

## FFBH Vostok

October 2013

Data as per 31 October 2013

| NAV           |             |
|---------------|-------------|
| NAV           | BGN 622 516 |
| NAV per share | BGN 0.7032  |

| Return (%)                    |        |
|-------------------------------|--------|
| Monthly (MoM)*                | 1.78%  |
| Annual (YoY)*                 | -3.99% |
| Year-to-date*                 | -5.55% |
| Since Inception (annualized)* | -9.45% |

| Statistics (%)                 |        |
|--------------------------------|--------|
| Standard Deviation*            | 19.63% |
| Monthly alpha – MSCI Russia *  | -1.24% |
| Beta (β) – MSCI Russia *       | 0.530  |
| R <sup>2</sup> – MSCI Russia * | 64.49% |
| Sharpe Ratio (0%)*             | n.m.   |

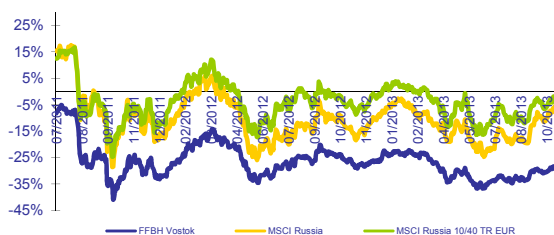
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### 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

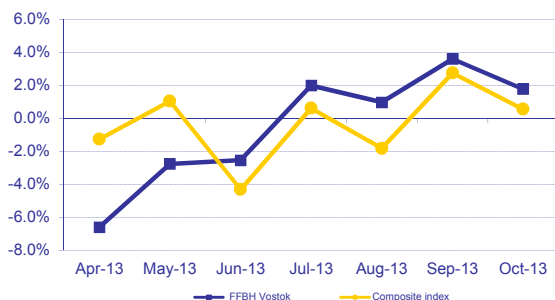


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

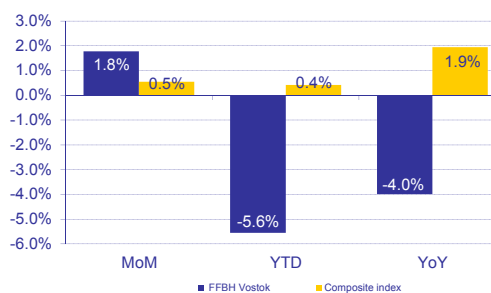
### Fact sheet and fee information

|                            |                       |  |                   |                       |
|----------------------------|-----------------------|--|-------------------|-----------------------|
| 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\*

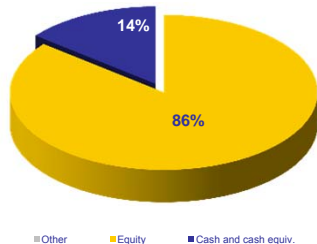


### MoM, YoY and YtD return to composite index\*



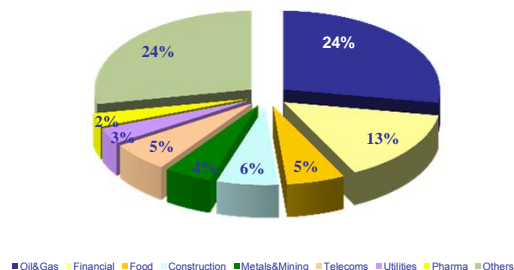
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

October 2013

### Data as per 31 October 2013

| NAV           |               |
|---------------|---------------|
| NAV           | BGN 1 023 990 |
| NAV per share | BGN 0.4968    |

| Return (%)                   |         |
|------------------------------|---------|
| Monthly (MoM)*               | -0.18%  |
| Annual (YoY)*                | 12.45%  |
| Year-to-date*                | 12.21%  |
| Since Inception (annualized) | -11.10% |

| Statistics (%)                |        |
|-------------------------------|--------|
| Standard Deviation*           | 11.42% |
| Monthly alpha – MSCI EM EE *  | -4.56% |
| Beta (β) – MSCI EM EE *       | 0.260  |
| R <sup>2</sup> – MSCI EM EE * | 32.25% |
| Sharpe Ratio (0%)*            | n.m.   |

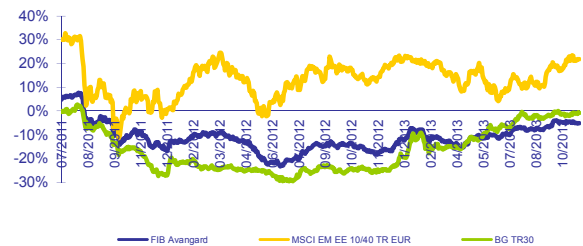
\* see notes

### 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

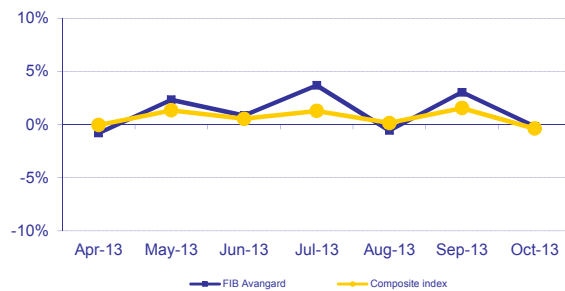
### Fact sheet and fee information

|                            |                       |
|----------------------------|-----------------------|
| 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              |

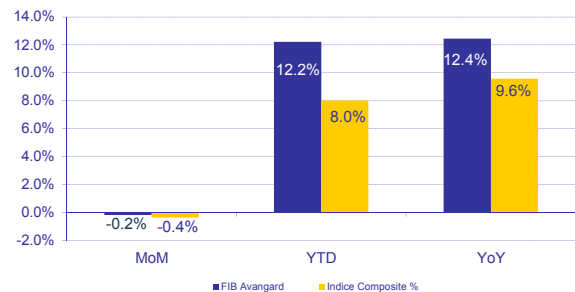
|  |                   |                       |
|--|-------------------|-----------------------|
| Subscription*                            | up to BGN 100,000 | more than BGN 100,000 |
| Entry fee                                | 0.50%             | 0.00%                 |
| Holding Period                           | 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\*

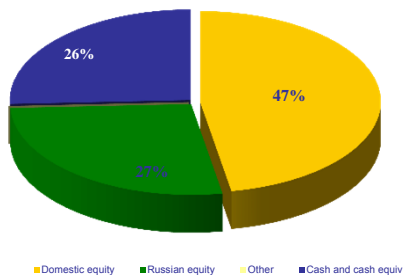


### MoM, YoY and YtD return to composite index\*



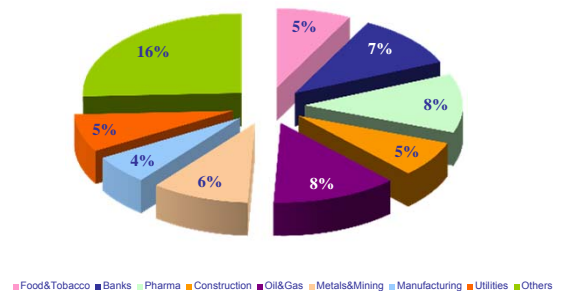
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

October 2013

Data as per 31 October 2013

| NAV           |             |
|---------------|-------------|
| NAV           | BGN 999 500 |
| NAV per share | BGN 0.7625  |

| Return (%)                   |        |
|------------------------------|--------|
| Monthly (MoM)*               | 0.28%  |
| Annual (YoY)                 | 7.64%  |
| Year-to-date                 | 6.89%  |
| Since Inception (annualized) | -4.46% |

| Statistics (%)                |        |
|-------------------------------|--------|
| Standard Deviation*           | 5.85%  |
| Monthly alpha – MSCI EM EE *  | -4.10% |
| Beta (β) – MSCI EM EE *       | 0.140  |
| R <sup>2</sup> – MSCI EM EE * | 34.78% |
| Sharpe Ratio (0%)*            | n.m.   |

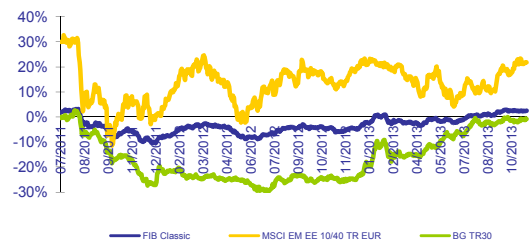
\* see notes

### 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

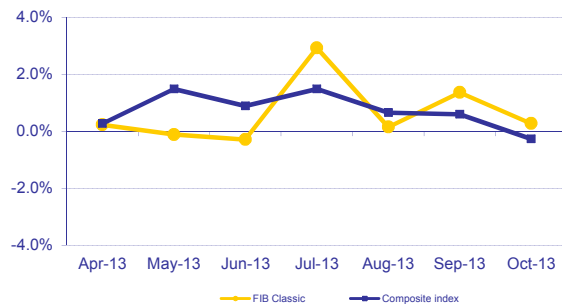


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

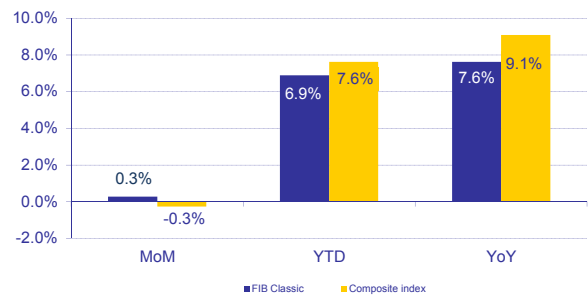
### Fact sheet and fee information

|                            |                       |  |                   |                       |
|----------------------------|-----------------------|--|-------------------|-----------------------|
| 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\*

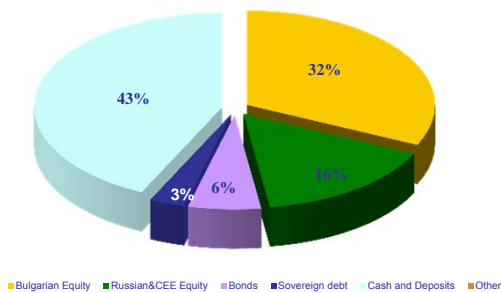


### MoM, YoY and YtD return to composite index\*



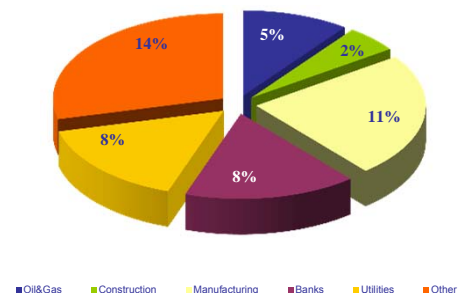
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

October 2013

### Data as per 31 October 2013

| NAV           |             |
|---------------|-------------|
| NAV           | BGN 939 401 |
| NAV per share | BGN 1.1192  |

| Return (%)                    |       |
|-------------------------------|-------|
| Monthly (MoM)*                | 0.21% |
| Annual (YoY)*                 | 5.90% |
| Year-to-date*                 | 5.99% |
| Since Inception (annualized)* | 1.91% |

| Statistics (%)      |       |
|---------------------|-------|
| Standard Deviation* | 2.18% |
| Sharpe Ratio (0%)*  | 0.22  |
| Interest rates (%)  |       |
| Sofibor (3 month)   | 1.01% |
| Sofibor (12 month)  | 2.92% |

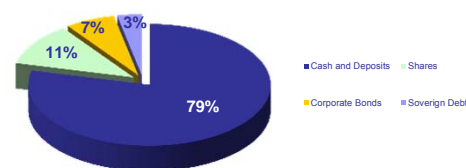
\* see notes

### Yield on selected Bulgarian treasuries (%)

| Type     | Coupon | Maturity (dd/mm/yy) | Currency | Yield |
|----------|--------|---------------------|----------|-------|
| Treasury | 5.20%  | 04/02/2014          | BGN      | 0.71% |
| Treasury | 4.25%  | 12/01/2015          | BGN      | 0.50% |
| Treasury | 6.00%  | 11/10/2018          | EUR      | 2.10% |
| Treasury | 4.00%  | 09/07/2023          | BGN      | 3.73% |
| Eurobond | 4.25%  | 09/07/2017          | EUR      | 1.96% |
| Eurobond | 8.25%  | 15/01/2015          | USD      | 0.94% |

Source: Bloomberg

### Asset Allocation



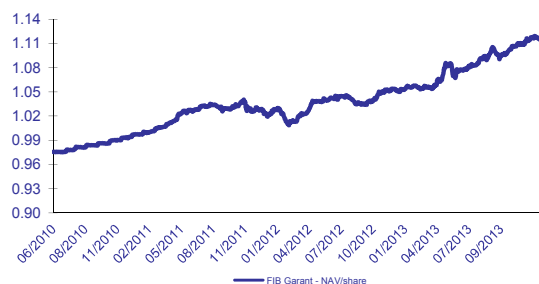
Source: FFBH Asset Management

### 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

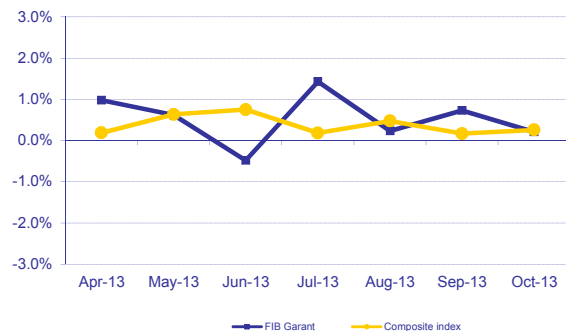


Source: FFBH Asset Management

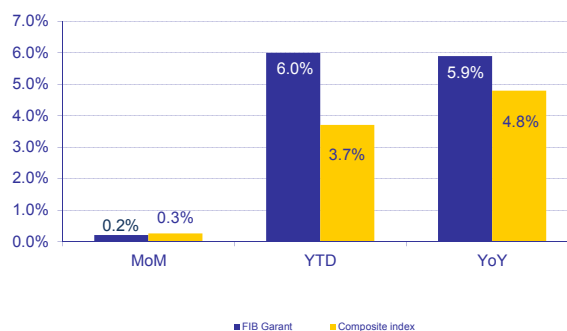
### Fact sheet and fee information

|                            |                       |  |                       |
|----------------------------|-----------------------|--|-----------------------|
| 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 Oct 2013**

### **MARKET OVERVIEW:**

- As expected global markets were shaky in the beginning of October but after US debt ceiling being successfully lifted, MSCI World Index (+3.8% MoM) easily reached new post-global financial crisis highs. Main drivers were both better-than expected Q3 financial results in Europe and US, as well as the lack of change in FED's monetary policy. Eastern Europe was one of the top performing regions and MSCI Eastern Europe added almost 5% MoM in October mainly on strong performance by Polish capital market (+5.5% MoM in EUR) on the latest changes in pension fund laws.
- BSE indices were flat in October. Risk appetite was low on uncertain global environment in first half of October and apart from several big block trades, we actually saw decline in market liquidity. In end-month public companies started reporting Q3 unconsolidated results which showed improvement in market environment over previous quarter for most sectors. Still, profitability remained weak on low level of domestic demand and competitive foreign markets.
- Bulgaria's Ministry of Finance announced the draft 2014 budget law in end-October. The implied GDP growth and budget deficit next year were set at 1.8% each. As expected government policies will be focused on increase in social expenditures and income redistribution.
- Russian indices slightly underperformed rest of emerging markets but still recorded 3-3.5% MoM in October. Main interest was attracted by heavyweight gas companies on rising demand by export markets but renewed discussions about increase in industry taxation erased some of the gains in end-month. Among top blue chip performers was Norilsk Nickel [MNOD LI, +9.7% MoM] where BoD proposed the distribution of an interim dividend, implying 4% net dividend yield.
- September macro data was disappointing. Retail sales continued to slow down and September growth was 3.0% YoY, compared to 4.0% YoY in August. Investments saw another contraction in September of 1.6% YoY, as a result 9M13 figures dropped 1.4% YoY. Weak summer macro data led to a downgrade of expected Q3 GDP growth to 1.2% YoY by Ministry of Economic Development. On the positive side we saw sharp acceleration of PMI manufacturing index to 51.8 from 49.4 in September and August on sharp rise in domestic new orders. Currently, we expect to see some rebound in investment activity in subsequent months.

### **PORTFOLIO ALLOCATIONS:**

#### **FFBH Vostok**

- FFBH Vostok NAV/unit rose by 1.8% MoM in October, further reducing YtD loss to 5.5%. During the month we realized gains in Vimpelcom [VIP US] on its inclusion in Nasdaq-100 index. Simultaneously, we increased allocation to cyclical sectors, thus raising equity allocation by 1% to 86% of assets.

#### **FIB Avangard**

- FIB Avangard lost 0.2% MoM on lacklustre performance by Bulgarian allocation. During the month we reduced foreign allocation by 3% of assets, as we exited Russian telecom investments.

#### **FIB Classic**

- FIB Classic advanced by 0.3% MoM in October. During the period we increased fund's equity allocation by 4% to 48% of assets, investing in Bulgarian cyclical stocks.

#### **FIB Garant**

- FIB Garant's units gained 0.2% MoM in October. Here, we also increased equity exposure to 11% from 9% in previous month, adding local industrial stocks.

### **OUTLOOK & STRATEGY:**

- We enter November at record-high levels for most developed market indices. We note that most of the gains, especially in Europe, stem from expected sharp recovery in EPS growth in 2014 and 2015 on economy acceleration. We expect that markets to remain strong by year-end, especially as QE continues. Both the above assumptions are positive for targeted Eastern Europe capital markets and we see its outperformance to continue.
- We expect that November will be a quiet month for Bulgarian stocks. Q3 financial results will continue to come out but we don't expect them to trigger larger market movements. One of the

expected events would be the scheduled EGM for CEZ Distribution [3CZ BU] in mid-November where we will see another try for investor activism by minority shareholders. Dovereie pension funds are fighting for dividend distribution of BGN 1000 per share (65% dividend yield) and a share split. Separately, we note that political risk remains high as anti-government protests reinforced in October.

- Interest in Russian stocks should continue to increase, especially if October data show some economic acceleration as expected. Also, we note that Q3 earnings season in Russia started strong by oil companies. We expect that, if the trend continues, we might see year-end try to wipe out part of the above historical valuations discount to other emerging markets.
- In November our funds will remain well-invested into equities but we might seek to realize some of the 30% YtD performance of Bulgarian stocks. We do not expect increase in bond allocation in the short-term.

## 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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