

## FFBH Vostok

November 2017

Data as per 30 November 2017

NAV		Return (%)		Statistics (%)	
NAV	BGN 759,546	Monthly (MoM)*	-2.93%	Standard Deviation*	18.64%
NAV per share	BGN 0.6804	Annual (YoY)*	0.73%	Monthly Alpha – MSCI Russia*	-1.81%
		Year-to-date*	-7.28%	Beta (β) – MSCI Russia*	0.601
		Since Inception (annualized)	-4.92%	R <sup>2</sup> – MSCI Russia*	85.52%
				Sharpe Ratio (0%)*	0.03

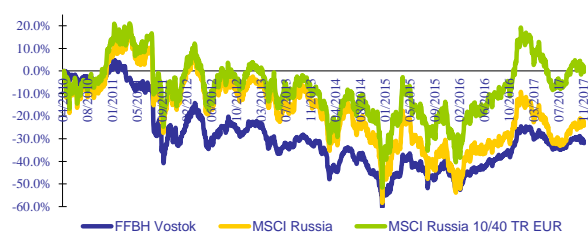
\* see notes

### 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 of state independent "blue-chip" companies.

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



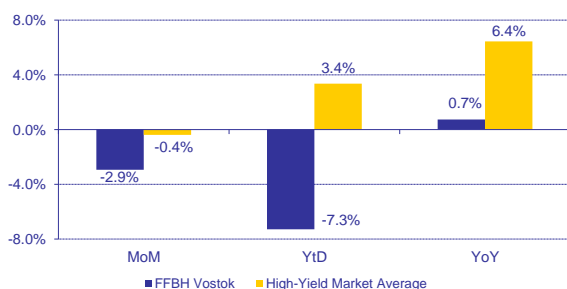
Source: Bloomberg, FFBH Asset Management

### Fact sheet and fee information

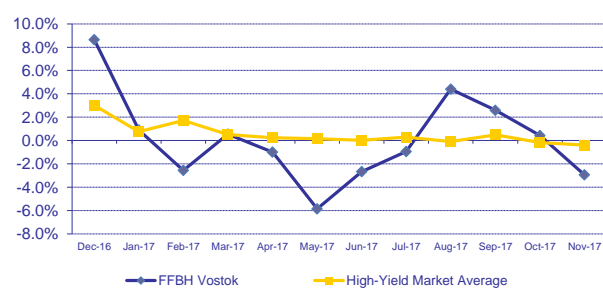
Type	Open-end equity fund	Subscription*	up to BGN 100,000	more than BGN 100,000
Classification	High-yield fund	Entry fee	0.50%	0.00%
Manager	FFBH Asset Management	Holding Period	up to 24 months	over 24 months
Custodian	First Investment Bank	Redemption fee	0.50%	0.00%
Subscriptions/ Redemptions	Every Business Day	Management fee (annual % of average AUM)		2.50%
Incorporation	Bulgaria			

\* Minimum subscription is BGN 50

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

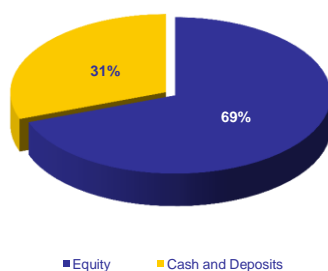


### MoM return to HY market average\*

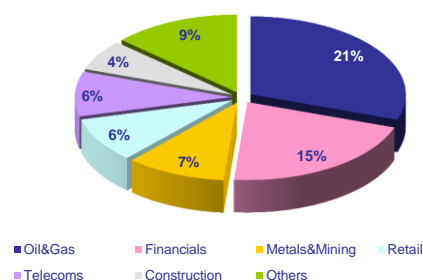


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Avangard

November 2017

Data as per 30 November 2017

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,869,097	Monthly (MoM)*	-0.92%	Standard Deviation*	8.64%
NAV per share	BGN 0.6381	Annual (YoY)*	11.93%	Monthly Alpha – MSCI ACWI*	-0.61%
		Year-to-date*	5.47%	Beta (β) – MSCI ACWI*	0.313
		Since Inception (annualized)	-4.38%	R <sup>2</sup> – MSCI ACWI*	25.28%
				Sharpe Ratio (0%)*	0.93

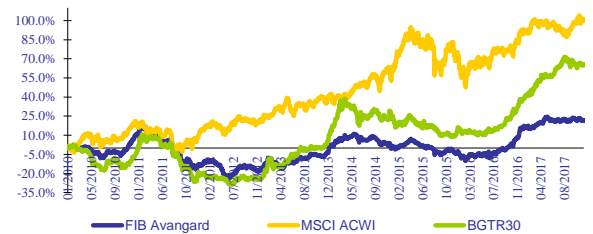
\* see notes

### 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

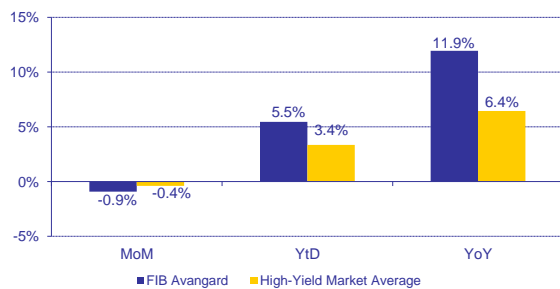


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

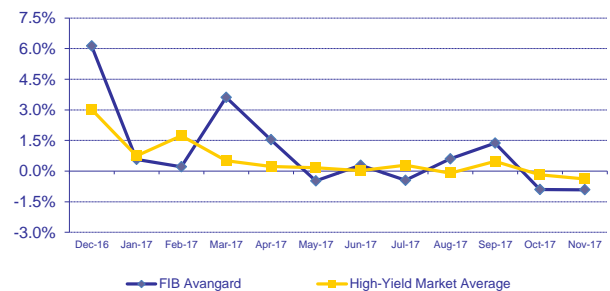
### Fact sheet and fee information

Type	Open-end equity fund	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\*

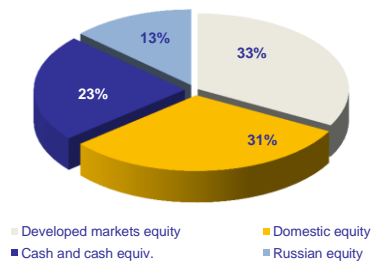


### MoM return to HY market average\*

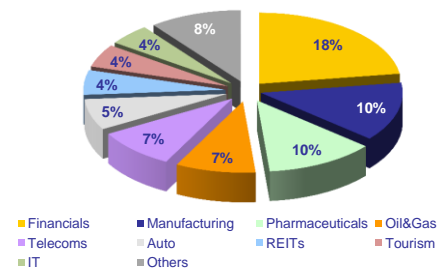


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Classic

November 2017

### Data as per 30 November 2017

NAV	
NAV	BGN 1,705,556
NAV per share	BGN 0.9606

Return (%)	
Monthly (MoM)*	-0.94%
Annual (YoY)	7.12%
Year-to-date	3.00%
Since Inception (annualized)	-0.40%

Statistics (%)	
Standard Deviation*	5.47%
Monthly Alpha – MSCI ACWI*	-0.63%
Beta (β) – MSCI ACWI*	0.124
R <sup>2</sup> – MSCI ACWI*	9.88%
Sharpe Ratio (0%)*	1.15

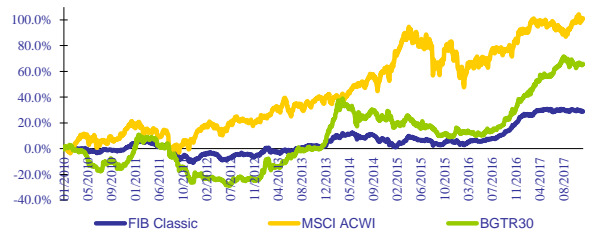
\* see notes

### 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

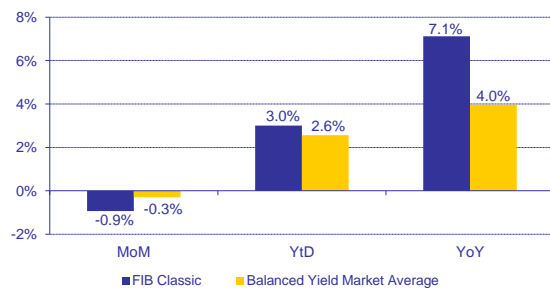
### Fact sheet and fee information

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

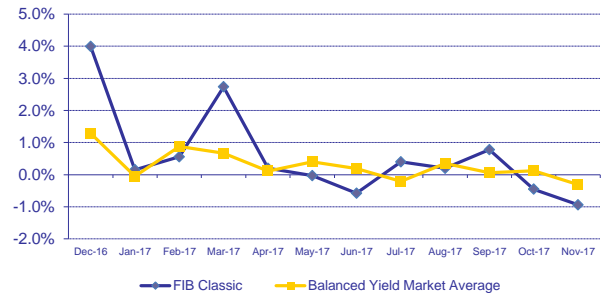
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.35%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.35%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

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

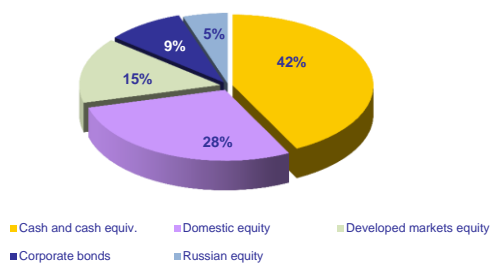


### MoM return to BY market average\*

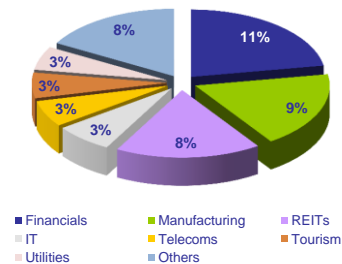


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Garant

November 2017

Data as per 30 November 2017

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,268,548	Monthly (MoM)*	0.05%	Standard Deviation*	2.44%
NAV per share	BGN 1.3257	Annual (YoY)*	2.75%	Sharpe Ratio (0%)*	1.86
		Year-to-date*	2.32%	Interest rates (%)	
		Since Inception (annualized)*	2.85%	Sofibor (3 month)	0.03%
				Sofibor (12 month)	0.66%

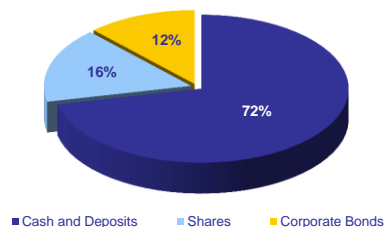
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	1.10%	28/01/18	BGN	-0.51%
Treasury	0.50%	17/02/19	BGN	-0.23%
Eurobond	2.00%	26/03/22	EUR	0.00%
Eurobond	2.95%	03/09/24	EUR	0.66%
Eurobond	2.63%	03/26/27	EUR	1.23%
Eurobond	3.13%	26/03/35	EUR	2.26%

Source: Bloomberg

### Asset Allocation



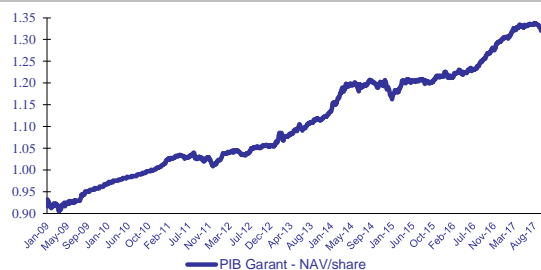
Source: FFBH Asset Management

### 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

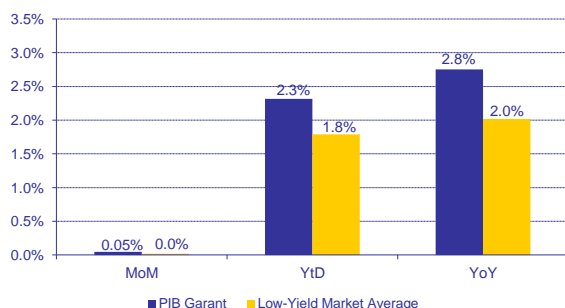


Source: FFBH Asset Management

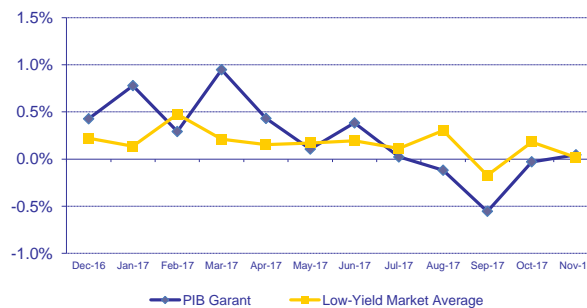
### Fact sheet and fee information

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 November 2017

### MARKET OVERVIEW, OUTLOOK & STRATEGY:

**USA:** In Nov'17 American stocks hit new all-time records in USD, mostly due to the substantial progress on the tax reform, which was approved by the US Senate on 2 Dec, despite budget deficit concerns. Broad-based **S&P 500 (+2.8% in USD and +0.7% in EUR MoM)** outperformed tech-based **NASDAQ 100 (+1.9% in USD and -0.2% in EUR MoM)**, as the latter's constituents were supposed to benefit less from the proposed tax cuts. Macroeconomic indicators were also positive in Nov. Second reading of Q3 GDP data confirmed accelerated growth of 2.3% YoY, while unemployment fell to 4.1% in Oct (down from 4.2% in Sept). Oct core inflation was 1.8% YoY - finally higher than its level of 1.7% for each of the previous 5 months and higher than Bloomberg consensus. It became clear that FED officials had expressed largely optimistic views of economic growth at their most recent meeting (31 Oct – 1 Nov) but also they had commented that financial market prices had been posing a danger to the economy. While still there had been disagreements on the pace of inflation, a Dec rate hike had been indicated. There were no surprises in the next FED chair nomination, as President Donald Trump chose Jerome Powell to succeed current Chair Janet Yellen once her term expires in Feb'18. The US dollar weakened by 2.2% MoM against the euro in Nov, offsetting 1.5% MoM rise in Oct.

**EUROPE:** European developed countries' stocks (**MSCI Europe, -2.2% MoM**) were negatively impacted by continuing difficulties with the new German government formation. After three-way coalition talks failed in Germany, Chancellor Angela Merkel said she would prefer new elections to ruling with a minority. At the same time the largest EU economy reported final Q3 GDP growth of 2.8% YoY vs 2.3% YoY in Q2 and economists' forecasts for its 2018 and 2019 growth were raised. France GDP growth forecasts were also revised upwards. Eurozone unemployment rate kept declining to 8.8% in Oct. Given the weak inflation outlook, however, some analysts now expect at least a 3-month extension of the ECB bond purchases at EUR 15bn monthly in Sept'18.

**RUSSIA:** **MSCI Russia rose by 3.4% in USD and by 1.3% in EUR MoM** backed by continuing MoM increase in oil price, strong inflation data and mostly positive Q3 financial reports. The Brent price rose by 3.6% MoM to a new 2-year high of USD 63.57 per barrel positively affected by a series of events - the anti-corruption arrests of princes and government officials in Saudi Arabia in the beginning of the month, the increased 5-year global oil demand forecast of OPEC and the end-of-month agreement between OPEC and Russia on extension of oil production cuts by 9 additional months until the end of 2018. Advance Q3 GDP data were disappointing with YoY growth of 1.8% vs 2.0% expected and vs 2.5% for Q2, but the largest MSCI Russia constituents reported positive financial results for the quarter, leading to price increases in Nov. The top gainer within the index was Sberbank (SBER LI, +13.7% in USD and +11.3% in EUR MoM), which reported a record quarterly profit, while Magnit - the 4<sup>th</sup> largest company in MSCI Russia and top loser for the previous month - continued falling (MGNT LI, -6.6% in USD and -8.6% in EUR MoM). After the surprising deceleration of core inflation to 2.5% YoY in Oct, there was a further slowdown to 2.3% YoY in Nov, which makes a bigger key rate cut increasingly likely on the next CBR meeting in Dec.

**BULGARIA:** **SOFIX registered a fourth consecutive month of retreat** in Nov and finished at 665 points (**-0.95% MoM**), and **BGTR30 remained relatively flat MoM** at 548 points. After falling for 3 months in a row, the largest SOFIX constituent Sopharma (3JR, +1.4% MoM) slightly recovered, but at the same time the second largest one – Chimimport [6C4] – dropped by 5% MoM, with trades with the stock accounting for c. 40% of Nov turnover within the index. The top monthly loser within both SOFIX and BGTR30 was CB Central Cooperative Bank (4CF, -5.95% MoM). On macro level positive releases and news prevailed with preliminary Q3 GDP growth estimated at 3.9% YoY (vs 3.7% for each of Q1 and Q2), Oct HICP inflation increasing to 1.5% YoY (vs 1.3% for Sept and 0.7% for Aug) and Oct unemployment up 0.2% MoM to 6.7%. On 1 Dec two global rating agencies upgraded Bulgaria sovereign credit ratings on the basis of its improved external metrics, export growth and domestic savings increase. **S&P Global Ratings raised its long- and short-term foreign and local currency sovereign credit ratings on the Republic of Bulgaria to BBB-/A-3, with stable outlook, from BB+/B previously. Fitch Ratings also upgraded Bulgaria's long-term foreign and local currency issuer default ratings to 'BBB' from 'BBB-', with stable outlooks.**

**OUTLOOK:** Globally, the combination of accelerating GDP growth, solid earnings, accommodative monetary policies and excess liquidity remain supportive and the uptrend for riskier assets stays intact, despite full valuations of most public companies. In the short run we expect global investment activity to be mostly driven by the central banks' decisions regarding their monetary policies and/or company-specific factors. In the USA a more/less accommodative than expected monetary policy (a 0.25% hike rate decision is expected on **13 Dec**) would have a positive/negative impact, though the tax reform should contribute positively to the economic growth. Some of the leading international institutions (such as the IMF) expect slowing growth in Europe and Central Asia in 2018 and weakening inflation, which could trigger another QE extension next year. Russia is expected to increase monetary stimulus and provide for more stable economic recovery in the next quarters, with the next CBR key rate decision scheduled for **15 Dec**. In Bulgaria investment activity should be positively influenced by the recent country rating upgrade. Excluding a black swan event, we think only North Korea and Catalonia (snap regional elections scheduled for **21 Dec**) have the ability to cause a more significant double-digit short-term correction in global indices.

### PORTFOLIO ALLOCATIONS:

Mutual fund	Return MoM, %	Equity allocation, %	MoM change in allocation
FFBH Vostok	-2.93%	69.42%	Increase in exposure to oil & gas and financials
FIB Avangard	-0.92%	77.03%	Increase in oil & gas exposure, decrease in exposure to insurance and pharmaceuticals
FIB Classic	-0.94%	48.58%	No significant changes
FIB Garant	0.05%	16.41%	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.*

*Returns are calculated using the net asset values of the mutual funds reported on the web site of BAAMC on the first working day of the month, following the month of performance evaluation.*

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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