

## FFBH Vostok

July 2020

Data as per 31 July 2020

NAV		Return (%)		Statistics (%)	
NAV	BGN 681,395	Monthly (MoM)*	-3.86%	Standard Deviation*	16.91%
NAV per share	BGN 0.6378	Annual (YoY)*	-15.58%	Monthly Alpha – MSCI Russia*	-3.72%
		Year-to-date 2020*	-18.18%	Beta (β) – MSCI Russia*	0.59
		Since Inception (annualized)	-4.27%	R <sup>2</sup> – MSCI Russia*	39.36%
				Sharpe Ratio (0%)*	0.19

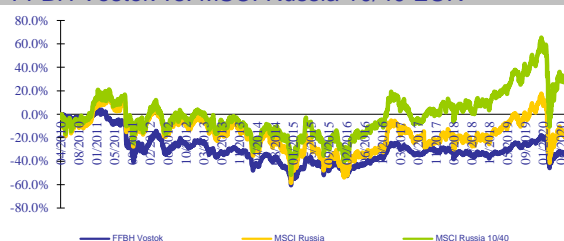
\* see notes

### 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



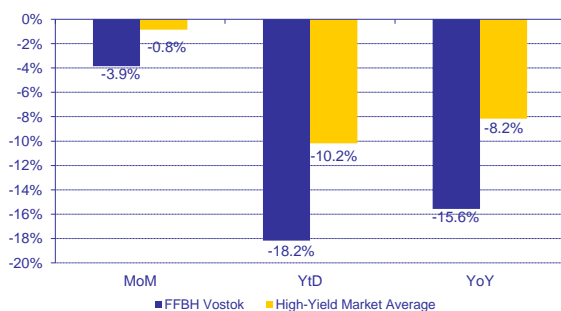
Source: Bloomberg, FFBH Asset Management

### Fact sheet and fee information

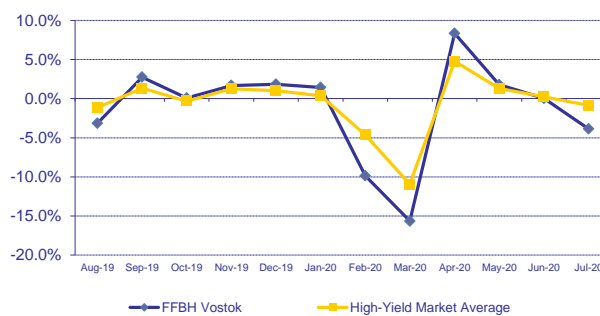
Type	Open-end equity fund	Subscription*	up to BGN 100,000	more than BGN 100,000
Classification	High-yield fund	Entry fee	0.50%	0.00%
Manager	FFBH Asset Management	Holding Period	up to 24 months	over 24 months
Custodian	First Investment Bank	Redemption fee	0.50%	0.00%
Subscriptions/ Redemptions	Every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

\* Minimum subscription is BGN 50

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

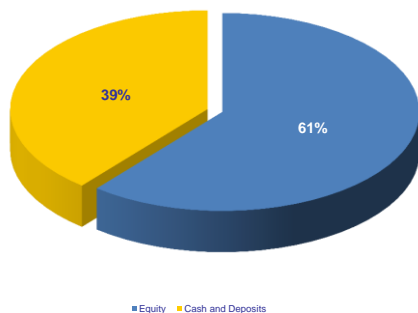


### MoM return to HY market average\*



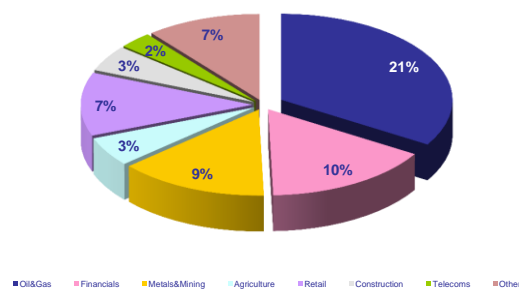
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



■ Equity ■ Cash and Deposits

### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Avangard

July 2020

Data as per 31 July 2020

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,021,159	Monthly (MoM)*	-3.87%	Standard Deviation*	11.80%
NAV per share	BGN 0.4215	Annual (YoY)*	-25.86%	Monthly Alpha – MSCI ACWI*	-4.12%
		Year-to-date 2020*	-25.94%	Beta (β) – MSCI ACWI*	0.46
		Since Inception (annualized)	-6.58%	R <sup>2</sup> – MSCI ACWI*	47.99%
				Sharpe Ratio (0%)*	-0.30

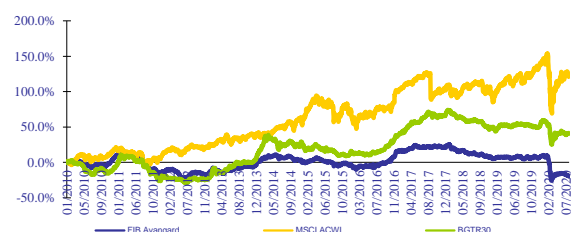
\* see notes

### 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

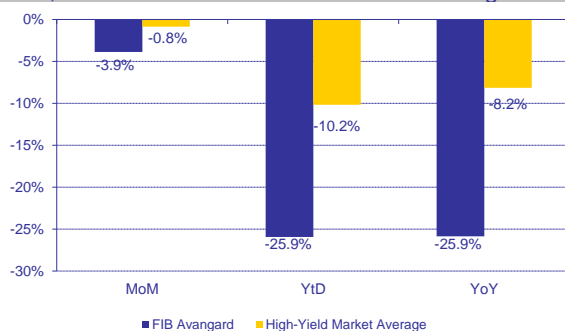


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

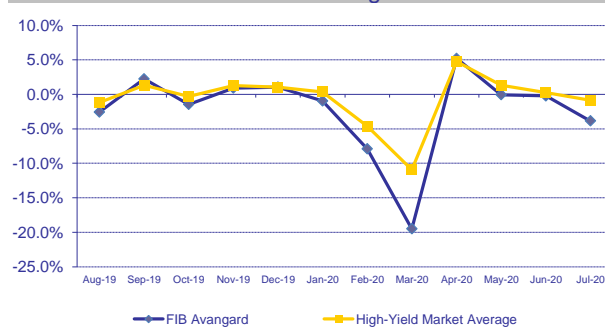
### Fact sheet and fee information

Type	Open-end equity fund	Subscription*	up to BGN 100,000	more than BGN 100,000
FSC Classification	High-yield fund	Entry fee	0.50%	0.00%
Manager	FFBH Asset Management	Holding Period	up to 24 months	over 24 months
Custodian	First Investment Bank	Redemption fee	0.50%	0.00%
Subscriptions/ Redemptions	Every Business Day	Management fee (annual % of average AUM)		3.00%
Incorporation	Bulgaria	* Minimum subscription is BGN 50		

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

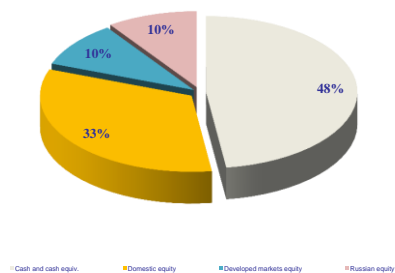


### MoM return to HY market average\*

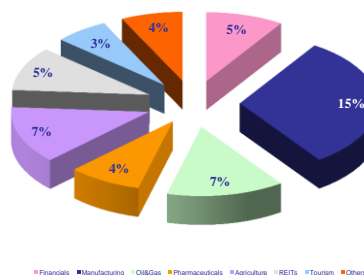


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Classic

July 2020

Data as per 31 July 2020

NAV		Return (%)		Statistics (%)	
NAV	BGN 1,138,143	Monthly (MoM)*	-2.57%	Standard Deviation*	5.90%
NAV per share	BGN 0.7718	Annual (YoY)	-14.07%	Monthly Alpha – MSCI ACWI*	-2.83%
		Year-to-date 2020*	-14.15%	Beta (β) – MSCI ACWI*	0.20
		Since Inception (annualized)	-2.02%	R <sup>2</sup> – MSCI ACWI*	37.74%
				Sharpe Ratio (0%)*	0.01

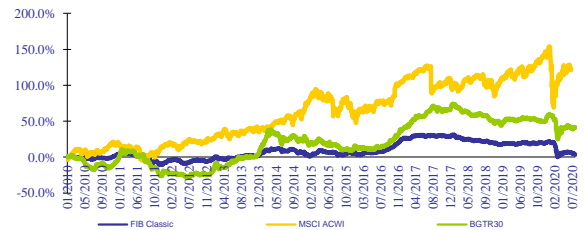
\* see notes

### 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 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



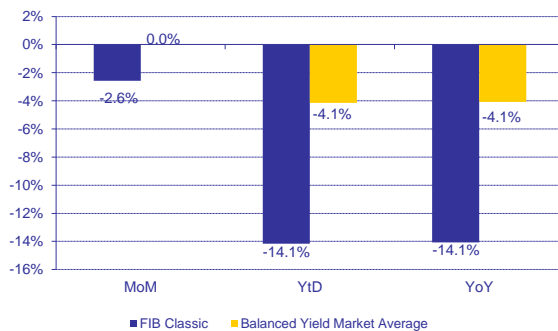
Source: Bloomberg, BSE-Sofia, FFBH Asset Management

### Fact sheet and fee information

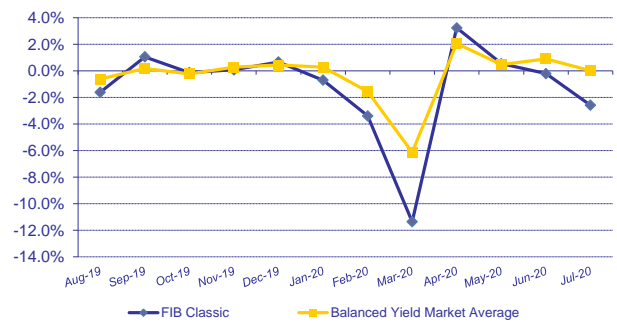
Type	Open-end equity fund	Subscription*	up to BGN 100,000	more than BGN 100,000
Classification	Balanced fund	Entry fee	0.35%	0.00%
Manager	FFBH Asset Management	Holding Period	up to 24 months	over 24 months
Custodian	First Investment Bank	Redemption fee	0.35%	0.00%
Subscriptions/ Redemptions	Every Business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

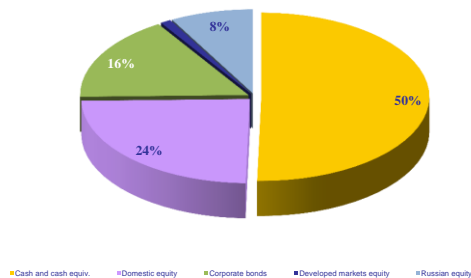


### MoM return to BY market average\*

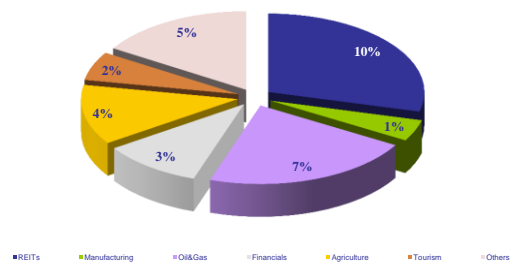


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Garant

July 2020

Data as per 31 July 2020

NAV	
NAV	BGN 985,065
NAV per share	BGN 1.1806

Return (%)	
Monthly (MoM)*	-0.74%
Annual (YoY)*	-5.75%
Year-to-date 2020*	-5.34%
Since Inception (annualized)*	1.32%

Statistics (%)	
Standard Deviation*	2.59%
Sharpe Ratio (0%)*	- 0.07
Interest rates (%)	
3 months	-0.33%
12 months	-0.17%

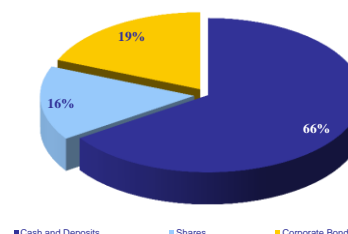
\* see notes

### 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	-0.14%
Eurobond	1.875%	21/03/2023	EUR	-0.14%
Eurobond	2.950%	03/09/2024	EUR	-0.06%
Eurobond	3.000%	21/03/2028	EUR	0.13%
Eurobond	3.125%	26/03/2035	EUR	1.03%

Source: Bloomberg

### Asset Allocation



Source: FFBH Asset Management

### Investment objective

FIB Garant is a conservative mutual fund, incepted 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

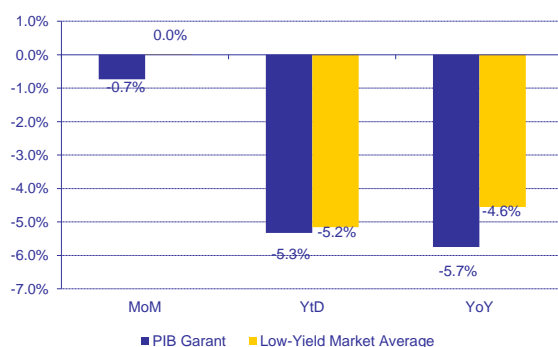
### Fact sheet and fee information

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

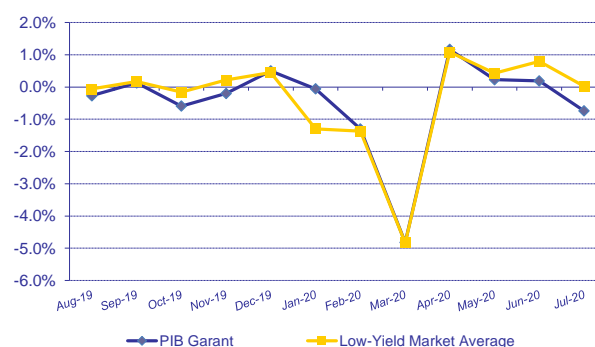
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.15%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.15%	0.00%
Management fee (annual % of average AUM)		1.50%

\* 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 July 2020

### MARKET OVERVIEW:

In July 2020 the financial markets didn't have a clear direction. The technology market indexes reached new historic highs, but the broader market was rather in a consolidation phase. The premature loosening of the distancing measures led to increase of the COVID19 infections in the US, Europe and Asia. The Q2 earnings delivered by the companies confirmed the effects of the economic downturn. The financial sector reported excellent results from trading and sales in financial instruments, but the banks had to incur significant impairments for loan losses and reported large drop in commercial banking revenues. The technology sector outperformed and reported record revenues under pandemic conditions. The manufacturing and energy sectors were mostly affected by falling revenues and profits. The labor market continued to recover from the drastic decline, but the weekly jobless claims stayed clearly above 1 million. The government unemployment support programs expired at the end of the month. The Congress and the House of Representatives will have to reach agreement for their extension. The tensions between the US and China increased again over concerns about the autonomous status of Hong Kong, closures of consulates by both countries as well as China's policy in the region of the South China Sea.

The economic activity in the European Union declined further. The European Commission lowered its economic activity forecast to a decline of 8.3% for 2020 and confirmed the worsening economic outlook. Of special importance were the hard and long negotiations between the member-states concerning the EU's budget until 2027, as well as the structure of the 750 billion euro recovery fund. Following various compromises the European leaders agreed on a budget (long-term financial framework) of 1.074 trillion euro and a pandemic recovery fund of 750 billion euro (where the amount of grants to the member-states was lowered from 500 billion to 390 billion euros and the size of loans to the member-states was increased from 250 billion euros to 360 billion euros, the latter to be financed through debt issuance on the capital markets). In addition the EU took commitment to use 30% of these funds for climate change with the goal of climate neutrality in 2050. The GDP data released at the end of the month confirmed double digit declines in the major regional economies.

**US: S&P 500 and NASDAQ 100 increased by 5.51% MoM and 7.37 % MoM in USD, respectively, with smaller increases registered in EUR (0.64% MoM and 2.42% MoM, respectively).** The GDP fell by 32.9% in Q2 2020; the core inflation was stable at 1.2% YoY in June; the unemployment rate fell to 11.1% in June. The capital markets saw an optimistic start of the month and reached above their June levels. The technology companies outperformed and reported record revenues and profits in Q2. The majority of reporting companies confirmed decreasing sales and lowered their expectations for the rest of the year. The Federal Reserve left its monetary policy unchanged and confirmed the present pace of asset purchases. The Central Bank reiterated that the direction of the economy will depend on the pandemic, as well as its readiness to use its full range of instruments for achieving maximum employment and price stability. In addition the FED extended its liquidity and support programs to the end of the year. The record decline in the Q2 GDP was due mainly to falling consumption, mostly in the services sector, lower inventories and exports. The government bond market rose and the 10y Treasury yield fell to 0.53%. The US dollar declined substantially against the major currencies and closed around 1.1778 against the euro.

**EUROPE: MSCI Europe decreased by 1.52% MoM**, whereas the economic growth in the Eurozone fell drastically by 12.1% in Q2 2020. The unemployment rate increased to 7.8% in June and the core inflation increased to 1.2% YoY in June. The European capital markets didn't find clear direction as well, although they were able to register new highs. The companies' earnings in the financial, energy and the cyclical sectors came in worse than expected due to falling sales and pandemic related write-offs. The large European economies contracted over 10% in Q2. The ECB left its monetary policy and asset purchase programs unchanged and extended the ban on dividends and share buy-backs for European banks until the end of the year. The demand for risk-free assets increased and the 10y German Bund yield fell, closing around -0.53%.

**RUSSIA: MSCI Russia increased by 0.26% MoM in USD** and decreased by **4.38% in EUR terms respectively**. The Brent oil price continued to recover closing at USD 43.52 per barrel (increase of 4.25% MoM). The CBR lowered the base rate by 25 bps to 4.25% due to the falling inflation rate end the pandemic and confirmed its intention to pursue this policy in the future. In addition it lowered the base rate neutral range to 5%-6% as well as its inflation forecast to 3.7%-4.2%. The macroeconomic forecasts for the year were revised at the end of the month. Despite the recovery in oil prices the CBR expects up to 7.2% decline in consumption, up to 5.5% decline in GDP and up to 12% decline in investment. The macroeconomic data confirmed decrease in the economic growth in Q1 2020 to 1.6%, the inflation rate stabilized slightly at 2.9% in June and the unemployment rate rose to 6.2% in June. The Russian currency depreciated and closed around 74.39 rubbles per dollar.

**BULGARIA: SOFIX decreased by 3.71% and BGTR30 decreased by 0.08%.** The IMF forecasts decline in the GDP growth of 4.00% in 2020 as well as unemployment rate of 8.00%. The government finalized the application process of joining the ERM in order to gain access to various stimulus measures within the EU, requiring ECB's direct supervision of systemically important credit institutions from October 2020. Q1 earnings confirmed the declined economic activity and the negative expectations for the rest of the year. The Central bank also extended the period for bank loans maturity extension applications until September 2020. The macroeconomic data confirmed Q1 2020 GDP growth of 2.4% YoY. The HICP June inflation rate decreased to 0.9% YoY. The unemployment on a seasonally-adjusted basis decreased to 4.4% in June.

### OUTLOOK:

The expectations of investment analysts for the global economic development in 2020 worsened substantially as a consequence of the possible adverse effects of the COVID19 pandemic. There is a confirmed double digit decline of economic growth in the last quarter and strong decrease in sales for most economic sectors, directly affected by the quarantine measures. Labour markets are recovering slightly after the dramatic increase in jobless claims and the loss of jobs. Financial markets reacted positively at the 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	-3.86%	60.86%	No significant changes
FIB Avangard	-3.87%	52.09%	No significant changes
FIB Classic	-2.57%	33.12%	Increased fixed-income exposure to government bonds
FIB Garant	-0.74%	15.59%	Increased fixed-income exposure to government bonds

## 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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