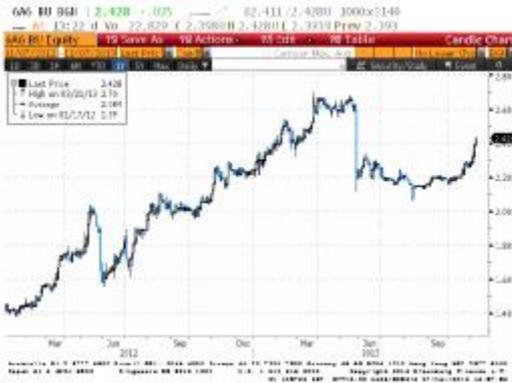
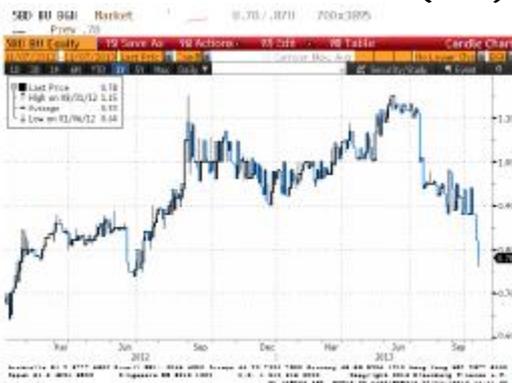


Advance Terrafund REIT (6A6)



- Advance Terrafund is the largest Bulgarian REIT that invests in agricultural land. It buys, rents, leases, consolidates and sells agricultural and urbanized land in the country. The portfolio consists of 24 413 ha of agricultural land.

Bulland Investments REIT (5BD)

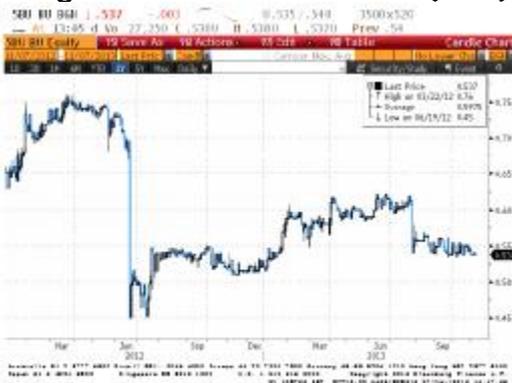


- The fund is traded close to its NAV. However, assets could appreciate further due to land concentration and gradual increase of land prices. The stock is not granting exceptional income in 3-year period but will provide good dividend yield and stable capital gains.

- Bulland Investments REIT is small fund established in 2005. It is investing in land that is rented to big agricultural producers. The fund is creating a diversified portfolio of land properties that is actively managed. It is also selling assets at higher prices if their purpose is changed.

- The fund is changing its investment profile from agricultural land to retail and industrial properties and is increasing its debt. This should improve the results but it requires additional time for assessment. Moreover, the market reaction is negative. P/NAV is 0.55 and it is not very low to provide quick gains in favorable market environment.

Bulgarian Real Estate Fund (5BU)



- Bulgarian Real Estate Fund REIT specializes in strategic property acquisitions and invests exclusively in high-performing real estates, in all property sectors across Bulgaria. Its strategy is to provide stable income and long-term capital gains from the appreciation of assets.

- The fund has one cash-generating asset that is leased. It is generating stable income and good dividend yield. However, current projects cannot provide large growth of revenues in short-term. The fund has large cash in its balance sheet. It makes the stock attractive even in light of current frozen projects.

Fairplay Properties REIT (6F3)

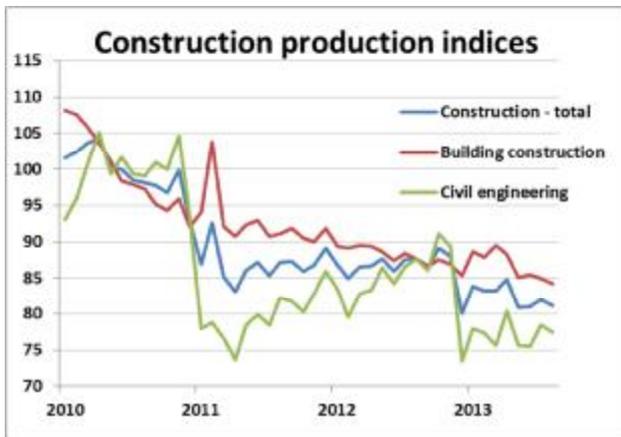


- Fairplay Properties REIT is purchasing the right to ownership, as well as by engaging in construction works and property improvements to the purpose of turning these properties over to contracted managers, letting properties to tenants, leasing or selling.

- The fund is traded at the lowest P/NAV. Some of its assets are frozen on early stage of development and the market is not valuing them as cash generating. Its portfolio includes good assets and investment possibilities, despite that it is overweighed with holiday properties. However, it will require long time and improved conjuncture for realization of these projects.

Market Overview

The beginning of 2013 was marked by turbulent political and economic events in Bulgaria. Despite the political uncertainties, the economy and the financial system are stable and are isolated from the recent negative events. The construction is mainly in projects that are financed by the central government and municipalities through various EU programs. The sector contracted again in late-2012 and construction indices are near their cyclical bottoms.



Source: National Statistical Institute

Office and business

The renting of offices is recovering from stagnation. The capital Sofia is the primary market in the country and according to consultancy companies in the sector, the new renting for the first nine months of 2013 is already exceeding the volumes of the last year. The rents are unchanged from levels of 2012. Free office spaces in the capital declined from 20.5% to 19.3% as the new construction was substantially lower than the demand. The latter was 17% lower on quarterly basis. The improvement on the market is very low and is due to the large decline of construction. It is too early to expect a shift to more favorable market conditions that could lead to pick-up in rents or demand. Industrial and logistic companies in Bulgaria are facing limited supply of real estates. Construction companies are avoiding large new projects and their clients are forced to buy real estates for their specific needs or to look at less suitable locations. The increase

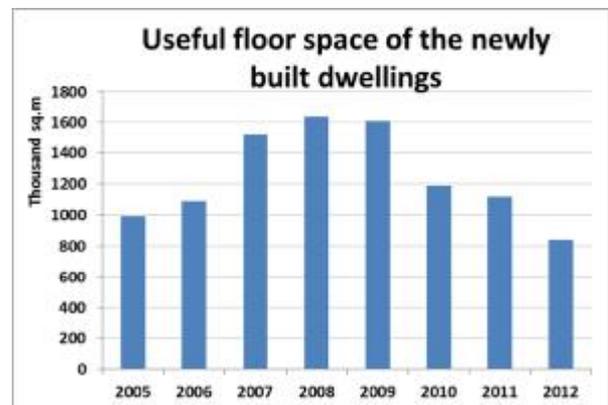
of industrial and logistic area was 12 000 sq. m in the third quarter in Sofia, while the demand was 14 000 sq. m. 90% of the area under construction is ordered by the buyers.

Real estate sales

The number of deals with real estates in Bulgaria is rising, albeit in very low pace. The third quarter marked 1.4% increase in number of deals on yearly basis. Sofia is growing fast with 7.74% growth during the third quarter on yearly basis as compared to the average for large cities of 5.35%, which represented more than 53% of the deals. The seaside district of Burgas reported significant improvement during the summer months. Increased buying interest from Russia and Ukraine resulted to 23% growth of number of deals.

Residential construction

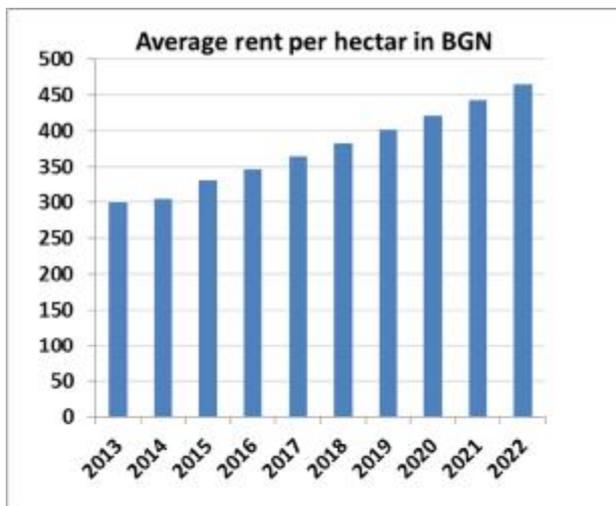
Bulgaria is not in the need of new residential construction as the living area is corresponding to the population. The affordability is improving substantially since 2008 due to the falling home prices and lower interest rates. The demand will depend on the personal income and the financial conditions in the country, rather than the foreign investments as it was in the recent past. Home prices were unchanged in the second quarter but the decline on yearly basis is close to 5%. The high-end segments of residential real estates will recover first as the supply of properties was very limited. The demand is determined by location and infrastructure.



Source: National Statistical Institute

Agricultural land

The purchases of land are priority for Bulgarian agricultural producers. The volumes and prices are rising with double digit percentages in 2011 but the falling prices of grains resulted to corrections of 10-12% in 2013. Demand is increasing in many regions that previously had small number of deals and lowest prices of land. At the same time, rents increased in 2013. Large agricultural producers stepped aside from the market. Buyers will increase next year if the crop prices are higher and revenues improve. However, low prices of land and rising rents might benefit new buyers.

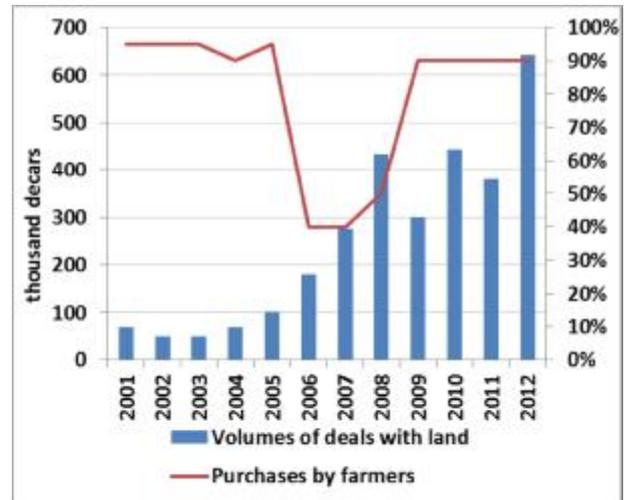


Forecasts: ELANA Agrocredit

The expectations are for further increase of rents in near future. Rents for 2013-2014 will most likely increase insignificantly due to the small income from grain production this summer. However, reasons were reasonable and will be short-term factor for rents.

The moratorium of sale of land to foreigners will expire from the beginning of the next year. Bulgaria should liberate the market as it is required from the EU accession. However, the agricultural producers are not in good positions to compete with foreign investors. It is possible that the regime of prohibition will remain for some period as the Parliament already voted with huge majority to prolong the moratorium. Foreign buyers can acquire land through registered companies in Bulgaria. This is the reason to expect only modest effect on the market if the moratorium ex-

pires. The main reasons for the very limited buying interest from foreign investors are the fragmentation of land plots and the absence of melioration.



REIT specifics

Bulgaria is the only CEE country with REITs. They are public listed companies, which is a guaranty for transparency and investors' safety. Among advantages are also:

- At least 90% of net profit is distributed as dividends;
- Dividend tax for individual investors is 5%;
- Capital gains are tax free;
- Large free float of REITs that are focused to the general public.

ADVANCE TERRAFUND REIT (6A6)

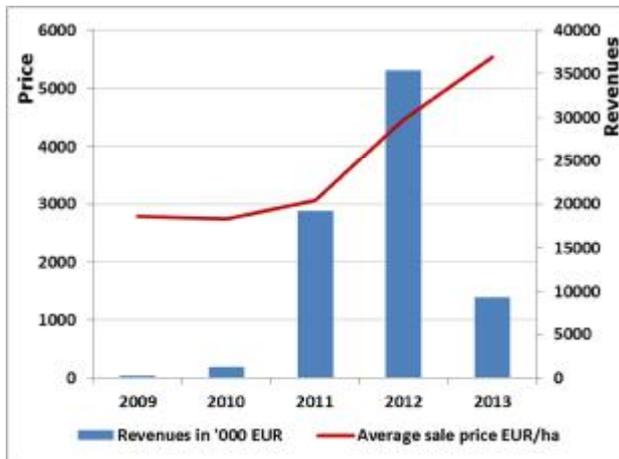
Advance Terrafund is the largest Bulgarian REIT that invests in agricultural land. It buys, rents, leases, consolidates and sells agricultural and urbanized land in the country. The portfolio consists of 24 413 ha of agricultural land. These plots are rented or leased to 650 farmers that produce mainly grain and technical crops. The operations of the fund consist of:

- Purchases of small fragmented pieces of land, leading to consolidation of ownership;
- Rental or lease of vacant land for a period of 1 to 4 years. Payments are received on yearly basis;
- Sale of concentrated land plots.

Business model

Land concentration

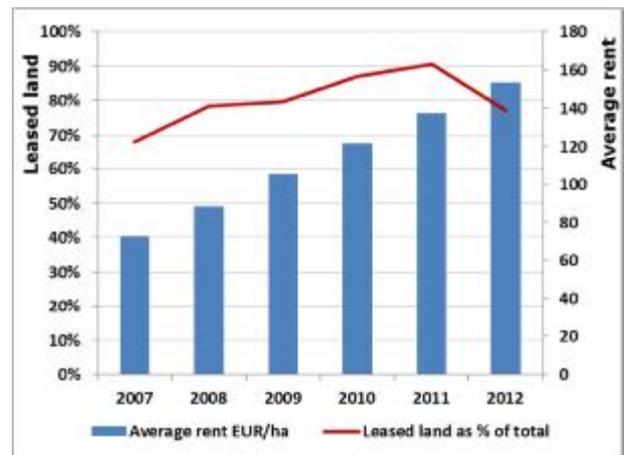
Concentrated land plots have twice higher prices as compared to regular separated plots. The fund is consolidating plots and currently is participating in 17 such projects.



Advance Terrafund sold 8 000 ha of lands last year and managed to distribute huge dividend. This is the primary source for income as the fund acquired 41 000 ha and sold 16 000 ha in its history. The average price increases substantially when comparing to the average portfolio price.

Renting

The average level of the rents of new lease contracts for the agricultural 2013-2014 year is 230 EUR/ha. The expected rental revenues for 2012-2013 are EUR 2 886 368, out of which are collected rents for EUR 1 049 170 or 36.3%. The collection of rents for 2011-2012 agricultural year is 96.7% of expected or EUR 2 970 560. The fund is collecting from 96% to 99% of its rent.



The fund is forecasting EUR 2.9 million revenues from lease contracts for agricultural year 2012-2013. This is 6% decrease on yearly basis and is due to the smaller share of leased land /77% as compared to 90.5% in 2011-2012/.

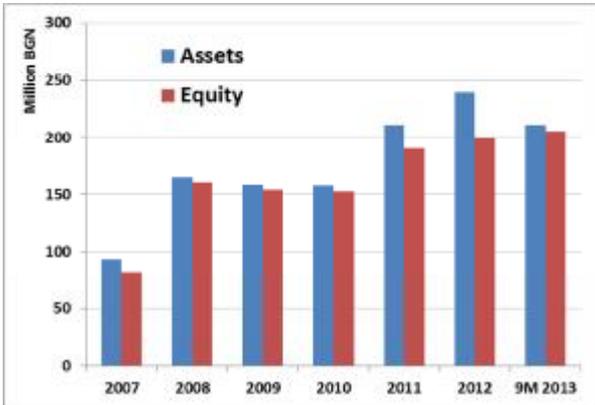
Land allocation

Land allocation	
North-west	20.0%
Norht-central	25.1%
North-east	38.6%
South-east	16.4%

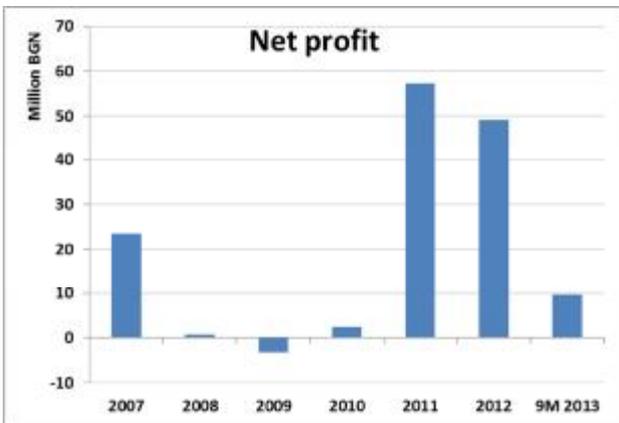
Advance Terrafunds' land portfolio is concentrated toward the agricultural regions on North Bulgaria. The large exposure is in North-east part of the country where is situated the production of grains.

The share of agricultural land by accusation cost represents 89% of total assets and urban land is 11% due to its higher price.

Financial Analysis

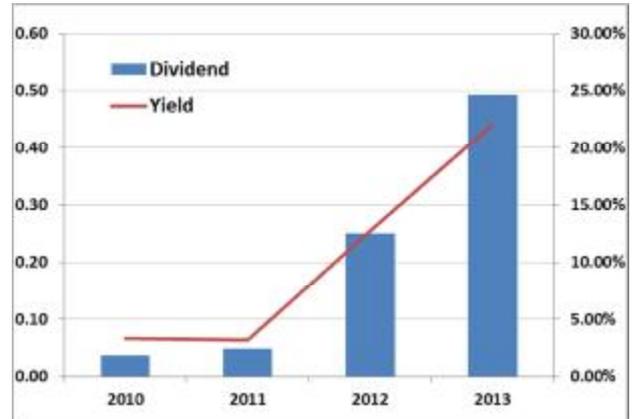


The fund has very low level of debt. The difference between assets and equity is mainly due to short-term liabilities for dividends and payment to the managing company. The management of the fund and shareholders are not increasing liabilities and leverage despite the better profitability that it could have.



The net profit increased substantially in 2011 and 2012, when the fund started to sell larger plots of lands and turned its attention from passive investments and renting toward land concentration. It managed to generate profits not only from the process. The financial result is reflecting also the price growth of land.

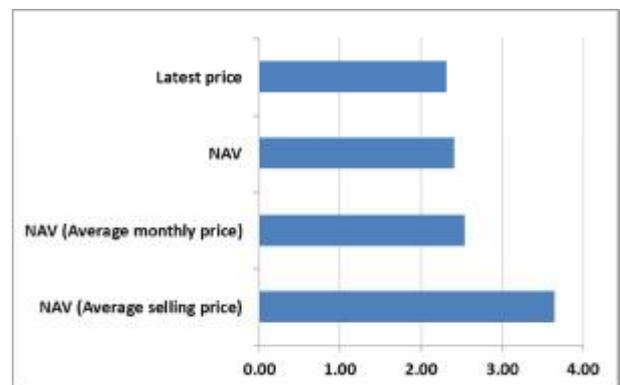
Dividend Payments



*in BGN, dividend yield at the price on the ex-dividend date

The profits were distributed to shareholders by the fund and the dividend yield reached 22%, calculated by the price at the ex-dividend day. In addition, the fund announced that it has to pay next year additionally BGN 4.2 million as dividends from the profits of 2012, which is BGN 0.05 per share.

Valuation

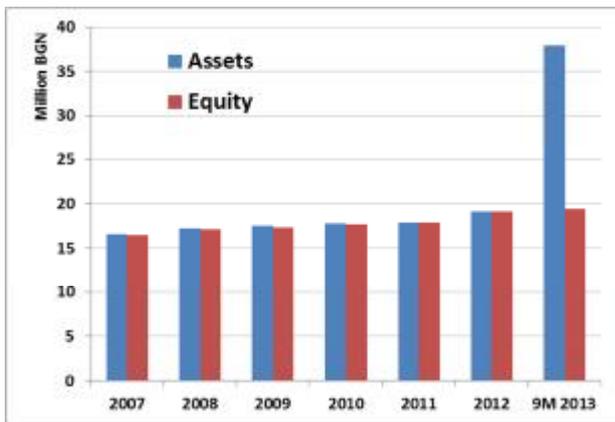


Net asset value (NAV) is 4% higher than latest market price. When adjusted to the average selling price of land, NAV is 57% higher than latest quotes. However, the adjustment is considering the prices of consolidate land plots and projects are subject of great variety according to location and land class. The Rental income/Income producing land was 3.75% in 2012.

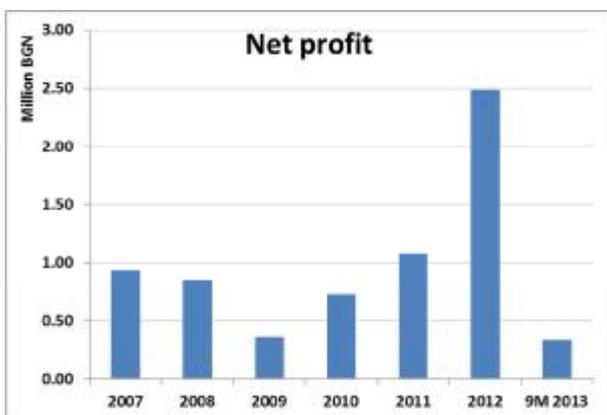
BULLAND INVESTMENTS REIT (5BD)

Bulland Investments REIT is small fund established in 2005. It is investing in land that is rented to big agricultural producers. The fund is creating a diversified portfolio of land properties that is actively managed. It is also selling assets at higher prices if their purpose is changed. The largest part of agricultural land is concentrated in Central Northern Bulgaria and Central Southern Bulgaria.

The focus of its investments changed substantially during the third quarter of 2013 as Bulland acquired industrial and retail assets at the value of BGN 16 million. The acquisition is financed with seven-year bank loan for EUR 7.7 million and revolving credit for EUR 3.16 million.



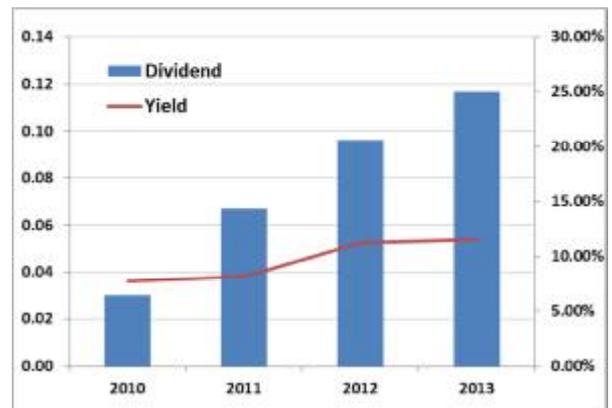
This deal is changing substantially the focus and the business model of Bulland Investments. The sale of agricultural land is six times lower as compared to the whole 2012 and it is resulting in much smaller profit.



The fund reported 90.5% leased land as percent of total agricultural land in its portfolio.

The average rent is 134 EUR/ha, which is lower than the average rent of Advance Terrafund, albeit not sizably. The sale price of agricultural land is also lower than the average of Advance Terrafund in 2012 3927 EUR/ha as compared to 4644 EUR/ha. The number of shares of Bulland Investments REIT is 13 million and the market capitalization is BGN 10.67 million.

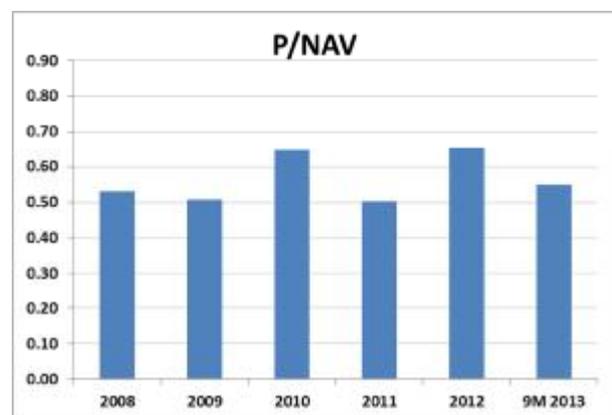
Dividend Payments



*in BGN, dividend yield at the price on the ex-dividend date

The good profits from land concentration and sale of assets contributed to increased dividends during the last three year. The low price of the fund as compared to NAV is resulting to dividend yield of 12%. The sustainability of results during the last two years is questionable as the fund did not sell enough land to support the profit. Deals, if any, should happen in the current quarter but the market conjuncture is not favorable.

Valuation

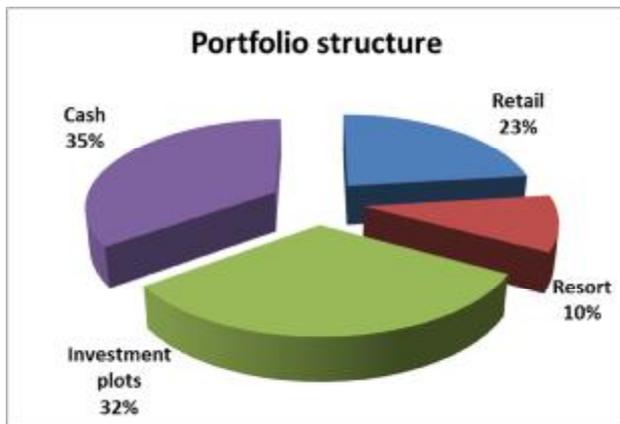


The stock is traded below the NAV, which is unadjusted to the difference between current average value of assets and the marginal selling price of the last deals.

BULGARIAN REAL ESTATE FUND REIT (5BU)

The fund has been established in 2005 and is among the first Bulgarian REITs. It specializes in strategic property acquisitions and invests exclusively in high-performing real estates in all property sectors across Bulgaria. Its strategy is to provide stable income and long-term capital gains from the appreciation of assets.

Business model



Bulgarian Real Estate Fund has eight investment projects under management but five of which are frozen. Working projects are:

- Retail centers Doverie Bricolage. In the second half of 2006, BREF concluded two *sale and leaseback* deals with the French *Do-It-Yourself* chain Mr. Bricolage. The fund purchased two retail outlets for the amount of EUR 10 million and leased them back to the seller- Doverie Brico. The lease contract period has been extended until 2021. The two outlets are the two best-performing assets of the chain in the country. They are situated in the biggest Bulgarian cities - Sofia and Varna. The fund has financed the deal with a bank loan and the rest of the principal is EUR 2.94 million.
- Agricultural land – the fund owns 45.5 ha, of which 32.3 ha are subject of lawsuits. 33% of the land is rented

but the fund is collecting only a third of its receivables.

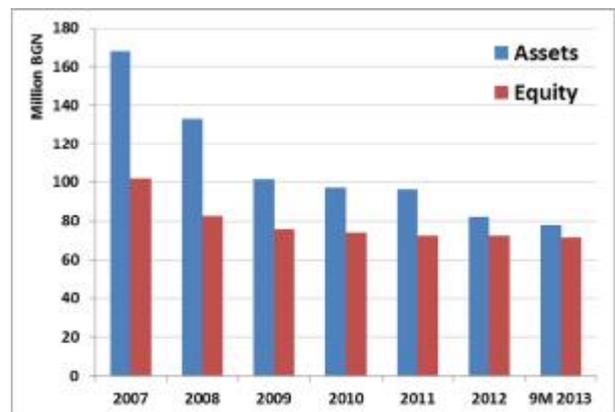
- Apartment house *Sequoia 2* is situated in the ski resort Borovets and is currently for sale. The fund acquired it in 2007. The building consists of 36 apartments situated on 5 floors and 9 garages. Floorage varies between one bedroom and two bedroom apartments. The total built-up area of the apartment house is 3 527 sq.m. Seven apartments have been sold so far.

Current projects	Size	Investment
Mr. Bricolage outlets	20 087	20 087
Agricultural land	129	129
Apartment house Sequoia II - Borovetz	3 698	3 698
Other projects		
Seaside Holiday Village-Lozenec	18 000	4 526
Veliko Tarnovo	512	512
Vidin	589	589
Sofia - Ring road	4 822	4 822
Sofia - Mladost 4	20 857	20 857

*Size of the project and investment in BGN thousand

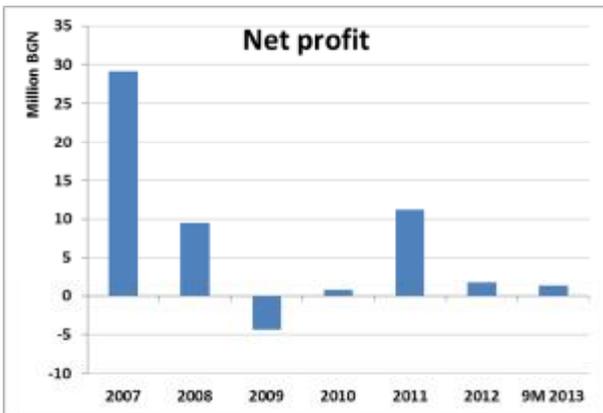
The other projects have been suspended due to the unfavorable market conditions. Bulgarian Real Estate Fund is changing regulation of Sofia Ring Road project that will open the possibility for construction on the plot.

Financial Analysis



Bulgarian Real Estate Fund has small degree of leverage. Its equity represented 92% of total assets at the end of September 2013. The company is decreasing its debt by paying the principal on its long-term investment

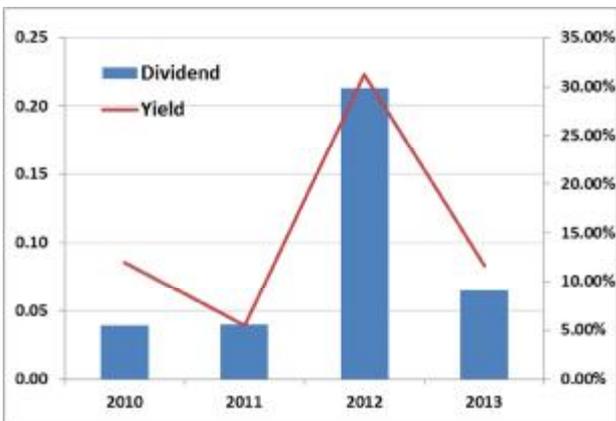
loan. The term of the loan is 2016 and was used for financing the acquisition of retail centers Doverie Bricolage. The fund also has BGN 28.3 million cash that is planned to be invested if lucrative opportunities arise. The management is not disclosing that such projects are currently under consideration.



The low debt-to-equity ratio of the fund ensured the small interest expenses and the positive financial result during the stagnation of property market. In brief, Bulgarian Real Estate Fund relies only on the regular payment of rents of retail properties that is BGN 542 000 per quarter and the interest income from the bank deposits at the amount of BGN 350 000 per quarter. However, interest revenues are expected to decline.

The fee for the management of the fund is half of total costs and represented 1.375% of assets since the beginning of 2013. The fund will make revaluation of assets during the fourth quarter of the year.

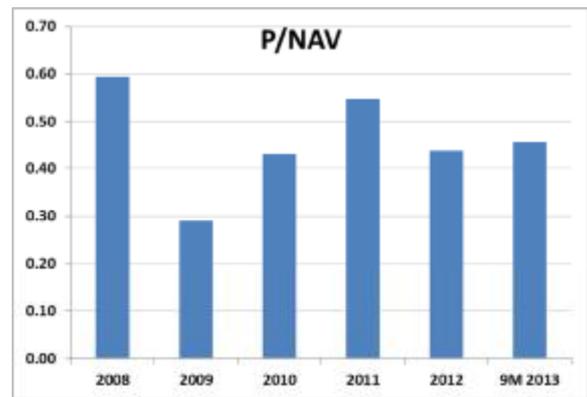
Dividend Payments



*in BGN, dividend yield at the price on the ex-dividend date

Bulgarian Real Estate Fund distributed large dividend last year from the profit of 2011. The dividend yield in the middle of 2013 was 11% at current price. The company distributed twice higher dividends as compared to the profit during the previous year. The financial result will ensure only 5% dividend yield as the fund had not sell any properties so far in 2013.

Valuation



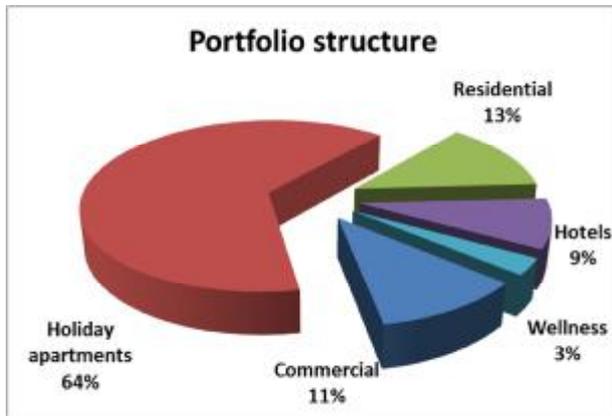
The fund is traded at low P/NAV after the property boom. This is due to the large level of assets that cannot be developed further or will take long time for realization. The sum of investments that are not generating cash is BGN 35 million and the prospects for sale in the next 12 months are very low.

The cash of the fund corresponds to 77% of market cap. When adding the value of the cash-generating project, adjusted P/NAV is 0.72. However, other projects are also valuable but are nearly impossible to complete and realize as resort or residential properties.

FAIRPLAY PROPERTIES REIT (6F3)

Fairplay Properties REIT has been established in 2005 to invest in properties. The fund's objectives are met by purchasing the right to ownership, as well as by engaging in construction works and property improvements to the purpose of turning these properties over to contracted managers, letting properties to tenants, leasing or selling.

Business model



The fund is investing primary in apartment complexes and hotels. Its projects include:

- Holiday village *Santa Marina* – it is located in the region of the Burgas Bay, 32 km. away from the city of Burgas. The complex is near the resort city Sozopol. The total area of the plot is 110 sq.m. and the unfolded built-up area is over 100 000 sq.m. The project is in its third stage of development, in which were invested BGN 88.5 million in apartments. The fourth stage is planned to cost BGN 26.5 million.
- Commercial areas in *Santa Marina* – commercial properties in the apartment complex are including restaurants, swimming pools, conference center, shops and many different outdoor and indoor recreational centers.
- Holiday Complex *St. Ivan Rilski* – it is situated in the largest Bulgarian ski resort Bansko. It is an all-season 4* holiday complex. Most apartments are sold and are maintained by property management company FPPM. The fund owns the hotel part of the complex that includes two restaurants, conference halls and recreational facilities.
- Recreational base *Marina Hill* – it is situated on the Black Sea coast. The Project is totally completed and leased. The recreation base has 39 rooms and 8 apartments.
- *Malina Valley* – the project include development of residential and business buildings in the capital city of Sofia.

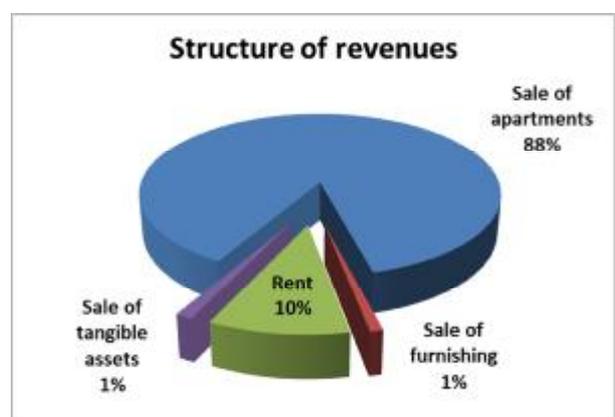
- Holiday Complex *Rila Lake Resort* – the complex is situated on the coast of Lake Panica in the highest mountain on the Balkan Peninsula and is 80 km. away from the capital city of Sofia. The project is priority for development in the next year and will include apartments for sale and apartment hotel.

Current projects	Size	Investment
Santa Marina	172 205	133 827
St. Ivan Rilski	23 049	23 021
Marina Hill	9 679	9 605
Malina Valley	41 170	11 397
Sofia	50 850	6 562
Rila Lake Resort	10 133	3 338
Sapareva Banya	87 000	5 950
Sozopol	11 984	1 716
Sandanski	20 189	1 412
Trakiia	18 200	7 788

*Size of the project and investment in BGN thousand

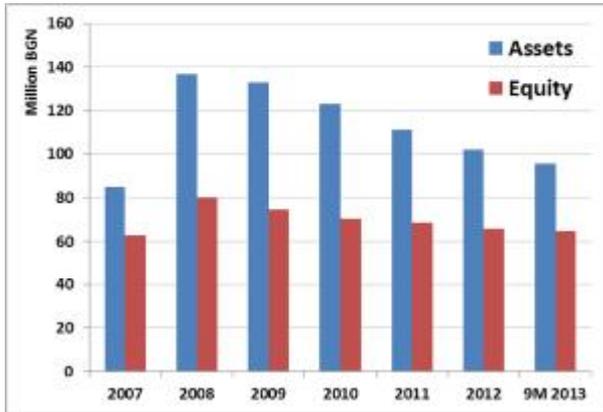
Fairplay Properties is investing mainly in the successful projects. Assets are sold after completion. The company reported 48 unfinished deals for sale that are expected to generate revenues of BGN 8.3 million until the end of 2015.

The fund is in process of selling land plot near the city of Plovdiv at the price of BGN 4.037 million excluding VAT. The balance value of the plot is BGN 7.5 million and the latest valuation of the asset is BGN 4.7 million.

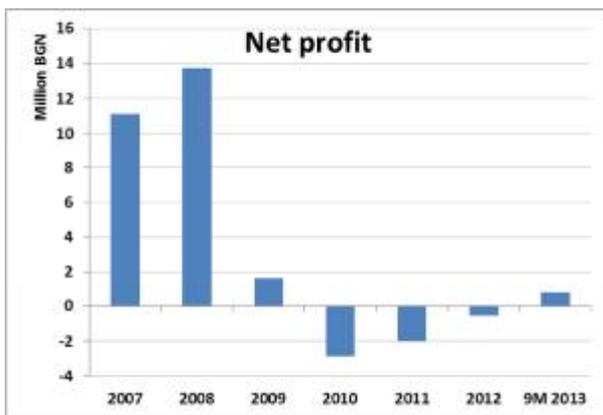


90% of revenues from the beginning of the year came from sale of apartments.

Financial Analysis



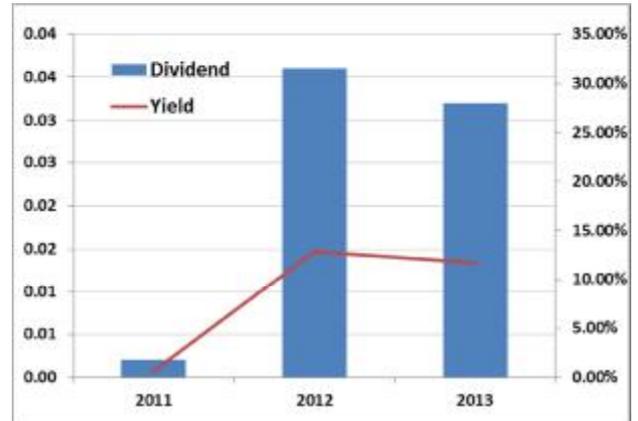
Fairplay Properties has 0.68 equity-to-assets ratio. It is improving due to the constant sale of assets after completion of construction works on projects. Total debt, including corporate bonds at the amount of BGN 4.3 million, is BGN 14.5 million.



The profit before revaluation of assets declined substantially as compared to the pre-crisis levels. Audited reports include losses from revaluation and the fund has negative results since 2009. The realization of fund's projects slowed down as demand for holiday properties decreased.

The fund announced its expectations for additional revenues from sale of apartments that according to our forecasts will ensure at least profit of BGN 1 million for 2013 less revaluation. Fairplay Properties is selling its assets gradually and is depleting its inventory to the extent that it is not possible to increase its revenues. However, the recovery of holiday properties is still at early stage and we don't consider that the fund is missing lucrative opportunities.

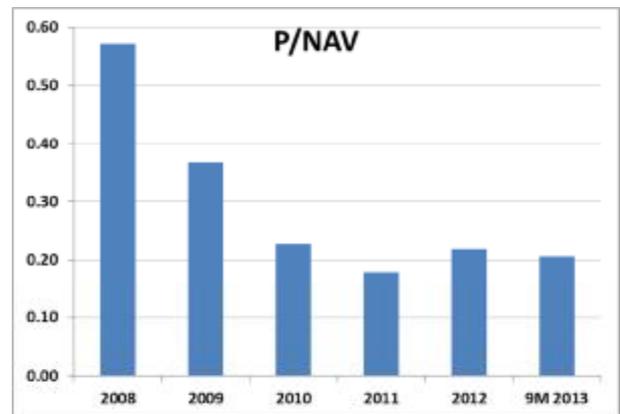
Dividend Payments



*in BGN, dividend yield at the price on the ex-dividend date

The dividend yield of the fund is above 10% despite that profits are not substantial. The market cap of Fairplay Properties is BGN 13.4 million. We expect that dividend yield will be at least 5% at current prices and with expected profits for 2013.

Valuation



The fund is traded at very low P/NAV. The reason could be found in two main points:

- The return on equity less revaluation is low and investors are focusing on the dividend yield, which is not exceptionally high among Bulgarian REITs.
- Assets in the balance sheet are requiring additional investments before project completion and receiving revenues from sale. Investors are not expecting substantial increase of revenues.

Financial Data

Advance Terrafund REIT (6A6)

BGN '000	2007	2008	2009	2010	2011	2012	9M 2013
Assets	93 535	165 215	158 405	157 697	211 322	239 332	211 022
Equity	82 579	160 508	154 419	152 518	190 376	199 798	205 365
Debt	0	0	0	0	0	0	0
Liabilities	10 956	4 707	3 986	5 179	20 946	39 534	5 657
Investment assets	91 929	112 512	123 870	128 644	157 144	156 965	159 034
Net profit	23 471	738	-3 225	2 438	57 232	49 199	9 739

Bulland Investments REIT (5BD)

BGN '000	2007	2008	2009	2010	2011	2012	9M 2013
Assets	16 537	17 268	17 539	17 835	17 948	19 176	37 965
Equity	16 511	17 156	17 358	17 697	17 882	19 093	19 427
Debt	0	0	0	0	0	68	17 616
Liabilities	26	112	180	138	66	15	912
Investment assets	7 031	10 299	10 309	12 981	12 465	12 784	27 778
Net profit	934	850	361	723	1 076	2 489	334

Bulgarian Real Estate Fund (5BU)

BGN '000	2007	2008	2009	2010	2011	2012	9M 2013
Assets	167 897	133 033	101 463	97 216	96 302	82 104	77 912
Equity	101 983	82 556	75 760	74 068	72 458	72 377	71 505
Debt	54 167	12 899	18 615	16 320	7 596	5 907	4 457
Liabilities	11 737	37 578	7 088	6 828	16 248	3 820	1 950
Investment assets	86 241	76 213	64 817	60 425	49 536	49 624	49 624
Net profit	29 160	9 531	-4 421	702	11 261	1 719	1 245

Fairplay Properties REIT (6F3)

BGN '000	2007	2008	2009	2010	2011	2012	9M 2013
Assets	84 990	137 086	133 142	123 352	111 574	101 821	95 604
Equity	62 915	80 139	74 515	70 651	68 519	65 973	64 961
Debt	17 635	47 410	46 577	28 377	24 102	18 091	14 498
Liabilities	4 440	9 537	12 050	24 324	18 953	17 757	16 145
Investment assets	13 031	53 849	58 371	53 993	44 176	42 884	42 961
Net profit	11 128	13 744	1 633	-2 887	-2 020	-536	774

Disclaimer

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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

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For more information, please contact:

Research analyst
Tsvetoslav Tsachev
Tamara Becheva

Phone:
+359 2 810 00 23
+359 2 810 00 27

E-mail:
tsachev@elana.net
becheva@elana.net

Internet:
www.elana.net
www.elana.net