

## FFBH Vostok

September 2017

Data as per 30 September 2017

NAV	
NAV	BGN 794,710
NAV per share	BGN 0.6981

Return (%)	
Monthly (MoM)*	2.59%
Annual (YoY)*	11.40%
Year-to-date*	-4.87%
Since Inception (annualized)	-4.70%

Statistics (%)	
Standard Deviation*	18.70%
Monthly Alpha – MSCI Russia*	-1.59%
Beta (β) – MSCI Russia*	0.603
R <sup>2</sup> – MSCI Russia*	85.47%
Sharpe Ratio (0%)*	0.01

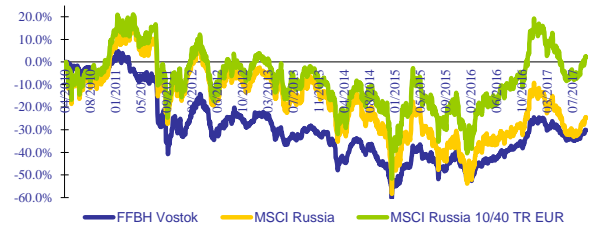
\* see notes

### Investment objective overview

FFBH Vostok is a high-yield, actively managed, open-end mutual fund with regional focus on Russia & CIS, incepted 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

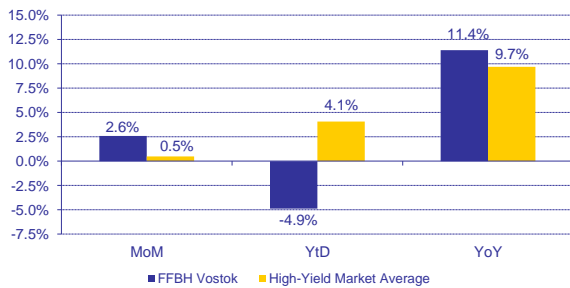
### Fact sheet and fee information

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

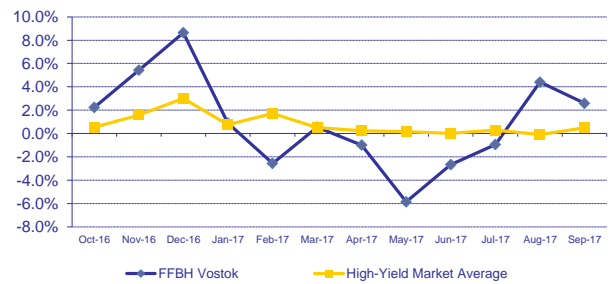
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

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

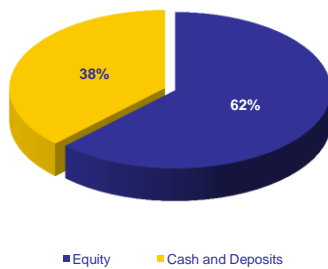


### MoM return to HY market average\*

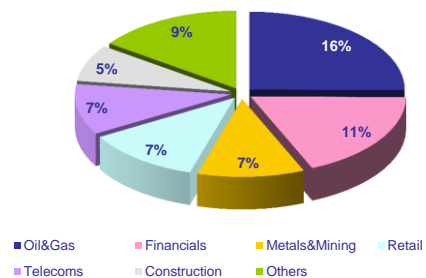


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Avangard

September 2017

Data as per 30 September 2017

NAV	
NAV	BGN 1,792,871
NAV per share	BGN 0.6499

Return (%)	
Monthly (MoM)*	1.36%
Annual (YoY)*	24.05%
Year-to-date*	7.40%
Since Inception (annualized)	-4.28%

Statistics (%)	
Standard Deviation*	8.74%
Monthly Alpha – MSCI ACWI*	-1.08%
Beta (β) – MSCI ACWI*	0.317
R <sup>2</sup> – MSCI ACWI*	25.61%
Sharpe Ratio (0%)*	0.91

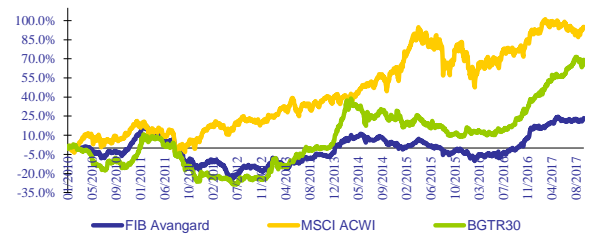
\* see notes

### 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 monetary policy.

### FIB Avangard vs. MSCI ACWI



Source: Bloomberg, BSE-Sofia, FFBH Asset Management

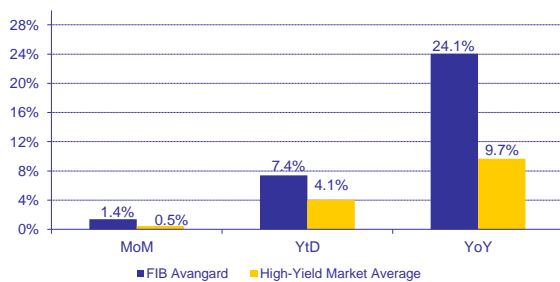
### Fact sheet and fee information

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

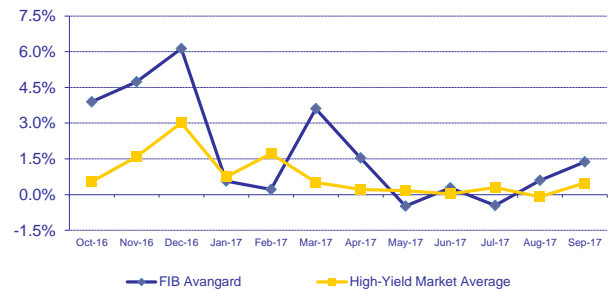
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

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

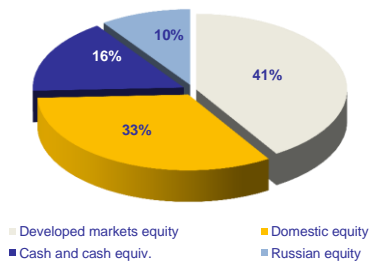


### MoM return to HY market average\*

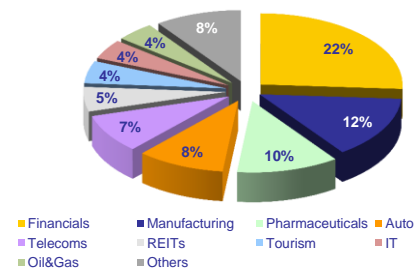


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Classic

September 2017

Data as per 30 September 2017

NAV	
NAV	BGN 1,728,623
NAV per share	BGN 0.9741

Return (%)	
Monthly (MoM)*	0.78%
Annual (YoY)	15.73%
Year-to-date	4.45%
Since Inception (annualized)	-0.27%

Statistics (%)	
Standard Deviation*	5.50%
Monthly Alpha – MSCI ACWI*	-1.66%
Beta (β) – MSCI ACWI*	0.128
R <sup>2</sup> – MSCI ACWI*	10.52%
Sharpe Ratio (0%)*	1.17

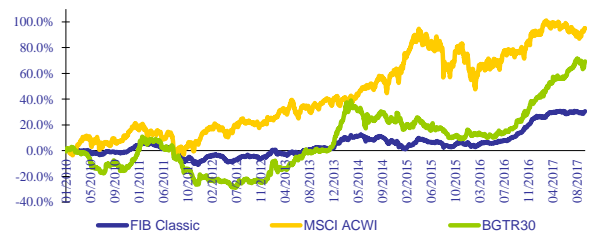
\* see notes

### 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

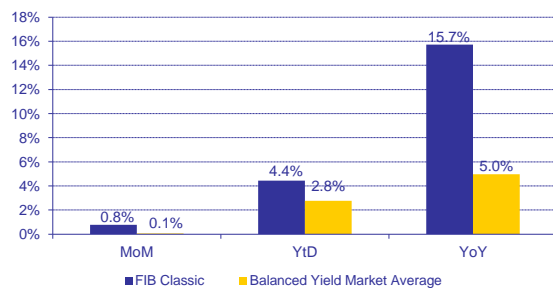
### Fact sheet and fee information

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

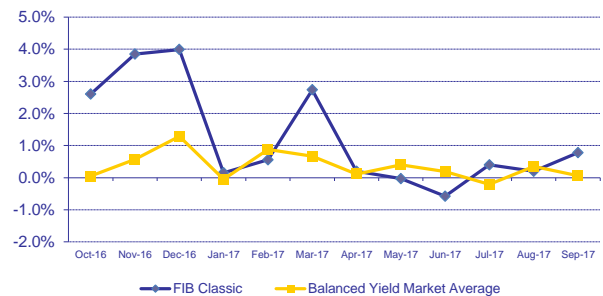
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.35%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.35%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

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

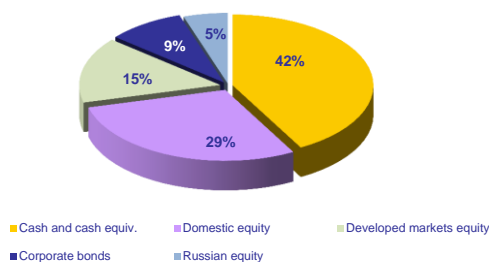


### MoM return to BY market average\*

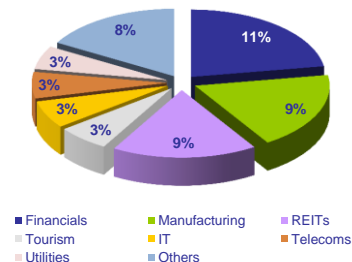


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Garant

September 2017

Data as per 30 September 2017

NAV	
NAV	BGN 1,234,953
NAV per share	BGN 1.3255

Return (%)	
Monthly (MoM)*	-0.55%
Annual (YoY)*	4.92%
Year-to-date*	2.31%
Since Inception (annualized)*	2.90%

Statistics (%)	
Standard Deviation*	2.44%
Sharpe Ratio (0%)*	1.91
Interest rates (%)	
Sofibor (3 month)	0.10%
Sofibor (12 month)	0.70%

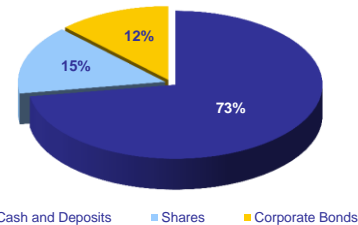
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	1.10%	28/01/2018	BGN	-0.33%
Treasury	0.50%	17/02/2019	BGN	-0.15%
Eurobond	2.00%	26/03/2022	EUR	0.18%
Eurobond	2.95%	03/09/2024	EUR	0.86%
Eurobond	2.63%	26/03/2027	EUR	1.46%
Eurobond	3.13%	26/03/2035	EUR	2.60%

Source: Bloomberg

### Asset Allocation



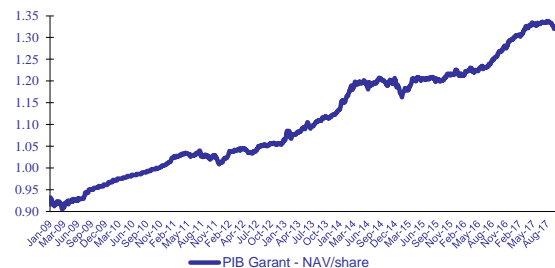
Source: FFBH Asset Management

### 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

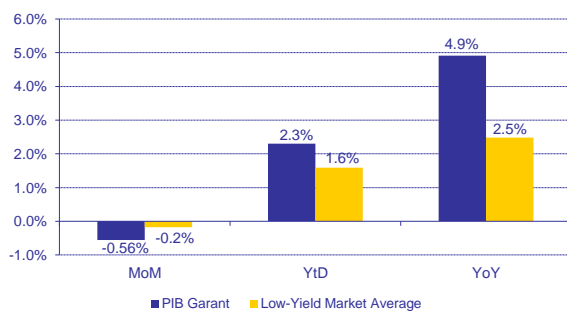
### Fact sheet and fee information

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

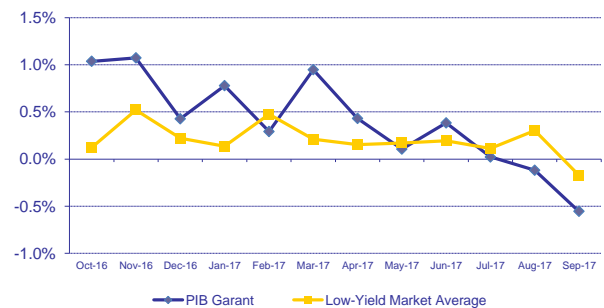
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.15%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.15%	0.00%
Management fee (annual % of average AUM)		1.50%

\* 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 September 2017

### MARKET OVERVIEW, OUTLOOK & STRATEGY:

**USA:** As expected, the target range for the federal funds rate was left unchanged at 1.00-1.25% after the FOMC September meeting. Policy makers also confirmed their forecast for the path of future rate increases (one rate hike in December 2017 and three more in 2018), while at the same time they changed the long-term estimate of the rate that keeps the economy in balance to a median of 2.75%, from 3% in the June projection. Latest core inflation data for August remained weak (1.7% YoY), while a little stronger than 1.6% expected, but the FED chair Janet Yellen argued that the ongoing strength of the economy and the labor market would ultimately help lift inflation. Despite political uncertainties and recent hurricanes (expected to have a short-term negative impact on the growth), the Federal Reserve announced that it would start its balance-sheet reduction in October. These developments sent bond yields and the US dollar higher (+0.8% MoM against the euro), but did not affect substantially equity prices. **S&P 500 (+1.9% MoM in USD and +2.6% MoM in EUR) reached a new record high in USD**, supported by the President Trump's proposal for significant reductions in individual and corporate tax in the last week of September. **NASDAQ 100** was also positively impacted by the potential tax changes, though it finished the month **relatively unchanged MoM (-0.2% in USD and +0.5% in EUR)**.

**EUROPE:** European stocks registered strong MoM performance in September, with **MSCI Europe up 3.8%**, following the announced maintenance of the ECB stimulus package till the year-end in the beginning of the month and the subsequent fourth-term win of the German chancellor Angela Merkel. No important macroeconomic data was released, except of the publication on Eurozone July construction output (which showed deceleration of YoY growth in some of the major economies as Germany and France) and the announcement of August unemployment rate (9.1%, stable MoM, but higher than expected) – both indicative of a slowdown in economic growth in Q3'17. The leading German automobile producers presented their investment programs, focused on the development of new plug-in hybrids and EVs models in the next 5-10 years, which resulted into **STOXX Europe 600 Auto&Parts rising 10.8% MoM**.

**RUSSIA:** Russian stocks continued their recovery during the last month (**MSCI Russia, +4.3% MoM in USD and +5.0% MoM in EUR**), backed by the continuing normalization of the oil market, the 0.5% key rate cut by the CBR to 8.5% and positive macroeconomic data. **Brent (+9.9% MoM to \$57.5)** was trading between \$52.7 and \$59 per barrel throughout September on rising global demand estimates and tightened supply, as it touched a 2-year high of \$59/bbl after the OPEC members confirmed that the oil market was expected to rebalance soon. The key rate cut to 8.5% was in line with market consensus and did not have any substantial effect on FX/debt markets, while it impacted positively stocks. The top 3 largest MSCI Russia constituents – Sberbank (SBER LI, +5.0% MoM in EUR), Gazprom (OGZD LI, +5.7% MoM in EUR) and Lukoil (LKOD LI, +6.0% MoM in EUR) – rose relatively in line with the index, despite the news that the government was considering additional increase in excise taxes on domestic oil product sales. There was no substantial development on the dispute between Rosneft (ROSN LI, +7.5% MoM in EUR) and Sistema (SSA LI, +16.4% MoM in EUR), but both of them also registered large positive movements. Macroeconomic releases were also supportive. The CBR's 2017 GDP growth forecast was upgraded to 1.7-2.2% on stronger-than-expected Q2 GDP growth of 2.5% YoY (advance data confirmed last week) and Russia unemployment rate reached a 3-year low of 4.9% in August. However, the central bank left its mid-term economic growth forecast unchanged, pointing that there are still mid-term risks of exceeding the 4% inflation target that outweigh the chances of inflation being consistently below 4%, which may delay further key rate decreases for the next 2 quarters. September core inflation was announced at 2.8% YoY in the beginning of October, down from 3.0% in August, but a little higher than expected.

**BULGARIA:** Total BSE monthly turnover for the first active month for businesses after the summer season was relatively low – BGN 43m, vs average monthly turnover of BGN 56m for H1'17. After reaching an almost 9-year record high of 730 points in the middle of August (ahead of its rebalancing), **SOFIX** registered a second month of retreat in September and finished below 700 points (**688 points, -2.5% MoM**). The trade with the largest SOFIX constituent Sopharma (3JR, -5.8% MoM) accounted for c.30% of September turnover within SOFIX, while Chimimport shares [6C4] also dropped by 4% MoM. The top gainer within the index was Eurohold Bulgaria (4EH, +11.7% MoM), which announced pending capital increase (up to BGN 52m) and bond issue (up to EUR 100m) at the end of August, aiming at financing the mid-term business of the company (approved by shareholders in October). **The MoM growth of BGTR30 decelerated to 0.6% MoM (+1.3% MoM in August)**, with top gainers being Eurohold Bulgaria and CEZ Distribution (3CZ, +18.1% MoM) on the news of the increased Energo-Pro bid offer for the grid operator, while top losers were again companies within the pharma sector – Sopharma and its trading subsidiary Sopharma Trading (SO5, -7.8% MoM). On macro level Bulgaria reported relatively stable MoM August unemployment of 6.65% (6.73% for July), rising YoY July exports to both EU and non-EU countries, slightly intensified August HICP inflation of 0.7% YoY (0.6% in July) and stable MoM average interest rate of 0.6% p.a. on new 1-2y leva deposits of households for August.

**OUTLOOK:** In the short run we expect a slowdown on Bulgarian and foreign markets, based on the strong first half of the year and the approaching limitation of monetary policy stimulus in 2018. Trading activity in October is expected to be influenced by the release of Q3 financial reports in the second half of the month. Start of the trade with government bonds as an alternative to other types of investments could also have some impact on Bulgarian capital market. Potential catalyst for moves on foreign markets could be the tax reform development in the United States. Inflation dynamics would be a key issue for the CBR and Russian investors

### PORTFOLIO ALLOCATIONS:

Mutual fund	Return MoM, %	Equity allocation, %	MoM change in allocation
FFBH Vostok	2.59%	62.32%	No significant changes
FIB Avangard	1.36%	84.05%	Increase in pharma sector exposure
FIB Classic	0.78%	49.06%	Increase in pharma sector exposure
FIB Garant	-0.55%	15.12%	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.

## DISCLAIMER

ALL DATA AND CONTENT PUBLISHED IN THIS RELEASE HAVE INFORMATION PURPOSE ONLY AND SHOULD NOT BE CONSIDERED AS COUNSEL, OFFER OR RECOMMENDATION FOR ACQUISITION OR DISPOSITION WITH ANY INVESTMENT OR CONCLUSION OF ANY OTHER DEAL.

THE INVESTMENTS IN MUTUAL FUNDS ARE ASSOCIATED WITH SIGNIFICANT RISK. THERE ARE NO RISK-FREE SECURITIES AND NOBODY CAN CLAIM THAT THE INVESTMENT PURPOSE OF ANY GIVEN MUTUAL FUND WILL BE ACHIEVED. THE NET ASSET VALUE PER SHARE AND ITS RETURN MAY DECREASE, THE RETURN IS NOT GUARANTEED AND THERE IS A RISK THAT THE POTENTIAL INVESTOR CAN NOT RECOVER THE INVESTED AMOUNT. THE INVESTMENTS IN MUTUAL FUNDS IN BULGARIA IS NOT GUARANTEED BY GUARANTEE FUND, CREATED BY THE STATE, OR ANY OTHER TYPE OF GUARANTEE.

PAST PERFORMANCE IS NOT NECESSARY INDICATIVE OF FUTURE RESULTS.

WE NOTE THAT ANYONE WHO WANTS TO SUBSCRIBE UNITS IN FIB AVANGARD, FIB CLASSIC, FIB GARANT AND/OR FFBH VOSTOK SHOULD MAKE A DECISION BASED ON THE INFORMATION PUBLISHED IN THE MOST RECENT RESPECTIVE PROSPECTUSES. THE PROSPECTUSES AND BY-LAWS ARE AVAILABLE IN FFBH ASSET MANAGEMENT OFFICE - 2 ENOS STREET, 5TH FLOOR, SOFIA, 1408, BULGARIA, TEL: +359 (2) 460 6400, WWW.FFBHAM.BG AND FIBANK BRANCHES, EXPLICITLY LISTED AT WWW.FFBHAM.BG.