

## FIB Avangard

January 2015

Data as per 30 January 2015

| NAV           |               |
|---------------|---------------|
| NAV           | BGN 1 297 345 |
| NAV per share | BGN 0.5291    |

| Return (%)                   |        |
|------------------------------|--------|
| Monthly (MoM)*               | -0.82% |
| Annual (YoY)*                | -1.83% |
| Year-to-date*                | -0.82% |
| Since Inception (annualized) | -8.53% |

| Statistics (%)                |        |
|-------------------------------|--------|
| Standard Deviation*           | 10.86% |
| Monthly alpha – MSCI EM EE *  | 1.14%  |
| Beta (β) – MSCI EM EE *       | 0.230  |
| R <sup>2</sup> – MSCI EM EE * | 25.45% |
| Sharpe Ratio (0%)*            | 0.01   |

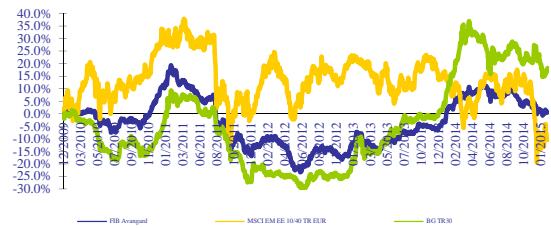
\* see notes

### 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. Tactically, part of its portfolio might be allocated in capital markets that are expected to be among top-performing global regions.

FIB Avangard's investment strategy for 2015 includes high allocation to liquid and financially stable Bulgarian companies, some allocation to developed markets blue chips on valuations and easy global monetary policy.

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



Source: Bloomberg, BSE-Sofia, FFBH Asset Management

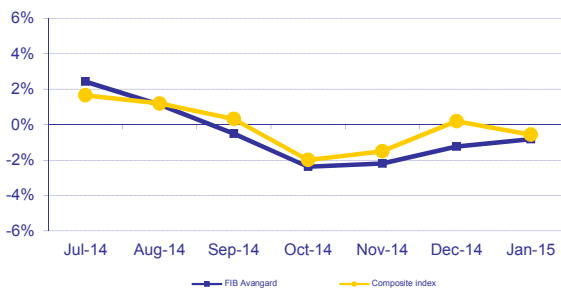
### Fact sheet and fee information

|                            |                       |
|----------------------------|-----------------------|
| 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              |

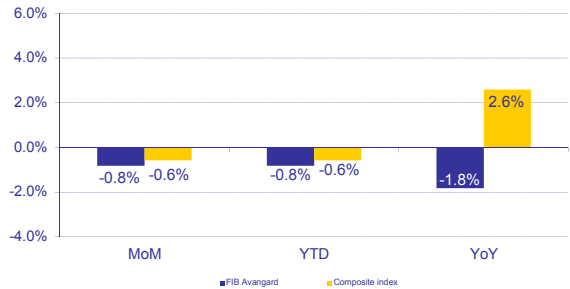
|  |                   |                       |
|--|-------------------|-----------------------|
| Subscription*                            | up to BGN 100,000 | more than BGN 100,000 |
| Entry fee                                | 0.50%             | 0.00%                 |
| Holding Period                           | 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\*

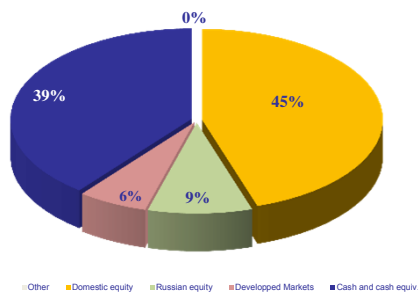


### MoM, YoY and YtD return to composite index\*



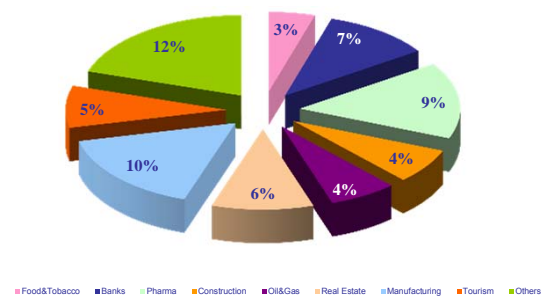
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

January 2015

Data as per 30 January 2015

| NAV           |             |
|---------------|-------------|
| NAV           | BGN 893 481 |
| NAV per share | BGN 0.7548  |

| Return (%)                   |        |
|------------------------------|--------|
| Monthly (MoM)*               | -2.22% |
| Annual (YoY)                 | -4.33% |
| Year-to-date                 | -2.22% |
| Since Inception (annualized) | -3.79% |

| Statistics (%)                |        |
|-------------------------------|--------|
| Standard Deviation*           | 6.23%  |
| Monthly alpha – MSCI EM EE *  | -0.26% |
| Beta (β) – MSCI EM EE *       | 0.130  |
| R <sup>2</sup> – MSCI EM EE * | 26.53% |
| Sharpe Ratio (0%)*            | 0.01   |

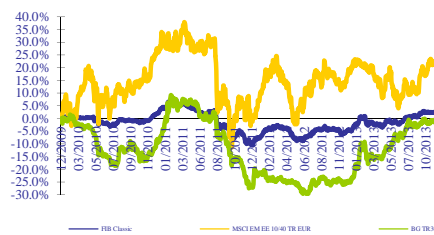
\* see notes

### 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 2015 is based on more equity-focused approach by holding equity allocation close to fund's limits. Equities will be concentrated in both Bulgaria on fundamental and sentiment improvement. Some European allocation is accepted in high-yield dividend "blue chips". Bond portfolio is allocated both in emerging market sovereign debt and domestic and foreign corporate bonds.

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

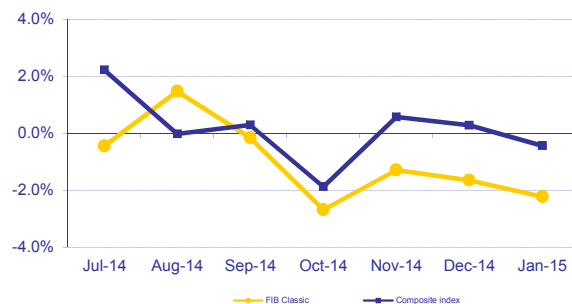


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

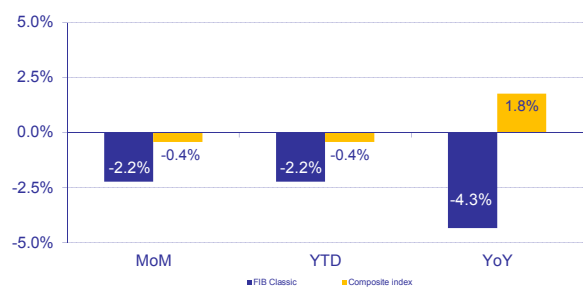
### Fact sheet and fee information

|                            |                       |  |                   |                       |
|----------------------------|-----------------------|--|-------------------|-----------------------|
| 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\*

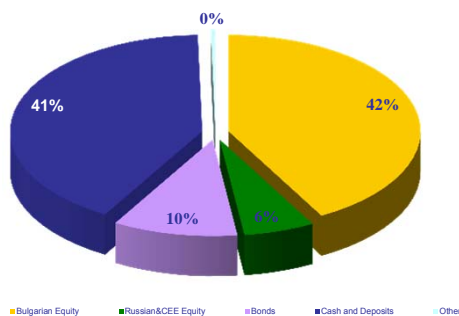


### MoM, YoY and YtD return to composite index\*



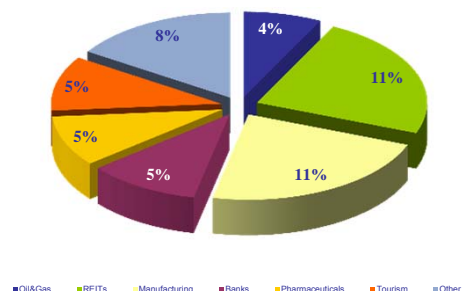
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

January 2015

### Data as per 30 January 2015

| NAV           |               |
|---------------|---------------|
| NAV           | BGN 1 125 922 |
| NAV per share | BGN 1.1651    |

| Return (%)                    |        |
|-------------------------------|--------|
| Monthly (MoM)*                | -1.84% |
| Annual (YoY)*                 | 1.30%  |
| Year-to-date*                 | -1.84% |
| Since Inception (annualized)* | 2.20%  |

| Statistics (%)      |       |
|---------------------|-------|
| Standard Deviation* | 2.36% |
| Sharpe Ratio (0%)*  | 0.25  |
| Interest rates (%)  |       |
| Sofibor (3 month)   | 0.63% |
| Sofibor (12 month)  | 2.06% |

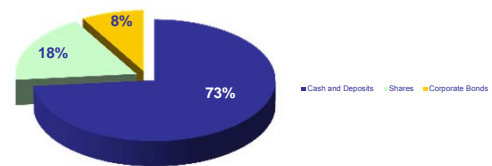
\* see notes

### Yield on selected Bulgarian treasuries (%)

| Type     | Coupon | Maturity (dd/mm/yy) | Currency | Yield |
|----------|--------|---------------------|----------|-------|
| Treasury | 4.50%  | 17/02/2017          | BGN      | 0.74% |
| Treasury | 1.50%  | 30/01/2016          | BGN      | 0.37% |
| Treasury | 6.00%  | 11/10/2018          | EUR      | 1.28% |
| Treasury | 4.00%  | 09/07/2023          | BGN      | 2.06% |
| Eurobond | 4.25%  | 09/07/2017          | EUR      | 0.79% |

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 2015 investment strategy includes significant allocation to equities on valuations and sentiment improvement on BSE . 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 and sovereign bonds.

### FIB Garant

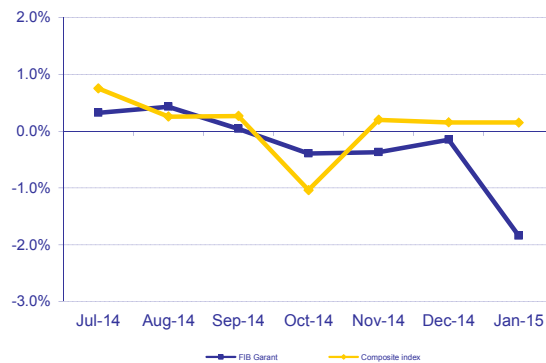


Source: FFBH Asset Management

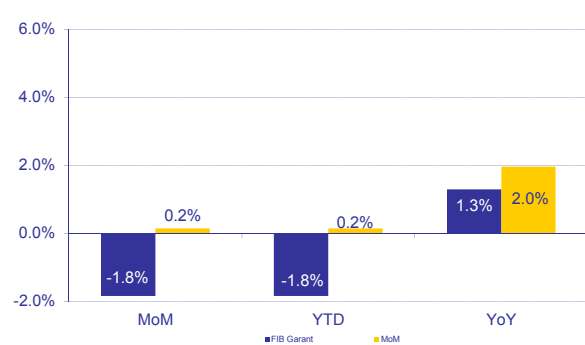
### Fact sheet and fee information

|                            |                       |  |                   |                       |
|----------------------------|-----------------------|--|-------------------|-----------------------|
| 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

## FFBH Vostok

January 2015

Data as per 30 January 2015

| NAV           |             |
|---------------|-------------|
| NAV           | BGN 419 780 |
| NAV per share | BGN 0.4715  |

| Return (%)                    |         |
|-------------------------------|---------|
| Monthly (MoM)*                | 1.18%   |
| Annual (YoY)*                 | -27.81% |
| Year-to-date*                 | 1.18%   |
| Since Inception (annualized)* | -14.87% |

| Statistics (%)                 |        |
|--------------------------------|--------|
| Standard Deviation*            | 20.44% |
| Monthly alpha – MSCI Russia *  | 1.42%  |
| Beta (β) – MSCI Russia *       | 0.650  |
| R <sup>2</sup> – MSCI Russia * | 71.96% |
| Sharpe Ratio (0%)*             | n.m.   |

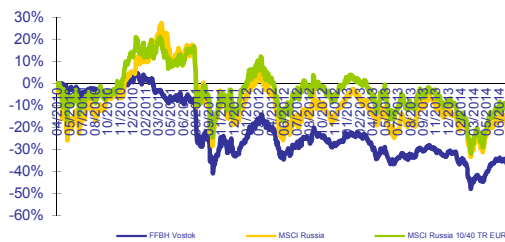
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### 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 conservative allocation to equities in start 2015 – stock picking state independent "blue-chip" companies, benefiting on cheap Russian ruble.

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

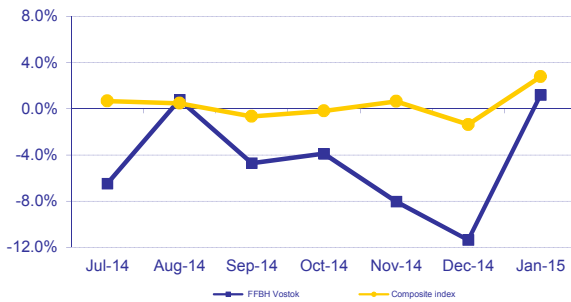


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

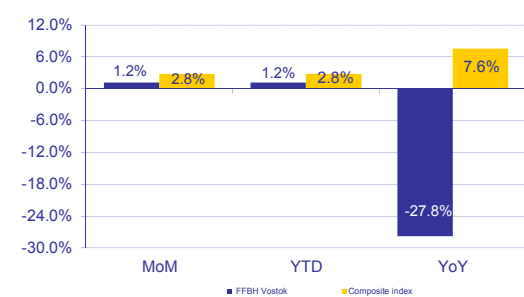
### Fact sheet and fee information

|                            |                       |  |                   |                       |
|----------------------------|-----------------------|--|-------------------|-----------------------|
| 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\*

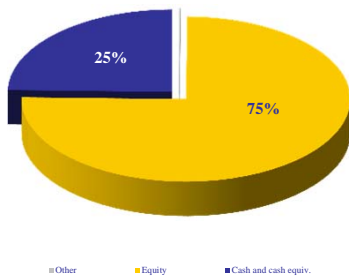


### MoM, YoY and YtD return to composite index\*



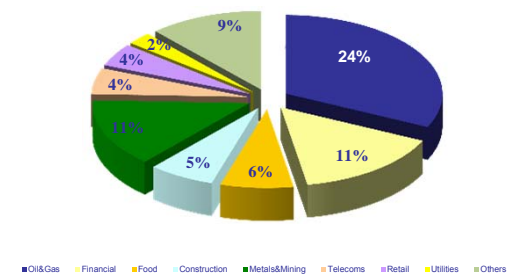
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## PORTFOLIO MANAGER'S COMMENT January 2015

### MARKET OVERVIEW:

- MSCI World Index started on a down trend 2015, declining by 1.9% MoM in January. However, we observed a very strong performance in developed Europe after ECB's announcement of a EUR 60bn a month asset purchase program. As a result MSCI Europe Index has finished up 7.7% MoM in January to its highest level since early 2008. The positive performance of Western Europe benefitted the emerging parts of the continent and MSCI Emerging Europe ex Russia index advanced by 2.6% MoM, despite some increase in volatility because of the results from Greek elections and renewed tensions in Ukraine.
- BSE-Sofia's underperformed the region and SOFIX started 2015 down by 4.1% MoM to 500.49 points as the planned pension insurance reform continued to keep pension funds away from the market.
- In the end of the period preliminary 2014 unconsolidated reports started to come out in Bulgaria. They showed some expected weakness in exporters with revenue share from Russia and CIS markets while other export-oriented manufacturers managed to retain positions. Local banks increased provisioning towards year-end on still elevated levels of NPLs (16.9% for banking system in end-2014). As a result NPL coverage for the banking system as a whole reached 58%, as compared to 51% in end-2013. Positive surprise came from courier provider Speedy [OSP, +4.2% MoM] on increasing penetration of these types of services in Bulgaria.
- Russia finally saw positive performance in EUR terms after 7 consecutive monthly declines (MICEX, +1% MoM in EUR). Volatility remained elevated because of geopolitical risks and further decline in Brent oil price. Oil, however, seemed to have found its bottom as there were evidences that some of excess global supply has started to be eliminated. The more constructive stance on oil towards month-end was to some extent offset by additional weakening in Russian rouble (-12.7% MoM against RUB basket), deepened after the central bank unexpectedly lowered its base interest rate by 2% to 15%, despite rise of inflation above 13% YoY in January.
- In December retail trade in Russia posted surprise growth of 5.3% YoY amidst FX crisis. Full 2014 figure showed growth of 2.5% YoY, a deceleration from 3.9% YoY, achieved in 2013. Investments fell by 2.4% YoY in December and 2.5% YoY in full year but performed slightly better than expected on 18% YoY growth in military expenditures in 2014. The translated into 3.9% YoY growth in industrial production in December and 0.6% YoY in 2014. However, initial expectations for 2015 GDP growth remained for a decline of 2-5%, depending on oil price and sanctions. January already started slow with further weakening of PMI Manufacturing to 47.6 points (48.9 in December).

### PORTFOLIO ALLOCATIONS:

#### **FFBH Vostok**

- FFBH Vostok NAV/unit advanced by 1.2% MoM in January in line with performance of Russian indices. During the period we further increased equity allocation by 3% to 75% of assets, adding a position in OFS sector.

#### **FIB Avangard**

- FIB Avangard NAV/unit declined by 0.8% MoM in January on decline in BSE indices. During period we increased allocation to utility sector in Bulgaria on more favourable regulatory environment. Equity allocation was slightly increased to 62% of assets with 46% of assets in Bulgarian equities.

#### **FIB Classic**

- FIB Classic lost 2.2% MoM in January mostly on decline of prices for Bulgarian blue chips. There were no major changes during last month.

#### **FIB Garant**

- FIB Garant NAV/unit was down by 1.8% in January on share price decline of BSE equity allocation.

### OUTLOOK & STRATEGY:

- The most important global event in the near term is the negotiations between the new Greek government and Eurozone-led creditors for the continuation of support program beyond March 1.

That said, we expect some increase in volatility towards the end of the month, especially in Eastern Europe region.

- Locally, we slowly start to shift our view to more favourable about BSE stock investments. Lately, while still in progress, we have witnessed more market-neutral proposals about the important pension insurance reform. Company-wise, export-oriented companies continue to see stable demand from Western Europe counterparties while banks profitability is expected to benefit from continuing decline in deposit rates. That said, we deem that near-term market moves will be more dependent on global factors as possible escalations of sanctions towards Russia or failure of Greece negotiations with creditors poses a threat to economic activity in the regions.
- We expect that Russian capital market outlook would continue to improve, due to stabilizing oil price. At the same time volatility would most probably remain high because of the escalation in Ukraine, respectively a threat for new sanctions on Russia. Best positioned in current situation are dividend-paying exporting companies, especially in the energy sector. On the contrary domestic demand is yet to adjust to higher inflation – higher interest rates environment.
- Considering our more constructive expectations for targeted regions we might tactically shift our allocation to more aggressive. Still, we should be waiting for clear signals that the rise in geopolitical risks in January won't lead to larger regional consequences.

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

*FIB Classic*: Composite Index is composed of 17 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 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:  $\frac{1}{n} \sum R_i$ , where  $n$  is the number of mutual funds, using similar strategies.

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