

## 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.

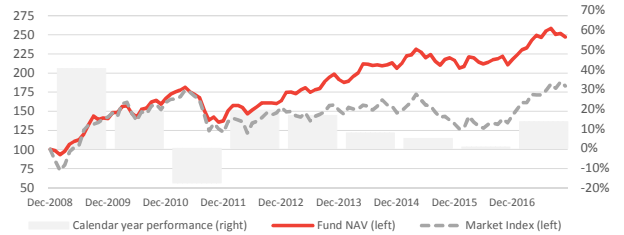
## Fund Manager's Comment, November 2017

Global equities were mixed in November following strong performance over the past two months. Rally continued in the US while European stocks delivered negative returns. During the month MSCI World gained 2.0% in \$, while the weak dollar (-2.2% vs. the euro) pushed the € based performance into red. Emerging markets were almost flat in \$ terms thanks to the relative strength of Chinese and Russian equities amid broad based slump among other larger index components. Emerging Europe stocks (MSCI EFM CEEC ex-RU) lost 2.9% in € due to a slump in Poland and Hungary reversing the outperformance of the previous month. Pressure on Turkish currency and equity market increased amid the unfolding of the so-called Reza Zarrab case in New York court.

Avaron Emerging Europe Fund lost 1.8% in November outperforming the benchmark due to our limited exposure in Poland and Hungary. Macro environment in Emerging Europe remains strong as business sentiment is robust, while regional consumer continues to be supported by tightening labour markets. November leading indicators reinforce the recent trend of rising growth momentum in the region. Inflation rates in the region remain still relatively modest, though inflationary pressures in several countries are building up, leading to monetary tightening in the upcoming 12 months. We hold our conviction towards Romanian and Turkish investments on reasonable valuations and growth. The selection of companies in the Fund portfolio trade at 10.0x 2018f P/E, offering 5% dividend yield.

To receive portfolio managers' detailed monthly report please send a request to [info@avaron.com](mailto: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.

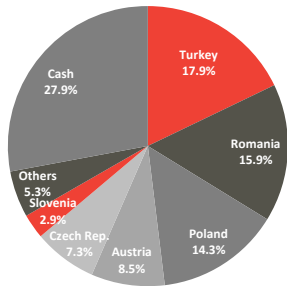
Perf overview	Fund net return	Index return*	Calendar year return			
			Year	Gross	Net	Index*
1 month	-1.8%	-2.9%	2016	2.1%	0.6%	8.2%
YTD	13.4%	26.4%	2015	6.7%	5.0%	-9.6%
3 months	-4.4%	-1.5%	2014	9.4%	7.8%	-2.1%
6 months	-0.8%	6.7%	2013	18.5%	16.7%	-2.4%
1 year	17.2%	35.8%	2012	21.1%	19.2%	26.5%
3 years	15.9%	16.9%	2011	-16.3%	-17.6%	-24.3%
5 years	54.5%	23.7%	2010	20.8%	18.9%	13.4%
7 years	55.2%	20.2%	2009	42.6%	40.4%	42.6%

\* MSCI EFM Central and Eastern Europe & CIS ex Russia

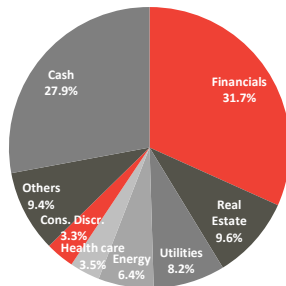
## CAGR of calendar years

Years	Fund	Index*
2015-2016	2.8%	-1.1%
2014-2016	4.4%	-1.4%
2012-2016	9.7%	3.4%

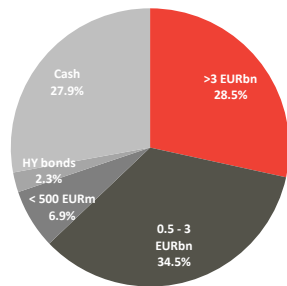
## Geographic breakdown



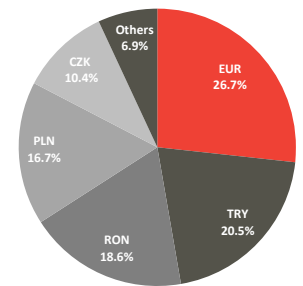
## Sector breakdown



## Market Cap breakdown



## Net currency breakdown



## Country allocation

	Nov-17	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	17.9%	-4.1%	-5.6%	-0.4%	3.2%	13.4%	-1.8%	-3.8%	2.4%	1.4%	-1.6%	8.5%
Romania	15.9%	0.0%	-1.0%	0.0%	0.8%	-3.0%	0.3%	-0.5%	4.8%	4.2%	5.2%	19.1%
Poland	14.3%	-1.6%	-1.8%	6.6%	4.2%	11.8%	0.7%	1.0%	5.4%	4.5%	4.8%	6.7%
Austria	8.5%	-0.8%	-1.4%	-11.8%	-8.1%	-2.2%	-0.4%	-0.3%	2.8%	2.2%	7.6%	9.0%
Czech Rep.	7.3%	-0.5%	-3.5%	-2.6%	1.1%	-10.8%	-0.2%	-0.1%	2.5%	2.1%	2.3%	3.5%
Slovenia	2.9%	-0.2%	-0.4%	-0.5%	-0.4%	-1.5%	0.0%	-0.1%	0.5%	0.2%	0.0%	2.0%
Croatia	1.7%	-0.1%	-0.3%	0.9%	1.7%	-4.3%	0.0%	-0.1%	0.1%	0.1%	0.3%	0.3%
Baltics	1.7%	0.1%	-0.2%	0.0%	-2.7%	-3.6%	0.1%	0.0%	0.5%	0.4%	1.7%	2.5%
Bulgaria	1.1%	-0.1%	-0.2%	-0.2%	-0.6%	-12.2%	0.0%	-0.1%	0.2%	0.1%	0.4%	6.2%
Others	0.8%	1.3%	1.2%	1.5%	4.3%	9.5%	-0.1%	-0.3%	0.1%	0.0%	1.4%	9.8%

## Risk metrics

Alpha	3%
Volatility & stand. deviation	9.8%
Beta	0.42
Sharpe ratio	0.54
Information ratio	-0.02
Tracking error	11.6%

\* MSCI EFM Central and Eastern Europe & CIS ex Russia

## Sector allocation

	Nov-17	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	31.7%	-2.2%	-1.9%	3.2%	8.2%	5.7%	-0.7%	-1.9%	8.7%	6.3%	7.4%	26.7%
Real Estate	9.6%	-0.8%	-3.4%	-6.8%	-5.3%	-7.1%	-0.4%	-0.5%	1.0%	0.9%	2.2%	6.2%
Utilities	8.2%	-0.3%	-0.7%	-2.6%	-6.9%	-7.9%	0.0%	0.1%	2.8%	2.6%	0.3%	10.8%
Energy	6.4%	-0.3%	-0.4%	-1.8%	-0.8%	2.3%	0.1%	-0.2%	1.9%	1.4%	3.2%	3.7%
Health care	3.5%	-0.2%	-0.5%	-0.7%	-1.1%	-2.4%	0.0%	-0.2%	1.0%	0.7%	1.0%	4.0%
Cons. Discr.	3.3%	0.6%	-2.7%	-2.0%	-3.5%	-4.8%	0.2%	0.0%	2.3%	2.1%	4.4%	9.6%
Consumer Staples	2.7%	-3.5%	-4.0%	0.2%	-1.0%	-0.5%	-0.4%	-0.3%	1.5%	1.5%	3.3%	3.2%
Telecom	2.3%	-0.1%	0.5%	1.2%	1.8%	-9.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.1%
Others	4.5%	4.6%	4.1%	2.8%	4.4%	1.3%	-0.3%	-1.3%	0.0%	-0.3%	0.1%	3.3%

## Fund statistics

Number of positions	37
Top10	39.8%
Top20	59.5%
Gross exposure	72.1%
Net exposure	72.2%
Concentration coefficient	45
Median market cap MEUR	1823
Average market cap MEUR	2688

## Style allocation

	Nov-17	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	43.7%	-2.0%	-3.1%	-1.7%	10.0%	19.9%	-0.6%	-3.1%	10.6%	7.5%	10.8%	27.1%
Non-cyclical	12.3%	-3.9%	-6.9%	-2.1%	-8.7%	-19.6%	-0.4%	-0.2%	6.1%	5.5%	5.9%	13.5%
Asset play	13.9%	-1.1%	-4.0%	-2.6%	-2.0%	-10.6%	-0.5%	-0.7%	2.1%	2.1%	2.9%	17.5%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-5.6%	-10.2%	0.0%	0.0%	0.0%	0.0%	0.0%	6.1%
High yield bonds	2.3%	-0.3%	-0.3%	-1.9%	2.3%	-1.8%	-0.1%	0.0%	0.5%	0.4%	2.4%	2.8%
FX Derivatives	-0.1%	-0.1%	-0.3%	-0.1%	-0.1%	-0.1%	-0.1%	-0.3%	-0.1%	-0.1%	0.0%	0.6%
Cash	27.9%	7.4%	14.7%	8.4%	4.1%	22.4%	-0.1%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%

## Turnover

	Adj*
FY 2016	17.7%
FY 2015	22.2%
FY 2014	47.9%

\* Adjusted for fund flows

## Liquidity analysis\*

20%	20%	50%
3 days	67.9%	80.5%
2 weeks	83.7%	93.9%
4 weeks	92.1%	98.2%

\* 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**

<b>Investment Manager</b>	AS Avaron Asset Management
<b>Fund type</b>	Open-ended, UCITS-IV
<b>Launch date</b>	April 23, 2007
<b>Domicile</b>	Estonia
<b>Currency</b>	EUR
<b>Dividends</b>	reinvested
<b>Fund size, MEUR</b>	78.0
<b>Total AUM, MEUR</b>	450+

**TER 2016** 0.28% (excluding management and performance fees)

	<b>ISIN Code</b>	<b>NAV 30-Nov 2017</b>
<b>A unit</b>	EE3600090049	4.7646 EUR
<b>B unit</b>	EE3600090056	5.0484 EUR
<b>C unit</b>	EE3600102901	17.0960 EUR
<b>D unit</b>	EE3600108866	14.3820 EUR
<b>E unit</b>	EE3600108874	14.3034 EUR

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

<b>Cut-off</b>	10am CET
<b>NAV frequency</b>	Daily dealing, T+3
<b>Public offering</b>	France, Switzerland, Germany, Finland, Sweden, Estonia, Latvia
<b>Morningstar rating</b>	Yes, four stars (3 & 5 years)
<b>Tax transparency</b>	Germany
<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>

<b>Unit class</b>	<b>D (Retail)</b>	<b>C (Institutional)</b>	<b>E (Institutional)</b>
<b>Min. initial investment</b>	-	125,000 EUR	1M EUR
<b>Front-end load</b>	2%	-	-
<b>Management fee</b>	2%	1.25%	0.85%
<b>Performance fee (unit based)</b>	-	10% over 12-month EURIBOR, HWM	15% over MSCI EFM CEEC ex-Russia Index, annual reset (June 30)
<b>Back-end load</b>	-	-	-

**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](http://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.



**Kristel Kivnurm-Priisalm**  
 Managing Partner,  
 CEO & COO



**Peter Priisalm**  
 Partner, co-CIO,  
 Investment Manager



**Valdur Jaht**  
 Partner, co-CIO,  
 Investment Manager

**Important Legal Information**

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