

EXPAT BONDS

ANNUAL REVIEW: 19 NOVEMBER – 31 DECEMBER 2009

SUMMARY: A STRONG START FOR THE FUND: +2.34% FOR 6 WEEKS. 10-12% EXPECTED IN 2010 WITH LOW RISK

We are satisfied with the fund's performance in November and December 2009. While the stock market was falling sharply, the money market fund offered good defence with low risk. Most of the assets have been invested in high-yielding bank deposits (over 9% p.a.) with different maturities. We also managed to snatch a stake in a listed company significantly below the market price. The position appreciated by over 20% in several weeks. Such instruments are limited to 10% of the assets of the fund.

OUR STRATEGY FOR 2010

We think the prospects for **Expat Bonds** in 2010 are positive. We intend to follow several strategies:

- 1) **Bank deposits:** short-term, this is our preferred option with rates at above 9% p.a. We have been able to achieve higher rates from the bankers than the standard offers. However, the current abnormally high deposit rates might not prevail for long.
- 2) **Corporate bonds:** we constantly monitor the issues in the market and expect to find attractive opportunities in 2010.
- 3) **Arbitrage with stocks:** occasionally, we might be able to buy and sell small amounts in selected shares as a short-term strategy. Such instruments are limited to 10% of the assets of the fund.
- 4) **Other financial operations:** occasionally, we might use other fixed income instruments similar to repurchase agreements. They offer high yield with good collateral.

1. GENERAL INFORMATION

Quotations and statistics

| Current indicators and quotations | |
|---|------------|
| Net asset value per share (BGN) | 1 023.3753 |
| Net asset value (BGN) | 113 590.87 |
| Number of outstanding shares | 110.9963 |
| Beginning of the public offering | 19.11.2009 |
| Issue price (according to the amount) – if you invest now in the fund | |
| Up to BGN 100,000 | 1 024.3987 |
| Between BGN 100,000.01 and 500,000 | 1 023.8870 |
| Above BGN 500,000 | 1 023.3753 |
| Yield (%) | |
| Since the beginning of the public offering | +2.34% |

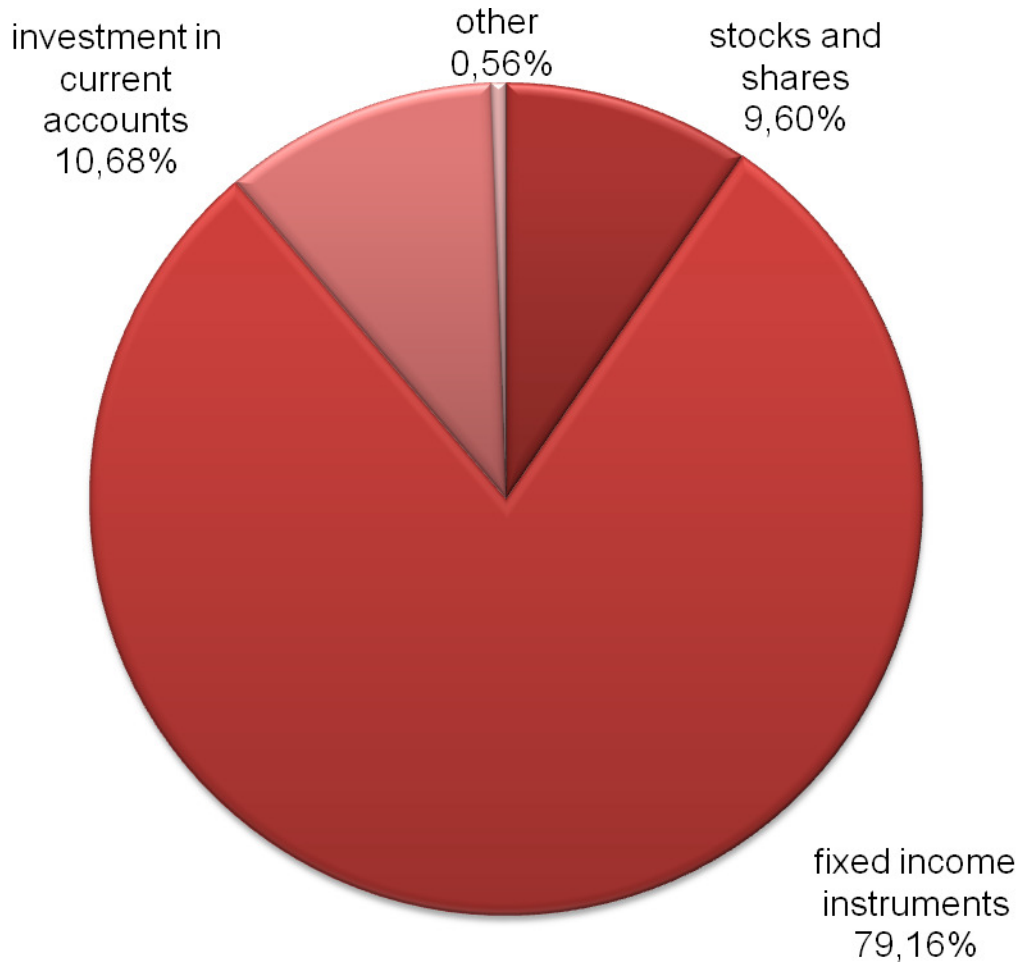
Source: Expat Asset Management

COMMENT

The mutual fund **Expat Bonds** is suitable for investors whose main priority is to preserve their savings and not to lose the principal. The fund will not invest in any risky instruments and operations where the possibility of financial losses exists. The fund invests in low-risk and high-yield bank deposits (with preferential terms – 9.5% currently), bonds, high-yield repurchase agreements. The return that we expect to reach is above 10% annually, possibly up to 12-15%. Our goal is to have a higher yield than the bank interest rates. We have one major **advantage**: the investments in our funds are 100% **liquid**. The clients can invest and withdraw their funds every day if they decide to do so. With these characteristics, Expat Bonds could be used as a substitute for a current account and is suitable for active people who are not sure when they will have revenues and expenses.

2. CURRENT PORTFOLIO STRUCTURE

Portfolio structure according to the fund's assets



Source: Expat Asset Management

COMMENT

Our current strategy for the mutual fund **Expat Bonds** is to invest minimum amounts in bonds as we do not think that they offer attractive enough yields. We keep large amount of assets in deposits with banks at high interest rates (over 9% p.a.), which we are ready to invest in investment grade bonds if an opportunity arises.

3. CURRENT YIELD

COMMENT

The public offering of the fund started on 19 November 2009. For less than a month and a half we have achieved +2.34%, which we consider success. We might probably not have the same result each month, but we target in any way to be more attractive than the bank interest rate with low risk.

4. CONTACTS

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5. RISK DISCLOSURE

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