

## FFBH Vostok

February 2020

Data as per 28 February 2020

NAV	
NAV	BGN 752,650
NAV per share	BGN 0.7128

Return (%)	
Monthly (MoM)*	-9.87%
Annual (YoY)*	7.66%
Year-to-date 2020*	-8.55%
Since Inception (annualized)	-3.37%

Statistics (%)	
Standard Deviation*	16.00%
Monthly Alpha – MSCI Russia*	3.29%
Beta (β) – MSCI Russia*	0.60
R <sup>2</sup> – MSCI Russia*	37.61%
Sharpe Ratio (0%)*	0.43

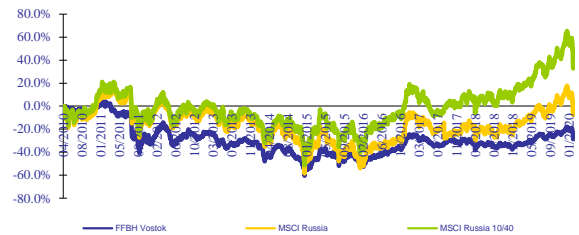
\* see notes

### 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 2020, 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

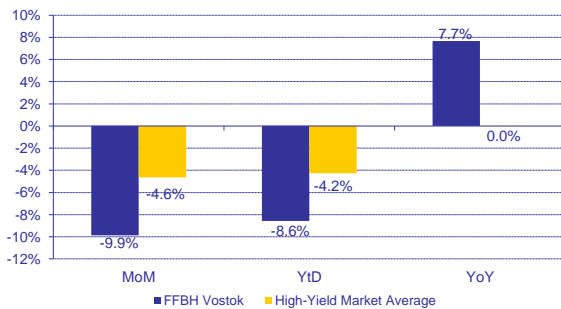
### Fact sheet and fee information

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

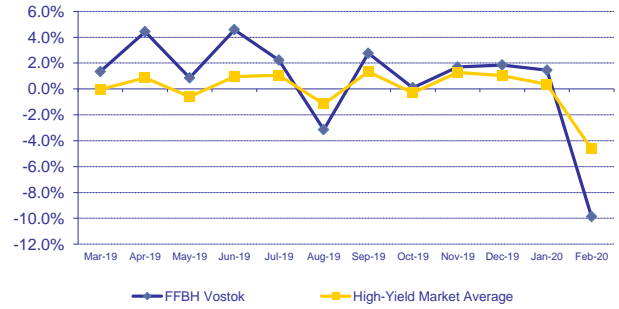
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

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

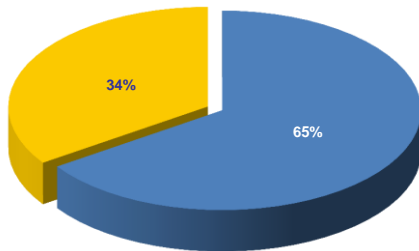


### MoM return to HY market average\*



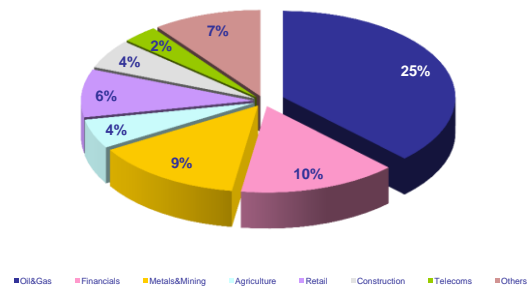
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



■ Equity ■ Cash and Deposits

### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Avangard

February 2020

Data as per 28 February 2020

NAV	
NAV	BGN 1,363,615
NAV per share	BGN 0.5191

Return (%)	
Monthly (MoM)*	-7.89%
Annual (YoY)*	-8.20%
Year-to-date 2020*	-8.78%
Since Inception (annualized)	-5.20%

Statistics (%)	
Standard Deviation*	8.54%
Monthly Alpha – MSCI ACWI*	-0.37%
Beta (β) – MSCI ACWI*	0.35
R <sup>2</sup> – MSCI ACWI*	46.23%
Sharpe Ratio (0%)*	-0.05

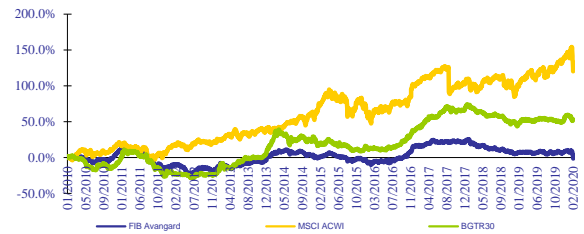
\* see notes

### 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 2020 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

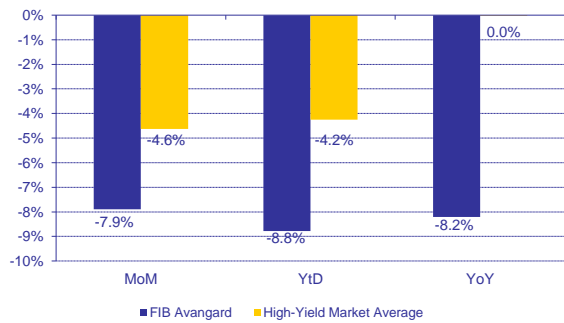
### Fact sheet and fee information

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

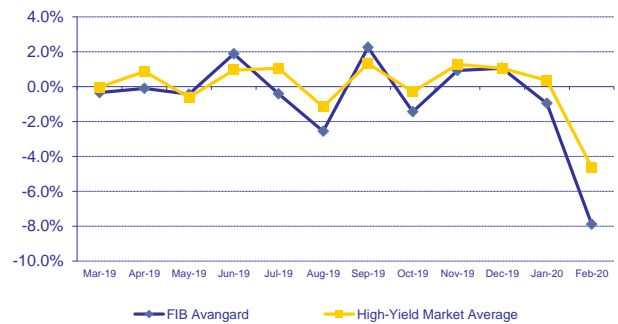
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	3.00%	

\* Minimum subscription is BGN 50

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

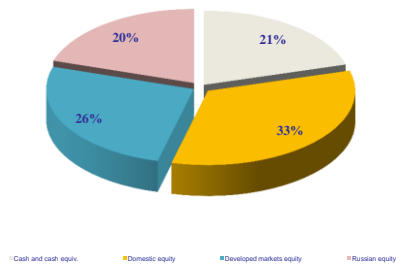


### MoM return to HY market average\*

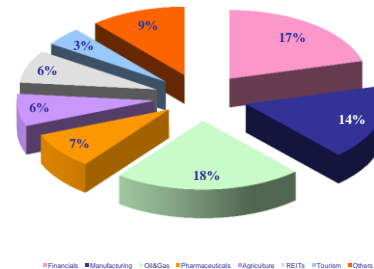


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Classic

February 2020

Data as per 28 February 2020

NAV	
NAV	BGN 1,329,792
NAV per share	BGN 0.8626

Return (%)	
Monthly (MoM)*	-3.39%
Annual (YoY)	-2.66%
Year-to-date 2020*	-4.05%
Since Inception (annualized)	-1.20%

Statistics (%)	
Standard Deviation*	4.53%
Monthly Alpha – MSCI ACWI*	4.14%
Beta (β) – MSCI ACWI*	0.15
R <sup>2</sup> – MSCI ACWI*	27.56%
Sharpe Ratio (0%)*	0.48

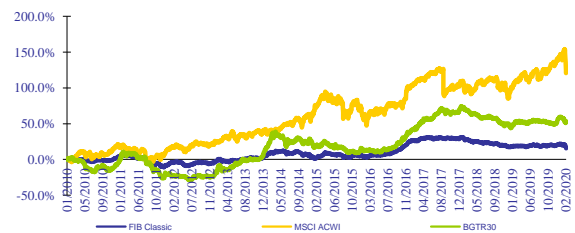
\* see notes

### 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 2020 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

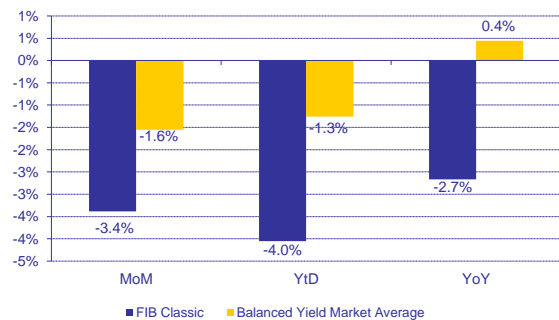


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

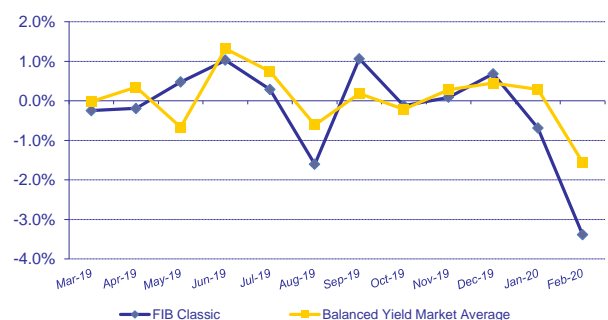
### Fact sheet and fee information

Type	Open-end equity fund	Subscription*	up to BGN 100,000	more than BGN 100,000
Classification	Balanced fund	Entry fee	0.35%	0.00%
Manager	FFBH Asset Management	Holding Period	up to 24 months	over 24 months
Custodian	First Investment Bank	Redemption fee	0.35%	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 BY market average\*

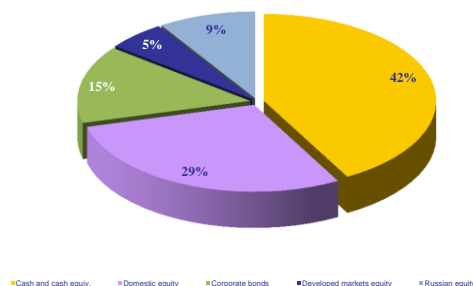


### MoM return to BY market average\*

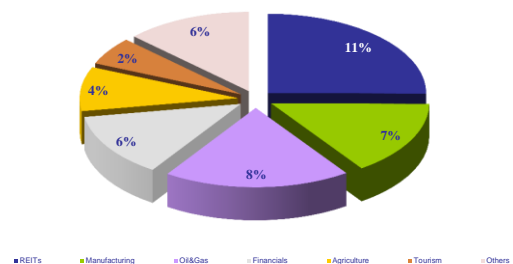


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Garant

February 2020

Data as per 28 February 2020

NAV	
NAV	BGN 1,032,114
NAV per share	BGN 1.2302

Return (%)	
Monthly (MoM)*	-1.30%
Annual (YoY)*	-1.93%
Year-to-date 2020*	-1.36%
Since Inception (annualized)*	1.70%

Statistics (%)	
Standard Deviation*	1.76%
Sharpe Ratio (0%)*	0.49
Interest rates (%)	
3 months	-0.15%
12 months	0.03%

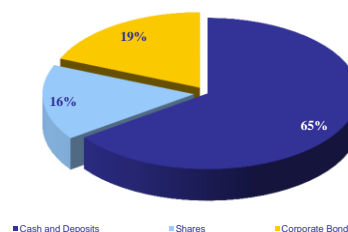
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yyyy)	Currency	Yield
Treasury	3.000%	12/02/2021	EUR	-0.48%
Eurobond	2.000%	26/03/2022	EUR	-0.28%
Eurobond	1.875%	21/03/2023	EUR	-0.12%
Eurobond	2.950%	03/09/2024	EUR	-0.06%
Eurobond	3.000%	21/03/2028	EUR	0.08%
Eurobond	3.125%	26/03/2035	EUR	0.68%

Source: Bloomberg

### Asset Allocation



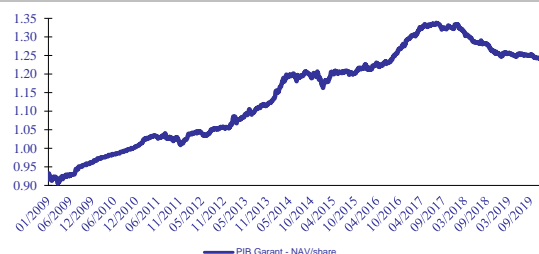
Source: FFBH Asset Management

### 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 2020 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

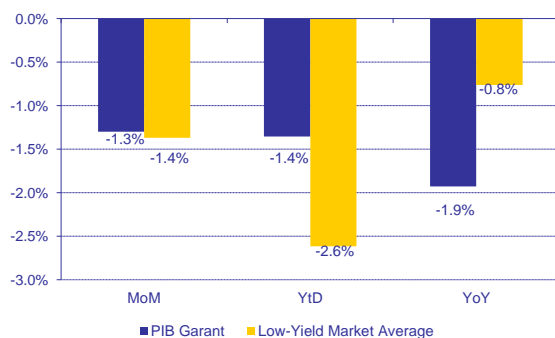
### Fact sheet and fee information

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

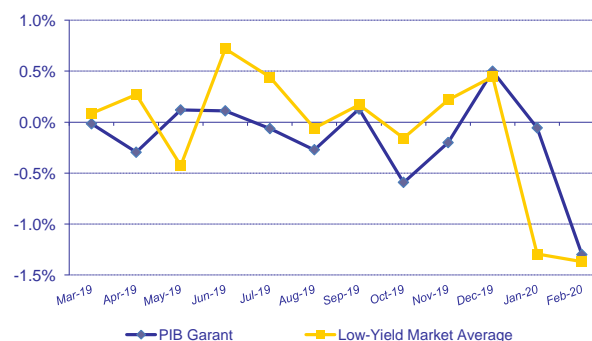
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.15%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.15%	0.00%
Management fee (annual % of average AUM)	1.50%	

\* 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 2020

### MARKET OVERVIEW:

In February 2020 the dominating theme was the spreading of the coronavirus in China and most of all its development in the rest of the world. As a result China lowered in half and ahead of schedule its tariffs on some US imported goods including medicine supplies used in contamination controls. At the semiannual hearing before the Congress the Chairman of the FED reaffirmed the central bank's assessment of the current state of the economy, emphasized the limitations of the monetary policy stimulus taking into consideration the historic low levels of interest rates and focused on fiscal stimulus measures in case of economic slowdown, as well as the role of a balanced federal budget in achieving long-term economic growth. Some of the large technology companies with supply and distribution chains heavily dependent on China and the region, issued revenue and sales warnings and adjusted their guidance for Q1.

The EU economy delivered some disappointing data – declining industrial orders and plummeting industrial production in Germany and France in December 2019, as well as zero economic growth for the German economy in Q4 2019. At its testimony before the European Parliament the President of the ECB stressed the importance of monetary policy tools review within the Union, as well as the need of fiscal support, structural reforms and a complete banking and capital union. The Parliamentary elections in Ireland surprisingly lead to majority of the nationalist party Sinn Fein. Germany witnessed a small political crisis for the ruling coalition after a defeat in the local elections in Hamburg, the resignation of the announced successor of the Chancellor and an unprecedented collaboration attempt by the Free Democrats with the far right party Alternative for Germany during the Prime minister election in the state of Thuringia. The negotiations for the new EU budget for the next 6 years (the first after the exit of the UK) started with resistance by the net contributing states against the budget increase, proposed by the European Council, as well as calls for expenditure reductions and increase of the contributions of the poorer member states. The UK and the EU agreed on their negotiation mandates concerning the future trade and political relations and both parties confirmed the agreement deadline set for the year end.

Globally the investment community was closely watching the epidemic developments in China and the gradual spreading into the rest of the world. The increasing number of new infections in more countries led to quarantines of cruise ships, cancellations of public events and as a result the growing uncertainty and fear triggered substantial sell-off in financial markets during the last week of the month.

**US: S&P 500 and NASDAQ 100 decreased by 8.41% MoM and 5.86 % MoM in USD, respectively, with lower decreases registered in EUR (7.85% MoM and 5.32% MoM, respectively).** The US economic growth remained stable at 2.1% in Q4 2019; the core inflation remained stable at 2.3% YoY in January; the unemployment rate was unchanged 3.6% in January. The US capital markets initially retraced the previous month losses and reached new historic highs. The economic data and earnings releases came in line with expectations. The last week of the month started with panic selling by investors triggered by the potential effects of the coronavirus epidemic on the global economic growth, leading to over 10% declines in major averages from their historic highs. The government bond market continued to increase and the 10y Treasury yield fell significantly to 1.15%, reflecting the strong demand for risk-free assets. In an environment of rising uncertainty the US dollar appreciated initially against the major currencies but gave up its gains later in the month and closed virtually unchanged around 1.1026 against the euro.

**EUROPE: MSCI Europe decreased by 8.70% MoM,** and the economic growth in the Eurozone was revised down to 0.9% in Q4 2019. The unemployment rate was stable at 7.4% in December and the core inflation stabilized at 1.1% YoY in January. The European capital markets followed the general market sentiment during the month and posted declines of over 10% from their highs. The demand for risk-free assets increased and the 10y German Bund yield fell, closing around -0.60%. Under the circumstances investors' expectations for monetary and fiscal stimulus increased. The majority of investment analysts lowered their expectations for Q1 economic growth in developed and emerging markets and forecast zero EPS growth.

**RUSSIA: MSCI Russia decreased by 14.45% MoM in USD** and decreased by **13.93% in EUR terms respectively** after unconvincing start of the month, followed by a strong decline, greater than the declines in developed markets. The Brent oil price decreased substantially closing at USD 49.67 per barrel (decrease of 11.96% MoM). The overall decline in commodity prices was due to the situation in China and the decreasing demand. The OPEC+ countries will discuss the market conditions and production levels in the first week of March with additional significant production cuts expected as a measure against the coronavirus crisis. The CBR decreased its key reference rate by 0.25% to 6.00% at its meeting drawing closer subsequent rate cuts as soon as at the next policy meetings, citing rapidly declining inflation. In addition the US extended the Ukraine related economic sanctions for another year and imposed new sanctions on state oil companies for commercial transactions with Venezuela. In general the Russian capital market manages to follow the sentiment of developed markets. The new government and the President continue to implement fiscal and social programs focused on increasing growth and private household income. The macroeconomic data confirmed increase in the economic growth in Q3 2019 to 1.7%, the inflation rate fell to 2.7% in January and the unemployment rate was stable at 4.7% in January. The Russian currency depreciated and closed around 66.89 rubbles per dollar.

**BULGARIA: SOFIX decreased by 4.45% and BGTR30 decreased by 2.98%,** - a better performance compared to other capital markets. Most of the index member companies reported increase in revenues in Q4 2019, but average net profits fell slightly. Business climate indicators improved in January, whereas consumer confidence measures came lower than expected. Discussions about the entry into the ERM continued focusing on the potential risks of abandoning the fixed exchange rate against the euro in the future. Prevailing opinion foresees delay of the process if broader consensus can't be reached. The macroeconomic data confirmed Q4 2019 GDP growth of 3.50% YoY. The HICP January inflation rate increased to 3.4% YoY. The unemployment on a seasonally-adjusted basis was 4.1% in January.

### OUTLOOK:

The expectations of investment analysts for the global economy development in 2020 worsened substantially as a consequence of the possible adverse effects of the coronavirus epidemic. Expectations are for zero economic growth in Q1 and strong decreases in sales for most economic sectors, dependent on China and the region. European economies remain overexposed to such risks. Financial markets are discounting fresh monetary, fiscal and supranational stimulus, designed to underpin the recovery of the affected sectors after the situation comes under control. Companies will have to adapt to supply and demand changes, related to the economic slowdown, inventory build-up and orders backlog globally. Risk-free assets continue to experience strong demand as a safe haven for investors in an environment of uncertainty and high risk.

**PORTFOLIO ALLOCATIONS:**

Mutual fund	Return MoM, %	Equity allocation, %	MoM change in allocation
FFBH Vostok	-9.87%	65.39%	No significant changes
FIB Avangard	-7.89%	79.36%	No significant changes
FIB Classic	-3.39%	43.53%	No significant changes
FIB Garant	-1.30%	16.15%	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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