

## FFBH Vostok

July 2015

Data as per 31 July 2015

NAV	
NAV	BGN 519 748
NAV per share	BGN 0.5718

Return (%)	
Monthly (MoM)*	-0.73%
Annual (YoY)*	-5.87%
Year-to-date*	25.20%
Since Inception (annualized)*	-10.02%

Statistics (%)	
Standard Deviation*	21.36%
Monthly alpha – MSCI Russia *	3.62%
Beta (β) – MSCI Russia *	0.672
R <sup>2</sup> – MSCI Russia *	75.41%
Sharpe Ratio (0%)*	n.m.

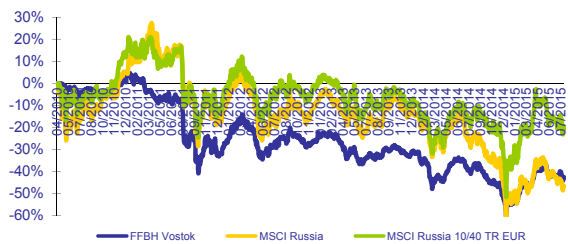
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### 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

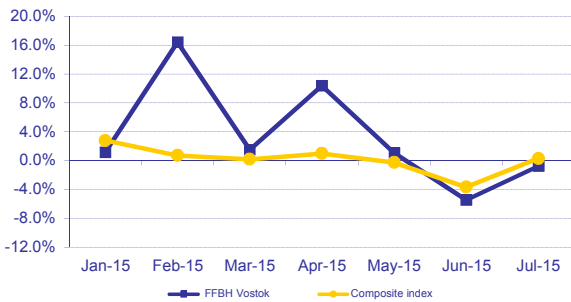


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

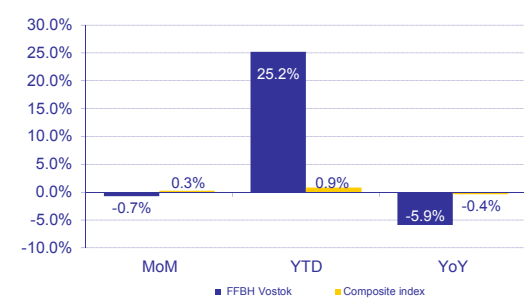
### Fact sheet and fee information

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\*

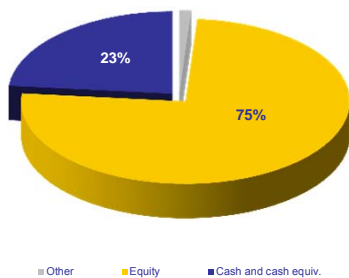


### MoM, YoY and YtD return to composite index\*



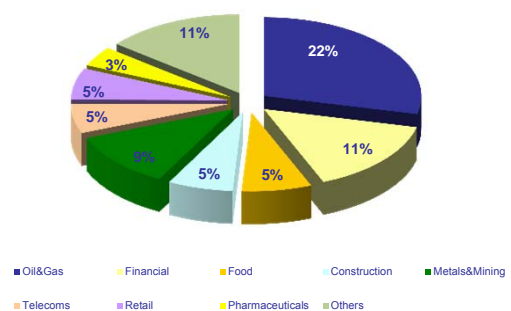
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

July 2015

Data as per 31 July 2015

NAV	
NAV	BGN 1 249 115
NAV per share	BGN 0.5287

Return (%)	
Monthly (MoM)*	-0.18%
Annual (YoY)*	-5.47%
Year-to-date*	-0.38%
Since Inception (annualized)	-7.95%

Statistics (%)	
Standard Deviation*	10.64%
Monthly alpha – MSCI EM EE *	3.13%
Beta (β) – MSCI EM EE *	0.219
R <sup>2</sup> – MSCI EM EE *	24.77%
Sharpe Ratio (0%)*	0.12

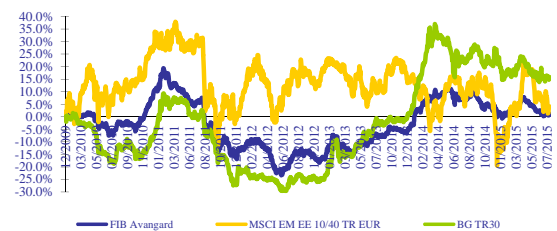
\* see notes

### Investment strategy

FIB Avangard is a high-yield, actively-managed, mutual fund, incepted 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

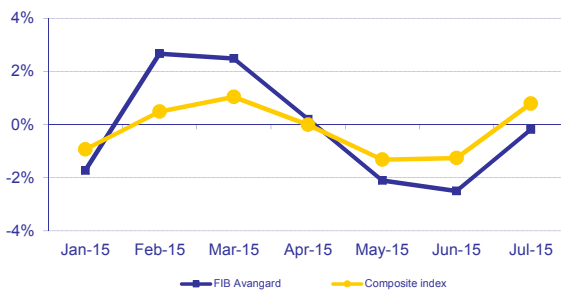
### Fact sheet and fee information

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

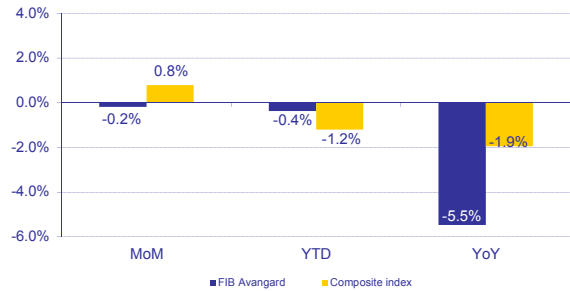
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

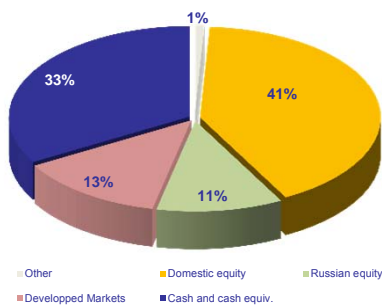


### MoM, YoY and YtD return to composite index\*



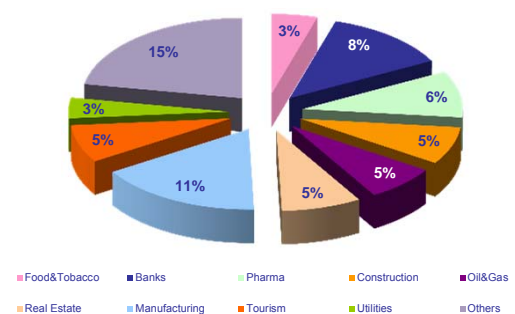
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

July 2015

Data as per 31 July 2015

NAV		Return (%)		Statistics (%)	
NAV	BGN 934 515	Monthly (MoM)*	0.28%	Standard Deviation*	6.34%
NAV per share	BGN 0.7951	Annual (YoY)	-1.72%	Monthly alpha – MSCI EM EE *	3.59%
		Year-to-date	2.65%	Beta (β) – MSCI EM EE *	0.140
		Since Inception (annualized)	-2.94%	R <sup>2</sup> – MSCI EM EE *	28.50%
				Sharpe Ratio (0%)*	0.26

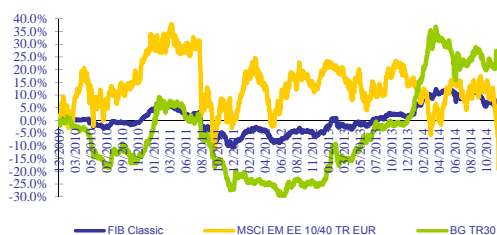
\* see notes

### 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

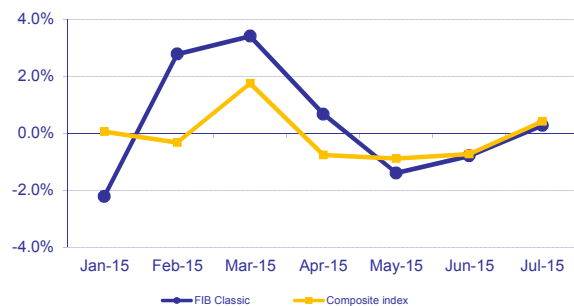


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

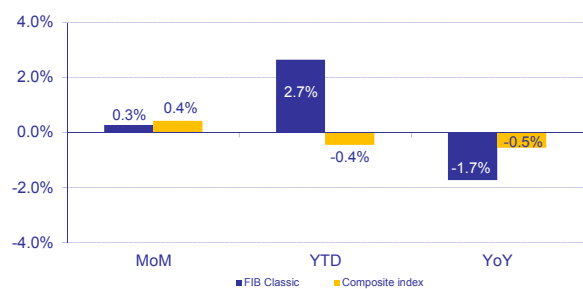
### Fact sheet and fee information

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\*

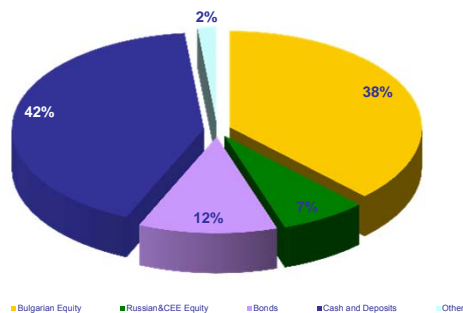


### MoM, YoY and YtD return to composite index\*



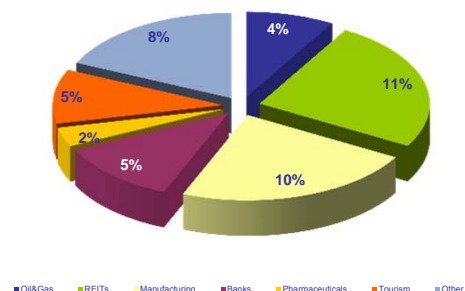
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

July 2015

### Data as per 31 July 2015

NAV	
NAV	BGN 1 034 947
NAV per share	BGN 1.2084

Return (%)	
Monthly (MoM)*	0.17%
Annual (YoY)*	0.99%
Year-to-date*	1.44%
Since Inception (annualized)*	2.49%

Statistics (%)	
Standard Deviation*	2.46%
Sharpe Ratio (0%)*	1.64
Interest rates (%)	
Sofibor (3 month)	0.51%
Sofibor (12 month)	1.70%

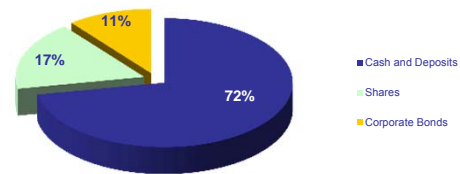
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	1.50%	30/01/2016	BGN	0.56%
Eurobond	4.25%	09/07/2017	EUR	0.49%
Eurobond	2.00%	26/03/2022	EUR	2.40%
Eurobond	2.95%	03/09/2024	EUR	2.94%
Eurobond	2.63%	26/03/2027	EUR	3.29%
Eurobond	3.13%	26/03/2035	EUR	4.07%

Source: Bloomberg

### Asset Allocation



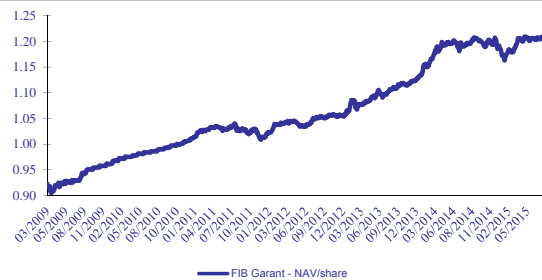
Source: FFBH Asset Management

### 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

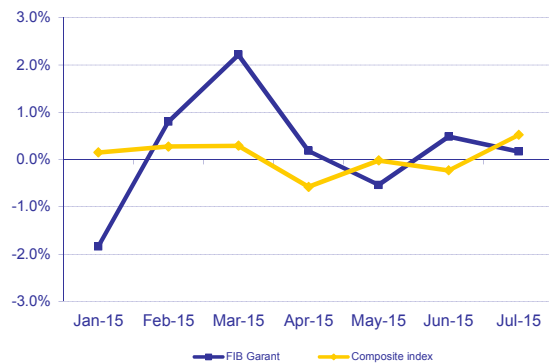


Source: FFBH Asset Management

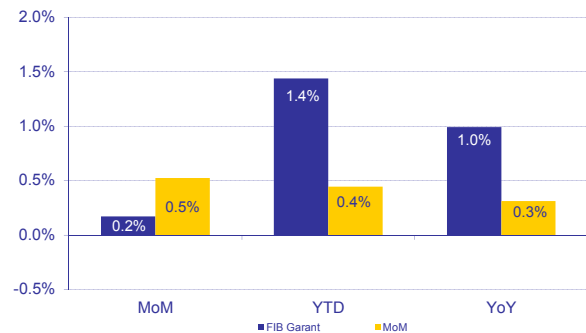
### Fact sheet and fee information

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 July 2015

### MARKET OVERVIEW:

- Global markets were highly volatile in July on the back of the "Grexit" almost happening in the start of the month, China's capital markets rout and nervousness about the timing of the first increase of Fed Funds rate. Still, the deal with Greece and the upbeat corporate season in developed markets led to +1.7% MoM gain in July for MSCI World Index. On the opposite Eastern European MSCI index suffered a 1% MoM loss in July on Greece and the economic slow-down in Russia.
- Sofix declined by 2.4% MoM in July despite healthy start of Q3 reporting season. Summer drop in liquidity and troubles in our southern neighbours were the main suspects for it. Additionally, heavyweight index constituent Sopharma [3JR BU] suffered a 12.4% MoM decline as its CEO and CFO were charged with tax evasion. The Sofia City Prosecutor's Office claimed that they had avoided payment of BGN 62.8m and BGN 7.5m corporate tax, respectively, in a series of OTC trades back in 2006 and 2007 that effectively transferred controlling stake in Sopharma.
- As said corporate season started positively as most industrial companies in Bulgaria delivered financial reports above our expectations, showing faster revenue growth and solid or improving margins. Banks mostly posted improvements in net interest margins on the back of decline in deposit rates but increase in provisioning held net profitability low. Here, we note the starting consolidation of the Greek banks in Bulgaria as Eurobank's Postbank agreed to buy Alphabank's branch, thus emerging as new number 4 on the market when procedure is completed in end-2015.
- Russian capital markets lost 9% MoM in EUR in July due to the 19.5% MoM retreat in Brent oil to its lowest level since January. Accordingly, the Russian rouble depreciated by almost 10% MoM against dollar-euro basket, additionally pressed by the easing of CBR monetary policy. Despite threats to inflation target, the central bank chose to lower its key rate by 50 bps down to 11%.
- Russia's macro data came in weak in June which increased concerns that the bottom of economic cycle has not been reached yet. Industrial production fell by 4.8% YoY in June from 4.0% YoY in May. Consumer sector also deepened its fall as retail sales were down 9.4% YoY in June (-9.2% YoY in May). Positively, unemployment rate kept on declining, this time to 5.4% (5.6% in May) which may act as a support for consumption in the second half of 2015.

### PORTFOLIO ALLOCATIONS:

#### **FFBH Vostok**

- FFBH Vostok performed significantly better than its benchmark, due to the underweight position in oil&gas sector. Still, the fund could not overcome completely market decline and was down 0.7% YoY in July. There was no significant reshuffling in fund's equity allocation which was at 76% of assets in end-month.

#### **FIB Avangard**

- FIB Avangard NAV/unit was slightly down by 0.2% MoM in July on declines in Bulgarian and Russian investments. There were no changes during period and equity allocation remained at 65% of assets.

#### **FIB Classic**

- FIB Classic advanced by 0.3% MoM in July on stable return from bond portfolio. There were no major changes during period.

#### **FIB Garant**

- FIB Garant NAV/unit was slightly up by 0.2% MoM in July. Equity allocation was 1pp down to 17% of assets.

### OUTLOOK & STRATEGY:

- We expect to see significant decline in volatility in the beginning of August. The second part of the month should depend on successful finalization of the deal terms with Greece and possible investor nervousness around Fed's Janet Yellen annual statement at central bankers' event in Jackson Hole in end-August. Apart from the above, we expect that markets will be more focused on Q2 financial reports, which were well ahead of expectations in Europe till now. That said, Eastern European indices shall advance in August in our base case scenario on positive developments in EU.

- In August we expect that liquidity shall start to gradually improve on BSE. On our estimates valuation discount of local market has once again widened against regional peers which may attract some long-term investors. In end-period Q2 consolidated financial reports are due which shall be more important for holding companies which trade significantly below their book values.
- We expect that Russian indices shall continue to move in line with oil price in August. Blue chips are to start reporting Q2 financial reports in August which may support share price performance of exporters due to the benefits of the cheaper rouble. On regional level negotiations for restructuring of Ukrainian external debt are going well for now but, still, they might be a source of volatility as maturity in September is closing in.
- We expect to remain conservative in the near-term but shall continue to watch for “buy the dips” events across our equity universe. We should be more defensive towards out bonds allocation on rising volatility with oncoming tightening in UK and the US.

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

*FIB Classic*: Composite Index is composed of 18 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:  $\frac{1}{n} \sum (1/n \cdot R_i)$ , where  $n$  is the number of mutual funds, using similar strategies.

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