

## FFBH Vostok

May 2013

Data as per 31 May 2013

NAV	
NAV	BGN 575 967
NAV per share	BGN 0.6646

Return (%)	
Monthly (MoM)*	-2.77%
Annual (YoY)*	-0.51%
Year-to-date*	-10.74%
Since Inception (annualized)*	-12.25%

Statistics (%)	
Standard Deviation*	20.41%
Monthly alpha – MSCI Russia *	-0.88%
Beta (β) – MSCI Russia *	0.530
R <sup>2</sup> – MSCI Russia *	63.89%
Sharpe Ratio (0%)*	n.m.

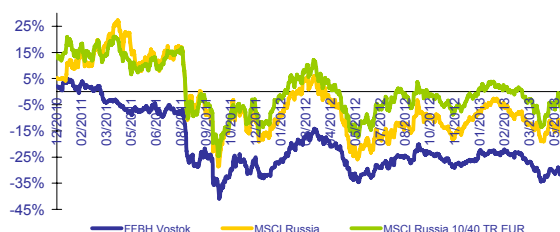
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### 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

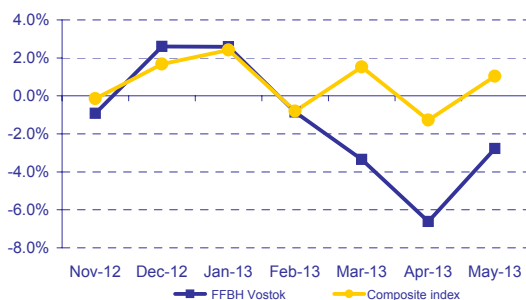


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

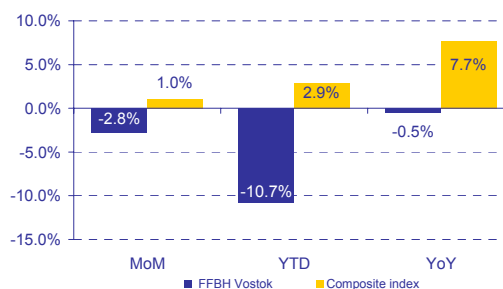
### Fact sheet and fee information

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\*

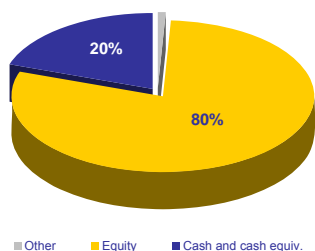


### MoM, YoY and YtD return to composite index\*



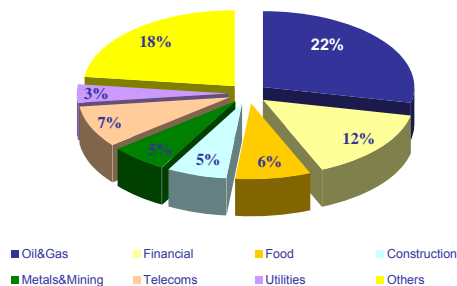
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

May 2013

Data as per 31 May 2013

NAV	
NAV	BGN 902 243
NAV per share	BGN 0.4645

Return (%)	
Monthly (MoM)*	2.33%
Annual (YoY)*	12.69%
Year-to-date*	4.92%
Since Inception (annualized)	-12.95%

Statistics (%)	
Standard Deviation*	12.97%
Monthly alpha – MSCI EM EE *	1.56%
Beta (β) – MSCI EM EE *	0.270
R <sup>2</sup> – MSCI EM EE *	33.44%
Sharpe Ratio (0%)*	n.m.

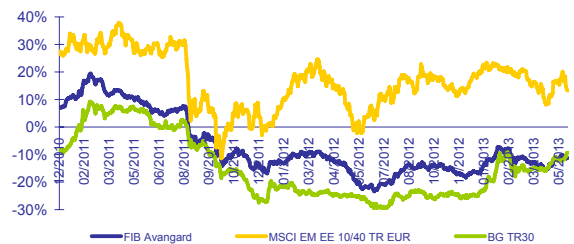
\* see notes

### 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

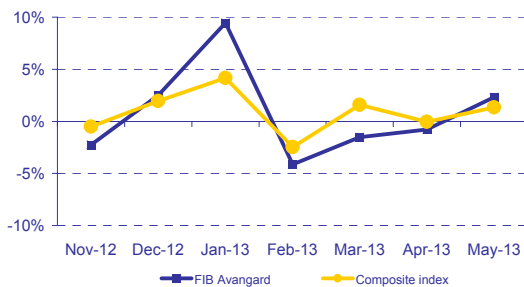
### Fact sheet and fee information

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

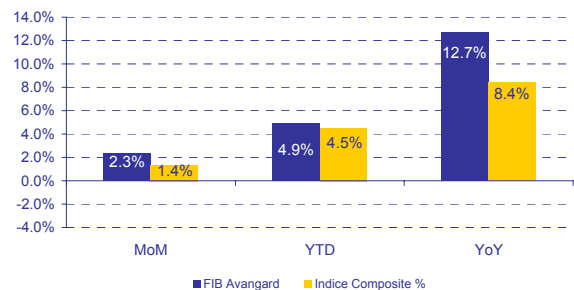
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

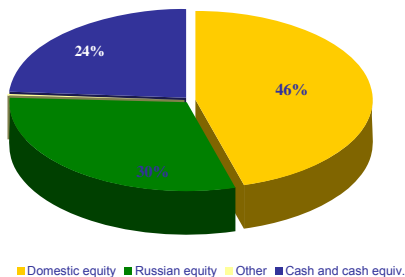


### MoM, YoY and YtD return to composite index\*



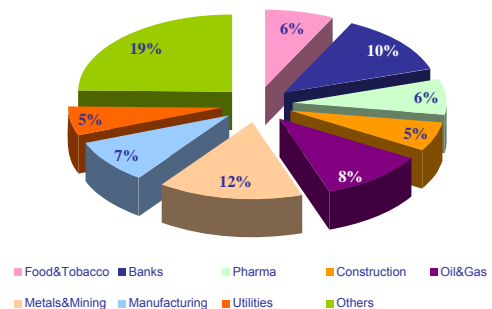
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

May 2013

Data as per 31 May 2013

NAV	
NAV	BGN 949 911
NAV per share	BGN 0.7298

Return (%)	
Monthly (MoM)*	-0.11%
Annual (YoY)	6.93%
Year-to-date	2.30%
Since Inception (annualized)	-5.54%

Statistics (%)	
Standard Deviation*	6.63%
Monthly alpha – MSCI EM EE *	-0.88%
Beta (β) – MSCI EM EE *	0.140
R <sup>2</sup> – MSCI EM EE *	35.49%
Sharpe Ratio (0%)*	n.m.

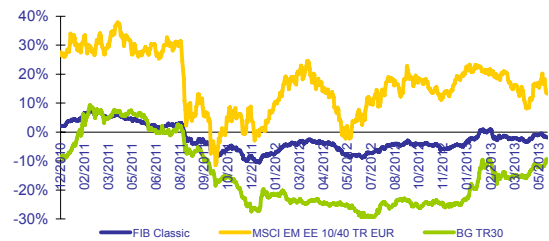
\* see notes

### 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

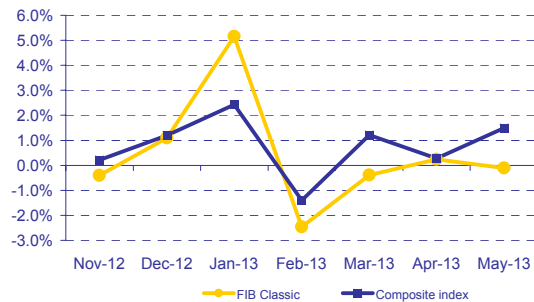


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

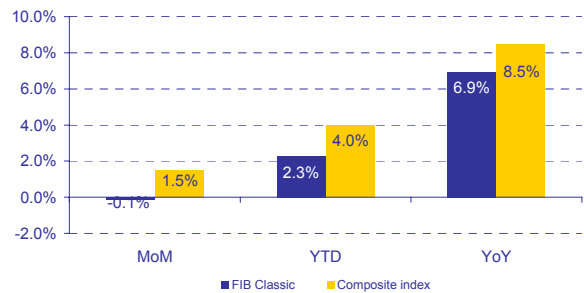
### Fact sheet and fee information

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\*

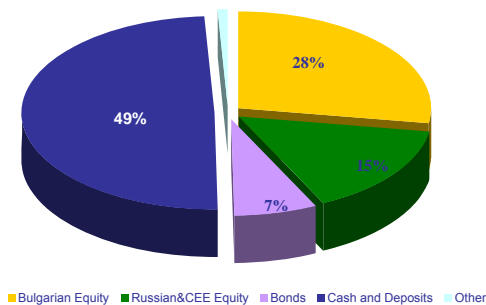


### MoM, YoY and YtD return to composite index\*



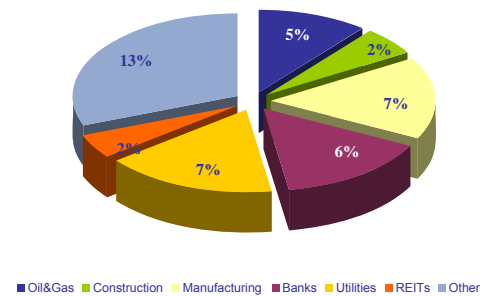
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

May 2013

### Data as per 31 May 2013

NAV	
NAV	BGN 897 080
NAV per share	BGN 1.0958

Return (%)	
Monthly (MoM)*	0.62%
Annual (YoY)*	5.77%
Year-to-date*	3.78%
Since Inception (annualized)*	1.67%

Statistics (%)	
Standard Deviation*	2.30%
Sharpe Ratio (0%)*	0.15
Interest rates (%)	
Sofibor (3 month)	1.21%
Sofibor (12 month)	3.10%

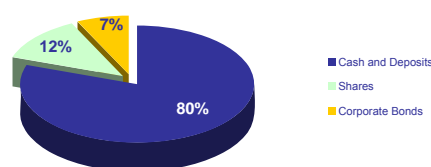
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	5.75%	02/07/2013	BGN	-0.24%
Treasury	5.25%	04/02/2014	BGN	0.86%
Treasury	4.50%	17/02/2017	BGN	1.75%
Treasury	5.00%	11/07/2022	BGN	3.33%
Eurobond	4.25%	09/07/2017	EUR	1.79%
Eurobond	8.25%	15/01/2015	USD	1.09%

Source: Bloomberg

### Asset Allocation



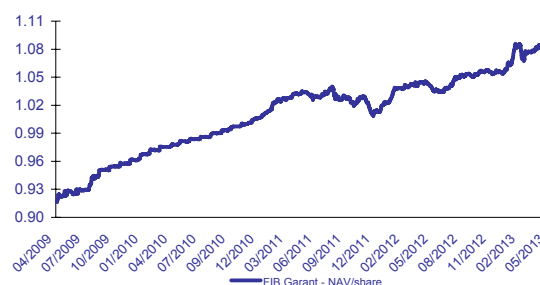
Source: FFBH Asset Management

### 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

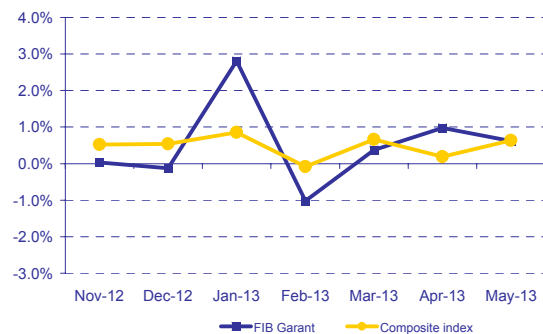
### Fact sheet and fee information

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

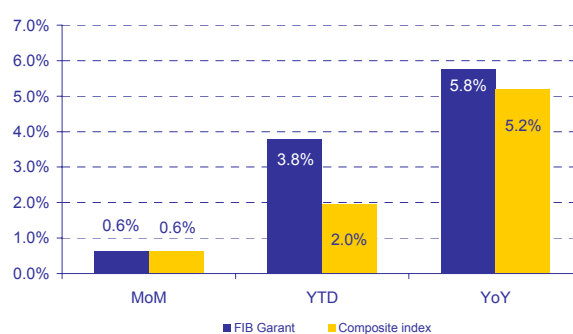
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.15%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.15%	0.00%
Management fee (annual % of average AUM)		1.50%

\* 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 May 2013

### MARKET OVERVIEW:

- It was a mix of hope and fears for global capital markets in May. As a result MSCI World finished virtually unchanged although some developed markets including USA, Germany, Japan and UK hit several either all-time or multi-year highs on monetary easing and predominantly positive macro data from US. However, emerging markets broadly underperformed on weak Chinese data which led to falling commodities. Considering the above, Eastern Europe performed in line with the rest of emerging markets on average but variance within the group was larger than usual as some of CEE countries joined the West on the uptrend.
- In May Bulgarian SOFIX was top monthly performer in Europe for second time this year and reached 3-year high. The 7.5% MoM gain was much broader than in April supported by easier than expected formation of a new government, following mid-month preliminary elections. Sector BG REIT index gained another 3% MoM in May as the dividend season attracted investors into some names.
- Among most impressive blue-chip performers in May we outline Kaolin [6K1 BU] which gained almost 17% MoM as its sale to Quartzwerke was finalized and executed at BGN 4.156 a share. Otherwise, we note the successful capital increase of Corporate Commercial Bank [6C9 BU] which boosted capital by BGN 86m at BGN 156.47 per share, compared to BGN 80-85 market price.
- On the opposite Russian capital markets underperformed for a second consecutive month and dropped by another 4% on average on falling commodity prices, including a 2% MoM drop in Brent oil to just above 100 USD/barrel. Despite slight acceleration in overall 4M 2013 GDP growth to 1.8% YoY from 1.6% YoY in Q1, important statistics continued to disappoint. Industrial production growth lowered down to 2.3% YoY in April from 2.6% YoY in March as Europe's macro outlook remained unclear. Retail trade growth also went down to 4.2% in April (5.1% YoY in March) but support from 7.3% YoY income growth and low 5.6% remained in place.
- Among capital market events we outline the successful USD 3.3bn capital raise of second largest bank in Russia VTB [VTBR LI]. This should decrease the pressure on bank's capital adequacy but came at a price of 24% share dilution at 0.6x P/B only. Still, there are some positive short-term triggers for the share as participating shareholders accepted a six-month lock-up period while VTB's weight in domestic indices is set for an increase.

### PORTFOLIO ALLOCATIONS:

#### **FFBH Vostok**

- FFBH Vostok suffered from the poor performance of Russian indices and NAV/unit declined by 2.8% MoM in May, thus extending YtD loss to 10.7%. During the period we followed more defensive approach, trying to protect investment value from rising volatility.

#### **FIB Avangard**

- Strong performance by Bulgarian investments offset decline in Russian allocation and FIB Avangard gained 2.3% MoM in May, thus nearly doubling its YtD gain. Last month we realized some short-term event-driven investments and equity allocation declined by 2%.

#### **FIB Classic**

- FIB Classic was flat in May. Equity allocation remained unchanged during the period while bond allocation increased up to 7% of assets, as we added some mid-term corporate bonds.

#### **FIB Garant**

- FIB Garant added 0.6% MoM in May. Here, we also added EUR corporate bonds of a European mining company on attractive yield. As a result bond allocation rose to 7% of assets.

### OUTLOOK & STRATEGY:

- We consider that June will be a volatile month for capital markets on rising concerns about sooner than expected limitation of Fed's QE program, combined with slight deterioration in US economy growth trend. Still, ample global liquidity should support continuing switch from low-yielding bonds to developed market equities. Emerging markets should be difficult to predict as usually they suffer in rising volatility environment. Still, our base case scenario is for slight outperformance of emerging markets as investors may try to narrow the valuation spread to developed ones.

- Bulgaria will be entering the quiet summer months at a three-year high of main indices. We think that the seasonal decline in liquidity and EU's ongoing recession will decelerate SOFIX recent increase. Our view is that main indices will finish slightly above end-May figures on end-quarter revaluations. Main focus for BSE investors in June will be political landscape developments after the formation of the new government and a possible end of the license revocation procedure against CEZ local subsidiaries.
- Despite the poor performance by Russian indices we actually saw inflows into Russian equities and the outstanding shares of the most liquid country's ETF, increased by 45% in May. This supports our view that there might be a recovery in Russian indices in the short-run. If we take a look at the seasonality pattern of Russian stocks it usually happens in end-July to beginning of August but June may also happen to be a good month, if global markets are less volatile than we expect. Anyway, valuations are low and domestic consumption remains strong despite recent deceleration. So we remain positive about Russian equities and consider currently that YtD losses would be recouped by year-end on some acceleration in Russian economy on stabilization of export markets and domestic demand.
- In June we will be looking for cheap valuation both in Bulgaria and EE markets and expect to increase equity allocation across all mutual funds. We will also continue to screen for opportunities to add other corporate bonds in FIB Classic and FIB Garant.

## 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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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) 810 6413, WWW.FFBHAM.BG AND FIBANK BRANCHES, EXPLICITLY LISTED AT WWW.FFBHAM.BG.