

## FFBH Vostok

July 2017

Data as per 31 July 2017

NAV	
NAV	BGN 743,868
NAV per share	BGN 0.6518

Return (%)	
Monthly (MoM)*	-0.76%
Annual (YoY)*	10.48%
Year-to-date*	-11.18%
Since Inception (annualized)	-5.70%

Statistics (%)	
Standard Deviation*	18.88%
Monthly Alpha – MSCI Russia*	-0.80%
Beta (β) – MSCI Russia*	0.600
R <sup>2</sup> – MSCI Russia*	85.37%
Sharpe Ratio (0%)*	n.m.

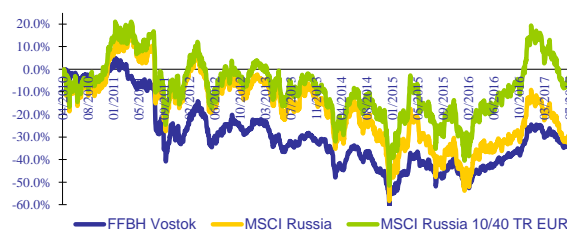
\* see notes

### 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 2017 – stock picking state independent "blue-chip" companies.

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



Source: Bloomberg, FFBH Asset Management

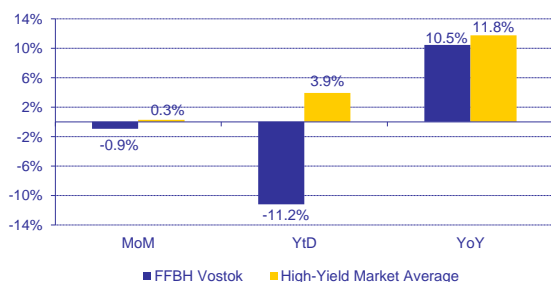
### Fact sheet and fee information

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

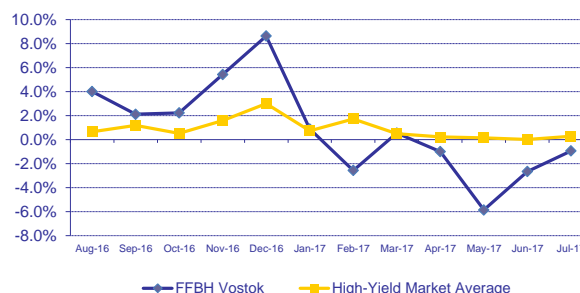
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)		2.50%

\* Minimum subscription is BGN 50

### MoM, YoY and YtD return to HY market average\*

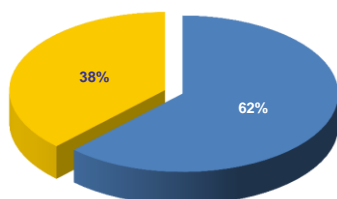


### MoM return to HY market average\*



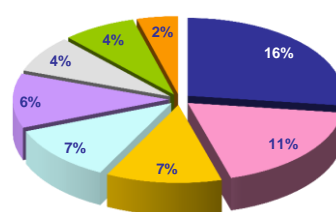
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



■ Equity ■ Cash and Deposits

### Equity Portfolio (% of total assets)



■ Oil&Gas ■ Financials ■ Retail ■ Metals&Mining  
 ■ Telecoms ■ Agriculture ■ Construction ■ Others

Source: FFBH Asset Management

## FIB Avangard

July 2017

Data as per 31 July 2017

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,716,766	Monthly (MoM)*	0.41%	Standard Deviation*	8.80%
NAV per share	BGN 0.6373	Annual (YoY)*	25.64%	Monthly Alpha – MSCI ACWI*	1.19%
		Year-to-date*	5.33%	Beta (β) – MSCI ACWI*	0.321
		Since Inception (annualized)	-4.54%	R <sup>2</sup> – MSCI ACWI*	25.93%
				Sharpe Ratio (0%)*	0.91

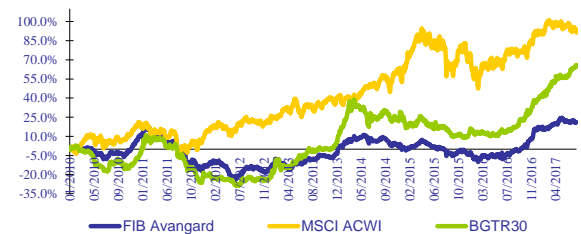
\* see notes

### 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 World equity with focus on Bulgarian 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 2017 includes allocation to liquid and financially stable Bulgarian companies and allocation to developed markets blue chips based on valuations and favorable global monetary policy.

### FIB Avangard vs. MSCI ACWI



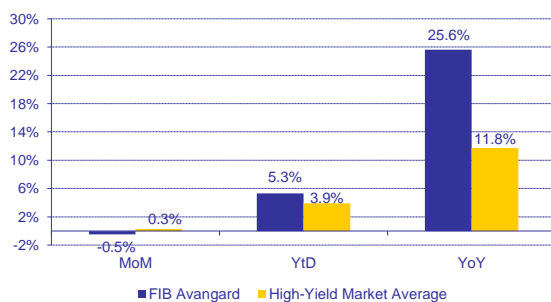
Source: Bloomberg, BSE-Sofia, FFBH Asset Management

### Fact sheet and fee information

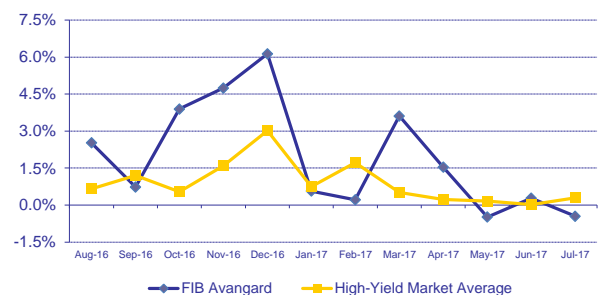
Type	Open-end equity fund	Subscription*	up to BGN 100,000	more than BGN 100,000
FSC Classification	High-yield fund	Entry fee	0.50%	0.00%
Manager	FFBH Asset Management	Holding Period	up to 24 months	over 24 months
Custodian	First Investment Bank	Redemption fee	0.50%	0.00%
Subscriptions/ Redemptions	Every Business Day	Management fee (annual % of average AUM)		3.00%
Incorporation	Bulgaria			

\* Minimum subscription is BGN 50

### MoM, YoY and YtD return to HY market average\*

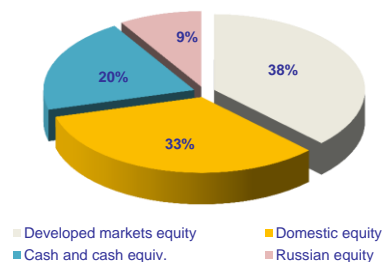


### MoM return to HY market average\*

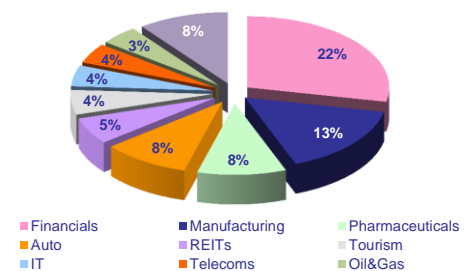


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Classic

July 2017

### Data as per 31 July 2017

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,729,290	Monthly (MoM)*	0.60%	Standard Deviation*	5.51%
NAV per share	BGN 0.9647	Annual (YoY)	20.04%	Monthly Alpha – MSCI ACWI*	1.38%
		Year-to-date	3.44%	Beta (β) – MSCI ACWI*	0.128
		Since Inception (annualized)	-0.37%	R <sup>2</sup> – MSCI ACWI*	10.47%
				Sharpe Ratio (0%)*	1.17

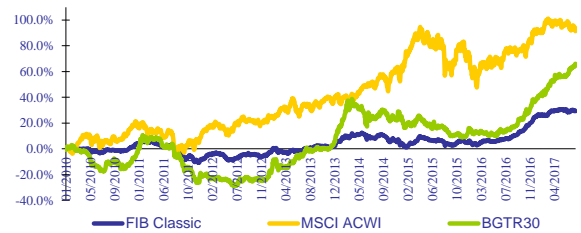
\* see notes

### Investment strategy

FIB Classic is a balanced mutual fund, inception 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 equities and bonds.

FIB Classic's investment strategy for 2017 is based on more equity-focused approach by holding equity allocation close to fund's limits. Equities will be concentrated in Bulgaria on fundamental and sentiment improvement. Some European allocation is acceptable 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 ACWI

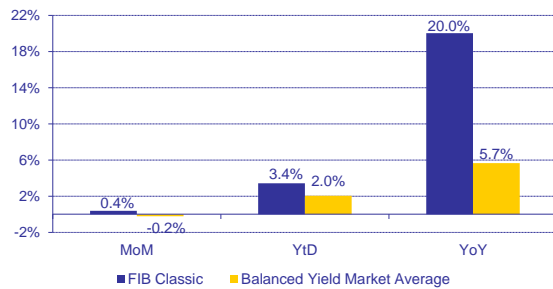


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

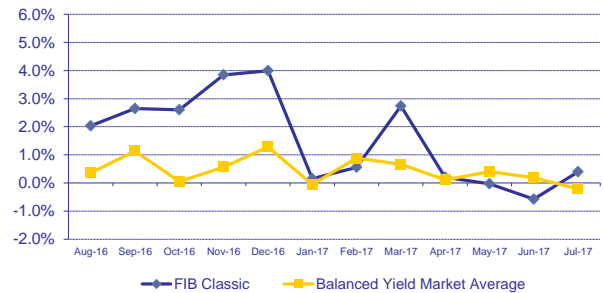
### Fact sheet and fee information

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, YoY and YtD return to BY market average\*

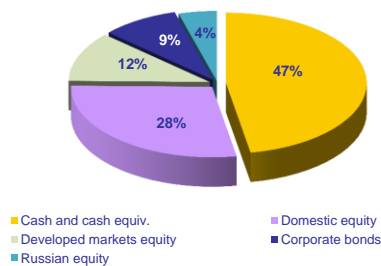


### MoM return to BY market average\*

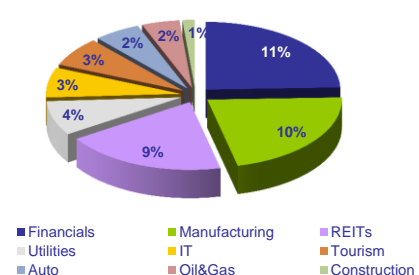


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Garant

July 2017

Data as per 31 July 2017

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,255,635	Monthly (MoM)*	0.05%	Standard Deviation*	2.43%
NAV per share	BGN 1.3345	Annual (YoY)*	8.14%	Sharpe Ratio (0%)*	2.00
		Year-to-date*	3.00%	<b>Interest rates (%)</b>	
		Since Inception (annualized)*	3.02%	Sofibor (3 month)	0.09%
				Sofibor (12 month)	0.76%

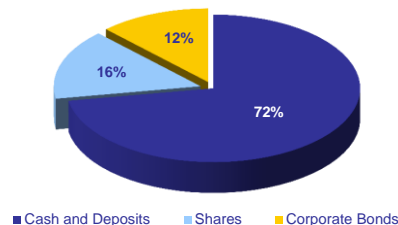
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	4.50%	16/01/2018	BGN	-0.16%
Treasury	0.50%	17/02/2019	BGN	-0.12%
Eurobond	2.00%	26/03/2022	EUR	0.27%
Eurobond	2.95%	03/09/2024	EUR	1.25%
Eurobond	2.63%	26/03/2027	EUR	1.76%
Eurobond	3.13%	26/03/2035	EUR	2.84%

Source: Bloomberg

### Asset Allocation



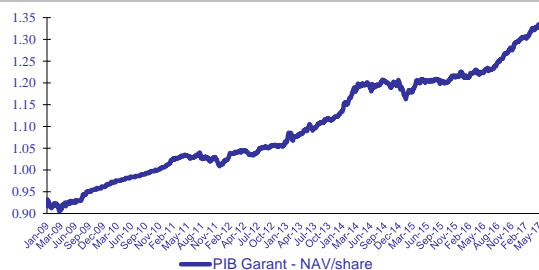
Source: FFBH Asset Management

### Investment objective

FIB Garant is a conservative balanced mutual fund, inception 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 2017 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

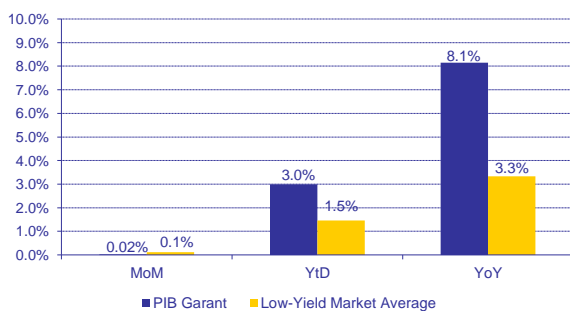


Source: FFBH Asset Management

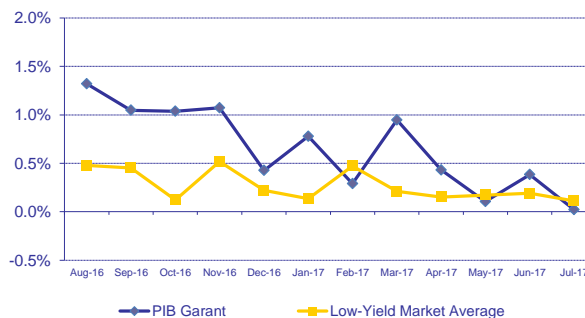
### Fact sheet and fee information

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, YoY and YtD return to LY market average\*



### MoM return to LY market average\*



Source: BAAMC, FFBH Asset Management calculations

## PORTFOLIO MANAGER'S COMMENT July 2017

### MARKET OVERVIEW, OUTLOOK & STRATEGY:

- US stocks went up in July, as technology stocks fully recovered from the decline in June (**NASDAQ 100, +4.1% MoM**), while the broad-based **S&P 500 advanced by another 1.9% MoM**. Both market indices reached new record highs at the end of the month, due to a combination of macroeconomic and corporate factors (the announcement of Q2 GDP growth and corporate results). During the month the Bureau of Economic Analysis released relatively strong preliminary Q2'17 US GDP growth figures, in line with expectations - real GDP growth of 2.1% YoY (seasonally adj.), vs 2.0% YoY in Q1'17 and 1.8% YoY in Q4'16. Higher MoM employment numbers and increased consumer confidence were also reported. However, June core inflation remained stable at 1.7% YoY and below the Federal Reserve's target, so the base interest rate range was left unchanged at 1.00-1.25%. This, in addition to the FED acknowledgement that its balance-sheet unwind would start „relatively soon” instead of „this year”, led to a rally in US treasuries and supported the fall in the US dollar to its lowest point since the beginning of 2017 (USD 1 = EUR 0.85). According to economic forecasts, the dollar would continue to depreciate against the euro due to ongoing political controversy in the USA combined with softer inflation figures and continuing positive Eurozone economic development.
- Eurozone stocks started the month with growth, but in the last 10 days of July they tumbled down following the allegations for a two-decade cartel between German automakers, despite the positive corporate reports of most of them. Finally, developed markets in Europe finished slightly down (**MSCI Europe, -0.4% MoM**) with auto stocks falling more than the market (**STOXX Europe 600 Auto&Parts, -1.6% MoM**). The further appreciation of the euro against the dollar was fundamentally backed by accelerated Eurozone economy growth (2.1% YoY flash estimate in Q2'17, vs 1.9% YoY in Q1'17), higher-than-expected July core inflation (1.2% YoY flash estimate, vs 1.1% YoY in June) and an eight-year low unemployment rate (9.1% for June, vs 9.2% for May). Last ECB kept base interest rate unchanged at -0.4% and announced it would maintain its QE programme at EUR 60bn until the end of Dec'17.
- **MSCI Russia** started recovering from its lowest YtD level in June and was **up 1.8% MoM in USD** in July (**-1.6% MoM in EUR and BGN**). This came in line with the increase in oil price (Brent reached \$53/bbl at the end of the month, up 9.9% MoM), and despite tightening of US sanctions against Russia and further MoM weakening of the ruble against the dollar. The CBR considered the elevated geopolitical and short-term inflation risks, resulting from the new sanctions, and decided to leave key rate unchanged at 9%. Based on the YtD disinflation and the July core inflation rate of 3.3% YoY (below the CBR 4% target), we expect the discussion for potential rate cuts to be reopened at the next meeting in September, when an update of the bank's macro forecasts is also expected. Apart from the negative sentiment (already largely priced-in), we believe the new sanctions would not have any substantial direct negative implications for Russian assets as a whole.
- The growth of Bulgarian stocks' prices slowed down in the summer with cap-weighted **SOFIX rising by 1.7% MoM** (vs 6.4% MoM in June) and equal-weighted **BGTR30 going up by 2.5% MoM** (vs 3.6% in June). Most of the large-cap and most traded names showed neutral to positive Q2 financial results, which supported their prices in July-August. Macroeconomic development remained strong with Q1'17 real GDP growth of 3.5% YoY (seasonally adj.) returning overall inflation (June HICP, +1.1% YoY) and declining unemployment (6.8% for June). Sopharma again led SOFIX with 8.8% MoM price appreciation, due to the stable recovery of the company's export sales and its positive overall quarterly financial performance. The top performer in BGTR30 was Bulgarian Stock Exchange (BSO, +30.8% MoM) on the news about the potential acquisition of the Independent Bulgarian Energy Exchange (IBEX). Doverie United Holding (5DOV, +14.1% MoM) rose on the expectations for its inclusion in SOFIX, while Synergon Holding (6S7, +10.9% MoM) booked unexpected dividend income from subsidiaries in its Q2 unconsolidated financial statements.
- In the short run we expect Bulgarian and European market to be positively influenced by the improving macro expectations, in spite of the full valuations of some companies and the decline (we believe temporary) of German automobile stocks. Forthcoming Q2 consolidated reports at end-August and SOFIX rebalancing in September could have more direct impact on Bulgarian equities. Potential catalysts for moves on foreign markets could be German parliamentary elections in the fall as well as any clarity on tax reform in the United States. We remain upbeat on Russian equities given the growing oil prices and the strengthening economy with the support of the Central Bank. Global growth is projected higher than 2016 at 3.5% YoY with emerging markets growing strongly.

### PORTFOLIO ALLOCATIONS:

Mutual fund	Return MoM, %	Equity allocation, %	MoM change in allocation
FFBH Vostok	-0.76%	62.10%	No significant changes.
FIB Avangard	0.41%	79.28%	No significant changes.
FIB Classic	0.60%	43.68%	No significant changes.
FIB Garant	0.05%	15.40%	No significant changes.

## 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 ACWI is the difference between the monthly return of NAV per share of FIB Avangard and the monthly return of MSCI All Country World Index.*

*FIB Classic: Monthly Alpha – MSCI ACWI is the difference between the monthly return of NAV per share of FIB Classic and the monthly return of MSCI All Country World 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 ACWI has been calculated using the weekly returns of NAV per share of FIB Avangard and MSCI All Country World Index over the last five years.*

*FIB Classic: Beta ( $\beta$ ) – MSCI ACWI has been calculated using the weekly returns of NAV per share of FIB Classic and MSCI All Country World Index over the last five years.*

*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.*

*FIB Avangard: R2 – MSCI ACWI has been calculated using the weekly returns of NAV per share of FIB Avangard and MSCI All Country World Index over the last five years.*

*FIB Classic: R2 – MSCI ACWI has been calculated using the weekly returns of NAV per share of FIB Classic and MSCI All Country World Index over the last five years.*

*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.*

*Returns of all indices presented in the bulletin or used in the calculations above are converted in BGN.*

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: High-yield market average is calculated through equal weighting of the returns of all high-yield mutual funds, offered on the Bulgarian market by asset management companies - members of the Bulgarian Association of Asset Management Companies (BAAMC).*

*FIB Classic: Balanced yield market average is calculated through equal weighting of the returns of all balanced mutual funds, offered on the Bulgarian market by asset management companies - members of BAAMC.*

*FIB Garant: Low-yield market average is calculated through equal weighting of the returns of all conservative mutual funds, offered on the Bulgarian market by asset management companies - members of BAAMC. Money market funds are not included in the calculation.*

*FFBH Vostok: High-yield market average is calculated through equal weighting of the returns of all high-yield mutual funds, offered on the Bulgarian market by asset management companies - members of BAAMC.*

The market average points 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:  $\sum (1/n \cdot R_i)$ , where  $n$  is the number of mutual funds.

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