

A grayscale world map serves as the background. Overlaid on the map is a network of white lines connecting various circular nodes, some of which are highlighted with a bright glow. The overall theme is global connectivity and wealth management.

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

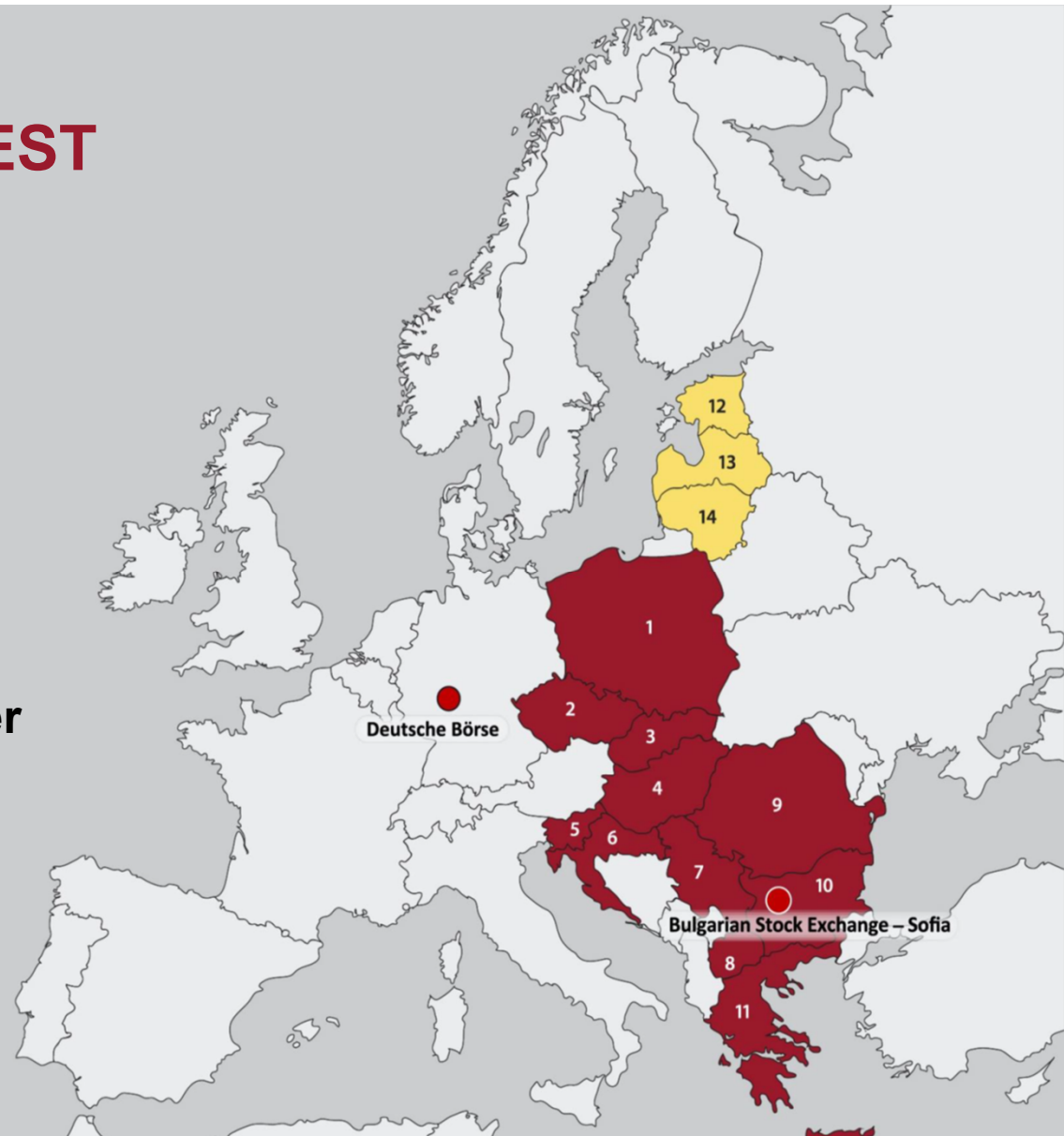
A REMARKABLY DIFFERENT WEALTH MANAGEMENT EXPERIENCE.

EXPAT'S ETF FAMILY: AN INNOVATIVE WAY TO INVEST IN THE CEE REGION

Frankfurt, 10 July 2018

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Expat Asset Management

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Expat Asset Management



ABOUT EXPAT ASSET MANAGEMENT

- The largest independent asset management company in Bulgaria
- The only ETF provider from the CEE region and one of the 29 ETF issuers on the Frankfurt Stock Exchange
- Managing 11 ETFs tracking the performance of major equity indices in the CEE region, 700+ individual investment portfolios, 3 mutual funds with global focus, 1 REIT
- A team of professionals with diverse international education and experience
- Optimized cost-effective solutions with first-mover advantage in niche categories

EXPAT – THE ETF OPERATOR IN THE CEE REGION

EXPAT – THE ETF OPERATOR IN CENTRAL AND EASTERN EUROPE



EXPAT – THE ETF OPERATOR IN CEE

Expat Asset Management intends to become the leader in the ETF management industry in the CEE region. We have launched 11 ETFs:

Country	Expat fund	Index	Ticker
1 Poland	EXPAT POLAND WIG20 UCITS ETF	WIG20 on the Warsaw Stock Exchange	PLX
2 Czech Republic	EXPAT CZECH PX UCITS ETF	PX on the Prague Stock Exchange	CZX
3 Slovakia	EXPAT SLOVAKIA SAX UCITS ETF	SAX on the Bratislava Stock Exchange	SK9A
4 Hungary	EXPAT HUNGARY BUX UCITS ETF	BUX on the Budapest Stock Exchange	HUBE
5 Slovenia	EXPAT SLOVENIA SBI TOP UCITS ETF	SBI TOP on the Ljubljana Stock Exchange	SLQX
6 Croatia	EXPAT CROATIA CROBEX UCITS ETF	CROBEX on the Zagreb Stock Exchange	ECDC
7 Serbia	EXPAT SERBIA BELEX15 UCITS ETF	BELEX15 on the Belgrade Stock Exchange	ESNB
8 Macedonia	EXPAT Macedonia MBI10 UCITS ETF	MBI10 on the Macedonian Stock Exchange	MKK1
9 Romania	EXPAT ROMANIA BET UCITS ETF	BET on the Bucharest Stock Exchange	ROX
10 Bulgaria	EXPAT BULGARIA SOFIX UCITS ETF	SOFIX on the Bulgarian Stock exchange	BGX
11 Greece	EXPAT GREECE ASE UCITS ETF	ATHEX Composite on the Athens Stock Exchange	GRX

EXPAT'S ETFs MAIN CHARACTERISTICS

- UCITS-compliant
- Passive, equity index trackers
- Open-ended
- Direct physical replication
- Expat Asset Management is operating as an Authorized Participant (AP)
- Dividends are reinvested
- Currency exposure is not hedged. The funds are quoted and traded in EUR, but investors bear the underlying exchange rate risk in seven of the 11 countries
 - Slovakia, Slovenia, Greece are members of the Eurozone, while Bulgaria has a fixed exchange rate to the euro
 - Poland, the Czech Republic, Hungary, Croatia, Serbia, Macedonia, and Romania have their own currencies which fluctuate against the EUR

TRADING ON SECONDARY MARKET (1)

- Expat Asset Management as an AP – innovation for these relatively illiquid underlying markets
- The market-makers provide quotes on the secondary market and:
 - No need to hedge via derivatives or complicated strategies using basket of securities
 - No need to be set up with a local broker, local depository and hold the underlying assets which could be difficult, costly and time consuming
 - No liquidity risk associated with the underlying stocks
 - No need to hold a large book – for day to day retail trading we suggest a 50'000 to 100'000 shares book will be sufficient
 - For larger amounts the market-makers could always ask the AP for a quote

TRADING ON SECONDARY MARKET (2)

- How is this all done?
- The market-makers could hedge/close their position with Expat Asset Management if they don't want to bear the market risk until the end of the trading session
- Expat Asset Management provides OTC quotes constantly, even after the trading session
- Amounts have to be comprised of minimum pieces of 100'000 shares
- All hedging/closing trades will be cash trades with cash settlement
- Expat Asset Management could also accept basket of underlying securities and create and/or redeem "in-kind"

TRADING ON PRIMARY MARKET

- The ETFs are open-ended
 - Expat Asset Management can issue or redeem any number of shares on a daily basis
 - For market-makers/distributors the price of the trades will be NAV per share at end of the trading day
 - The market-makers/distributors could add mark-up when they are quoting to their clients
- The primary market is also open to institutional investors
 - Minimum lots of 100'000 shares
 - Negotiable subscription/redemption fees up to 2% to stimulate secondary-market trades and to stimulate OTC trading with the market-makers

HOW A POTENTIAL MARKET-MAKER COULD PROFIT FROM EXPAT'S ETFS

- We want to stimulate the secondary-market trading and OTC trading between international investors and the market-makers/distributors:
 - Market-makers profit from the **traded volume** and the **bid-ask spread**
 - Market-makers/distributors could add **mark-up** to the quote from the AP towards the final investor and profit from trading large amounts on a daily basis
 - As the ETFs are cross-listed, market-makers could **arbitrage** between the exchanges and close their position with the AP (Expat)
- We want to stimulate the distribution via primary market so our funds would grow:
 - **Agency fees** when distributing our ETFs and accessing the primary market
 - When AP is accepting basket of securities for creation and redemption, the market-makers/distributors could gain **brokerage fees** from their clients for those trades

SHOULD THE SIZE AND THE HISTORICAL LIQUIDITY MATTER?

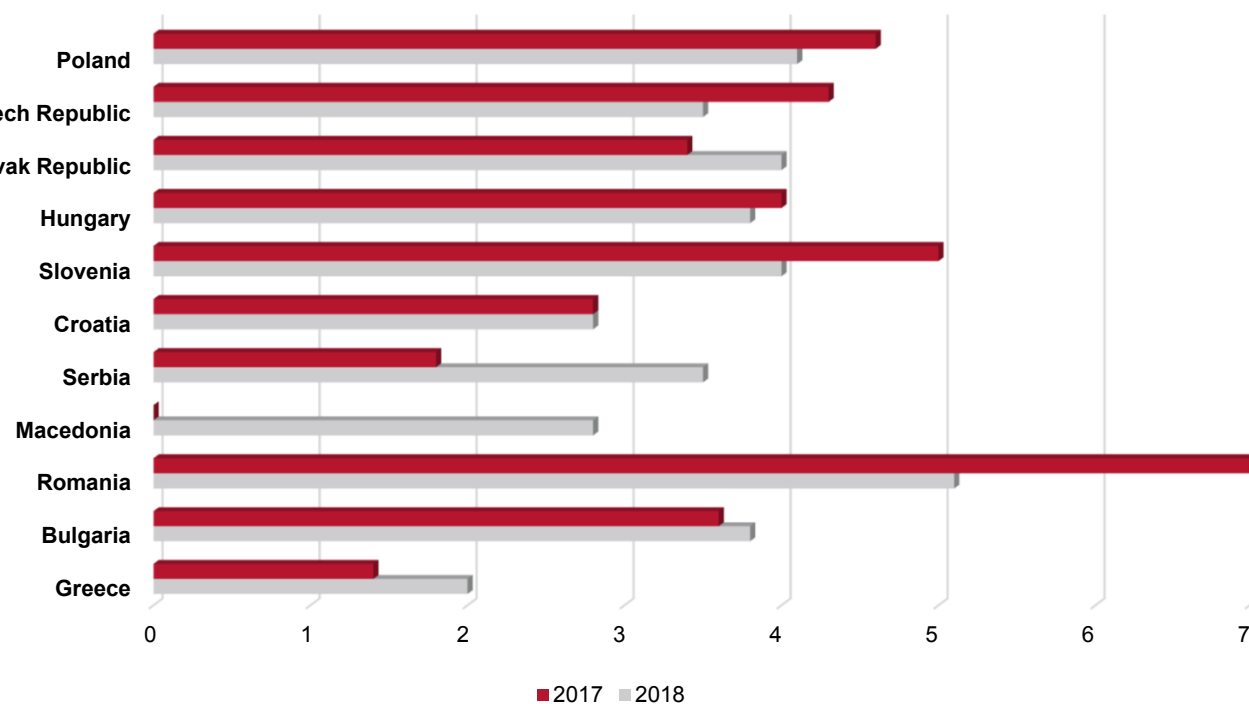
- Expat Asset Management is bearing the market risk behind the trades
- We invested our time and efforts to set up our funds with all the major local depositories and brokers and have a large set of tools and connections to hedge our position and provide liquidity
- Example for Expat Bulgaria SOFIX UCITS ETF:
 - The market liquidity triples after the launch of our pilot project
 - The retail investors came back to the market
 - Local institutional investors became more active
 - Intraday trading was revived
- The size of the funds (as they are in the seeding capital stage) doesn't matter, the size of the underlying market does.

CEE EQUITIES IN THE GLOBAL PORTFOLIO

THE OPPORTUNITY TO INVEST THROUGH ETFs

MACROECONOMIC DATA (1)

Real GDP Growth YoY % Change 2017 to 2018 Est.

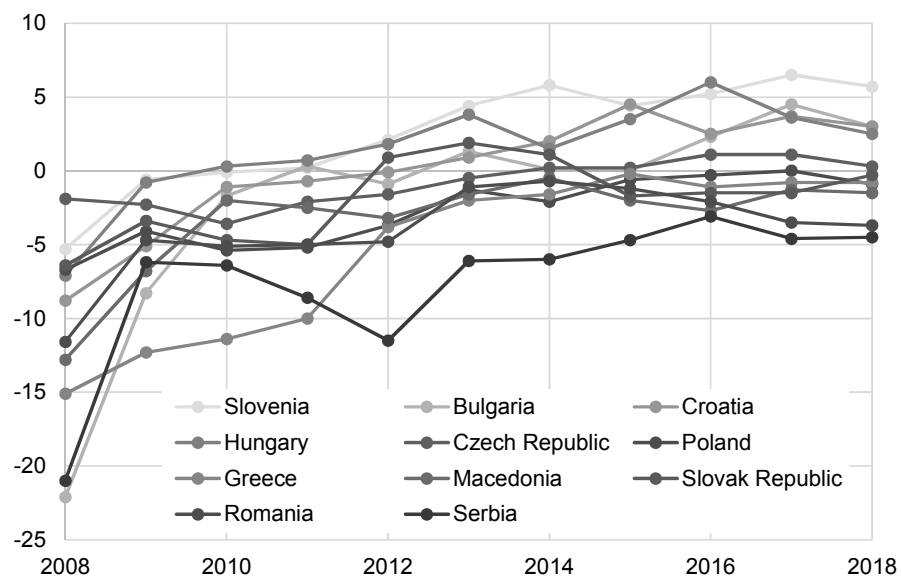


	2017	2018 Est.
Greece	1.4	2
Bulgaria	3.6	3.8
Romania	7	5.1
Macedonia	0	2.8
Serbia	1.8	3.5
Croatia	2.8	2.8
Slovenia	5	4
Hungary	4	3.8
Slovak Republic	3.4	4
Czech Republic	4.3	3.5
Poland	4.6	4.1

Source: ©IMF, 2018

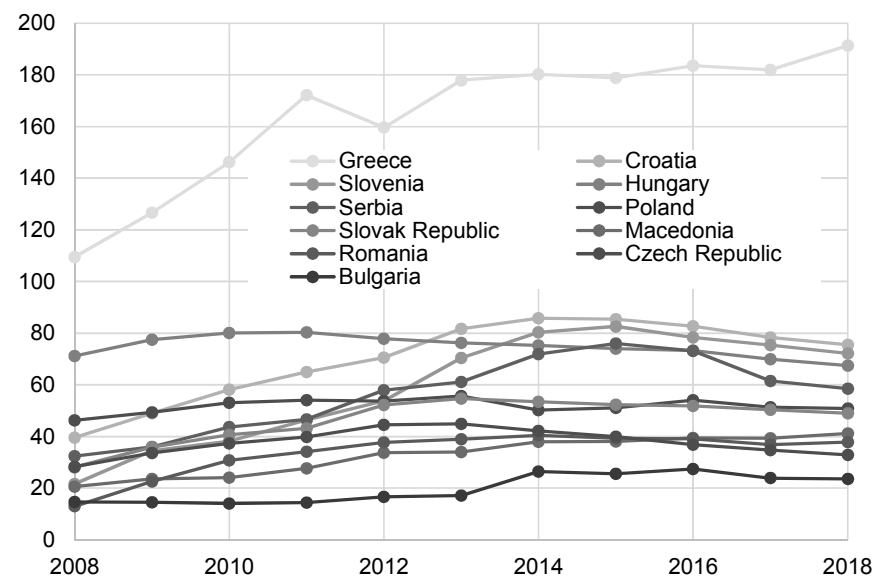
MACROECONOMIC DATA (2)

Current account balance (% of GDP)



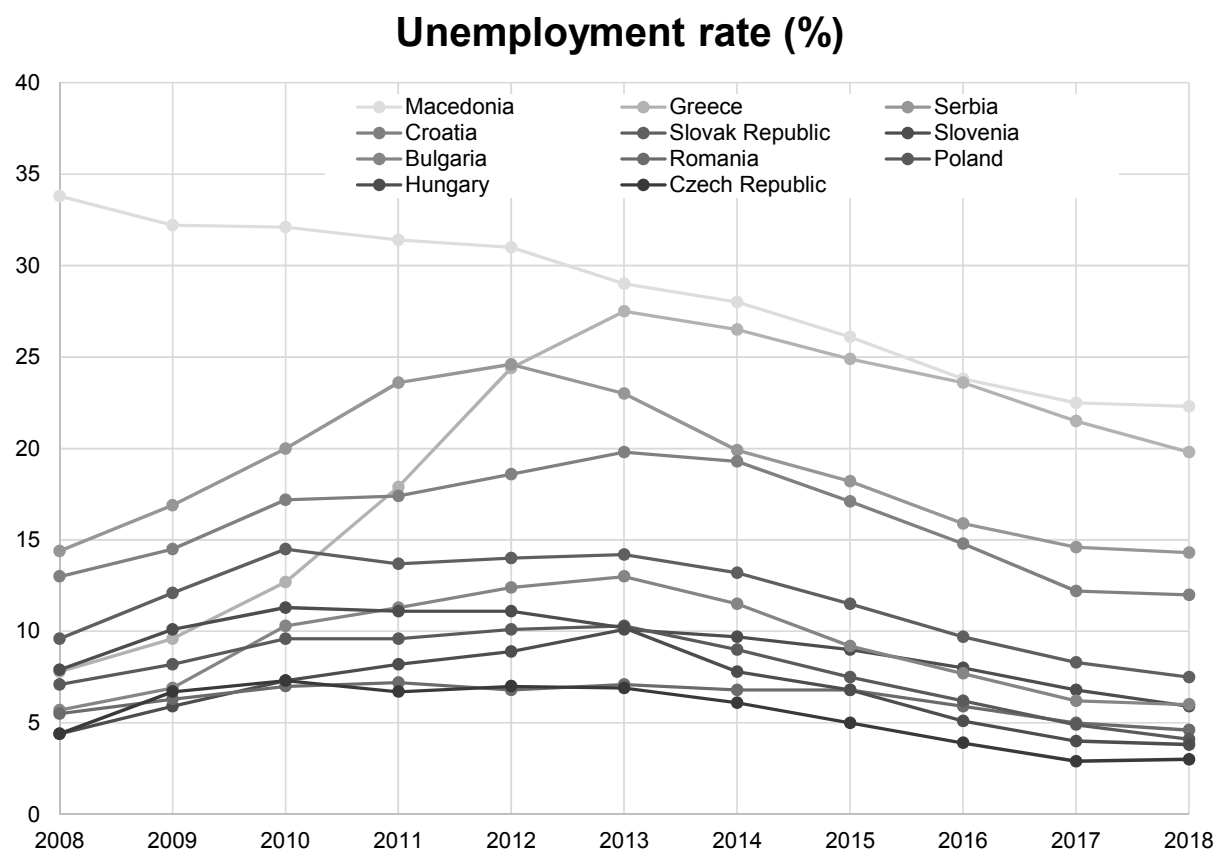
Source: ©IMF, 2018

Government gross debt (% of GDP)



Source: ©IMF, 2018

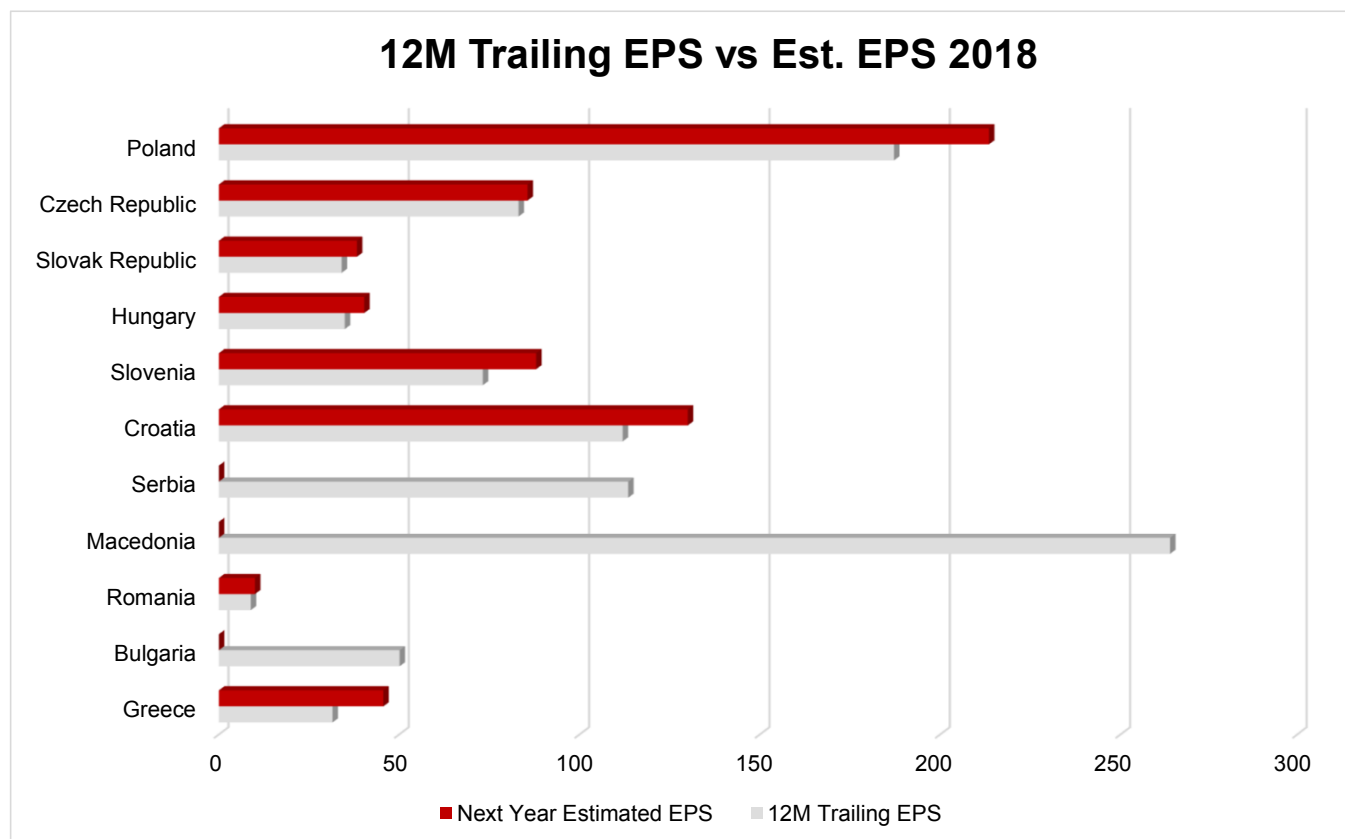
MACROECONOMIC DATA (3)



Source: ©IMF, 2018

- Labor market in the region still has slack
- Further decrease in unemployment to boost wages and consumption
- Consumers to become wealthier and thus the Economies to become more resilient to future economic turbulences

FUNDAMENTALS (1)



	Estimated Earnings Growth 2018	Total Debt to Total Assets
Greece	N/A	28%
Bulgaria	16%	20%
Romania	3%	15%
Macedonia	N/A	5%
Serbia	45%	39%
Croatia	15%	12%
Slovenia	14%	27%
Hungary	13%	6%
Slovak Republic	N/A	N/A
Czech Republic	12%	38%
Poland	20%	14%

Source: Bloomberg, 2018

FUNDAMENTALS (2)

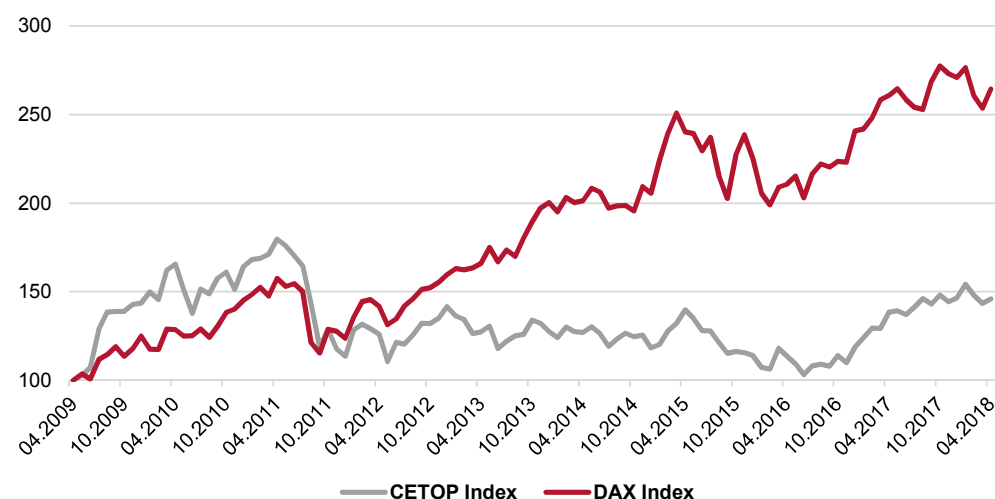
Main Index per Country	P/E (x)	P/B (x)	Net Aggregate Dividend Yield
WIG 20 – Poland	11.35	1.18	2.14
PX – Czech Republic	12.81	1.34	5.01
SAX – Slovakia	16.69	2.00	3.64
BUX – Hungary	10.32	1.27	3.03
SBITOP – Slovenia	11.93	0.98	4.92
CROBEX – Croatia	16.21	1.00	2.30
BELEX 15 – Serbia	6.47	0.71	-
MIB 10 – Macedonia	12.67	1.05	3.13
BET – Romania	9.11	0.95	9.16
SOFIX – Bulgaria	12.68	0.64	2.17
Athex Composite – Greece	23.78	0.63	2.57

Source: Bloomberg as of July 2018

- Undiscovered region by international investors
- Higher economic growth to translate potentially in higher earnings
- Low valuations and potential for multiples expansion

REGIONAL PERFORMANCE VS THE DAX 30 INDEX

**CETOP Index (as a Proxy for the Region)
vs. the DAX 30 Index, normalized to 100**



CETOP Index Composition

Bloomberg Ticker	Company Name	Weight
RBAG CK Equity	Erste Group Bank AG	10.58%
OTP HB Equity	OTP Bank Nyrt	9.69%
PKO PW Equity	Powszechna Kasa Oszczednosci Bank Polski	8.12%
MOL HB Equity	MOL Hungarian Oil & Gas PLC	7.44%
PZU PW Equity	Powszechny Zaklad Ubezpieczen SA	7.19%
PKN PW Equity	Polski Koncern Naftowy ORLEN SA	6.68%
CEZ CK Equity	CEZ AS	5.98%
PEO PW Equity	Bank Polska Kasa Opieki SA	5.91%
KOMB CK Equity	Komercni banka as	4.69%
KGH PW Equity	KGHM Polska Miedz SA	4.28%
TLV RE Equity	Banca Transilvania SA	4.17%
PGN PW Equity	Polskie Gornictwo Naftowe i Gazownictwo	3.61%
RICHT HB Equity	Richter Gedeon Nyrt	2.98%
CDR PW Equity	CD Projekt SA	2.66%
KRKG SV Equity	Krka dd Novo mesto	2.40%
FP RE Equity	Fondul Proprietatea SA/Fund	2.09%
MONET CK Equity	Moneta Money Bank AS	1.89%
VIG CK Equity	Vienna Insurance	1.81%
SNG RE Equity	ROMGAZ SA	1.62%
BRD RE Equity	BRD-Groupe Societe Generale SA	1.58%
SNP RE Equity	OMV Petrom SA	1.34%
TELEC CK Equity	O2 Czech Republic AS	1.16%
MTELEKOM HB Equity	Magyar Telekom Telecommunications PLC	1.07%
HTRA ZA Equity	Hrvatski Telekom dd	1.06%
Total		100.00%

Source: Bloomberg, 2018

CEE MARKETS MAIN INDICES – CHARACTERISTICS

No.	Country	Index	Market Cap of the Index, EUR BN	Average Daily Volume, EUR M	GDP, EUR BN, 2017
1	Poland	WIG20	80.58	152.2	465.7
2	Czech Republic	PX	48.76	23.4	191.6
3	Slovakia	SAX	2.39	0.017	85.0
4	Hungary	BUX	21.58	36.32	123.5
5	Slovenia	SBI TOP	5.36	1.33	43.3
6	Croatia	CROBEX	7.79	0.66	48.7
7	Serbia	BELEX15	2.08	0.30	36.8
8	Macedonia	MBI10	1.86	0.24	10.1
9	Romania	BET	15.55	7.20	187.4
10	Bulgaria	SOFIX	1.72	0.38	50.4
11	Greece	ATHEX Composite	47.33	66.26	177.7
TOTAL			235.00	288.30	1,420.2

Source: Bloomberg, July 2018

INVESTING IN CEE EQUITIES

- Stock picking is time consuming
- Limited knowledge about the region and the individual stocks
- Lack of adequate information in foreign languages
- Lower transparency
- Major cross-border settlement difficulties – high set up costs
- High transaction costs
- Lack of liquidity without good local brokers / connections
- ETFs are the best way to invest in CEE equities by selecting individual countries and making macro bets
- ETFs provide additional primary-market liquidity
- ETFs provide tax advantages for many EU-based investors

EXPAT'S ETFs – UNIQUE MARKET PROPOSITIONS

- Unique market propositions providing country-specific exposure in the CEE region to international investors
- Designed to be major highways for capital flows to and from the equity markets of the CEE countries
- Link the local stock exchanges of the CEE countries with Frankfurt
- Easy and cost-effective for international investors to take and liquidate an exposure to the specific countries in the region
- Overcome deficiencies such as lack of liquidity, lack of access, cross-border settlement issues, high execution costs, large spreads, and other technical factors typical for many of the CEE markets

EXPAT'S ETFs ADVANTAGES

- A convenient and efficient macro play, easy to follow
 - No need to devote time and resources to analyze, pick and follow individual stocks
 - Portfolios published daily on Expat's website
- Diversification
 - Exposure to the largest and most liquid stocks on the relevant market
- Superior liquidity
 - The existence of both primary and secondary markets ensures superior liquidity. Any amount can be invested or divested on any given day

NEXT STEPS

- ETFs covering the Baltics
- ETFs in niche markets not covered by major providers



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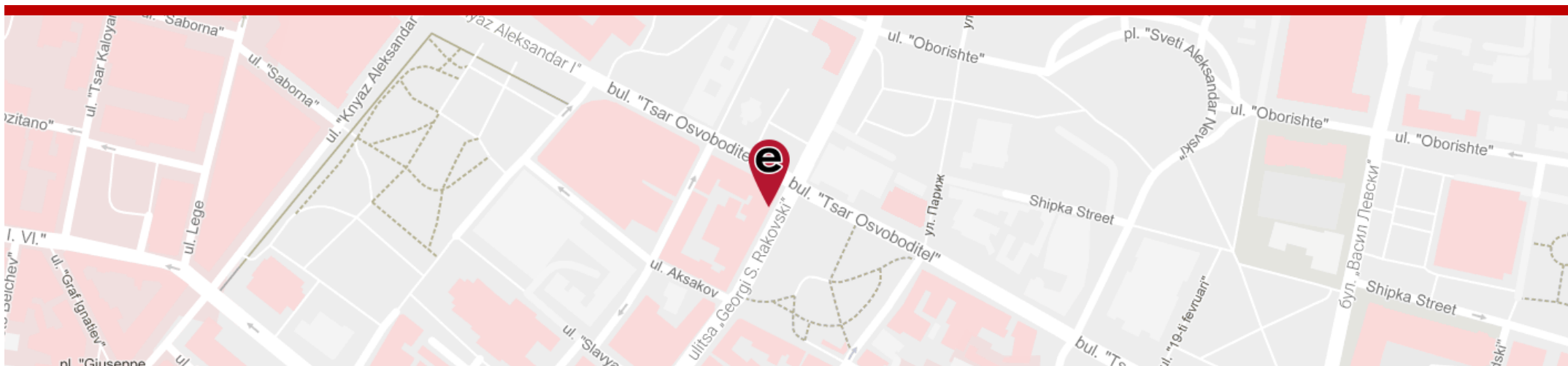
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