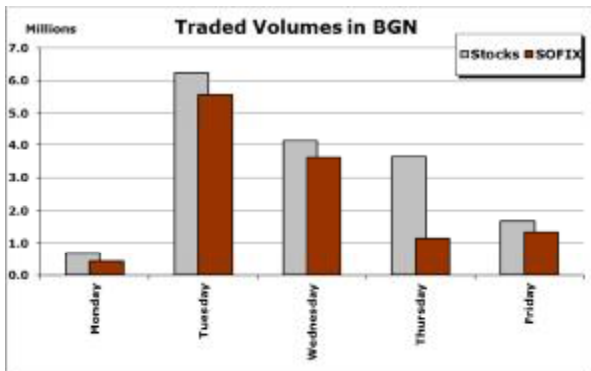


Indices

	Last quote	1-day change	5-day change	1 month	1 year
SOFIX	442.47	1.35%	2.79%	8.66%	51.6%
BG40	152.08	8.18%	10.62%	10.16%	39.1%
BGTR30	311.37	1.35%	2.52%	5.29%	25.8%
BGREIT	89.29	0.29%	1.58%	4.15%	31.3%

Market Capitalization in BGN

Premium Equities Segment	1 370 142 136
Standard Equities Segment	6 386 313 185
Special Purpose Vehicles Segment	492 599 885
Total	8 249 055 206



SOFIX's Components

Stock	Last Price	Weekly Change	Bid	Ask
Advance Terrafund REIT	2.30	2.86%	2.27	2.30
Albena	49.50	1.02%	49.00	51.00
Bulgaria Real Estate Fund REIT	0.60	1.69%	0.60	0.61
Bulgartabac Holding	99.99	-5.67%	100.00	105.00
Central Cooperative Bank	0.98	0.93%	0.97	0.98
Chimimport	1.43	1.27%	1.42	1.43
M+S Hydraulic	8.48	11.63%	8.12	8.49
Eurohold Bulgaria	0.94	-3.20%	0.94	0.97
First Investment Bank	1.93	4.27%	1.93	1.97
Industrial Holding Bulgaria	0.80	2.57%	0.79	0.80
Kaolin	4.09	1.41%	4.09	4.13
Monbat	6.95	5.30%	6.67	6.95
Sopharma	3.09	3.00%	3.08	3.09
Stara Planina Hold	2.72	4.65%	2.73	2.79
Zarneni Hrani Bulgaria	0.40	0.50%	0.40	0.40

The rally is resilient

The index SOFIX is near the highest level for the last two and a half year. Surprisingly, this is at the back of parliamentary elections two months ahead of the schedule, economic stagnation and political situation that could be described as challenging. Corporate reports are also not supporting strong market, although the decline of financial results during the first quarter was limited and investors are becoming more positive.

Looking for the reasons for a resilient stock market until the end of 2013, we came to some conclusions:

- The year began with a modest rally that was interrupted by the resignation of the government. However, the rally is back on track and local investors are steadily buying stocks;
- Valuation measures worsened in some degree. Multiples are higher when comparing to last year, albeit not much on average for industrial companies. What is important for local investors is the gap between discounted cash flows' intrinsic values of stocks and the valuation by multiples. Bulgarian companies have big potential to return to their growth rates of revenues and profit margins;
- Large cash flows are entering the market during the last several months. Many companies are paying dividends. The tobacco holding and several REITs, including the liquidation of the largest agricultural REIT and the probable delisting of Kaolin, are contributing mostly to those inflows. Although the total sum is near half a billion BGN, only a fraction of them will return to individual investors or to funds that plan to reinvest. Even a tenth of this sum is capable to change the supply and demand balance toward higher prices.

Many factors are against the possibility of overheating but we consider this as good news. Stocks will be less susceptible to deep corrections that usually have negative impact on the confidence. The market is near the conditions of 2002, rather than the booming 2006-2007.

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BUY	More than 5% higher as compared to SOFIX and BG40 performance
HOLD	Market performance, +/-5% as compared to SOFIX and BG40
SELL	More than 5% lower as compared to SOFIX and BG40 performance

Frequency of Recommendations: No schedule of recommendations is available. The frequency of recommendations depends on specific factors to individual companies and the opinion of the analyst(s) for the necessity of minor or major changes.

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