

## FFBH Vostok

February 2018

Data as per 28 February 2018

NAV	
NAV	BGN 754,462
NAV per share	BGN 0.7061

Return (%)	
Monthly (MoM)*	0.25%
Annual (YoY)*	-2.12%
Year-to-date*	4.65%
Since Inception (annualized)	-4.32%

Statistics (%)	
Standard Deviation*	18.71%
Monthly Alpha – MSCI Russia*	-2.74%
Beta (β) – MSCI Russia*	0.600
R <sup>2</sup> – MSCI Russia*	86.12%
Sharpe Ratio (0%)*	0.01

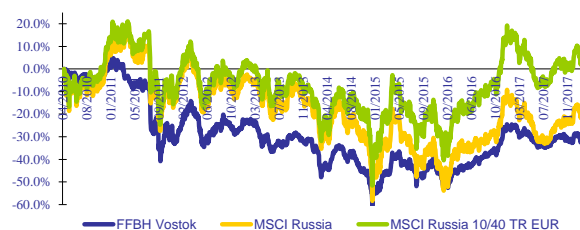
\* see notes

### 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, 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

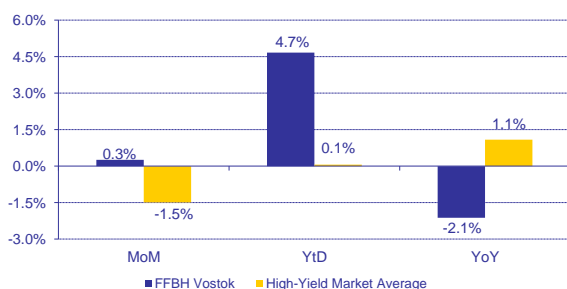
### Fact sheet and fee information

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

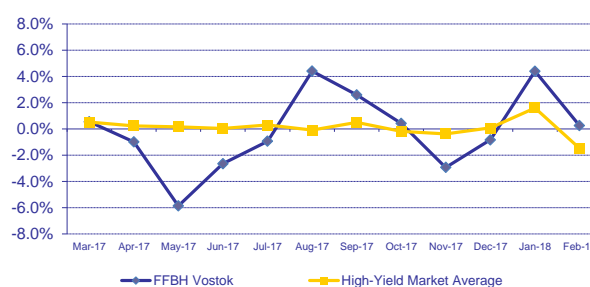
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

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

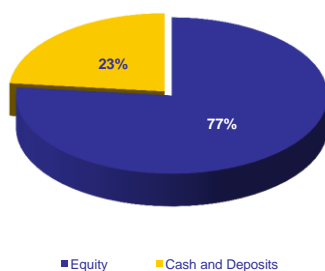


### MoM return to HY market average\*

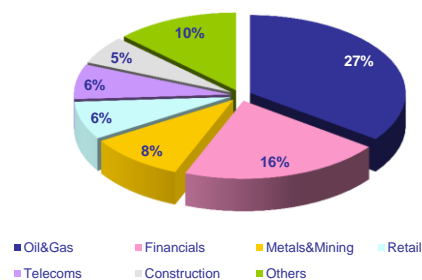


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Avangard

February 2018

Data as per 28 February 2018

NAV	
NAV	BGN 1,865,241
NAV per share	BGN 0.6338

Return (%)	
Monthly (MoM)*	-3.41%
Annual (YoY)*	3.94%
Year-to-date*	-0.27%
Since Inception (annualized)	-4.34%

Statistics (%)	
Standard Deviation*	8.51%
Monthly Alpha – MSCI ACWI*	-0.67%
Beta (β) – MSCI ACWI*	0.341
R <sup>2</sup> – MSCI ACWI*	31.34%
Sharpe Ratio (0%)*	0.76

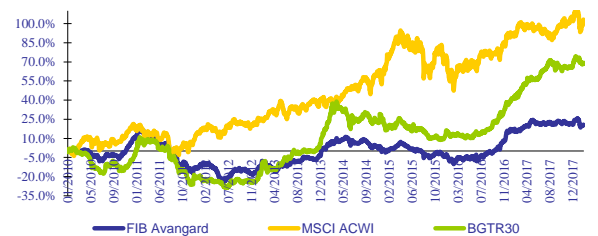
\* see notes

### 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

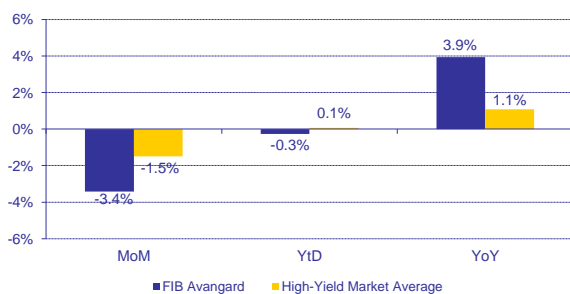
### Fact sheet and fee information

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

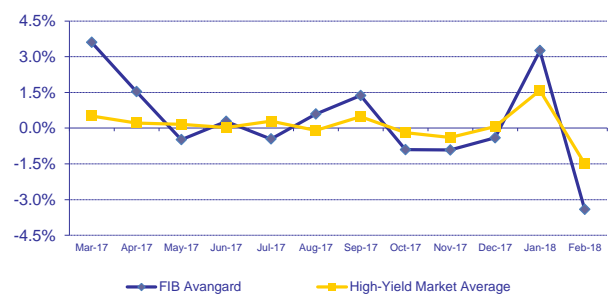
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

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

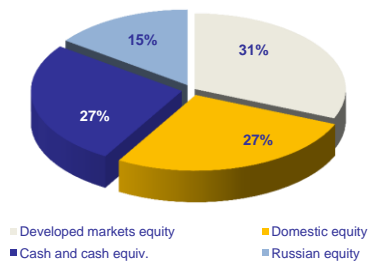


### MoM return to HY market average\*

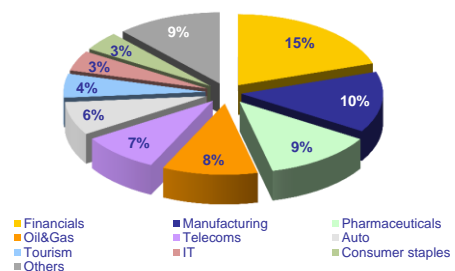


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Classic

February 2018

Data as per 28 February 2018

NAV	
NAV	BGN 1,707,187
NAV per share	BGN 0.9556

Return (%)	
Monthly (MoM)*	-1.67%
Annual (YoY)	1.74%
Year-to-date	-0.36%
Since Inception (annualized)	-0.44%

Statistics (%)	
Standard Deviation*	5.38%
Monthly Alpha – MSCI ACWI*	1.07%
Beta (β) – MSCI ACWI*	0.142
R <sup>2</sup> – MSCI ACWI*	13.70%
Sharpe Ratio (0%)*	1.01

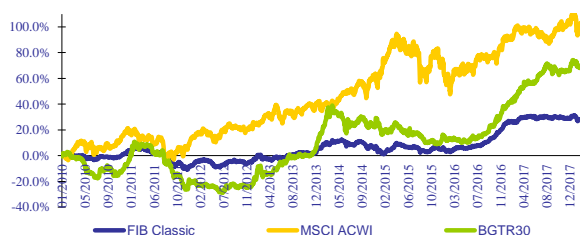
\* see notes

### 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

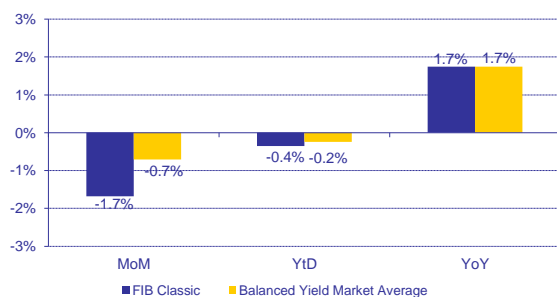
### Fact sheet and fee information

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

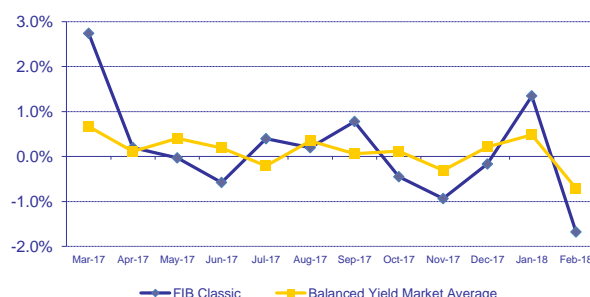
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.35%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.35%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

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

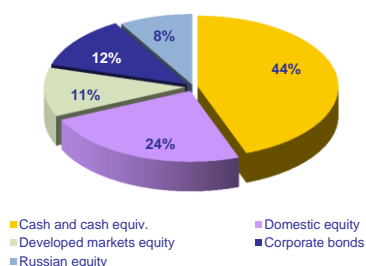


### MoM return to BY market average\*

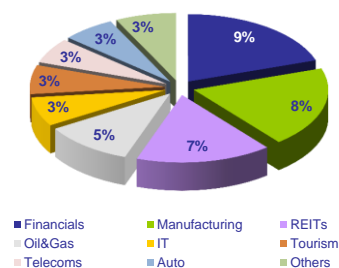


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Garant

February 2018

Data as per 28 February 2018

NAV	
NAV	BGN 1,350,125
NAV per share	BGN 1.3216

Return (%)	
Monthly (MoM)*	-0.79%
Annual (YoY)*	0.92%
Year-to-date*	-0.29%
Since Inception (annualized)*	2.75%

Statistics (%)	
Standard Deviation*	2.33%
Sharpe Ratio (0%)*	1.79
Interest rates (%)	
Sofibor (3 month)	0.01%
Sofibor (12 month)	0.56%

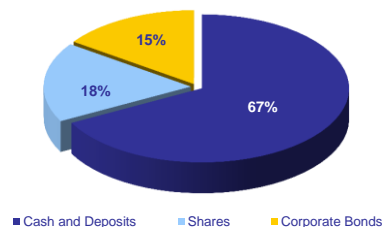
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yy)	Currency	Yield
Treasury	0.50%	17/02/19	BGN	-0.30%
Eurobond	2.00%	26/03/22	EUR	0.23%
Eurobond	1.88%	21/03/23	EUR	0.46%
Eurobond	2.95%	03/09/24	EUR	0.86%
Eurobond	3.00%	21/03/28	EUR	1.66%
Eurobond	3.13%	26/03/35	EUR	2.40%

Source: Bloomberg

### Asset Allocation



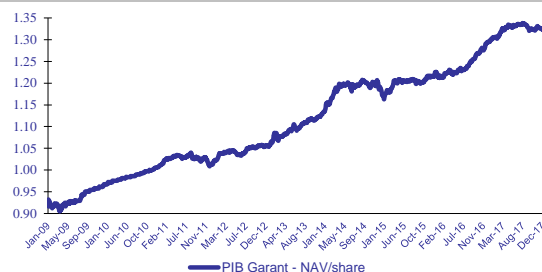
Source: FFBH Asset Management

### 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

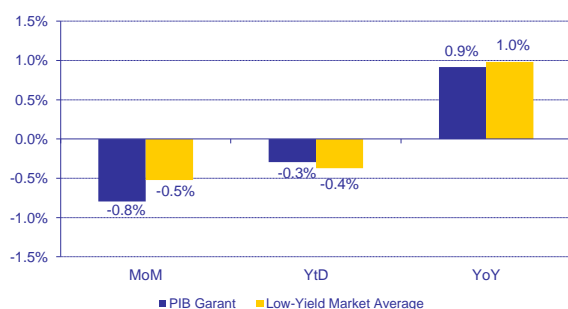
### Fact sheet and fee information

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

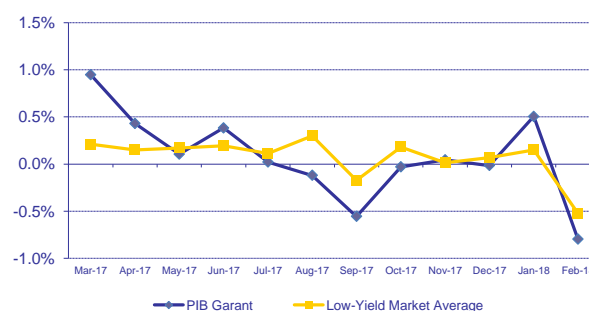
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.15%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.15%	0.00%
Management fee (annual % of average AUM)	1.50%	

\* 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 February 2018

### MARKET OVERVIEW:

Global indices dropped at the beginning of Feb over concerns of overheated US economy and less accommodative than expected US monetary policy. However, we saw a relatively quick recovery and in the end single-digit declines or even some increases were registered for the month.

**USA: S&P 500 and NASDAQ 100 fell by 3.9% MoM and 1.4% MoM in USD, respectively**, but after accounting for the US dollar appreciation vs the euro (+1.8% MoM) **the former was down 2.3% MoM in EUR, while the latter remained relatively stable in EUR terms (+0.3% MoM)**. Jan core inflation in the USA kept rising at the Dec rate of 1.8% YoY, which sent the US 10y Treasury yield to a 4-year high of 2.95% in the second half of Feb, before returning to 2.86% at the end of the month (+15.5 bps MoM). The minutes from the FOMC latest meeting held on 31 Jan confirmed the Federal Reserve view of growing economy, accelerating inflation and a gradual increase in interest rates, but only a few of the FED members had expressed worries about overheated economy, which calmed down the markets. At the same time the recently-appointed FED chairman indicated more than three interest rate hikes possible in 2018.

**EUROPE: European developed countries' stocks performed worst in Feb (MSCI Europe, -4.1% MoM)** impacted by the negative sentiment in the USA and the political uncertainty in the Eurozone. Most investors took wait-and-see positions in anticipation of the final deal regarding the new government coalition in Germany and the outcome of the parliamentary elections in Italy. Otherwise, macroeconomic data for the Eurozone were positive throughout the month. Eurozone unemployment continued trending downwards reaching an almost 9-year low of 8.6% in Jan, final Q4'17 GDP growth rate was confirmed at 2.7% YoY vs 2.6% in Q3'17, while core inflation for Jan and Feb was 1.0% YoY for each of the months. Mixed-to-positive Q4 corporate results prevailed.

**RUSSIA: MSCI Russia was the only index within our geographical coverage, which registered a MoM increase in Feb, both in USD (+0.9%) and EUR (+2.6%)**. Russian equities were positively influenced by a further 0.25% key rate cut to 7.50% in the first half of the month, though Brent price fell by 4.7% MoM to USD 65.78. Favourable macroeconomic data continued in Feb with surprising Jan core inflation of 1.9% YoY (vs 2.1% forecasted) and Jan unemployment rate of 5.2% (vs 5.3% expected). The largest MSCI Russia constituent - Sberbank (SBER LI, +1.5% in USD and +3.2% in EUR MoM) – reported Q4'17 net profit that exceeded analysts' estimates, but MoM advance in the stock price was much lower, compared to the previous month (similar to the other top index members).

**BULGARIA: SOFIX and BGTR30 fell by 3.7% and 2.4% MoM, respectively, against the backdrop of the lowest BSE monthly turnover for the last seven months**. Most of the SOFIX members were on the negative side. The previous month top gainers – Chimimport (6C4, -3.3% MoM) and Central Cooperative Bank (4CF, -6.6% MoM) – lost some of their Jan price increases, as both names accounted for a total of 56% of the turnover within SOFIX. Top loser within both of the indices was Neochim (3NB, -11.5% MoM) ahead of the SOFIX rebalancing in Mar, when this company was replaced by Trace Group Hold (T57, +2.0% MoM). Flash estimates of Bulgaria's Q4'17 GDP showed decelerating growth to 3.6% YoY (revised to 3.5% YoY recently) and some of the leading international institutions slightly decreased their 2018 growth estimates for the country (to 3.7-3.8% YoY). At the same time seasonally-adjusted unemployment rate kept declining to 6.1% in Dec'17, down from 6.2% (revised) for Nov'17 and Oct'17, while HICP inflation reached 1.3% YoY in Jan'18. Q4 consolidated financial results released in end-Feb were mostly neutral and as per our expectations.

### 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.**

**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 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 the near term the progress on the implementation of tariffs on steel and aluminium imports in the USA and their geopolitical consequences would be closely watched (on 8 Mar the President signed tariffs on aluminium and steel imports in the USA, that would take effect in 15 days and exempt Canada and Mexico indefinitely, which imposed risk of a global trade war).

**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 inflation trends and the ECB decisions and intentions with regard to its QE program. Sources of uncertainty on the political front are new German government decisions, new Italian government formation, BREXIT and Catalonia. Though German parties reached a coalition agreement in Feb-Mar, the parliamentary elections in Italy (that took place on **4 Mar**) showed high support for populists, who did not receive enough votes to control the new government, however. This promises difficult coalition negotiations and increased political tensions in the EU and may delay the implementation of important reforms in the country.

**Russia** is expected to increase monetary stimuli and provide for more stable economic recovery in 2018, with the key rate expected to decrease to c. 7% by the end of the year. 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 the near term the release of the last-quarter corporate financial results in Mar'18 could also be a source of volatility.

In Bulgaria capital market should be positively influenced by the favourable regional macroeconomic environment, the solid expected GDP growth for 2018, the recent country rating upgrade and the prevailing positive or neutral company earnings for 2017. SOFIX rebalancing in March could be a near-term source of volatility. 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	+0.25%	76.66%	No significant changes
FIB Avangard	-3.41%	73.43%	Increase in equity exposure to consumer staples and decrease in equity exposure to financials
FIB Classic	-1.67%	43.54%	Decrease in equity exposure to financials
FIB Garant	-0.79%	17.46%	Increase in equity exposure to pharmaceuticals and real estate

## 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 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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