

## FFBH Vostok

February 2013

Data as per 28 February 2013

NAV	
NAV	BGN 644 460
NAV per share	BGN 0.7573

Return (%)	
Monthly (MoM)*	-0.86%
Annual (YoY)*	-8.04%
Year-to-date*	1.71%
Since Inception (annualized)*	-9.22%

Statistics (%)	
Standard Deviation*	20.48%
Monthly alpha – MSCI Russia *	1.09%
Beta (β) – MSCI Russia *	0.640
R <sup>2</sup> – MSCI Russia *	61.53%
Sharpe Ratio (0%)*	n.m.

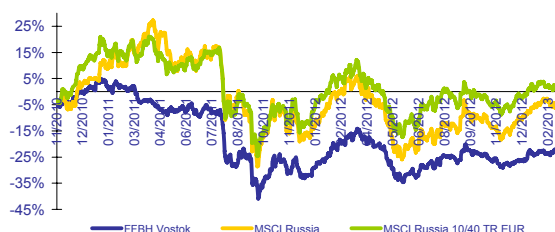
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### 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

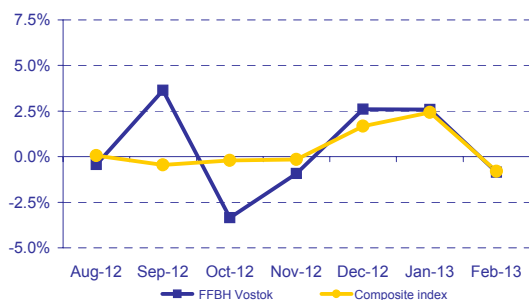


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

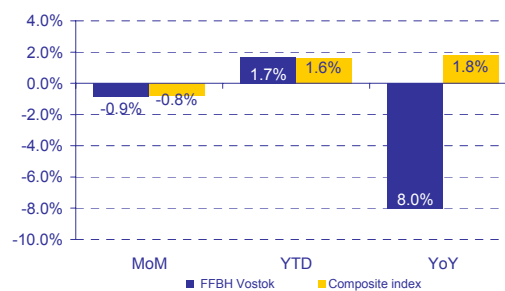
### Fact sheet and fee information

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\*

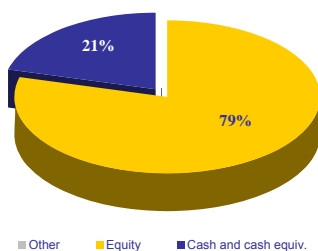


### MoM, YoY and YtD return to composite index\*



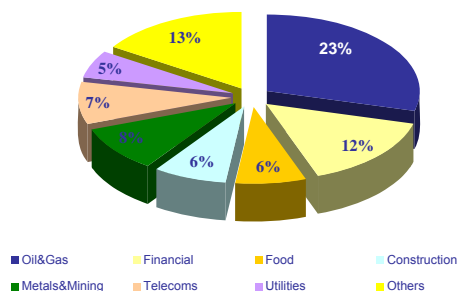
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

February 2013

Data as per 28 February 2013

NAV	
NAV	BGN 892 830
NAV per share	BGN 0.4646

Return (%)	
Monthly (MoM)*	-4.13%
Annual (YoY)*	-1.79%
Year-to-date*	4.94%
Since Inception (annualized)	-13.52%

Statistics (%)	
Standard Deviation*	13.42%
Monthly alpha – MSCI EM EE *	-2.60%
Beta (β) – MSCI EM EE *	0.260
R <sup>2</sup> – MSCI EM EE *	31.74%
Sharpe Ratio (0%)*	n.m.

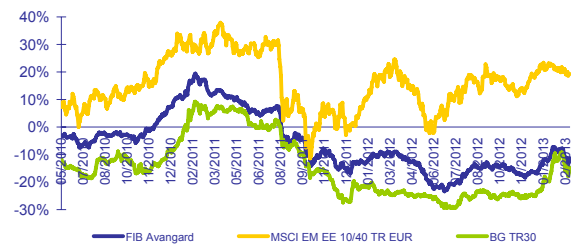
\* see notes

### 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

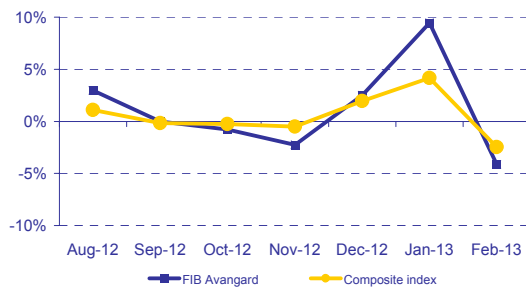
### Fact sheet and fee information

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

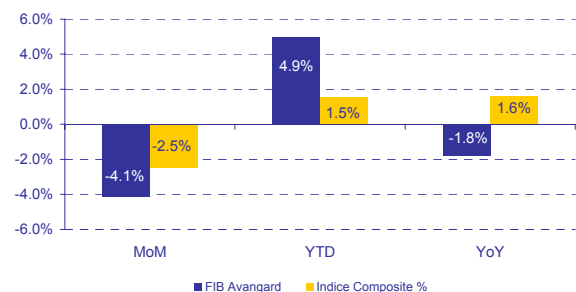
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

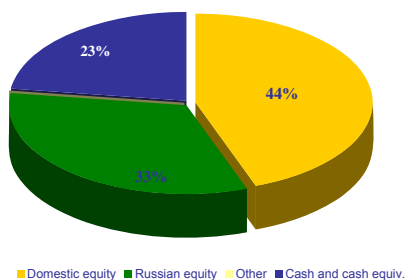


### MoM, YoY and YtD return to composite index\*



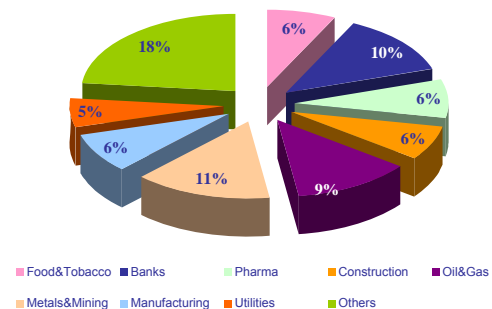
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

February 2013

Data as per 28 February 2013

NAV	
NAV	BGN 950 319
NAV per share	BGN 0.7312

Return (%)	
Monthly (MoM)*	-2.46%
Annual (YoY)	2.13%
Year-to-date	2.57%
Since Inception (annualized)	-5.75%

Statistics (%)	
Standard Deviation*	6.86%
Monthly alpha – MSCI EM EE *	-0.93%
Beta (β) – MSCI EM EE *	0.140
R <sup>2</sup> – MSCI EM EE *	33.99%
Sharpe Ratio (0%)*	n.m.

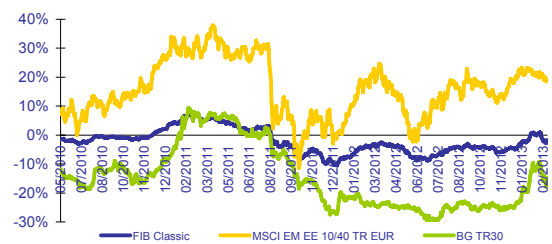
\* see notes

### 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

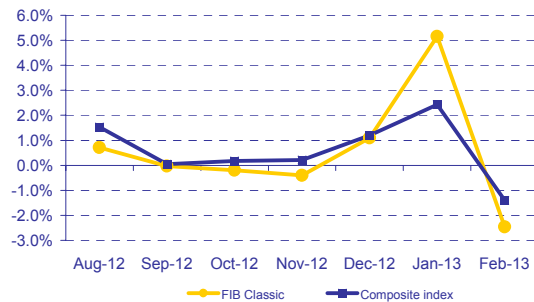


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

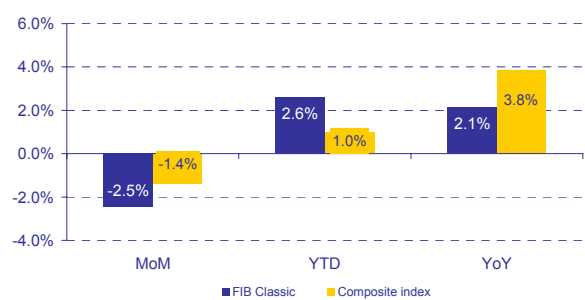
### Fact sheet and fee information

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\*

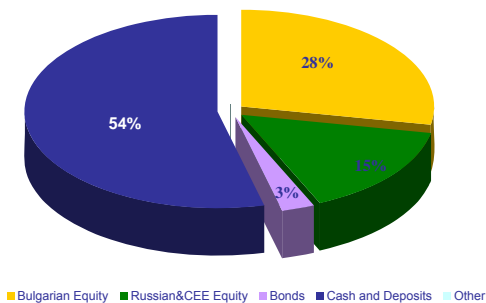


### MoM, YoY and YtD return to composite index\*



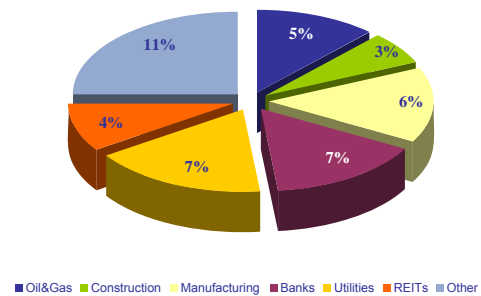
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

February 2013

### Data as per 28 February 2013

NAV	
NAV	BGN 879 653
NAV per share	BGN 1.0745

Return (%)	
Monthly (MoM)*	-1.02%
Annual (YoY)*	3.50%
Year-to-date*	1.76%
Since Inception (annualized)*	1.37%

Statistics (%)	
Standard Deviation*	2.33%
Sharpe Ratio (0%)*	0.07
Interest rates (%)	
Sofibor (3 month)	1.23%
Sofibor (12 month)	3.38%

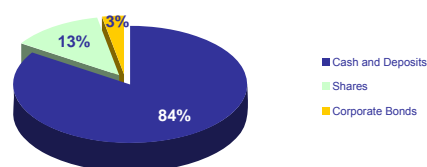
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	5.75%	02/07/2013	BGN	0.54%
Treasury	5.25%	04/02/2014	BGN	0.64%
Treasury	4.50%	17/02/2017	BGN	1.96%
Treasury	5.00%	11/07/2022	BGN	3.32%
Eurobond	4.25%	09/07/2017	EUR	2.16%
Eurobond	8.25%	15/01/2015	USD	1.30%

Source: Bloomberg

### Asset Allocation



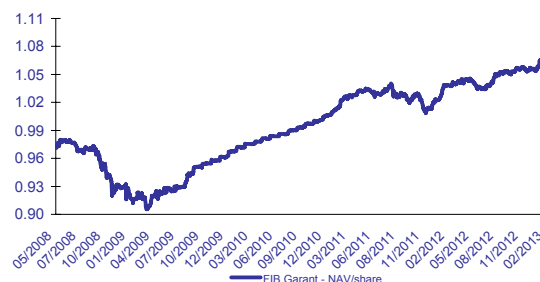
Source: FFBH Asset Management

### 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

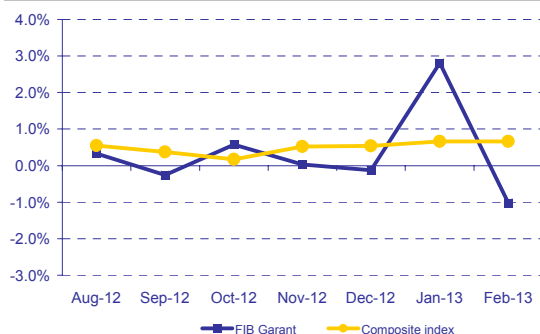
### Fact sheet and fee information

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

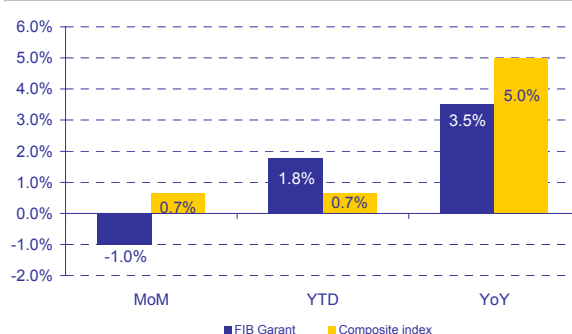
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.15%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.15%	0.00%
Management fee (annual % of average AUM)	1.50%	

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*



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



Source: BAAMC, FFBH Asset Management calculations

## **PORTFOLIO MANAGER'S COMMENT February 2013**

### **MARKET OVERVIEW:**

- Capital markets stalled in February both due to political reasons (inconclusive elections in Italy, budget deficit talks in US) and mixed economic data from major economies. That said, Eastern European markets were among top losers as renewed concerns about Europe hit the best performing markets in the post-Christmas rally.
- Bulgarian capital market was among top 5 losers globally as the general weakness in Europe was aggravated by mass protests against high electricity bills, low incomes and widespread corruption which culminated with the resignation of the Bulgarian government. Currently, it is expected that snap elections will be held in mid-May.
- As a result SOFIX shed 4.4% MoM in February but still remained up 11% YtD. Among top losers were the most liquid stocks as well as electricity distributions companies which were suspended from trade for 7 trade sessions after local regulator started a procedure to revoke the licences of CEZ Electro [1CZ] and CEZ Distributions [3CZ] on alleged circumvention of public procurement law. While no final decision would be taken before mid-April this was enough to increase volatility in the names and to erase 13% of the market cap of the most liquid one – CEZ Distribution.
- Q4 reporting season continued in February but the financial results were already expected and did not change market trend. We must outline that some industrial companies that publish monthly data reported strong January numbers – Alcomet [6AM] and Monbat [5MB], in particular - which may trigger some rebound in the sector, if February data confirms the trend.
- Russian indices performed in line with emerging market indices and lost about 2% in EUR terms in February. Negative macro expectations started to materialize in January as retail trade growth decelerated to 3.5% YoY (5% in December) while unemployment jumped to 6% (5.1% in December) and real disposable income grew by 0.7% YoY only. All these led to deceleration of Russian GDP to 1.6% YoY in January, according to Ministry of Economic Development estimates.
- Among significant market events during the period we must outline the successful IPO of the Moscow Stock Exchange which raised USD 500 millions at the low end of announced price range which are to be used for improvements in its infrastructure.

### **PORTFOLIO ALLOCATIONS:**

#### **FFBH Vostok**

- FFBH Vostok's NAV per unit was slightly down by 0.9% in February but the fund outperformed its benchmark by 1.1%. Following our more defensive strategy approach, we collected profits in some less liquid names in the transportation and oil-field services sectors. Some of these proceeds were reinvested in Moscow Exchange's IPO [MOEX RM] as we expect higher mid-term interest in locally-traded Russian financial instruments, due to pending T+2 Euroclear settlement introduction in end-2013 - early-2014. In summary we saw decrease in equity allocation to 79% of assets down from 82% in end-January.

#### **FIB Avangard**

- FIB Avangard lost 4.1% in February which was slightly better than local indices as we started to decrease local exposure in the first half of February. As a result total equity exposure declined to 77% of assets (44% - Bulgaria; 33% - Russia) compared to 87% (51% - Bulgaria; 36% - Russia) in the previous period.

#### **FIB Classic**

- FIB Classic lost 2.5% MoM in February. Here, we also approached the situation more defensively and realized some gains in the first half of the month which lowered equity exposure by 9% to 43% of assets.

#### **FIB Garant**

- FIB Garant NAV/unit also declined by 1% MoM last month. Equity exposure was down by 3% to 13% of assets in the period as a result of our decision to realize some gains after the January rally on BSE.

## **OUTLOOK & STRATEGY:**

- As expected markets retreated in February as post-Christmas rally lost steam as stated above. Now, we expected that markets will be mostly focused on the performance on US economy after the budget cuts were automatically triggered in end-February on lack of compromise between Democrats and Republicans. Europe is also to remain volatile until a working Italian government is formed.
- We deem that BSE investors will remain focused on the political situation and related risks until the early elections in mid-May at least. Another important mid-term event is the regulator's decision, regarding the licences of CEZ local subsidiaries. That said, we expect that BSE is to remain volatile over the next 2-3 months as election results seem uncertain and the ongoing election campaign is likely to raise the political and regulatory risk for certain sectors. Otherwise, we expect low inflow of corporate news in March.
- The outlook for Russian indices seems highly-correlated to the performance of developed markets, despite attractive valuation levels of public companies in absolute and relative terms to other emerging markets. We continue to favour the stable outlook of Russian economy, supported by oil prices and strong domestic demand potential.
- In March we will remain cautious and defensive in our investment decisions in both Bulgaria and Russia. Still, we deem that global backdrop is improving, although slowly, which favours higher equity allocation in the mid-term. That said, we are in good position in all mutual funds to increase equity exposure, if we deem that both BSE and Russian companies are oversold.

## 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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