

## FFBH Vostok

April 2018

Data as per 30 April 2018

NAV		Return (%)		Statistics (%)	
NAV	BGN 685,978	Monthly (MoM)*	-3.77%	Standard Deviation*	18.91%
NAV per share	BGN 0.6597	Annual (YoY)*	-8.02%	Monthly Alpha – MSCI Russia*	-0.45%
		Year-to-date*	-2.22%	Beta (β) – MSCI Russia*	0.602
		Since Inception (annualized)	-5.04%	R <sup>2</sup> – MSCI Russia*	86.30%
				Sharpe Ratio (0%)*	0.07

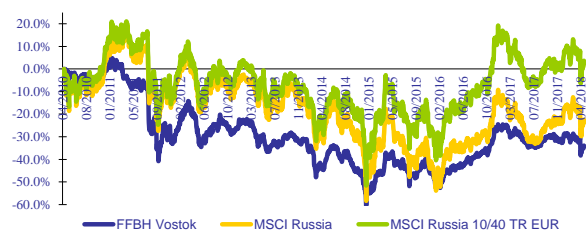
\* see notes

### Investment objective overview

FFBH Vostok is a high-yield, actively managed, open-end mutual fund with regional focus on Russia & CIS, incepted on Apr 16, 2010. The Fund's investment objective is to achieve high long-term growth, bearing medium to high level of risk. The Fund may have up to 95% in equities and up to 50% invested in bonds.

We assume further recovery of the Russian economy in 2018, supported by several key rate cuts and relatively stable oil prices, and prefer higher allocation to equities and cyclical sectors. The portfolio remains comprised mainly of blue chip companies with leading and stable market positions.

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

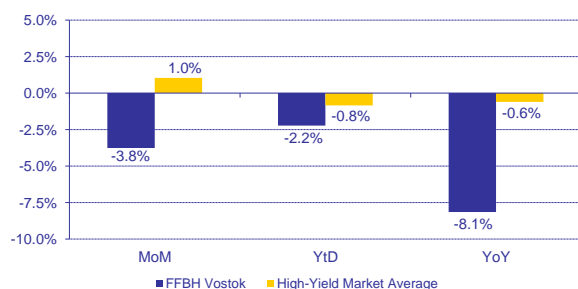


Source: Bloomberg, FFBH Asset Management

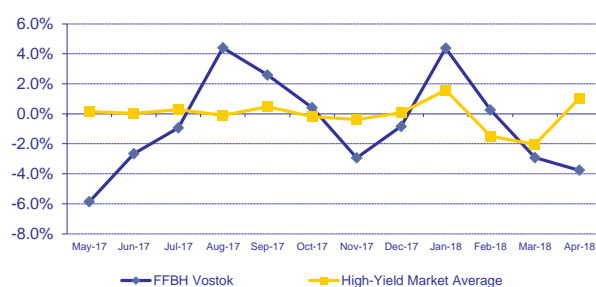
### Fact sheet and fee information

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, YoY and YtD return to HY market average\*

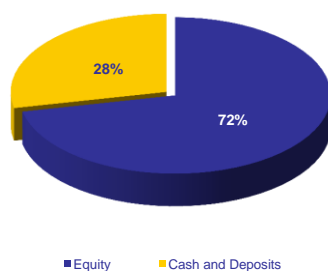


### MoM return to HY market average\*

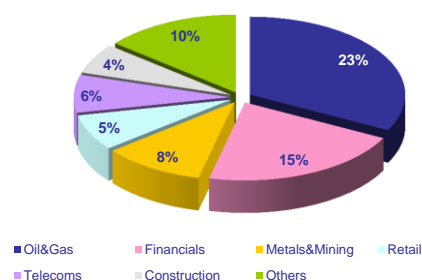


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Avangard

April 2018

Data as per 30 April 2018

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,828,659	Monthly (MoM)*	0.67%	Standard Deviation*	8.44%
NAV per share	BGN 0.6151	Annual (YoY)*	-4.80%	Monthly Alpha – MSCI ACWI*	-1.98%
		Year-to-date*	-3.21%	Beta (β) – MSCI ACWI*	0.336
		Since Inception (annualized)	-4.55%	R <sup>2</sup> – MSCI ACWI*	31.47%
				Sharpe Ratio (0%)*	0.77

\* 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 level of risk. Its portfolio is allocated into global equity with regional focus on Bulgaria. Tactically, most of its funds might be invested in capital markets outside Bulgaria that are expected to be among top performing world regions.

FIB Avangard's investment strategy for 2018 includes allocation to export-oriented, financially stable and dividend-paying Bulgarian companies and allocation to developed markets blue chips based on favourable macroeconomic conditions and attractive valuations. We will increase exposure to companies with competitive positions in disruptive industries. The overall risk of the portfolio will be mitigated through sector and company diversification.

### FIB Avangard vs. MSCI ACWI



Source: Bloomberg, BSE-Sofia, FFBH Asset Management

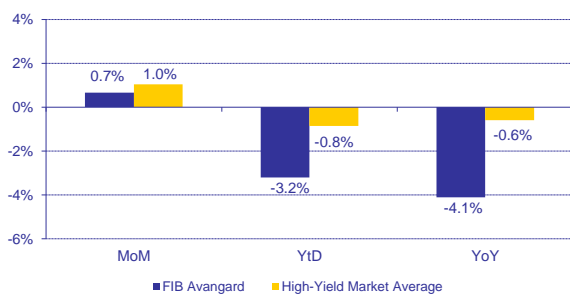
### Fact sheet and fee information

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

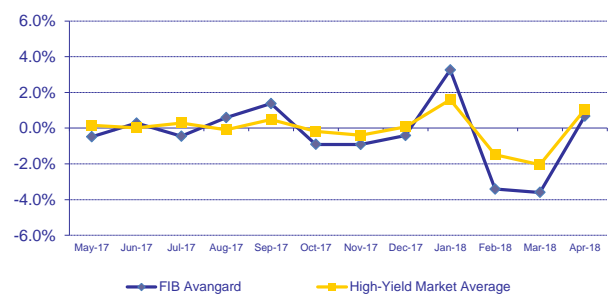
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

### MoM, YoY and YtD return to HY market average\*

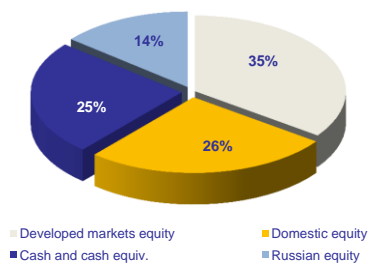


### MoM return to HY market average\*

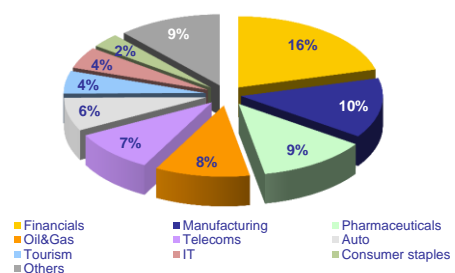


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Classic

April 2018

Data as per 30 April 2018

NAV	
NAV	BGN 1,638,751
NAV per share	BGN 0.9337

Return (%)	
Monthly (MoM)*	-0.04%
Annual (YoY)	-3.79%
Year-to-date	-2.64%
Since Inception (annualized)	-0.65%

Statistics (%)	
Standard Deviation*	5.36%
Monthly Alpha – MSCI ACWI*	-2.70%
Beta (β) – MSCI ACWI*	0.139
R <sup>2</sup> – MSCI ACWI*	13.43%
Sharpe Ratio (0%)*	0.95

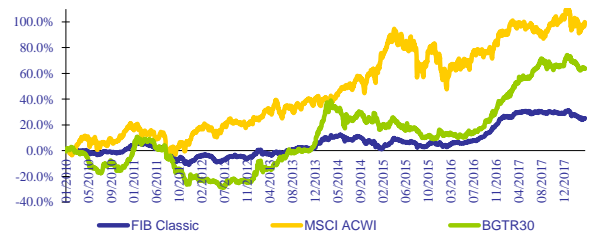
\* see notes

### Investment strategy

FIB Classic is a balanced mutual fund, inception on Nov 11, 2007, whose investment objective is to achieve medium to high long-term growth of its assets, bearing medium level of risk. The Fund invests in equities and bonds, as the equity-bond proportion depends on the stage of the economic cycle and macro conditions in covered regions and the expected central banks' monetary policy decisions.

FIB Classic's investment strategy for 2018 remains equity-focused, which includes holding equity allocation close to the fund's limits. Equities will be concentrated in Bulgaria and Western Europe with preference to dividend-paying value companies. Bond portfolio would comprise of domestic and foreign corporate bonds.

### FIB Classic vs. MSCI ACWI



Source: Bloomberg, BSE-Sofia, FFBH Asset Management

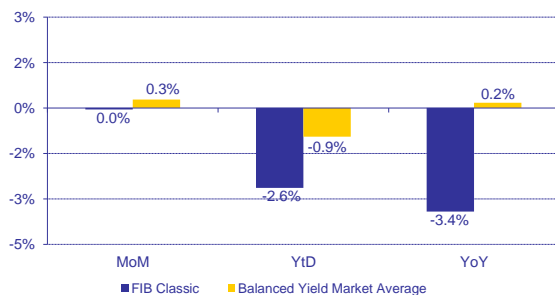
### Fact sheet and fee information

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

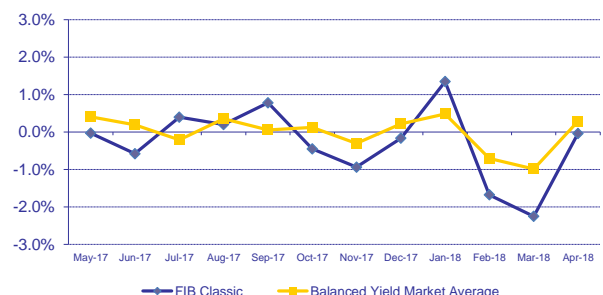
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.35%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.35%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

### MoM, YoY and YtD return to BY market average\*

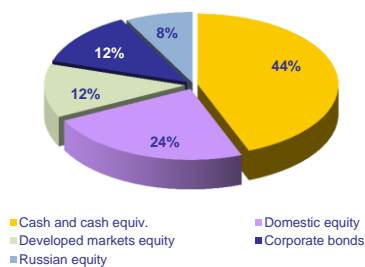


### MoM return to BY market average\*

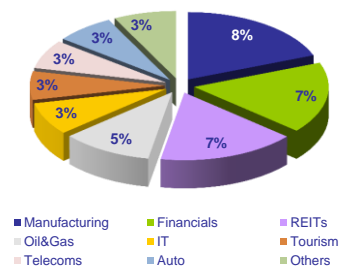


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Garant

April 2018

Data as per 30 April 2018

NAV	
NAV	BGN 1,343,232
NAV per share	BGN 1.3005

Return (%)	
Monthly (MoM)*	-0.18%
Annual (YoY)*	-2.36%
Year-to-date*	-1.88%
Since Inception (annualized)*	2.55%

Statistics (%)	
Standard Deviation*	2.36%
Sharpe Ratio (0%)*	1.55
Interest rates (%)	
Sofibor (3 month)	-0.01%
Sofibor (12 month)	0.52%

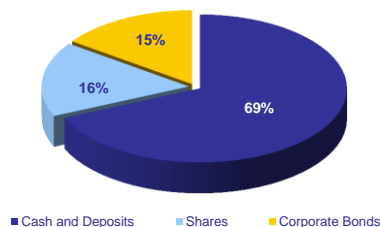
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	0.50%	17/02/19	BGN	-0.30%
Eurobond	2.00%	26/03/22	EUR	0.15%
Eurobond	1.88%	21/03/23	EUR	0.36%
Eurobond	2.95%	03/09/24	EUR	0.79%
Eurobond	3.00%	21/03/28	EUR	1.67%
Eurobond	3.13%	26/03/35	EUR	2.53%

Source: Bloomberg

### Asset Allocation



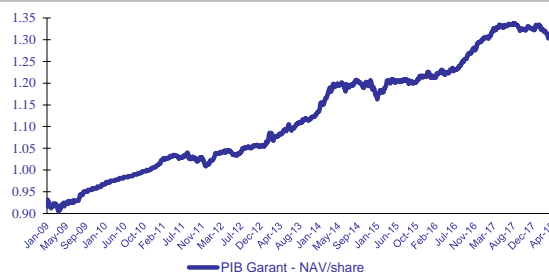
Source: FFBH Asset Management

### Investment objective

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

FIB Garant's 2018 investment strategy includes significant allocation to Bulgarian equities on valuations and sentiment improvement on the BSE. At certain points investments in foreign large cap dividend-paying blue chips can be made but currency risk should be controlled. Low local deposit rates would also lead to an increase in the Fund's exposure to foreign corporate and sovereign bonds.

### FIB Garant



Source: FFBH Asset Management

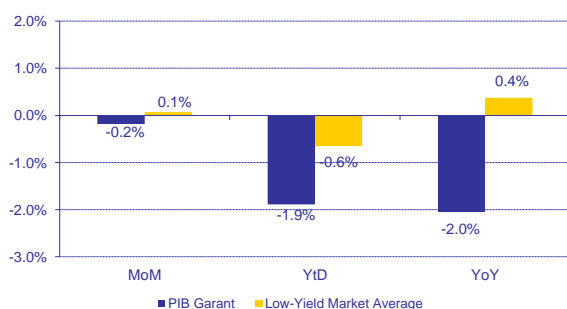
### Fact sheet and fee information

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

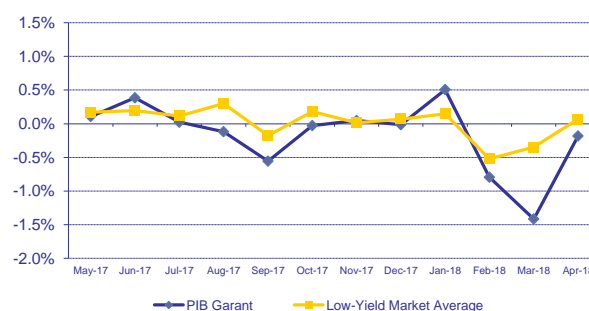
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.15%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.15%	0.00%
Management fee (annual % of average AUM)		1.50%

\* Minimum subscription is BGN 50

### MoM, YoY and YtD return to LY market average\*



### MoM return to LY market average\*



Source: BAAMC, FFBH Asset Management calculations

## PORTFOLIO MANAGER'S COMMENT April 2018

### MARKET OVERVIEW:

Global equity indices registered mixed movements in Apr and economic and political developments were diverse across the world.

**USA: S&P 500 and NASDAQ 100 remained relatively stable in USD terms, growing by 0.3% MoM and 0.4% MoM, respectively, while they were up 1.9% MoM and 1.95% MoM in EUR,** helped by the US dollar appreciation vs the euro (+2.0% MoM). The start of the earnings season and macroeconomic developments during the month were supportive, but foreign trade uncertainties remained, as the final decision on imposing metal tariffs on the EU, Canada and Mexico was delayed until 1 Jun 2018. Indicators continued pointing towards strengthening economy and rising inflation, with advance Q1'18 GDP growth of 2.9% YoY (vs 2.6% for Q4'17), Apr unemployment rate of 3.9% and Mar core inflation of 2.1% YoY (above 2.0% for the first time in a decade). US 10y Treasury yield climbed to 2.95% (+21 bps MoM) after hitting 3.0% in the second half of the month, but interests were left unchanged on the last FOMC meeting in the beginning of May.

**EUROPE: MSCI Europe was up 4.0% MoM** despite lack of substantial progress on the prior month's political and geopolitical issues (Italy new government, tariffs, Russia sanctions) and weaker-than-expected economic indicators for the Eurozone. Advance data showed a slowdown in GDP growth to 2.5% YoY for Q1'18 vs 2.7% YoY for Q4'17, while Apr core inflation decelerated to 0.7% YoY (the weakest in more than an year) vs 1.0% in Mar. On the positive side, unemployment rate for Feb and Mar kept its lowest level of since Jan'09 (8.5%). Notwithstanding signs of economic slowdown and trade war risk, the ECB's President Mario Draghi forecasted continuing expansion and confirmed gradual stimulus withdrawal with QE exit at the year-end. Q1'18 corporate results were mixed, as many companies reported negative FX effects due to the strong euro.

**RUSSIA: MSCI Russia (-7.6%/-6.1% MoM in USD/EUR)** was negatively impacted by increase in geopolitical tensions in Syria in the first half of the month, followed by a new round of economic sanctions against Russia. Sanctions were implemented on the largest Russian aluminium producer United Company Rusal (RUSAL LN, -12.7% MoM in USD and -13.0% MoM in EUR), hitting the stocks of the company and its business partners. The largest Russian bank and MSCI Russia constituent - Sberbank (SBER LI, -20.0% in USD and -18.8% in EUR MoM) – registered even larger than previous monthly decline, underperforming significantly the index for a second month. Russian energy stocks, accounting for the biggest part of FFBH Vostok portfolio, also declined, but performed better than the index. Brent price kept rising to USD 75.17 (+7.0% MoM) and the latest unemployment (5.0% for Mar) and core inflation data (1.9% YoY for Apr) showed relatively stable MoM levels, but the ruble depreciated 9.9% MoM vs the US dollar. All that provided a base for the CBR to leave the key interest rate unchanged at 7.25%.

**BULGARIA: SOFIX and BGTR30 rose by 1.4% and 0.8% MoM, respectively.** The most traded index member, accounting for c. 56% of SOFIX turnover and c. 51% of BGTR30 turnover, was Sopharma (3JR, +2.4% MoM), which was supposedly explained by the ongoing exit of a major shareholder. The company's Q1 unconsolidated report showed a decline in sales on its main market (Russia), but this was considered to have a neutral impact on its valuation. Top gainers within both of the indices were companies from Chimimport Group on the back of much lower turnover, while the largest decliner was Trace Group Hold (T57, -8.3% MoM). On macro level, we saw consistently declining seasonally-adjusted unemployment rate (from revised 5.7% in Dec'17 to 5.2% in Mar'18) and accelerating HICP inflation (from 1.5% YoY in Feb to 2.2% YoY in Mar). The European Commission revised upward its Bulgaria's 2018 and 2019 GDP growth estimate to 3.8% and 3.7%, respectively, on expected stronger domestic consumption and EU funds absorption.

### OUTLOOK:

**Capital markets are expected to remain under pressure in the short term amid global trade uncertainty. Otherwise, both developed and emerging markets still offer a favourable fundamental environment for investments in risky assets - . China reported Q1 GDP growth of 6.8% YoY on solid consumer spending and its economic outlook remains robust despite tariffs. We will follow closely the central banks' indications regarding their monetary policies, as well as changes in political/geopolitical situations.**

**In the USA** a more/less accommodative than expected monetary policy would have a positive/negative impact on the economy and equity demand. Currently two more rate hikes are expected in 2018, but this could change, especially if inflation continues gathering pace. The tax reform should contribute positively to the economic growth, but political stability and confidence in the President Trump's policy remain unsatisfactory and the latter would continue to weigh on US equities.

**In Europe** we forecast continuing economic revival, though at a slower pace. Investors' focus is expected to be on inflation trends and the ECB decisions and intentions with regard to its QE program. Main sources of uncertainty on the political front are new German government decisions, new Italian government formation and BREXIT. Sanctions against Russia may have a serious impact on certain European companies.

**In Russia** the main focus is currently on the sanctions, which could delay the economic recovery and expected monetary support. The new government composition would also be of importance, as it would determine the path of the country's development (status quo or reforms). Before the outcome of sanctions and new government become clear, the market should remain under pressure and more volatile.

**In Bulgaria** capital market should be positively influenced by the favourable domestic and regional macroeconomic environment. No major elections are scheduled in 2018, but political outlook remains delicate and some volatility might be expected after the end of Bulgaria's EU Presidency in end-June.

**PORTFOLIO ALLOCATIONS:**

Mutual fund	Return MoM, %	Equity allocation, %	MoM change in allocation
FFBH Vostok	- 3.77%	71.67%	No significant changes
FIB Avangard	0.67%	75.21%	No significant changes
FIB Classic	- 0.04%	43.49%	No significant changes
FIB Garant	- 0.18%	16.37%	No significant sector allocation changes, but changes on individual stock level

## 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 ACWI is the difference between the monthly return of NAV per share of FIB Avangard and the monthly return of MSCI All Country World Index.*

*FIB Classic: Monthly Alpha – MSCI ACWI is the difference between the monthly return of NAV per share of FIB Classic and the monthly return of MSCI All Country World 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 ACWI has been calculated using the weekly returns of NAV per share of FIB Avangard and MSCI All Country World Index over the last five years.*

*FIB Classic: Beta ( $\beta$ ) – MSCI ACWI has been calculated using the weekly returns of NAV per share of FIB Classic and MSCI All Country World Index over the last five years.*

*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.*

*FIB Avangard: R2 – MSCI ACWI has been calculated using the weekly returns of NAV per share of FIB Avangard and MSCI All Country World Index over the last five years.*

*FIB Classic: R2 – MSCI ACWI has been calculated using the weekly returns of NAV per share of FIB Classic and MSCI All Country World Index over the last five years.*

*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.*

*Returns of all indices presented in the bulletin or used in the calculations above are converted in BGN.*

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: High-yield market average is calculated through equal weighting of the returns of all high-yield mutual funds, offered on the Bulgarian market by asset management companies - members of the Bulgarian Association of Asset Management Companies (BAAMC).*

*FIB Classic: Balanced yield market average is calculated through equal weighting of the returns of all balanced mutual funds, offered on the Bulgarian market by asset management companies - members of BAAMC.*

*FIB Garant: Low-yield market average is calculated through equal weighting of the returns of all conservative mutual funds, offered on the Bulgarian market by asset management companies - members of BAAMC. Money market funds are not included in the calculation.*

*FFBH Vostok: High-yield market average is calculated through equal weighting of the returns of all high-yield mutual funds, offered on the Bulgarian market by asset management companies - members of BAAMC.*

*Returns are calculated using the net asset values of the mutual funds reported on the web site of BAAMC on the first working day of the month, following the month of performance presentation.*

The market average points 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.

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