

## FFBH Vostok

November 2012

Data as per 30 November 2012

NAV	
NAV	BGN 609, 845
NAV per share	BGN 0.7256

Return (%)	
Monthly (MoM)*	-0.92%
Annual (YoY)*	2.06%
Year-to-date*	6.31%
Since Inception (annualized)*	-11.49%

Statistics (%)	
Standard Deviation*	21.02%
Monthly alpha – MSCI Russia *	-0.46%
Beta (β) – MSCI Russia *	0.630
R <sup>2</sup> – MSCI Russia *	61.76%
Sharpe Ratio (0%)*	n.m.

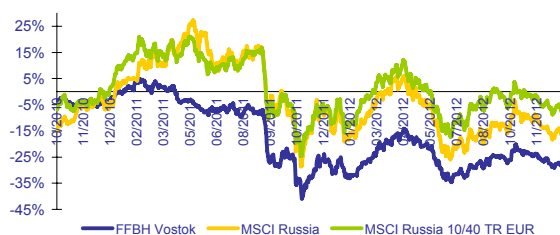
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### Investment objective overview

FFBH Vostok is a high-yield, actively managed, open-end mutual fund with regional focus on Russia & CIS, inception on Apr 16, 2010. The Fund's investment objective is to achieve high long-term growth, outperforming MSCI Russia Index and bearing medium to high levels of risk. The Fund may have up to 90% in equities and up to 50% invested in bonds.

FFBH Vostok's targets high allocation to equities in 2012 – stock picking "blue-chip" and cyclical companies on cheap forward-looking multiples, high oil prices, global economy acceleration in H2 2012 and strong convergence potential among domestic consumption stories.

### FFBH Vostok vs. MSCI Russia 10/40 EUR

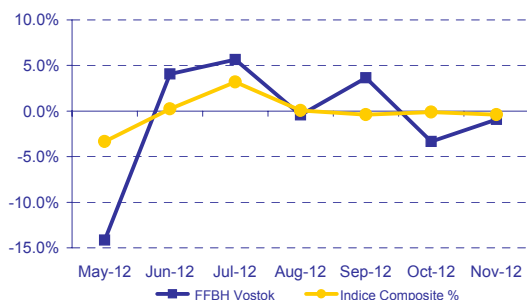


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

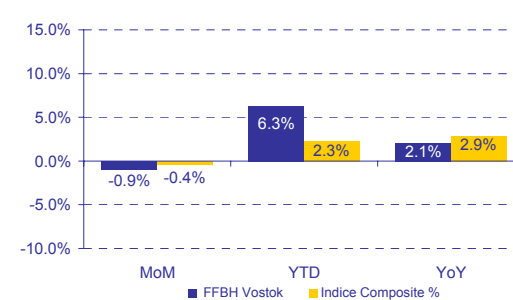
### Fact sheet and fee information

Type	Open-end equity fund	Subscription*	up to BGN 100,000	more than BGN 100,000
Classification	High-yield fund	Entry fee	0.50%	0.00%
Manager	FFBH Asset Management	Holding Period	up to 24 months	over 24 months
Custodian	First Investment Bank	Redemption fee	0.50%	0.00%
Subscriptions/ Redemptions	Every Business Day	Management fee (annual % of average AUM)	2.50%	
Incorporation	Bulgaria	* Minimum subscription is BGN 50		

### MoM return comparison to composite index\*

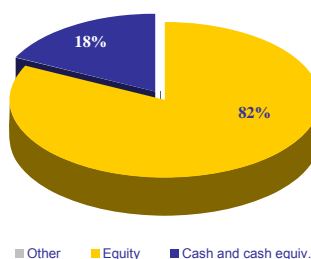


### MoM, YoY and YtD return to composite index\*



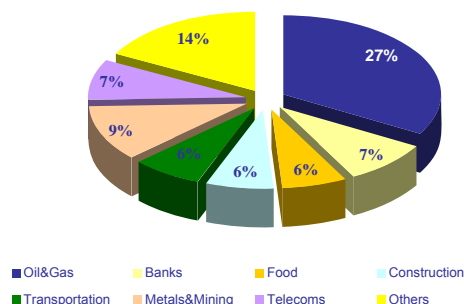
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

November 2012

Data as per 30 November 2012

NAV	
NAV	BGN 819, 274
NAV per share	BGN 0.4318

Return (%)	
Monthly (MoM)*	-2.25%
Annual (YoY)*	-3.19%
Year-to-date*	-4.97%
Since Inception (annualized)	-15.37%

Statistics (%)	
Standard Deviation*	13.23%
Monthly alpha – MSCI EM EE *	-2.61%
Beta (β) – MSCI EM EE *	0.260
R <sup>2</sup> – MSCI EM EE *	35.04%
Sharpe Ratio (0%)*	n.m.

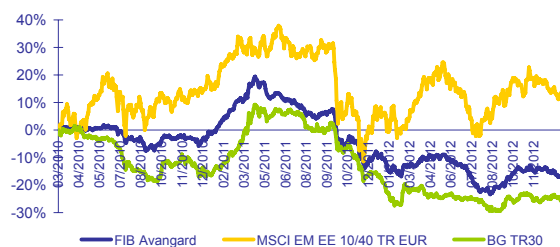
\* see notes

### Investment strategy

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

FIB Avangard's investment strategy for 2012 includes allocation to liquid and financially stable Bulgarian companies and achievement of sizeable stake in Russian "blue chips" on high oil prices and domestic consumption stories.

### FIB Avangard vs. MSCI EM EE 10/40



Source: Bloomberg, BSE-Sofia, FFBH Asset Management

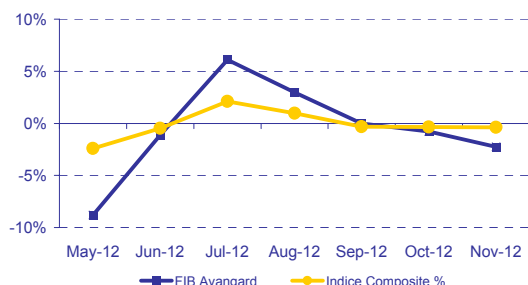
### Fact sheet and fee information

Type	Open-end equity fund
FSC Classification	High-yield fund
Manager	FFBH Asset Management
Custodian	First Investment Bank
Subscriptions/ Redemptions	Every Business Day
Incorporation	Bulgaria

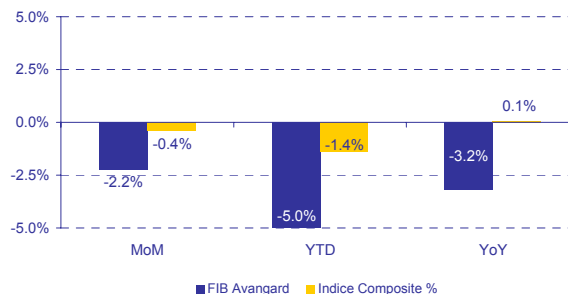
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

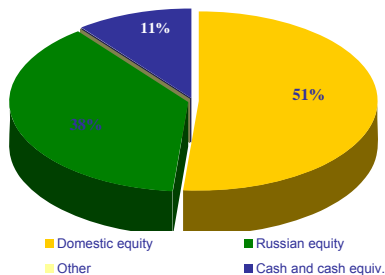


### MoM, YoY and YtD return to composite index\*



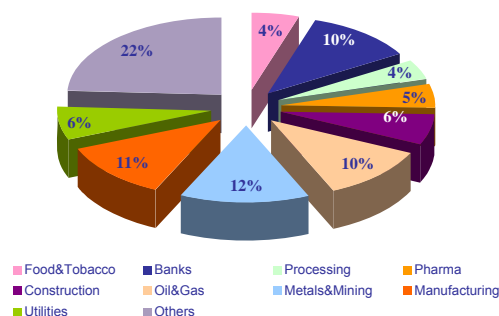
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

November 2012

Data as per 30 November 2012

NAV	
NAV	BGN 893, 665
NAV per share	BGN 0.7056

Return (%)	
Monthly (MoM)*	-0.40%
Annual (YoY)	4.83%
Year-to-date	3.45%
Since Inception (annualized)	-6.70%

Statistics (%)	
Standard Deviation*	6.41%
Monthly alpha – MSCI EM EE *	-0.76%
Beta (β) – MSCI EM EE *	0.140
R <sup>2</sup> – MSCI EM EE *	39.34%
Sharpe Ratio (0%)*	n.m.

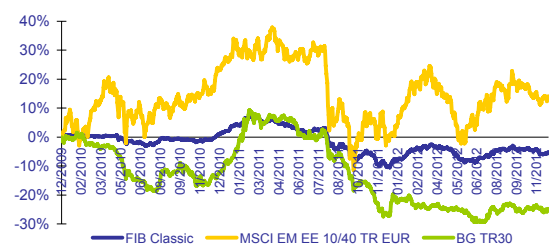
\* see notes

### Investment strategy

FIB Classic is a balanced mutual fund, incepted on Nov 11, 2007, whose investment objective is to achieve long-term growth of Fund's assets, bearing medium levels of risk to its investors. The Fund invests in Emerging Europe equities and bonds.

FIB Classic's investment strategy for 2012 is based on more aggressive approach by increasing equity allocation in both Bulgaria on expected sentiment improvement in H2 2012 and Russia on high oil prices and domestic consumption convergence stories. We intend to allocate the bond portfolio in sovereign debt and investment grade corporate bonds.

### FIB Classic vs. MSCI EM EE 10/40

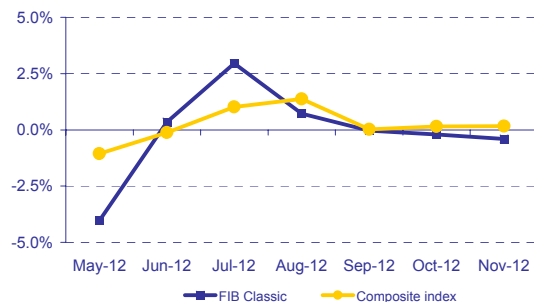


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

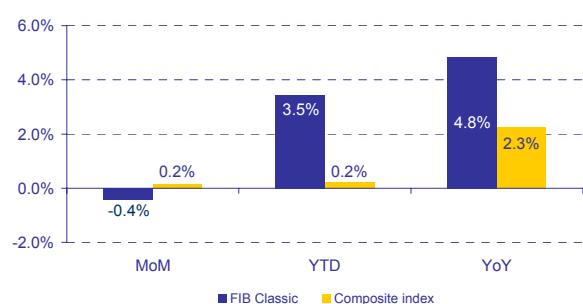
### Fact sheet and fee information

Type	Open-end equity fund	Subscription*	up to BGN 100,000	more than BGN 100,000
Classification	Balanced fund	Entry fee	0.35%	0.00%
Manager	FFBH Asset Management	Holding Period	up to 24 months	over 24 months
Custodian	First Investment Bank	Redemption fee	0.35%	0.00%
Subscriptions/ Redemptions	Every Business Day	Management fee (annual % of average AUM)	2.50%	
Incorporation	Bulgaria	* Minimum subscription is BGN 50		

### MoM return comparison to composite index\*

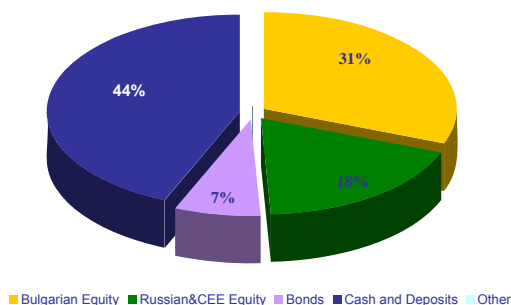


### MoM, YoY and YtD return to composite index\*



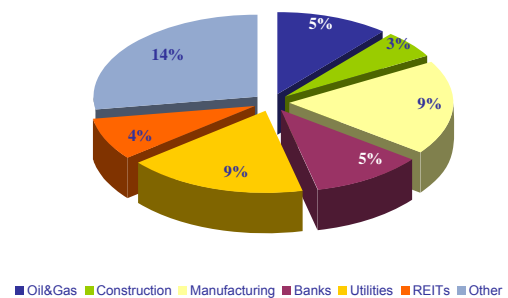
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

November 2012

### Data as per 30 November 2012

NAV	
NAV	BGN 864, 007
NAV per share	BGN 1.0572

Return (%)	
Monthly (MoM)*	0.03%
Annual (YoY)*	4.82%
Year-to-date*	3.67%
Since Inception (annualized)*	1.11%

Statistics (%)	
Standard Deviation*	2.28%
Sharpe Ratio (0%)*	0.07
Interest rates (%)	
Sofibor (3 month)	1.43%
Sofibor (12 month)	3.82%

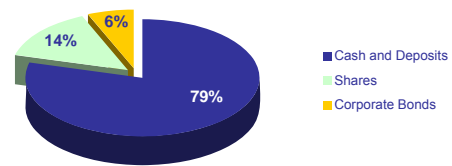
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	7.50%	08/01/2013	BGN	0.53%
Treasury	5.25%	04/02/2014	BGN	0.97%
Treasury	4.50%	17/02/2017	BGN	1.96%
Treasury	5.00%	11/07/2022	BGN	3.46%
Eurobond	4.25%	09/07/2017	EUR	2.21%
Eurobond	8.25%	15/01/2015	USD	1.38%

Source: Bloomberg

### Asset Allocation



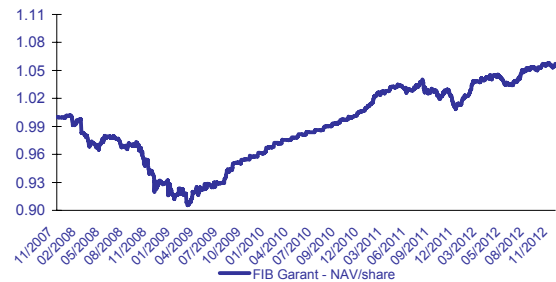
Source: FFBH Asset Management

### Investment objective

FIB Garant is a conservative balanced mutual fund, incepted on Nov 11, 2007, whose investment objective is to achieve medium long-term growth of assets, bearing low level of risk. The Fund invests mainly in fixed-income instruments, but it may have up to 20% exposure to equity used to improve its risk-return profile.

FIB Garant's 2012 investment strategy includes increased allocation to equities on possible sentiment and liquidity improvement on BSE in H2 2012. At certain points investments in foreign large cap blue chips can be made but currency risk should be controlled. The decrease in local deposit rates would also lead to an increase the Fund's exposure to investment grade emerging market government debt.

### FIB Garant



Source: FFBH Asset Management

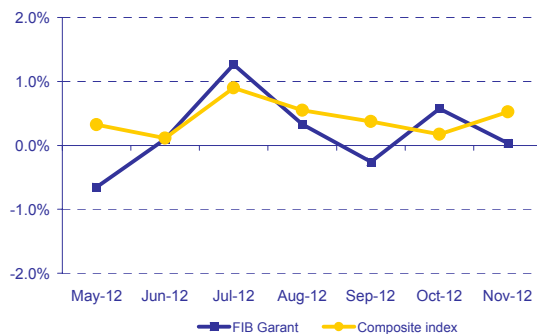
### Fact sheet and fee information

Type	Open-end equity fund
Classification	Balanced-conservative
Manager	FFBH Asset Management
Custodian	First Investment Bank
Subscriptions/ Redemptions Incorporation	Every Business Day Bulgaria

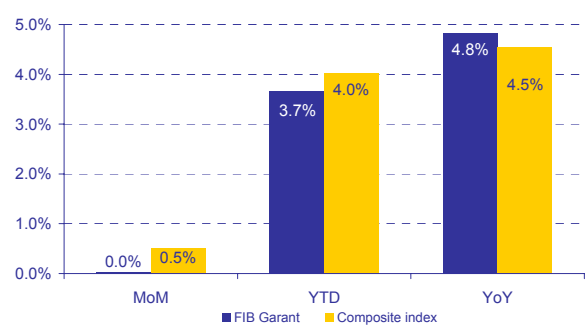
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.15%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.15%	0.00%
Management fee (annual % of average AUM)		1.50%

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*



### MoM, YoY and YtD return to composite index\*



Source: BAAMC, FFBH Asset Management calculations

## PORTFOLIO MANAGER'S COMMENT November 2012

### MARKET OVERVIEW:

- As expected equity markets were rather nervous in November as the US policymakers are yet to make a compromise on the so called "fiscal cliff" while EU macro indicators showed that the economy remains close to its through. That said, most CEE equity markets managed to erase earlier losses in the final week of the month and finished close to break even on positive comments about budget talks in US and the bottoming up of Chinese economy.
- Bulgarian market also regained some losses in the very end of the month but still finished slightly down (SOFIX, -0.7% MoM, +1.7% YtD). Among its 17 constituents only 5 managed to post positive return in November as financial sector "blue chips" were pressed down by uninspiring Q3 consolidated reports. Industrial companies also reported margins deteriorations and deceleration in sales growth on slow down in export markets in Q3. Overall, the tobacco companies' financials were the only positive surprise on BSE.
- The REIT story also seemed done for 2012 as the winter months are featured with low activity in land plot trading. Additionally, investors are becoming more selective as they are waiting for the finalization of EU agricultural subsidies budget for 2014-2020 for Bulgaria and news on their local allocation to different activities. Still, BGREIT gained 0.6% MoM as its largest constituent Advance Terrafund (6A6, +5.7% MoM) posted a sizeable advance in November after increasing projections for its land sales in 2012.
- Elsewhere, we note the SPO of largest local courier Speedy [OSP] which did not attract much interest. The major shareholder managed to sell 12.5k shares only – 0.8% of share capital and 4.2% of the offering, collecting BGN 644k in total, as investor decided to wait for cheaper valuation.
- Russian indices did not manage to recover all losses as well and finished down by 0.5% in November as measured by MSCI Russia indices in EUR and USD terms. The most significant event was the successful USD 1.7bn IPO of Russia's second largest mobile operator – Megafon [MFON LI] in London, although it came at the low end of target USD 20-25 price range. Later, it was announced that the stock was eligible for early inclusion in MSCI Russia index as of Dec 11 with 0.8% weight which boosted interest in secondary trading. This offer is likely to finalize a rather weak year for placements of new Russian issues as most offerings were held off, due to volatile markets. In 2012 only 3 new Russian companies became public, collecting USD 2.4bn (including Megafon), compared to 8 new issues for USD 4.4bn in 2011.
- Q3 financial reports continued to be delivered and November brought positive surprises in the oil&gas sector on good cost control by both Lukoil and Rosneft. On the other end industrial companies posted weak but expected numbers as they were already implied by the trading updates.
- October Russian macro data mostly disappointed with retail trade growth slowing further to 3.8% YoY on decline in real disposable income growth down to 2.4% YoY, despite strong 43% YoY retail loan growth. Investment growth surprised on the upside at 4.9% YoY but this may be contributed to budget factors. On the bright side PMI Manufacturing remained robust at 52.3 in November (52.9 in October) and may boost industrial production in the year-end.

### PORTFOLIO ALLOCATIONS:

#### **FFBH Vostok**

- In November FFBH Vostok's NAV per unit lost 0.9% MoM, trailing slightly its benchmark. During the period we freed up some cash as we would like to be more cautiously positioned in case "fiscal cliff" talks drag to the very end of the year. As a result, equity allocation declined to 82% of assets.

#### **FIB Avangard**

- FIB Avangard fell by 2.2% in November as both Bulgarian and Russian allocations were down on the month. There were no major moves in its portfolio during the period.

#### **FIB Classic**

- FIB Classic was slightly down in November as both equity and bond allocations remained unchanged.

#### **FIB Garant**

- There were no major moves in FIB Garant portfolio as well.

### **OUTLOOK & STRATEGY:**

- Our base case scenario is for volatile market performance in December, especially for Russia which is high beta market. We expect that markets will start the month positively as macro data continues to improve but investors would become more nervous in mid-December as news for US budget consolidation talks and propositions become an every day headline.
- On BSE we expect to see some year-end support for SOFIX which trades at only 1% YtD gain. We don't expect any important corporate events but still some investors might re-allocate their portfolio to gain a better position for start of 2013.
- Based on the performance of the S&P 500 December is on average the best of the year for Russian equities which supports our expectations for an outperformance for Russian indices in Q4, if US policymakers avoid the "fiscal cliff". Overall, our long-term focus on Russian equities remains in place on strong economic profile, supported by oil price and strong domestic demand potential on growing middle class as well as attractive valuation levels.
- In December we expect to follow more active strategies but our decisions will depend on US policymakers. That said, we are ready to exploit short-term opportunities both in Bulgaria and Russia equities. In FIB Classic and FIB Garant we might see some increase in bond allocation.

## NOTES

Monthly return /MoM/ is calculated as the ratio between the NAV/share as per the report date and the NAV per share on the last working day of the previous month.

Annual return /YoY/ is calculated as the ratio between the NAV/share as per the report date and the NAV per share on the last working day of the same month a year ago.

Year-to-date return /YtD/ is calculated as the ratio between the NAV/share as per the report date and the NAV per share on the last working day of the previous year.

Standard deviation is the annualized standard deviation of the weekly return over the last five years or since inception, whichever is smaller.

*FIB Avangard*: Monthly Alpha – MSCI EM EE is the difference between the monthly return of NAV per share of FIB Avangard and the monthly return of MSCI EM Eastern Europe 10/40 Total Return EUR Index.

*FIB Classic*: Monthly Alpha – MSCI EM EE is the difference between the monthly return of NAV per share of FIB Classic and the monthly return of MSCI EM Eastern Europe 10/40 Total Return EUR Index.

*FFBH Vostok*: Monthly Alpha – MSCI Russia is the difference between the monthly return of NAV per share of FFBH Vostok and the monthly return of MSCI Russia 10/40 Total Return EUR Index.

*FIB Avangard*: Beta ( $\beta$ ) – MSCI EM EE has been calculated using the weekly returns of NAV per share of FIB Avangard and MSCI EM Eastern Europe 10/40 Total Return EUR Index over the last five years or since benchmarking to this index, whichever is smaller.

*FIB Classic*: Beta ( $\beta$ ) – MSCI EM EE has been calculated using the weekly returns of NAV per share of FIB Classic and MSCI EM Eastern Europe 10/40 Total Return EUR Index over the last five years or since benchmarking to this index, whichever is smaller.

*FFBH Vostok*: Beta ( $\beta$ ) – MSCI Russia has been calculated using the weekly returns of NAV per share of FFBH Vostok and MSCI Russia 10/40 Total Return EUR Index over the last five years or since inception, whichever is smaller.

*FIB Avangard*: R2 – MSCI EM EE has been calculated using the weekly returns of NAV per share of FIB Avangard and MSCI EM Eastern Europe 10/40 Total Return EUR Index over the last five years or since benchmarking to this index, whichever is smaller.

*FIB Classic*: R2 – MSCI EM EE has been calculated using the weekly returns of NAV per share of FIB Classic and MSCI EM Eastern Europe 10/40 Total Return EUR Index over the last five years or since benchmarking to this index, whichever is smaller.

*FFBH Vostok*: R2 – MSCI Russia has been calculated using the weekly returns of NAV per share of FFBH Vostok and MSCI Russia 10/40 Total Return EUR Index over the last five years or since inception, whichever is smaller.

Sharpe Ratio for all funds has been calculated using the weekly returns of NAV per share of each fund over the last five years or since the inception of the fund, whichever is smaller, and using 0% as risk-free return.

*FIB Avangard*: Composite Index is composed of 19 mutual funds that apply similar investment strategy to FIB Avangard and measures their equal-weighted return.

*FIB Classic*: Composite Index is composed of 22 mutual funds that apply similar investment strategy to FIB Classic and measures their equal-weighted return.

*FIB Garant*: Composite Index is composed of 7 mutual funds that apply similar investment strategy to FIB Garant and measures their equal-weighted return.

*FFBH Vostok*: Composite Index is composed of 7 mutual funds that apply similar investment strategy to FFBH Vostok and measures their equal-weighted return.

The Index are calculated in a standardized way, using the MoM, YoY and YtD returns of each fund ( $R_i$ ,  $i=1$  to  $n$ ), based on formula:  $\sum (1/n * R_i)$ , where  $n$  is the number of mutual funds, using similar strategies.

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