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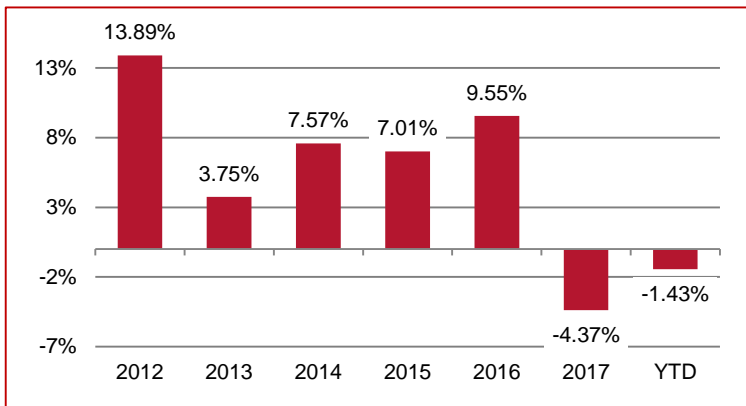
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EXPAT MUTUAL FUNDS REPORT

Q1 2018

Past performance, %

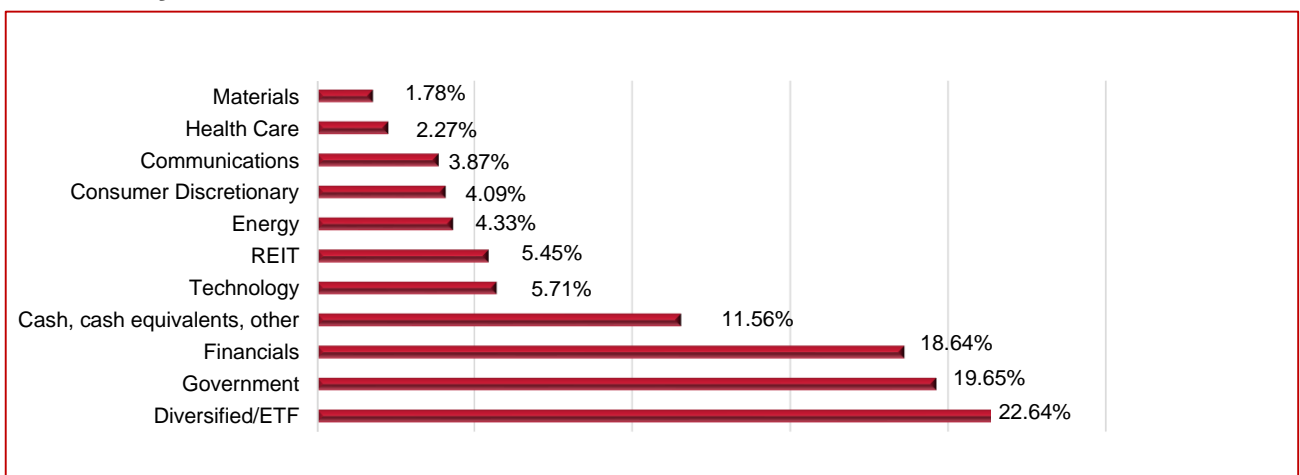


The bar chart of past performance has limited use in predicting future results. Annual expenses are included in the past performance calculations, excluding entry and exit charges.

Historical NAV per share, BGN



Industry breakdown, %



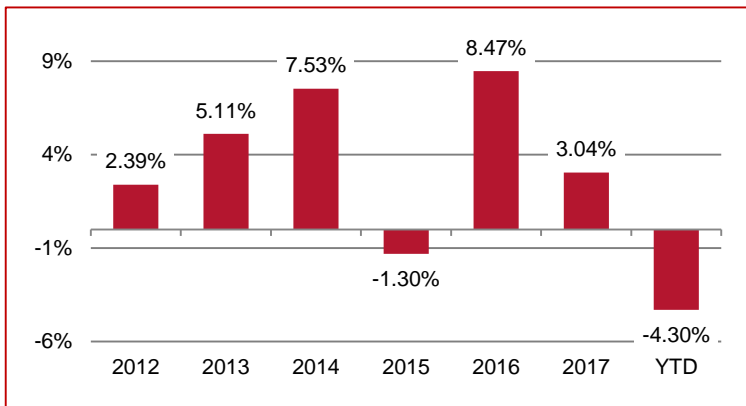
Comments

Soft U.S. data in March added to further appreciation of the euro against the U.S. dollar by +0.8%. However, long-term Treasury yields plunged with uncertainty around trade wars and potential smoother hiking because of the soft data. Investment grade bonds increased by +0.3%, as compared to High Yield corporate bonds which registered a decrease in the prices of -0.6%, and gold respectively went up by +0.6%.

Emerging markets bonds registered an increase in prices (+0.2%) as data from developed world was soft, the US dollar further dropped and fears trade wars between major economies. Weak dollar mitigated concerns of national banks in emerging markets to cut rates because it does not add risks to their dollar-denominated bonds, especially South-East Asia, where foreign investors have a big share.

Our view is that the developed countries are starting to tighten their monetary policies and the end of the QE in the Eurozone is imminent. Thus we remain cautious and underweight on euro-denominated bonds.

Past performance, %

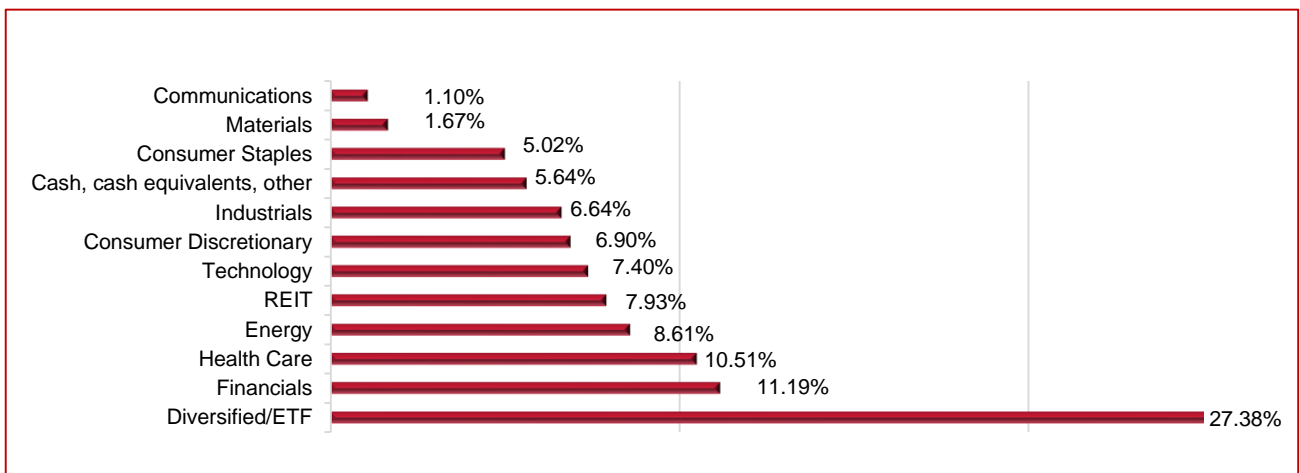


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Historical NAV per share, BGN



Industry breakdown, %



Comments

In March, EU manufacturing purchasing managers' index (PMI) stayed high although dropped to 56.6 points from 58.6 points in February. Consumer confidence in the EU also registered a decline. The French CAC and the German DAX closed the month with losses of -2.9% and -2.7%.

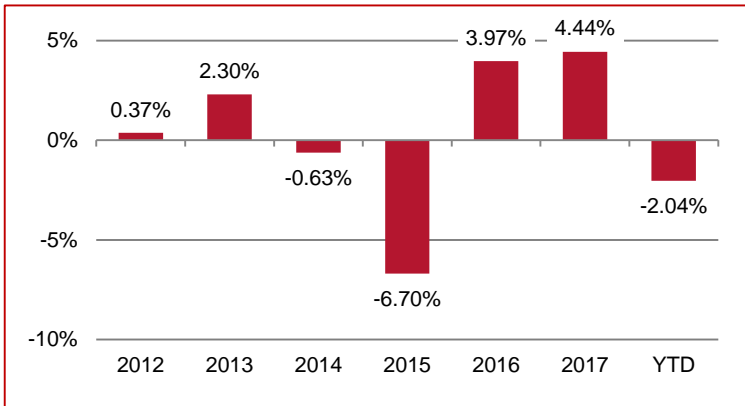
In a month with twists and twirls, main indices in the developed markets lost at least -2.0% after Trump instilled fears of trade wars insisting on import tariffs on steel and aluminum. Moreover, days after Trump greeted Putin for his win at the president elections in Russia, he decided to expel 60 Russian diplomats in the face of the poisoning of former Russian spy Skripal.

Unemployment in Japan hit its lowest level in quarter of a century to 2.4% which is the lowest among OECD countries. The Japanese central bank expects the inflation to reach its 2% target this year.

Although the new Fed chairman, Jerome Powell, gave a signal for a stable currency in his first statement in February, USD lost -0.8% against the euro in March with investors expecting trade wars.

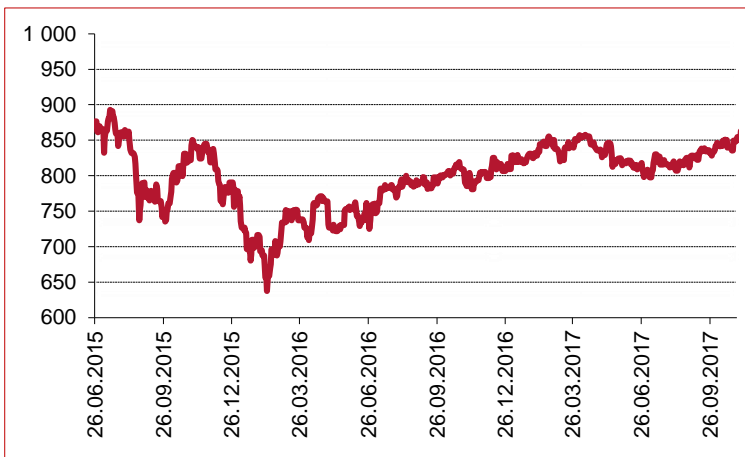
The sectors of Utilities and Energy in the U.S. only surged in March as crude oil was up and utilities are relatively less risky. The broad S&P 500 index lost -2.7%. The tech-heavy NASDAQ ended March -2.9%. Philadelphia Fed Manufacturing Index decreased to 22.3 from 23.2, adding to negative news.

Past performance, %

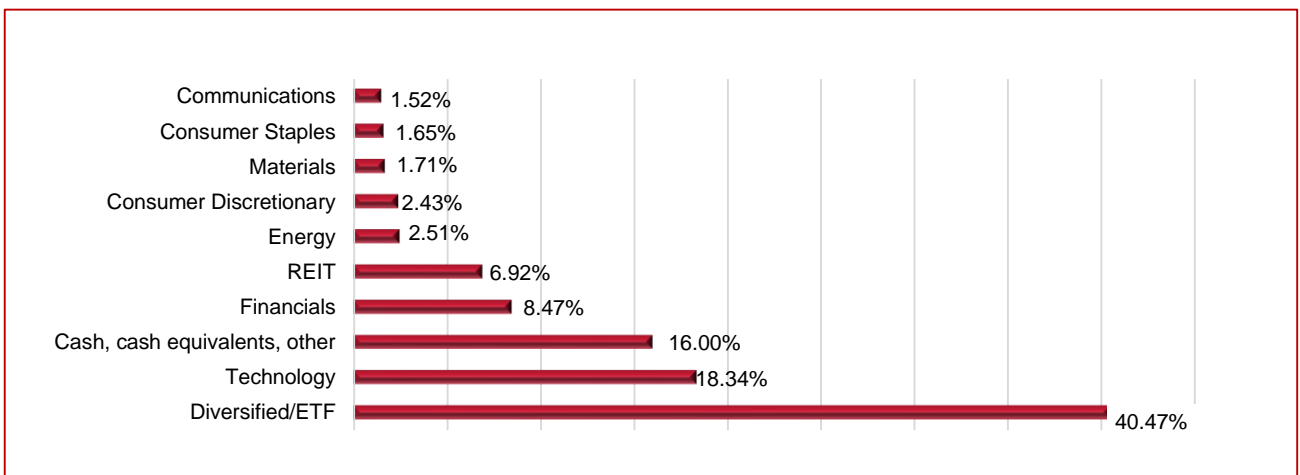


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Historical NAV per share, BGN



Industry breakdown, %



Comments

In March, Trump wreaked havoc with trade tariffs. The MSCI Emerging Markets Index lost -2.2% in US dollars following fears of trade wars inspired by American president tariff suggestions.

The Chinese stocks ended the month in red (CSI 300 -3.2%, Hang Seng -2.4%) after Trump took a hard line against Chinese exports. At the latest, China could not avert the U.S. tariffs on its export of steel and aluminum.

The poison attack against Skripal and further accusations against Russia triggered sell-off of Russian stocks. The RTS index dropped -3.0% in US dollars.

In March, only Mexico gained +0.7% in US dollars after it was spared by Trump tariffs because of the NAFTA Agreement ongoing talks where these arrangements will be settled. Yet, the Agreement is not finalized. South America followed the lead and MSCI Brazil dropped -2.0%.

The price of the WTI crude oil increased to little less than \$65 (+5.3%) on hopes of prolongation of OPEC oil cuts and possible restrictions on Iran oil export.

We stay negative on Russian stocks and respectively cut the Fund's positions.

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 a family of exchange-traded funds tracking the performance of major equity indices from the CEE region.

Advantages of investing in our mutual funds:

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- ❑ **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.
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