



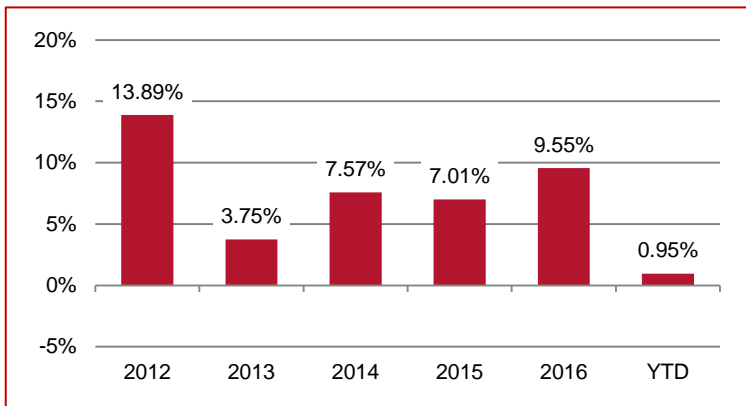
**expatcapital**

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

## **EXPAT MUTUAL FUNDS MONTHLY REPORT**

**February 2017**

## Past performance, %

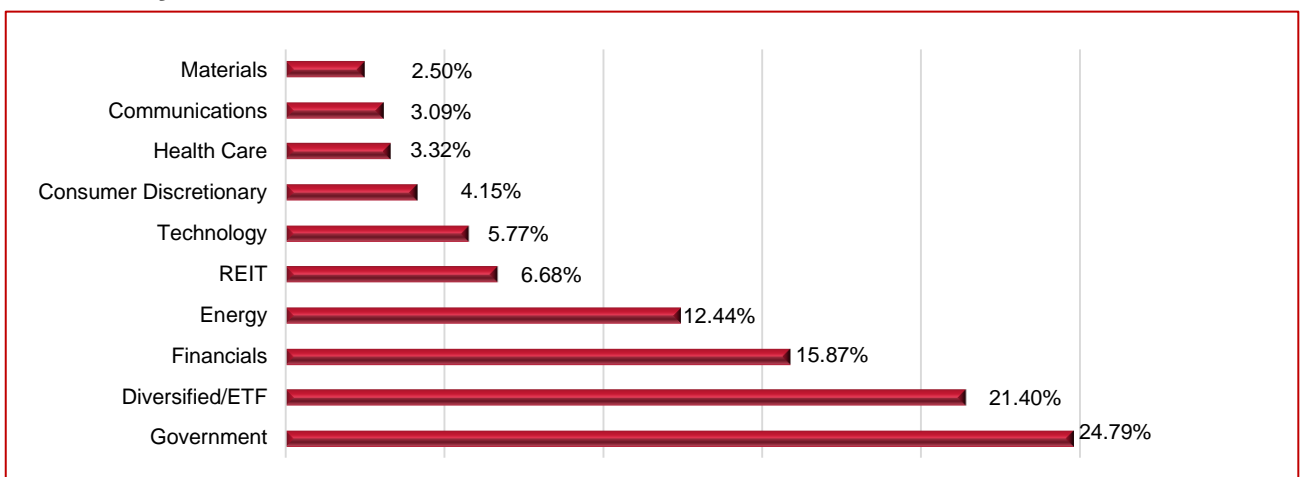


The bar chart of past performance has limited use in predicting future results. Annual expenses are included in the past performance calculations, excluding entry and exit charges.

## Historical NAV per share, BGN



## Industry breakdown, %



## Comments

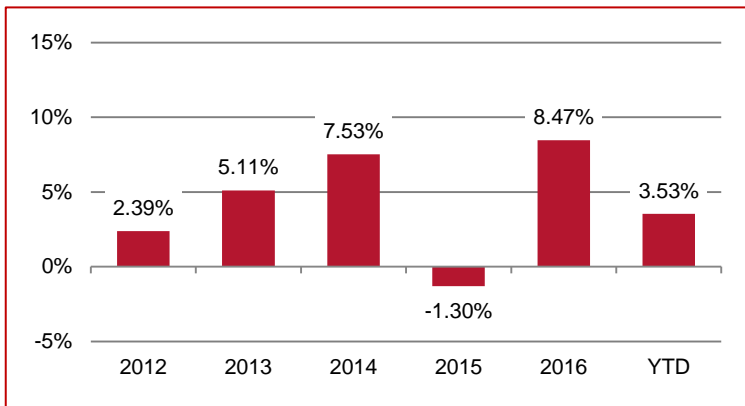
In February, Expat Bonds was up by +1.4%. Year to date, the bond fund was up by +1.0%.

Fixed-income markets tend to show high dependence on statements from the U.S. Federal Reserve and the ECB. We witnessed a Fed rate hike in early December. The chances of a Fed rate hike in 2017 increased with the positive GDP and labour data, as well as a slight pickup in inflation, together with a pickup in inflation expectations.

Investment-grade corporate bonds measured by the Markit iBoxx USD Liquid Investment Grade Index gained +1.1%. The Markit iBoxx USD Liquid High Yield Index gained +1.1% as well. Stabilization in energy prices led to improvement in the prices of high yield bonds, as these comprise a big chunk of the high yield bond market.

The spread between U.S. high yield bonds and treasuries went down in February. BofA Merrill Lynch US High Yield Option-Adjusted Spread, which tracks the performance of US dollar denominated below-investment-graded corporate debt publicly issued in the US domestic market, as compared to the yield of treasuries, is approaching pre-crisis levels. The J.P. Morgan EMBI Global Core Index gained +1.3% in February. Although Asian countries have kept their balances in good condition, excessive demand has diminished their returns. The Markit iBoxx EUR Liquid High Yield Index was up by +0.9% in February. However, the upcoming elections in France and Germany, and the ongoing low interest rates, pose hurdles to overcome.

## Past performance, %

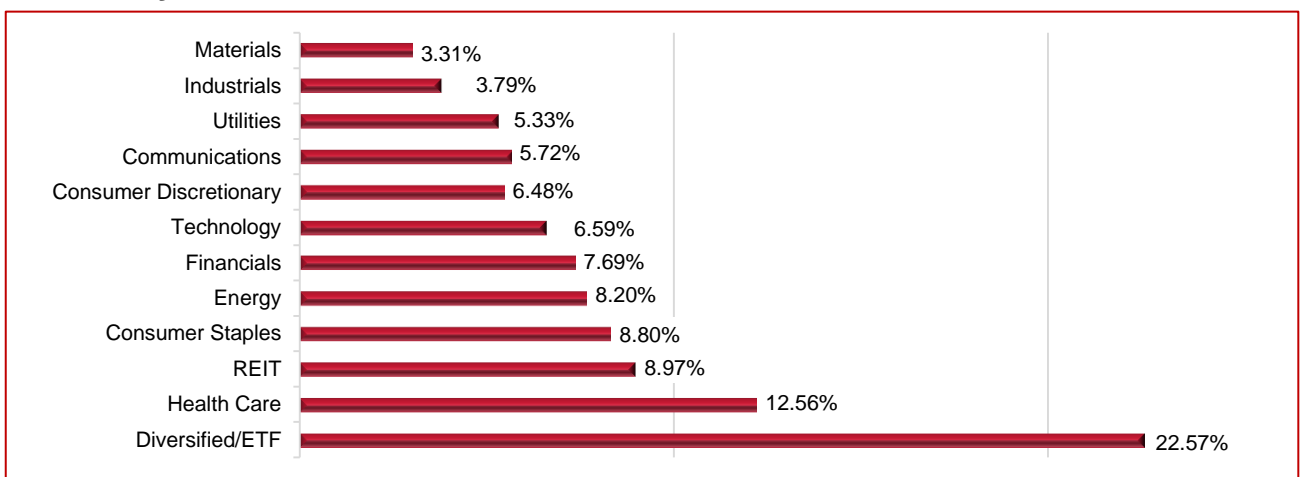


The bar chart of past performance has limited use in predicting future results. Annual expenses are included in the past performance calculations, excluding entry and exit charges.

## Historical NAV per share, BGN



## Industry breakdown, %



## Comments

In February, Expat Global Equities was up +3.4%. Year to date, the equity fund gained +3.5%

Commodity prices upended which helped improve the performance of stocks.

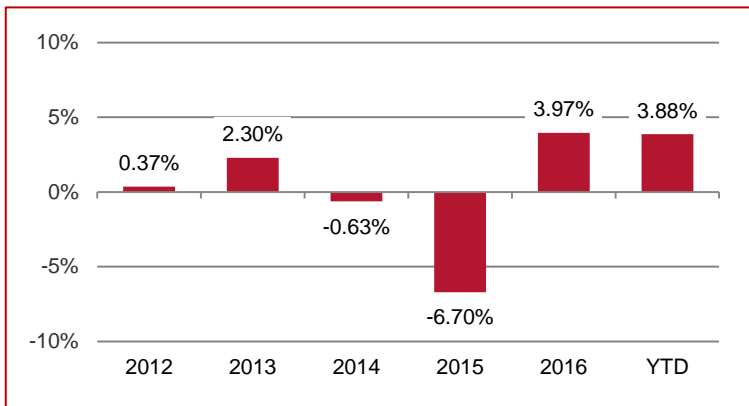
The increase in oil prices added to the demand for US dollars steaming off the rally of sweet oil.

Donald Trump, as the new President of the U.S., with his expected protectionist measures contributed to a stronger dollar, 0.9491 USD/EUR. U.S CPI keep inclining a pickup in inflation.

Utilities and financials were the best performing industries in February. The latter was boosted by the fed rate hike, especially the Fed's rate hike plan. Gold spot prices gained +3.2%. The Standard & Poor's 500 Index posted a gain of +3.7% in February. The MSCI World increased +2.6%.

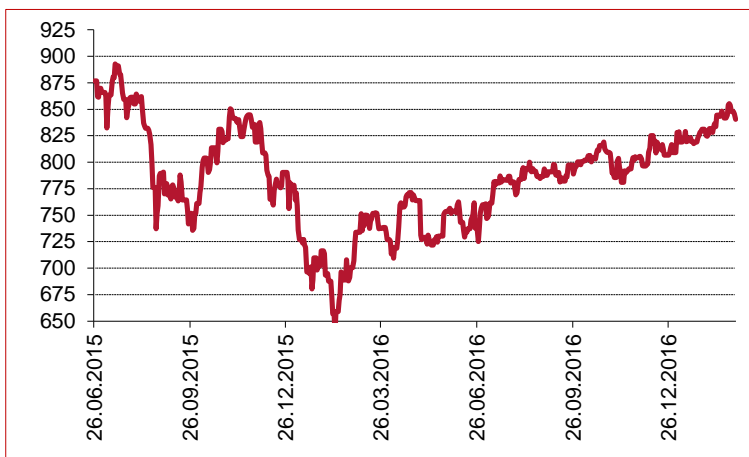
European stocks were stimulated by the strong dollar, generally perceived as positive for European export, and by the expectations for inflation. The FTSE 100 index was up +2.3% over the previous month. The German index DAX was up +2.6%. The French index CAC was up +2.3%.

## Past performance, %

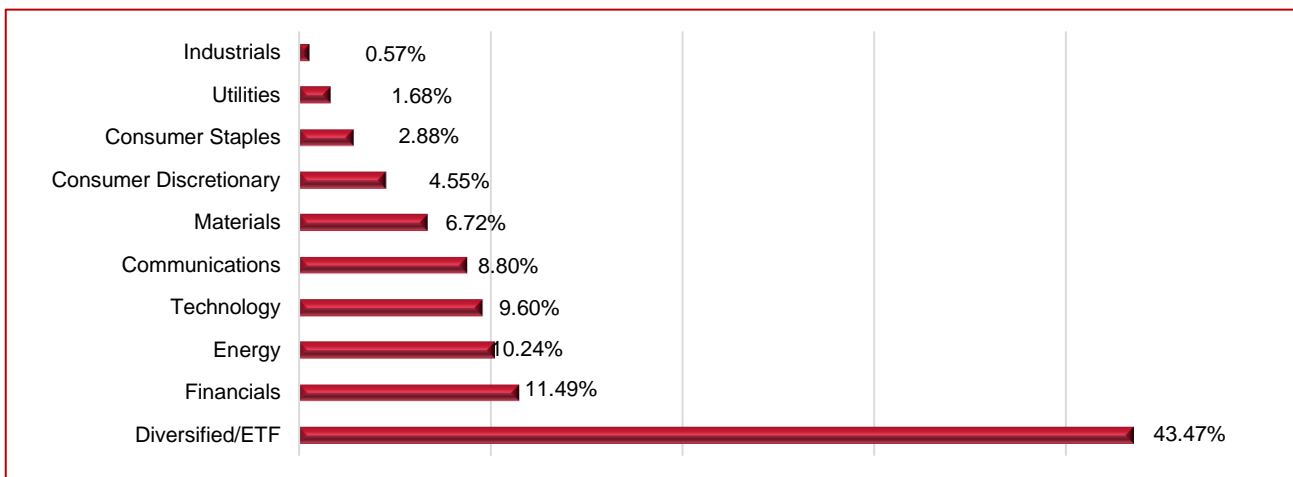


The bar chart of past performance has limited use in predicting future results. Annual expenses are included in the past performance calculations, excluding entry and exit charges.

## Historical NAV per share, BGN



## Industry breakdown, %



## Comments

In February, Expat Emerging Markets Stocks was up +1.9%. Year to date the equity fund gained +3.9%

The appreciating rubble lost its fast pace. The RTS index, a cap-weighted composite index calculated based on prices of the 50 most liquid Russian stocks, lost -5.6%.

The increasing U.S. oil inventories hindered a rally of the crude oil price despite the OPEC deal and the WTI price increased by +2.3% in February. The second Fed rate hike and the expected increase in the pace, combined with positive economic data in the US backed a strong dollar.

That questions future outflows from emerging markets. Yet, risk appetite and improved export data from Asian markets, better-than-expected Chinese GDP data spurred a gain of +2.7% of the MSCI Emerging Markets Asia Index whereas the Chinese CSI 300 Index gained +1.9%.

Like the rubble, the Brazil's real appreciated over the previous months. Improved demand from China spurred an increase of the S&P Latin America 40 Index posted by +3.0% in February with IBOVESPA – an index of the most liquid Brazilian stocks, gaining +3.1%.

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](mailto:office@expat.bg)  
Web: [www.expats.bg](http://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.