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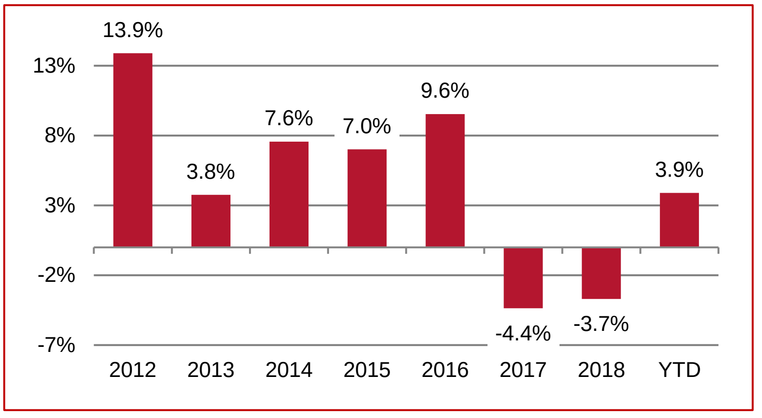
A REMARKABLY DIFFERENT WEALTH MANAGEMENT EXPERIENCE.

EXPAT MUTUAL FUNDS REPORT

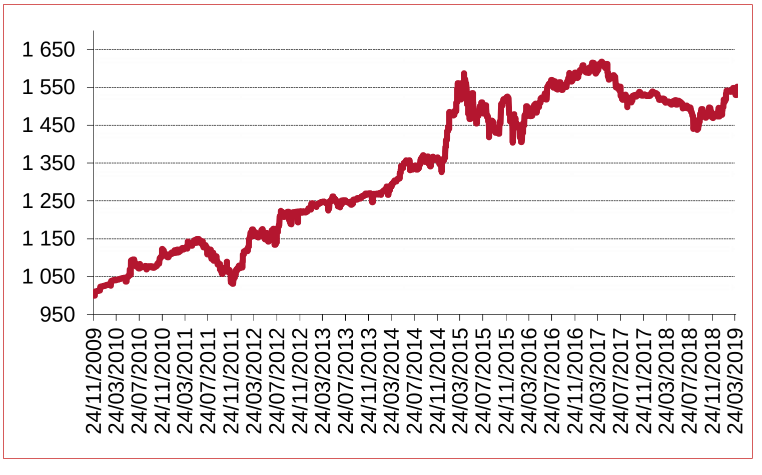
Q1 2019

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



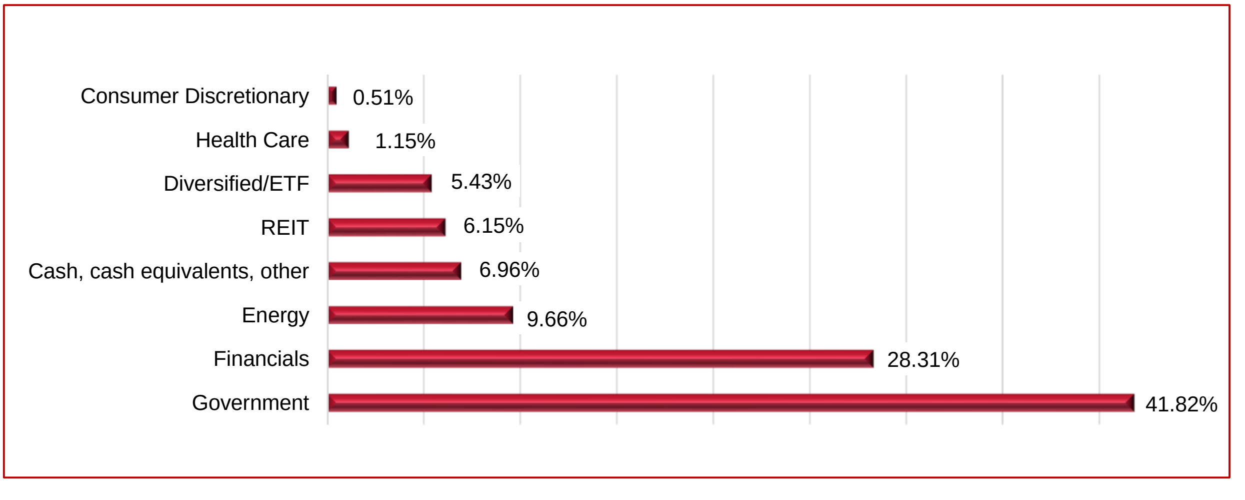
Comments

After the end-of-the-year slide the ECB decided on postponing rate hikes and the Fed paused hikes, combined with comparatively weaker euro area data resulted in the euro weakening against the U.S. dollar by -2.0%. However, the yield curve in the US kept inverting incorporating these new rate expectations but further causing concerns. Yet inversions tend to occur years before market plunge. Long-term Treasury yields kept falling with slower pace of hikes. Investment grade bonds increased by +5.8% for the quarter, as compared to High Yield corporate bonds +6.7%. The spread between high yield corporate bonds and investment grade bonds shrink a bit amid alleviation of fears.

Emerging markets bonds registered also an increase in prices (+6.3%) on trade optimism.

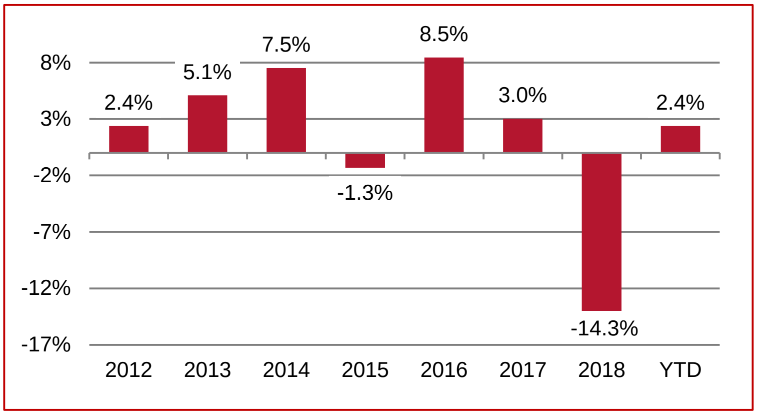
The end of the QE in the eurozone ended in December with reinvestments still going on but no hikes are in sight. Brexit remains unclear, Italian debt - an open issue, deposit rate - negative. Thus we remain cautious and underweight on euro-denominated bonds.

Industry breakdown, %



EXPAT GLOBAL EQUITIES

Past performance, %



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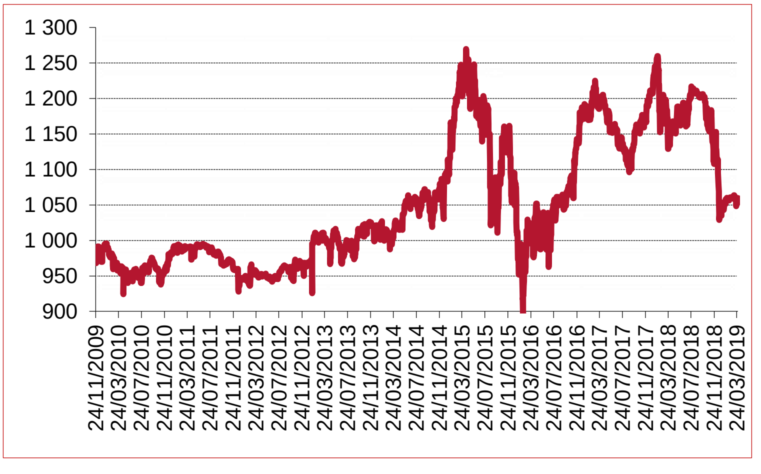
Historical NAV per share, BGN



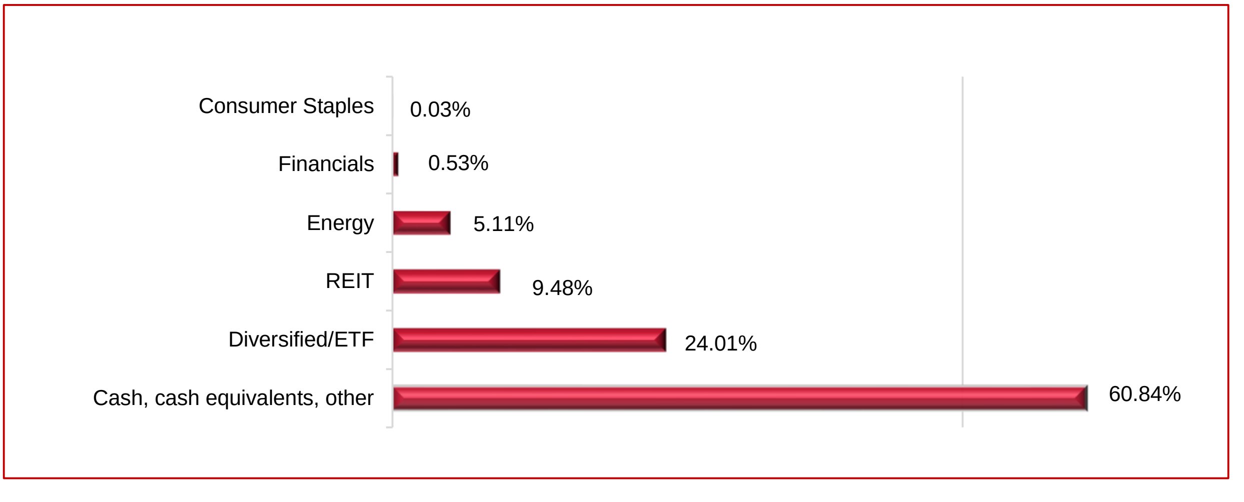
Comments

In March, EU manufacturing purchasing managers' index (PMI) kept dropping, this time to 47.6 points from 49.3 points in February. Weak trade data from Germany and mixed euro area data showed that EU also suffered from the trade tensions. USD gained about +2% against the euro in the first quarter with improvement in sentiment and stable employment data in the US as compared to the euro area with Italian weakness and messy Brexit. The French CAC and the German DAX closed the quarter with +14.4% and 9.2%, respectively.

Nikkei increased by +6.0% in the quarter paring some of the losses at the end of 2018.

The Technology sector and Consumer discretionary in the U.S. were the best performing sectors in the first quarter, after the rough end of 2018. Other most increased sectors were Energy and Communications. The broad S&P 500 index gained +14.0%. The tech-heavy NASDAQ ended the quarter +17.4%. Philadelphia Fed Manufacturing Index increased to 13.7. The price of crude oil pared some of its losses with OPEC cuts coming into effect and trade tensions fading away.

Industry breakdown, %



EXPAT EMERGING MARKETS STOCKS

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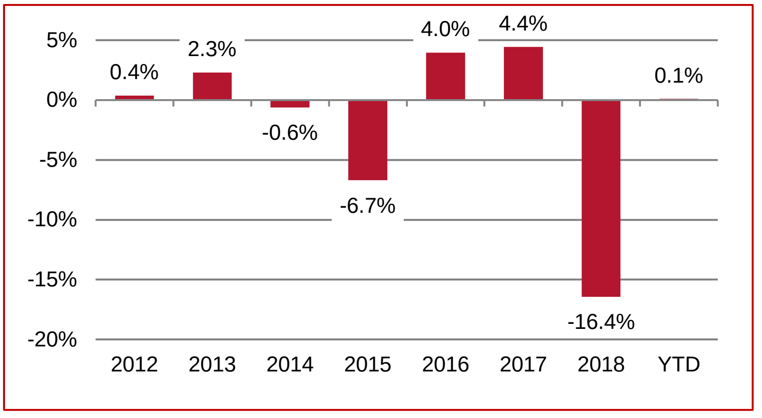
Past performance, %



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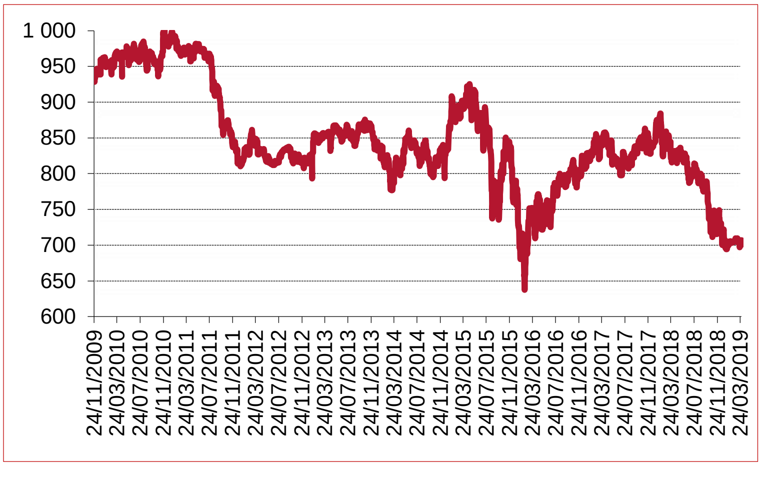
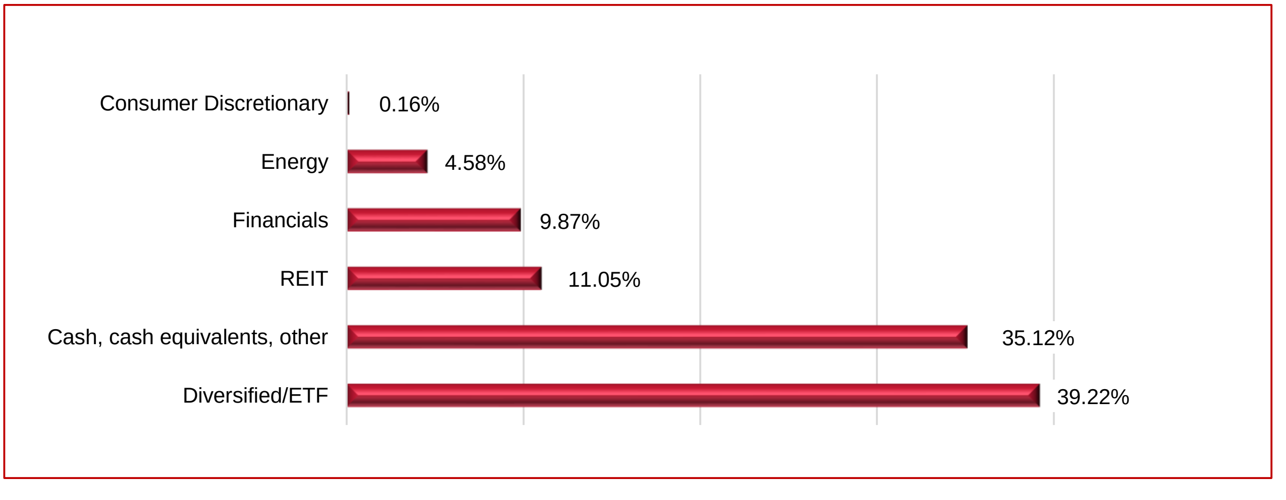
Historical NAV per share, BGN



Industry breakdown, %



Comments

The first quarter of 2019, ongoing hot spots such as US-China trade talks, Brexit and softer data were still active but rather dim among positive expectations. The MSCI Emerging Markets Index gained +9.9% in US dollars for the quarter after the downturn in the end of 2018. Worried by the end-of-year slide, the ECB postponed expected rate hikes to next year. The Fed, on the other hand, paused rate hikes and signaled slower pace.

Chinese stocks grew in the first quarter (CSI 300 +28.6%, Hang Seng +13.9%) on incoming positive remarks on the trade talks. Data, however, kept coming mixed with PMI up at the end of March.

Over the first quarter Mexico gained +5.3% in US dollars amongst rising emerging and developed markets. MSCI Brazil also registered a gain of +6.8%. Southeast Asia followed the common optimism amidst uncertainty. MSCI EM Eastern Europe ex Russia was also up +6.7% in sync with major indices.

The price of the WTI crude oil went up above $60 (+32.7%) on the fulfillment of OPEC cuts and ameliorated trade tensions.

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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:

- **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 exemt – 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.

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