

## FFBH Vostok

February 2015

Data as per 27 February 2015

NAV	
NAV	BGN 481 994
NAV per share	BGN 0.5380

Return (%)	
Monthly (MoM)*	16.42%
Annual (YoY)*	-12.10%
Year-to-date*	17.80%
Since Inception (annualized)*	-11.95%

Statistics (%)	
Standard Deviation*	20.88%
Monthly alpha – MSCI Russia *	-7.41%
Beta (β) – MSCI Russia *	0.650
R <sup>2</sup> – MSCI Russia *	73.09%
Sharpe Ratio (0%)*	n.m.

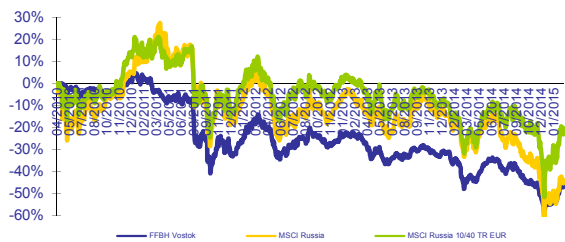
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### 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 conservative allocation to equities in start 2015 – stock picking state independent "blue-chip" companies, benefiting on cheap Russian ruble.

### FFBH Vostok vs. MSCI Russia 10/40 EUR

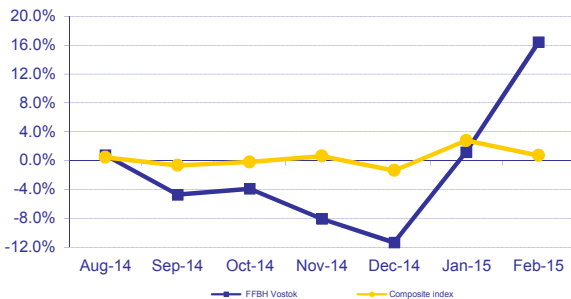


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

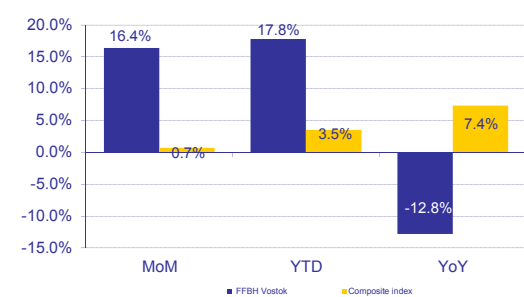
### Fact sheet and fee information

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\*

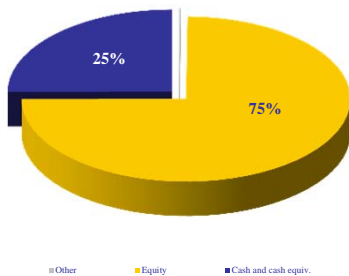


### MoM, YoY and YtD return to composite index\*



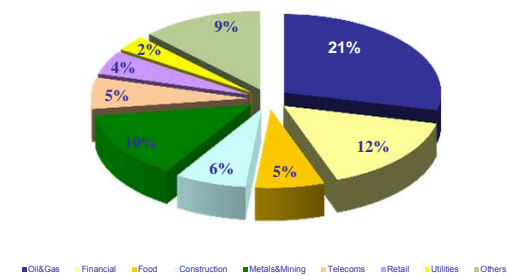
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

February 2015

Data as per 27 February 2015

NAV	
NAV	BGN 1 320 699
NAV per share	BGN 0.5404

Return (%)	
Monthly (MoM)*	2.67%
Annual (YoY)*	-3.91%
Year-to-date*	1.82%
Since Inception (annualized)	-8.11%

Statistics (%)	
Standard Deviation*	10.88%
Monthly alpha – MSCI EM EE *	-12.79%
Beta (β) – MSCI EM EE *	0.230
R <sup>2</sup> – MSCI EM EE *	25.93%
Sharpe Ratio (0%)*	0.01

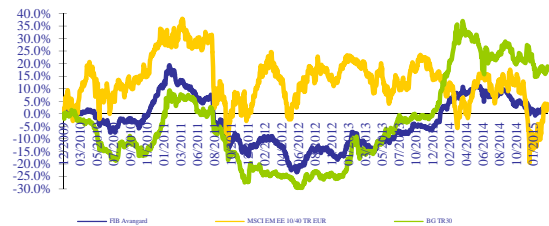
\* see notes

### 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. Tactically, part of its portfolio might be allocated in capital markets that are expected to be among top-performing global regions.

FIB Avangard's investment strategy for 2015 includes high allocation to liquid and financially stable Bulgarian companies, some allocation to developed markets blue chips on valuations and easy global monetary policy.

### FIB Avangard vs. MSCI EM EE 10/40



Source: Bloomberg, BSE-Sofia, FFBH Asset Management

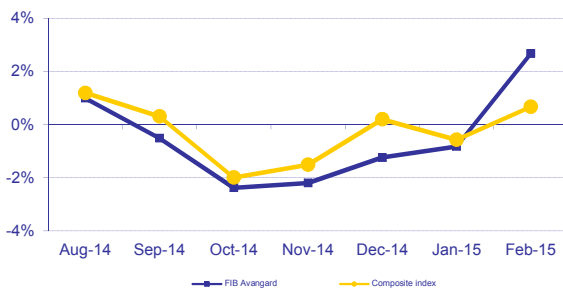
### Fact sheet and fee information

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

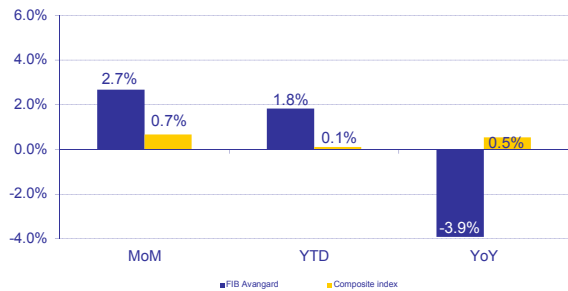
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

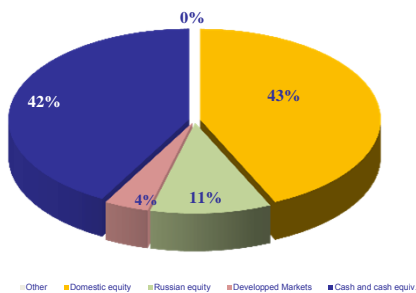


### MoM, YoY and YtD return to composite index\*



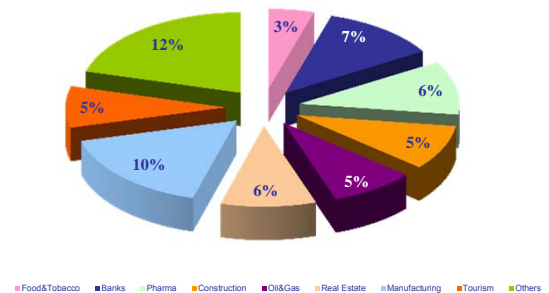
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

February 2015

Data as per 27 February 2015

NAV		Return (%)		Statistics (%)	
NAV	BGN 923 194	Monthly (MoM)*	2.78%	Standard Deviation*	6.31%
NAV per share	BGN 0.7785	Annual (YoY)	-5.31%	Monthly alpha – MSCI EM EE *	-12.67%
		Year-to-date	0.50%	Beta (β) – MSCI EM EE *	0.140
		Since Inception (annualized)	-3.38%	R <sup>2</sup> – MSCI EM EE *	28.51%
				Sharpe Ratio (0%)*	0.02

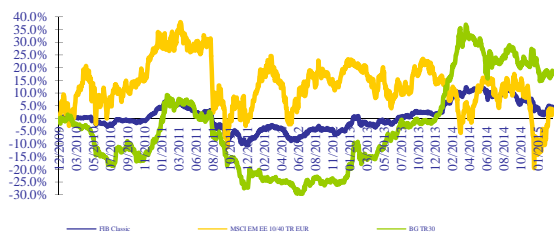
\* see notes

### 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 2015 is based on more equity-focused approach by holding equity allocation close to fund's limits. Equities will be concentrated in both Bulgaria on fundamental and sentiment improvement. Some European allocation is accepted in high-yield dividend "blue chips". Bond portfolio is allocated both in emerging market sovereign debt and domestic and foreign corporate bonds.

### FIB Classic vs. MSCI EM EE 10/40

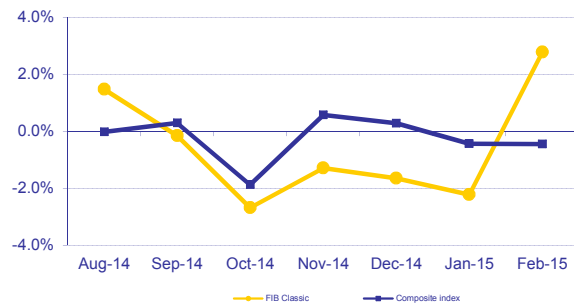


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

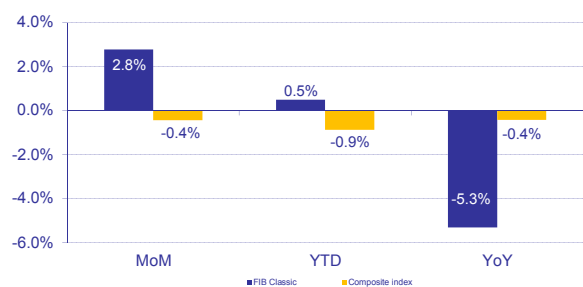
### Fact sheet and fee information

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\*

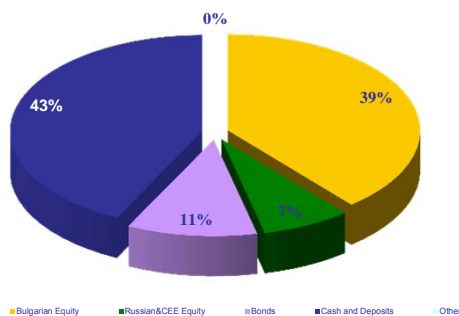


### MoM, YoY and YtD return to composite index\*



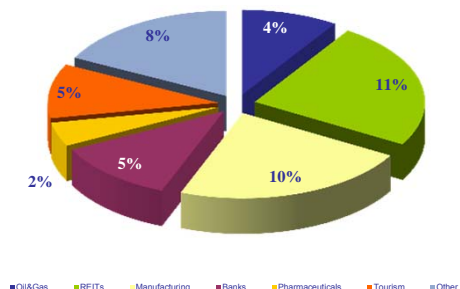
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

February 2015

### Data as per 27 February 2015

NAV	
NAV	BGN 1 081 967
NAV per share	BGN 1.1787

Return (%)	
Monthly (MoM)*	0.80%
Annual (YoY)*	-0.09%
Year-to-date*	-1.05%
Since Inception (annualized)*	2.29%

Statistics (%)	
Standard Deviation*	2.39%
Sharpe Ratio (0%)*	0.22
Interest rates (%)	
Sofibor (3 month)	0.37%
Sofibor (12 month)	1.38%

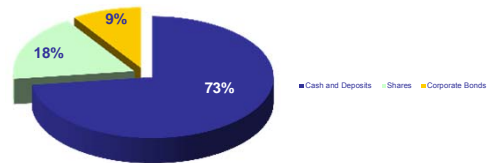
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	1.50%	30/01/2016	BGN	0.38%
Treasury	4.50%	17/02/2017	BGN	0.58%
Treasury	5.00%	13/07/2020	BGN	1.13%
Treasury	3.10%	14/07/2025	BGN	2.32%
Eurobond	4.25%	09/07/2017	EUR	0.64%
Eurobond	2.95%	03/09/2024	EUR	2.24%

Source: Bloomberg

### Asset Allocation



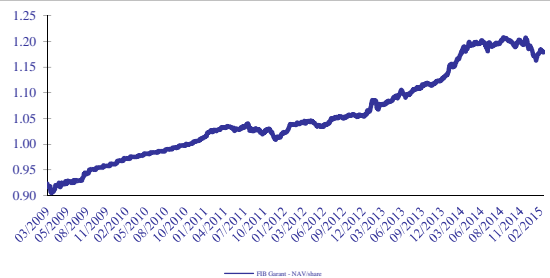
Source: FFBH Asset Management

### 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 2015 investment strategy includes significant allocation to equities on valuations and sentiment improvement on BSE . 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 and sovereign bonds.

### FIB Garant

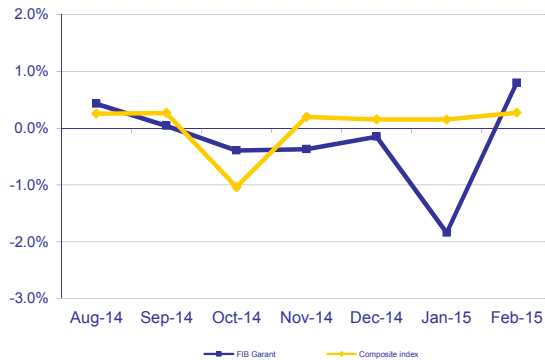


Source: FFBH Asset Management

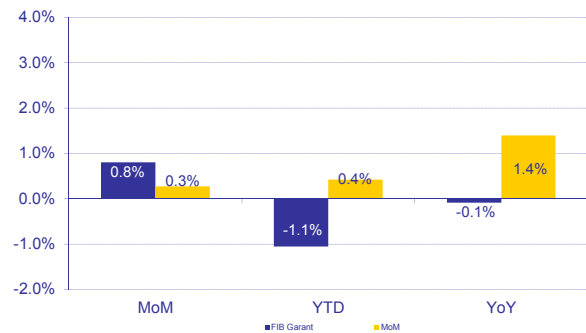
### Fact sheet and fee information

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 February 2015**

### **MARKET OVERVIEW:**

- Developed markets registered new all-time highs in February, supported by easy monetary policy of ECB and receding geopolitical risks. Eastern Europe region was among largest beneficiaries of the truce in Eastern Ukraine, extension of support program for Greece and some pick-up in economic activity in Eurozone. Thus, regional MSCI Emerging Europe ex Russia index advanced by 3.9% MoM last month.
- BSE-Sofia again underperformed the region and SOFIX dropped by 2.5% MoM in February, extending YtD decline to 6.5%. Political risk was again the reason to blame as MPs voted changes in land ownership law that banned citizens and corporations, established outside the EU, including offshore zones, to directly or indirectly own Bulgarian agricultural land. If the law is enacted without changes, any REIT company or other public company that owns land that has non-EU minority shareholders after May 1 would have to pay a BGN 1000 per ha fine and further BGN 3000 per ha, if violation persist 3 months later. Just for comparison agricultural land trades usually in the 6000 to 12000 per ha range, depending on its properties. The above led to a 5.1% MoM decline in Advance Terrafund [6A6] which is the largest local agri REIT and largest constituent of SOFIX.
- In end-February 2014 preliminary consolidated financial reports were published by Bulgarian public companies. They confirmed weakness in exporters with revenue share from Russia and CIS markets while other export-oriented manufacturers retained positions.
- Fund inflows in Russia reportedly were strong in February which led to a 22% gain of MICEX Index in EUR terms, making it the top performing major index globally. More than half of the gain came from appreciation of Russian rouble (+14% MoM against USD-EUR basket) as Brent oil finally gained (+16.5% MoM) after seven consecutive monthly declines. Russian volatility index continued to edge down but remained at elevated levels as Russia was still threatened with new sanctions by USA and EU. In February Russia's sovereign rating was officially downgraded to junk as Moody's was the second agency after S&P making such a decision.
- Domestic consumption dynamics remained in focus in Russia as retail sales started to shrink (-4.4% YoY) in the aftermath of RUB sharp depreciation in December. Real wages declined by 8.0% YoY in January, while unemployment edged up by 0.2% to 5.5%. Investments extended their decline to 6.3% in January from -2.4% YoY previous month. As a result, government estimated January GDP decline at 1.5% YoY. CPI reached 16.7% YoY in February but some moderation in growth is expected as food retailers agreed to freeze price on staples.

### **PORTFOLIO ALLOCATIONS:**

#### **FFBH Vostok**

- The favourable development of Russian stocks made FFBH Vostok, the top performing Bulgarian mutual fund in February, as its NAV/unit advanced by 16.5% MoM. During the period we sold a position in OFS sector, due to a corporate event. Equity allocation was 75% of assets in end-month.

#### **FIB Avangard**

- FIB Avangard NAV/unit advanced by 2.7% MoM in February, supported by its foreign portfolio. During period we started to deploy our strategy to decrease domestic equity allocation, which dropped by 3% to 43% of assets.

#### **FIB Classic**

- FIB Classic gained 2.8% MoM in February, supported by advances in foreign equity allocation as well as rising bond prices on ECB easing. Here we decreased some BSE positions on unfavourable environment and domestic equity allocation declined by 3% to 39% of assets.

#### **FIB Garant**

- FIB Garant NAV/unit advanced by 0.8% in February, supported by bond prices gains. Here, we also decreased local equity allocation.

## **OUTLOOK & STRATEGY:**

- As we are writing this outlook ECB is about to start its EUR 60bn a month asset purchases program on March 9. Mid-term it is expected to keep the EUR weak as Fed is to tighten policy this year and support Eurozone economy. Stock markets wise it should continue to take some investors off bond markets due to low yields and force them into equities, supporting the latter. That said, we deem that most of the immediate effects of ECB easing are already priced-in and global rally shall take a pause in March as bond and stock valuations adjust to new reality. We expect that Eastern Europe should continue to reverse end-2014 underperformance in near-term, if regional geopolitical risks remain under control, on valuations.
- Our expectations for improvement in BSE investors' sentiment were dampened by the discussed changes in land ownership law. Still, we deem that whenever political risk remains subdued for longer period, we would see a catch-up performance on widening valuation gap. SOFIX currently trades at 7.2x P/E as compared to 11x for South-Eastern Europe Traded EUR Index. Company-wise, our preference is with export-oriented companies with limited exposure to Russia & CIS on improving outlook for EU economy.
- We expect that Russian outperformance is to continue in March on oil prices and start of 2014 dividend announcements. Of course, investors are to continue to watch events in Ukraine as situation is far away from permanent solution. Best positioned in current environment are commodity-extracting companies on stabilization in oil and other major commodities prices. Domestic demand related companies continue to be least preferred as stock prices are yet to reflect diminishing purchase power of Russians and rise in NPLs.
- Near-term strategy for funds under management includes gradual decrease in Bulgarian allocation and increase in investments on developed markets. We continue to be more conservative about Russian investments outside our dedicated fund – FFBH Vostok.

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

*FIB Classic*: Composite Index is composed of 17 mutual funds that apply similar investment strategy to FIB Classic and measures their equal-weighted return.

*FIB Garant*: Composite Index is composed of 7 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:  $\frac{1}{n} \sum R_i$ , where  $n$  is the number of mutual funds, using similar strategies.

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