

Investment Objectives & Approach

The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside to internally set target prices, taking into account company quality, liquidity and FX outlook. By implementing our investment process we aim to outperform the market with lower volatility. The Fund typically invests in 30-40 regional companies, who generally demonstrate a competitive advantage or attractive risk/return features. It adheres to the UN Principles for Responsible Investment. Suitable for investors seeking a stock picking portfolio in Emerging Europe, it acts as medium to long term diversifier in a global Emerging Markets, European or Global Equity portfolio.

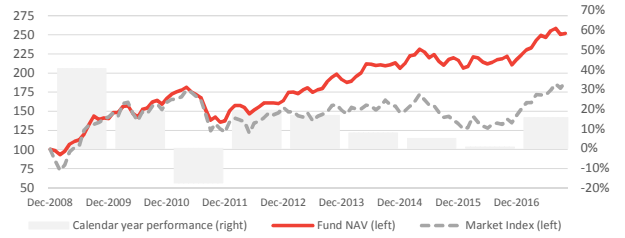
Fund Manager's Comment, October 2017

Rally in global equities continued in October on strong investor sentiment and prevailing risk-on mood. Main sentiment gauges are close to or at historic highs and cash levels of money managers at or close to record lows. During the month MSCI World gained 1.8% in \$. Turnaround in the euro dollar exchange rate continued as the dollar gained 1.5% in October. Emerging markets performance regained momentum after a sluggish September delivering 3.5% return in \$ (+5.0% in €). Emerging Europe stocks (MSCI EFM CEEC ex-RU) posted similar performance, up 4.6% in €. However, the rally was rather narrow as strong returns were concentrated to a small number of CE3 index-heavy blue-chips. Most evident was this in Poland where the narrow WIG20 rallied 2.9% in local currency, while broader WIG was up a mere 0.9% and small and mid-cap indices closed the month with 2-5% losses. 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 Emerging Europe Fund gained 0.5% in October strongly underperforming the benchmark due to limited exposure in Poland and Hungary (16.5% of the portfolio) that together account for 80% of the index. In 5 years the Fund has delivered +56.3% return vs. +29.6% for the index with lower volatility (9.1% vs. 15.4% for the index), resulting in 7.3% alpha.

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

Performance

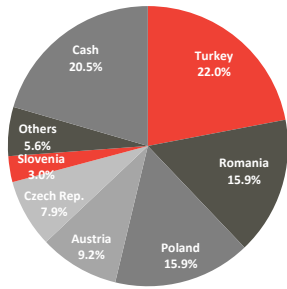


Past performance is not a guarantee or indicative of future results. The Fund was launched in 2007 as a small cap fund. From 2009 it operates as an all cap fund with small and mid-cap bias.

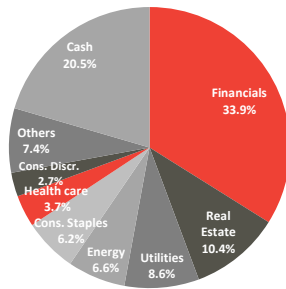
Perf overview	Fund net return	Index return*	Calendar year return			
			Year	Gross	Net	Index*
1 month	0.5%	4.6%	2016	2.1%	0.6%	8.2%
YTD	15.5%	30.1%	2015	6.7%	5.0%	-9.6%
3 months	-1.3%	6.3%	2014	9.4%	7.8%	-2.1%
6 months	3.8%	9.6%	2013	18.5%	16.7%	-2.4%
1 year	13.4%	34.4%	2012	21.1%	19.2%	26.5%
3 years	19.5%	18.8%	2011	-16.3%	-17.6%	-24.3%
5 years	56.3%	29.6%	2010	20.8%	18.9%	13.4%
7 years	53.3%	18.2%	2009	42.6%	40.4%	42.6%
			CAGR of calendar years			
Years	Fund	Index*				
2015-2016	2.8%	-1.1%				
2014-2016	4.4%	-1.4%				
2012-2016	9.7%	3.4%				

* MSCI EFM Central and Eastern Europe & CIS ex Russia

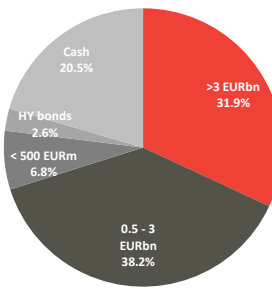
Geographic breakdown



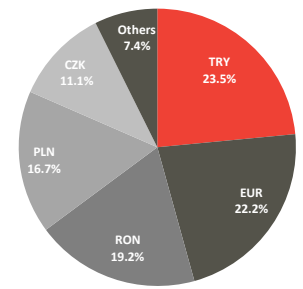
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Change						Contribution analysis					
	Oct-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	22.0%	0.1%	-0.2%	3.3%	9.0%	19.8%	0.0%	-1.2%	1.3%	3.3%	1.5%	10.8%
Romania	15.9%	-0.6%	-2.0%	1.8%	-1.5%	-3.0%	0.0%	-0.9%	4.6%	3.9%	5.1%	18.4%
Poland	15.9%	-0.3%	-0.2%	7.9%	6.8%	13.1%	0.6%	0.5%	4.0%	3.9%	4.2%	5.6%
Austria	9.2%	-0.3%	-0.2%	-10.1%	-8.0%	-0.3%	0.0%	0.4%	2.8%	2.7%	8.1%	10.1%
Czech Rep.	7.9%	-0.1%	-3.0%	-2.1%	3.8%	-9.7%	0.2%	0.4%	2.0%	2.4%	2.8%	3.1%
Slovenia	3.0%	-0.1%	-0.2%	-0.7%	-0.5%	-1.3%	0.0%	0.0%	-0.2%	0.3%	-0.2%	1.8%
Croatia	1.8%	-0.1%	-0.2%	1.0%	1.8%	-4.1%	0.0%	-0.1%	0.2%	0.1%	0.3%	0.3%
Baltics	1.6%	-0.1%	-0.1%	0.0%	-2.7%	-3.3%	0.0%	0.0%	0.3%	0.3%	1.8%	2.8%
Bulgaria	1.2%	0.0%	-0.1%	-0.1%	-0.6%	-11.8%	0.0%	0.0%	0.2%	0.1%	0.4%	6.3%
Others	1.0%	1.5%	1.6%	1.8%	5.2%	7.9%	-0.1%	-0.1%	0.2%	0.2%	1.7%	10.3%

Risk metrics

Alpha	4%
Volatility & stand. deviation	9.7%
Beta	0.43
Sharpe ratio	0.65
Information ratio	0.02
Tracking error	11.5%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

Sector allocation

	Change						Contribution analysis					
	Oct-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	33.9%	2.2%	0.1%	3.2%	13.0%	8.3%	0.6%	-0.6%	5.9%	7.2%	9.5%	27.4%
Real Estate	10.4%	-2.1%	-2.2%	-4.5%	-3.7%	-5.0%	0.0%	0.3%	1.1%	1.4%	3.0%	7.0%
Utilities	8.6%	-0.2%	-0.4%	-2.0%	-8.7%	-7.1%	0.2%	0.2%	2.4%	2.6%	0.3%	10.3%
Energy	6.6%	-0.3%	-0.3%	0.3%	-3.0%	2.6%	0.0%	-0.2%	2.2%	1.3%	2.8%	3.6%
Consumer Staples	6.2%	-1.0%	0.5%	3.6%	5.7%	3.4%	0.1%	0.5%	1.6%	1.9%	3.8%	4.1%
Health care	3.7%	-0.1%	-0.4%	-0.8%	-1.9%	-0.7%	0.0%	0.0%	0.3%	0.7%	0.8%	3.8%
Cons. Discr.	2.7%	-0.1%	-3.2%	-2.6%	-3.8%	-4.9%	0.0%	-0.1%	1.8%	2.0%	4.8%	10.0%
Telecom	2.4%	0.2%	0.6%	1.4%	1.9%	-9.1%	0.0%	0.0%	0.1%	0.1%	0.2%	-0.6%
Others	5.0%	5.2%	4.8%	2.4%	5.0%	4.1%	-0.2%	-0.9%	0.1%	0.0%	0.5%	3.8%

Fund statistics

Number of positions	37
Top10	42.2%
Top20	64.5%
Gross exposure	79.5%
Net exposure	79.5%
Concentration coefficient	39
Median market cap MEUR	1849
Average market cap MEUR	2798

Style allocation

	Change						Contribution analysis					
	Oct-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	45.7%	1.7%	-1.3%	1.7%	12.3%	24.5%	0.5%	-1.8%	7.8%	8.2%	12.8%	27.9%
Non-cyclical	16.3%	-1.0%	-2.1%	1.5%	-4.4%	-13.3%	0.3%	0.9%	5.0%	6.0%	6.6%	13.2%
Asset play	14.9%	-2.3%	-2.6%	-1.0%	-0.1%	-12.9%	-0.1%	0.1%	2.1%	2.6%	3.6%	18.2%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-6.0%	-5.3%	0.0%	0.0%	0.0%	0.0%	0.0%	6.3%
High yield bonds	2.6%	-0.1%	-0.1%	-1.4%	2.6%	-1.3%	0.0%	0.0%	0.5%	0.4%	2.5%	3.0%
FX Derivatives	0.0%	-0.1%	-0.1%	0.0%	0.0%	0.0%	-0.1%	-0.1%	0.1%	0.1%	0.1%	0.8%
Cash	20.5%	1.8%	6.3%	-0.8%	-4.5%	8.4%	0.0%	0.0%	-0.3%	-0.1%	-0.1%	-0.1%

Turnover

	Fund	Adj*
FY 2016	17.7%	-13.0%
FY 2015	22.2%	-10.5%
FY 2014	47.9%	28.0%

* Adjusted for fund flows

Liquidity analysis*

3 days	67.0%	80.0%
2 weeks	83.3%	93.4%
4 weeks	91.6%	97.9%

* Proportion of portfolio that can be turned into cash based on past 6 month average trading volume if Fund accounted for 20% & 50% of trading volume

Fund Facts - Avaron Emerging Europe Fund

Investment Manager	AS Avaron Asset Management
Fund type	Open-ended, UCITS-IV
Launch date	April 23, 2007
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	74.9
Total AUM, MEUR	450+

TER 2016 0.28% (excluding management and performance fees)

	ISIN Code	NAV 31-Oct 2017
A unit	EE3600090049	4.8557 EUR
B unit	EE3600090056	5.1429 EUR
C unit	EE3600102901	17.4162 EUR
D unit	EE3600108866	14.6603 EUR
E unit	EE3600108874	14.5667 EUR

A & B units only for investors who owned units as of May 30, 2009
C, D & E units for all investors

Cut-off	10am CET
NAV frequency	Daily dealing, T+3
Public offering	France, Switzerland, Germany, Finland, Sweden, Estonia, Latvia
Morningstar rating	Yes, four stars (3 & 5 years)
Tax transparency	Germany
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	D (Retail)	C (Institutional)	E (Institutional)
Min. initial investment	-	125,000 EUR	1M EUR
Front-end load	2%	-	-
Management fee	2%	1.25%	0.85%
Performance fee (unit based)	-	10% over 12-month EURIBOR, HWM	15% over MSCI EFM CEEC ex-Russia Index, annual reset (June 30)
Back-end load	-	-	-

Bloomberg tickers

A unit: AVAEESA
 B unit: AVAEESB
 C unit: AVAEESC
 D unit: AVEMEUD
 E unit: AVEMEUE

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

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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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