt				
Total	$ 4,144,490	$ 4,144,490	$ 0	$ 0

* The Fund wrote down the carrying value to zero as of 9/30/97 following the collapse of the newsprint spot market. The company has since experienced a turnaround.

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Dart	$41,053,000	40.3%
HIT	$36,276,000	35.6%
Ice Breaker	$10,215,000	10.0%
IFC	$10,154,000	10.0%
The Fund	$4,144,490	4.1%

Business Description

Open Joint Stock Company OAO Volga (Volga) is a vertically integrated manufacturer of newsprint located in Balakhna in the Nizhniy Novgorod region. Nizhniy Newsprint Holdings ("NNH") owns 93% of OAO Volga. The Fund's predecessor, FLER, invested $1.645 million for an initial 3.89% equity stake in NNH with a follow-on investment of $2.5 million in November 1996, resulting in the current 4.07% equity stake. Other investors in NNH include the Ice Breaker Fund, managed by Credit Suisse First Boston, the International Finance Corporation, HIT International Trading AG, a publicly traded German company and Dart Container group.

Current Status

The Fund has taken legal action against HIT in order to enforce its rights under the Share Transfer Agreement, which gives the Fund the option to acquire a further 31% of NNH for $4.2 million.

The Fund has entered into an agreement with the Alfa Group for payment in return for the wavier of the legal action against HIT. The Fund will receive $12.5M for this waiver.

The Fund has entered into a second agreement with the Alfa Group for the purchase of our 4% ownership in NNH for $3.4M.

Outlook

The Fund expects the first payment of $7.5M to be made during the week of March 12th.

Financial Information
(Dollars in '000s)

	12/31/00 *	12/31/99
Months	*12*	*12*
Revenue	$200,940	$186,901
Net Profit (Loss)	$57,046	$5,839
Total Assets	$244,242	$264,567
Net Worth	$119,867	$62,821
IAS	☑	☑
Audited	☐	☑

* Net Earnings include an exceptional gain of $35.2 million arising from debt restructuring.

Portfolio Review

Portfolio Company: **Phargo Management And Consulting Limited**
Status: Focus
Investment Officer: Vadim Rulko

The Fund's Investments (12/31/00) Date of Initial Investment: 12/97

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 2,500,000	$ 2,500,000	$ 0	$ 946,492
Debt	$ 96,803	$ 96,803	$ 0	$ 96,803
Total	$ 2,596,803	$ 2,596,803	$ 0	$ 1,043,295

* The investment was written down by $625K at the end of fiscal year '98 and further written down by $ 930K at the end of '99.

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
P. Phelan	$1,800,000	32.3%
Framlington	$2,757,000	22.9%
The Fund	$2,500,000	21.0%
Carr-Harris family	$500,000	16.4%
Private individuals	N/a	7.4%

Business Description

Phargo has held the Alphagraphics franchise rights for Russia since 1988. In 1998 the Company expanded to operate three Alphagraphics stores in Moscow, one in St. Petersburg, and one Order entry kiosk in Novgorod.

Following the 1998 financial crisis the company transferred the Novgorod Kiosk to a Moscow City Center location, and has downsized the St. Petersburg operation.

There are five main revenue centers in the company: Printing (42%), Binding (16%), Electronic Printing (14%), Design (12%), Color Copying (8%). Rapid response printing is the strongest part of the business.

Current Status

Q400 results were slightly below the budget, but generally on track.

The Company has renegotiated its equipment lease (switching from Xerox to Canon), which will result in $22K monthly savings. The Company is expected to operate profitably in 2001.

AG Supercenter has been closed as part of the restructuring effort and office workers are currently being transferred into stores. The Company doubled its store space at Tverskoi Passage.

Marketing analyses indicate that Phargo's prices are not competitive -10-15% higer than those of competitors - while the quality of service no longer commands such a premium. The reason is that prices are calculated by a sophisticated MIS system, "PrintSmith", and nobody in the company is in full control of this system. The Fund is currently pressing the company to correct this and revise its pricing policy.

Phargo has recently signed a service agreement with Spar Moscow.

Outlook

Outlook for 2001 is generally positive: projected sales of $3.4M (a 21% increase) and a net profit of $370K compared to net loss of $390k in 2000.

The company plans to open two new stores before September.

There is also a plan to buy a 4 color press which would give the company additional opportunities in the market and allow it to maximize profit on work that it currently oursources.

Production of greeting cards/advertising mailing was successfully launched and the Company is going to expand this service.

Phargo began to implement its plans to launch printing of digital photographs in conjunction with Canon's "Digital Camera World" program. The pilot store is expected to open in March.

Financial Information

(Dollars in `000s)

	12/31/00 *	12/31/99 **
Months	*12*	*12*
Revenue	$2,770	$2,450
Net Profit (Loss)	($390)	($537)
Total Assets	$1,164	$2,151
Net Worth	$331	$876
IAS	☑	☑
Audited	☐	☐

* preliminary estimates.

** Draft accounts, still to be finalized

Portfolio Review

Portfolio Company: **Port.ru**
Status: Focus
Investment Officer: Piers Cumberlege

The Fund's Investments (12/31/00) Date of Initial Investment: 03/00

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 1,000,000	$ 1,000,000	$ 0	$ 1,000,000
Debt				
Total	$ 1,000,000	$ 1,000,000	$ 0	$ 1,000,000

* At cost.

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Founders	N/a	56.9%
First round private investors	$975,001	21.2%
Employees	N/a	6.1%
Second round investors	$1,450,000	4.5%
The Fund	$1,000,000	3.1%
Advisors	N/a	2.9%
Dr Pscharr (third round)	$2,100,000	2.4%
Interim round investors	N/a	1.7%
Balestra Capital	$55,000	1.2%

Business Description

Port.ru is an internet portal focused on the worldwide Russian-speaking community. Port has a number of major sub-sites: web-based mail site, Mail.ru, which currently has 1.5 million registered users; Consumer e-commerce site Torg.ru which is hosting over 250 electronic stores, with over 65,000 products; Travel and tour site, Travel.ru.

Port.ru initially raised $1 million seed finance in July 1999, and the Fund invested $1 million on 30 March 2000, as part of a $2.5 million round which valued the company at $27.5 million post money.

Port is now in the final stages of a non-cash acquisition of Netbridge, which will enhance the company's leading position in the Russian internet market.

Current Status

During 4Q00, the Company performed relatively well and reduced its burn rate. Operating performance improved, with the number of registered users exceeding 2.5M.

The Company signed a strategic alliance agreement with NIKoil and expects to speed up the development of e-commerce in conjunciton with NIKoil. NIKoil is still considering whether to invest in the Company.

Despite positive trends, the burn rate still remains high and the Company is running low on cash. In order to reduce expenses and the burn rate, the Company has been reviewing strategic options and has decided to merge with another key player in the market to realize economies of scale. The merger should position the Company to become a clear leader in the market.

Currently, merger negotiations with NetBridge are underway, with closing expected in mid-March.

Outlook

The Company will focus on making the merger smooth. At the same time, as Internet advertising projections have been revised downward, the merged Company will have to focus on keeping costs limited while increasing revenues. Under a conservative scenario, the merged company will have enough cash to carry through to profitability.

As the situation in the financial markets still remains unstable, the Company has to carefully its plan finances for the foreseeable future. Also, as the merger will probably spur consolidation in the market, the Company has to keep a close eye on the competition, and, if necessary, acquire others to keep its leadership position.

The company expects to raise additional financing from outside investors in May/June. Intel Capital, Eagle Ventures, and the Fund may possibly be interested.

Financial Information
(Dollars in `000s)

	12/31/00 *	12/31/99
Months	*12*	*12*
Revenue	$1,482	$27
Net Profit (Loss)	($4,175)	($390)
Total Assets	$3,695	$715
Net Worth	$1,099	$626
IAS	☑	☑
Audited	☐	☑

* preliminary estimates

Portfolio Review

Portfolio Company: **Saint Springs Water Limited**
Status: Focus
Investment Officer: Paul Price

The Fund's Investments (12/31/00) Date of Initial Investment: 12/95

	Committed	Funded	Repaid	Carrying Value*
Equity	$ 3,500,000	$ 3,500,000	$ 0	$ 6,268,750
Debt				
Total	$ 3,500,000	$ 3,500,000	$ 0	$ 6,268,750

* Based on sale of shares to third parties in early 1998 at $4,250 per share. (The Fund's cost basis: 12/95, purchased 875 shares at $2,286 per share for $2 million and 03/97, 600 shares purchased at $2,500 per share for $1.5 million).

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Original Investors	$1,445,095	25.4%
The Fund	$3,500,000	15.1%
Framlington	$3,500,000	15.1%
John V. R. King	$820,670	13.8%
Rurik Investments Ltd.	$3,723,856	8.5%
Stoner Group Ltd.	$2,285,556	5.2%
Eaton International	$2,285,556	5.2%
Agribusiness Partners	$2,258,508	5.1%
Renaissance Capital	N/a	3.5%
Sigma Capital Corporation	N/a	2.5%
Other New Investors	$225,400	0.5%

Business Description

Saint Springs Water Limited is engaged in the production and distribution of bottled water in Russia. The Company is a market leader in a small but rapidly growing segment of the country's beverage business. From its modern plant in Kostroma, Saint Springs bottles premium spring water products which it sells in Moscow, St. Petersburg and other leading Russian markets. The venture involves cooperation between a group of U.S. investors led by John King, President and CEO, and the Kostroma Eparchy of the Russian Orthodox Church.

In 1998 the company launched its Cooler division, which serves both Moscow and regional urban centers.

Current Status

Net loss for 2000 was $2 million against a budgeted $1 million profit. The cooler division accounted for $1.2 million of this loss. Also euro currency losses accounted for $271K.

The company continues to under-perform. Overall volume growth for the year, although 30%, was half of that expected. While volumes were at a historic high, targets were missed because of the cool summer and Pepsi's aggressive push of its Aqua Minerale product into Moscow and St. Petersburg markets. Packaged water margins were also under attack by Aqua Minerale.

The cooler division grew strongly during the year. Cooler sales accounted for 20% of revenues in the final quarter. However the Division is still running at a hefty loss due to cost of its 17 regional centers.

Outlook

The Company has adjusted the marketing mix for packaged water to counteract Pepsi's campaign. Management expects to grow cooler sales by 100% in 2001 and to reach breakeven in the division by mid-year. They plan to become national leader in cooler water in 12 to 24 months. In recent trade sales cooler volumes appear to be fetching a premium over packaged volumes. The Company is currently negotiating for acquisition of the No.1 cooler company (3/4 times bigger than Saint Springs' cooler volumes).

Paul Sofianos, who will join the Fund in April, will take charge of our interests in Saint Springs. Paul has been GM in a number of beverage companies including Pepsi in Russia.

The Fund will work with management to ensure their focus on key value drivers. The cooler business acquisition will be our main focus in the coming quarter.

Financial Information

(Dollars in '000s)

	12/31/00*	12/31/99
Months	*12*	*12*
Revenue	$15,072	$13,337
Net Profit (Loss)	($2,018)	$584
Total Assets	$21,941	$23,275
Net Worth	$20,745	$22,774
IAS	☑	☑
Audited	☐	☑

* Loss of $2M includes $271k loss on euro deposit held for capital spend that was cancelled.

Portfolio Review

Portfolio Company: **Segol RadioPAGE**
Status: Focus
Investment Officer: Piers Cumberlege

The Fund's Investments (12/31/00) Date of Initial Investment: 02/98

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 2,500,000	$ 2,500,000	$ 0	$ 371,228
Debt	$ 800,000	$ 800,000	$ 0	$ 800,000
Total	$ 3,300,000	$ 3,300,000	$ 0	$ 1,171,228

* Debt is carried at cost. Equity is carried at the Fund's warrant price of 20cents/share. No value is ascribed to warrants.

EQUITY Shareholders	Contribution	Ownership* Fully-Diluted
The Fund	$2,500,000	58.9%
Mosenergo	$115,000	8.1%
Childs, Lawrence R.	$182,405	7.6%
Loges Clayton and Family	$176,422	7.3%
Individual Investors	$681,473	4.7%
Champion Technology Holdings Ltd.	$1,200,000	4.6%
Other Founders	N/a	3.4%
Management & Employees	$68,670	3.2%
Other Institutional Investors	$212,126	2.3%

* Assuming full accrual of all interest due on the Fund's Convertible Loan, the Fund's ownership will increase to 67%. There is a Voting Agreement among major shareholders which currently gives the Fund voting control over 67%.

Business Description

Segol RadioPAGE, Inc. (SRP), a Seattle based company, is a developer and operator of wireless messaging systems in Moscow, Tula, Minsk and Tashkent. SRP has 35,000 subscribers, of which 26,000 are in Moscow where it is the largest operator, with approximately 20% of the market.

The Fund increased its ownership from 15 to 67% after providing a stabilization credit of $800,000, with warrants, in Q4 1999. Following disbursement of the credit the company's peformance started to improve. Costs were cut, and initial diversification plans were implemented. The company now offers call-center services, as well as paging.

In December 2000 the Fund appointed a new Acting President of the company, primarily focussed on corporate activites including a merger with another Moscow paging company, and created the post of President of Russian Operations, primarily responsible for managing the core Moscow businesses.

Current Status

Following completion of the stabilization phase Alexei Markov has left the company.

Regina von Flemming, previously GM of Krone telecoms business in Russia has been seconded as President of the company.

Dmitry Sokolov, previously head of sales and marketing at Bay Networks and Nortel has been appointed President of Russian operations.

A term-sheet has been drafted with Metromedia for a merger of Radio Page with Mobile Telecom, to capture 40% Moscow market share, and develop the corporate customer business.

Radio Page is also discussing investing with another operator in a wireless broadband start-up.

The Call center has new contracts from Gillette and Xerox.

Outlook

The new management team has settled in well and is driving the new initiatives strongly.

Talks have been ongoing with possible strategic investors - on the one hand in the paging business and on the other hand to become part of a pan-European multilingual call-center group.

Financial Information
(Dollars in `000s)

	12/31/00 *	12/31/99 **
Months	*12*	*12*
Revenue	$4,383	$7,209
Net Profit (Loss)	$81	($472)
Total Assets	$2,453	$2,639
Net Worth	($967)	($1,108)
IAS	☐	☑
Audited	☐	☐

* preliminary estimates; not final figures

** Unaudited and provisional numbers - TBC

Portfolio Review

Portfolio Company: **StoryFirst Communications**
Status: Focus
Investment Officer: Evelina Baxter

The Fund's Investments (12/31/00) Date of Initial Investment: 09/96

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 6,098,400	$ 6,098,400	$ 0	$ 2,695,146
Debt				
Total	$ 6,098,400	$ 6,098,400	$ 0	$ 2,695,146

* At 9/30/98 the Fund's carrying value was written down to $2.3m.
The current carrying value is based on a share price of $426.11, the valuation used in the August 1999 new round of financing of $10m, in which the Fund participated for $1.0m.

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Other Investors and Employees	$26,624,030	32.1%
News Corp/Logovaz	$21,412,850	20.8%
Current Directors	$899,100	15.4%
Morgan Stanley Asset Management	$10,526,250	7.7%
The Fund	$6,098,400	5.3%
Mercury Asset Management	$8,008,000	4.7%
Universal Television	$7,507,500	4.4%
Sector Capital	$6,999,850	4.1%
Capital Research	$4,401,540	2.6%
Alliance Scan East	$3,000,140	1.8%
CS First Boston	$2,009,150	1.2%

Business Description

StoryFirst Communications, Inc. (STS) is a U.S. corporation, founded in 1989, to build radio and television broadcasting networks in Central and Eastern Europe. StoryFirst's principal assets are ownership interests in Russian St Petersburg television and radio broadcasting joint ventures.

The company holds interests in national television networks broadcasting in over 90 Russian cities, owned and operated television stations in nine Russian cities. STS, the Company's Russian television broadcasting network, is its most important asset.

StoryFirst currently has ten owned and operated stations, and over 250 affiliates. StoryFirst's joint ventures in Russia generate revenue from the sale of advertising time on the Company's co-owned television networks, television stations and radio stations.

Current Status

SFC's Consolidated Cash Position at year-end was $5.11M. Alfa Group had made a final payment of $1.5M in December for the purchase of STS shares but another $1.5M worth of operational funding has not yet come through.

An agreement was signed with Mostelecom on the repayment of the debt. Approximately $2M will be paid to StoryFirst by the end of 2001. The first payment was made in December.

STS audience share grew to 6.3% in December in the 18-45 demographic group. Special New Year's Day projects brought the share up to 8.2% in the same group.

In early February, STS achieved an audience share of 26.7% in Russia during prime time on Saturday, beating all other channels. STS is steadily #4 on Moscow market.

Outlook

The Company is moving forward on its "breakthrough" strategy: increased spending on quality and locally produced programming. The Company is aiming to reach an audience share of 10% by the end of next year. The Company plans to be EBITDA positive in 2002.

The Fund believes that a merger between SFC and INTH would realize synergy in strategic and economic points. There are also rumors that NewsCorp may aim for a takeover after the end of 1Q2001. It is important to consider our options in this scenario.

At the next Board meeting the Chairman will report on the financing requirements needed to support the growth and consolidating effort.

The company is determined to put additional effort into building up the station group and maximizing the revenues from the regional stations.

Financial Information
(Dollars in '000s)

	12/31/00 *	12/31/99
Months	*12*	*12*
Revenue	$8,781	$6,092
Net Profit (Loss)	($5,600)	($12,645)
Total Assets	$32,000	$24,047
Net Worth	N/a	$7,832
IAS	☐	☑
Audited	☐	☑

* Net Profit - estimate

Portfolio Review

Portfolio Company: **Vita Plus**
Status: Focus
Investment Officer: Vladimir Suleimanov

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Dispenser A.G. (Management)	N/a	60.2%
The Fund	$5,000,048	39.8%

The Fund's Investments (12/31/00) Date of Initial Investment: 07/98

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 5,000,048	$ 5,000,048	$ 0	$ 574,000
Debt				
Total	$ 5,000,048	$ 5,000,048	$ 0	$ 574,000

* At the end of Q1'00 carrying value was written down to the Company's Net Book Value as the company continued to experience operating losses.

Business Description

Before the crisis the Company was one of the leading Russian pharmaceutical distributors on the basis of market coverage and product range. After the crisis the Company lost its ranking as a national distributor and is now considered a regional distributor operating mainly in Moscow and the Moscow oblast. The Company has a developed logistics infrastructure including warehouses, transport and information system.

Current Status

In 2000, Vita Plus was unable to reach breakeven level and generated $1.6 million net losses on $15.7 million sales. The Company's management doesn't see much opportunity to decrease expenses significantly and return it to profitability without sales growth.

The company has tried to increase sales since 1999 but failed due to lack of working capital and overdue liabilities.

Outlook

Vita Plus has failed to revive after the 1998 financial crisis, having lost most of its regional operations. Since that time the Company has continuously generated losses and is now close to going out of business. It's highly unlikely that any liquidation proceeds would have any value - the Company's own capital, after liquidation discounts, is close to zero.

Recently Vita Plus started acquisition negotiations with Invacorp. This may be an opportunity to put a value on Vita Plus' clients, and reduce expenses by streamlining operations through Invacorp facilities. Additionally, Invacorp may obtain special discounts from Vita Plus creditors. The negotiation process is going slower than initially expected.

The acquisition is being considered as a share swap, though conversion prices haven't been discussed yet. Vita Plus' possible valuation range is $1-1.5 million.

Financial Information
(Dollars in `000s)

	12/31/00	12/31/99
Months	*12*	*12*
Revenue	$15,668	$12,674
Net Profit (Loss)	($1,598)	$657
Total Assets	$7,945	$6,715
Net Worth	$251	$1,852
IAS	☐	☑
Audited	☐	☐

Portfolio Review

Portfolio Company: **Marine Resources (MRCI)**
Status: Work out
Investment Officer: Piers Cumberlege

EQUITY Shareholders	Contribution	Ownership Fully-Diluted
Pacific Fish Company	$4,167,000	50.0%
Management Group	$2,917,000	35.0%
The Fund	$1,250,000	15.0%

The Fund's Investments (12/31/00) Date of Initial Investment: 03/96

	Committed	Funded	Repaid	Carrying Value *
Equity	$ 1,250,000	$ 1,250,000	$ 0	$ 750,000
Debt	$ 7,000,000	$ 7,000,000	$ 7,000,000	$ 0
Total	$ 8,250,000	$ 8,250,000	$ 7,000,000	$ 750,000

* Despite the likelihood of receiving full value back on the Fund's investment, the equity is still carried at its written down value, pending the initial distribution.

Business Description

Established in 1976, Marine Resources Company International is reportedly the oldest Russian-American joint venture in operation and one of the largest suppliers of Russian seafood products to the North America and Japanese markets. The Company is also involved in the conversion and refitting of Russian fishing vessels, the sale of marine equipment, and the management of Russian fishing vessels.

MRCI has a strong management team with over one hundred years of combined experience in converting and operating fishing vessels, marketing seafood products and doing business in Russia.

In February 1996, the Fund invested $1.25 million in equity and provided the company with a $5 million Line of Credit which was increased to $7 million in April 1997. This Line of Credit was terminated in June, 2000.

Current Status

MRCI held an owners meeting in December to vote on liquidation of the LLC. However, as Pacific Fish Company is currently deadlocked in a legal battle over the beneficial rights to its shares in MRCI, they were not represented at the meeting and the liquidation vote was put back to another meeting to be held in early April at which, under the Charter, two out of the three owners will constitute a quorum.

In the meantime Lori Singer identified that the Fund in fact has rights to put its stock back to MRCI, which start to become exercisable in March 2001, and are paid out over a two to three year period (depending on the company's performance). There is very little difference between the forecast value of the put and the anticipated return to the Fund from liquidation - both are around $1.5M.

However, although it is unlikely that, with management seeking to bail out of the company, the full put would be paid out, this has nevertheless given the Fund the leverage to negotiate that our capital will be returned ahead of MRCI management in the event of liquidation. On that basis we intend to support the liquidation vote in April.

Outlook

The Fund has signed an agreement with management to vote for liquidation, in return for management assigning all their proceeds from liquidation, until the Fund has received its orignal $1.25 million investment back.

The Fund also retains the right to exercise the put in the event that the liquidation vote is successfully challenged by Pacific Fish.

Financial Information

(Dollars in `000s)

	12/31/00 *	12/31/99
Months	*12*	*12*
Revenue	$56,035	$66,749
Net Profit (Loss)	$2,388	$2,229
Total Assets	$24,102	$24,269
Net Worth	$10,153	$9,594
IAS	☑	☑
Audited	☐	☑

* Provisional year-end figures, pending audit due out in mid-March.

Bank Partner Program

Program Disbursements and Outstanding Balances

As of December 31, 2000

	Small Business (a)	Microenterprise	Auto Lending	Mortgage Lending (b)	Total
Disbursed	$41,847,954	$1,001,956	$7,780,000	$2,675,354	$53,305,264
Reflows					
Principal	31,248,501	538,661	4,905,836	566,337	37,259,335
Interest	2,251,698	75,745	509,813	109,456	2,946,712
Write-offs	2,240,605	-	4,223	-	2,244,828
Loans Outstanding	8,358,848	463,295	2,869,941	2,109,017	13,801,101

(a) Includes community lending, trade finance and direct loans.

(b) Represents program statistics prior to start-up of DeltaCredit. Disbursements after 6/30/00 totaling $3,009,857 were made by the Fund but will be repaid by DeltaCredit and are therefore shown as a loan from the Fund to DeltaCredit under Financial Services investments. Principal repayments reflect full program payments through 12/31/00 while interest payments received after 6/30/00 are reflected as a liability of the Fund to DeltaCredit ($139,400).

Bank Partner Program

Small Business Program

Credit Performance

As of December 31, 2000

Small Business Program	Disbursed Number	Amount	Repaid %	Good %	Pass/Watch %	EM %	Substandard %	Doubtful %	Write off %
St. Petersburg									
Baltiskiy	51	$4,336,535	57	18	4	-	-	-	21
Bank St. Petersburg	1	100,000	-	-	-	-	-	-	100
St. Petersburg Bank for R&D	9	650,000	22	44	34	-	-	-	-
Inkasbank	11	882,000	36	27	37	-	-	-	-
Bank of Moscow	1	100,000	-	-	100	-	-	-	-
Dalnevostochny	2	110,000	50	-	50	-	-	-	-
Moscow									
Business Development	4	423,173	100	-	-	-	-	-	-
Menatep	12	1,157,000	42	-	-	-	-	-	58
Credo	3	207,000	-	-	-	-	-	-	100
Mosbusiness (Troitskoye)	1	100,000	100	-	-	-	-	-	-
Mosbusiness (Pushkinskoye)	2	148,200	100	-	-	-	-	-	-
Bank of Moscow (Kolomna)	4	271,700	-	-	-	-	50	50	-
Probusiness	78	7,125,835	49	30	17	-	1	1	2
Bank of Moscow (Moscow)	10	1,000,000	40	40	20	-	-	-	-
Bank of Moscow (MBB/Troitskoye loans)	8	810,388	-	13	-	13	37	37	-
Guta Bank	2	109,500	50	50	-	-	-	-	-
MDM Bank (Trade Finance Program)	15	3,050,000	100	-	-	-	-	-	-
First Mutual Credit	15	983,000	33	-	67	-	-	-	-
International Industrial Bank	24	1,489,000	38	17	45	-	-	-	-

Bank Partner Program

Small Business Program

Credit Performance

As of December 31, 2000

Small Business Program (continued)	Disbursed Number	Disbursed Amount	Repaid %	Good %	Pass/Watch %	EM %	Substandard %	Doubtful %	Write off %
Russian Far East									
Regio (Khabarovsk)	18	888,250	72	-	-	-	-	6	22
Dalryb (Vladivostok)	18	1,112,000	94	-	-	-	-	-	6
Dalnevostochny (Vladivostok)	24	1,260,278	46	29	25	-	-	-	-
Dalnevostochny (Yuzhno-Sakhalinsk)	15	479,900	47	13	27	7	-	-	6
Primsotsbank	18	1,067,000	11	22	61	6	-	-	-
Primsotsbank (Dalrybank loans)	13	1,057,880	46	15	8	8	15	-	8
Bank of Moscow (Khabarovsk)	7	270,000	71	14	15	-	-	-	-
Kostroma/Yaroslavl									
First Mutual Credit (SBS/Kostroma loans)	3	58,000	100	-	-	-	-	-	-
SBS Agro	2	15,000	100	-	-	-	-	-	-
Yarsotsbank	7	679,000	71	14	15	-	-	-	-
Rostov/Krasnodar/Novorossiisk									
Inkom (Krasnodar)	1	70,000	-	-	-	-	-	-	100
Promstroy (Rostov)	3	264,500	33	-	-	-	-	-	67
DonInvest (Rostov)	39	2,189,106	67	3	3	3	10	-	14
Krasnodar (Krasnodar)	3	101,000	67	-	-	-	-	-	33
Kuban (Krasnodar)	5	347,500	80	-	-	-	-	-	20
Mosbusiness (Krasnodar)	2	130,000	100	-	-	-	-	-	-
Center-Invest (Rostov)	19	749,900	63	21	5	5	6	-	-
Guta (Rostov)	2	50,000	-	100	-	-	-	-	-

Bank Partner Program

Small Business Program

Credit Performance

As of December 31, 2000

	Number	Disbursed Amount	Repaid %	Good %	Pass/Watch %	EM %	Substandard %	Doubtful %	Write off %
Small Business Program (continued)									
Bank of Moscow (MBB/Krasnodar bank loans)	5	326,767	40	-	-	-	-	20	40
Bank of Moscow (MBB/Novorossiisk loans)	1	150,000	-	-	-	100	-	-	-
Pervomaisky (Krasnodar bank loans)	7	443,000	86	14	-	-	-	-	-
Pervomaisky (Kuban)	1	100,000	-	100	-	-	-	-	-
Pervomaisky (Krasnodar)	3	180,000	-	-	100	-	-	-	-
First Mutual Credit (Krasnodar bank loans)	3	177,000	100	-	-	-	-	-	-
Ekaterinburg									
Severnaya Kazna	53	3,165,150	87	2	4	4	-	2	1
UralVneshtorg	9	1,033,000	56	33	11	-	-	-	-
Guta	5	180,000	80	-	20	-	-	-	-
Community Lending Program									
Kostroma	17	510,400	100	-	-	-	-	-	-
Petropavlovsk	28	1,304,992	64	18	14	4	-	-	-
Direct/Other									
NrsbiF	4	275,000	100	-	-	-	-	-	-
Vostok Les	1	150,000	-	-	-	-	-	-	100
Total Small Business Portfolio	589	41,847,954	51%	16%	21%	2%	2%	1%	7%

Bank Partner Program

Status of Loan Loss Reserve

	As of September 30, 2000		As of December 31, 2000	
	Number	Amount	Number	Amount
Prior Reserve		$3,321,254 (6/30/00)		$2,402,342 (9/30/00)
Loans Charged Off	5	(102,070)	-	-
Recoveries		53,462		12,162
Additions to Reserve		169,368		100,300
Calculated Reserve before Year-End Adjustment		$3,442,014		$2,514,804
Year-End Adjustment		(1,039,672)		N/A
Adjusted Reserve		$2,402,342 (9/30/00)		$2,514,804 (12/31/00)
Reserve as a % of loans outstanding		15%		18%

Financial Services

Funded Investments

As of December 31,2000

	DeltaLeasing	DeltaLeasing Far East	Delta AutoLease	DeltaCredit	DeltaBank	Total
Equity Investment						
Disbursed	$629,613	-	$100,000	$12,518,355	$8,899,165	$22,147,133
Loans from Fund to affiliates						
Disbursed	6,558,656	342,371	142,875	4,009,857	11,550,000	22,603,759
Reflows						
Principal	940,977	45,019	19,725	500,000	-	1,505,721
Interest	103,470	-	616	-	-	150,135
Loans Outstanding	5,617,679	297,352	123,150	3,509,857	11,550,000	21,098,038
Total Fund outstanding investment at cost basis	$6,247,292	$297,352	$223,150	$16,028,212	$20,449,165	$43,245,171

(a) Includes loans disbursed via the Fund's bank partner program from July 1, 2000 through December 31, 2000 of $3,009,857.

Technical Assistance Program

As of December 31, 2000

	Committed Amount	Amount Funded	Description	Status
Direct Investments				
Frank's Siberian Supreme	$14,858	$14,858	The grant was used to implement an MIS and inventory monitoring, sales tracking and financial reporting system.	Completed.
Frank's Siberian Supreme II	8,200	8,200	Secondment by PriceWaterhouseCoopers staff member.	Completed.
FunTech	75,927	75,927	The grant was used to acquire and implement management information and financial reporting systems.	Completed.
FunTech II	17,000	13,915	This grant was used to provide training to FunTech employees in the areas of sales and special operating procedures for certain Xerox equipment and product knowledge as well as customer service.	Completed. Invoice status to be clarified.
FunTech III	27,000	32,112	The grant was used to upgrade its accounting procedures and develop a model for GAAP restatement.	Completed. Overage in invoice amounts under review.
GVCO	70,338	70,338	The grant was used to purchase and install an MIS.	Completed.
Interstom	24,800	14,185	The grant is being used for Dr. Todd Nicol's consultancy services at the clinic. In addition to the $15,000 grant, the Fund compensates Dr. Nicol for out-of-pocket expenses, estimated at $9,800.	Completed.
Invacorp	100,000	100,000	The grant was used by Invacorp to upgrade its MIS.	Completed.
Junior Achievement International	34,614	34,614	The grant was used to provide an intensive business skills training program to entry and mid-level management of Plyko, Saint Springs, Kostroma Savings Bank and Kostroma Regional Property Fund. The program was developed and implemented by JAI.	Completed.
Nevsky 49	56,154	56,154	The grant is being used to engage a Project Coordinator, Marc Bashaw, for six months or until EBRD disburses under the loan agreement, if that occurs later. Monthly fee of $5,000 plus expenses.	Ongoing.

Technical Assistance Program

As of December 31, 2000

	Committed Amount	Amount Funded	Description	Status
Plyko	248,556	248,556	The grant was used to install and implement an MIS, retain an engineering consultant to assist in the installation of a new production line and recommend operational improvements.	Completed. Original commitment amount was $250,000.
Polygraf	50,000	50,000	The grant was used to purchase and implement a U.S. GAAP MIS.	Completed.
Russian Petroleum Investor, Inc.	150,000	150,000	The grant was used to train Russian editorial and research staff.	Completed.
Russian Petroleum Investor, Inc. II	62,500	62,500	The grant was used to cover 50% of the costs required for the publication of a special edition assessing the implications of Russia elections for foreign investors.	Completed.
Saint Springs	41,217	41,217	The grant was used to cover the cost of training Saint Springs' employees, provided by the Center of Business Skills Development which was founded with the help of a USAID grant.	Completed.
Saint Springs II	25,000	9,676	The grant was used to cover 50% of costs to research regional distribution alternatives.	Completed.
Segol RadioPAGE	43,625	43,625	The grant was used to upgrade MIS to a Y2K updated version of existing Platinum software.	Completed.
Segol RadioPAGE II	5,240	5,240	The grant was used to contribute pagers for emergency services after the Ostankino TV Tower fire.	Completed.
Segol RadioPAGE III	5,400	5,400	The grant was used for Finance Director recruitment.	Completed.
Segol RadioPAGE IV	18,000	18,000	The grant was used to cover the cost of accounting software support from Platinum™.	Completed.
TIME	2,462	2,462	The grant was used to purchase a computer for implementation of a new accounting system.	Completed.

Technical Assistance Program

As of December 31, 2000

	Committed Amount	Amount Funded	Description	Status
Vita Plus	200,000	-	The grant will be used to upgrade Vita Plus' MIS.	System specification defined and supply offers under review.
Accounting Training for Portfolio Companies	23,000	13,309	The grant was used to provide GAAP accounting training to the senior staff of the Fund's portfolio companies through two 3-day courses developed in conjunction with Arthur Andersen to address problems the crisis has presented.	Completed.
Crisis Support:				
Secondments	44,758	50,649	Temporary accounting staff provided to Saint Springs ($24,758) and Alphagraphics ($20,000).	Completed.
Crisis Guide	205,000	200,020	Development and launch of Small Business Crisis Guide.	Completed.
Distribution of Fast Moving Consumer Goods	35,000	35,000	This grant was used to complete a study of opportunities in FMCG distribution to provide the Fund with a market research analysis.	Completed.
Distribution of Pharmaceutical Goods	25,000	25,000	This grant was used to complete a study of opportunities and changing trends in the industry, to assist the two pharmaceutical companies in the Fund's portfolio as well as numerous companies within the small business bank partner program, with market strategy formation.	Completed.
Tax Efficient Structures	65,000	5,160	The grant is being used to engage independent tax consultants to review existing businesses and recommend transparent tax efficient structures for Polygraf ($35,000) and Segol RadioPAGE ($30,000).	Ongoing.
Subtotal Direct Investments	1,678,649	1,386,117		

Technical Assistance Program

As of December 31, 2000

	Committed Amount	Amount Funded	Description	Status
Financial Services				
Financial Services Sector Program	150,000	155,347	The grant was used to expand activity in the Financial Services Sector, specifically with regard to expanding the range of products offered through the Bank Partner Program and development of leasing, mortgage and other customer credit activities.	Completed 11/30/99.
Phase II	470,000	678,930	Phase II commencement of DeltaLease and acquisition of DRB.	Completed 5/31/00.
Phase III	650,000	386,702	Phase III management services to DRB (start 6/1/00).	Ongoing.
Subtotal Financial Services	1,270,000	1,220,979		
Small Business				
Averon-MT	10,000	10,167	The grant was used to upgrade computers. (SBP Entrepreneur of the Year - 1999).	Completed.
Bank Partner Program Management Conference	50,920	48,062	Conference on issues of development and expansion of the range of financial services offered by Russian banks. Main purpose was to educate bank partner management in innovative lending products in the Russia market such as mortgage lending, auto lending and leasing.	Completed.
Fartop	10,000	10,000	The grant was used to purchase and make software upgrades and to provide technical training in graphics production. (SBP Entrepreneur of the Year - 1997).	Completed.
Kanadsky Khleb	10,025	10,025	The grant was used to upgrade its MIS (SBP Entrepreneur of the Year - 1998).	Completed.
PriceWaterhouseCoopers	452,022	334,798	The grant was used to present 13 sessions of Credit Analysis for Small Businesses to partner bank professionals. Also includes training instructors to teach the course, travel and conference facilities. Additional session for Micro Credit Program.	Completed. Remaining grant being used in Micro Credit.

Technical Assistance Program

As of December 31, 2000

	Committed Amount	Amount Funded	Description	Status
Primsotsbank	65,000	16,700	The grant is being used to provide IAS audits for 1998 and 1999 as well as restatement of Russian financials through June 30, 2000. Supports development of regional banking institutions in RFE, preparing the bank for considerationof an equity investment by a western partner.	Ongoing.
Subtotal Small Business	597,967	429,752		
Mortgage				
CMG	49,647	49,930	The grant was used to develop and promote a public awareness campaign for residential mortgage lending in Russia.	Completed.
CMG II	50,391	50,684	The grant was used for August 2000 public awareness campaign.	Completed.
Nicholai Chitov	21,500	21,518	The grant was used for consulting services on development of the financial operation for mortgage originations and servicing.	Completed.
Nicholai Chitov II	12,173	12,173	The grant was used for consulting services on development of the financial operation for mortgage originations and servicing.	Completed.
Development of Mortgage Lending Origination and Servicing Software	12,091	12,091	Grant to consultant to evaluate and streamline originations and servicing system.	Completed.
Development of Mortgage Lending Software	10,000	10,000	Grant to consultant, Caroline Lee, to develop mortgage lending software for servicing of residential mortgage loans.	Completed.
Development of Mortgage Lending Quality Control System and On-line Originations	12,132	12,259	Grant to consultant to develop comprehensive quality control system and evaluation of the originations and servicing system.	Completed.

Technical Assistance Program

As of December 31, 2000

	Committed Amount	Amount Funded	Description	Status
Diasoft	6,000	6,037	The grant was used to develop mortgage originations and servicing software for use by Russian bankers to support development of residential mortgage lending.	Completed.
Fannie Mae	50,853	50,853	Fannie Mae provided a team with expertise in servicing operations, systems and the legal aspects of securitization to assist the Fund in assessing the feasibility of establishing a state-of-the-art mortgage loan servicing system in Russia.	Completed.
Global Reputation Management Corp.	25,008	25,008	The grant was used to develop and promote a public awareness campaign for residential mortgage lending in Russia.	Completed.
Institute for Urban Economics	3,555	3,539	The grant was used to train Russian bankers in residential mortgage lending through Certified Mortgage Lenders Course.	Completed.
Institute for Urban Economics II	7,360	7,419	Certified Mortgage Lenders Course II.	Completed.
Institute for Urban Economics III	5,530	5,556	To train Russian bankers in residential mortgage lending through Course III.	Completed.
Institute for Urban Economics IV	18,000	18,110	To develop internal instructions and procedures for commercial mortgage lending and construction period finance in Russia.	Completed.
Institute for Urban Economics V	2,500	2,505	The grant was used to train and implement residential mortgage lending in Russia.	Completed.
Institute for Urban Economics VI	18,000	18,107	To develop the internal instructions and procedures for commercial mortgage lending and construction period finance in Russia.	Completed.

Technical Assistance Program

As of December 31, 2000

	Committed Amount	Amount Funded	Description	Status
Mass Media Campaign	30,924	25,096	Public awareness campaign for residential mortgage lending.	Completed.
Mikhailov & Partners	11,233	11,293	The grant was used for July 2000 public awareness campaign.	Completed.
Mikhailov & Partners	16,950	17,048	The grant was used for August and September 2000 public awareness campaigns.	Completed.
Mortgage Call Center Training	6,264	6,293	The grant was used to train call center operators.	Completed.
Mortgage Lending	27,000	27,993	The grant was used to develop an educational and promotional film for the purchase of a home.	Completed.
Public Awareness Campaign (Moscow)	66,287	71,022	Grant provided to Mikhailov & Partners for public awareness campaign for residential mortgage lending in Moscow (2 separate grants-$61,937 and $4,350).	Completed.
Public Awareness Campaign (St. Petersburg)	17,775	17,871	Grant provided to Mikhailov & Partners for public awareness campaign for residential mortgage lending in St. Petersburg.	Completed.
Public Awareness Campaign	41,829	41,829	The grant was used to develop and promote a public awareness campaing for residential mortgage lending in Russia.	Completed.
Public Awareness Campaign	18,888	18,888	The grant was used to develop and promote a public awareness campaign for residential mortgage lending in Russia.	Completed.
RadioPAGE Call Center	98,472	99,092	The grant is provided to RadioPAGE to establish a mortgage call center to provide necessary information to the general public and where to obtain financing for residential mortgage loans. (Includes 3 grants: $48,714, $45,792 and $3,966).	Completed.

Technical Assistance Program

As of December 31, 2000

	Committed Amount	Amount Funded	Description	Status
Telford - Phase II	17,000	17,000	The grant was used for Phase II of the mortgage originations and servicing software - default administration servicing development.	Completed.
Telford - Phase III	17,000	17,000	The grant was used for Phase III of the mortgage originations and servicing software - default administration servicing software development.	Completed.
Telford - Phase IV	16,000	16,000	The grant was used for Phase IV of the mortgage originations and servicing software - escrow agreement monitoring and servicing software development.	Completed.
Telford	48,890	49,980	The grant was used to develop mortgage originations and servicing software for residential mortgage lending.	Completed.
Telford	58,871	58,871	The grant was used to develop mortgage originations and servicing software for residential mortgage lending.	Completed.
Telford	10,700	10,720	The grant was used for implementation of module of current deposits and payments.	Completed.
Subtotal Mortgage	808,823	811,785		
Leasing				
RCM Leasing	30,000	20,800	The grant is being used to purchase MIS and computer support to upgrade existing reporting. Program supports development of leasing in southwest Russia.	Ongoing.
RCM Leasing II	25,000	28,051	The grant was used to research the expansion of leasing activity in Moscow, St. Petersburg and Ekaterinburg, including the legal work required to activate leasing activity in these regions.	Completed.

Technical Assistance Program

As of December 31, 2000

	Committed Amount	Amount Funded	Description	Status
RCM Leasing III	50,000	35,371	The grant is being used to create a GAAP module within MIS to allow for transparent financial statements.	Ongoing.
RCM Leasing IV	6,000	3,000	The grant is being used to create an internet website (www.leasing.ru) that will allow promotion of leasing services and educate Russian businesses on leasing.	Ongoing.
Subtotal Leasing	111,000	87,223		
Micro Credit				
Opportunity International	250,000	100,000	The grant is being used to develop microenterprise lending programs in selected regions in Russia.	Funding will occur at various stages of program development.
Russian Women's Micro-finance Network	50,000	50,000	The grant was used to fund micro loan portfolios of Fund for the Support of Women Entrepreneurs.	Completed.
Volkhov	2,500	2,607	The grant was used to pay for Volkhov's executive director's registration fees and expenses for the third annual seminar on new development in Frankfurt, Germany.	Completed.
Working Capital/ Counterpart	50,000	50,000	The grant was used to fund a micro loan portfolio in Nizhny Novgorod.	Completed.
Working Capital/ Counterpart	500,000	498,126	The grant was used to develop a microenterprise lending program in the Russian Far East.	Completed.
Working Capital/ Counterpart	100,000	100,000	The grant was used to fund a microlending portfolio in the Russian Far East made in lieu of a portion of loan financing.	Completed.

Technical Assistance Program

As of December 31, 2000

	Committed Amount	Amount Funded	Description	Status
Working Capital/ Counterpart	48,000	1,750	The grant will be used to conduct and audit of Micro Credit Operations.	Ongoing.
Working Capital/ Counterpart	16,550	16,550	The grant was used to fund a micro loan portfolio in Khabarovsk, made in lieu of a portion of the loan financing.	Completed.
Working Capital/ Counterpart	10,800	10,800	The grant was used to fund a micro loan portfolio managed by Working Capital Russia, a micro lending program in Khabarovsk.	Completed.
Working Capital/	101,250	101,250	The grant was used for the conversion of loan balance to a TA grant.	Completed.
Subtotal Micro Credit	1,129,100	931,083		
Total	$5,595,539	$4,866,939		

Principles for Environmental Management

The U.S. Russia Investment Fund (the "Fund") is a private, non-profit corporation funded initially by the U.S. Government to encourage the development of private businesses in Russia. An important aspect of this task is to encourage the emerging private sector to be sensitive to the environmental implications of its activities and, where necessary, work to improve over time any negative environmental repercussions of such activities. To this end, the Fund will seek to ensure that it and the firms in which it invests will not support any activity that poses a significant threat of irreparable harm to the environment.

In making decisions regarding investments, the Fund will, whenever practicable, attempt to follow the policies underlying the International Chamber of Commerce's Business Charter for Sustainable Development and the CERES Principles. While committed to improving the Russian environment, the Fund recognizes that the unique circumstances in Russia, particularly the existence of significant environmental degradation caused by previous environmental practices, dictate that the process of improving environmental performance in Russia will be ongoing and gradual. Under such conditions, the Fund cannot guarantee the attainment of specific environmental objectives, but it is committed to ensuring that the firms in which it invests take steps to mitigate environmental degradation.

In practice, the Fund's efforts to encourage continuous improvement of the environmental posture of firms in which it invests and of Russian business generally will take several forms. First, the Fund will consider the environmental posture of a firm as part of the standard application and project evaluation process. As a project moves through the approval process, environmental issues will be discussed as necessary. In cases where the business for which investment is sought causes adverse environmental impacts, the Fund will finance only those investments which over the long term will raise environmental compliance levels.

Second, the Fund will expect management of the firms in which it invests to demonstrate a commitment to improving the environmental performance of their firms and to reducing the harmful effects their products, processes, or operations have had or do have on the environment. To this end, whenever possible, the Fund will encourage the enterprise in which it invests to modify activities and operations to mitigate harm to the environment.

Third, once financing is made available and, where feasible and necessary, the Fund will attempt to arrange for ongoing advice and technical assistance to firms in which it invests. Such monitoring and advice with respect to environmental performance will be a part of this ongoing relationship.

Policies and Practices Conducive to Private Sector Development

The Fund, through DeltaLeasing and the Fund's Bank Partner Program, is one of the leading providers of small business finance in Russia. The Fund provides much-needed debt financing to small businesses operating in Russia to purchase new equipment, to expand through working capital loans, and to grow their businesses. The Fund provides comprehensive lending policies, financial models for credit analysis, marketing, and monitoring. Based on the Fund's efforts, Russian banks have noted that portfolios of small businesses have performed well even during difficult macroeconomic periods. The concept of lending to the small business sector is being accepted more and more by Russian banks. Several Russian bank partners of the Fund have even begun lending to this sector using their own capital, helping to further promote economic development in regional economies. Finally, credit policies and analysis techniques within Russian banks have been strengthened through the efforts of the Bank Partner Program.

DeltaLeasing is the leading provider of long-term equipment leases to the small to medium-sized enterprises in Russia. The leasing operation provides expansion capital for small businesses and entrepreneurs who would not be able to access intermediate term loans from banks. DeltaLeasing is an active participant in lobbying efforts to the State Duma for changes to legislation beneficial to both leasing transactions and small businesses. DeltaLeasing provides a model for other Russian entities to provide lease financing to small businesses and entrepreneurs.

The Fund's Auto Lending program promotes the concept of retail banking in Russia by offering both technical assistance and financing to Russia banks. The Fund's loan officers provide our Russia bank partners with credit policies, marketing, and work side by side on credit analysis for this program. The efforts of this program have resulted in the institutionalization of lending to individuals in the Moscow, St. Petersburg and Ekaterinburg markets. The Fund continues to support its auto lending web page (carloan@deltacap.ru), which attracts over 60 visitors per day.

Our mortgage lending program, DeltaCredit, is the leading provider of residential home mortgages in Russia. DeltaCredit, in cooperation with FannieMae and the Agency for Mortgage Housing Lending, has been instrumental in establishing an industry standard for securitization. By combining industry guidelines, technology, policies & procedures, and financing, DeltaCredit has firmly established this important component of developing a stable middle class in Moscow, St. Petersburg, and the Russian Far East.

Through DeltaBank, we intend to make a difference in the Russian financial services market by introducing ordinary Russian citizens and companies to high quality banking products delivered with honesty and transparency. Our aim is to not only fill a gap in the provision of banking services to our target market segments, but also to be a role model for other Russian banks.

Administrative Review

Expense Analysis – Ended December 31, 2000 Budget vs. Actual

(Dollars in Thousands)

	Budget	Actual	Over/(Under)
Continuing Operations			
Personnel	$1,090	$1,079	$(11)
Occupancy	160	165	5
Depreciation	70	65	(5)
Telecommunications	80	65	(15)
Administration	110	105	(5)
Professional fees			
General	240	295	55
Transaction	210	247	37
Employee travel and non-travel costs	120	180	60
Directors' expenses	60	27	(33)
Program development expenses	110	88	(22)
Total expenses from continuing operations	$2,250	$2,316	$66
Lomonosov related transaction costs		17	17

Administrative Review

Business Unit

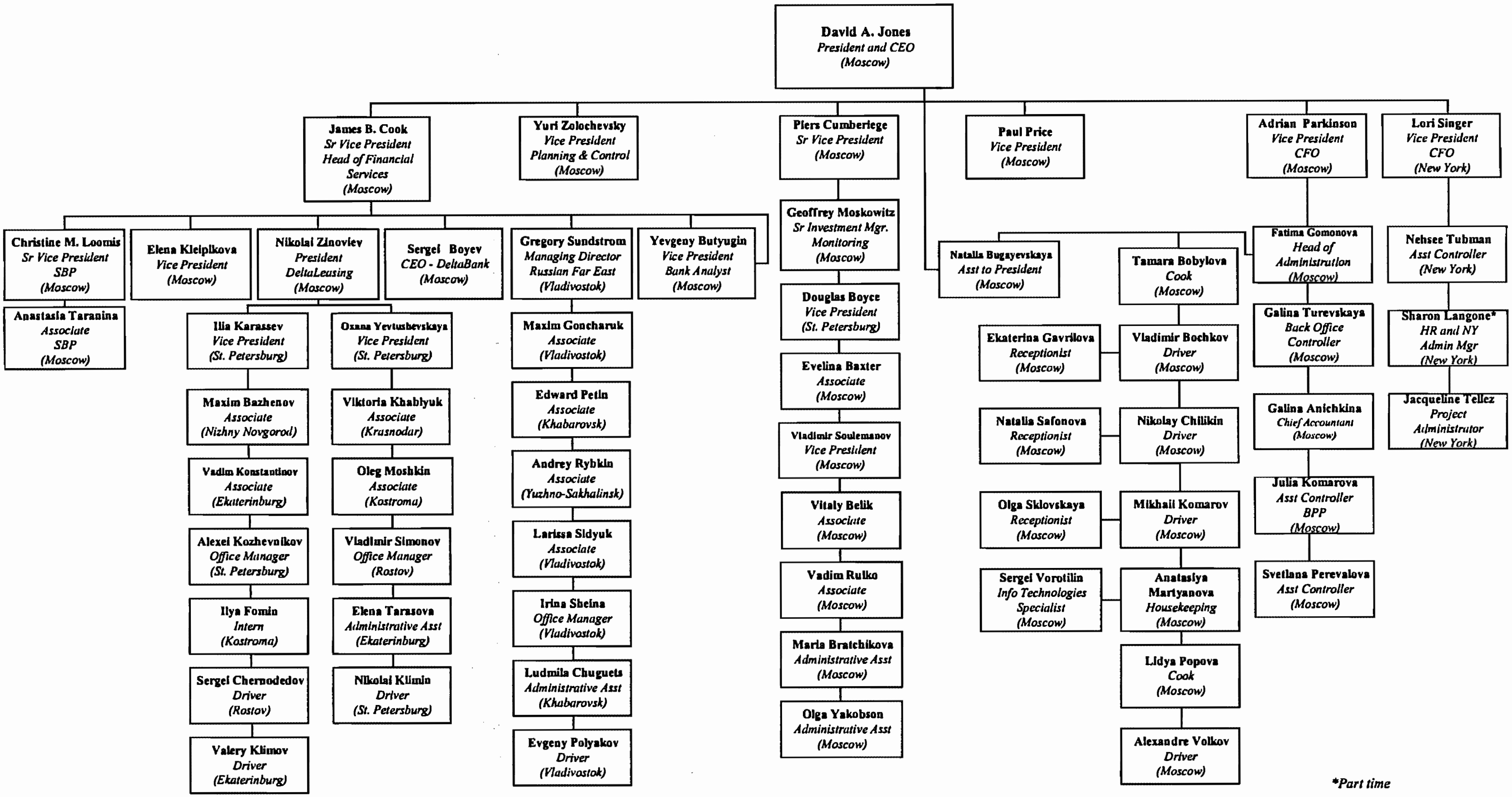
For the Quarter Ended December 31, 2000

	Direct Investment	Small Business	Administration	Total
INCOME				
Interest, fees and dividends on investments and loans	$ 122,098	$363,828	-	$485,926
Interest on cash and cash equivalents	91,741	7	-	91,748
Total income	213,839	363,835	-	577,674
EXPENSES				
Continuing Operations				
Personnel	390,484	384,328	304,114	1,078,926
Occupancy	63,475	45,929	55,219	164,623
Depreciation and amortization	25,834	23,297	15,864	64,995
Telecommunications	11,984	29,912	23,385	65,281
Administrative	26,663	26,497	52,208	105,368
Professional services				
General	36,799	10,701	247,875	295,375
Transaction, net	247,336	-	-	247,336
Employee travel and expense	55,014	56,089	68,387	179,490
Directors expenses	-	-	26,407	26,407
Program development	6,834	16,789	64,598	88,221
Total expenses from continuing operations	864,423	593,542	858,057	2,316,022
Lomonosov related transaction costs	16,651	-	-	16,651
Total expenses	881,074	593,542	858,057	2,332,673
Excess of expenses over income	(667,235)	(229,707)	(858,057)	(1,754,999)
NET REALIZED AND UNREALIZED LOSS				
Unrealized loss on investments	-	-	-	-
Realized loss on investments	-	-	-	-
Provision for loan loss	-	(112,462)	-	(112,462)
Foreign currency exchange loss	(812)	(997)	(405)	(2,214)
Net realized and unrealized loss	(812)	(113,459)	(405)	(114,676)
Net decrease in fund balance resulting from investment operations	$(668,047)	$(343,166)	$(858,462)	$(1,869,675)

Administrative Review

Organization Chart

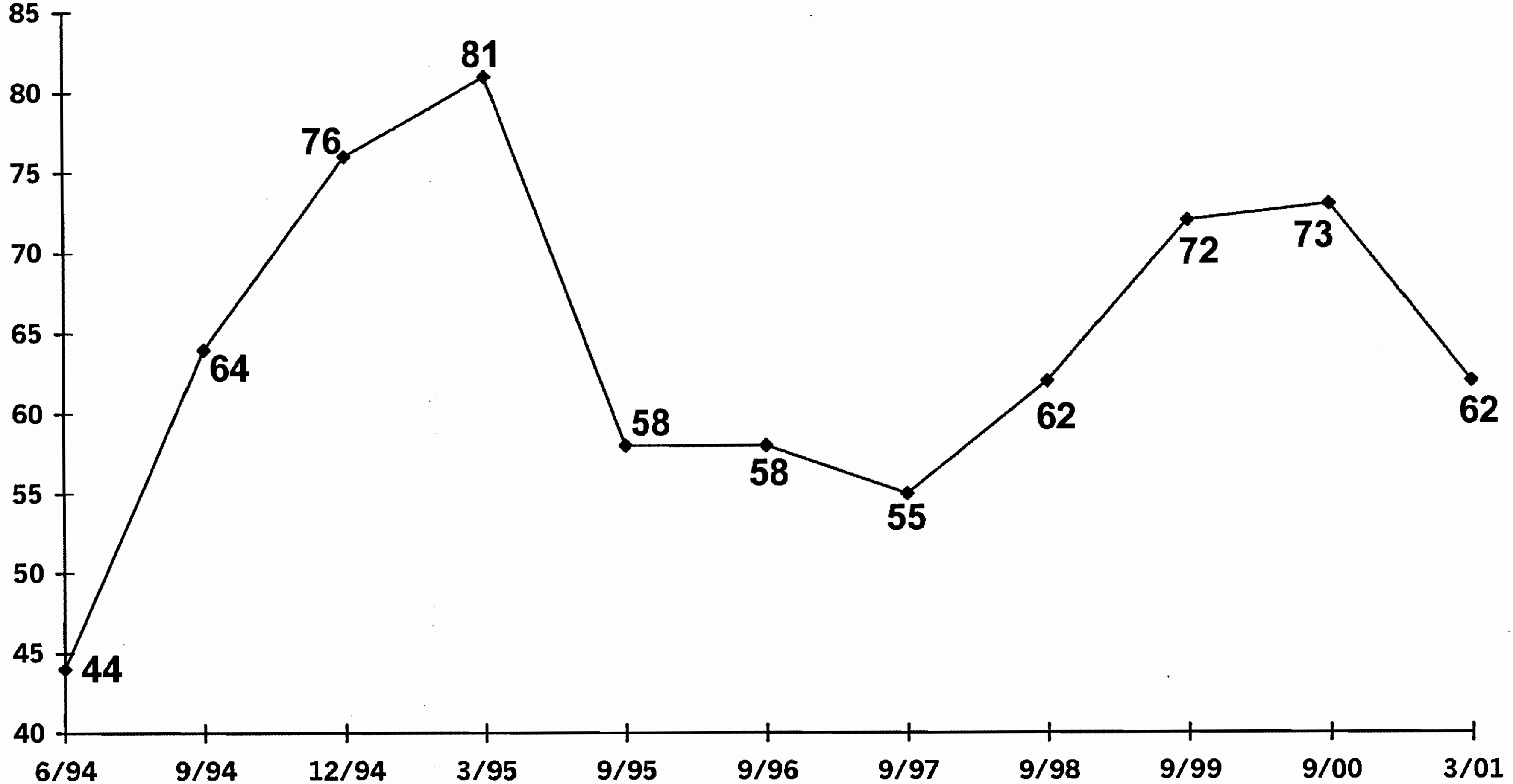
March 2001



*Part time

Administrative Review

Headcount Over Time



Note: Initial years quarterly detail reflects changes in the Fund; thereafter, shown on fiscal year end basis, with most recent quarterly headcount.

The
U.S. Russia
Investment Fund

The U.S. Russia Investment Fund
545 Fifth Avenue - Suite 300
New York, New York 10017
(212) 818-0444
Fax (212) 818-0445

Lori I. Singer
Vice President and Financial Controller

March 9, 2001

Mr. William Frej
Director E&E/MT
Office of Enterprise Development
Bureau for Europe and the NIS
U.S. Agency for International Development
1300 Pennsylvania Avenue
Room 5.08-101
Washington, DC 20523

Dear Mr. Frej:

I have reviewed the payroll records for The U. S. Russia Investment Fund (the "Fund"). Based on this review, no employee or consultant of the Fund is being paid a salary in excess of $150,000 per annum.

I have confirmed with our Direct Investment and Small Business senior management that no staff member of an affiliate/subsidiary or majority owned investment is being paid a salary in excess of $150,000 per annum from the USG grant.

Sincerely,

Lori Singer

Financial Review

Statement of Investment Operations

	For the Quarter Ended December 31, 1999	2000
INCOME		
Interest, fees and dividends on investments and loans	$305,373	$485,926
Interest on cash and cash equivalents	85,552	91,748
Total income	390,925	577,674
EXPENSES		
Continuing Operations		
Personnel	1,228,017	1,078,926
Occupancy	169,244	164,623
Depreciation and amortization	60,130	64,995
Telecommunications	77,416	65,281
Administrative	113,977	105,368
Professional services		
General	201,915	295,375
Transaction, net	152,807	247,336
Employee travel and expense	161,311	179,490
Directors expenses	7,087	26,407
Program development	88,664	88,221
Expenses from continuing operations	2,260,568	2,316,022
Lomonosov related transaction costs	189,964	16,651
Total expenses	2,450,532	2,332,673
Excess of operating expenses over income	(2,059,607)	(1,754,999)
REALIZED AND UNREALIZED LOSS		
Unrealized loss on investments	(2,732,834)	-
Realized loss on investments	-	-
Provision for loan loss	(320,482)	(112,462)
Foreign currency translation loss	(3,038)	(2,214)
Net realized and unrealized loss	(3,056,354)	(114,676)
Net decrease in fund balance resulting from investment operations	(5,115,961)	(1,869,675)
U.S. Government grants utilized for program expenditures	6,987,753	13,852,849
Technical assistance grants utilized	(267,679)	(535,927)
Net change in fund balance	1,604,113	11,447,247
Fund balance -- beginning of the period	82,830,525	117,977,308
Fund balance -- end of the period	$84,434,638	$129,424,555

Financial Review

Balance Sheet

ASSETS	As of December 31, 1999	2000
Direct investments, at carrying value (cost $76,039,115 - 99, $89,670,524 - 00)	$59,502,476	$65,816,520
Financial Services investments (cost $273,413 – 99, $43,245,172 – 00)	273,413	42,984,172
Bank Partner Program loans, net of loan loss reserve of $2,761,489 - 99; $2,514,804 - 00	12,168,544	11,286,290
Total investments	71,944,433	120,086,982
Cash and cash equivalents	1,550,348	6,831,283
Restricted cash	4,833,810	-
Accrued interest	193,484	17,793
Accounts receivable	236,362	424,678
Fixed assets, net	598,340	453,228
Prepaid expenses and deposits	704,564	654,918
TOTAL ASSETS	$80,061,341	$128,468,882

LIABILITIES AND FUND BALANCE	1999	2000
Accounts payable and accrued expenses	$1,381,278	$1,897,176
U.S. Government grants received and held for future program purposes	(5,754,575)	(2,852,849)
Total Liabilities	(4,373,297)	(955,673)
Fund Balance	84,434,638	129,424,555
TOTAL LIABILITIES AND FUND BALANCE	$80,061,341	$128,468,882

Financial Review

Statement of Cash Flows

CASH FLOWS FROM OPERATING ACTIVITIES	For the Quarter Ended December 31, 1999	2000
Net change in fund balance resulting from investment operations	$(5,115,961)	$(1,869,675)
Adjustments to reconcile net change in fund balance to net cash used in operating activities:		
Depreciation and amortization	60,130	64,995
Provision for loan losses	320,482	112,462
Increase in net unrealized loss on investments	2,732,834	-
Changes in operating assets and liabilities:		
Accrued interest	(12,528)	29,387
Accounts receivable	(64,145)	86,425
Prepaid expenses and deposits	99,948	140,933
Accounts payable and accrued expenses	(113,066)	366,718
Net cash used in operating activities	(2,092,306)	(1,068,755)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash received from U.S. Government grants	4,000,000	11,000,000
Technical assistance grants expended	(267,679)	(535,927)
Restricted cash	(1,802,129)	-
Direct investments, net of reflows	1,145,024	(900,627)
Financial Services investments	(73,333)	(11,114,152)
Loans, Bank Partner Program, net of reflows	(3,599,819)	2,262,139
Purchase of fixed assets	(100,070)	(40,267)
Net cash provided by (used in) investing activities	(698,006)	751,700
Net increase (decrease) in cash and cash equivalents	(2,790,312)	317,055
Cash and cash equivalents, beginning of period	4,340,660	7,148,338
Cash and cash equivalents, end of period	$1,550,348	$6,831,283

Fund Draw Downs vs. Actual Expenditures

Fiscal Year	Beginning Cash Balance	Draw Downs	Actual Expenditures: Direct Investments	Financial Services	Small Business Program	Technical Assistance	Cash Operating Expenses	Less Reflows	Total Net Expenditures	Ending Cash Balance
1994	-	13,238,645	1,095,564	-	27,500	2,462	6,648,182	62,974	7,710,734	5,527,911
1995	5,527,911	39,652,512	28,611,003	-	2,304,373	-	11,674,350	1,093,757	41,495,968	3,684,455
1996	3,684,455	35,300,000	19,929,107	-	3,132,354	431,556	10,699,847	3,202,417	30,990,447	7,994,008
1997	7,994,008	31,750,000	25,050,578	-	5,494,480	623,908	8,638,414	4,603,199	35,204,181	4,539,827
1998	4,539,827	45,081,000	23,286,483	-	14,592,616	592,440	8,669,457	8,483,847	38,657,151	10,963,676
1999	10,963,676	5,440,000	14,713,833	477,480	5,892,503	795,276	10,132,605	19,968,431	12,043,266	4,360,410
2000	4,360,410	50,500,000	8,819,934	32,147,244	19,855,438	1,888,988	9,703,420	24,706,138	47,708,885	7,151,525
YTD 2001 (Qtr end 12/31/00)	7,151,525	11,000,000	1,580,000	12,126,166	2,006,000	535,929	1,984,718	6,912,569	11,320,244	6,831,280
		231,962,157	123,086,502	44,750,890	53,305,264	4,866,940	68,154,612	69,033,334	225,130,877	

Strategic Framework Matrix

Goal: Establishment/Strengthening of SME's Across Different Sectors/Regions

1. Direct Investment Portfolio Digest: For each direct investment and discrete program, please show the requested data:

Firm Name	Total Cost Basis ($ million, cost basis) 12/31/00	Current Valuation ($ million) 12/31/00	Number of Jobs	Woman-owned[1] %	Sales ($ million)	Return on Equity (%)	Location
Agribusiness Partners	5.00	5.00	15		N/A	N/A	
Bitech Petroleum	3.00	2.18	245		35.2	4	Moscow
Cybiko	1.00	1.00	180		20.1	N/A	Moscow/California
FunTech	1.91	0.91	100		10.1	N/A	Moscow
Genesee-Volkhov Connection	0.85	0.45	111	14.5%	0.6	0	Novgorod/Rochester
INTH	4.38	4.38	35		2.5	-18	Moscow/California
Interstom	0.08	0.08	10		0.2	100	Rostov-on-Don
Invacorp	10.00	10.00	220		141.0	0	Moscow
Lomonosov Porcelain Factory	4.29	4.29	1400		8.0	9	St. Petersburg
Marine Resources Company Intl.	1.25	0.75	42		56.0	25	Seattle, Vladivostok, Sakhalin
Nevsky 49	8.22	8.22	3		N/A	N/A	St. Petersburg
Nizhny Newsprint	4.14[2]	0.00[2]	3900		187.0	10	Nizhny Novgorod
Pentacom	5.00	5.00	34		N/A	N/A	Moscow
Phargo Management	2.60	1.04	70		2.8	-44	Moscow
Polygrafoformlenie	2.80	2.80	616		34.0	28	St. Petersburg
Port.ru	1.00	1.00	100		1.5	N/A	Moscow
Saint Springs Water Limited	3.50	6.27	315		15.0	-9	Moscow, Kostroma
Segol RadioPAGE	3.30	1.17	677		4.4	-100	Moscow/Seattle
SPAR Moscow Holdings	0.50	0.50	10		N/A	N/A	Moscow
StoryFirst Communications	6.10	2.70	500		8.8	-72	Moscow, St. Petersburg
SUN-Interbrew	10.50	7.32	5000		276.0	6	Moscow
Time	0.02	0.02	25		0.3	N/A	Moscow
Tsentralny Universalny Magazine	0.39	0.17	1438		35.0	26	Moscow
VitaPlus	5.00	0.57	170		15.7	-86	Moscow
TOTAL DIRECT INVESTMENT	**84.83**	**65.82**	**15216**				

[1] Please note that a significant number of investors are institutional as opposed to individuals

[2] This company is expected to be written back up to the acquisition cost following a restructuring deal

Strategic Framework Matrix

2. Bank Partner Program ($ in millions)

	Disbursed	# Co's / borrowers	Women owned co's and %	Principal Reflows	Interest Reflows	Write-Offs	Loans Outstanding
Small Business [1]	41,847,954	585	201/34%	31,248,501	2,251,698	2,240,605[2]	8,358,848
Micro Enterprise	1,001,954	390	115/30%	538,661	75,744	-	463,293
Auto Lending	7,780,000	1,216	370/30%	4,905,837	509,813	4,223	2,869,940
Mortgage Lending [3]	2,675,354	62	19/31%	566,336	109,456	-	2,109,018
Total Bank Partner	53,305,262	2,253	705/31%	37,259,335	2,946,711	2,244,828	13,801,099

[1] Includes community lending, trade finance and direct loans
[2] The majority of these amounts occurred in the start up phase of the program
[3] Mortgages funded prior to the start up of DeltaCredit in July 2000

Strategic Framework Matrix

2a. Financial Services Investments

	Equity Investment	Disbursed Loans from Fund	Principal Reflows	Interest Reflows	Loans Outstanding	Total Fund Outstanding Investment
DeltaLeasing	629,613	6,558,656	940,977	252,989	5,617,679	6,247,292
DeltaLeasing Far East	-	342,371	45,019	-	297,352	297,352
Delta AutoLease	100,000	142,875	19,725	616	123,150	223,150
DeltaCredit	12,518,355	4,009,857	500,000	-[1]	3,509,857	16,028,212
DRB	8,899,165	11,550,000	-	-	11,550,000	20,449,165
Total	22,147,133	22,603,759	1,505,721	253,605	21,098,038	43,245,171

[1] Interest reflows for DeltaCredit on their loan portfolio for the period July – December 2000 total $139,400

Strategic Framework Matrix

Objective 1: Investments in SMEs in Different Sectors (in millions unless otherwise indicated)

1. Cumulative Investment through end of fiscal year indicated. Show planned programs in the "projected" columns", even if the program doesn't exist yet.

	Actuals	**Projected**			
	Invested to Date (12/31/00)	**2001**	**2002**	**2003**	**By the end of the Fund**
Direct Investments	123.09	160.00	200.00	240.00	240.00
Financial Service Investments [1]	44.75	70.00	100.00	120.00	120.00
Bank Partner Program	53.31	60.00	65.00	70.00	70.00
Technical Assistance	4.87	6.00	8.00	10.00	10.00
Cash Operating Expenditure	68.15	69.00	69.00	69.00	69.00
Reflows [2]	(69.03)	(69.00)	(69.00)	(69.00)	(69.00)
FUND TOTAL	225.14	296.00	373.00	440.00	440.00

[1] Includes DRB, DeltaCredit and leasing companies
[2] Assumes sufficient reflows to support all or part of operating expenses from 2001 onwards

Strategic Framework Matrix

2. For Small Business and Micro-Lending, show the planned break-even year, including cost of Funds.

	Planned year for break-even
Small	N/A [1]
Micro	N/A [1]

3. Does the Fund have a target ratio for Operating Expenses (gross) as a percent of Authorized Capital?

Yes/No	Ratio
Yes	**2¼ %**

4. By what year does the Fund expect to be fully invested?

Year
2003

[1] No plans for these programs to breakeven as most of the value will be transferred to other Financial Service entities

Strategic Framework Matrix

5. What "profitability ratio" (Net Assets/Cash Drawn) does the Fund aim for at termination?

Actual 12/31/00	Target, End of Fund
56%*	**100%**

*Net Assets: $129,424,555
Cash Drawn: $231,962,157

Objective 2: Capital Under Management By The Fund From Other Sources
(List by investment or organization with the amount in millions unless otherwise noted)

1. None at this time.

2. Does Enterprise Fund plan to raise a Private Fund?

Yes/No	Target Amount	Target Closing Date
Yes	**$100mm**	**Q3 01**

Strategic Framework Matrix

3. Other capital mobilized by Fund to date, e.g. Bank-provided small loan capital, IPO's, etc.

	Cumulative	December 2000
	Firm/Org	Amount ($millions)
US	Archer Daniels Midland	25.0
	AIG Brunswick	3.3
	Alliance ScanEast	3.0
	America First	5.0
	Botts-Allen	7.5
	Capital Research	25.0
	CS First Boston	2.1
	Equitable	6.7
	KKR	4.2
	Mercury Asset Mgt.	16.0
	Moscow-America	2.6
	News Corporation	5.0
	Private Investors	0.3
	US West	17.0
	TOTAL U.S.	**122.7**
Non US	Alfa Bank	5.0
	Framlington	19.7
	Morgan Stanley Asset Mgt.	44.0
	Moscow Govt.	5.2
	Oriflame	2.0
	Private Investors	2.1
	Quadriga Capital Holdings	1.0
	Radisson/SAS	4.0
	Renaissance	0.5
	Sector	12.0
	Societe Generale	6.1
	Stena	25.0
	Sun Capital	5.0
	YPF	15.0
	TOTAL NON-U.S.	**146.6**

Strategic Framework Matrix

4. Financial Institutions Created/Strengthened. In "Amount", show other capital mobilized to date.

Small Business Program	Amount
Russian Far East	
Regio (Khabarovsk)	$888,250
Dalryb (Vladivostok)	1,112,000
Dalnevostochny (Vladivostok)	1,260,278
Dalnevostochny (Yuzhno-Sakhalin)	479,900
Bank of Moscow (Khabarovsk)	270,000
Primsotsbank	2,124,880
Kamchatagroprombank	1,304,992
Northern Region	
Bank St. Petersburg	100,000
Baltiskiy	4,336,535
Bank Moscow (St. Petersburg)	100,000
Dalnevostochny (St. Petersburg)	110,000
Inkasbank	882,000
St Petersburg Bank for Reconstruction and Development	650,000
Urals	
Gutabank	180,000
Severnaya Kazna	3,165,150
Uralvneshtorg	1,033,000
Southern Russia	
Center-Invest (Rostov)	749,900
DonInvest (Rostov)	2,189,106
Gutabank (Rostov)	50,000
Krasnodar (Krasnodar)	101,000
Kuban (Krasnodar)	347,500
Bank of Moscow (Krasnodar)	326,767

Strategic Framework Matrix

Small Business Program	Amount
Southern Russia (cont'd)	
Inkom Bank (Krasnodar)	70,000
Bank Moscow (Novorossiisk)	150,000
Mosbusiness (Krasnodar)	130,000
Pervomaisky (Krasnodarbank)	443,000
Pervomaisky (Krasnodar)	180,000
Pervomaisky (Kubanbank)	100,000
RosPromStroybank (Rostov)	264,500
First Mutual Credit (Krasnodarbank)	177,000
Other, including Moscow	
Bank of Moscow (Kolomna)	271,700
Bank of Moscow (Moscow)	1,000,000
Bank of Moscow (Troitskoye)	810,388
Business Development	423,173
Credo	207,000
First Mutual Credit (Kostroma)	58,000
First Mutual Credit (Moscow)	983,000
Guta Bank (Moscow)	109,500
International Industrial Bank	1,489,000
Kostroma Sberbank	510,400
MDM Bank (Moscow)	3,050,000
Menatep	1,157,000
Mosbusiness (Troitskoye)	100,000
Mosbusiness (Pushkinskoye)	148,200
Probusiness	7,125,835
SBS Agro Bank	15,000
Yarsotsbank	679,000

Strategic Framework Matrix

Objective 3: Policy Reform

How has the Fund worked to improve Legal, Fiscal and Regulatory Policies and practices that support private sector development?

The Fund continues in its mission to support and foster private sector development throughout Russia. From small business and consumer lending to direct investments, the spirit of entrepreneurship is being encouraged. Fund programs such as mortgage, trade finance and automobile lending are among the first of their kind in Russia.

The Fund's leasing operation provides expansion capital for small businesses and entrepreneurs who would not be able to access intermediate term loans from banks. DeltaLeasing provides a model for other Russian entities.

The Fund's recent bank acquisition creates a unique institution in Russia and will make a difference in the Russian financial services market by filling a gap in the provision of banking services and serve as a role model for other Russian banks.

The Fund has devoted a significant amount of time and resources to enforcing shareholders' rights. A prominent example was the Fund's massive mobilization of resources and direct public relations to bring international scrutiny to the issue of shareholders' rights regarding the Lomonosov Porcelain Factory.

The U.S. Russia Investment Fund

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David A. Jones
President and CEO

March 9, 2001

Mr. William Frej
Director E&E/MT
Office of Enterprise Development
Bureau for Europe and the NIS
U.S. Agency for International Development
1300 Pennsylvania Avenue
Room 5.08-101
Washington, DC 20523

Dear Mr. Frej:

As President and Chief Executive Officer of The U.S. Russia Investment Fund, I know of no instances of non-compliance with the terms of the Grant Agreement including any violation of General Provision 13 "Conflicts of Interest".

I know of no misuse or misappropriation of grant funds.

Sincerely,

BEST AVAILABLE COPY

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Note: All members of The U. S. Russia Investment Fund's Board of Directors serve a three year term. Members were re-elected at the 2000 Annual Meeting of the Corporation and will serve through the 2004 Annual Meeting of the Corporation.