



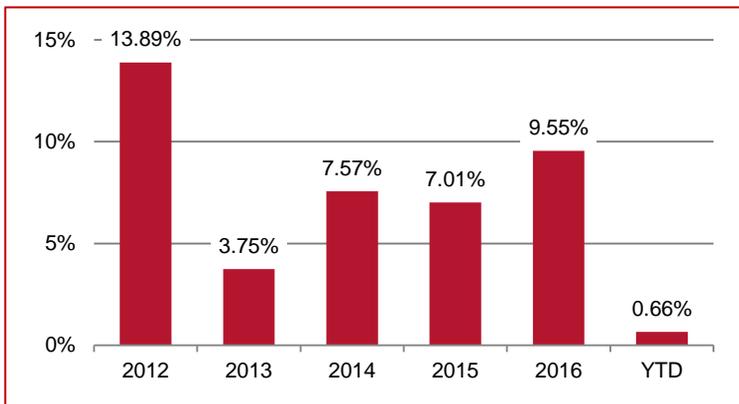
**expatcapital**

**CONTROL** YOUR MONEY. **PRESERVE** YOUR WEALTH. **BUILD** YOUR FUTURE.  
A REMARKABLY DIFFERENT WEALTH MANAGEMENT EXPERIENCE.

## **EXPAT MUTUAL FUNDS MONTHLY REPORT**

**April 2017**

## Past performance, %

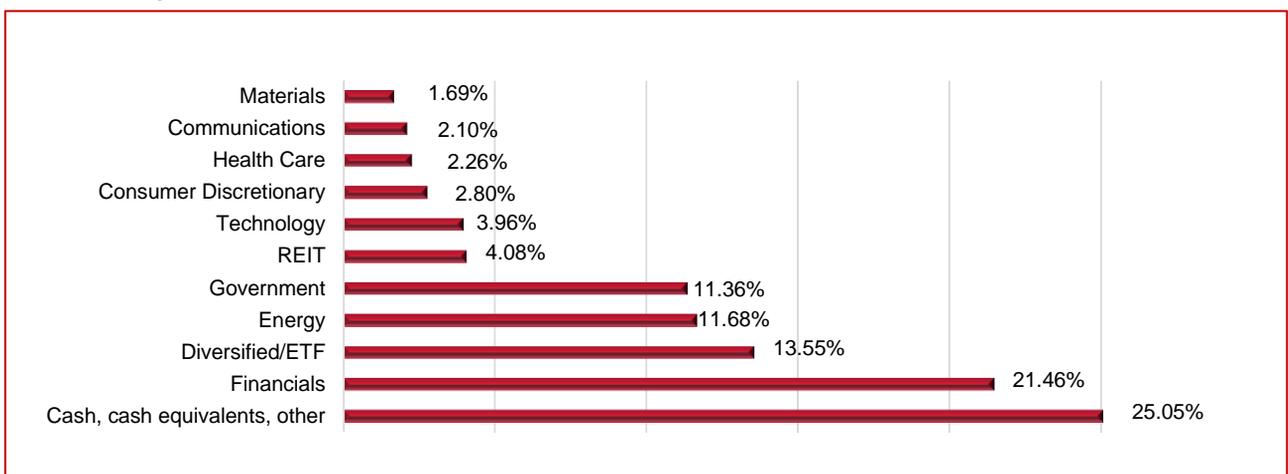


The bar chart of past performance has limited use in predicting future results. Annual expenses are included in the past performance calculations, excluding entry and exit charges.

## Historical NAV per share, BGN



## Industry breakdown, %



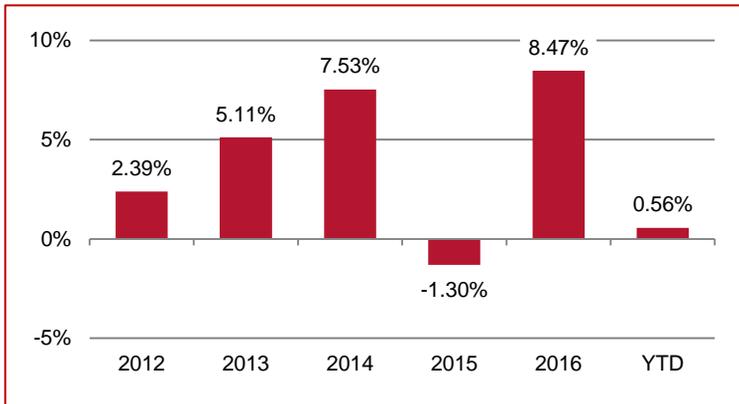
## Comments

The Fed is expected to keep interest rates steady until June and then to have another hike by the end of this year. In the U.S. investment-grade corporate bonds increased more than high yield bonds. However, investors also seem to be ready for more risk as the spread between high-yield and Treasuries has stopped the recent weak trend of widening around the rate hike in March and has gone down. The forecast for smoother tightening of the monetary policy is positive for the investors in the developing countries. Their bonds prices continue the uptrend.

The elections in France and the positive data from the Euroarea calmed down the investors and European bonds prices went up. However, the second and final round of the presidential elections in France will be in early May. Investors are betting on first rate hike by ECB in early 2018. The implied probability of hike to the eurozone's deposit rate and main refinancing rate in April 2018 has jumped from 10% to nearly 40%, which will change the situation for European bonds.

Our mutual fund Expat Bonds performed well during the month due to the exposure to precious metals and bonds issued from emerging markets. Our team remains positive towards bonds from the financial and the energy sectors.

## Past performance, %

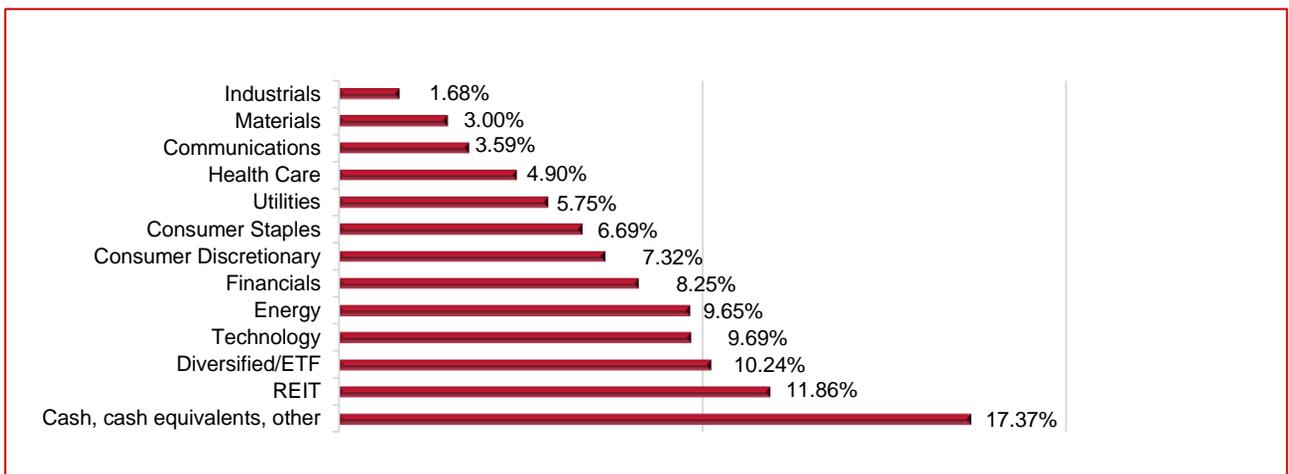


The bar chart of past performance has limited use in predicting future results. Annual expenses are included in the past performance calculations, excluding entry and exit charges.

## Historical NAV per share, BGN



## Industry breakdown, %



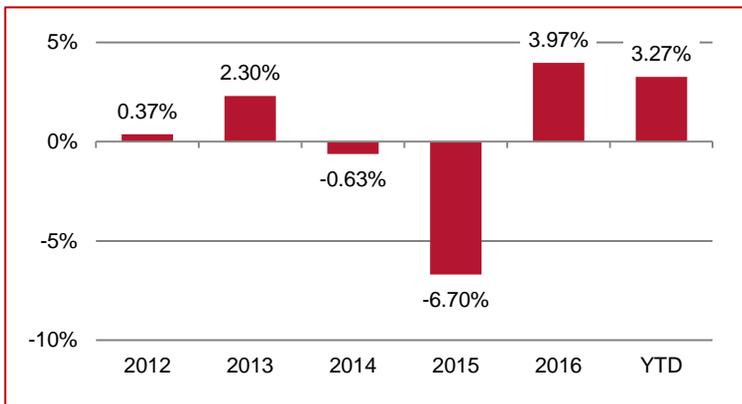
## Comments

In April, Mario Draghi affirmed the improvement in the eurozone. 'Economic indicators suggest that the eurozone economic recovery is increasingly solid,' adds Draghi.

April's German purchasing managers' index (PMI), 58.2, was high again. Consumer prices in the Euro Area are forecast to increase by +1.9% year-on-year in April 2017, which is more than the market expectations so far of a +1.8% gain. Better-than-expected company earnings in the eurozone lifted share prices on stock exchanges, and thus the euro appreciated against the U.S. dollar. The first round of presidential elections in France boosted European equities. The French CAC and the German DAX closed the month with gains of respectively +2.8% and +1.0%. The best performing sectors in the U.S. were Consumer discretionary and Technology.

The US equity indices ended mostly flat. The broad S&P 500 Index closed +0.9%. At the end of the month, it turned out that the U.S. GDP expanded at an annual rate of 0.7% in the first quarter – the slowest rate since the Q1 of 2014. Additionally, the White House proposed cutting the rate of corporation tax from 35% to 15%.

## Past performance, %

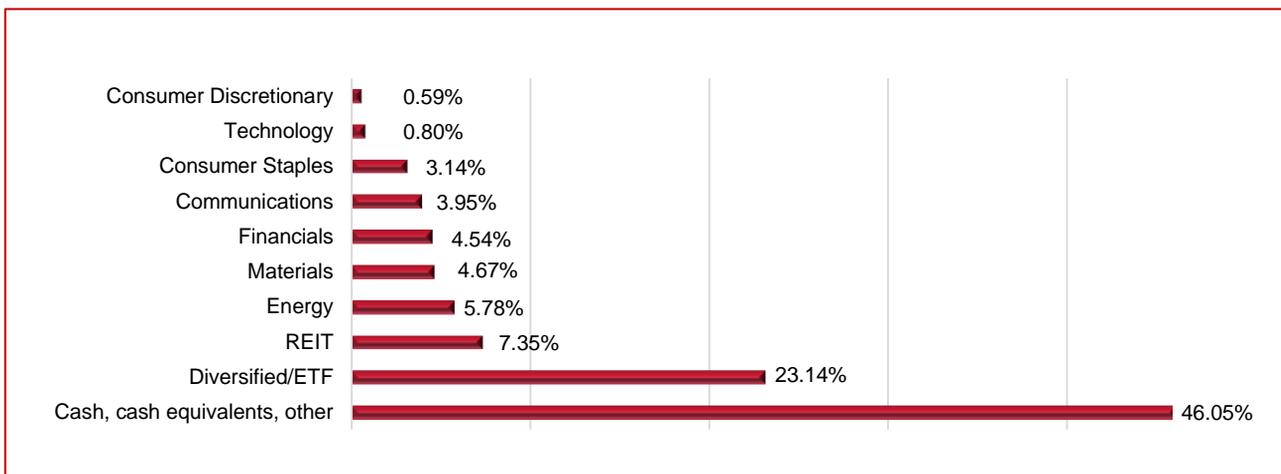


The bar chart of past performance has limited use in predicting future results. Annual expenses are included in the past performance calculations, excluding entry and exit charges.

## Historical NAV per share, BGN



## Industry breakdown, %



## Comments

In April, the emerging markets index MSCI Emerging Markets gained +2.0% in US dollars, helped by the stable global macroeconomic conditions. The best performing stock markets for a second month in a row were the Asian stocks (Hang Seng +2.1%), as well as Mexico (+1.5%) and South Africa (+5.0%). The price of the WTI crude oil fell below \$50 per barrel on persisting concerns for higher US output, and higher US inventories. The Russian stocks continued to be suppressed (+0.1%) partly due to the lower oil price, whereas Brazilian stocks ended the month in the green (+0.7%).

The generally milder rhetoric of Trump towards trade with emerging markets has influenced positively those markets. Although future protectionism is worrisome, markets such as India and Indonesia are building up their domestic economies.

Tensions in South Africa released, and our fund got exposed to the market again. We remain positive toward gold mining companies and precious metals. We increased the position in Brazil expecting an uptick in the oil price.

Expat Capital, with its licensed wholly-owned subsidiary Expat Asset Management, is the largest independent asset management company in Bulgaria. We offer individual investment account management with personalized long-term financial planning strategies which are unique for Bulgaria and the region.

We manage hundreds of individual investment portfolios, three mutual funds with global focus and the exchange-traded fund tracking the performance of the major Bulgarian stock market index SOFIX.

#### Advantages of investing in our mutual funds:

- ❑ **Immediate liquidity.** The fund's units are 100% liquid, the investor may withdraw and deposit funds at any time with no yield losses.
- ❑ **No capital gains taxes.** Investments in mutual funds in Bulgaria are tax exempt – 0% profit tax for legal entities, 0% income tax for individuals.
- ❑ **Dynamic asset allocation** for better diversification and risk reduction. The fund consists of a wide number of financial instruments from different regions, economic sectors and in different currencies. Thus, the investor receives exposure to markets in which a separate investment would be more difficult and expensive. The asset allocation among instrument types, currencies, markets and economic sectors tends to achieve a superior balance between return and risk of the overall investment.
- ❑ **Active and professional portfolio management.** The fund is managed by a team of portfolio managers and financial analysts who monitor the markets and the global economic and political situation. We apply a long-term investment strategy and tactical allocation with the goal of obtaining a higher expected return and balanced risk.
- ❑ **Low investment threshold.** The minimum investment is BGN 100 (around EUR 51) which makes the mutual funds suitable for monthly savings. The Expat funds invest in financial instruments worldwide in different currencies. The funds' shares are traded in BGN, but the investment is not exposed to risks related to the Bulgarian currency.

**expatcapital**

1000 Sofia, Bulgaria  
96A G. S. Rakovski Str.  
Tel.: +359 2 980 1881  
Fax: +359 2 980 7472  
E-mail: office@expat.bg  
Web: www.expats.bg

#### RISK DISCLOSURE

This document has an informative purpose and under no circumstances should any part of it be construed as an offering or solicitation for a trade or investment in any class of investments and/or professional advice connected with investment decisions. Past performance is no guarantee of future performance, and the value of investments can go down as well as up, leading to a significant loss of funds as a result. The investments in a mutual fund or through an investment account are not insured by a guarantee fund or in any other way.

The information included in this document is prepared on the basis of sources which are considered reliable. All the necessary measures are taken to guarantee the precision of the content, but under no circumstances Expat Capital or Expat Asset Management should carry any responsibilities for this content and assume no compensation to the recipients or third parties as far as the precision, completeness and/or the propriety of the information.