

## Investment Objectives & Approach

The Fund invests in high yield corporate bonds, government bonds and convertibles in Emerging Europe, Russia and CIS countries. The Fund may also invest in regional currencies, if deems them undervalued or may hedge its currency exposure. The Fund's investment objective is to maximise yield from investment, taking into account company quality, instrument maturity and FX outlook. The Fund adheres to the UN Principles for Responsible Investment.

The Fund is suitable for investors who are prepared to bear higher risk compared to a similar investment in an investment grade corporate or sovereign fixed income instruments with the potential to earn a higher yield. Investors should have medium to long term investment horizon.

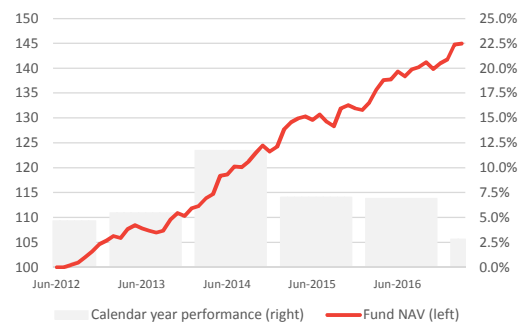
## Fund Manager's Comment, March 2017

Global fixed income asset class posted negative performance in March as the monetary policy tightening in the US continues, while the ECB is ever so slowly starting to move in a similar direction. Euro gained against the dollar in March due to the ECB rhetoric on monetary policy. Among Emerging Europe currencies the Polish zloty rallied amid continuing improvement in investor sentiment towards Polish assets and potential rate hike expectations. Russian rouble bounced despite weakening crude price as pick-up in the economy and positive fund flows continue.

Avaron Eastern Europe Fixed Income Fund gained 0.1% in March. In 1-year the Fund is up 6.8%. As of end-March the Fund's bond portfolio had a weighted average maturity of 4.6 years without perpetuals with YTM at 5.4% (excluding FX forward cost) and current yield of 6.1%. Emerging Europe's economic outlook continues to improve alongside the pick-up in Developed Europe, thus we do not see any deterioration in the credit risk level in the region. So far we have maintained our existing positioning and avoiding additional duration risk. Going forward we are likely to add credit risk to the portfolio and maintain or even somewhat decrease the interest rate risk of the portfolio.

To receive portfolio managers' detailed monthly report please send a request to [info@avaron.com](mailto:info@avaron.com).

## Performance since launch (July 2012)



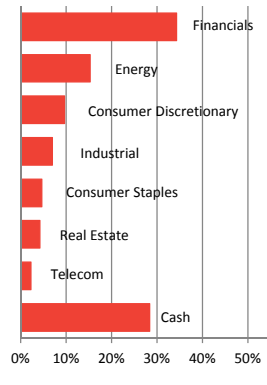
Past performance is not a guarantee or indicative of future results

Performance overview	Fund net return	Calendar year net return	Fund
1 month	0.1%	2016	6.9%
YTD	2.8%	2015	7.0%
3 months	2.8%	2014	11.7%
6 months	3.4%	2013	5.5%
1 year	6.8%		
2 years	12.2%		
3 years	27.3%		
4 years	37.0%		
Since inception	45.0%		

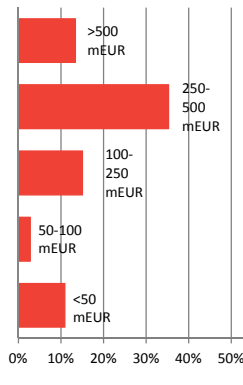
## Geographic breakdown



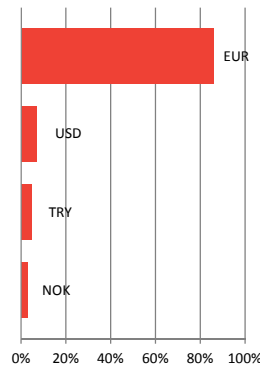
## Sector breakdown



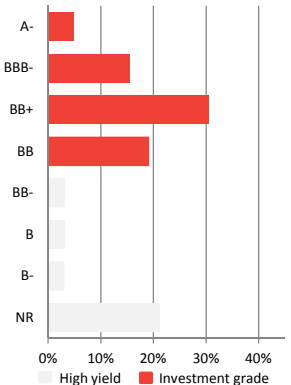
## Issue size breakdown



## Net currency breakdown



## Credit rating breakdown



## Country allocation

	Mar-17	Change				Contribution analysis				
		1 mo	3 mo	12 mo	3 years	1 mo	3 mo	12 mo	YTD	3 years
Turkey	42.3%	-0.2%	2.9%	1.0%	14.2%	-0.1%	1.5%	5.9%	1.5%	22.1%
Estonia	13.7%	-0.1%	-0.4%	0.4%	13.7%	0.0%	0.2%	1.4%	0.2%	2.2%
Hungary	5.5%	-0.2%	-0.3%	-0.1%	-7.3%	0.0%	0.0%	0.8%	0.0%	3.1%
Russia	4.9%	0.0%	-0.1%	0.2%	2.6%	0.0%	0.1%	0.7%	0.1%	2.1%
Ukraine	4.7%	4.7%	4.7%	4.7%	-4.7%	0.0%	0.0%	0.0%	0.0%	-2.3%
Austria	3.7%	-8.8%	-8.7%	-9.0%	-3.0%	0.0%	0.5%	1.6%	0.5%	4.1%
Norway	2.6%	0.0%	0.0%	0.0%	2.6%	0.0%	0.1%	0.3%	0.1%	0.4%
Poland	0.0%	0.0%	0.0%	-2.0%	-5.3%	0.0%	0.0%	0.0%	0.0%	1.2%
Others	-1.2%	-1.0%	-1.6%	-4.7%	-12.9%	0.3%	0.6%	-4.2%	0.6%	-3.9%

## Sector allocation

	Mar-17	Change				Contribution analysis				
		1 mo	3 mo	12 mo	3 years	1 mo	3 mo	12 mo	YTD	3 years
<b>Corporates</b>	<b>77.5%</b>	<b>-4.7%</b>	<b>-1.9%</b>	<b>-4.8%</b>	<b>10.8%</b>	<b>0.0%</b>	<b>2.4%</b>	<b>10.7%</b>	<b>2.4%</b>	<b>33.2%</b>
Financials	34.3%	-9.0%	-5.8%	-7.4%	3.0%	0.0%	1.7%	5.3%	1.7%	19.6%
Energy	15.3%	-0.2%	-0.5%	-0.1%	5.0%	0.0%	0.1%	2.0%	0.1%	5.8%
Consumer Discretionary	9.7%	-0.1%	-0.1%	-1.9%	0.5%	-0.1%	0.3%	1.6%	0.3%	4.0%
Industrial	7.0%	0.0%	0.0%	0.3%	4.9%	0.1%	0.2%	1.3%	0.2%	3.1%
Consumer Staples	4.7%	4.7%	4.7%	4.7%	-4.7%	0.0%	0.0%	0.0%	0.0%	-2.3%
Real Estate	4.3%	0.0%	-0.1%	-0.3%	4.3%	0.0%	0.1%	0.3%	0.1%	1.1%
Telecom	2.3%	0.0%	-0.1%	0.0%	0.2%	0.0%	0.0%	0.2%	0.0%	1.5%
Materials	0.0%	0.0%	0.0%	0.0%	-2.4%	0.0%	0.0%	0.0%	0.0%	0.3%
Health Care	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
<b>Sovereign</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>-8.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>2.2%</b>
<b>FX Derivatives</b>	<b>-1.2%</b>	<b>0.3%</b>	<b>-0.3%</b>	<b>-3.5%</b>	<b>-1.0%</b>	<b>0.3%</b>	<b>0.6%</b>	<b>-4.2%</b>	<b>0.6%</b>	<b>-6.3%</b>
<b>Cash</b>	<b>23.7%</b>	<b>4.4%</b>	<b>2.3%</b>	<b>8.3%</b>	<b>-1.2%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>1.1%</b>	<b>0.0%</b>	<b>1.1%</b>

## Contribution analysis

	Mar-17	Change				Contribution analysis				
		1 mo	3 mo	12 mo	3 years	1 mo	3 mo	12 mo	YTD	3 years
Turkey	42.3%	-0.2%	2.9%	1.0%	14.2%	-0.1%	1.5%	5.9%	1.5%	22.1%
Estonia	13.7%	-0.1%	-0.4%	0.4%	13.7%	0.0%	0.2%	1.4%	0.2%	2.2%
Hungary	5.5%	-0.2%	-0.3%	-0.1%	-7.3%	0.0%	0.0%	0.8%	0.0%	3.1%
Russia	4.9%	0.0%	-0.1%	0.2%	2.6%	0.0%	0.1%	0.7%	0.1%	2.1%
Ukraine	4.7%	4.7%	4.7%	4.7%	-4.7%	0.0%	0.0%	0.0%	0.0%	-2.3%
Austria	3.7%	-8.8%	-8.7%	-9.0%	-3.0%	0.0%	0.5%	1.6%	0.5%	4.1%
Norway	2.6%	0.0%	0.0%	0.0%	2.6%	0.0%	0.1%	0.3%	0.1%	0.4%
Poland	0.0%	0.0%	0.0%	-2.0%	-5.3%	0.0%	0.0%	0.0%	0.0%	1.2%
Others	-1.2%	-1.0%	-1.6%	-4.7%	-12.9%	0.3%	0.6%	-4.2%	0.6%	-3.9%

## Bond portfolio statistics\* 31/03/2017

Weighted average maturity, years	4.6
Yield to maturity	5.4%
Yield to worst	4.8%
Portfolio current yield	6.1%
Current yield of perpetuals	7.2%
Share of perpetuals	4.8%
Portfolio duration	3.1
Modified duration	3.0%

\* Excluding cash and derivatives

## Fund statistics

Number of positions	22
Number of issuers	22
Top10	49.6%
Top20	74.1%
Median issue size MEUR	469
Average issue size MEUR	377
Turnover (FY 2016)	3.8%
Turnover (FY 2015)	15.8%
Turnover (FY 2014)	33.0%

**Fund Facts - Avaron Eastern Europe Fixed Income Fund**

<b>Investment Manager</b>	AS Avaron Asset Management
<b>Fund type</b>	Open-ended, UCITS-IV
<b>Launch date</b>	July 10, 2012
<b>Domicile</b>	Estonia
<b>Currency</b>	EUR
<b>Dividends</b>	reinvested
<b>Fund size, MEUR</b>	8.3
<b>Total AUM, MEUR</b>	450+

**TER 2016** 0.26% (p.a. excluding management fee)

	ISIN Code	NAV 31-Mar 2017	TER 2016
A unit	EE3600109377	14.2536 EUR	1.21% (p.a.)
B unit	EE3600109385	14.4965 EUR	0.86% (p.a.)

**Cut-off subscriptions** 10am CET  
**Cut-off redemptions** Every Monday (cut off at 10am CET)  
 Receive next Friday's NAV (T+4)  
 Receive cash next Thursday (T+8)

**NAV frequency** Daily dealing, T+3  
**Public offering** Finland, Sweden, Estonia  
**Supervised by** Estonian FSA  
**Custodian** Swedbank AS  
**Transfer agent** Swedbank AS  
**NAV calculation** Swedbank AS  
**External auditor** Deloitte  
**Internal auditor** PWC

**Fund documents & prospectus** [www.avaron.com/documents](http://www.avaron.com/documents)

Unit class	A (Retail)	B (Institutional)
<b>Min. initial investment</b>	-	1M EUR
<b>Front-end load</b>	-	-
<b>Management fee</b>	0.95%	0.60%
<b>Performance fee</b>	-	-
<b>Back-end load</b>	-	-

**Bloomberg tickers**

A unit: AVEEFIA  
 B unit: AVEEFIB  
 See Lipper, TK Valoren tickers:  
[www.avaron.com/fundfacts\\_fix](http://www.avaron.com/fundfacts_fix)

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**About Avaron Asset Management**

Avaron Asset Management is an independent management-owned asset manager with a clear focus on Emerging Europe listed equities and fixed income. Our 8 investment professionals, in Estonia and Poland, focus on active investment management. In total 14 professionals are employed by Avaron.

We combine top down macroeconomic and sector analysis with bottom-up research. We source investment ideas through in-house proprietary research on approximately 300 companies, backed by regular visits and meetings. We seek inefficiencies in the valuation of companies' equity and debt with the aim to invest in well managed companies with leading market positions, highly motivated and dynamic management teams and competitive edge. Our preference goes to investments with attractive risk/return.

We adhere to the *UN Principles for Responsible Investment (PRI)* and are supervised by the Estonian Financial Supervision Authority.



**Kristel Kivinurm-Priisalm**  
 Managing Partner,  
 CEO & COO



**Peter Priisalm**  
 Partner, co-CIO,  
 Investment Manager



**Valdur Jaht**  
 Partner, co-CIO,  
 Investment Manager

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*This material has been drawn up by AS Avaron Asset Management (hereafter: Avaron), a fund management company registered in Estonia which is authorised and supervised by the Estonian Financial Supervision Authority. The contact details of Avaron are as follows: address Narva mnt 7D, 10117 Tallinn, Estonia; phone +372 6644 205; fax +372 6644 201; e-mail [info@avaron.com](mailto:info@avaron.com). This material is the copyright property of Avaron, unless noted otherwise, and all rights are reserved.*

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*Subscription of Avaron funds should be made on the basis on the funds' prospectus and key investor information, the relevant fund rules and the latest available annual or semi-annual reports. These documents can be obtained from Avaron. Past performance is not indicative of future results. The value of investments and any income derived from the funds may fall as well as rise and investors may not get back the amount invested. An investment in the funds entails risks, some of which are described in the prospectuses of the funds. Investors should be aware of the high risks associated with investments in emerging markets such as Central and Eastern Europe. This material may include forward looking statements which are based on Avaron's current opinions, expectations and projections. We undertake no obligation to update or revise any forward looking statements. Actual results could differ materially from those anticipated in the forward looking statements. Any dispute, controversy or claim arising out of or in connection with the information provided in this material shall be settled in accordance with Estonian law exclusively in Estonian courts.*