

Investment Objectives & Approach

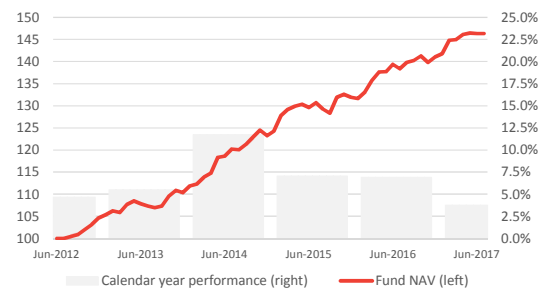
The Fund invests in high yield corporate bonds, government bonds and convertibles in Emerging Europe, Russia and CIS countries. The Fund may also invest in regional currencies, if deems them undervalued or may hedge its currency exposure. The Fund's investment objective is to maximise yield from investment, 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, July 2017

Avaron Eastern Europe Fixed Income Fund was flat in July and up 3.7% year-to-date. During the month the Fund celebrated its fifth anniversary. Since launch the Fund has returned 46.3% net return to investors. In July global bond markets posted decent return with all asset classes up 0.3-1.1%. However, for euro investors the dollar depreciation to euro (-3.5% in July) ruined the positive performance of USD-denominated bonds. Year-to-date the greenback has lost 11.2% vs. the euro. Softer economic data, delays in implementation of tax reforms and infrastructure spending in the US, and relative economic improvement in the Eurozone have caused a shift in the respective interest rate expectations. In Eastern Europe we saw notable weakness in Turkish lira and Russian rouble amid the dollar weakness, down 3.5% and 4.9% respectively. As of end-July the Fund's bond portfolio had a weighted average maturity of 4.5 years without perpetuals with YTM at 5.0%. Eastern European economic outlook remains strong, thus we do not see any notable risks for the deterioration in the credit risk level in the region.

To receive portfolio managers' detailed monthly report please send a request to info@avaron.com.

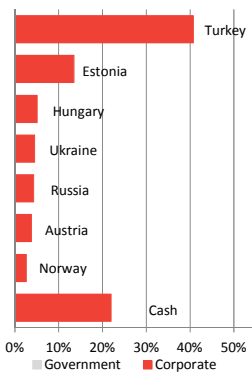
Performance since launch (July 2012)



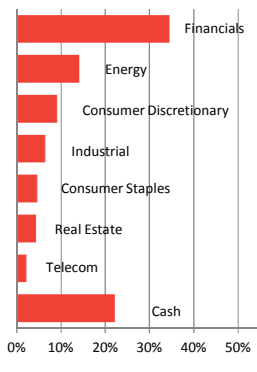
Past performance is not a guarantee or indicative of future results

Performance overview	Fund net return	Calendar year net return	Fund
1 month	0.0%	2016	6.9%
YTD	3.7%	2015	7.0%
3 months	0.1%	2014	11.7%
6 months	3.2%	2013	5.5%
1 year	5.7%		
3 years	21.7%		
5 years	46.5%		
Since inception	46.3%		

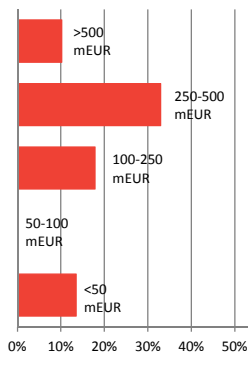
Geographic breakdown



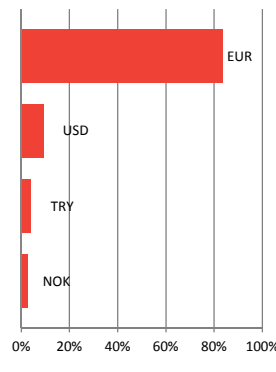
Sector breakdown



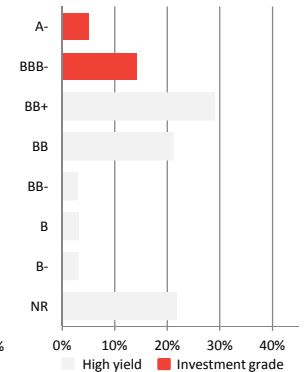
Issue size breakdown



Net currency breakdown



Credit rating breakdown



Country allocation

	Jul-17	1 mo	3 mo	12 mo	3 years	5 years
Turkey	40.7%	-0.7%	-0.9%	2.8%	9.0%	40.7%
Estonia	13.5%	0.0%	0.0%	0.7%	13.5%	13.5%
Hungary	5.1%	-0.1%	-0.3%	-0.6%	-1.9%	-12.0%
Ukraine	4.5%	0.0%	-0.2%	4.5%	-1.6%	4.5%
Russia	4.3%	-0.1%	-0.4%	-0.5%	2.8%	4.3%
Austria	3.8%	0.1%	0.0%	-8.4%	-3.6%	-0.5%
Norway	2.6%	0.0%	0.0%	0.0%	2.6%	2.6%
Poland	0.0%	0.0%	0.0%	-1.9%	-6.0%	-3.9%
Others	3.4%	4.9%	6.9%	5.6%	-1.8%	-17.0%

Change

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
	-1.1%	-2.5%	1.7%	-1.1%	15.5%	20.7%
	0.0%	0.2%	1.1%	0.4%	2.5%	2.4%
	-0.2%	-0.3%	0.0%	-0.5%	2.0%	12.1%
	-0.1%	-0.2%	-0.1%	-0.1%	-3.0%	-2.9%
	-0.1%	-0.3%	0.0%	-0.3%	1.5%	2.1%
	0.0%	0.0%	1.1%	0.5%	3.9%	8.1%
	0.0%	0.1%	0.3%	0.2%	0.5%	0.5%
	0.0%	0.0%	0.0%	0.0%	1.2%	2.5%
	1.4%	3.5%	1.4%	5.2%	-0.8%	6.3%

Bond portfolio statistics* 31/07/2017

Portfolio maturity	4.5
Yield to maturity	5.0%
Yield to worst	4.5%
Portfolio current yield	6.0%
Current yield of perpetuals	7.3%
Share of perpetuals	5.0%
Portfolio duration	3.0
Modified duration	2.9%

* Excluding cash and derivatives

Sector allocation

	Change
Corporates	74.6%
Financials	34.4%
Energy	14.0%
Cons. Discr.	9.0%
Industrial	6.3%
Consumer Staples	4.5%
Real Estate	4.3%
Telecom	2.1%
Materials	0.0%
Health Care	0.0%
Sovereign	0.0%
FX Derivatives	3.4%
Cash	22.0%

Change

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
	-1.4%	-3.1%	4.2%	-0.9%	24.2%	46.8%
	-0.6%	-1.4%	2.7%	0.4%	15.0%	27.2%
	-0.4%	-0.7%	0.2%	-0.8%	4.2%	6.3%
	-0.1%	-0.2%	0.6%	-0.1%	2.9%	5.2%
	-0.2%	-0.4%	0.4%	-0.3%	2.3%	4.3%
	-0.1%	-0.2%	-0.1%	-0.1%	-3.0%	-2.9%
	0.0%	0.0%	0.3%	0.2%	1.2%	2.1%
	-0.1%	-0.2%	0.0%	-0.2%	1.2%	1.7%
	0.0%	0.0%	0.0%	0.0%	0.3%	1.1%
	0.0%	0.0%	0.0%	0.0%	0.1%	1.7%
	0.0%	0.0%	0.0%	0.0%	1.8%	7.5%
	1.4%	3.5%	1.4%	5.2%	-2.7%	-2.4%
	0.0%	0.0%	1.1%	0.0%	1.1%	1.1%

Fund statistics

Number of positions	23
Number of issuers	22
Top10	46.3%
Top20	69.4%
Median issue size MEUR	424
Average issue size MEUR	321
Turnover (FY 2016)	3.8%
Turnover (FY 2015)	15.8%
Turnover (FY 2014)	33.0%

Fund Facts - Avaron Eastern Europe Fixed Income Fund

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

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

	ISIN Code	NAV 31-Jul 2017	TER 2016
A unit	EE3600109377	14.3671 EUR	1.21% (p.a.)
B unit	EE3600109385	14.6290 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

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

Bloomberg tickers

A unit: AVEEFIA
B unit: AVEEFIB

See Lipper, TK Valoren tickers:
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.



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