

## FFBH Vostok

January 2013

Data as per 31 January 2013

NAV	
NAV	BGN 650 025
NAV per share	BGN 0.7638

Return (%)	
Monthly (MoM)*	2.59%
Annual (YoY)*	1.25%
Year-to-date*	2.59%
Since Inception (annualized)*	-9.18%

Statistics (%)	
Standard Deviation*	20.75%
Monthly alpha – MSCI Russia *	-0.63%
Beta (β) – MSCI Russia *	0.630
R <sup>2</sup> – MSCI Russia *	61.75%
Sharpe Ratio (0%)*	n.m.

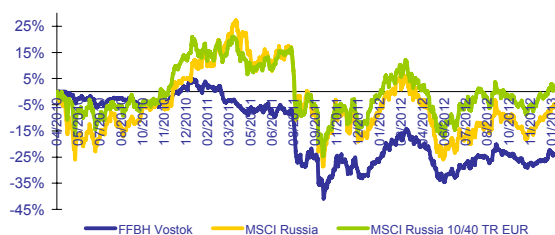
\* For methodologies see notes

### 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

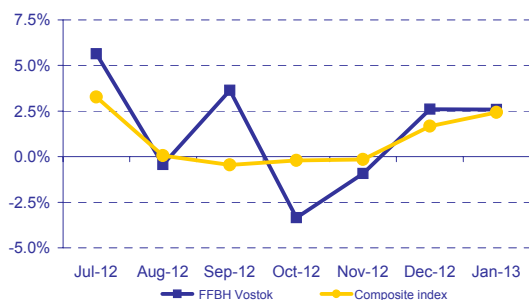


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

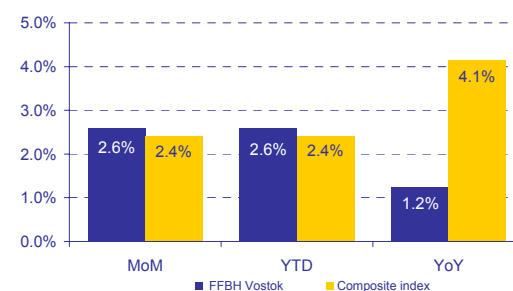
### Fact sheet and fee information

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\*

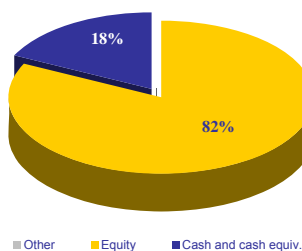


### MoM, YoY and YtD return to composite index\*



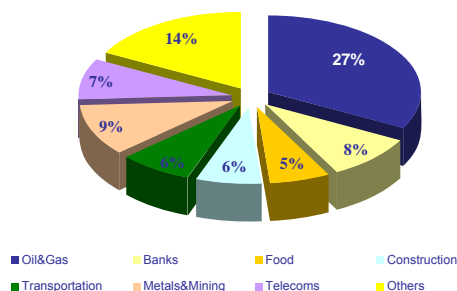
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

January 2013

Data as per 31 January 2013

NAV	
NAV	BGN 930 048
NAV per share	BGN 0.4846

Return (%)	
Monthly (MoM)*	9.46%
Annual (YoY)*	4.23%
Year-to-date*	9.46%
Since Inception (annualized)	-13.01%

Statistics (%)	
Standard Deviation*	13.27%
Monthly alpha – MSCI EM EE *	8.59%
Beta (β) – MSCI EM EE *	0.260
R <sup>2</sup> – MSCI EM EE *	34.98%
Sharpe Ratio (0%)*	n.m.

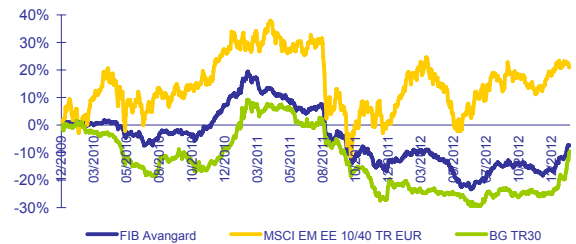
\* see notes

### 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

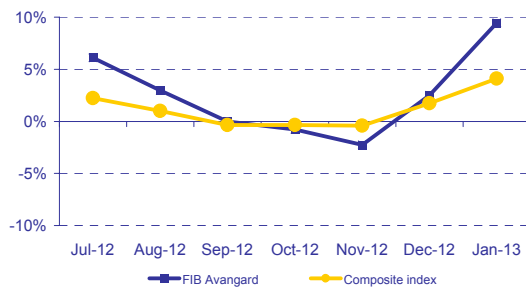
### Fact sheet and fee information

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

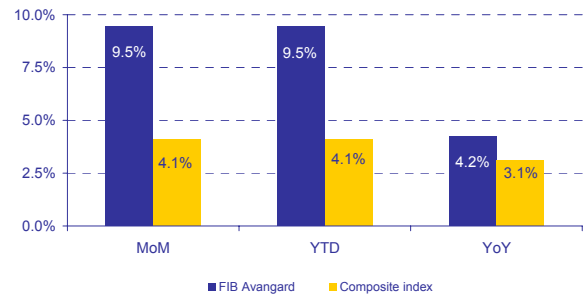
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

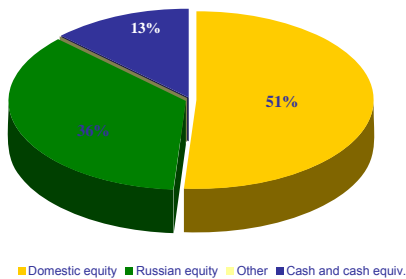


### MoM, YoY and YtD return to composite index\*



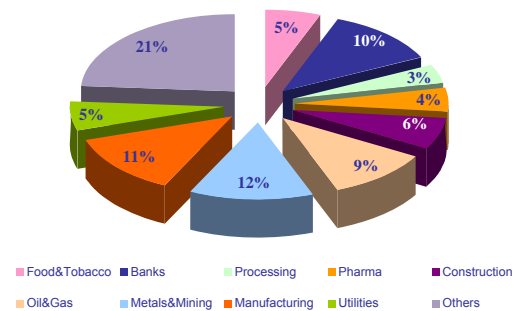
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

January 2013

Data as per 31 January 2013

### NAV

NAV	BGN 953 786
NAV per share	BGN 0.7501

### Return (%)

Monthly (MoM)*	5.15%
Annual (YoY)	6.53%
Year-to-date	5.15%
Since Inception (annualized)	-5.38%

### Statistics (%)

Standard Deviation*	6.72%
Monthly alpha – MSCI EM EE *	4.28%
Beta (β) – MSCI EM EE *	0.140
R <sup>2</sup> – MSCI EM EE *	39.15%
Sharpe Ratio (0%)*	n.m.

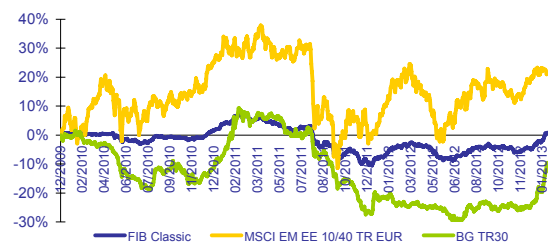
\* see notes

### 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 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

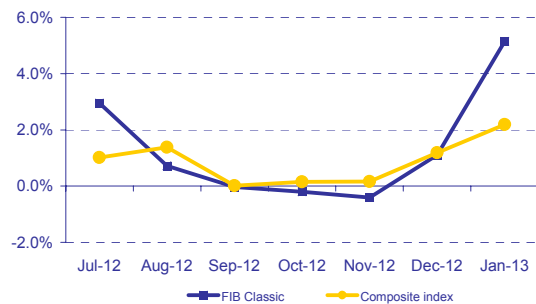


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

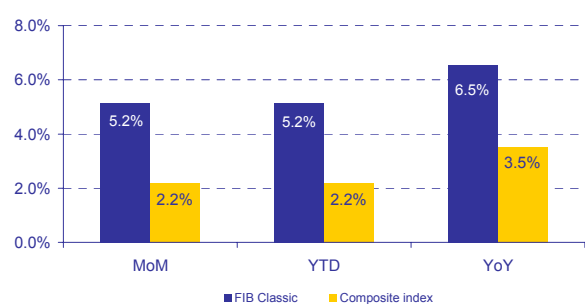
### Fact sheet and fee information

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\*

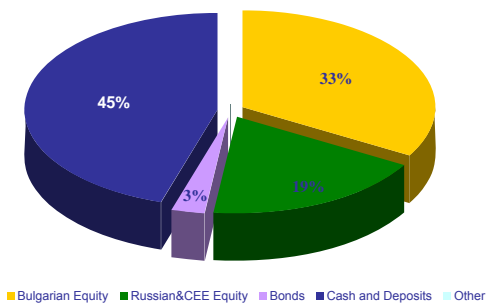


### MoM, YoY and YtD return to composite index\*



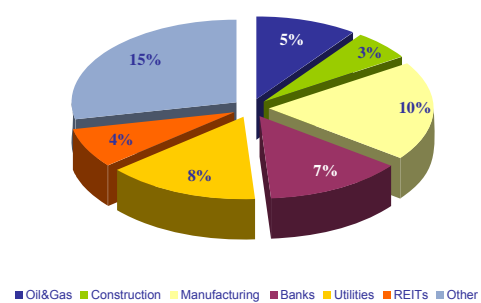
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

January 2013

### Data as per 31 January 2013

NAV	
NAV	BGN 888 683
NAV per share	BGN 1.0855

Return (%)	
Monthly (MoM)*	2.81%
Annual (YoY)*	4.82%
Year-to-date*	2.81%
Since Inception (annualized)*	1.59%

Statistics (%)	
Standard Deviation*	2.29%
Sharpe Ratio (0%)*	0.07
Interest rates (%)	
Sofibor (3 month)	1.24%
Sofibor (12 month)	3.45%

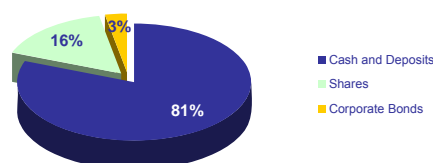
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	5.75%	02/07/2013	BGN	0.87%
Treasury	5.25%	04/02/2014	BGN	0.75%
Treasury	4.50%	17/02/2017	BGN	1.68%
Treasury	5.00%	11/07/2022	BGN	2.99%
Eurobond	4.25%	09/07/2017	EUR	1.92%
Eurobond	8.25%	15/01/2015	USD	1.41%

Source: Bloomberg

### Asset Allocation



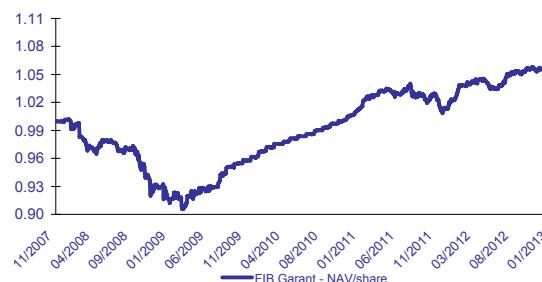
Source: FFBH Asset Management

### 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

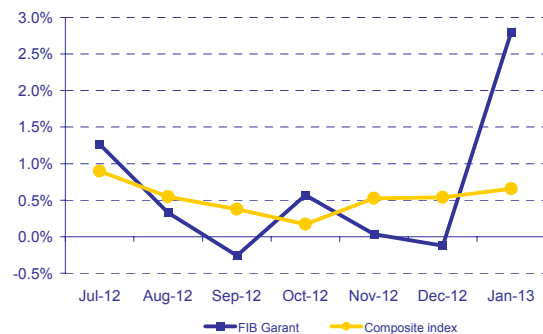


Source: FFBH Asset Management

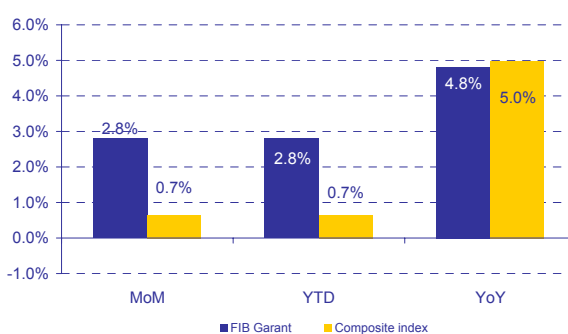
### Fact sheet and fee information

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 January 2013**

### **MARKET OVERVIEW:**

- End-2012 optimism continued market-wide in January and indices marked record performance figures (S&P 500, DAX). Reasons included receding fears both of debt crisis in the Eurozone and fiscal cliff the USA, strong reporting season and improving China growth expectations.
- Bulgarian capital market finally shrug off the selling pressure that kept down most liquid names and in January was the best performing EMEA index (SOFIX, +15.7% MoM) and second globally in EUR terms. As broadly expected the gainers' league was led by last year's laggards Chimimport&subsidiaries, Sopharma [3JR], First Investment Bank [5F4], followed by other fundamentally strong stories – Monbat [5MB], Stara Planina Hold [5SR].
- Overall, we can call the start of Q4 reporting season in Bulgaria as neutral to slightly positive (utilities in particular). The largest surprise among blue chips came from Kaolin [6K1] on a large BGN 26m impairment of an investment but this was probably related to intra-group reorganizations before finalization of Kaolin's acquisition by Quartzwerk.
- Russian indices also performed well, advancing by about 6% in USD and 3% in EUR, but lagged regional peers due to heavy weight of energy stocks that were the worst performing sector monthly.
- Russian macro data released in January was another reason for the market underperformance. Preliminary 2012 GDP came slightly below expectations at 3.4% YoY which was a slow down from 4.3% in 2011. Despite strong retail loan growth of 39% YoY in 2012 (36% YoY in 2011), retail sales slowed down to 5.9% YoY, compared to 7.0% YoY the year before. This may be explained by rising interest rates on loans in Russia as 80% of growth in non-mortgage loans was used to service interest on accumulated debt, according to Alfabank. Other macro indicators also slowed on annual basis – investments were down to 6.7% YoY from 8.3% YoY, construction to 2.4% YoY from 5.1% YoY and industrial output to 2.6% from 4.7% in 2011. Most of the slow down came in the end of the year which points to a slow start of 2013.
- That said, January PMI Manufacturing rebounded to 52.0 (50.0 in December) on a surge in new orders as it might be a start of permanent pick up in activity in the industry.

### **PORTFOLIO ALLOCATIONS:**

#### **FFBH Vostok**

- FFBH Vostok's NAV per unit gained 2.6% MoM in January in line with its benchmark. During the period we kept our well balanced equity position unchanged at 82% of assets.

#### **FIB Avangard**

- Riding the wave of soaring Bulgarian equities FIB Avangard advanced by 9.5% MoM in January, a Top 5 performance among its peers. During the period we decided to cash in some of the gains in the financial sector, as we deem that the market recovery would be uneven onwards.

#### **FIB Classic**

- FIB Classic advanced by 5.2% MoM in January on the strong performance of its equity allocation. There were no major moves in its portfolio during the period.

#### **FIB Garant**

- FIB Garant gained 2.8% MoM in January which ranked it the best performing fund among its direct peers. There were no major moves in FIB Garant portfolio during the period.

### **OUTLOOK & STRATEGY:**

- Equity overweight is reportedly moulding 2013 global investment strategies, however macro constraints remain an anchor for excessive gains in certain economies that are too leaned to still receding Eurozone, including Eastern Europe. That said, we remain cautious and expect that regional index performance to flatten in February as recent spikes were not fundamentally supported for all sectors. The parliamentary elections in Italy in end-month also might increase the pressure on the country and the Eurozone once more as well.
- On BSE the major event of the month would be the release of Q4 preliminary consolidated results in the end of the period. As a whole, we expect a muted performance in February as volumes remain low and some expected profit-taking would be a serious headwind for the market.

- We are still in the best part of the year for Russian indices, so we expect that the good performance of Russian stocks to continue. Still, the high price of crude oil and the slow demand for steel and base metals in Europe (Russia's largest trade partner) may limit index gains to mid single digits. That said, we note that despite deceleration of the Russian economy in second half of 2012, its profile remains strong, supported by oil prices and strong domestic demand potential on growing middle class, while valuation levels remain highly attractive both in absolute and relative terms to other emerging markets.
- In February we will continue to cash in some gains where share performance is too ahead of valuation and would be generally more active in shifting allocation between sectors.

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

*FIB Classic*: Composite Index is composed of 22 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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