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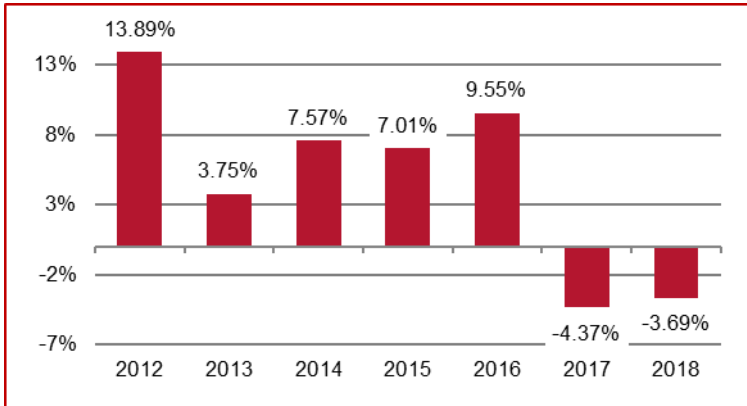
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EXPAT MUTUAL FUNDS REPORT

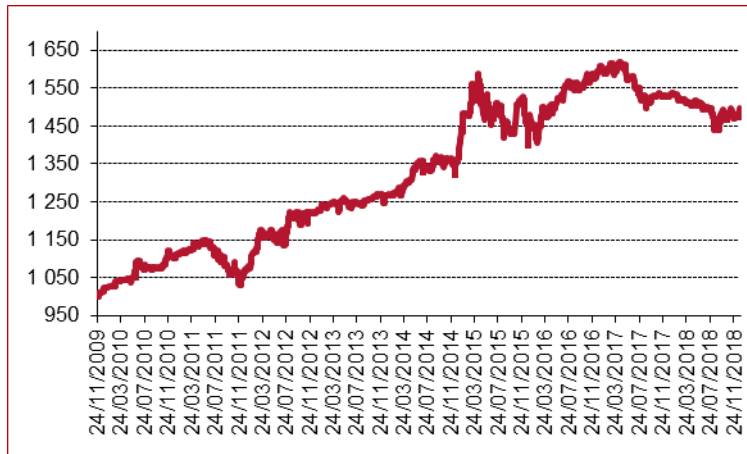
Q4 2018

Past performance, %

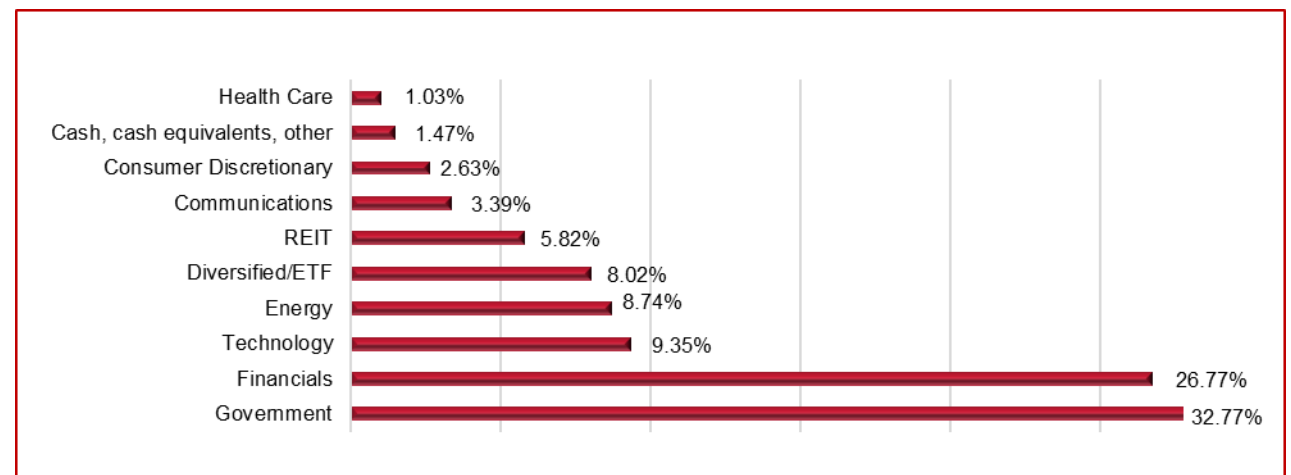


The bar chart of past performance has limited use in predicting future results. Annual expenses are included in the past performance calculations, excluding entry and exit charges.

Historical NAV per share, BGN



Industry breakdown, %



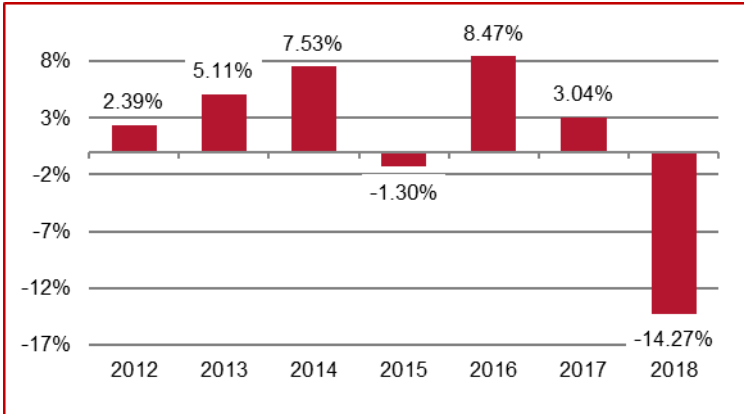
Comments

Soft data at the end of 2018, the Italian budget worries, postponed Brexit parliamentary vote together with news about China-US trade talks rocked euro in the last quarter. Euro weakened against the U.S. dollar by -1.4%. The rate hike in December and the signal that rate hikes in 2019 might be fewer if necessary led to the inversion of the yield curve in the short end and worried investors. Yet inversions tend to occur years before market plunge. Long-term Treasury yields dropped with expectations for slowing pace of hikes. Investment grade bonds decreased by -2.1% for the quarter, as compared to High Yield corporate bonds -6.3%. The spread between high yield corporate bonds and investment grade bonds increased with the fears.

Emerging markets bonds registered also an decrease in prices (-3.9%) as trade tensions between the U.S. and China continued.

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 as well. Thus we remain cautious and underweight on euro-denominated bonds

Past performance, %

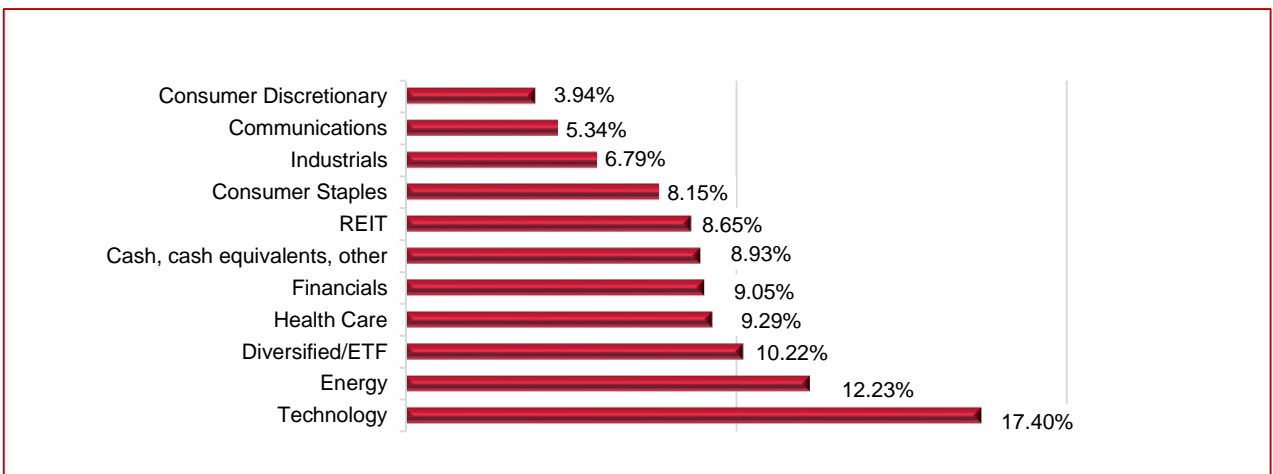


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Historical NAV per share, BGN



Industry breakdown, %



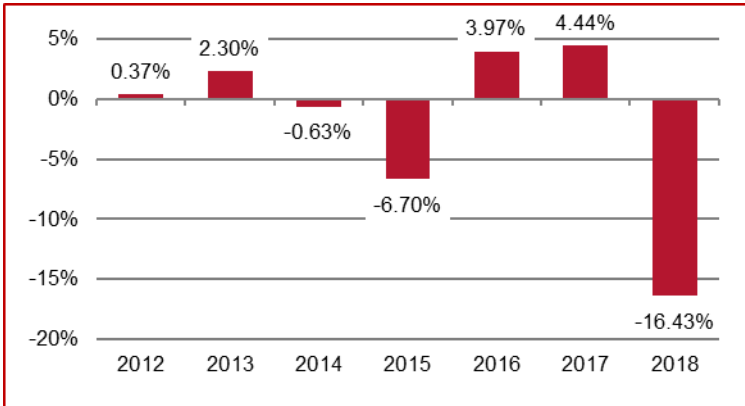
Comments

In December, EU manufacturing purchasing managers' index (PMI) kept dropping, this time to 51.4 points from 53.2 points in September. Yet employment data and consumption remain strong. USD gained +1.4% against the euro in the last quarter as trade war fears contributed to strong dollar. The French CAC and the German DAX closed the quarter with -14.8% and -13.8% respectively.

Japan previously benefitting from trade tensions was also hit in the fourth quarter in sync with other developed markets. Nikkei decreased by -17.0% in the quarter.

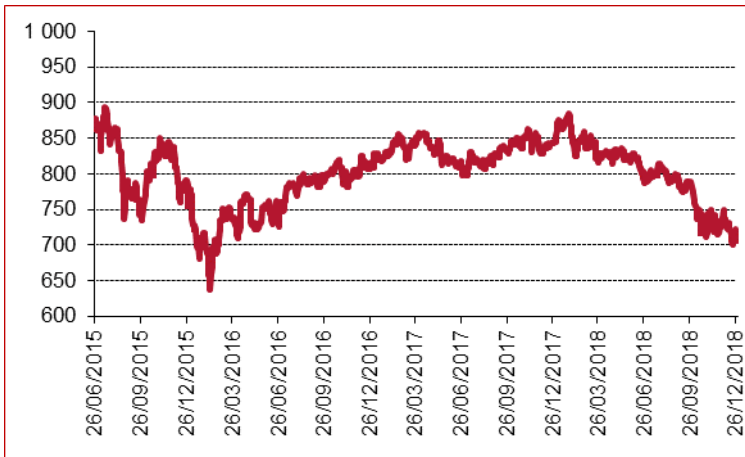
The Utilities sector in the U.S. was the only around 0 in the last months of 2018. Other least dropped sectors are Consumer Staples and Health Care, -6.2% and -10.4% respectively. The broad S&P 500 index lost -14.7%. The tech-heavy NASDAQ ended the quarter -18.2% over rather overblown concerns of global growth deceleration, trade wars and even upcoming recession. The latter has shown no symptoms, however, in the light of strong consumption and economic activity. Fundamentally shares in developed markets seem to be rather undervalued after the plunge. Philadelphia Fed Manufacturing Index decreased to 9.4. The drop in the price of crude oil ameliorated inflationary concerns and is one reason less for rate hikes

Past performance, %

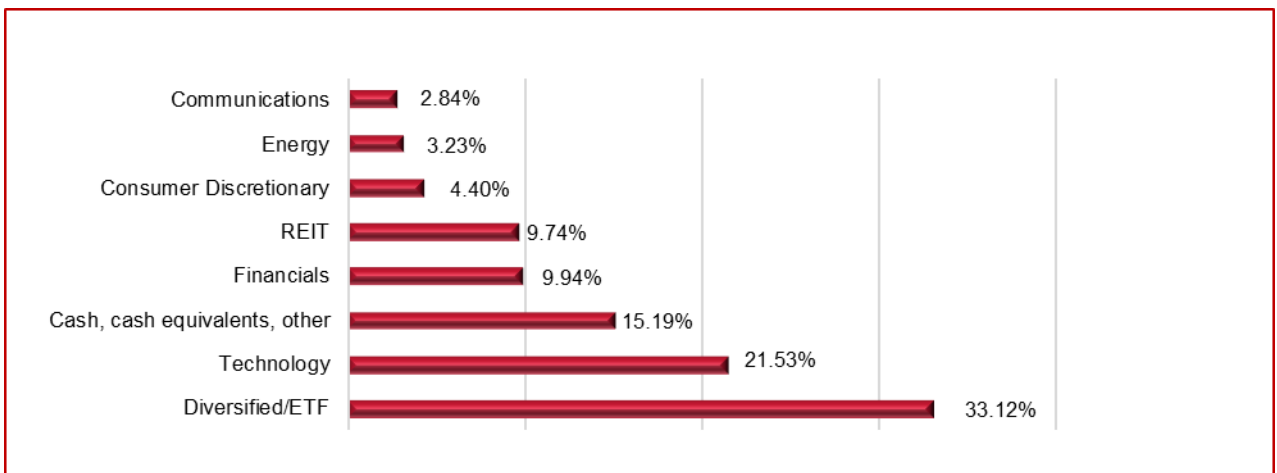


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Historical NAV per share, BGN



Industry breakdown, %



Comments

The fourth quarter, ongoing hot spots such as US-China trade talks, Brexit and softer data caused concerns about global demand and global growth. The MSCI Emerging Markets Index lost -8.1% in US dollars for the quarter. The fed rate hike in December yet added to pressure but the Fed signaled hike slow down, if necessary.

Chinese stocks fell in the last quarter (CSI 300 -12.5%, Hang Seng -8.2%) on trade tensions no matter that China and the US agreed on further talks and truce in the meantime.

Over the last quarter Mexico lost -19.5% in US dollars amongst falling emerging and developed markets. South America was seen as safe-haven. Far enough from the trade talks battle field, and relatively improved political situation after the new elected president Brazil registered a gain of +12.7% for MSCI Brazil.

The price of the WTI crude oil fell below \$50 (-38.1%) on fears of oil glut due to surprising waivers for major Iran oil importers sanctions and global growth deceleration.

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