

## FFBH Vostok

December 2016

Data as per 30 December 2016

NAV	
NAV	BGN 759,600
NAV per share	BGN 0.7339

Return (%)	
Monthly (MoM)*	8.65%
Annual (YoY)*	37.06%
Year-to-date*	37.06%
Since Inception (annualized)*	-4.51%

Statistics (%)	
Standard Deviation*	20.28%
Monthly alpha – MSCI Russia *	-3.38%
Beta (β) – MSCI Russia *	0.555
R <sup>2</sup> – MSCI Russia *	76.35%
Sharpe Ratio (0%)*	n.m.

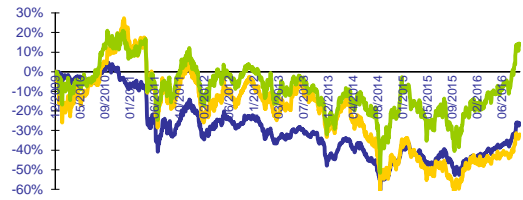
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### 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 2017 – stock picking state independent "blue-chip" companies, benefiting from weak Russian ruble.

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

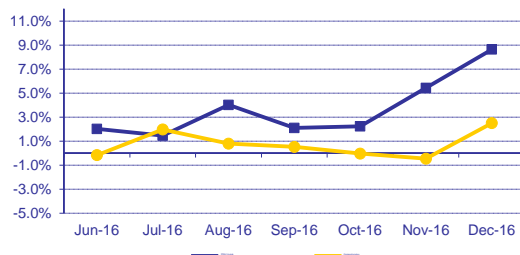


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

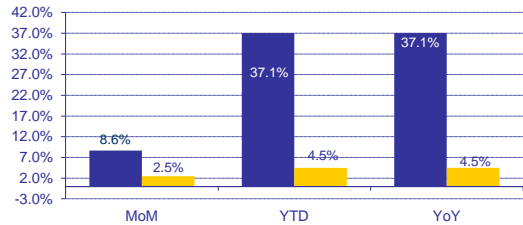
### Fact sheet and fee information

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\*

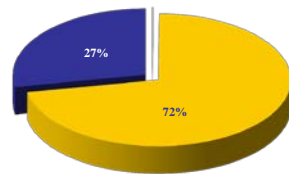


### MoM, YoY and YtD return to composite index\*



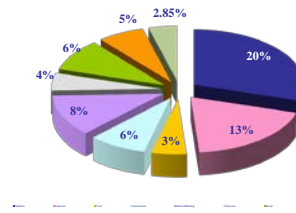
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

December 2016

### Data as per 30 December 2016

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,340,977	Monthly (MoM)*	6.13%	Standard Deviation*	9.44%
NAV per share	BGN 0.6051	Annual (YoY)*	18.28%	Monthly alpha – MSCI EM EE *	-5.42%
		Year-to-date*	18.28%	Beta (β) – MSCI EM EE *	0.174
		Since Inception (annualized)	-5.36%	R <sup>2</sup> – MSCI EM EE *	22.44%
				Sharpe Ratio (0%)*	0.57

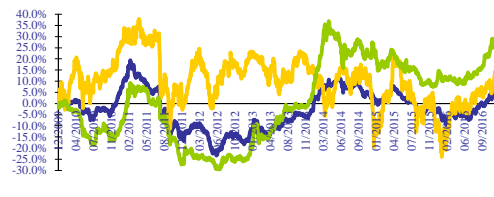
\* see notes

### 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 World equity with focus on Bulgarian 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 2017 includes 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



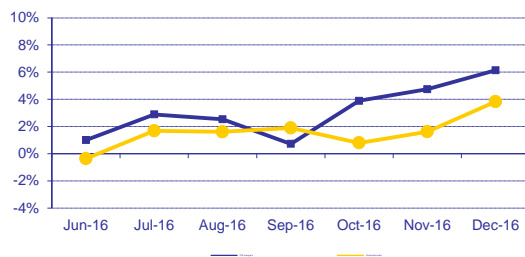
Source: Bloomberg, BSE-Sofia, FFBH Asset Management

### Fact sheet and fee information

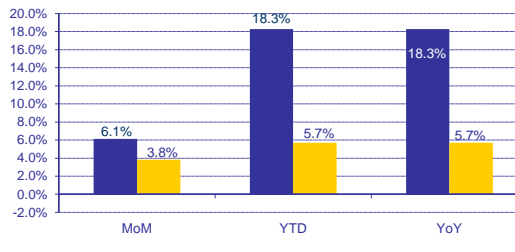
Type	Open-end equity fund	Subscription*	up to BGN 100,000	more than BGN 100,000
FSC Classification	High-yield fund	Entry fee	0.50%	0.00%
Manager	FFBH Asset Management	Holding Period	up to 24 months	over 24 months
Custodian	First Investment Bank	Redemption fee	0.50%	0.00%
Subscriptions/ Redemptions	Every Business Day	Management fee (annual % of average AUM)		3.00%
Incorporation	Bulgaria			

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

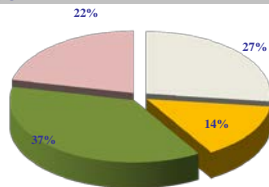


### MoM, YoY and YtD return to composite index\*



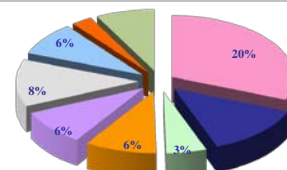
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

December 2016

### Data as per 30 December 2016

NAV	
NAV	BGN 1,224,206
NAV per share	BGN 0.9326

Return (%)	
Monthly (MoM)*	3.99%
Annual (YoY)	17.78%
Year-to-date	17.78%
Since Inception (annualized)	-0.76%

Statistics (%)	
Standard Deviation*	5.75%
Monthly alpha – MSCI EM EE *	-7.56%
Beta (β) – MSCI EM EE *	0.102
R <sup>2</sup> – MSCI EM EE *	21.07%
Sharpe Ratio (0%)*	0.95

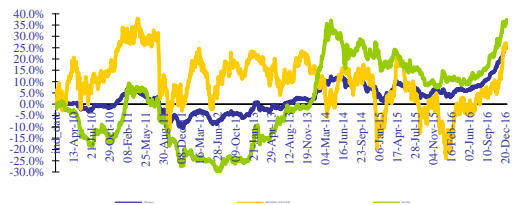
\* see notes

### Investment strategy

FIB Classic is a balanced mutual fund, inception 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 equities and bonds.

FIB Classic's investment strategy for 2017 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 acceptable 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

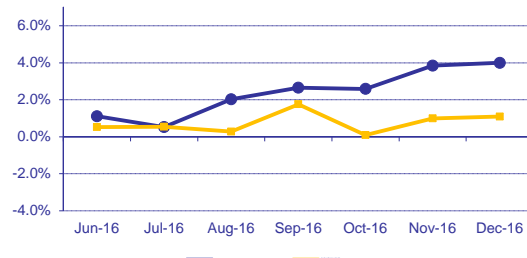
### Fact sheet and fee information

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

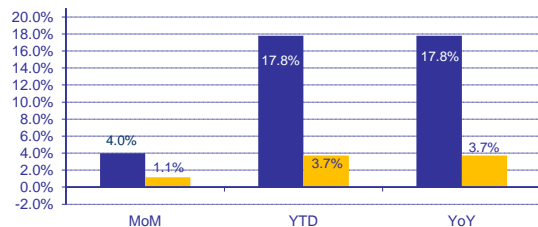
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.35%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.35%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

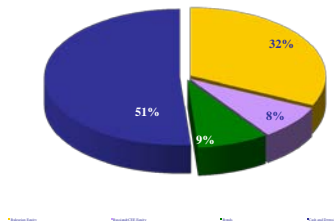


### MoM, YoY and YtD return to composite index\*



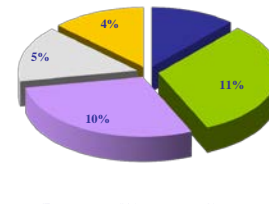
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

December 2016

Data as per 30 December 2016

NAV		Return (%)		Statistics (%)	
NAV	BGN 942,914	Monthly (MoM)*	0.43%	Standard Deviation*	2.49%
NAV per share	BGN 1.2957	Annual (YoY)*	5.75%	Sharpe Ratio (0%)*	1.76
		Year-to-date*	5.75%	<b>Interest rates (%)</b>	
		Since Inception (annualized)*	2.88%	Sofibor (3 month)	0.12%
				Sofibor (12 month)	0.76%

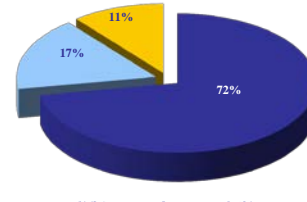
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	4.50%	17-02-17	EUR	-0.22%
Eurobond	4.25%	09-07-17	EUR	-0.32%
Eurobond	2.00%	26-03-22	EUR	0.87%
Eurobond	2.95%	03-09-24	EUR	1.68%
Eurobond	2.63%	26-03-27	EUR	2.24%
Eurobond	3.13%	26-03-35	EUR	3.27%

Source: Bloomberg

### Asset Allocation



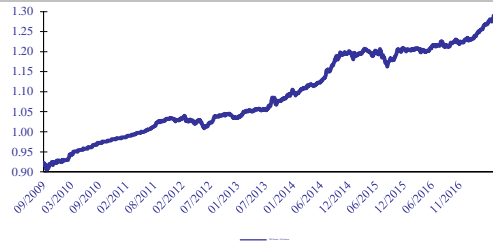
Source: FFBH Asset Management

### 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 2017 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

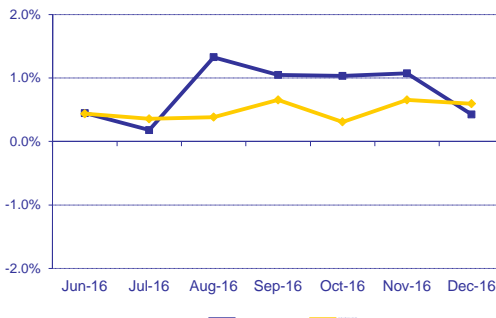


Source: FFBH Asset Management

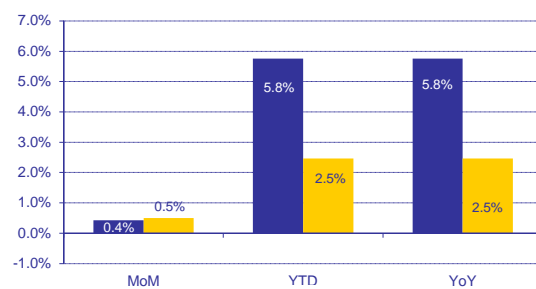
### Fact sheet and fee information

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

## PORTFOLIO MANAGER'S COMMENT December 2016

### MARKET OVERVIEW, OUTLOOK & STRATEGY:

- MSCI World gained 2.3% in December (up 5.29% for 2016). We expect volatility to persist into 2017 and given the recent pick-up in equity prices we have boosted our cash allocation. Forecasts for world economic growth in 2017 are 3.5%, up from 3.1% in 2016. We are closely watching market developments and if the opportunity arises we might increase developed Europe & US equities as we will focus on value companies and dividend paying stocks.
- US stock ended the month up (DJIA + 3.32% in December, up 13.2% for the year) following the FED's anticipated decision to boost interest rates. Focus in 2017 will be on president Trump's policies (infrastructure spending coupled with a reduction of the corporate tax rate to 15-20%) as well as guidance on future rate path by the FED.
- MSCI Europe was up 5.8% in December (bringing the YTD return to -0.4%) following the ECB's decision to extend QE until the end of 2017. Politics will weigh on European stock in 2017 with elections in the Netherlands, France and Germany in the coming months. Despite the political uncertainty we are bullish on European stocks as we see inflation stabilising above 1%. Revenue growth is forecast at 2-3% with net income up between 7-10%. EU companies should benefit from US tax cuts as they have a 25% sales exposure to the region. Sector-wise we will focus on financials and autos given the attractive market multiples these sectors trade at.
- Russia's RTSI\$ gained 11.1% in December (up 52.22% in 2016), boosted by oil's 12.2% MoM rise and a perceived reduction in the country's geopolitical risk premium. YoY inflation in December stood at 5.4%, inching closer to the Russian central bank's 4% goal. We are positive on Russian equities in 2017 as we see further rate cuts on the horizon. We see countries mostly abiding by the OPEC decision which should boost oil prices. However we reckon oil will stay below \$65-\$70 as US shale producers become competitive should the price breach the \$60 mark.
- The Bulgarian benchmark SOFIX gained 4.4% in December bringing the YTD return to 27.2%, second only in Europe to Hungary's BUX index. The main news story of the month was the purchase of United Bulgarian Bank (ОББ) by KBC. Over the short term Bulgarian equities will be impacted by the upcoming April 2017 general elections which could bring a change in fiscal and/or monetary policies. In 2017 we are positive on financials, travel & leisure (driven by political uncertainty in neighboring countries), export-driven companies as well as REITs (driven by a pick-up in property investment).

### PORTFOLIO ALLOCATIONS:

#### **FFBH Vostok**

- FFBH Vostok gained 8.65% during the last month. Equity allocated stood at 72.67%. YTD FFBH Vostok has gained 37.65%, making it the top performer among Bulgarian mutual funds.

#### **FIB Avangard**

- FIB Avangard finished the month up 6.13%. Equity allocation was 78.79%. YTD FIB Avangard is up 18.39%

#### **FIB Classic**

- FIB Classic ended the month up by 3.99%. Equity allocation was 41.38%. YTD FIB Classic is up 18.02%, making it the top performer among balanced mutual funds in Bulgaria.

#### **FIB Garant**

- FIB Garant gained 0.43% during the last month. Equity allocation was 17.01%. YTD FIB Garant is up 5.73%, making it the top performer among conservative mutual funds in Bulgaria.

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

*FIB Classic:* Composite Index is composed of 18 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:  $\sum (1/n \cdot R_i)$ , where  $n$  is the number of mutual funds, using similar strategies.

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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) 460 6400, WWW.FFBHAM.BG AND FIBANK BRANCHES, EXPLICITLY LISTED AT WWW.FFBHAM.BG.