



expatcapital

CONTROL YOUR MONEY. PRESERVE YOUR WEALTH. BUILD YOUR FUTURE.

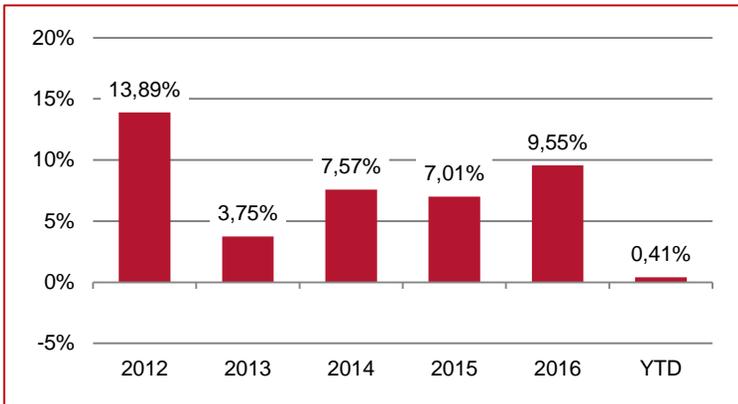
A REMARKABLY DIFFERENT WEALTH MANAGEMENT EXPERIENCE.



EXPAT MUTUAL FUNDS MONTHLY REPORT

March 2017

Past performance, %

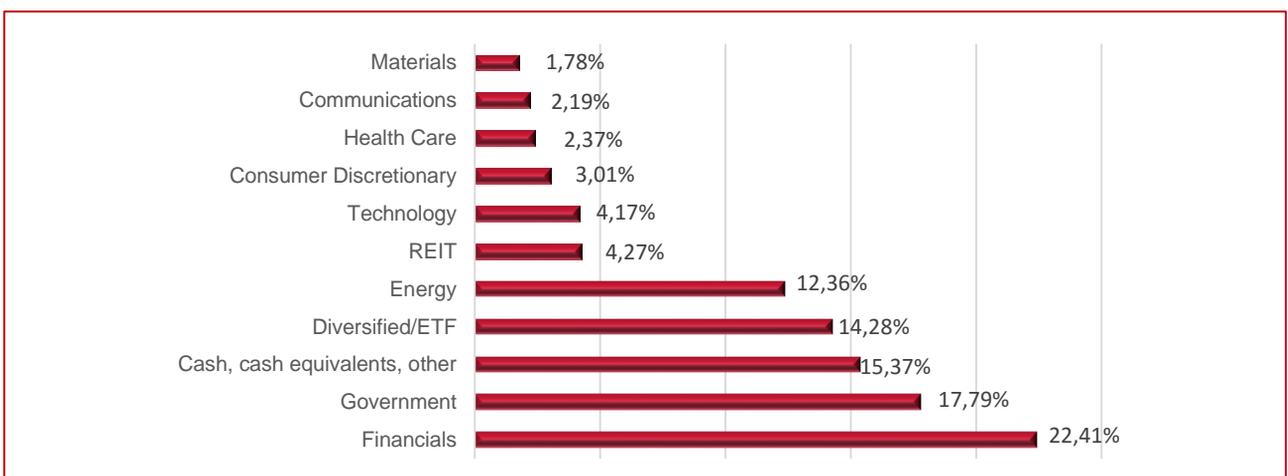


The bar chart of past performance has limited use in predicting future results. Annual expenses are included in the past performance calculations, excluding entry and exit charges.

Historical NAV per share, BGN



Industry breakdown, %



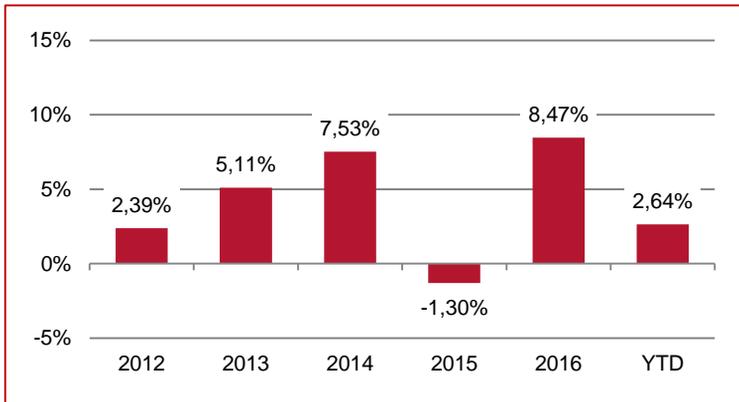
Comments

During March, the major factors influencing the bond market were the 25 b.p. hike in US interest rates as well as the expectations for the future path of the US Federal Reserve policy. The beginning of the month was weak for major benchmark government bonds from developed markets. The strong manufacturing data in the USA and Europe strengthened the belief for higher global inflation and business activity.

This, along with the better than expected data from the US labour market, reignited fears for more aggressive tightening by the Fed, which pushed the US 10-year benchmark interest rates higher by 0.20%. Nevertheless, at its regular meeting on the 15th of March, the FOMC did not change its forecast for the path of the US interest rates in 2017 and 2018. This calmed down significantly the market, and bonds were able to recover their losses from earlier this month. The forecast for smoother tightening of the monetary policy was also accepted positively by the investors in the developing countries.

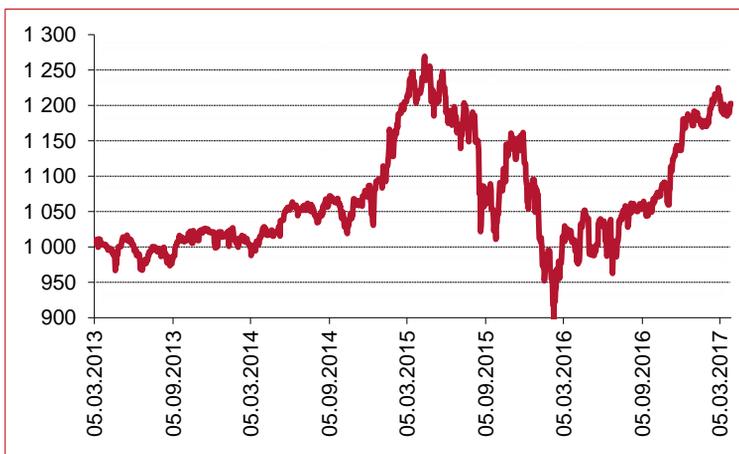
Our mutual fund Expat Bonds performed well during the month. Our team increased the exposure to precious metals and bonds issued from emerging markets, which affected positively the performance of the fund. The positions in interest rate hedged high yield corporate bond funds led to lower overall volatility. Our team remains positive towards bonds from the financial and the energy sectors.

Past performance, %

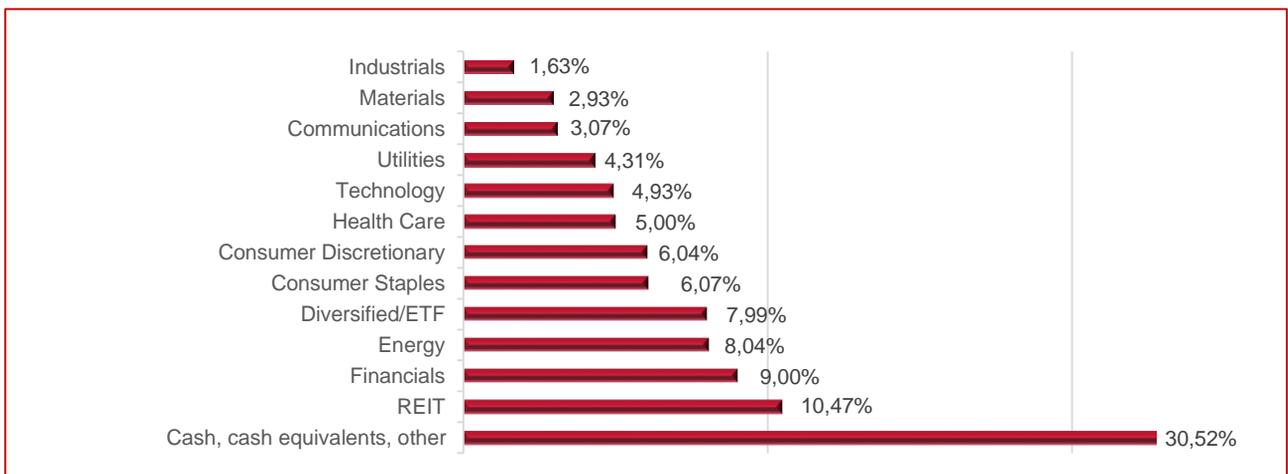


The bar chart of past performance has limited use in predicting future results. Annual expenses are included in the past performance calculations, excluding entry and exit charges.

Historical NAV per share, BGN



Industry breakdown, %



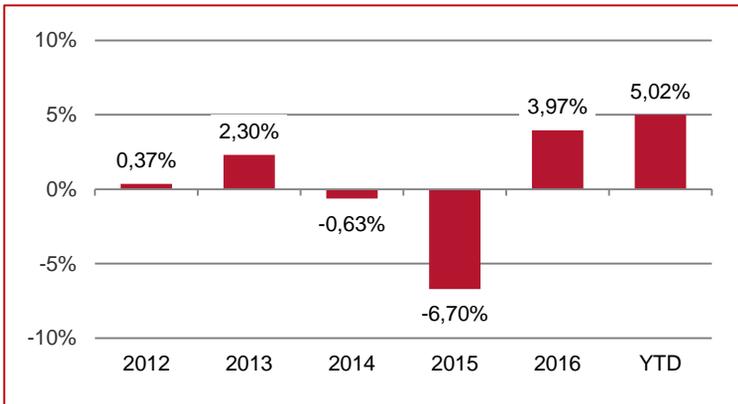
Comments

We witnessed an increase in the market volatility. Alongside with the Fed decision, the good macroeconomic data across Europe and the USA, and the Dutch parliament election, the President Trump was not able to repeal the Affordable Care Act, which questioned the future of the reforms on his agenda. That led to a drop in the risk appetite as the market participants took into account the already stretched valuations of US stock markets.

The US equity indexes ended mostly flat. The broad S&P 500 Index closed unchanged while NASDAQ eek out a +1.5% increase, and Dow Jones IA dropped by -0.7%. The month was positive for European stocks – the French CAC and the German DAX closed the month with gains of respectively +5.4% and +4.0%. The best performing sectors in Europe were Financials and the Industrials, while in the USA the technology sector led the market. The Eurosceptics did not manage to take advantage in the Dutch parliament elections and the Eurozone continued its recovery. That helped the Euro, which appreciated by +0.7% against the US dollar.

Our fund Expat Global Equities posted a slight drop by -0.8%. Our team increased the exposure to energy stocks and defensive sectors like utilities and REITs. We deliberately reduced the technology sector that we no longer find attractive. We increased the position in cash and equivalents and the investments in precious metals.

Past performance, %

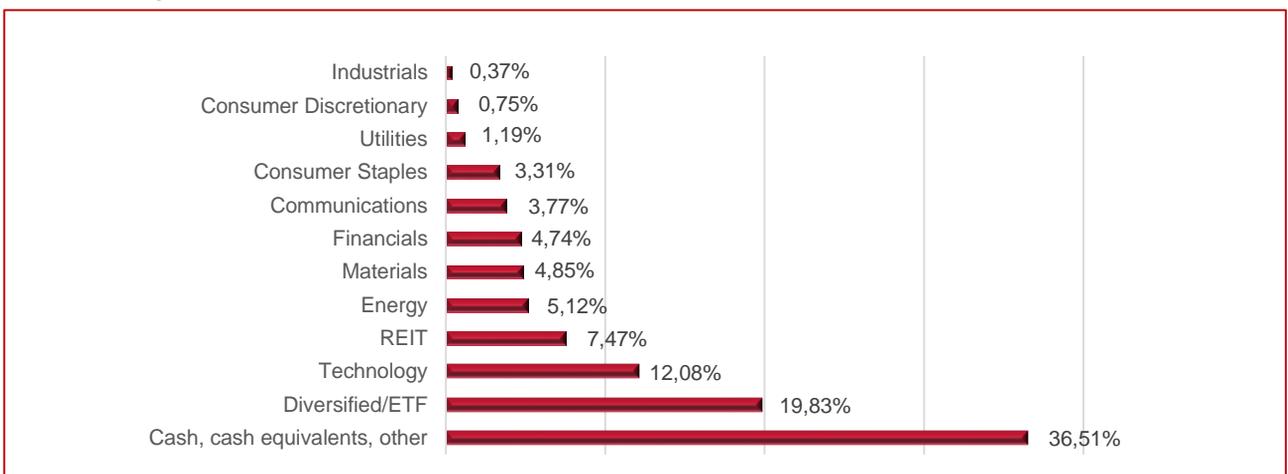


The bar chart of past performance has limited use in predicting future results. Annual expenses are included in the past performance calculations, excluding entry and exit charges.

Historical NAV per share, BGN



Industry breakdown, %



Comments

In March, the broad emerging markets index MSCI Emerging Markets gained +2.3% in US dollars, helped by the stable global macroeconomic conditions. The best performing stock markets during the month were the Asian stocks (Hang Seng +1.6%, CSI 300 +0.1%) as well as Mexico (+9.6%) and South Africa (+2.4%). The price of the WTI crude oil fell by \$4 per barrel, after concerns for higher US output, led by the US shale producers, and higher US inventories spooked investors. The Russian stocks remained under pressure (-2.0%) and Brazilian stocks were in a sell-off mode (-4.6%).

Expat Emerging Markets Stocks posted a +1.1% gain, denominated in euro. Our team decreased the exposure to the South African market, but we remain positive toward gold mining companies and precious metals. Our concerns for a spike in political risk in the country were justified as the tensions between President Zuma and the Finance Minister Gordon deepened.

By the end of March, we also lowered the fund's exposure to major Asian and Mexican markets. We increased the position in Russia and Brazil in expectation for a recovery in the energy prices. Taking into account the uncertainty for the global trade and the meeting of President Trump with the Chinese President Xi Jinping, the fund ended the month with a noticeably higher position in cash and equivalents.

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.