

## FFBH Vostok

June 2013

Data as per 28 June 2013

NAV	
NAV	BGN 562 054
NAV per share	BGN 0.6476

Return (%)	
Monthly (MoM)*	-2.54%
Annual (YoY)*	-6.83%
Year-to-date*	-13.02%
Since Inception (annualized)*	-12.68%

Statistics (%)	
Standard Deviation*	20.26%
Monthly alpha – MSCI Russia *	0.40%
Beta (β) – MSCI Russia *	0.530
R <sup>2</sup> – MSCI Russia *	64.20%
Sharpe Ratio (0%)*	n.m.

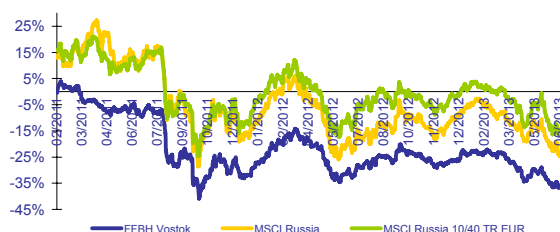
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### 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

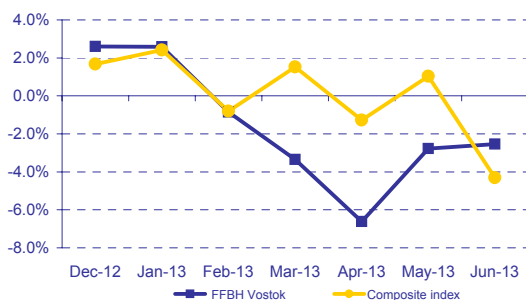


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

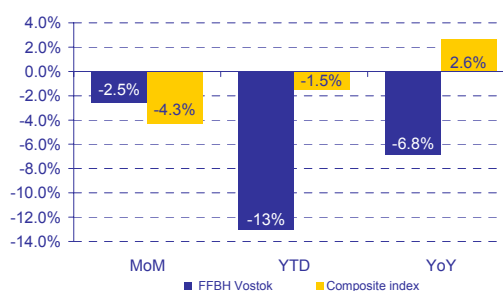
### Fact sheet and fee information

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\*

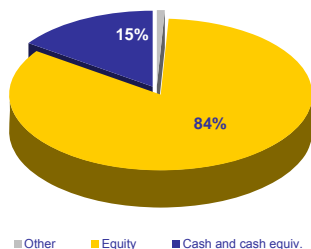


### MoM, YoY and YtD return to composite index\*



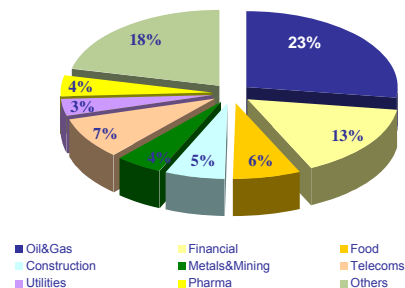
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

June 2013

Data as per 28 June 2013

NAV	
NAV	BGN 910 387
NAV per share	BGN 0.4676

Return (%)	
Monthly (MoM)*	0.67%
Annual (YoY)*	14.72%
Year-to-date*	5.62%
Since Inception (annualized)	-12.68%

Statistics (%)	
Standard Deviation*	12.94%
Monthly alpha – MSCI EM EE *	5.17%
Beta (β) – MSCI EM EE *	0.260
R <sup>2</sup> – MSCI EM EE *	33.24%
Sharpe Ratio (0%)*	n.m.

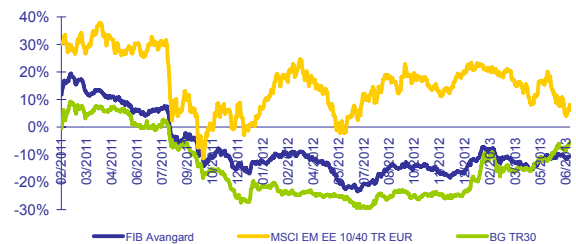
\* see notes

### 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

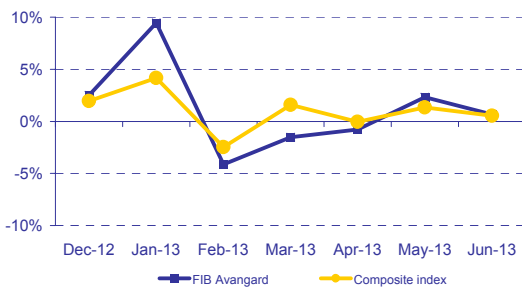
### Fact sheet and fee information

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

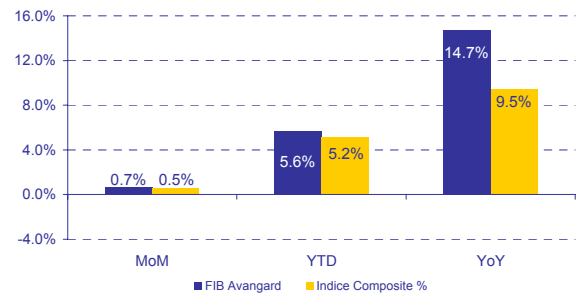
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

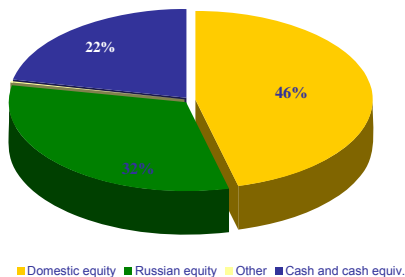


### MoM, YoY and YtD return to composite index\*



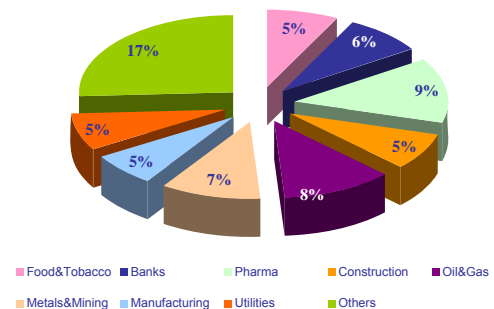
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

June 2013

Data as per 28 June 2013

NAV	
NAV	BGN 947 162
NAV per share	BGN 0.7277

Return (%)	
Monthly (MoM)*	-0.29%
Annual (YoY)	6.65%
Year-to-date	2.00%
Since Inception (annualized)	-5.51%

Statistics (%)	
Standard Deviation*	6.62%
Monthly alpha – MSCI EM EE *	4.21%
Beta (β) – MSCI EM EE *	0.260
R <sup>2</sup> – MSCI EM EE *	35.15%
Sharpe Ratio (0%)*	n.m.

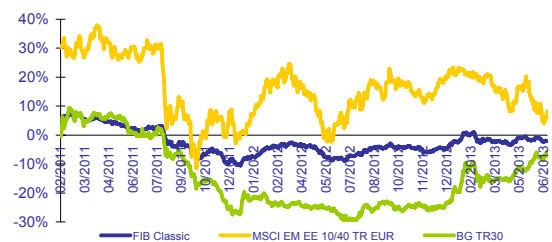
\* see notes

### 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

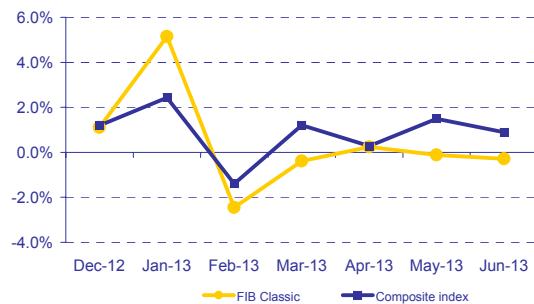


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

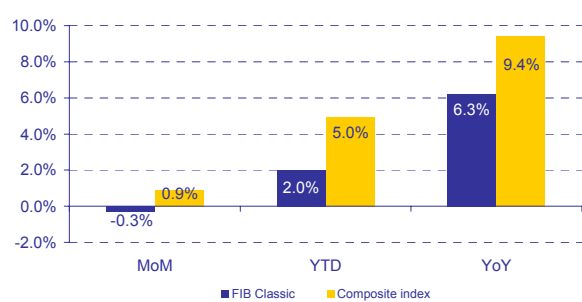
### Fact sheet and fee information

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\*

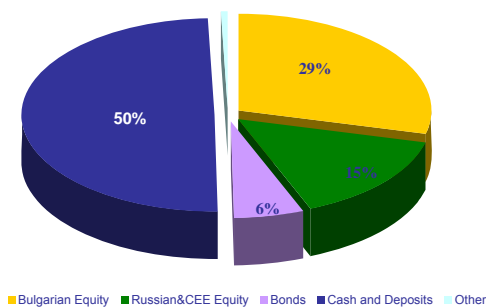


### MoM, YoY and YtD return to composite index\*



Source: BAAMC, FFBH Asset Management calculations

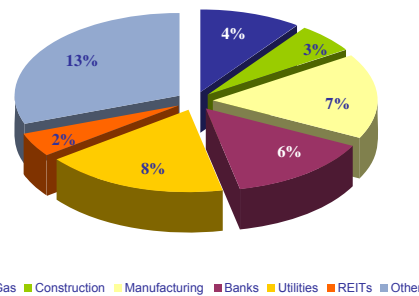
### Asset Allocation



■ Bulgarian Equity ■ Russian&CEE Equity ■ Bonds ■ Cash and Deposits ■ Other

Source: FFBH Asset Management

### Equity Portfolio



■ Oil&Gas ■ Construction ■ Manufacturing ■ Banks ■ Utilities ■ REITs ■ Other

Source: FFBH Asset Management

## FIB Garant

June 2013

### Data as per 28 June 2013

NAV	
NAV	BGN 892 764
NAV per share	BGN 1.0905

Return (%)	
Monthly (MoM)*	-0.48%
Annual (YoY)*	5.16%
Year-to-date*	3.28%
Since Inception (annualized)*	1.56%

Statistics (%)	
Standard Deviation*	2.34%
Sharpe Ratio (0%)*	0.13
Interest rates (%)	
Sofibor (3 month)	1.13%
Sofibor (12 month)	2.88%

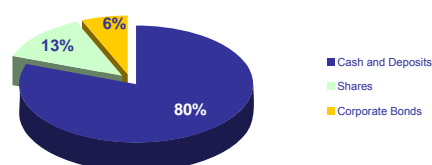
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	5.75%	02/07/2013	BGN	0.31%
Treasury	5.25%	04/02/2014	BGN	0.76%
Treasury	4.50%	17/02/2017	BGN	1.95%
Treasury	5.00%	11/07/2022	BGN	3.51%
Eurobond	4.25%	09/07/2017	EUR	2.35%
Eurobond	8.25%	15/01/2015	USD	1.47%

Source: Bloomberg

### Asset Allocation



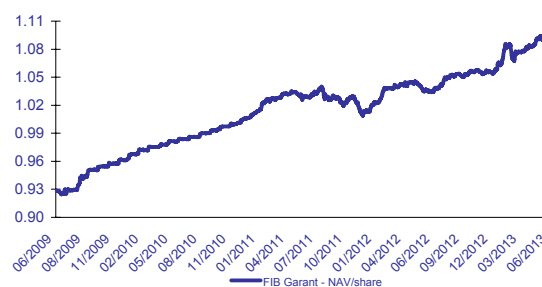
Source: FFBH Asset Management

### 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

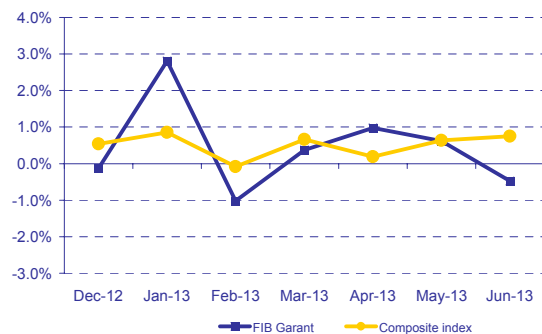


Source: FFBH Asset Management

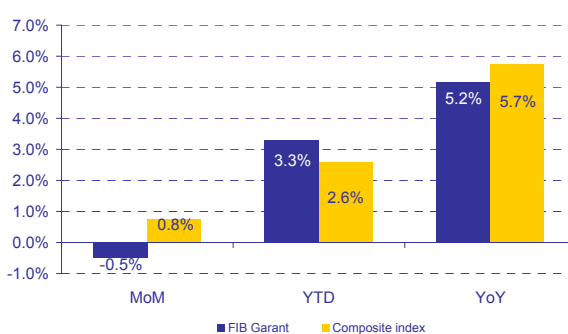
### Fact sheet and fee information

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 June 2013**

### **MARKET OVERVIEW:**

- Global markets retreated by 2.6% MoM (MSCI World Index) in June on concerns that Fed's third round of quantitative easing might be over sooner than expected. Ben Bernanke's announcement in mid-month that the USD 85bn monthly amount of bond purchases was expected to slow down by year-end and finally be over at some point in 2014, if US economy and unemployment continue to improve, shocked the markets. As a result benchmark bond yields started to rise across the board which led to sell-offs in corporate bonds. Among other major casualties was gold which shortly dipped below USD 1,200 an ounce, losing 11% MoM and deepening its decline to 31% from its all-time high 8 months ago. Emerging market equities also suffered (MSCI Emerging Markets Index, - 7.8% MoM) on sharp declines in most Asian indices, due to tightened interbanking liquidity in China and lowered growth forecasts.
- That said, Bulgarian SOFIX was again among top monthly global performers in EUR terms and advanced by 3.2% MoM, reaching 28.5% YtD return. During the month Bulgarian stocks managed to overcome some initial decline after the outbreak of protests against the newly-formed Bulgarian government, triggered by the appointment of a notorious media magnate for national security chief. Stock price gains were widespread but again most attention was attracted by dividend-paying stocks. Sopharma [3JR BU] also continued its impressive run and added 5% MoM (50% YtD return) on increased volumes.
- Russian stocks declined again in June, losing 1.5% in RUB terms and about 4% in USD terms on dropping commodity prices. During the period the rouble depreciated by 3% against USD-EUR basket as Fed's signals for end of QE3 caused depreciation of emerging market currencies.
- In June Rosneft signed a 25-year deal with China's CNPC to deliver additional 14 mtpa of oil and secured a USD 60bn advanced payment which might be used to reduce its leverage. Currently, Rosneft is supplying 15 mtpa to China, based on an existing agreement by 2030. Another major event in gas sector was that Novatek secured an agreement with CNPC on the sale of a 20% stake in its Yamal LNG project and plans to conclude a long-term agreement on LNG deliveries to China.
- In Russia retail trade growth decelerated to 2.9% YoY in May from 4.1% YoY in April partly, due to decline of retail lending growth to 35% YoY in May from 39% YoY in December 2012. Industrial output also disappointed, declining by 1.4% YoY in May from 2.3% YoY growth in April but part of this was due to the lower number of workdays. On the bright side PMI manufacturing surprised on the upside in June rising to 51.7 (50.4 in May) on increase in new orders locally which may signal turnaround in industrial production and retail sector dynamics.

### **PORTFOLIO ALLOCATIONS:**

#### **FFBH Vostok**

- FFBH Vostok units lost 2.5% MoM in June on the poor performance of Russian indices but still managed to outperform its benchmark by 0.5%. During the period we increased our equity allocation by 4% to 84%, adding a pharmaceutical company local stocks to our portfolio on attractive valuation and possible arbitrage opportunities, due to the upcoming introduction of T+2 settlement on local MICEX-RTS exchange in the autumn.

#### **FIB Avangard**

- Strong performance by Bulgarian investments offset decline in Russian stocks and FIB Avangard's units gained 0.7% MoM in June. Last month we were active in restructuring our Bulgarian investments, exiting Kaolin [6K1 BU] on upcoming tender offer and some manufacturing companies on weak near-term perspectives and re-allocating funds to more favourable positioned industrial companies. In the end Bulgarian position remained unchanged at 46% of assets but we saw some 2% increase in Russian investments to 32% of assets on investment in the pharmaceutical sector.

#### **FIB Classic**

- FIB Classic was almost flat in June as recent underperformance in global corporate bonds offset positive return from its equity allocation.

#### **FIB Garant**

- The above was applicable to FIB Garant and its units lost 0.5% MoM on rising corporate bond yield.

## **OUTLOOK & STRATEGY:**

- Our short-term expectations are that global financial markets shall remain volatile in July on concerns about tightening of monetary policy in USA and China and its possible effect on global economy growth. Still, some initial signs of stabilization of EU economy may support regional capital markets and we expect to see flat to slightly positive performance of Eastern Europe.
- Our base case is that BSE-Sofia should be close to flat in July as it enters the quiet summer months and there are no major corporate events till the very end of the month when Q2 reporting season starts. Still, we warn that Bulgaria's CDS has increased by 35 bps to 173 bps since snap election on rising political risk. A possible resignation of current government and chance for new snap elections might increase risk aversion towards Bulgaria's capital markets and lead to profit taking as local stocks are one of the top global gainer in 2013.
- We expect that Russian markets should gradually start to recover from the bottom of their annual stock market cycle. The biggest hindrance for broader gains in the short term is the weak RUB exchange rate which is dependent, as other emerging market currencies, on US monetary policy and weakening global economic growth. Anyway, valuations remain attractive and opportunities for strong rebound exist. So, we remain focused in Russian equities and consider currently that YtD losses might be recouped by year-end, if expected improvements in local and global economy materialize towards the year-end.
- In July we will continue to look for equities, traded at cheap valuation or which present event-driven opportunities in both in Bulgaria and Eastern Europe and might increase equity allocation across all mutual funds. We would be more defensive towards corporate bonds on rising yields but will keep an eye for any mispricing opportunities.

## 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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