

## FFBH Vostok

August 2019

Data as per 31 August 2019

NAV	
NAV	BGN 749,918
NAV per share	BGN 0.7317

Return (%)	
Monthly (MoM)*	-3.16%
Annual (YoY)*	13.22%
Year-to-date*	16.62%
Since Inception (annualized)	-3.28%

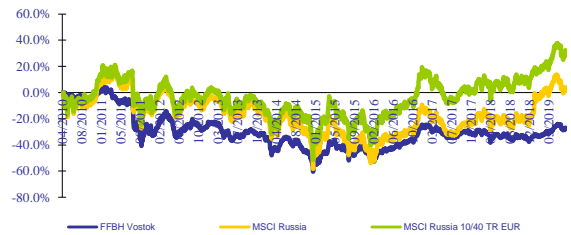
Statistics (%)	
Standard Deviation*	17.48%
Monthly Alpha – MSCI Russia*	-0.65%
Beta (β) – MSCI Russia*	0.60
R <sup>2</sup> – MSCI Russia*	31.36%
Sharpe Ratio (0%)*	0.29

\* 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 2019, 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

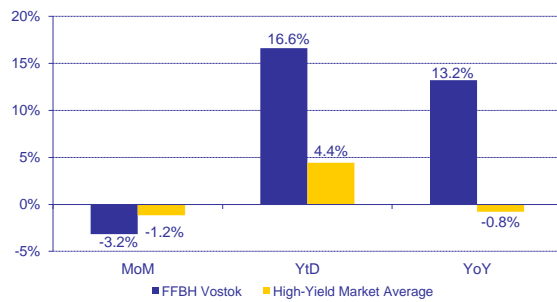
### Fact sheet and fee information

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

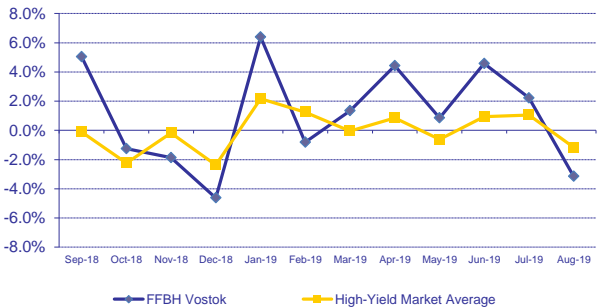
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

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

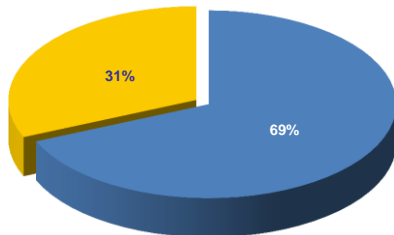


### MoM return to HY market average\*



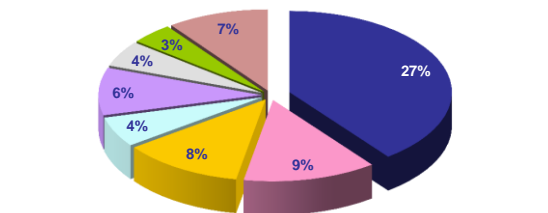
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



■ Equity ■ Cash and Deposits

### Equity Portfolio (% of total assets)



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

Source: FFBH Asset Management

## FIB Avangard

August 2019

Data as per 31 August 2019

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,605,534	Monthly (MoM)*	-2.57%	Standard Deviation*	7.53%
NAV per share	BGN 0.5539	Annual (YoY)*	-4.93%	Monthly Alpha – MSCI ACWI*	0.00%
		Year-to-date*	0.13%	Beta (β) – MSCI ACWI*	0.27
		Since Inception (annualized)	-4.89%	R <sup>2</sup> – MSCI ACWI*	32.96%
				Sharpe Ratio (0%)*	-0.02

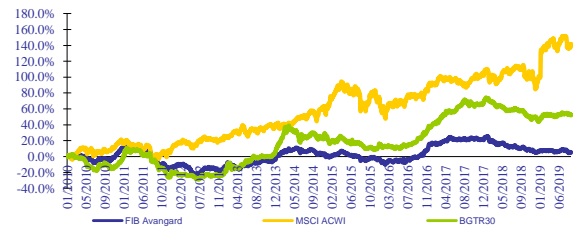
\* see notes

### 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 2019 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

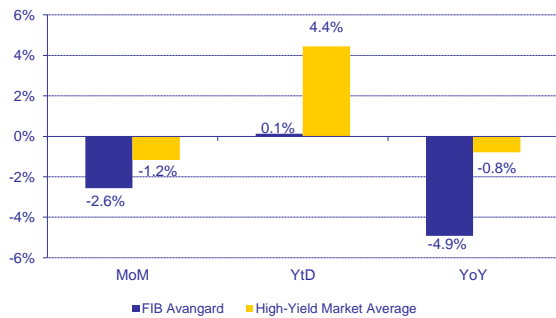
### Fact sheet and fee information

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

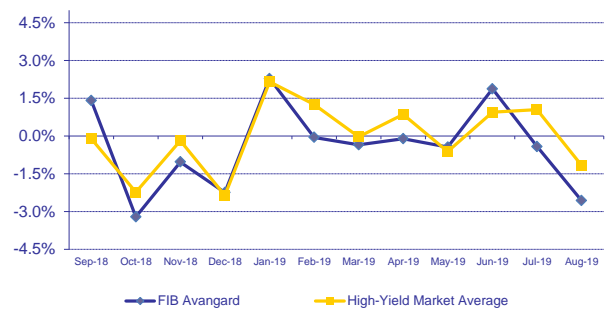
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)		3.00%

\* Minimum subscription is BGN 50

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

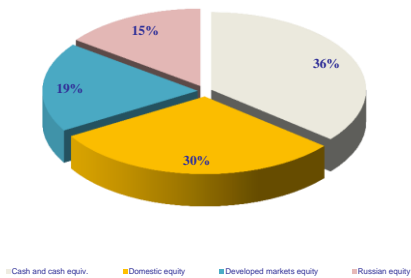


### MoM return to HY market average\*

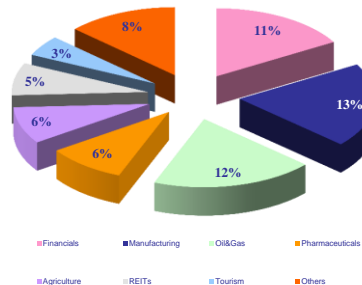


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Classic

August 2019

Data as per 31 August 2019

NAV	
NAV	BGN 1,418,828
NAV per share	BGN 0.8838

Return (%)	
Monthly (MoM)*	-1.60%
Annual (YoY)	-2.83%
Year-to-date	0.82%
Since Inception (annualized)	-1.04%

Statistics (%)	
Standard Deviation*	4.63%
Monthly Alpha – MSCI ACWI*	0.97%
Beta (β) – MSCI ACWI*	0.11
R <sup>2</sup> – MSCI ACWI*	13.61%
Sharpe Ratio (0%)*	0.34

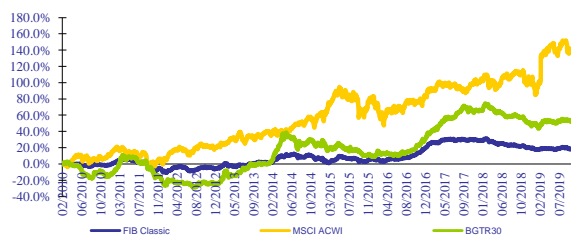
\* see notes

### 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 2019 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

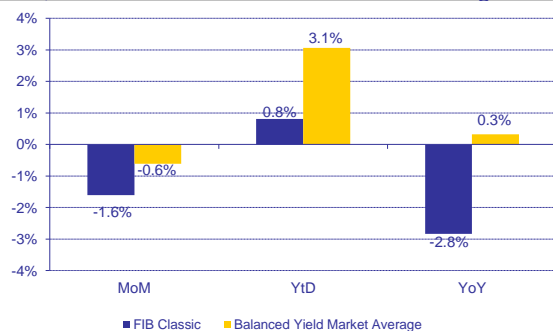
### Fact sheet and fee information

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

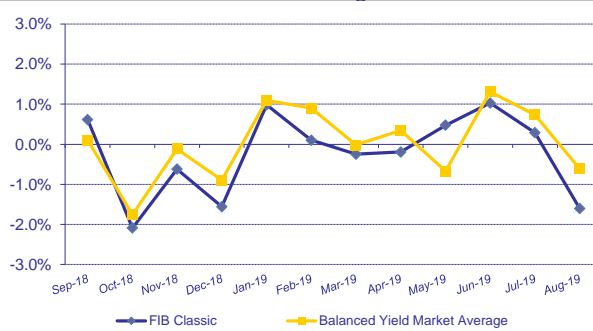
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.35%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.35%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

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

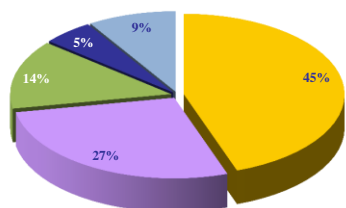


### MoM return to BY market average\*



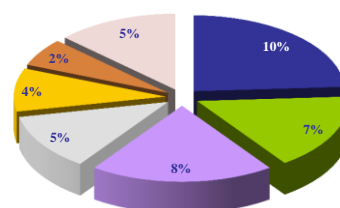
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



■ Cash and cash equiv. ■ Domestic equity ■ Corporate bonds ■ Developed markets equity ■ Russian equity

### Equity Portfolio (% of total assets)



■ REITs ■ Manufacturing ■ Oil&Gas ■ Financials ■ Agriculture ■ Tourism ■ Others

Source: FFBH Asset Management

## FIB Garant

August 2019

Data as per 31 August 2019

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,075,369	Monthly (MoM)*	-0.28%	Standard Deviation*	2.00%
NAV per share	BGN 1.2492	Annual (YoY)*	-2.61%	Sharpe Ratio (0%)*	0.40
		Year-to-date*	-0.48%	Interest rates (%)	
		Since Inception (annualized)*	1.91%	3 months	-0.12%
				12 months	0.16%

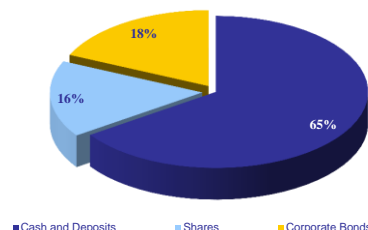
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yyyy)	Currency	Yield
Treasury	3.000%	12/02/2021	EUR	-0.41%
Eurobond	2.000%	26/03/2022	EUR	-0.34%
Eurobond	1.875%	21/03/2023	EUR	-0.16%
Eurobond	2.950%	03/09/2024	EUR	-0.08%
Eurobond	3.000%	21/03/2028	EUR	0.17%
Eurobond	3.125%	26/03/2035	EUR	1.14%

Source: Bloomberg

### Asset Allocation



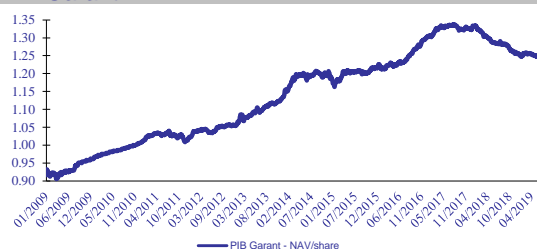
Source: FFBH Asset Management

### 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 2019 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

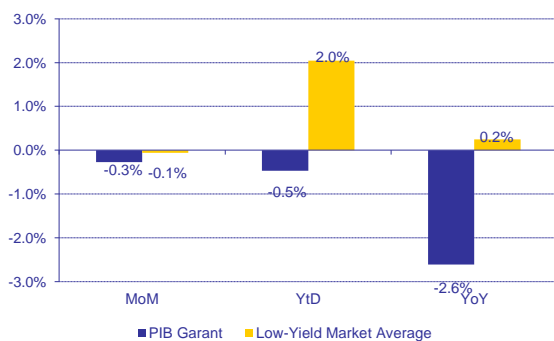


Source: FFBH Asset Management

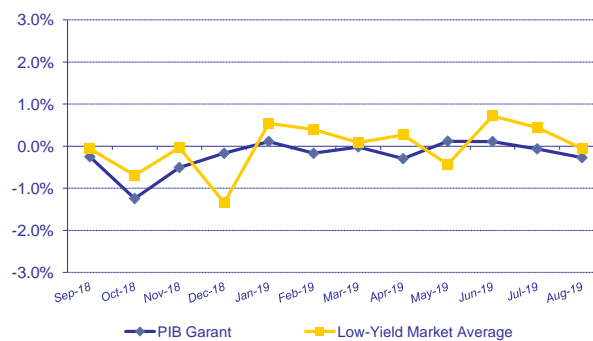
### Fact sheet and fee information

Type	Open-end equity fund	Subscription*	up to BGN 100,000	more than BGN 100,000
Classification	Balanced-conservative	Entry fee	0.15%	0.00%
Manager	FFBH Asset Management	Holding Period	up to 24 months	over 24 months
Custodian	First Investment Bank	Redemption fee	0.15%	0.00%
Subscriptions/ Redemptions	Every Business Day	Management fee (annual % of average AUM)		1.50%
Incorporation	Bulgaria	* Minimum subscription is BGN 50		

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



### MoM return to LY market average\*



Source: BAAMC, FFBH Asset Management calculations

## PORTFOLIO MANAGER'S COMMENT July 2019

### MARKET OVERVIEW:

In August 2019 the trade tensions between the US and China unexpectedly heightened after the President announced new tariffs on 300 billion USD worth of imports, mainly consumer goods and technology products. China retaliated with similar tariffs on oil and agricultural imports, resulting in high volatility on financial markets, risk aversion and changed economic growth expectations.

The US government bonds yield curve inverted (around mid-term maturities), digested by financial markets as an early recession signal, the US dollar and gold appreciated and oil prices remained volatile.

Europe experienced political crisis in Italy leading to government resignation and attempts to form a new governing coalition. Economic data continued to be weak whereas in Germany GDP shrank QoQ due to worsening terms of trade. Expectations for monetary stimulus by the ECB and fiscal measures by the governments resulted in new record low negative government bond yields in developed European countries.

In the UK the lack of consensus regarding Brexit allowed the Prime Minister to plead for extended Parliament recess meaning effectively increased probability of no deal exit from the EU.

Economic news-flow was again dominated by emerging changes in central banks' policies in response to worsening economic data and expected global economic slowdown.

Chinese economy continued to slow, the yuan depreciated past the 7.00 USDCNY level, the PBOC introduced new prime lending rate methodology as an economic stimulus measure.

**US: S&P 500 and NASDAQ 100 decreased by 1.81% MoM and 2.02 % MoM in USD, respectively, with smaller decreases registered in EUR (0.97% MoM and 1.17% MoM, respectively).** US economic growth fell to 2.0% in the second quarter of 2019, core inflation rose slightly to 2.2% YoY in July, unemployment rate remained stable - 3.7% in July. US capital markets volatility was significant due to renewed trade tensions and debates continued concerning FED's monetary policy and its ability to act in case of recession. Big technology companies were forced to seek solutions to the presidential sanctions for some transactions with their Chinese suppliers and customers. In fixed income markets the 10y Treasury yield fell sharply to 1.50%. The US dollar appreciated further and closed around 1.0982 against the euro.

**EUROPE: MSCI Europe decreased by 1.74% MoM**, whereas economic growth in the Eurozone fell to 1.1% in the second quarter of 2019. Unemployment rate was stable at 7.5% in July and core inflation remained at 0.9% YoY in August. In anticipation of the monetary stimulus by the ECB investors increased their demand for various risk profile fixed income instruments and 10y German Bund yield fell to new record low negative value of -0.70%. Main European economies (Germany, France) continue to experience substantial economic slowdown resulting in flight to quality and risk aversion by investors even at negative yields. Some analysts consider these developments as an early indicator of more significant correction in risk assets' valuations.

**RUSSIA: MSCI Russia decreased by 4.72% MoM in USD and decreased by 3.90% in EUR terms respectively** following the general direction in financial markets. Brent oil price decreased to USD 59.25 (decrease of 8.21% MoM). Oil prices were mainly influenced by the tensions between the US and Iran as well as the outcome of the OPEC+ meeting in early July. Oil production cuts agreed upon in December 2018 were extended to early 2020. The US increased further their export capacity and infrastructure weighing on oil prices in combination with the economic slowdown. The CBR left its key rate unchanged at 7.25%, confirming its easing cycle based on stable inflation and slowing growth. Low natural gas and other commodity prices remain a challenge compressing the free cash flow of large companies. Challenges represent also economic sanctions imposed by the US and the EU as well as the future of important cross border infrastructure projects. Economic growth increased slightly in Q2 to 0.9%, inflation fell to 4.5% in July and the unemployment increased to 4.5% in July.

**BULGARIA: SOFIX decreased by 2.28% and BGTR30 decreased by 1.68%**, following the direction of world capital markets. Relatively good news represented the increased earnings per share reported by companies on quarterly basis. In general stock indices stay within a tight range of 5% - 6% this year and there is no significant investors' demand. Macroeconomic situation remained stable, with Q2'19 GDP growth of 3.30% YoY, HICP July inflation (2.6% YoY) and stable unemployment on a seasonally-adjusted basis (4.5% in July).

### OUTLOOK:

International capital markets are entering a period of increased uncertainty due to renewed trade conflicts and geopolitical tensions. Investors expect specific measures by the central banks in order to avoid recession in developed economies. Equities and high-yield bonds remain attractive asset classes compared to low-yielding government bonds used by investors mainly as capital protection tool. Nevertheless episodes of sharp market fluctuations can be observed as an early warning signal of deeper market correction. The Russian economy remains influenced by geopolitical factors with low economic growth, strong dependency on oil prices and exports, but with sound fiscal and monetary policies. Bulgarian capital market remains in narrow range and is unable to synchronise with global financial markets suffering from low liquidity.

**PORTFOLIO ALLOCATIONS:**

Mutual fund	Return MoM, %	Equity allocation, %	MoM change in allocation
FFBH Vostok	-3.16%	68.53%	No significant changes
FIB Avangard	-2.57%	64.00%	No significant changes
FIB Classic	-1.60%	41.43%	No significant changes
FIB Garant	-0.28%	16.30%	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 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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