

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.

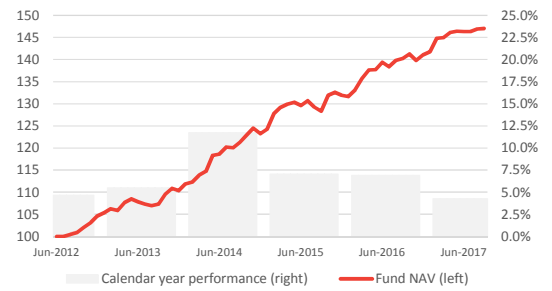
Fund Manager's Comment, September 2017

Global bond markets were mixed in September with riskier sub-asset classes outperforming. In the FX market US dollar staged a turnaround in September gaining 0.8% on the euro driven by increased rate expectations after Fed Chairwoman Yellen reiterated the case for continuing hikes. Eastern European currencies were weak in September as the regional asset class saw outflows. Only the Russian rouble managed to post gains driven by a 10% rally in crude price.

Avaron Eastern Europe Fixed Income Fund was up 0.1% in September. In 1 year the Fund is up 4.8%. As of end-September the Fund's bond portfolio had a weighted average maturity of 4.3 years without perpetuals with YTM at 4.9%. Given the strong macro backdrop we do not see meaningful risks for deterioration in the regional credit risk level. We maintain our approach of favouring credit risk over duration due to the tightening bias of central banks.

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

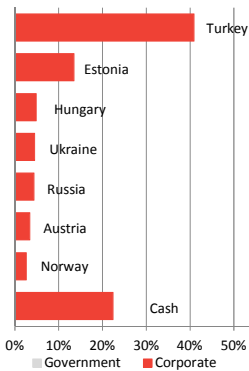
Performance since launch (July 2012)



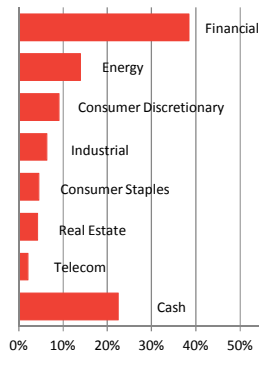
Past performance is not a guarantee or indicative of future results

Performance overview	Fund net return	Calendar year net return	Fund
1 month	0.1%	2016	6.9%
YTD	4.3%	2015	7.0%
3 months	0.5%	2014	11.7%
6 months	1.4%	2013	5.5%
1 year	4.8%		
3 years	21.2%		
5 years	45.7%		
Since inception	47.0%		

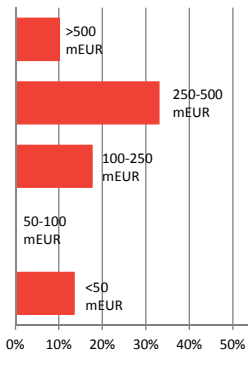
Geographic breakdown



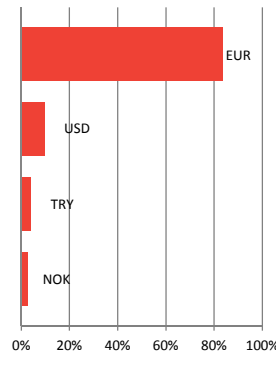
Sector breakdown



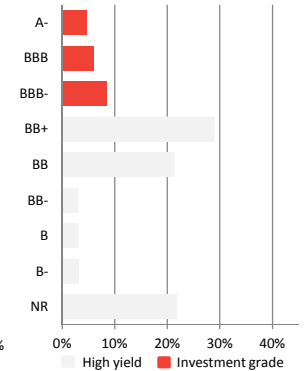
Issue size breakdown



Net currency breakdown



Credit rating breakdown



Country allocation

Country	Sep-17	1 mo	3 mo	12 mo	3 years	5 years
Turkey	40.9%	0.3%	-0.5%	2.5%	2.9%	40.9%
Estonia	13.5%	0.0%	0.0%	-0.5%	13.5%	13.5%
Hungary	4.9%	-0.1%	-0.3%	-0.6%	-2.1%	-18.0%
Ukraine	4.5%	0.1%	0.0%	4.5%	3.7%	4.5%
Russia	4.4%	0.1%	0.0%	-0.5%	4.4%	4.4%
Austria	3.5%	-0.3%	-0.2%	-8.5%	-12.8%	-3.1%
Norway	2.6%	0.0%	0.0%	0.0%	2.6%	2.6%
Poland	0.0%	0.0%	0.0%	-1.7%	-11.0%	-2.8%
Others	3.2%	2.7%	4.4%	4.6%	-3.1%	-3.8%

Change

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	0.4%	-0.6%	1.5%	-0.7%	14.0%	21.3%
Estonia	0.1%	0.2%	1.0%	0.6%	2.6%	2.6%
Hungary	0.0%	-0.1%	0.0%	-0.4%	1.7%	11.3%
Ukraine	0.1%	0.0%	0.0%	0.0%	-0.4%	-2.8%
Russia	0.1%	-0.1%	0.0%	-0.3%	1.6%	2.2%
Austria	0.0%	0.0%	1.1%	0.5%	4.4%	8.2%
Norway	0.0%	0.1%	0.3%	0.3%	0.5%	0.5%
Poland	0.0%	0.0%	0.0%	0.0%	1.0%	2.4%
Others	-0.5%	1.3%	0.7%	5.0%	-2.2%	5.4%

Bond portfolio statistics* 30/09/2017

Portfolio maturity	4.3
Yield to maturity	4.9%
Yield to worst	4.4%
Portfolio current yield	6.0%
Current yield of perpetuals	7.5%
Share of perpetuals	4.7%
Portfolio duration	2.9
Modified duration	2.8%

* Excluding cash and derivatives

Sector allocation

Sector	Change
Corporates	74.4%
Financials	34.2%
Energy	13.9%
Cons. Discr.	9.1%
Industrial	6.4%
Consumer Staples	4.5%
Real Estate	4.2%
Telecom	2.1%
Materials	0.0%
Health Care	0.0%
Sovereign	0.0%
FX Derivatives	3.2%
Cash	22.5%

Change

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
Corporates	0.6%	-0.6%	3.9%	0.0%	25.6%	46.8%
Financials	0.3%	-0.2%	2.7%	0.8%	14.4%	27.4%
Energy	0.1%	-0.2%	0.2%	-0.7%	4.0%	6.3%
Cons. Discr.	0.0%	0.0%	0.3%	0.0%	2.8%	5.0%
Industrial	0.1%	-0.1%	0.3%	-0.2%	2.1%	4.5%
Consumer Staples	0.1%	0.0%	0.0%	0.0%	-0.4%	-2.8%
Real Estate	0.0%	0.1%	0.3%	0.2%	1.3%	2.1%
Telecom	0.0%	0.0%	0.0%	-0.1%	1.1%	1.8%
Materials	0.0%	0.0%	0.0%	0.0%	0.2%	1.1%
Health Care	0.0%	0.0%	0.0%	0.0%	0.1%	1.3%
Sovereign	0.0%	0.0%	0.0%	0.0%	1.4%	7.0%
FX Derivatives	-0.5%	1.3%	0.7%	5.0%	-3.7%	-2.7%
Cash	0.0%	0.0%	1.2%	0.0%	1.1%	1.1%

Fund statistics

Number of positions	23
Number of issuers	22
Top10	46.1%
Top20	69.1%
Median issue size MEUR	423
Average issue size MEUR	320
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 30-Sep 2017	TER 2016
A unit	EE3600109377	14.4311 EUR	1.21% (p.a.)
B unit	EE3600109385	14.7026 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	KPMG
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

Contact Information

Avaron Asset Management
Narva mnt 7D, 10117 Tallinn
ESTONIA
Phone: +372 66 44 205
Fax: +372 66 44 201

E-mail: info@avaron.com
www.avaron.com

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 11 investment professionals, in Estonia and Poland, focus on active investment management. In total 17 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

Important Legal Information

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. This material is the copyright property of Avaron, unless noted otherwise, and all rights are reserved.

This material contains data and facts on investments and funds managed by Avaron, which are provided for information purposes only. No investment advice is offered or given by Avaron to persons using this material. This material is complimentary to and not a substitute for independent professional advice from a person qualified to provide it in your home country. Reliance on this material for the purpose of buying the securities to which this material relates may expose a person to a significant risk of losing all of the property or other assets invested. The information herein is, to the best of the knowledge of Avaron, in accordance with the facts. However, Avaron, none of its affiliates, directors or officers accept any liability in respect of the accuracy or completeness of any information herein, or omitted to be included herein, or any information provided, or omitted to be provided, by any third party. All information and expressions of opinion contained in this material are subject to change without notice. This material does not constitute or form part of a distribution or an offer or solicitation to buy or sell any securities (in particular, shares or units in any of Avaron funds) to any person in any jurisdiction in which such distribution, offer or solicitation would be contrary to local law or regulation. In particular, the information herein is not for distribution, and does not constitute an offer to sell or buy, or the solicitation of any offer to sell or buy, any securities in the United States of America or to or for the benefit of United States persons (within the meaning of Regulation S under the Securities Act of 1933). In relation to persons in the United Kingdom, the information herein is directed only at Investment Professionals in the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. This material should not be relied on by persons in the United Kingdom who are not Investment Professionals. Any investment or investment activity to which this material relates is available in the United Kingdom only to Investment Professionals and will be engaged in only with Investment Professionals. In relation to persons in Switzerland, this material is directed only at Swiss Qualified Investors in the meaning of Article 10 (3) of the Collective Investment Schemes Act. Swiss private individuals are not allowed to use this material. The funds managed by Avaron are not authorised for distribution in Switzerland.

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.