

## FFBH Vostok

October 2020

Data as per 30 October 2020

NAV	
NAV	BGN 641,474
NAV per share	BGN 0.5990

Return (%)	
Monthly (MoM)*	-3.61%
Annual (YoY)*	-20.41%
Year-to-date 2020*	-23.15%
Since Inception (annualized)	-4.74%

Statistics (%)	
Standard Deviation*	16.34%
Monthly Alpha – MSCI Russia*	3.19%
Beta (β) – MSCI Russia*	0.56
R <sup>2</sup> – MSCI Russia*	36.85%
Sharpe Ratio (0%)*	0.15

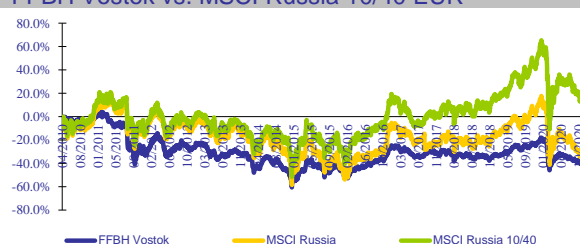
\* see notes

### 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

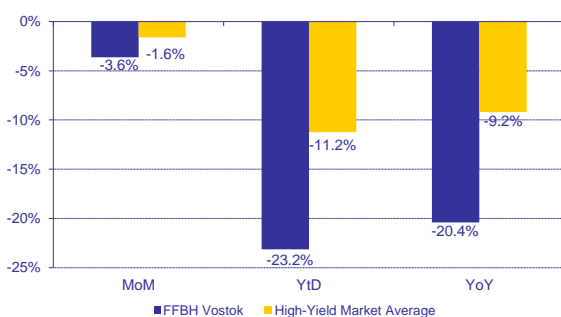
### Fact sheet and fee information

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

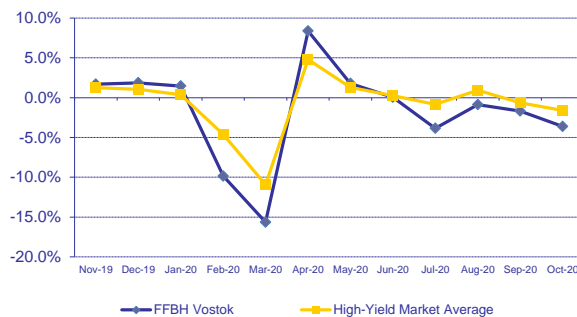
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.50%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.50%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

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

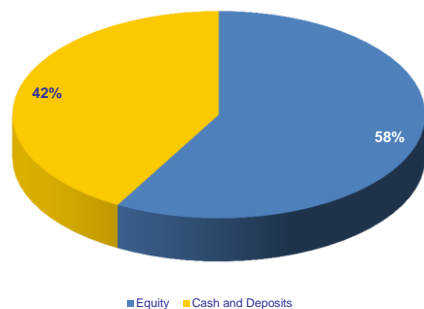


### MoM return to HY market average\*



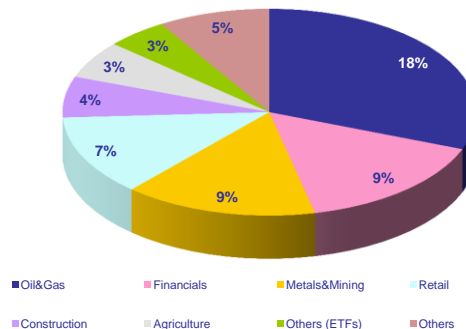
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



■ Equity ■ Cash and Deposits

### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Avangard

October 2020

Data as per 30 October 2020

NAV		Return (%)		Statistics (%)	
NAV	BGN 997,251	Monthly (MoM)*	-0.40%	Standard Deviation*	11.72%
NAV per share	BGN 0.4237	Annual (YoY)*	-24.09%	Monthly Alpha – MSCI ACWI*	1.47%
		Year-to-date 2020*	-25.55%	Beta (β) – MSCI ACWI*	0.46
		Since Inception (annualized)	-6.42%	R <sup>2</sup> – MSCI ACWI*	46.64%
				Sharpe Ratio (0%)*	-0.27

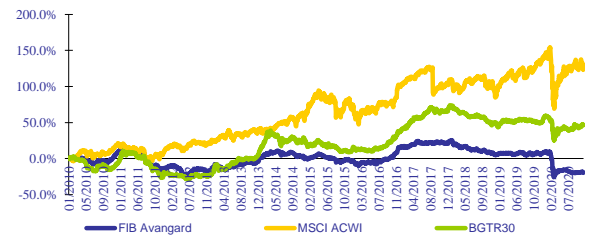
\* see notes

### 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

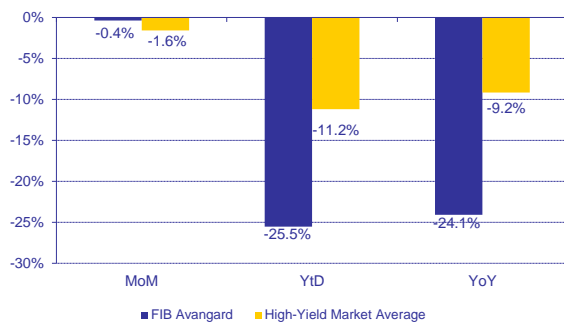


Source: Bloomberg, BSE-Sofia, FFBH Asset Management

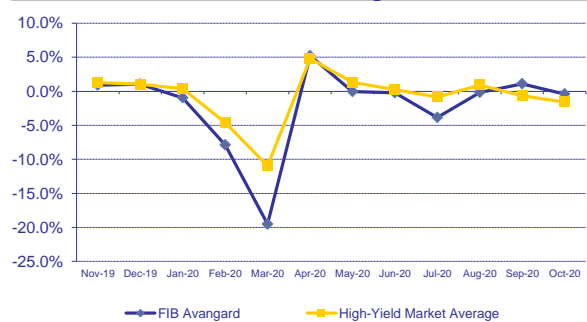
### Fact sheet and fee information

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\*

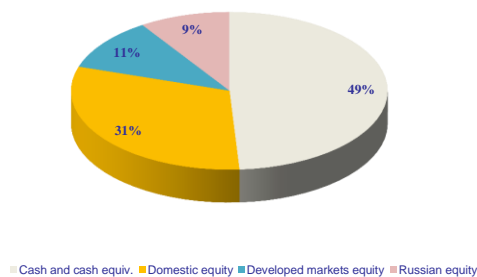


### MoM return to HY market average\*

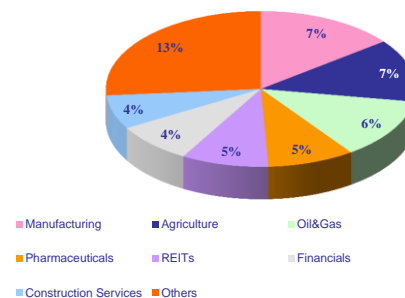


Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



### Equity Portfolio (% of total assets)



Source: FFBH Asset Management

## FIB Classic

October 2020

Data as per 30 October 2020

NAV	
NAV	BGN 1,117,139
NAV per share	BGN 0.7575

Return (%)	
Monthly (MoM)*	-1.68%
Annual (YoY)	-15.09%
Year-to-date 2020*	-15.74%
Since Inception (annualized)	-2.12%

Statistics (%)	
Standard Deviation*	5.88%
Monthly Alpha – MSCI ACWI*	0.19%
Beta (β) – MSCI ACWI*	0.20
R <sup>2</sup> – MSCI ACWI*	37.01%
Sharpe Ratio (0%)*	-0.08

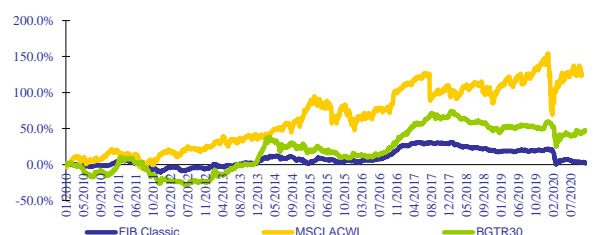
\* see notes

### 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

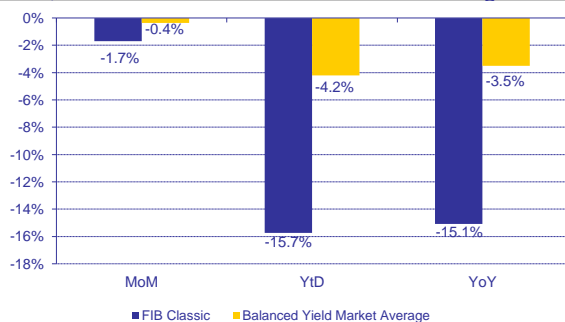
### Fact sheet and fee information

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

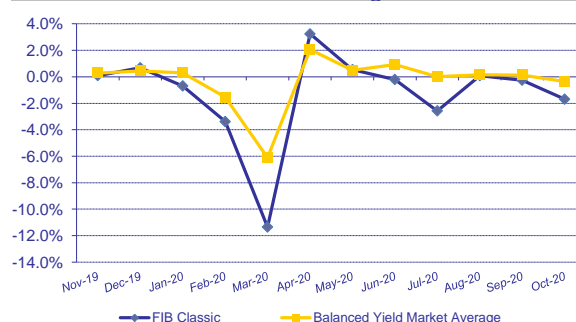
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.35%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.35%	0.00%
Management fee (annual % of average AUM)	2.50%	

\* Minimum subscription is BGN 50

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

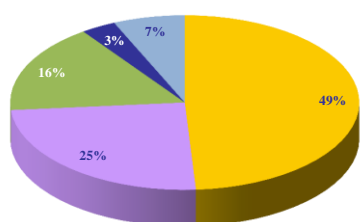


### MoM return to BY market average\*



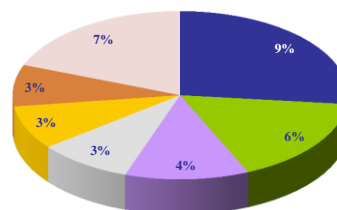
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



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

### Equity Portfolio (% of total assets)



■ REITs ■ Oil&Gas ■ Agriculture ■ Financials ■ IT ■ Pharmaceuticals ■ Others

Source: FFBH Asset Management

## FIB Garant

October 2020

Data as per 30 October 2020

NAV	
NAV	BGN 988,690
NAV per share	BGN 1.1849

Return (%)	
Monthly (MoM)*	-0.07%
Annual (YoY)*	-4.71%
Year-to-date 2020*	-4.99%
Since Inception (annualized)*	1.32%

Statistics (%)	
Standard Deviation*	2.60%
Sharpe Ratio (0%)*	- 0.14
Interest rates (%)	
3 months	-0.15%
12 months	0.03%

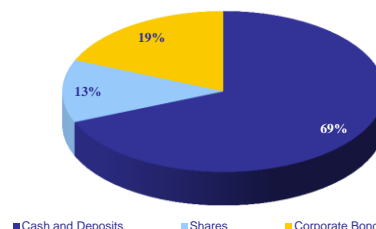
\* see notes

### Yield on selected Bulgarian treasuries (%)

Type	Coupon	Maturity (dd/mm/yyyy)	Currency	Yield
Treasury	3.000%	12/02/2021	EUR	-0.35%
Eurobond	2.000%	26/03/2022	EUR	-0.42%
Eurobond	1.875%	21/03/2023	EUR	-0.29%
Eurobond	2.950%	03/09/2024	EUR	-0.24%
Eurobond	3.000%	21/03/2028	EUR	0.10%
Eurobond	3.125%	26/03/2035	EUR	0.94%

Source: Bloomberg

### Asset Allocation



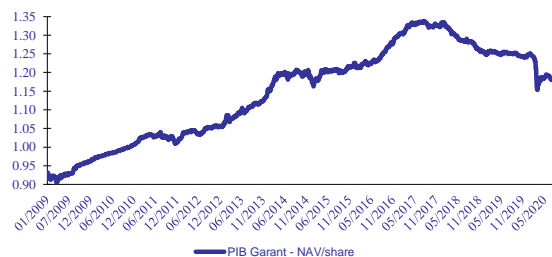
Source: FFBH Asset Management

### 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

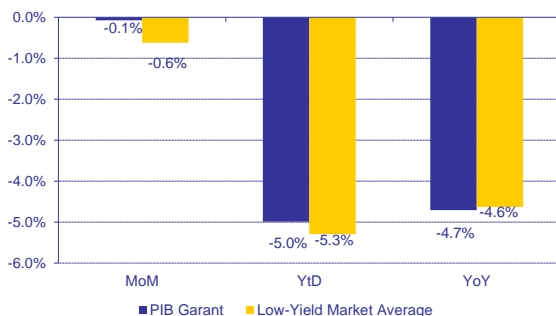
### Fact sheet and fee information

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

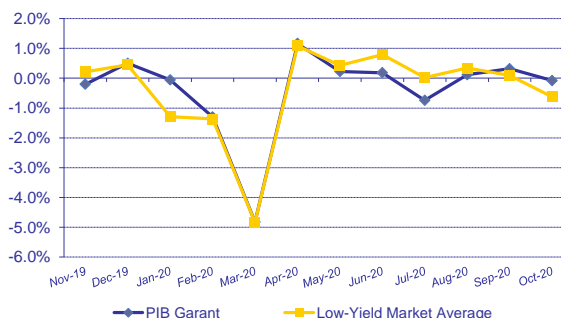
Subscription*	up to BGN 100,000	more than BGN 100,000
Entry fee	0.15%	0.00%
Holding Period	up to 24 months	over 24 months
Redemption fee	0.15%	0.00%
Management fee (annual % of average AUM)		1.50%

\* 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 October 2020

### MARKET OVERVIEW:

In October 2020 the financial markets declined, due to the rising number of infections worldwide and the re-introduction of restrictive measures in many countries, the uncertain outcome of the US elections as well as the worsening economic recovery outlook. The IMF forecasted 4.4% decline in the global economic growth for 2020 and reiterated its expectation for social distancing measures to remain in place through 2021 and for a reduced pace of local infections in 2022. Regarding the global debt, the Fund expects it to reach 125% of the GDP of the developed economies and 65% of the GDP of the emerging markets in 2021 as a result of the economic recovery programs. The US budget deficit surpassed 3 trillion USD reflecting the increased unemployment benefits expenditures and the small business support programs. The FED reiterated the need for continued fiscal and monetary stimulus measures as required condition for the economic growth. The economy recovered from the second quarter decline but some analysts warn of possible slowdown in the fourth quarter when the effects of the stimulus measures subside and additional restrictive measures seem increasingly possible. The European economies were notably affected by the second wave of the pandemic, leading to re-introduction of the restriction measures in the majority of the member-states. Manufacturing activity measures confirmed contraction except for Germany. The governments are facing temporary restrictions of certain activities in order to avoid second complete shutdown of the economy.

**US: S&P 500 and NASDAQ 100 decreased by 2.77% MoM and 3.20 % MoM in USD, respectively, with smaller decreases registered in EUR (2.15% MoM and 2.58% MoM, respectively).** The GDP rose by a robust 33.1% in Q3 2020; the core inflation remained stable at 1.7% YoY in September; the unemployment rate fell to 7.9% in September. The capital markets didn't find clear direction during the month and closed to the downside due to the increased uncertainty around the elections outcome and the increased number of infections. Many analysts consider this a normal correction after months of increases. The economic growth in Q3 was due mainly to increased consumption and capital investments in the economy as well as the increased exports. This composition looks favorable as far as consumption accounts for 68% of the GDP. The government bond market declined and the 10y Treasury yield increased to 0.87%. The US dollar appreciated against the major currencies and closed around 1.1647 against the euro.

**EUROPE: MSCI Europe decreased by 5.10% MoM,** whereas the economic growth in the Eurozone rose by a robust 12.7% in Q3 2020. The unemployment rate increased to 8.3% in September and the core inflation was stable at 0.2% YoY in October. The European capital markets underperformed after a few months of consolidation. The ECB left its monetary policy unchanged and signaled monetary stimulus increase in December. This happened in a moment when the two largest European economies – Germany and France are re-introducing confinement measures and the second wave of the pandemic is affecting all member-states. The ECB's view is that the economic recovery is losing steam sooner than expected. The demand for risk-free assets increased and the 10y German Bund yield fell, closing around -0.62%.

**RUSSIA: MSCI Russia decreased by 9.91% MoM in USD and decreased by 9.34% in EUR terms respectively.** The Brent oil price declined sharply closing at USD 37.94 per barrel (decrease of 11.25% MoM). The OPEC+ countries confirmed their intention to implement measures supporting the oil market due to the concerns that the second wave of the pandemic will additionally reduce the demand and even to reconsider their plans to increase production in 2021. The CBR left the base rate unchanged at 4.25% in view of the stable inflation rate and the worsening epidemiologic situation in the country. It confirmed the risks related to the international financial and commodities markets. The macroeconomic data confirmed decrease in the economic growth in Q2 2020 by 1.9%, the inflation rate increased to 3.3% YoY in September and the unemployment rate fell to 6.3% in September. The Russian currency depreciated and closed around 79.53 rubbles per dollar.

**BULGARIA: SOFIX increased by 0.09% and BGTR30 increased by 2.25%.** The capital market was relatively stable but still in the downward trend from the last months. The pandemic conditions affect the economic indicators and the results of the companies, but still some of them confirmed their dividend payments. There was a successful capital increase of a local technology company on the stock exchange. The government is planning amendments to the current budget due to the shortfall in the tax revenues and increased pandemic related expenditures. The expectation is for a total budget deficit of around 10 billion BGN for the years 2020 and 2021. The IMF confirmed its forecast for a 4.0% decline in the GDP in 2020. The macroeconomic data confirmed Q2 2020 GDP decline of 10.00%. The HICP September inflation rate was stable at 0.6% YoY. The unemployment on a seasonally-adjusted basis was stable at 6.2% in September.

### OUTLOOK:

The expectations of investment analysts for the global economic development in 2020 are turning more cautious in view of the second wave of the pandemic and the re-introduction of restrictive measures in many countries, affecting the economic activity. The labour market recovery is slowing and the direct financial support for the affected is becoming more crucial. The upcoming earnings season will reveal the degree of companies' adaptation to the changing conditions as well as which sectors manage to achieve earnings growth. The investors are reducing their exposure to risk assets in an environment of economic uncertainty.

**PORTFOLIO ALLOCATIONS:**

Mutual fund	Return MoM, %	Equity allocation, %	MoM change in allocation
FFBH Vostok	-3.61%	58.01%	No significant changes
FIB Avangard	-0.40%	50.73%	Increased equity exposure to the communications equipment sector, reduced equity exposure to the industrial goods and materials sector
FIB Classic	-1.68%	34.39%	Increased equity exposure to the communications equipment sector
FIB Garant	-0.07%	12.59%	Reduced equity exposure to the consumer goods sector and the tourism sector

## 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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