

FFBH Vostok

January 2018

Data as per 31 January 2018

NAV	
NAV	BGN 757,681
NAV per share	BGN 0.7043

Return (%)	
Monthly (MoM)*	4.39%
Annual (YoY)*	-4.87%
Year-to-date*	4.39%
Since Inception (annualized)	-4.39%

Statistics (%)	
Standard Deviation*	18.60%
Monthly Alpha – MSCI Russia*	-2.49%
Beta (β) – MSCI Russia*	0.601
R ² – MSCI Russia*	85.97%
Sharpe Ratio (0%)*	0.004

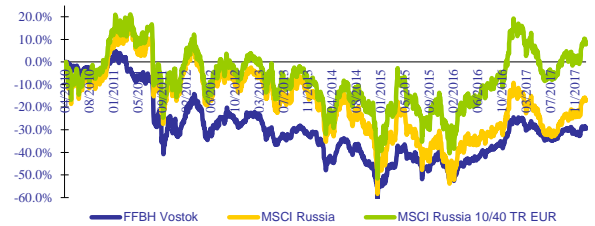
* see notes

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, bearing medium to high level of risk. The Fund may have up to 95% in equities and up to 50% invested in bonds.

We assume further recovery of the Russian economy in 2018, supported by several key rate cuts and relatively stable oil prices, and prefer higher allocation to equities and cyclical sectors. The portfolio remains comprised mainly of blue chip companies with leading and stable market positions.

FFBH Vostok vs. MSCI Russia 10/40 EUR



Source: Bloomberg, FFBH Asset Management

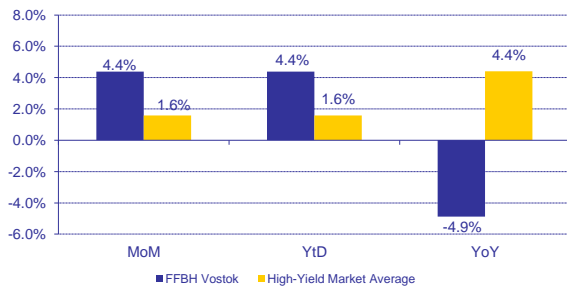
Fact sheet and fee information

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

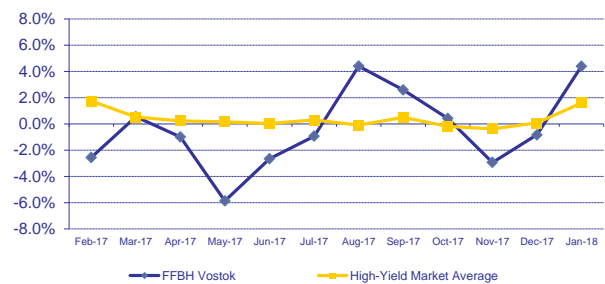
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	2.50%	

* Minimum subscription is BGN 50

MoM, YoY and YtD return to HY market average*

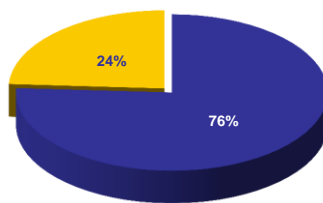


MoM return to HY market average*



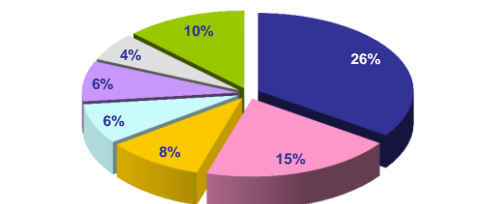
Source: BAAMC, FFBH Asset Management calculations

Asset Allocation



■ Equity ■ Cash and Deposits

Equity Portfolio (% of total assets)



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

Source: FFBH Asset Management

FIB Avangard

January 2018

Data as per 31 January 2018

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,931,005	Monthly (MoM)*	3.25%	Standard Deviation*	8.44%
NAV per share	BGN 0.6562	Annual (YoY)*	7.83%	Monthly Alpha – MSCI ACWI*	1.01%
		Year-to-date*	3.25%	Beta (β) – MSCI ACWI*	0.323
		Since Inception (annualized)	-4.05%	R ² – MSCI ACWI*	27.65%
				Sharpe Ratio (0%)*	0.80

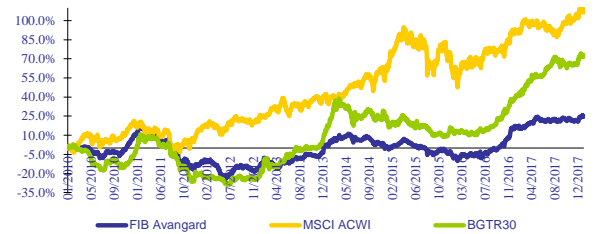
* see notes

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 level of risk. Its portfolio is allocated into global equity with regional focus on Bulgaria. Tactically, most of its funds might be invested in capital markets outside Bulgaria that are expected to be among top performing world regions.

FIB Avangard's investment strategy for 2018 includes allocation to export-oriented, financially stable and dividend-paying Bulgarian companies and allocation to developed markets blue chips based on favourable macroeconomic conditions and attractive valuations. We will increase exposure to companies with competitive positions in disruptive industries. The overall risk of the portfolio will be mitigated through sector and company diversification.

FIB Avangard vs. MSCI ACWI



Source: Bloomberg, BSE-Sofia, FFBH Asset Management

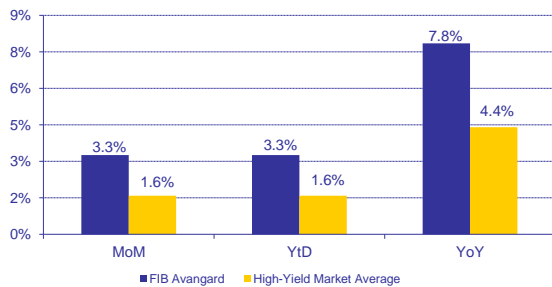
Fact sheet and fee information

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

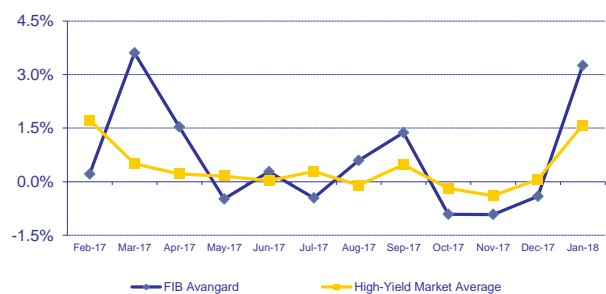
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)		3.00%

* Minimum subscription is BGN 50

MoM, YoY and YtD return to HY market average*

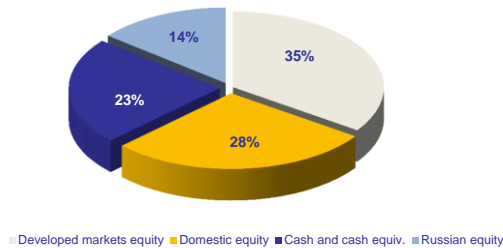


MoM return to HY market average*

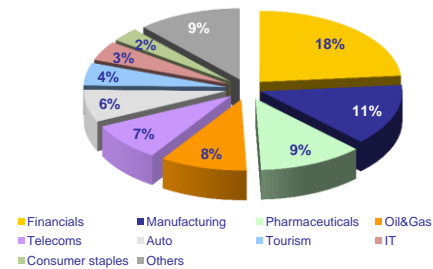


Source: BAAMC, FFBH Asset Management calculations

Asset Allocation



Equity Portfolio (% of total assets)



Source: FFBH Asset Management

FIB Classic

January 2018

Data as per 31 January 2018

NAV	
NAV	BGN 1,745,636
NAV per share	BGN 0.9719

Return (%)	
Monthly (MoM)*	1.34%
Annual (YoY)	3.39%
Year-to-date	1.34%
Since Inception (annualized)	-0.28%

Statistics (%)	
Standard Deviation*	5.40%
Monthly Alpha – MSCI ACWI*	-0.90%
Beta (β) – MSCI ACWI*	0.128
R ² – MSCI ACWI*	10.64%
Sharpe Ratio (0%)*	1.04

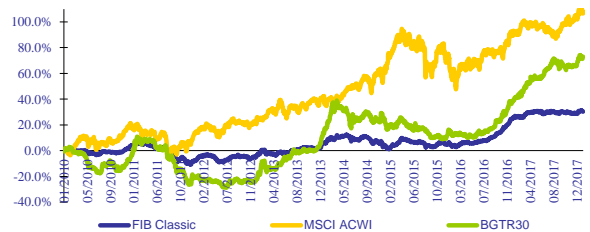
* see notes

Investment strategy

FIB Classic is a balanced mutual fund, inception on Nov 11, 2007, whose investment objective is to achieve medium to high long-term growth of its assets, bearing medium level of risk. The Fund invests in equities and bonds, as the equity-bond proportion depends on the stage of the economic cycle and macro conditions in covered regions and the expected central banks' monetary policy decisions.

FIB Classic's investment strategy for 2018 remains equity-focused, which includes holding equity allocation close to the fund's limits. Equities will be concentrated in Bulgaria and Western Europe with preference to dividend-paying value companies. Bond portfolio would comprise of domestic and foreign corporate bonds.

FIB Classic vs. MSCI ACWI



Source: Bloomberg, BSE-Sofia, FFBH Asset Management

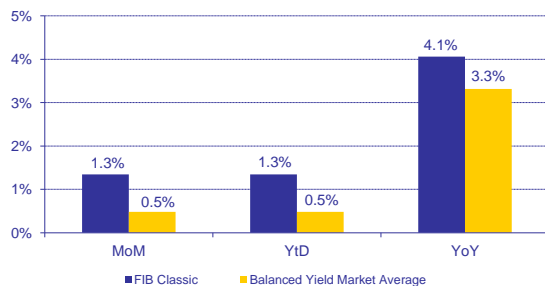
Fact sheet and fee information

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

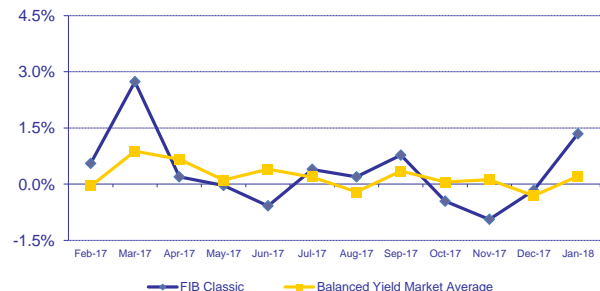
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.35%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.35%	0.00%
Management fee (annual % of average AUM)	2.50%	

* Minimum subscription is BGN 50

MoM, YoY and YtD return to BY market average*

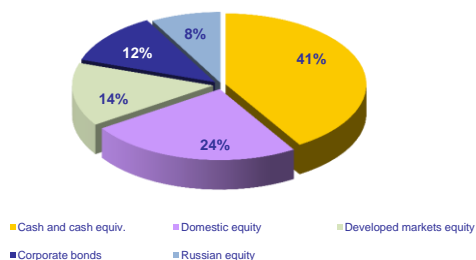


MoM return to BY market average*

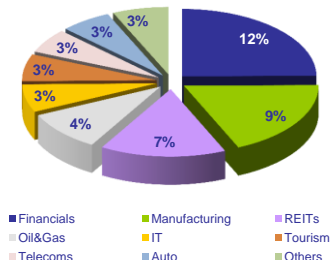


Source: BAAMC, FFBH Asset Management calculations

Asset Allocation



Equity Portfolio (% of total assets)



Source: FFBH Asset Management

FIB Garant

January 2018

Data as per 31 January 2018

NAV	
NAV	BGN 1,348,736
NAV per share	BGN 1.3322

Return (%)	
Monthly (MoM)*	0.50%
Annual (YoY)*	2.02%
Year-to-date*	0.50%
Since Inception (annualized)*	2.85%

Statistics (%)	
Standard Deviation*	2.41%
Sharpe Ratio (0%)*	1.81
Interest rates (%)	
Sofibor (3 month)	0.01%
Sofibor (12 month)	0.65%

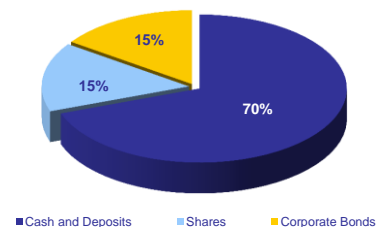
* see notes

Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	0.50%	17/02/19	BGN	-0.29%
Eurobond	2.00%	26/03/22	EUR	0.14%
Eurobond	1.88%	21/03/23	EUR	0.36%
Eurobond	2.95%	03/09/24	EUR	0.76%
Eurobond	3.00%	21/03/28	EUR	1.56%
Eurobond	3.13%	26/03/35	EUR	2.31%

Source: Bloomberg

Asset Allocation



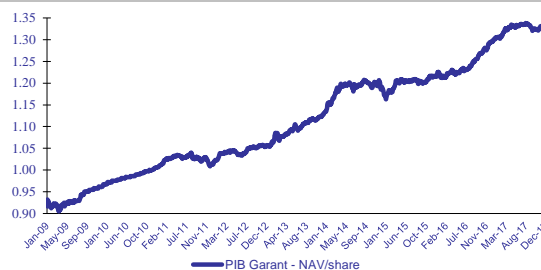
Source: FFBH Asset Management

Investment objective

FIB Garant is a conservative mutual fund, inception on Nov 11, 2007, whose investment objective is to achieve medium long-term growth of its assets, bearing low level of risk. The Fund invests mainly in fixed-income and money market instruments, but it may have up to 20% exposure to equity used to improve its risk-return profile.

FIB Garant's 2018 investment strategy includes significant allocation to Bulgarian equities on valuations and sentiment improvement on the BSE. At certain points investments in foreign large cap dividend-paying blue chips can be made but currency risk should be controlled. Low local deposit rates would also lead to an increase in the Fund's exposure to foreign corporate and sovereign bonds.

FIB Garant



Source: FFBH Asset Management

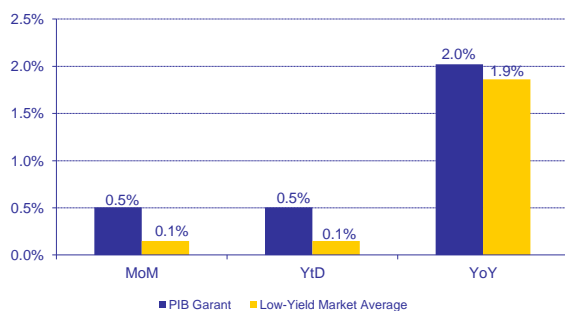
Fact sheet and fee information

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

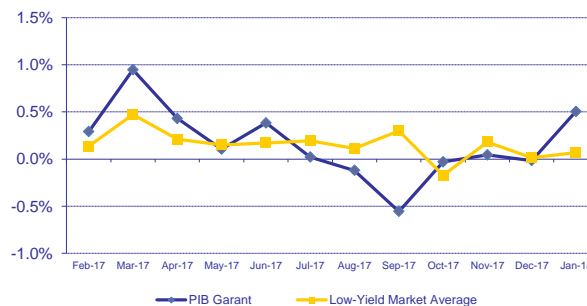
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.15%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.15%	0.00%
Management fee (annual % of average AUM)	1.50%	

* 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 January 2018

MARKET OVERVIEW:

USA: American stock indices continued hitting new records in the first month of 2018, with **NASDAQ 100 rising by 8.7% MoM in USD and 5.2% MoM in EUR** and **S&P 500 advancing by 5.6% MoM in USD and 2.3% MoM in EUR**. Advance data on Q4'17 GDP pointed to 2.5% YoY economic growth - even faster than the accelerated 2.3% YoY growth in Q3'17, which was in line with the previously announced QoQ decline in unemployment to 4.1% (the last indicator remained stable MoM in Jan'18). As expected by FED, the strong labour market and rising consumer confidence drove core inflation higher and it reached 1.8% YoY in Dec'17, after fluctuating between 1.7% and 1.8% in the recent months. Target interest rate range remained unchanged in Jan'18 to 1.25-1.50%, but some economists saw risk of overheated economy and a less accommodative than expected FED monetary policy. In anticipation of higher interest rates to combat inflation US 10-year Treasury bond yield grew by the remarkable 30 bps MoM to 2.71%.

EUROPE: European developed countries' stocks (**MSCI Europe, +1.6% MoM**) were slightly up in Jan'18, supported by positive macroeconomic data for Q4'17, but pressured by indications for possible revision in the ECB QE program in the first half of 2018. In addition, the uncertainty related to the course of development of Germany remained, as new government negotiations continued during the month. Eurozone Nov'17 unemployment reached its lowest level (8.7%) since Jan'09, and advance Q4'17 GDP growth rate accelerated to 2.7% YoY vs 2.6% in Q3'17. Based on the economic growth in 2017 (the fastest over the last 10 years and in line with the central bank forecasts) and despite less-than-targeted current inflation rate (0.9% YoY core inflation for Dec'17), in the minutes from the ECB Dec meeting the regulator had stated that its future monthly bond purchases would depend on the rate of inflation *trending consistently towards (not reaching) the 2% target*. Due to the combination of all the factors above, the euro appreciated further against the US dollar in Jan'18 (+3.4% MoM).

RUSSIA: **MSCI Russia registered substantial MoM increase in Jan (+12.5% in USD and +9.0% in EUR)**, following the key rate cut by 0.50% to 7.75% in the previous month. Brent price grew by 3.3% MoM to USD 69.05 and the ruble strengthened against the US dollar by 2.6% MoM. Released macroeconomic data for Dec'17 was better-than-expected, with unemployment standing at 5.1% and core inflation rate decelerating to 2.1% YoY (vs 2.3% YoY in Nov'17), which led to expectations of a further key rate decrease to 7.50% in Feb'18. The largest MSCI Russia constituents registered double-digit price increases for the month - Sberbank (SBER LI, +19.0% in USD and +15.3% in EUR MoM), Gazprom (OGZD LI, +14.1% in USD and +10.5% in EUR MoM), Lukoil (LKOD LI, +15.4% in USD and +11.7% in EUR MoM).

BULGARIA: BSE indices **SOFIX and BGTR30 rose by 5.2% and 2.8% MoM**, respectively, largely impacted by the active trade with Chimimport stock (52% of turnover within SOFIX and c.37.5% of turnover within BGTR30) and its significant price increase (6C4, +36.4% MoM). Central Cooperative Bank (4CF, +24.0% MoM) and Industrial Holding Bulgaria (4ID, +16.0% MoM) were also among top gainers for the month within both of the indices, while Bulgarian Real Estate Fund (5BU, -5.6% MoM) and Neochim (3NB, -5.5% MoM) were top losers. The start of the trade with the SOFIX-based ETF Expat Bulgaria in Frankfurt did not contribute much to the demand of Bulgarian blue chips last month. The Government announced a planned application for ERM-II membership by end-Jun'18, as Bulgaria's macroeconomic indicators are currently stable and meet all the required criteria.

OUTLOOK:

Despite the market volatility uptick and price correction in the beginning of Feb, 2018 offers a favourable environment for investments in risky assets so far - positive economic news and supportive policies. We expect capital market activity to be mostly influenced by the central banks' indications regarding their monetary policies and/or changes in political or geopolitical situations. Release of last-quarter corporate financial results may be also a source of volatility on regional level in Feb-Mar.

In the USA a more/less accommodative than expected monetary policy would have a positive/negative impact on the economy and equity demand. Currently at least two or three rate hikes are expected in 2018, but this could change, especially if inflation continues gathering pace. The tax reform should contribute positively to the economic growth, but it is also expected to increase social inequality and discontent, which could affect labour productivity and political stability. The Senate and the House of Representatives elections in the USA scheduled for **6 Nov** could be viewed as a check for the confidence in the President Trump's policy.

In Europe we forecast continuing economic revival, though the growth may slow down after the strong rebound in 2017 and following the shrinkage of the QE stimulus, starting from Jan'18, as well as under the weight of the strong euro. Investors' focus is expected to be on the ECB decisions and intentions with regard to its QE program. Sources of uncertainty on the political front are German government formation, Italian parliamentary elections, BREXIT and Catalonia. Though German parties reached a coalition agreement in Feb, polls show that Italian elections (on **4 Mar**) would show high support for the center-right coalition (backed by the former premier Berlusconi), but he may not also win a majority, which would add to the political tensions in the EU.

Russia is expected to increase monetary stimuli and provide for more stable economic recovery in the next quarters, with the next key rate cut expected in Feb'18, followed by a gradual decrease to c. 7% by the end of 2018. We assume relatively stable oil prices, as the positive effects from the OPEC+ production cut deal extension until end-2018, declining oil inventories and increasing global demand (boosted additionally by the cold winter in the USA) would compensate for the expected increase in the US shale production. While Russia presidential elections (**18 Mar**) would be most likely won by Vladimir Putin, the government composition after the elections will determine the trajectory of the Russian economy for years ahead (status quo or reform). Until the outcome of US sanctions and the election is known, the market may experience some pressure in H1'18, but then it would most probably return to growth in H2'18.

In Bulgaria capital market should be positively influenced by the higher-than-expected GDP growth for 2017 and the upward revised economic growth for 2018, the recent country rating upgrade and the prevailing positive or neutral company earnings for 2017. Forthcoming SOFIX rebalancing in March could be a near-term source of volatility, in addition to 2017 consolidated corporate results expected in end-Feb. Government policy remains supportive towards Bulgarian capital markets. There are plans for the introduction of a voucher program to finance listings of small and medium-sized enterprises on the BSE with first IPOs, supported by it, expected in

end-2018. Otherwise, no major elections are scheduled in 2018 in Bulgaria but political outlook remains delicate and some volatility might be expected after the end of Bulgaria's EU Presidency in end-June.

PORTFOLIO ALLOCATIONS:

Mutual fund	Return MoM, %	Equity allocation, %	MoM change in allocation
FFBH Vostok	+4.39%	75.90%	Increase in oil & gas equity exposure
FIB Avangard	+3.25%	77.07%	Increase in equity exposure to consumer staples and decrease in equity exposure to real estate and construction
FIB Classic	+1.34%	46.97%	No significant changes
FIB Garant	+0.50%	15.14%	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 (β) – 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 (β) – 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 (β) – 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 presentation.

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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