

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.

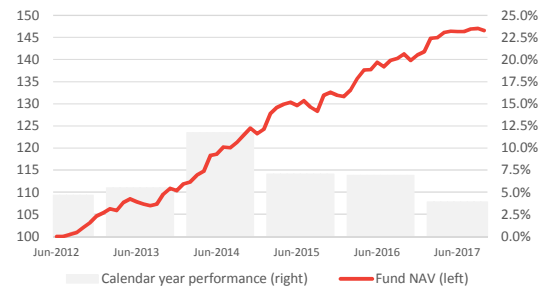
Fund Manager's Comment, October 2017

Global bond markets delivered solid positive performance in October. European investment grade bonds, CPI-linkers and high yielders added 0.9-1.5%, while US similar asset classes delivered +0.1-0.3% in \$ (1.5-1.8% in € terms). Emerging Market Bond Index posted +0.3% return in \$ terms (+1.8% in €). In the FX market turnaround in the euro dollar exchange rate continued as the dollar gained 1.5% in October. Among regional currencies Polish zloty and the Czech koruna gained on top-down flows, while Turkish lira took a strong hit amid the emerged visa crisis with the US.

Avaron Eastern Europe Fixed Income Fund lost 0.3% in October. In 1 year the Fund is up 3.7%. As of end-October the Fund's bond portfolio (57% of the Fund) had a weighted average maturity of 4.5 years without perpetuals with YTM at 5.6% and current yield of 6.4%. We maintain our approach of favouring credit risk over duration and are willing to accept high level of cash in the face of very limited opportunity set.

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

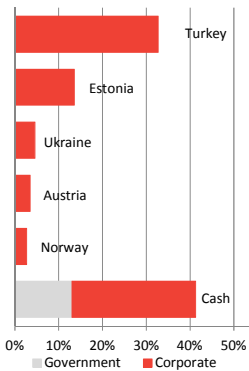
Performance since launch (July 2012)



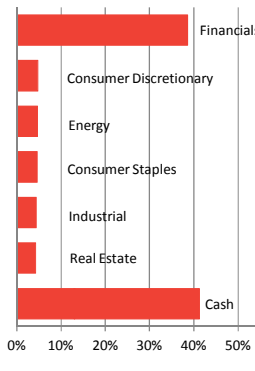
Past performance is not a guarantee or indicative of future results

Performance overview	Fund net return	Calendar year net return	Fund
1 month	-0.3%	2016	6.9%
YTD	3.9%	2015	7.0%
3 months	0.2%	2014	11.7%
6 months	0.3%	2013	5.5%
1 year	3.7%		
3 years	19.2%		
5 years	43.6%		
Since inception	46.5%		

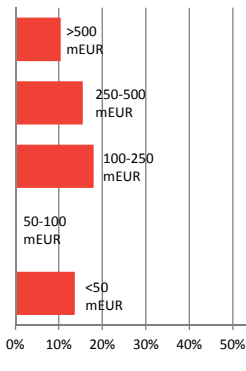
Geographic breakdown



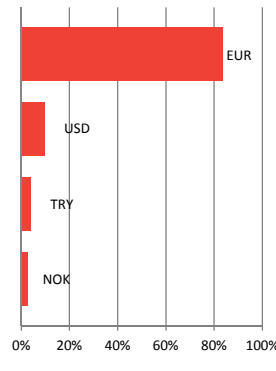
Sector breakdown



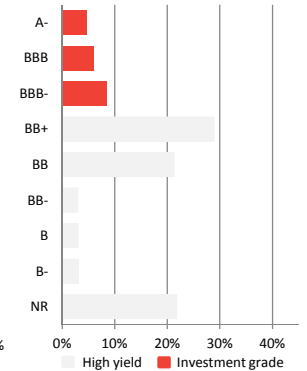
Issue size breakdown



Net currency breakdown



Credit rating breakdown



Country allocation

	Oct-17	1 mo	3 mo	12 mo	3 years	5 years
Turkey	32.7%	-8.2%	-8.0%	-6.3%	-5.4%	32.7%
Estonia	13.5%	0.0%	0.0%	-0.6%	13.5%	13.5%
Ukraine	4.6%	0.0%	0.0%	4.6%	3.9%	4.6%
Austria	3.5%	0.0%	-0.3%	-8.8%	-14.8%	-6.2%
Norway	2.7%	0.0%	0.0%	0.1%	2.7%	2.7%
Hungary	0.0%	-4.9%	-5.1%	-5.6%	-7.0%	-23.3%
Russia	0.0%	-4.4%	-4.3%	-4.9%	0.0%	-3.5%
Poland	0.0%	0.0%	0.0%	-1.6%	-10.8%	-2.8%
Others	1.7%	0.3%	0.0%	3.1%	-5.7%	-18.9%

Change

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
	0.3%	0.8%	0.7%	-0.4%	13.0%	21.6%
	0.0%	0.2%	0.8%	0.6%	2.7%	2.6%
	0.1%	0.2%	0.1%	0.1%	-0.1%	-2.7%
	0.0%	0.0%	0.7%	0.5%	3.7%	8.0%
	0.0%	0.1%	0.3%	0.3%	0.6%	0.6%
	0.1%	0.1%	-0.1%	-0.4%	1.7%	10.0%
	0.1%	0.2%	0.0%	-0.2%	1.7%	2.3%
	0.0%	0.0%	0.0%	0.0%	1.0%	2.3%
	-0.9%	-1.1%	1.3%	4.1%	-3.0%	4.3%

Bond portfolio statistics* 31/10/2017

Portfolio maturity	4.5
Yield to maturity	5.6%
Yield to worst	4.7%
Portfolio current yield	6.4%
Current yield of perpetuals	7.4%
Share of perpetuals	6.2%
Portfolio duration	2.8
Modified duration	2.7%

* Excluding cash and derivatives

Sector allocation

	Oct-17	1 mo	3 mo	12 mo	3 years	5 years
Corporates	57.0%	-17.4%	-17.6%	-23.2%	-21.3%	5.6%
Financials	34.3%	0.2%	0.0%	-5.5%	-9.3%	17.3%
Cons. Discr.	4.7%	-4.4%	-4.3%	-6.5%	-1.8%	-4.8%
Energy	4.7%	-9.2%	-9.3%	-10.7%	-0.8%	-2.3%
Consumer Staples	4.6%	0.0%	0.0%	4.6%	3.9%	4.6%
Industrial	4.4%	-2.0%	-2.0%	-2.6%	1.2%	1.0%
Real Estate	4.3%	0.0%	0.0%	-0.1%	-0.6%	4.3%
Telecom	0.0%	-2.1%	-2.1%	-2.3%	-7.7%	-3.0%
Materials	0.0%	0.0%	0.0%	0.0%	-4.1%	-2.5%
Health Care	0.0%	0.0%	0.0%	0.0%	-2.1%	-9.1%
Sovereign	0.0%	0.0%	0.0%	0.0%	-5.0%	-10.2%
FX Derivatives	1.7%	-1.4%	-1.7%	1.4%	0.9%	1.7%
Cash	41.3%	18.8%	19.3%	21.8%	25.3%	2.9%

Change

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
	0.7%	1.5%	2.6%	0.6%	24.3%	45.7%
	0.1%	0.5%	1.6%	0.9%	12.9%	26.8%
	0.0%	0.1%	0.2%	0.0%	2.6%	5.0%
	0.2%	0.4%	0.1%	-0.5%	4.1%	6.3%
	0.1%	0.2%	0.1%	0.1%	-0.1%	-2.7%
	0.1%	0.2%	0.2%	-0.1%	2.1%	4.4%
	0.0%	0.1%	0.3%	0.3%	1.3%	2.2%
	0.0%	0.0%	0.0%	-0.1%	1.0%	1.8%
	0.0%	0.0%	0.0%	0.0%	0.2%	1.1%
	0.0%	0.0%	0.0%	0.0%	0.1%	0.9%
	0.0%	0.0%	0.0%	0.0%	1.2%	6.8%
	-0.9%	-1.1%	1.3%	4.1%	-4.3%	-3.6%
	0.0%	0.0%	0.8%	-0.1%	1.0%	1.1%

Fund statistics

Number of positions	20
Number of issuers	19
Top10	36.5%
Top20	57.0%
Median issue size MEUR	343
Average issue size MEUR	314
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-Oct 2017	TER 2016
A unit	EE3600109377	14.3765 EUR	1.21% (p.a.)
B unit	EE3600109385	14.6515 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

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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.



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