

## 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.

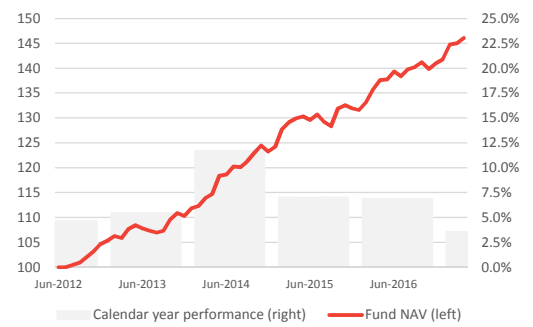
## Fund Manager's Comment, April 2017

Global fixed income asset class posted positive performance in April after the weakness in March. European investment grade bonds added 0.5%, while high yield and CPI-linkers were up 0.9% and 1.1%, respectively. In the US the inflation linked fixed income gained 0.6% in \$ terms, investment grade and high yield bonds posted 1.2% and 1.0% in \$, respectively. However, in € terms the performance was negative as the euro gained on the dollar amid favorable outcome of the first round of French presidential elections. Emerging Market Bond Index outperformed, delivering +1.6% in \$ terms (-0.6% in €). Emerging Europe currencies were largely stable in April except the Russian rouble and Hungarian forint. Rouble lost ground on crude oil price drops (Brent down -4.2% in € terms), while forint weakened amid the Orban-Soros clash over the status of Central European University (CEU), founded by Soros, which is facing closure on the recently enacted new higher education laws.

Avaron Eastern Europe Fixed Income Fund gained 0.8% in April. As of end-April the Fund's bond portfolio had a weighted average maturity of 4.5 years without perpetuals with YTM at 5.2%. 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. Going forward we are rather to add credit risk in the portfolio, while maintaining or decreasing the duration.

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

## Performance since launch (July 2012)



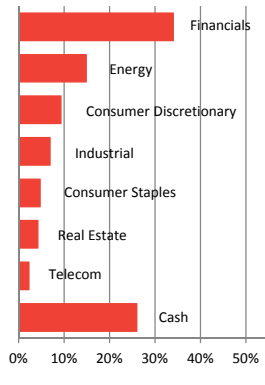
Past performance is not a guarantee or indicative of future results

Performance overview	Fund net return	Calendar year net return	Fund
1 month	0.8%	2016	6.9%
YTD	3.6%	2015	7.0%
3 months	3.0%	2014	11.7%
6 months	3.4%	2013	5.5%
1 year	6.1%		
2 years	12.4%		
3 years	27.3%		
4 years	35.7%		
Since inception	46.1%		

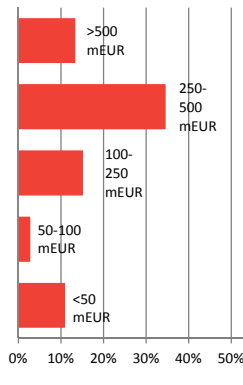
## Geographic breakdown



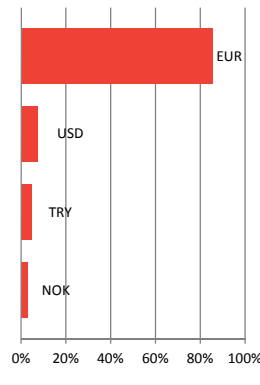
## Sector breakdown



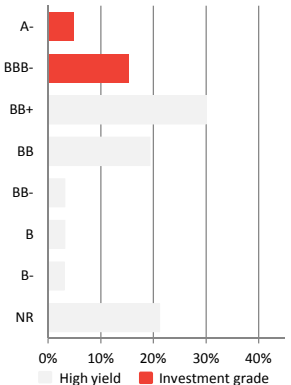
## Issue size breakdown



## Net currency breakdown



## Credit rating breakdown



## Country allocation

	Apr-17	Change				1 mo	3 mo	12 mo	3 years	
		1 mo	3 mo	12 mo	3 years					
Turkey	41.6%	-0.7%	0.3%	0.8%	4.8%	-0.2%	1.8%	5.1%	1.4%	21.4%
Estonia	13.6%	-0.2%	-0.5%	0.4%	13.6%	0.0%	0.1%	1.3%	0.2%	2.2%
Hungary	5.4%	-0.2%	-0.3%	-0.1%	-8.7%	-0.1%	0.0%	0.7%	-0.1%	2.8%
Russia	4.8%	-0.1%	-0.1%	0.1%	3.0%	-0.1%	0.0%	0.5%	0.0%	2.0%
Ukraine	4.7%	0.0%	4.7%	4.7%	-2.1%	0.1%	0.1%	0.1%	0.1%	-2.0%
Austria	3.7%	0.0%	-9.0%	-8.9%	-5.2%	0.0%	0.2%	1.4%	0.5%	4.0%
Norway	2.6%	0.0%	0.0%	0.0%	2.6%	0.0%	0.1%	0.3%	0.2%	0.4%
Poland	0.0%	0.0%	0.0%	-2.0%	-8.3%	0.0%	0.0%	0.0%	0.0%	1.3%
Others	-0.1%	1.0%	-0.5%	-3.0%	-11.1%	1.1%	0.9%	-3.7%	1.7%	-3.0%

## Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years
Turkey	-0.2%	1.8%	5.1%	1.4%	21.4%
Estonia	0.0%	0.1%	1.3%	0.2%	2.2%
Hungary	-0.1%	0.0%	0.7%	-0.1%	2.8%
Russia	-0.1%	0.0%	0.5%	0.0%	2.0%
Ukraine	0.1%	0.1%	0.1%	0.1%	-2.0%
Austria	0.0%	0.2%	1.4%	0.5%	4.0%
Norway	0.0%	0.1%	0.3%	0.2%	0.4%
Poland	0.0%	0.0%	0.0%	0.0%	1.3%
Others	1.1%	0.9%	-3.7%	1.7%	-3.0%

## Bond portfolio statistics\* 30/04/2017

Weighted average maturity, years	4.5
Yield to maturity	5.2%
Yield to worst	4.9%
Portfolio current yield	6.0%
Current yield of perpetuals	7.2%
Share of perpetuals	4.9%
Portfolio duration	3.2
Modified duration	3.1%

\* Excluding cash and derivatives

## Sector allocation

	Apr-17	Change				1 mo	3 mo	12 mo	3 years	
		1 mo	3 mo	12 mo	3 years					
Corporates	76.4%	-1.2%	-4.9%	-5.0%	-4.6%	-0.3%	2.2%	9.5%	2.2%	32.2%
Financials	34.1%	-0.2%	-8.7%	-7.2%	-8.9%	0.1%	1.6%	4.9%	1.8%	19.2%
Energy	14.9%	-0.4%	-0.5%	-0.2%	4.8%	-0.2%	0.0%	1.6%	-0.1%	5.4%
Consumer Discretionary	9.3%	-0.4%	-0.3%	-2.1%	1.9%	-0.1%	0.2%	1.2%	0.2%	3.6%
Industrial	6.9%	-0.1%	0.1%	0.2%	3.5%	0.0%	0.3%	1.1%	0.2%	3.0%
Consumer Staples	4.7%	0.0%	4.7%	4.7%	-2.1%	0.1%	0.1%	0.1%	0.1%	-2.0%
Real Estate	4.2%	0.0%	-0.1%	-0.3%	4.2%	0.0%	0.1%	0.3%	0.1%	1.1%
Telecom	2.3%	0.0%	0.0%	0.0%	-1.6%	0.0%	0.0%	0.2%	0.0%	1.5%
Materials	0.0%	0.0%	0.0%	0.0%	-3.8%	0.0%	0.0%	0.0%	0.0%	0.3%
Health Care	0.0%	0.0%	0.0%	0.0%	-2.6%	0.0%	0.0%	0.0%	0.0%	0.1%
Sovereign	0.0%	0.0%	0.0%	0.0%	-6.8%	0.0%	0.0%	0.0%	0.0%	2.3%
FX Derivatives	-0.1%	1.1%	-0.4%	-2.9%	0.0%	1.1%	0.9%	-3.7%	1.7%	-5.4%
Cash	23.7%	0.0%	5.3%	7.8%	11.4%	0.0%	0.0%	1.1%	0.0%	1.1%

## Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years
Corporates	-0.3%	2.2%	9.5%	2.2%	32.2%
Financials	0.1%	1.6%	4.9%	1.8%	19.2%
Energy	-0.2%	0.0%	1.6%	-0.1%	5.4%
Consumer Discretionary	-0.1%	0.2%	1.2%	0.2%	3.6%
Industrial	0.0%	0.3%	1.1%	0.2%	3.0%
Consumer Staples	0.1%	0.1%	0.1%	0.1%	-2.0%
Real Estate	0.0%	0.1%	0.3%	0.1%	1.1%
Telecom	0.0%	0.0%	0.2%	0.0%	1.5%
Materials	0.0%	0.0%	0.0%	0.0%	0.3%
Health Care	0.0%	0.0%	0.0%	0.0%	0.1%
Sovereign	0.0%	0.0%	0.0%	0.0%	2.3%
FX Derivatives	1.1%	0.9%	-3.7%	1.7%	-5.4%
Cash	0.0%	0.0%	1.1%	0.0%	1.1%

## Fund statistics

Number of positions	22
Number of issuers	22
Top10	48.8%
Top20	73.1%
Median issue size MEUR	459
Average issue size MEUR	371
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 30-Apr 2017	TER 2016
A unit	EE3600109377	14.3586 EUR	1.21% (p.a.)
B unit	EE3600109385	14.6072 EUR	0.86% (p.a.)

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

<b>NAV frequency</b>	Daily dealing, T+3
<b>Public offering</b>	Finland, Sweden, Estonia
<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

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