

## Investment Objectives & Approach

The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside to internally set target prices, taking into account company quality, liquidity and FX outlook. By implementing our investment process we aim to outperform the market with lower volatility.

The Fund typically invests in 30-40 regional companies, who generally demonstrate a competitive advantage or attractive risk/return features. It adheres to the UN Principles for Responsible Investment.

Suitable for investors seeking a stock picking portfolio in Emerging Europe, it acts as medium to long term diversifier in a global Emerging Markets, European or Global Equity portfolio.

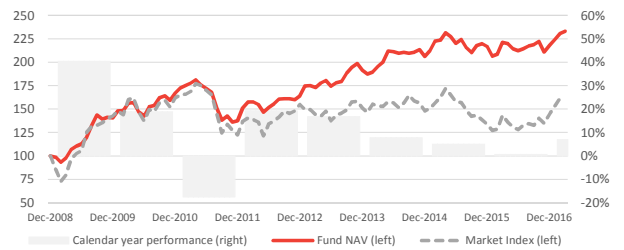
## Fund Manager's Comment, March 2017

Global equities edged slightly higher in March with MSCI World up 0.8% in \$ and 0.4% in €. Emerging Market equities continued to rally, up 2.3% in March in \$. Emerging Europe (MSCI EFM CEEC ex-RU) was flat in € terms. Notable weakness was seen in Croatia (-10.6% in €) as the largest South Eastern European company, food and retail conglomerate Agrokor, faces financial difficulties. Among Emerging Europe currencies Polish zloty rallied (+1.8% to €) amid continuing improvement in investor sentiment towards Polish assets and potential rate hike expectations. Rest of the regional currencies showed minor weakening against the euro in March.

Avaron Emerging Europe Fund gained 1.2% in March, outperforming the regional index due to solid returns across off-benchmark positions. Q4 earnings season in Emerging Europe brought strong figures from our portfolio companies with aggregated adjusted earnings advancing 16.5% year-over-year in €. The selection of companies in the Fund portfolio trade at 11.4x 2017f P/E and 5.4x EV/EBITDA, offering 4-5% dividend yield.

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

## Performance



Past performance is not a guarantee or indicative of future results. The Fund was launched in 2007 as a small cap fund. From 2009 it operates as an all cap fund with small and mid-cap bias.

Perf overview	Fund net return	Index return*
1 month	1.2%	0.0%
YTD	7.0%	11.4%
3 months	7.0%	11.4%
6 months	6.5%	21.5%
1 year	5.4%	12.6%
2 years	4.3%	-0.8%
3 years	19.2%	5.3%
4 years	34.8%	11.9%
5 years	47.8%	16.2%
7 years	49.3%	0.7%

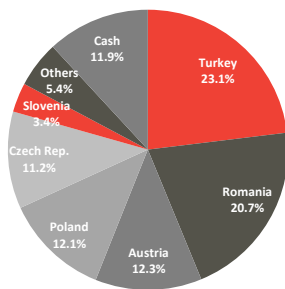
Year	Calendar year return		
	Gross	Net	Index*
2016	2.1%	0.6%	8.2%
2015	6.7%	5.0%	-9.6%
2014	9.4%	7.8%	-2.1%
2013	18.5%	16.7%	-2.4%
2012	21.1%	19.2%	26.5%
2011	-16.3%	-17.6%	-24.3%
2010	20.8%	18.9%	13.4%
2009	42.6%	40.4%	42.6%

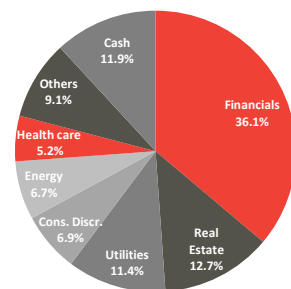
Years	CAGR of calendar years		
	Fund	Index*	
2015-2016	2.8%	-1.1%	
2014-2016	4.4%	-1.4%	
2012-2016	9.7%	3.4%	

\* MSCI EFM Central and Eastern Europe & CIS ex Russia

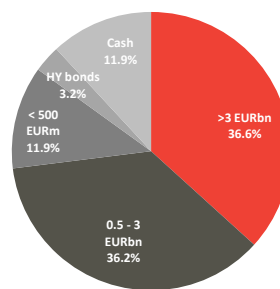
## Geographic breakdown



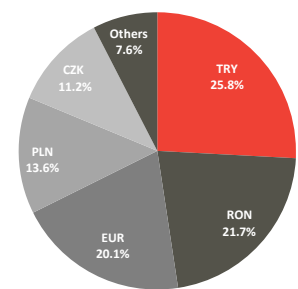
## Sector breakdown



## Market Cap breakdown



## Net currency breakdown



## Country allocation

	Mar-17	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	23.1%	0.0%	4.2%	4.5%	-1.7%	18.2%	0.2%	1.5%	-2.7%	1.5%	7.0%	9.9%
Romania	20.7%	0.4%	4.1%	4.7%	6.2%	2.9%	0.5%	2.7%	4.3%	2.7%	6.2%	13.3%
Austria	12.3%	-0.3%	-4.2%	-4.5%	1.9%	6.2%	0.7%	0.5%	4.0%	0.5%	4.0%	7.2%
Poland	12.1%	0.4%	1.6%	-1.7%	7.9%	3.2%	-0.1%	1.7%	0.4%	1.7%	2.9%	2.1%
Czech Rep.	11.2%	0.5%	1.2%	1.2%	5.2%	-6.1%	0.1%	0.6%	0.3%	0.6%	1.3%	3.6%
Slovenia	3.4%	0.2%	-0.1%	0.3%	-0.4%	-0.7%	0.0%	-0.1%	-0.5%	-0.1%	-0.2%	1.2%
Baltics	1.7%	0.1%	0.1%	-0.6%	-3.8%	-1.8%	0.0%	0.1%	0.2%	0.1%	1.2%	2.5%
Bulgaria	1.3%	0.0%	0.0%	-0.3%	-1.0%	-8.7%	0.0%	0.0%	0.3%	0.0%	0.2%	9.1%
Croatia	0.8%	0.0%	0.0%	0.8%	0.8%	0.8%	-0.1%	0.0%	0.2%	0.0%	0.2%	0.0%
Others	1.5%	2.2%	2.5%	2.8%	7.5%	12.1%	0.0%	0.3%	0.5%	0.3%	2.3%	11.1%

## Risk metrics

Alpha	5%
Volatility & stand. deviation	9.9%
Beta	0.44
Sharpe ratio	0.63
Information ratio	1.38
Tracking error	11.3%

\* MSCI EFM Central and Eastern Europe & CIS ex Russia

## Sector allocation

	Change	Contribution analysis										
		1 mo	3 mo	12 mo	3 years	5 years						
Financials	36.1%	0.0%	1.5%	1.3%	14.3%	9.8%	0.9%	3.9%	2.3%	3.9%	9.6%	24.1%
Real Estate	12.7%	0.4%	0.9%	-1.5%	1.4%	4.1%	0.0%	-0.4%	-0.1%	-0.4%	0.9%	8.9%
Utilities	11.4%	-0.4%	0.6%	-0.7%	-2.6%	-0.5%	0.1%	1.8%	2.0%	1.8%	3.3%	7.5%
Cons. Discr.	6.9%	0.2%	1.2%	1.2%	-5.5%	-5.4%	-0.1%	0.5%	0.3%	0.5%	5.7%	9.6%
Energy	6.7%	0.5%	1.9%	-1.8%	1.8%	2.1%	0.2%	0.9%	2.5%	0.9%	2.1%	3.0%
Health care	5.2%	0.3%	0.4%	1.2%	-0.9%	1.1%	0.0%	0.1%	-0.2%	0.1%	0.4%	2.7%
Consumer Staples	2.6%	0.3%	0.2%	2.6%	0.7%	1.0%	0.1%	0.2%	-0.2%	0.2%	1.8%	2.2%
IT	2.6%	0.2%	0.1%	2.6%	2.6%	2.6%	0.1%	0.1%	0.2%	0.1%	0.3%	0.3%
Others	3.9%	5.4%	5.8%	7.9%	-1.2%	0.7%	-0.1%	0.4%	0.1%	0.4%	1.0%	1.7%

## Fund statistics

Number of positions	37
Top10	45.4%
Top20	71.6%
Gross exposure	88.1%
Net exposure	87.9%
Concentration coefficient	32
Median market cap MEUR	1666
Average market cap MEUR	2747

## Style allocation

	Change	Contribution analysis										
		1 mo	3 mo	12 mo	3 years	5 years						
Cyclical	49.2%	-1.1%	3.2%	0.7%	13.9%	16.4%	0.8%	4.2%	3.5%	4.2%	14.0%	21.1%
Non-cyclical	17.1%	0.7%	2.2%	2.3%	-6.3%	-4.6%	0.2%	1.8%	0.8%	1.8%	5.4%	8.0%
Asset play	18.4%	2.8%	2.4%	3.2%	6.1%	-1.9%	0.1%	0.6%	1.4%	0.6%	3.9%	18.6%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-6.7%	-1.9%	0.0%	0.0%	0.0%	0.0%	-0.8%	7.1%
High yield bonds	3.2%	-1.1%	-1.0%	-2.1%	3.2%	-5.8%	0.0%	0.5%	1.0%	0.5%	2.3%	4.3%
FX Derivatives	0.3%	0.0%	0.3%	0.3%	0.3%	0.3%	0.0%	0.3%	0.3%	0.3%	0.3%	0.9%
Cash	11.9%	-1.4%	-7.1%	-4.2%	-10.3%	-2.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## Turnover

	Adj*
FY 2016	17.7%
FY 2015	22.2%
FY 2014	47.9%

\* Adjusted for fund flows

## Liquidity analysis\*

	20%	50%
3 days	67.1%	79.6%
2 weeks	84.2%	96.2%
4 weeks	93.2%	98.4%

\* Proportion of portfolio that can be turned into cash based on past 6 month average trading volume if Fund accounted for 20% & 50% of trading volume

**Fund Facts - Avaron Emerging Europe Fund**

<b>Investment Manager</b>	AS Avaron Asset Management
<b>Fund type</b>	Open-ended, UCITS-IV
<b>Launch date</b>	April 23, 2007
<b>Domicile</b>	Estonia
<b>Currency</b>	EUR
<b>Dividends</b>	reinvested
<b>Fund size, MEUR</b>	63.5
<b>Total AUM, MEUR</b>	450+

**TER 2016** 0.28% (excluding management and performance fees)

	<b>ISIN Code</b>	<b>NAV 31-Mar 2017</b>
<b>A unit</b>	EE3600090049	4.5087 EUR
<b>B unit</b>	EE3600090056	4.7614 EUR
<b>C unit</b>	EE3600102901	16.2871 EUR
<b>D unit</b>	EE3600108866	13.6347 EUR
<b>E unit</b>	EE3600108874	13.4587 EUR

**A & B units** only for investors who owned units as of May 30, 2009  
**C, D & E units** for all investors

<b>Cut-off</b>	10am CET
<b>NAV frequency</b>	Daily dealing, T+3
<b>Public offering</b>	France, Switzerland, Germany, Finland, Sweden, Estonia, Latvia
<b>Morningstar rating</b>	Yes, five stars (3 years & 5 years)
<b>Tax transparency</b>	Germany
<b>Supervised by</b>	Estonian FSA
<b>Custodian</b>	Swedbank AS
<b>Transfer agent</b>	Swedbank AS
<b>NAV calculation</b>	Swedbank AS
<b>External auditor</b>	Deloitte
<b>Internal auditor</b>	PWC
<b>Fund documents &amp; prospectus</b>	<a href="http://www.avaron.com/documents">www.avaron.com/documents</a>

<b>Unit class</b>	<b>D (Retail)</b>	<b>C (Institutional)</b>	<b>E (Institutional)</b>
<b>Min. initial investment</b>	-	125,000 EUR	1M EUR
<b>Front-end load</b>	2%	-	-
<b>Management fee</b>	2%	1.25%	0.85%
<b>Performance fee (unit based)</b>	-	10% over 12-month EURIBOR, HWM	15% over MSCI EFM CEEC ex-Russia Index, annual reset (June 30)
<b>Back-end load</b>	-	-	-

**Bloomberg tickers**

A unit: AVAEESA  
 B unit: AVAEESB  
 C unit: AVAEESC  
 D unit: AVEMEUD  
 E unit: AVEMEUE

See Lipper, TK Valoren tickers:  
[www.avaron.com/fundfacts\\_aef](http://www.avaron.com/fundfacts_aef)

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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 Kivnurm-Priisalm**  
 Managing Partner,  
 CEO & COO



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



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

**Important Legal Information**

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