

## Investment Objectives & Approach

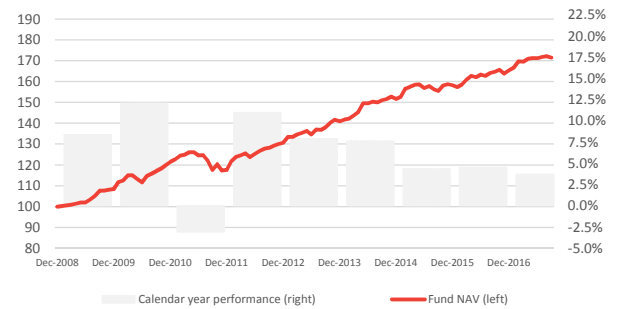
The Fund is targeted to private individuals and corporate investors who wish to preserve their capital through business cycles but are willing to accept risk in order to earn moderate returns. The assets of the Fund may be invested in any liquid financial asset (cash, deposits, bonds, equities, other 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, September 2017

Global equities rallied in September rounding up a strong Q3 performance on supportive macro and Q2 earnings season. MSCI World gained 2.1% in \$ (+2.9% in €). Emerging markets took a breather after a very strong 8 months of the year, down 0.5% (+0.3% in €) in \$ in September. Emerging Europe stocks (MSCI EFM CEEC ex-RU) underperformed in September after the strong rally the month before, losing 3.0% in €. Strong profit taking emerged in Turkey amid the Kurdish independence referendum in Northern Iraq and increased geopolitical tension. 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. As of end-Q3 the Fund had 10.2% of the assets invested in equities and 67.2% in fixed income carrying 5% yield to maturity. In the fixed income space 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](mailto:info@avaron.com).

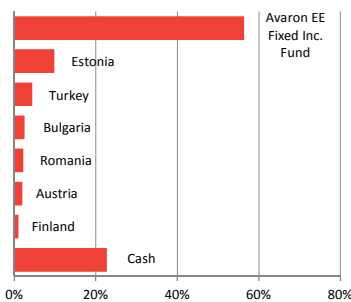
## Performance since launch



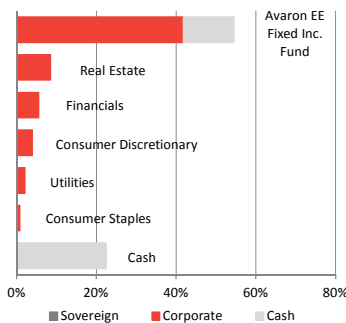
Past performance is not a guarantee or indicative of future results

Performance Overview	Net return	Calendar year net return
1 month	-0.3%	2016 4.5%
YTD	3.7%	2015 4.4%
3 months	0.2%	2014 7.6%
6 months	1.2%	2013 7.9%
1 year	4.1%	2012 11.0%
3 years	13.6%	2011 -3.1%
5 years	33.8%	2010 12.1%
Since inception	71.6%	2009 8.3%
		<b>CAGR of calendar years</b>
		2015-2016 4.4%
		2014-2016 5.5%
		2012-2016 7.0%

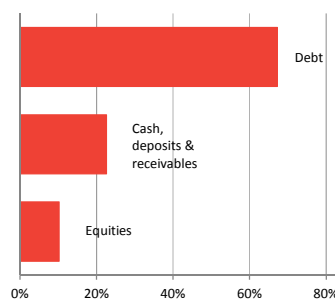
## Geographic breakdown



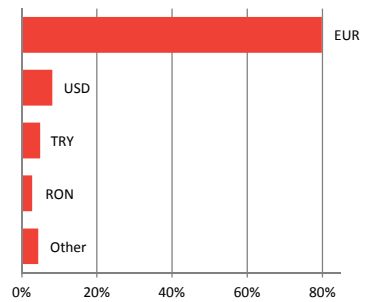
## Sector breakdown



## Asset class breakdown



## Net currency breakdown



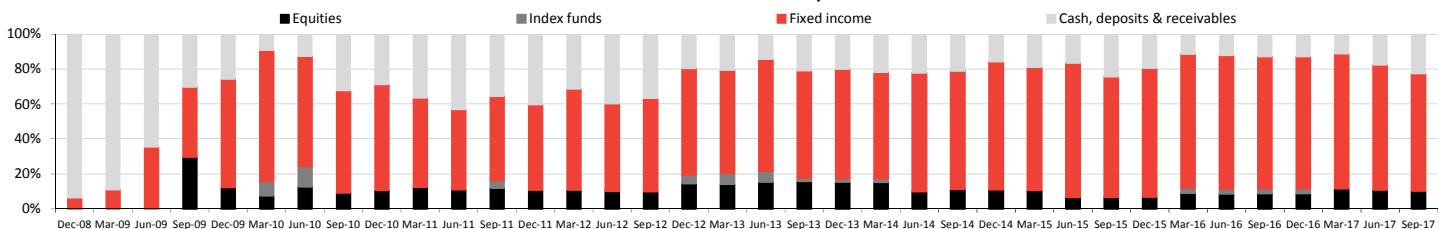
## Country allocation

	Sep-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
<b>Avaron EE Fixed Inc. Fund</b>	<b>56.3%</b>	0.4%	-3.7%	-7.2%	0.8%	2.9%	0.1%	0.3%	3.1%	2.6%	12.9%	26.9%	Volatility	2.1%
<b>Estonia</b>	<b>9.7%</b>	0.0%	-0.5%	-1.5%	1.7%	9.5%	-0.1%	0.3%	0.9%	0.6%	2.7%	3.7%	Sharpe ratio	2.22
<b>Turkey</b>	<b>4.3%</b>	-0.1%	-0.5%	1.4%	2.4%	4.3%	-0.2%	-0.1%	0.4%	0.7%	0.7%	3.3%		
<b>Bulgaria</b>	<b>2.4%</b>	0.0%	-0.1%	-0.2%	0.7%	-2.8%	-0.1%	0.1%	0.5%	0.3%	0.6%	3.4%		
<b>Romania</b>	<b>2.1%</b>	0.0%	-0.1%	-0.6%	-2.2%	-1.6%	-0.1%	0.0%	0.4%	0.5%	0.1%	4.4%		
<b>Austria</b>	<b>1.8%</b>	0.0%	-0.1%	0.6%	-0.1%	1.8%	0.0%	0.1%	0.2%	0.2%	1.1%	1.0%		
<b>Finland</b>	<b>0.9%</b>	0.0%	-0.1%	0.9%	0.9%	0.9%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%		
<b>Hungary</b>	<b>0.0%</b>	0.0%	0.0%	-1.0%	-5.4%	-0.8%	0.0%	0.0%	0.0%	0.0%	0.2%	0.5%		
<b>Others</b>	<b>0.1%</b>	0.1%	0.0%	0.6%	0.3%	0.2%	0.0%	0.0%	0.3%	0.2%	0.6%	3.4%		

## Sector allocation

	Sep-17	Change					Contribution analysis					Fund statistics		
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12m	YTD	3 years	5 years	Number of positions	14
<b>Avaron EE Fixed Inc. Fund</b>	<b>56.3%</b>	0.4%	-3.7%	-7.2%	0.8%	2.9%	0.1%	0.3%	3.1%	2.6%	12.9%	26.9%	Top5	67.1%
<b>Real Estate</b>	<b>8.6%</b>	0.0%	-0.5%	0.7%	6.9%	3.8%	0.0%	0.2%	1.0%	0.8%	2.3%	4.6%	Top10	74.2%
<b>Financials</b>	<b>5.6%</b>	0.0%	-1.5%	2.3%	0.0%	3.3%	-0.1%	0.1%	0.9%	0.8%	1.3%	4.1%		
<b>Consumer Discretionary</b>	<b>4.0%</b>	-0.1%	-0.1%	-0.6%	-0.2%	4.0%	-0.2%	0.2%	0.3%	0.3%	1.2%	1.0%		
<b>Utilities</b>	<b>2.1%</b>	0.0%	-0.1%	-0.6%	-6.0%	-0.7%	-0.1%	0.0%	0.4%	0.5%	0.6%	5.7%		
<b>Consumer Staples</b>	<b>0.8%</b>	-0.1%	0.8%	0.8%	0.8%	0.8%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%		
<b>Energy</b>	<b>0.0%</b>	0.0%	0.0%	-1.0%	-3.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%		
<b>Others</b>	<b>0.0%</b>	0.0%	0.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.2%	0.3%	0.5%	3.9%		
<b>FX Derivatives</b>	<b>0.1%</b>	0.0%	-0.1%	0.1%	0.1%	-0.1%	0.0%	0.0%	0.1%	0.1%	0.3%	0.6%		
<b>Cash</b>	<b>22.5%</b>	-0.2%	5.1%	9.6%	1.3%	-14.0%	0.0%	-0.1%	0.1%	-0.1%	0.2%	0.4%		

## Historic Portfolio Allocation by Asset Class



**Fund Facts - Avaron Flexible Strategies Fund**

<b>Investment Manager</b>	AS Avaron Asset Management
<b>Fund type</b>	Public closed-end fund
<b>Asset class</b>	Flexible, all asset classes
<b>Launch date</b>	December 17, 2008
<b>Domicile</b>	Estonia
<b>Currency</b>	EUR
<b>Dividends</b>	reinvested
<b>Fund size, MEUR</b>	12.9
<b>Total AUM, MEUR</b>	450+

<b>B unit</b>	<b>ISIN Code</b>	<b>NAV 30-Sep 2017</b>
	EE3500100922	17.1599 EUR

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

<b>NAV frequency</b>	Daily dealing, T+3
<b>Public offering</b>	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>	KPMG
<b>Internal auditor</b>	PWC

<b>Fund documents &amp; prospectus</b>	<a href="http://www.avaron.com/documents">www.avaron.com/documents</a>
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<b>Min. Investment</b>	-
<b>Front-end load</b>	-
<b>Management fee</b>	1.25%

<b>Performance fee</b>	10% over EURIBOR 12-months, annual reset (Dec 31)
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<b>Back-end load (to the fund)</b>	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](http://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 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 Kivimurm-Priisalm**  
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CEO & COO



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Partner, co-CIO,  
Investment Manager



**Valdur Jaht**  
Partner, co-CIO,  
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**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](mailto:info@avaron.com). This material is the copyright property of Avaron, unless noted otherwise, and all rights are reserved.*

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