

Investment Objectives & Approach

The Fund is targeted to private individuals and corporate investors who wish to preserve their capital through business cycles but are willing to accept risk in order to earn moderate returns. The assets of the Fund may be invested in any liquid financial asset (cash, deposits, bonds, equities, other investment funds, derivatives). The Fund's assets shall be invested globally, with a focus on Central and Eastern Europe. The Fund's risk level and portfolio allocation shall vary over time in accordance with the views of Avaron investment managers. Overall investors should accept that relatively high risk is associated with investing into the Fund. There is no guarantee that investors will get back the amount invested. The Fund is suited to an investor who does not want to follow the markets daily himself or herself and wishes the Avaron investment team to decide the allocation of each asset class (equities, bonds, deposits). Fund units can be redeemed with 1-3 month prior notice. However, arising from the Fund's investment strategy an investor should have an investment horizon of at least 3 years. Should the horizon fall below three years, investor should consider exiting the Fund.

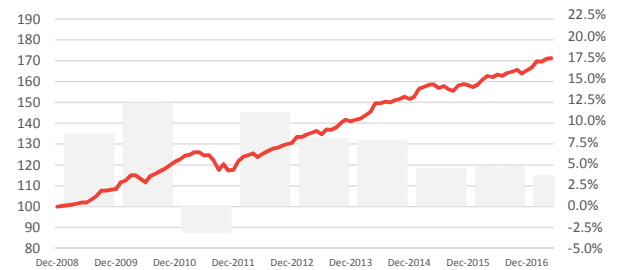
Fund Manager's Comment, May 2017

Global equities delivered solid returns in May as MSCI World was up 1.8% in \$. In euro terms the performance was negative (-1.4%) as the euro gained on the dollar for the second month in a row amid increasing inflationary pressures in the Eurozone and expectations on ECB starting to guide on forthcoming tapering of quantitative easing. During the month the dollar lost 3.1% against the euro. Emerging Market equities continued to head north, up 2.8% in May in \$ (-0.4% in €). Emerging Europe (MSCI EFM CEEC ex-RU) delivered -0.2% return in May as Polish equity market pared losses after the strong performance in the first four months of 2017. Emerging Europe currencies moved in sync with the historical correlation to the euro-dollar changes with the exception of Romanian leu that lost 0.8% against the euro. Global bond markets posted positive performance in May.

Avaron Flexible Strategies Fund gained 0.2% in May driven predominantly by the positive contribution from fixed income. Emerging Europe's economic outlook remains strong, thus we do not see any notable risks for the deterioration in the credit risk level in the region related to the fixed income exposure in the Fund. 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.

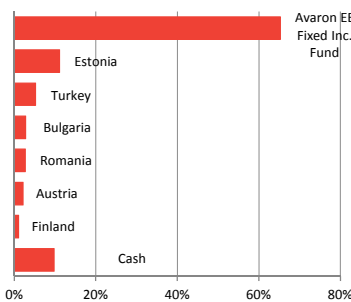
Performance since launch



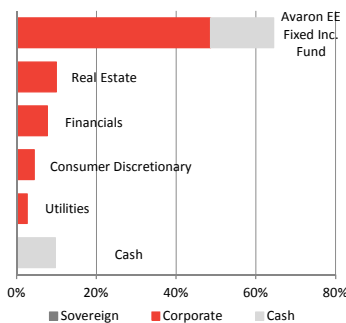
Calendar year performance (right) Fund NAV (left)
Past performance is not a guarantee or indicative of future results

Performance Overview	Net return	Calendar year net return
1 month	0.2%	2016 4.5%
YTD	3.5%	2015 4.4%
3 months	1.0%	2014 7.6%
6 months	4.6%	2013 7.9%
1 year	5.6%	2012 11.0%
2 years	8.0%	2011 -3.1%
3 years	14.6%	2010 12.1%
4 years	25.5%	2009 8.3%
5 years	38.4%	CAGR of calendar years
Since inception	71.3%	2015-2016 4.4%
		2014-2016 5.5%
		2012-2016 7.0%

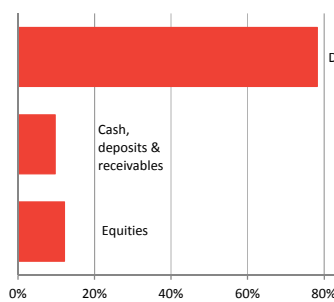
Geographic breakdown



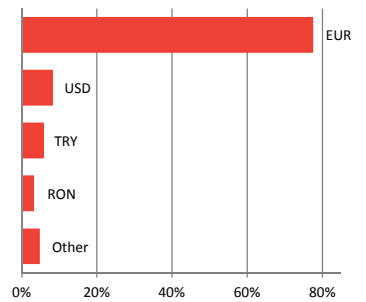
Sector breakdown



Asset class breakdown



Net currency breakdown



Country allocation

	May-17	Change					Contribution analysis					Risk metrics	3Y risk	
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12m	YTD	3 years			5 years
Avaron EE Fixed Inc. Fund	65.3%	0.0%	1.8%	2.5%	5.0%	65.3%	0.2%	0.7%	4.1%	2.4%	14.1%	27.3%	Volatility	2.2%
Estonia	11.1%	-0.1%	-0.1%	0.9%	3.5%	11.0%	0.0%	-0.1%	0.8%	0.2%	1.9%	3.2%	Sharpe ratio	2.21
Turkey	5.2%	-0.1%	-0.7%	2.3%	1.6%	5.2%	0.0%	0.2%	0.6%	0.8%	0.9%	3.4%		
Bulgaria	2.8%	0.1%	0.1%	0.2%	0.8%	-3.1%	0.1%	0.1%	0.4%	0.1%	0.4%	4.1%		
Romania	2.7%	0.0%	-0.3%	0.2%	-1.5%	-5.9%	0.0%	0.1%	0.9%	0.6%	0.9%	4.6%		
Austria	2.1%	0.1%	1.0%	1.0%	2.1%	-1.2%	0.1%	0.1%	0.2%	0.1%	0.9%	1.0%		
Finland	1.0%	0.0%	1.0%	1.0%	1.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%		
Hungary	0.0%	0.0%	-0.9%	-2.4%	-4.1%	-22.9%	0.0%	0.0%	0.0%	0.0%	0.2%	3.3%		
Others	0.1%	0.2%	0.3%	0.5%	0.2%	19.6%	0.0%	0.2%	0.3%	0.2%	0.6%	5.5%		

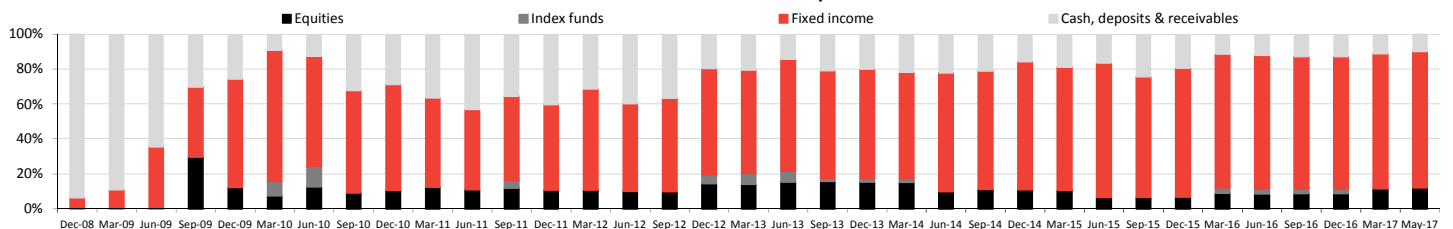
Sector allocation

	May-17	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12m	YTD	3 years	5 years
Avaron EE Fixed Inc. Fund	65.3%	0.0%	1.8%	2.5%	5.0%	65.3%	0.2%	0.7%	4.1%	2.4%	14.1%	27.3%
Real Estate	10.0%	0.1%	2.2%	2.1%	8.0%	4.4%	0.2%	0.3%	1.0%	0.4%	1.7%	4.9%
Financials	7.8%	-0.1%	1.2%	4.0%	6.4%	-3.8%	0.0%	0.2%	0.8%	0.7%	1.4%	5.5%
Consumer Discretionary	4.4%	0.0%	-0.1%	-0.2%	-0.8%	-3.7%	0.0%	-0.2%	0.2%	0.0%	0.6%	1.1%
Utilities	2.7%	0.0%	-0.3%	0.2%	-4.0%	-0.4%	0.0%	0.1%	0.9%	0.6%	1.2%	5.9%
Energy	0.0%	0.0%	-0.9%	-1.0%	-5.2%		0.0%	0.0%	0.0%	0.0%	0.1%	0.9%
Equity funds	0.0%	0.0%	-1.9%	-2.9%	-2.1%	0.0%	0.0%	0.0%	0.2%	0.3%	0.3%	4.7%
Others	0.0%	0.0%	0.0%	1.2%	0.0%	8.8%	0.0%	0.0%	0.0%	0.0%	0.1%	2.0%
FX Derivatives	0.1%	0.0%	0.2%	0.1%	0.0%	0.0%	0.0%	0.2%	0.1%	0.1%	0.3%	0.7%
Cash	9.7%	0.1%	-2.1%	-3.6%	-8.4%	-24.0%	0.0%	0.0%	0.1%	0.0%	0.3%	0.6%

Fund statistics

Number of positions	14
Top5	78.2%
Top10	86.3%

Historic Portfolio Allocation by Asset Class



Fund Facts - Avaron Flexible Strategies Fund

Investment Manager	AS Avaron Asset Management
Fund type	Public closed-end fund
Asset class	Flexible, all asset classes
Launch date	December 17, 2008
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	11.0
Total AUM, MEUR	500+

B unit	ISIN Code	NAV 31-May 2017
	EE3500100922	17.1286 EUR

Cut-off subscriptions	10am CET
Cut-off redemptions	Last business day of month 10 am CET Receive cash in 1 or 3 months

NAV frequency	Daily dealing, T+3
Public offering	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
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Min. Investment	-
Front-end load	-
Management fee	1.25%

Performance fee	10% over EURIBOR 12-months, annual reset (Dec 31)
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Back-end load (to the fund)	Rate depends on advance notice period
	- Advance notice 1 month: 1.5%
	- Advance notice 3 months: 0%

Bloomberg ticker

B unit: AVFLXSB ET

See Lipper, TK Valoren tickers:
www.avaron.com/fundfacts_flex

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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.



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Partner, co-CIO,
Investment Manager



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