

## FFBH Vostok

November 2013

Data as per 29 November 2013

NAV	
NAV	BGN 646 167
NAV per share	BGN 0.6790

Return (%)	
Monthly (MoM)*	-3.45%
Annual (YoY)*	-6.43%
Year-to-date*	-8.81%
Since Inception (annualized)*	-10.13%

Statistics (%)	
Standard Deviation*	19.41%
Monthly alpha – MSCI Russia *	1.71%
Beta (β) – MSCI Russia *	0.530
R <sup>2</sup> – MSCI Russia *	64.18%
Sharpe Ratio (0%)*	n.m.

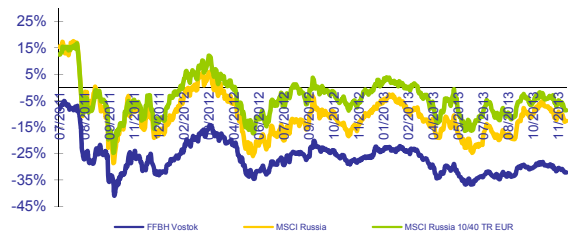
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### 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

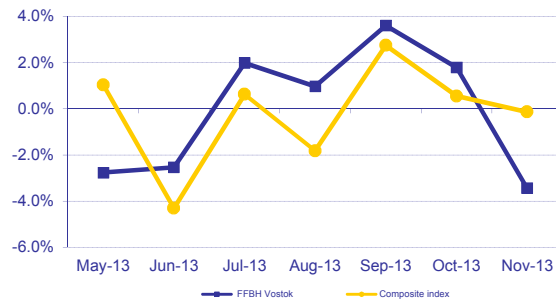


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

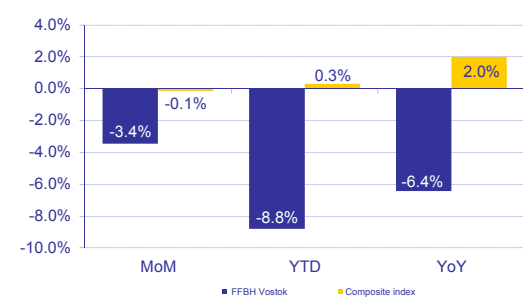
### Fact sheet and fee information

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\*

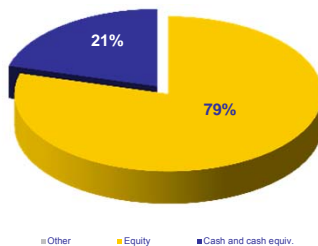


### MoM, YoY and YtD return to composite index\*



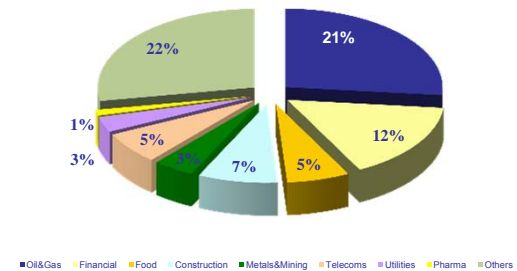
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

November 2013

Data as per 29 November 2013

NAV	
NAV	BGN 1 078 423
NAV per share	BGN 0.4932

Return (%)	
Monthly (MoM)*	-0.71%
Annual (YoY)*	14.22%
Year-to-date*	11.42%
Since Inception (annualized)	-11.06%

Statistics (%)	
Standard Deviation*	10.55%
Monthly alpha – MSCI EM EE *	2.80%
Beta (β) – MSCI EM EE *	0.260
R <sup>2</sup> – MSCI EM EE *	32.23%
Sharpe Ratio (0%)*	n.m.

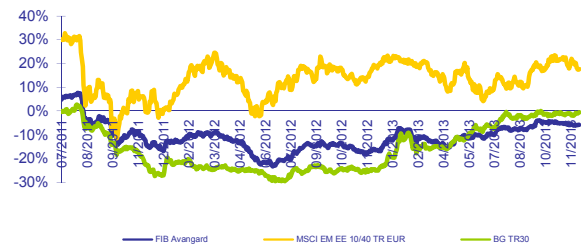
\* see notes

### 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

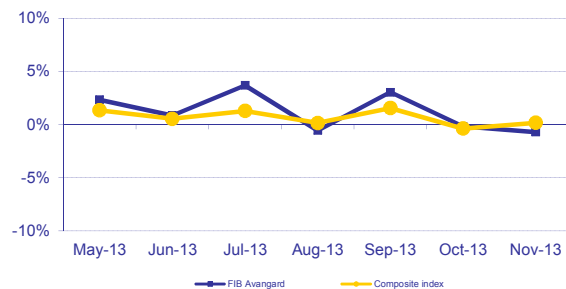
### Fact sheet and fee information

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

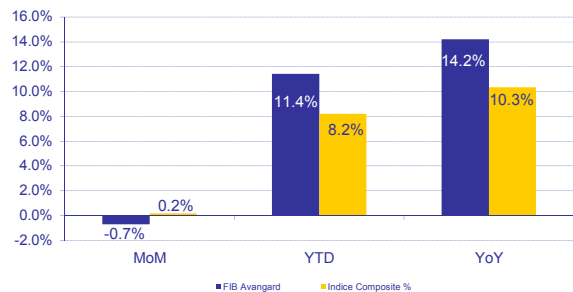
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)		3.00%

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

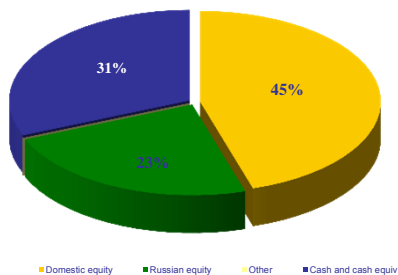


### MoM, YoY and YtD return to composite index\*



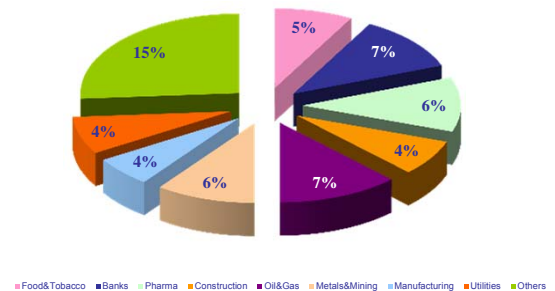
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

November 2013

Data as per 29 November 2013

NAV	
NAV	BGN 984 241
NAV per share	BGN 0.7554

Return (%)	
Monthly (MoM)*	-0.93%
Annual (YoY)	7.06%
Year-to-date	5.89%
Since Inception (annualized)	-4.55%

Statistics (%)	
Standard Deviation*	5.43%
Monthly alpha – MSCI EM EE *	2.58%
Beta (β) – MSCI EM EE *	0.140
R <sup>2</sup> – MSCI EM EE *	34.67%
Sharpe Ratio (0%)*	n.m.

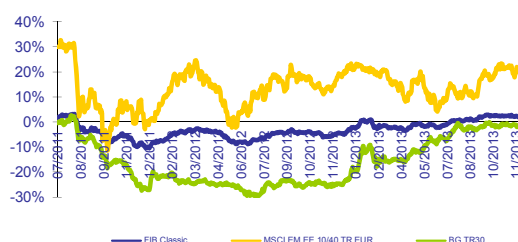
\* see notes

### 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

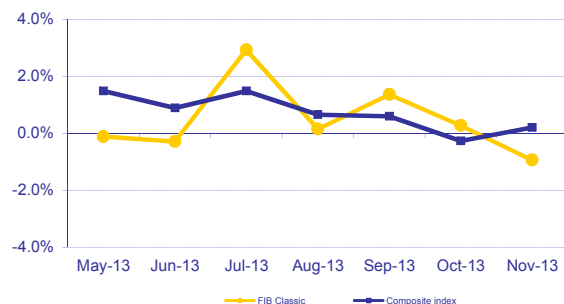


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

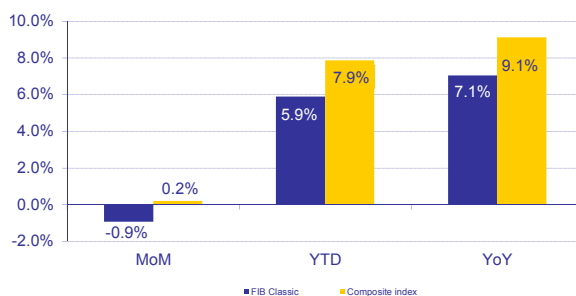
### Fact sheet and fee information

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\*

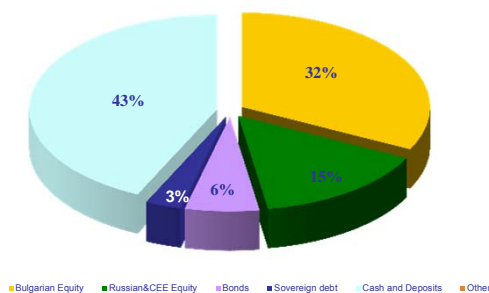


### MoM, YoY and YtD return to composite index\*



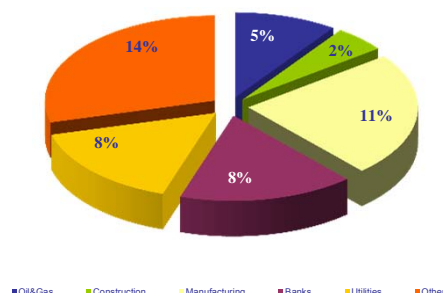
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

November 2013

### Data as per 29 November 2013

NAV	
NAV	BGN 937 303
NAV per share	BGN 1.1239

Return (%)	
Monthly (MoM)*	0.42%
Annual (YoY)*	6.30%
Year-to-date*	6.44%
Since Inception (annualized)*	1.96%

Statistics (%)	
Standard Deviation*	2.10%
Sharpe Ratio (0%)*	0.25
Interest rates (%)	
Sofibor (3 month)	0.98%
Sofibor (12 month)	2.89%

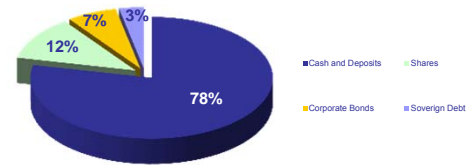
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	5.20%	04/02/2014	BGN	0.70%
Treasury	4.25%	12/01/2015	BGN	0.83%
Treasury	6.00%	11/10/2018	EUR	2.09%
Treasury	4.00%	09/07/2023	BGN	3.47%
Eurobond	4.25%	09/07/2017	EUR	1.86%
Eurobond	8.25%	15/01/2015	USD	0.63%

Source: Bloomberg

### Asset Allocation



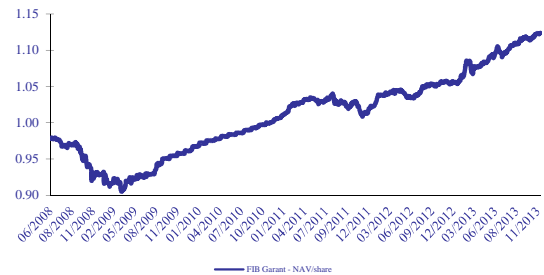
Source: FFBH Asset Management

### 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

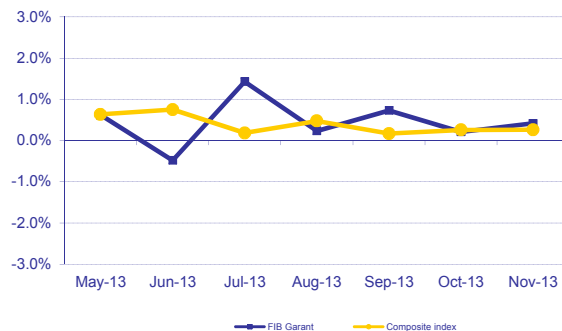
### Fact sheet and fee information

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

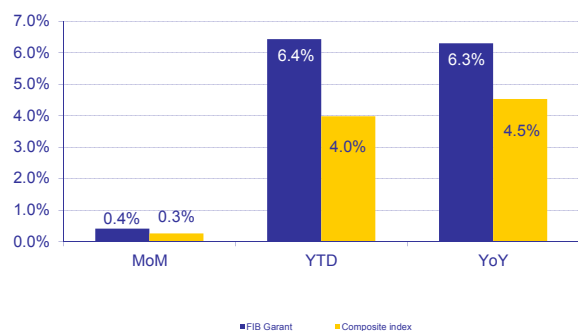
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.15%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.15%	0.00%
Management fee (annual % of average AUM)	1.50%	

\* 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 Nov 2013

### MARKET OVERVIEW:

- November was another record-breaking month for global markets, largely supported by easy global monetary policy. However, despite the unexpected decrease of ECB policy rate down to 0.25% in November, Eastern Europe ex Russia indexes declined by 0.5% MoM, as economic recovery momentum decelerated across Europe last month.
- Sofix closed November at its highest value (468.47 points, +2.8% MoM) since October 2009. The monthly gain was widespread among index members. Among top performers were heavyweight Sopharma [3JR BU] on increased interest by institutional investors, Advance Terrafund [6A6 BU] on accelerated sale of agri land plots and Chimimport [6C4 BU] on decline in sale pressure by institutionals.
- Last month we saw the publication of Q3 consolidated financial report but most of the data was already expected. In summary we can outline the industrial sector as the best revenue growing sector on annual basis, most of the performance contributed to the low base effect of Q3 2012. In the financial sector, however, we continued to see weak net interest income development on virtually non-existent credit growth.
- Russian indices declined by 5% MoM as crude oil lost 4% in November on the Iran deal which weakened the RUB exchange rate by over 3% against USD/EUR basket. Otherwise, corporate news flow was largely positive in November. Q3 reporting continued strong for Russian companies with most of them delivering numbers above consensus. Heavyweight oil&gas sector reported strong earnings and FCF on high oil prices in Q3 and weak currency exchange rate. Despite weak volumes and prices in Q3, metal&mining companies showed good cost control and large steel companies such as Severstal [SVST LI] and Novolipetsk [NLMK LI] delivered improvement in margins.
- October macro data showed that Russian economy growth most probably found its bottom in Q3. Monthly estimate by Economic Development Ministry showed acceleration in GDP growth from 1.0% YoY in September to 1.8% YoY in October. The recovery was supported by retail trade growth which marked up to 3.5% YoY in October from 2013 low of 3.0% YoY in September. Investments, however, remained weak and 10M 2013 showed 1.2% YoY contraction. Industrial output also declined by 0.1% YoY in October, left unchanged in 10M 2013.

### PORTFOLIO ALLOCATIONS:

#### **FFBH Vostok**

- FFBH Vostok NAV/unit declined by 3.5% MoM in November, still outperforming its benchmark by 1.7%. During the month we increased investments in cyclical sectors on expected turnaround in 2014. We added construction sector stocks on low valuation and shares in Norilsk Nickel [MNOD LI] on above 6.5% expected dividend yield.

#### **FIB Avangard**

- FIB Avangard lost 0.7% MoM in November as decline in Russian portfolio dominated over the good performance of domestic stocks. There were no significant changes in its portfolio last month.

#### **FIB Classic**

- FIB Classic declined by 0.9% MoM in November on both decline in Russian investments and increased required yield for its bond portfolio.

#### **FIB Garant**

- FIB Garant's units gained 0.4% MoM in November. Here, we also did not make significant changes in its portfolio allocation.

### OUTLOOK & STRATEGY:

- We enter last month of the year at record-high levels for developed market indices. Following strong multiples re-rating since start of the summer we expect that markets will turn its focus on EPS growth in near-term as P/E in major regions is close or above its historical average. We expect that market momentum to carry over in start-December but there might be a weakening in market sentiment in second half of the month as new budget talks and January Fed tapering are looming in

the US. That said, we might expect slight outperformance by Eastern Europe on stronger calendar trading and some improvement in economic momentum in EU.

- We expect that BSE will follow its usual December pattern, i.e. quiet trading for most of the month followed by a strong finish of the year. There is no scheduled major corporate news during the period, so all the attention would be turned to local and regional economic and political development.
- Historically, December and January are the strongest months for Russian stocks and we expect that the tradition will be preserved. However, oil price and Ukrainian protests poses a downside risk, that it will be one of the weakest Christmas rally on weak local currency. The positive thing is that economy seems to be bottoming out so cheap multiples and economic momentum might provide a good base for near-term resurgence in interest in Russian stocks.
- In December we should carefully increase investment in equities, looking for substantial EPS growth opportunities in target regions in 2014. Our focus will be set on increase in foreign allocations while we might collect some profits in Bulgarian stocks. We do not expect increase in bond allocation in the short-term.

## 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.

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