

## FFBH Vostok

September 2013

Data as per 30 September 2013

NAV	
NAV	BGN 614 181
NAV per share	BGN 0.6909

Return (%)	
Monthly (MoM)*	3.60%
Annual (YoY)*	-8.83%
Year-to-date*	-7.21%
Since Inception (annualized)*	-10.14%

Statistics (%)	
Standard Deviation*	19.79%
Monthly alpha – MSCI Russia *	-1.93%
Beta (β) – MSCI Russia *	0.530
R <sup>2</sup> – MSCI Russia *	64.39%
Sharpe Ratio (0%)*	n.m.

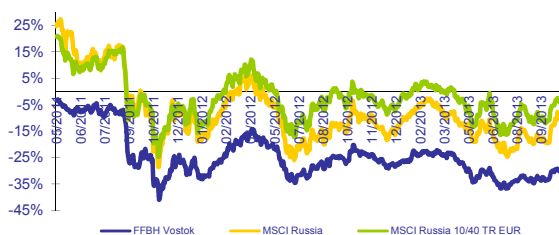
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### 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 95% in equities and up to 50% invested in bonds.

FFBH Vostok's targets high allocation to equities in 2013 – stock picking "blue-chip" and cyclical companies on cheap forward-looking multiples, high oil prices, global economy acceleration in H2 2013 and strong convergence potential among domestic consumption stories.

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

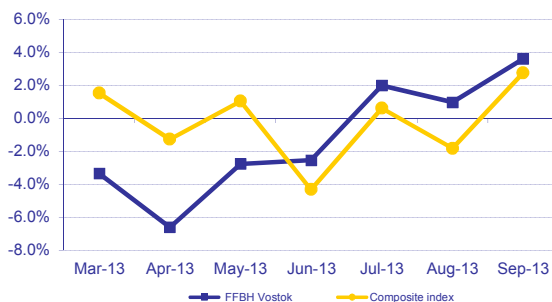


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

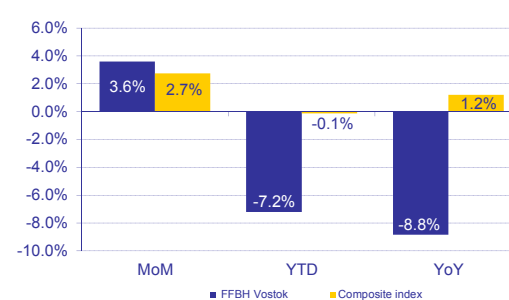
### Fact sheet and fee information

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\*

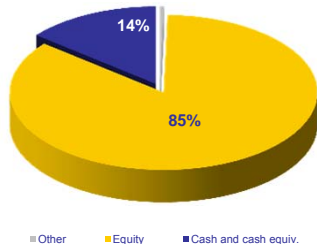


### MoM, YoY and YtD return to composite index\*



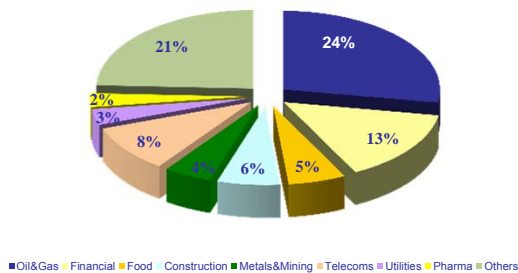
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

September 2013

Data as per 30 September 2013

NAV	
NAV	BGN 1 015 260
NAV per share	BGN 0.4977

Return (%)	
Monthly (MoM)*	3.04%
Annual (YoY)*	11.76%
Year-to-date*	12.41%
Since Inception (annualized)	-11.22%

Statistics (%)	
Standard Deviation*	12.49%
Monthly alpha – MSCI EM EE *	-2.54%
Beta (β) – MSCI EM EE *	0.260
R <sup>2</sup> – MSCI EM EE *	32.33%
Sharpe Ratio (0%)*	n.m.

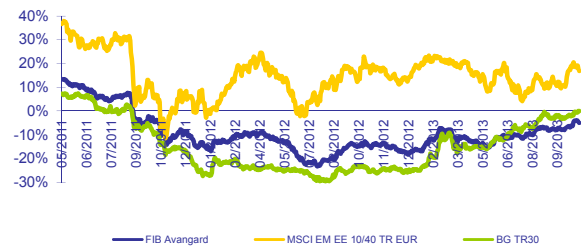
\* see notes

### 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 2013 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

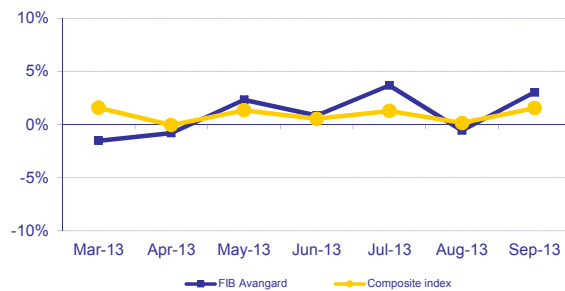
### Fact sheet and fee information

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

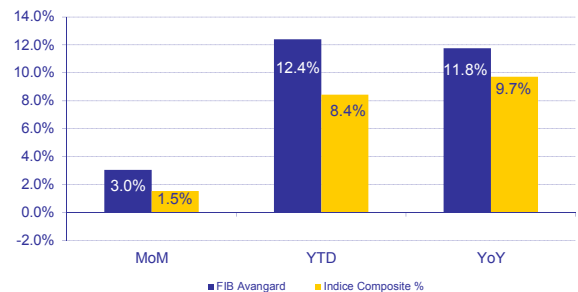
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

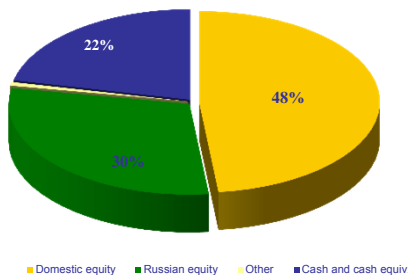


### MoM, YoY and YtD return to composite index\*



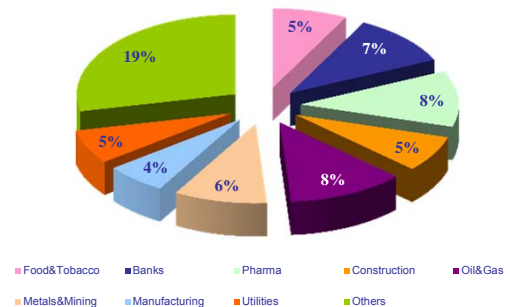
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

September 2013

Data as per 30 September 2013

NAV	
NAV	BGN 996 727
NAV per share	BGN 0.7604

Return (%)	
Monthly (MoM)*	1.37%
Annual (YoY)	7.12%
Year-to-date	6.60%
Since Inception (annualized)	-4.56%

Statistics (%)	
Standard Deviation*	6.40%
Monthly alpha – MSCI EM EE *	-4.21%
Beta (β) – MSCI EM EE *	0.140
R <sup>2</sup> – MSCI EM EE *	34.98%
Sharpe Ratio (0%)*	n.m.

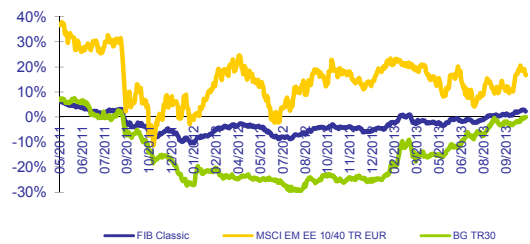
\* see notes

### 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 2013 is based on more equity-focused approach by holding equity allocation close to fund's limits. Equities will be concentrated in both Bulgaria on expected sentiment improvement throughout 2013 and Russia on high oil prices and domestic consumption convergence stories. We intend to allocate the bond portfolio in corporate bonds, predominantly, on attractive yields.

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

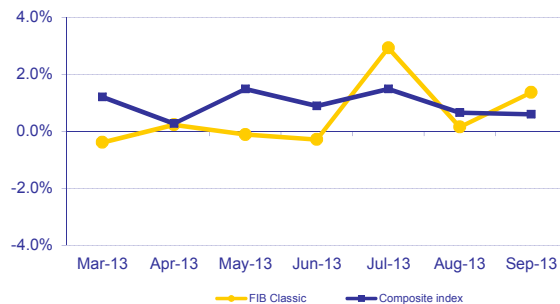


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

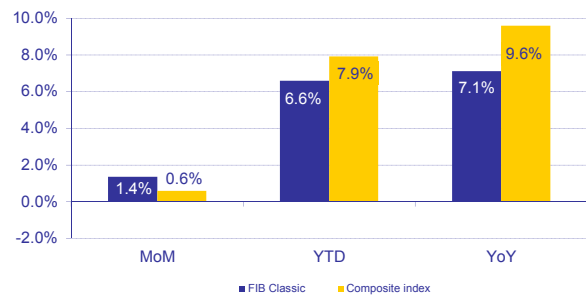
### Fact sheet and fee information

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\*

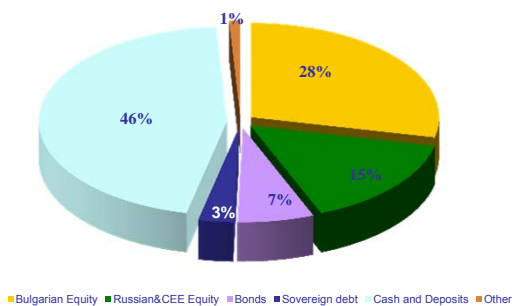


### MoM, YoY and YtD return to composite index\*



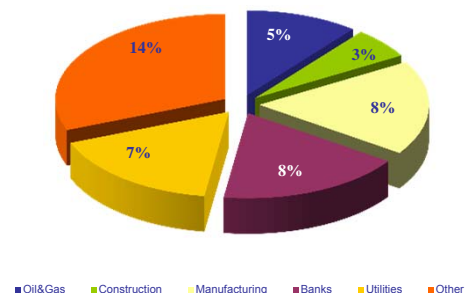
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

September 2013

### Data as per 30 September 2013

NAV	
NAV	BGN 927 826
NAV per share	BGN 1.1169

Return (%)	
Monthly (MoM)*	0.73%
Annual (YoY)*	6.28%
Year-to-date*	5.77%
Since Inception (annualized)*	1.90%

Statistics (%)	
Standard Deviation*	2.32%
Sharpe Ratio (0%)*	0.17
Interest rates (%)	
Sofibor (3 month)	1.04%
Sofibor (12 month)	2.94%

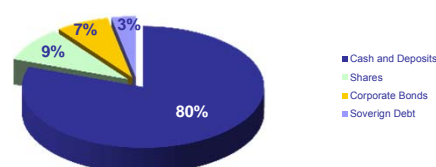
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	5.20%	04/02/2014	BGN	0.72%
Treasury	4.25%	12/01/2015	BGN	0.84%
Treasury	6.00%	11/10/2018	EUR	2.22%
Treasury	4.00%	09/07/2023	BGN	3.68%
Eurobond	4.25%	09/07/2017	EUR	2.22%
Eurobond	8.25%	15/01/2015	USD	1.12%

Source: Bloomberg

### Asset Allocation



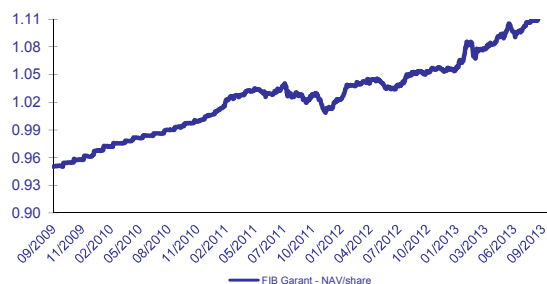
Source: FFBH Asset Management

### 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 2013 investment strategy includes high allocation to equities on possible sentiment and liquidity improvement on BSE throughout the year. 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 foreign corporate bonds on attractive yields.

### FIB Garant

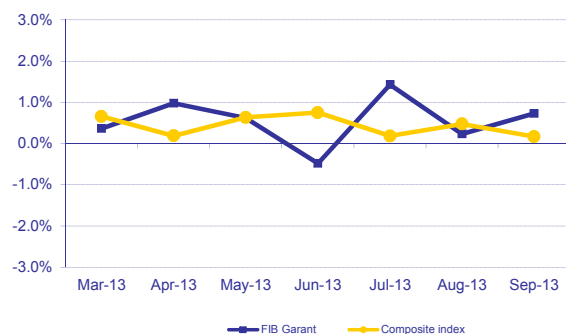


Source: FFBH Asset Management

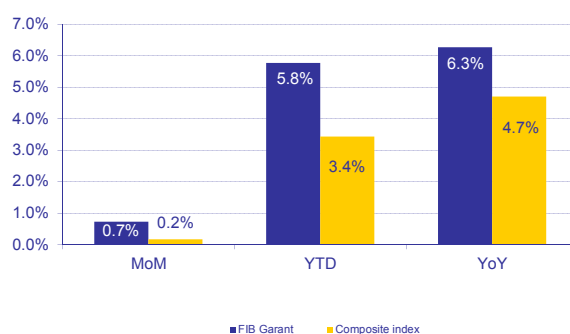
### Fact sheet and fee information

Type	Open-end equity fund	Subscription* up to BGN 100,000	more than BGN 100,000
Classification	Balanced-conservative	Entry fee 0.15%	0.00%
Manager	FFBH Asset Management	Holding Period up to 24 months	over 24 months
Custodian	First Investment Bank	Redemption fee 0.15%	0.00%
Subscriptions/ Redemptions	Every Business Day	Management fee (annual % of average AUM)	1.50%
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

## PORTFOLIO MANAGER'S COMMENT Sep 2013

### MARKET OVERVIEW:

- Global markets advanced in September and finished the quarter up by 5% MoM and 8% QoQ. Global indices, especially emerging markets posted sharp gains in the first half of the month on decline in Syria tension and surprising FED's decision to delay the tapering of its asset purchase program. Still, most markets could not keep mid-month highs and we saw some step back in end-September on increased political risk in USA and expectation that FED will start decreasing its purchases as soon as October. Eastern Europe was one of the top performers and MSCI Eastern Europe finished up by almost 9% MoM and 13% QoQ on re-surge of interest in Russian equities. Eastern Europe ex-Russia posted a more humble 2% MoM gain as some indices declined on internal issues.
- BSE-Sofia regained part of August losses, primarily on resolution in supply overhang in some blue chips. In the end Sofix ended the third quarter up by 2.7% MoM and 2.8% QoQ. The leading market event was that Aberdeen Asset Management funds (former Artio Global) finally sold their stakes in Chimimport ordinary [6C4 BU] (3.5% of outstanding shares) and preferred shares [6C4P] (7%) which led to massive recovery in interest in both names. In end-September Chimimport ordinaries were up by 11.5% MoM and were the top performer among liquid stocks.
- The other significant event was 3<sup>rd</sup> quarter rebalancing of BSE indices. Expectedly, Kaolin [6K1 BU] was excluded from Sofix and other indices as it is close to delisting after Quartzwerke increased its stake above 98% and filed for squeeze out. Its place in the blue chip index was taken by Neochim [3NB BU, +1.1% MoM] which registered increase in turnover on interest by index-tracking funds and certificates.
- As mentioned above Russian stocks were top gainers in Eastern Europe and advanced by more than 7.5% MoM in EUR terms. Gainers were led by oil&gas sector companies which attracted investor's attention after Chinese Petroleum Company (CNPC) signed preliminary agreement with Gazprom [OGZD LI] for delivery of gas to China. The final terms should be negotiated by year-end but this news together with purchase of 20% in Novatek's [NVTK LI] Yamal LNG project by CNPC led to sharp increases in both stocks. Metal and mining companies also advanced in September on improved economy outlook from Europe and China and sector indices gained 5% MoM.
- Macro data remained mixed in Russia. Consumption was strong posting 4.0% YoY growth in August and 3.9% YoY in 8mo 2013, helped by low unemployment which stood at 5.2%. However, investments continued to disappoint and were down by 3.9% YoY in August and 1.3% YoY in 8mo 2013. The worsening investment trend threatened Russian 2013 GDP growth forecasts of 1.8%-2.0%.

### PORTFOLIO ALLOCATIONS:

#### **FFBH Vostok**

- After the good performance by Russian stocks FFBH Vostok advanced by 3.6% MoM in September and cut YtD loss to 7%. During the month we made some shifts in our transportation sector allocation, which led to slight increase in equity investments to 85% of assets.

#### **FIB Avangard**

- FIB Avangard also advanced by 3% MoM on the back of good performance by Russian and Bulgarian stocks. During the month we registered a 1% net increase in Bulgarian allocation as we added blue chips on improved near-term outlook but sold Neochim [3NB] on reached price target after its addition to Sofix. There were no changes in foreign allocation.

#### **FIB Classic**

- FIB Classic gained 1.4% MoM in September, helped by good performance both by stock and bond portfolio. During the period we increased fund's bond allocation to 10% (7% in August), adding some Eastern Europe sovereign bonds.

#### **FIB Garant**

- FIB Garant's units gained 0.7% MoM in September. Here, we also invested in Eastern Europe sovereign bonds, bringing bond exposure to 10% of assets. Simultaneously, we reduced equity

exposure by 2% to 9%, as we weighted increased regulatory risks and divested utility sector investments in Bulgaria.

### **OUTLOOK & STRATEGY:**

- We expect that October will have a rough start, as investors are waiting for developments on US 2014 federal budget, FED's decision on asset purchase program and the political crisis in Italy. We expect that markets will be volatile in the start and slightly move lower by mid-October. Should lingering political issues in Europe and US are resolved, we expect a positive end of the month on improving global leading indicators. If our base case scenario fulfils, we expect that Eastern Europe will be among top performing regions.
- We expect that Bulgarian market will trade flat in start of October, waiting for the release of first Q3 financial reports. Political risks will also remain on the watch as protests continue. The draft 2014 state budget should be presented by end-month where investors will look for hard data about the economic policy by the ruling coalition.
- We expect that interest in Russian stocks will continue to build up, despite the sub-par GDP growth. We remind that valuations remain attractive, despite some healthy rebound from summer lows, and we might soon start to see upward earnings revisions in companies with larger exposure to Europe.
- In October we will be watching carefully the development of global and local risk factors, so we will make some tactical decisions thereof. We shall remain more defensive towards corporate bonds as yields might surge, depending on global monetary policy.

## 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 17 mutual funds that apply similar investment strategy to FIB Avangard and measures their equal-weighted return.

*FIB Classic*: Composite Index is composed of 20 mutual funds that apply similar investment strategy to FIB Classic and measures their equal-weighted return.

*FIB Garant*: Composite Index is composed of 8 mutual funds that apply similar investment strategy to FIB Garant and measures their equal-weighted return.

*FFBH Vostok*: Composite Index is composed of 8 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.

## DISCLAIMER

ALL DATA AND CONTENT PUBLISHED IN THIS RELEASE HAVE INFORMATION PURPOSE ONLY AND SHOULD NOT BE CONSIDERED AS COUNSEL, OFFER OR RECOMMENDATION FOR ACQUISITION OR DISPOSITION WITH ANY INVESTMENT OR CONCLUSION OF ANY OTHER DEAL.

THE INVESTMENTS IN MUTUAL FUNDS ARE ASSOCIATED WITH SIGNIFICANT RISK. THERE ARE NO RISK-FREE SECURITIES AND NOBODY CAN CLAIM THAT THE INVESTMENT PURPOSE OF ANY GIVEN MUTUAL FUND WILL BE ACHIEVED. THE NET ASSET VALUE PER SHARE AND ITS RETURN MAY DECREASE, THE RETURN IS NOT GUARANTEED AND THERE IS A RISK THAT THE POTENTIAL INVESTOR CAN NOT RECOVER THE INVESTED AMOUNT. THE INVESTMENTS IN MUTUAL FUNDS IN BULGARIA IS NOT GUARANTEED BY GUARANTEE FUND, CREATED BY THE STATE, OR ANY OTHER TYPE OF GUARANTEE.

PAST PERFORMANCE IS NOT NECESSARY INDICATIVE OF FUTURE RESULTS.

WE NOTE THAT ANYONE WHO WANTS TO SUBSCRIBE UNITS IN FIB AVANGARD, FIB CLASSIC, FIB GARANT AND/OR FFBH VOSTOK SHOULD MAKE A DECISION BASED ON THE INFORMATION PUBLISHED IN THE MOST RECENT RESPECTIVE PROSPECTUSES. THE PROSPECTUSES AND BY-LAWS ARE AVAILABLE IN FFBH ASSET MANAGEMENT OFFICE - 2 ENOS STREET, 5TH FLOOR, SOFIA, 1408, BULGARIA, TEL: +359 (2) 810 6413, WWW.FFBHAM.BG AND FIBANK BRANCHES, EXPLICITLY LISTED AT WWW.FFBHAM.BG.