



Avaron Flexible Strategies Fund

PROSPECTUS

2 April 2018

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Subscription to Avaron Flexible Strategies Fund should be made on the basis of this Prospectus, the fund rules and the latest available annual or semi-annual report. 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 fund may fall as well as rise and investors may not get back the amount invested. An investment in the fund entails risks, some of which are described in this Prospectus. Investors should be aware of the high risks associated with investments in emerging markets such as Central and Eastern Europe.

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.

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GENERAL INFORMATION

This prospectus is the offering prospectus within the meaning of the Investment Funds Act of the Republic of Estonia of the units of Avaron Flexible Strategies Fund. The rules of the Fund form an integral part of the Prospectus, and both the Prospectus and the Rules should be thoroughly acquainted with before investing in Avaron Flexible Strategies Fund. Each prospective investor is encouraged to seek independent professional advice in relation to his or her investment.

MAIN INFORMATION ABOUT THE FUND

Name and legal status of the Fund	Avaron Flexible Strategies Fund (in Estonian: Avaroni Privaatportfelli Fond), a public common alternative investment fund as per the definitions provided by the Investment Funds Act. The Fund's initial launch date is 17 December 2008.
Management Company	AS Avaron Asset Management, registry code 11341336, registered address at Narva mnt 7D, 10117 Tallinn, Estonia Management board members: Kristel Kivinurm-Priisalm, Valdur Jaht Supervisory board members: Maris Viire, Peter Priisalm, Priit Sander (independent member)
Location of the Fund	Narva mnt 7D, 10117 Tallinn, Estonia
Depository	Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia
Administrator (NAV calculation and Fund accounting)	Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia
Registrar and Transfer Agent	Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia
Auditor	KPMG Baltics OÜ, registry code 10096082, registered address at Narva mnt 5, 10117 Tallinn, Estonia
Supervisory Authority	Estonian Financial Supervision Authority (In Estonian: Finantsinspektsioon), registered address: Sakala 4, 15030 Tallinn, Estonia, website www.fi.ee
Registration of Fund Rules	The effective Fund Rules were registered on 26 February 2018 and entered into force on 2 April 2018.
Issue of Units	Units are issued on every Banking Day.
Redemption of Units	Units are redeemed with 30 calendar days' or 7 calendar days' prior notice, as chosen by the Unitholder.
Unit prices	The Management Company calculates and publishes the net asset value of the Fund and Units, and the subscription price and redemption price of a Unit at least once for each Banking Day on the following Banking Day by 16.30 EET (GMT+2).
Publication of information	The important information and documents relating to the Fund, as well as up to date information on the net asset value of the Fund and Units, subscription and redemption price, are available at the website of the Management Company at www.avaron.com , and at the registered address of the Management Company.
Reference Currency	The reference currency for the calculation of the net asset value of the Fund and the Units, as well as the issue and redemption prices and for any relevant transactions with Units shall be euro (EUR), the currency used within the European Monetary System.
Financial year	The financial year of the Fund begins on 1 January and ends on 31 December
Distribution of proceeds	All the proceeds from the Fund's investments shall be reinvested, and no distributions shall be made to the Unitholders of the Fund. The Unitholder's return on his or her investment into the Fund is reflected in the increase or decrease of the net asset value of the Unit. The Unitholder may realize its return by exercising the redemption or sale right. For the avoidance of doubt the Fund has only accumulating Units.

DEFINITIONS

In the Prospectus, unless the context otherwise requires, the defined terms shall have the following meaning:

Applicable Law	all laws and regulations applicable to the Management Company in relation to the management of the Fund whether in Estonia or elsewhere, in particular the Investment Funds Act and derivative acts issued thereunder, European Union legal acts, as well as acts or resolutions of competent supervisory or other authorities to the extent that these are legally binding to the Management Company
Banking Day	a day when credit institutions are generally open for business in Estonia, excluding Saturdays, Sundays, national and public holidays
Depositary Fee	a fee payable to a designated depositary for safekeeping the assets of the Fund, and performing certain other functions in relation to the Fund, subject to and in accordance with an agreement concluded with the depositary
Emerging Europe	Eastern European, candidate and potential candidate countries of the European Union. European countries that are part of MSCI Emerging Markets and Frontier Markets index.
Financial Supervision Authority, or EFSA	the Estonian Financial Supervision Authority (in Estonian: <i>Finantsinspektsioon</i>)
Fund	Avaron Flexible Strategies Fund
Investment Funds Act	Estonian Investment Funds Act, as adopted on 14 December 2016, as amended or supplemented from time to time
Investment Policy	the investment policy of the Fund, as stipulated in the Prospectus
Investment Restrictions	the investment restrictions applicable to the management of the Fund, as stipulated in the Prospectus
KIID	a short form information document for the public offering of the Fund, containing only key information about the essential characteristics of the Fund as prescribed in the Applicable Law
Management Company	AS Avaron Asset Management, registry code of 11341336, with registered address at Narva mnt 7D, 10117 Tallinn, Estonia
Management Fee	fee payable by the Fund to the Management Company for the management of the Fund pursuant to and in accordance with the Rules and the Prospectus
Member State	means a member state of the European Union
OTC	means an over-the-counter transaction, i.e. transaction between the parties outside a regulated market
Performance Fee	fee payable by the Fund to the Management Company pursuant and in accordance with the Rules and the Prospectus dependent on the result of the investment management services rendered by the Management Company
Prospectus	this document for the public offering of the Fund, presenting information to the extent required by the Applicable Law, and any other information deemed necessary or advisable by the Management Company for deciding on investing into the Fund
Registrar	the registrar of the Unit Registry
Rules	the terms and conditions of the Fund, regulating the legal relationship between the Management Company and the Unitholders, including the investment management mandate provided hereunder
Trade Date	the Banking Day of receiving a duly compiled order to transact with Units
Transferable Securities	as defined in section "Investment Policy" – "Permitted Instruments"
UCITS	a fund established pursuant to and in accordance with the UCITS Directive
UCITS Directive	Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities
Unit	a unit representing a holding in the Fund
Unit Registry	registry of Units, maintained electronically by the Registrar
Unitholder	person who has subscribed for and/or is holding a Unit

The Rules, as enclosed to the Prospectus in Appendix 2, form an inseparable part of the Prospectus, shall be interpreted together with the Prospectus and the Applicable Law. In the case of any conflict between the Prospectus and imperative provisions of the Applicable Law, such imperative provisions of the Applicable Law shall prevail. In the case of any ambiguity, the Prospectus shall be interpreted in the best interests of the Unitholders.

THE INVESTMENT OBJECTIVES, POLICY AND RESTRICTIONS

INVESTMENT OBJECTIVES

The investment objective of the Fund is long term capital growth through economic and market cycles by investing in a portfolio of various asset classes, industries and geographic regions while implementing the investment strategies and ideas developed by the Management Company's professional investment team. The investment activities of the Fund are not restricted by specific asset class, region or industry. Numerous asset classes are combined in the Fund's investment portfolio – the Fund's assets can be invested into equities, various debt instruments, deposits, derivative instruments and other financial instruments. The allocation between different asset classes, industrial sectors and geographic regions varies over time, depending on the investment teams' views and the prevailing market conditions. The return on an investment into the Fund, or achievement of its investment objective is not guaranteed. The past performance of the Fund is neither a guarantee nor an indication of future performance. With the investment into the Fund, the Unitholder acknowledges and accepts that such an investment involves risk and it may result in both profit or loss to the Unitholder, including loss of the entire amount invested. The overview of the risks pertaining to an investment into the Fund is provided in the section "Risks" below.

INVESTMENT POLICY

General

The general principles of the Investment Policy have been agreed and stipulated in the Rules. In order to achieve the investment objectives, the Fund's assets can be invested into equities, various debt instruments, deposits, derivative instruments and other financial instruments, the Fund can use leverage by borrowing or using derivative instruments, subject to and in accordance with the more detailed Investment Policy guidelines and Investment Restrictions provided below, as well as the Applicable Law.

The Investment Policy is not restricted by a specific asset class, region or industry. The assets of the Fund shall be invested globally. However, the Management Company's main investment competence and activities are concentrated on Emerging Europe, which may result in the Fund's investment portfolio focus also being on Emerging Europe countries (but, for the avoidance of doubt, does not need to be).

The allocation of the Fund's assets between different asset classes, industrial sectors and region shall be determined by the Management Company in exercising an active portfolio management strategy, subject to its professional assessment and the prevailing market conditions. Therefore, the proportions of various financial instruments in the Fund's assets vary over time and the exact combination shall be determined based on the Management Company's views and on the issuer specific and macroeconomic research carried out by the Management Company. For example, at a certain point in time the Fund can invest a large part of its assets into equities, whereas in different market conditions bonds and deposits or cash can form the majority. The proportions of different asset classes will vary over time. In order to have the necessary flexibility when managing the Fund, the Investment Restrictions are not overly restrictive. The degree of diversification of the Fund's investments changes over time, and may be low. Due to the flexible Investment Policy, the Fund's risk profile and risk level vary over time but as a whole, due to its ability to invest into equities and derivatives and focus on Eastern Europe, the Fund has a high-risk level.

Permitted Instruments

The Fund may invest in any financial instrument, unless prohibited pursuant to the mandatory provisions of the Applicable Law. In particular, the Fund may invest in the following instruments:

- Transferrable securities, incl. shares and other securities equivalent to shares in companies, bonds and other forms of securitised debt (debt securities), any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange, incl. convertible bonds and subscription rights (the "**Transferrable Securities**");
- Money market instruments;
- Units or shares of other investment funds or collective investment undertakings;
- Derivative instruments;
- Deposits with credit institutions;
- Real estate or securities linked to real estate
- Precious metals or financial instruments the underlying of which are precious metals, or the price of which is linked to the value of precious metals.

Transferrable Securities and money market instruments

The Fund may invest up to 100% of the Fund's net asset value into Transferrable Securities or money market instruments, that meet any of the following criteria:

- such an instrument is admitted to trading or dealt in on a regulated market of any Member State or any other regulated trading facility in a Member State, which operates regularly and is recognised and open to trading to the public;
- such an instrument is admitted to official listing on a stock exchange in any other third country (excl. FATF non-cooperative countries) or dealt in on another regulated trading venue in any other third country, which operates regularly and is recognised and open to the public;
- such an instrument has not been admitted to trading on any venue listed above, but the terms of issue include an undertaking that such an instrument will be admitted to trading on any of the trading venues meeting the above listed criterion within a year of the issue.

The Fund may invest up to 100% of the Fund's net asset value into money market instruments that do not meet the above trading criterion, but where the emission and/or the issuer of such instruments meets the investor protection requirements deemed suitable pursuant to and in accordance with the Investment Funds Act.

The Fund may invest up to 30% of the Fund's net asset value into Transferrable Securities and/or money market instruments that do not meet the above criterion. The provisions and restrictions in relation to investment into Transferrable Securities are also applied in relation to an investment into closed-ended investment funds or collective investment undertakings.

Investment funds and collective investment undertakings

The Fund may invest up to 100% of the Fund's net asset value into other public open-ended investment funds or collective investment undertakings investing into Transferrable Securities or other liquid financial instruments on the principle of risk-spreading, that meets the following criterion:

- such funds or other collective investment undertakings are authorised under laws, which provide that they are subject to supervision pursuant to and in accordance with the European Union legislation, or legislation equivalent to that, and that cooperation of the Financial Supervision Authority with the authorities of the home jurisdiction of such funds is sufficiently ensured;
- the level of protection for unit- or shareholders in the other investment funds or collective investment undertakings is equivalent to that provided for unit-holders in a UCITS, in particular relating to the rules on asset segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments;
- the business of the other investment funds or collective investment undertakings is reported in semi-annual and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period; and
- no more than 10% of the assets of the other investment fund or collective investment undertaking can be invested in aggregate in units or shares of other investment funds or collective investment undertakings which in turn may invest, in accordance with the fund rules, articles of association or prospectus, in other funds.

The Fund may invest up to 50% of the Fund's net asset value into other investment funds or collective investment undertaking that do not meet the above criterion, provided the availability of an accurate and reliable valuation, whether based on market value or other valuation principles, in relation to the units or shares of such investment funds or collective investment undertakings.

Subject to the requirements above, and the imperative provisions of the Applicable Law, the Fund may invest up to 100% of the Fund's net asset value in other investment funds or collective investment undertakings managed by the Management Company (either directly or on delegation basis). When investing into other funds managed by the Management Company, no subscription or redemption fees are charged from the Fund. In addition, the Management Company shall reimburse to the Fund 100% of the performance fees and 100% of the management fees that have been paid to the Management Company on such investments.

Deposits

The Fund's assets may be placed in deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and mature in no more than 12 months, provided that the credit institution has its registered office in a Member State or in a third country, subject to prudential rules equivalent to those provided in the European Union legislation.

Derivative instruments

The Fund is permitted to invest in and transact with derivative instruments both for investment and hedging purposes, provided that the imperative provisions of the Applicable Law are at all times complied with. The Fund may invest in derivative instruments where the underlying consists of one or more of the following:

- financial instruments that are permitted for investment by the Fund;
- securities or other financial indices;
- interest rates;
- currency or exchange rates.

The list of underlying can be found in appendix 1.

The Fund may enter into OTC derivative transactions subject to and in accordance with the imperative provisions of the Applicable Law. The Fund's total open exposure relating to derivative instruments may not exceed the total net asset value of the Fund by more than twice.

Other Permitted Transactions

The Management Company may on behalf of the Fund guarantee issues of securities, borrow, enter into repurchase and reverse repurchase agreements and make other transactions of borrowing and lending securities. The Fund may borrow and assume other liabilities referred to above in the amount of up to 10% of its assets.

Investment Restrictions

Unless additional exposure per issuer (or issuers within the same consolidation group) is permissible by the Applicable Law, the Fund shall not invest more than 10% of the Fund's net asset value into Transferrable Securities or money market instruments issued by the same entity. An OTC derivative exposure to a credit institution, in which the Fund is permitted to hold deposits, may amount to 10% of the Fund's net asset value. Risk exposures through OTC derivative instruments into other counterparties shall not exceed 5% of the Fund's net asset value.

The total value of the Transferable Securities and/or money market instruments and/or derivative exposures held by the Fund in entities in each of which it invests more than 5% of the Fund's net asset value shall not exceed 40% of the Fund's net asset value. This restriction does not apply to deposits with credit institutions, or OTC derivative transactions with such credit institutions where the Fund is permitted to hold deposits.

Notwithstanding the restrictions provided in the first paragraph of this section, the Fund may invest up to 35% of the Fund's net asset value in the Transferable Securities or money market instruments issued or guaranteed by the same issuer, if such an issuer is a Member State, its local authorities, a third country or a public international body to which one or more Member States belong to. This limit may be exceeded only pursuant to and in accordance with the Investment Funds Act. Such Transferrable Securities and money market instruments shall not be taken into calculation of the 40% limit provided in the second paragraph of this section.

The Fund shall not place more than 20% of the Fund's net asset value into deposits with the same credit institution. This restriction does not apply in relation to an account with the Depositary, where funds from the issue of Units or sale of the Fund's assets, as well as dividends, interest and other monetary payment attributable to the Fund's assets are received, or in relation to funds held in overnight deposit.

The Fund shall not invest more than 20% of the Fund's net asset value into Transferable Securities, money market instruments, deposits or exposures to OTC derivative instruments with the same entity.

Notwithstanding the restrictions provided in the first paragraph of this section, the Fund may invest up to 25% of the Fund's net asset value into covered bonds, issued by a credit institution with a registered office in a Member State, subject to the restrictions provided in the Investment Funds Act. The total value of the covered bonds issued by credit institutions, where the Fund has invested more than 5% of its assets, shall not exceed 80% of the value of its assets. Such covered bonds shall not be taken into calculation of the 40% limit provided in the second paragraph of this section.

Notwithstanding the restrictions provided in the first paragraph of this section, the Fund may incur a maximum exposure of 35% in relation to a single entity by means of investment into Transferrable Securities or money market instruments or covered bonds issued by the same entity, and/or deposits and/or derivative instruments made with the same entity, except and to the extent the Fund is permitted to invest into the financial instruments issued by such entity pursuant to this Prospectus and/or the Investment Funds Act in excess of 35%.

The Fund shall not invest more than 20% of the Fund's net asset value into one investment fund or collective investment undertaking. Such restrictions are not applied where the underlying investment fund or other collective investment undertaking ensures sufficient diversification of its assets (UCITS in particular).

Companies which are included in the same group for the purposes of consolidated accounts shall be regarded as a single entity for the purpose of these Investment Restrictions, unless exempted from such treatment by the Investment Funds Act.

The total value of real estate together with the objects required for the management of the immovable shall not exceed 30% of the Fund's net asset value. The acquisition cost of an immovable together with the acquisition cost of objects required for the management of the immovable must not exceed 20% of the Fund's net asset value at the time of acquisition.

The Fund's assets may be placed in precious metals and securities which underlying assets are precious metals or which price is dependent on precious metals in the total extent of up to 5% of the Fund's net asset value.

The Fund shall not acquire or hold in one person more than:

- 10% of non-voting shares or other equivalent rights;
- 10% of the debt securities issued by it;
- 10% of the money market instruments issued by it;
- 25% of the units or shares of another fund.

In addition to the Investment Restrictions provided above, the Management Company shall comply with all other limitations and restrictions provided by imperative provisions of the Applicable Law. The Management Company may, on temporary basis, deviate from the Investment Restrictions provided in the Prospectus, pursuant to and in accordance with the Applicable Law.

Short Overview of Investment and Risk Management Techniques

The Management Company deploys a value investing and stock-picking investment style with the focus on company-specific, sector and macro analysis. The Management Company is searching for and investing in securities with the best upside potential among equally risky alternatives or in securities with lowest risk among alternatives with equal upside.

Portfolio liquidity analysis and diversification among sectors, countries, currencies and instruments are the main risk management tools used. In addition, the Management Company may use derivatives to hedge or take directional exposure in currencies. The Management Company actively follows financial results of companies and makes relevant changes in the Fund portfolio based on companies' upside to target prices and its view on macroeconomic trends.

The Management Company strives to achieve long-term capital growth of a Unit's value. However, not all the Fund's investments are long-term. The Fund's investment universe comprises of emerging and dynamic economies with highly volatile stock markets. Should a company's share price exceed its target price, the Management Company would exit the position, irrespective of its intended investment horizon.

The Management Company has established procedures for internal risk management in order to identify, monitor, measure and hedge the risks associated to the Fund's investments. The Management Company regularly examines the Fund's compliance with its investment restrictions. Should the Fund's portfolio become in breach with the applicable Investment Restrictions due to share price movements or other circumstances, the Management Company is obligated to immediately take measures to correct such breaches.

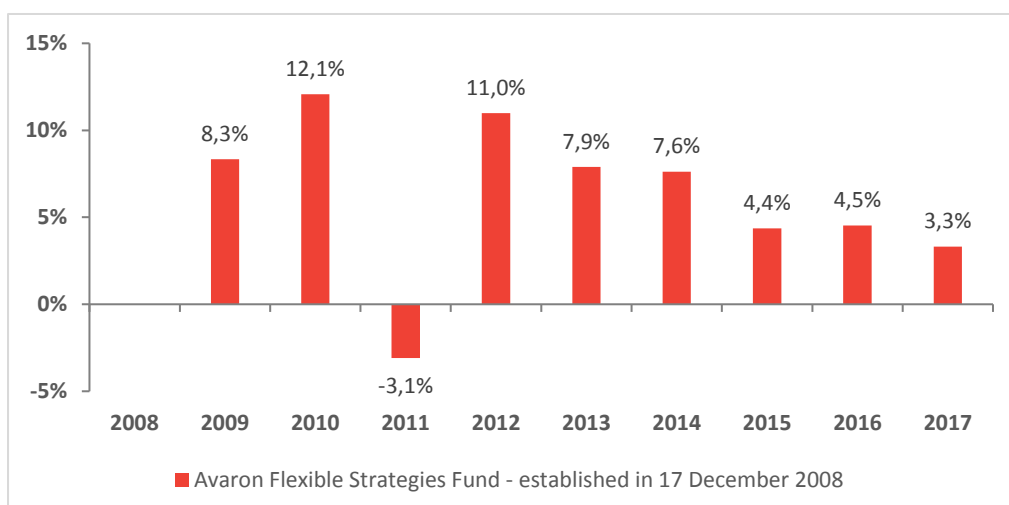
The Rules or the Prospectus do not exclude the possibility to use efficient portfolio management techniques and instrument for investment, hedging, cost optimization or other portfolio management purposes. Such techniques and instruments may include the use of derivatives and/or securities financing transactions (incl. securities lending, repurchase and reverse repurchase transactions). Use of such techniques and instruments shall always meet the requirements of the Applicable Law, and shall never result in circumventing the requirements of the Investment Policy and Investment Restrictions. However, the Management Company does not at this time use such techniques for efficient portfolio management. This does not prevent the Management Company from starting to use such efficient portfolio management techniques in the future, subject to appropriate disclosures in accordance with the Applicable Law.

PAST PERFORMANCE OF THE FUND

The table below displays average annual cumulative rate of return of the Fund (as at 31.12.2017):

2 years	3 years	5 years
3.9%	4.1%	5.5%

The rates of return of the Fund from previous calendar years indicated by the figure below have been calculated for the corresponding calendar year based on the net asset value of the Fund's assets. The issue and redemption fees have not been taken into account.



NB! Past return is not a guarantee or indicative of future performance

RISKS

GENERAL RISK WARNING

Various risks may affect the return from the investment into the Fund. The activities of the Fund may or may not be profitable. There is no guarantee to Unitholders that they will get the invested amount back. In case any of the risk factors materialise, it is possible that the investor will lose a substantial part of his or her investment. Past performance of the Fund is not a guarantee or indicative of future results. Due to the Fund's investment policy, the net asset value of a Unit may be highly volatile.

RISK WARNING RELATED TO EMERGING MARKETS

The assets of the Fund shall be invested globally. However, from time to time the focus may be on the financial instruments of Emerging Europe countries. The legal, political and economic infrastructure of emerging countries is still at an early stage of development. In such countries it is more likely that social, economic or political instability will occur. As a result, investing in the Emerging Europe region is accompanied by higher risks compared to investing in developed markets. Investors of the Fund should accept that the positive developments and successful reforms that have taken place in some countries may not necessarily happen in other countries. The market capitalisation of Emerging Europe markets is relatively small. These markets are often volatile and have low liquidity. The currency exchange rates of the investment region may substantially fluctuate against the Fund's reference currency and this may have a significant impact on the Unit's net asset value. The Management Company does not generally hedge foreign exchange rate risks. Countries may impose restrictions on capital flows and currency export restrictions. This may result in difficulties for the Fund in drawing sales proceeds and may harm the ability of the Fund to redeem Units regularly. Financial supervision may be ineffective in the countries of the investment region. The accounting, auditing and reporting standards accepted in the Emerging Europe countries may not be equivalent to the standards accepted in developed markets. The systems for settlement and registering of securities and the regulations applicable to and the supervision of the settlement bodies, registrars and custodians may not be up to the standards assumed in developed markets.

RISK LEVEL OF THE FUND

Although the Fund can invest globally, a substantial part of the assets of the Fund may be invested in the financial instruments of Emerging Europe countries. Based on the investment policy of the Fund, the risk profile and risk level shall change over time. However, overall the Fund should be considered as an investment product with higher than average risk.

PROFILE OF A TYPICAL INVESTOR

The Fund is suitable to an investor with higher than average risk tolerance who seeks long-term capital growth. The investor should acknowledge that there is no guarantee that the capital invested into the Fund will be preserved or that it will grow. The recommended investment horizon is at least 3 years and the investor should be able to tolerate volatility in the net asset value of the Unit during this period. The investor should also take into account the relatively low liquidity of the Units (Units are redeemed with 7 days' or 30 days' prior notice). The investor should have prior experience with investing into investment products or knowledge of the functioning of the financial markets. The investor's financial position should be sufficiently strong to endure substantial volatility in the value of the investment and during the notice period for redeeming the Units. Each investor is required to independently evaluate the risks related to investing in the Fund and the effects and possible consequences of such risks in light of the investor's investment experience and knowledge, as well as the investor's financial and economic circumstances, and the time period and the objectives of the investment. The Management Company recommends that potential investors consult with a professional investment advisor, before making the decision to invest.

OVERVIEW OF MAJOR RISK FACTORS RELATED TO THE INVESTMENT

Various risks relate to investing into the Fund. Such risks may have a negative effect on the outcome of the investment. Investment risks shall be borne by the investor.

A flexible strategy combining various asset classes, industries and geographic regions shall be implemented when investing the Fund's assets. This results in the Fund's risk profile and risk level changing over time. The relative importance of the various risk factors and the probability that any one of them could materialise varies, as it depends on the positioning of the Fund's investment portfolio at a specific point in time. For example, if the Fund's assets have been mainly invested in debt securities, the importance of credit risk and interest risk increases relative to a period when the Fund's assets are mainly invested in shares. Similarly, investing in loans and derivative instruments increases the counterparty credit risk. Overall, the risk of unsuccessful asset allocation decisions, market risk, issuer's price risk, foreign currency risk, political risk and the risk arising from the concentration of asset classes or markets can be outlined as the most critical risks for the Fund.

The risk of unsuccessful asset allocation decisions - The Fund's investment policy envisages combining various asset classes, geographic regions, industry sectors and types of financial instruments. When selecting the Fund's investments, the fund manager is not required to set up a diversified portfolio of the permitted asset classes, geographic regions, sectors or types of financial instruments. In contrast, the fund manager is authorised to invest the Fund's assets in a concentrated manner based on the fund manager's views and the prevailing market circumstances. However, there is no certainty whatsoever that the investment decisions adopted by the fund manager shall be profitable. It is possible that the return of the chosen asset class or particular

investment shall be lower than that of other permitted asset classes or individual investments that were not included in the Fund's portfolio based on the discretion of the fund manager.

Market concentration risk – the risk arises from the fact that the majority of the fund's investments may be allocated to a certain country or region, which may result in an additional price fluctuation risk.

Market risk – the risk of suffering losses due to adverse price movements at a specific securities market or at a market for other assets. Adverse price movements may be caused by a country's weak macroeconomic data, poor financial results of an industry sector, unstable securities market, investor behaviour and psychology and other factors.

Issuer-specific price risk – price risk is closely related to market risk, but mainly affects a specific security or investment. Price risk is the risk of suffering losses due to adverse price movements of a specific stock or another investment. The price of an issuer's securities is affected by the developments in the issuer's financial results, changes in the competitive environment, analyst estimates and commentaries, etc.

Foreign currency risk – the risk that the value of an investment denominated in a foreign currency shall change in an adverse direction due to fluctuations in exchange rates.

Political risk – the risk that unfavourable trends or (political) events (e.g. changes in economic policy or legal environment, nationalisations, riots, war) take place in a country where the Fund's assets have been invested that affect the country's political or economic stability or future development, thereby causing the loss of the Fund's investments in the country or diminishing the value of such investments.

Credit risk – the risk that the issuer of securities where the Fund has invested or the counterparty to a transaction on account of the Fund, fails to perform its obligations either fully or partially (e.g. an issuer fails to redeem issued debt obligations, a counterparty to a trade does not deliver securities or cash during the settlement, a counterparty defaults on a loan granted by the Fund) causing damage to the Fund.

Custody risk – the risk that the Fund suffers losses due to the actions or inactions or bankruptcy of the Depository, sub-custodians or local depositories. Such losses may include losses due to the person holding the securities going bankrupt, losing the securities or its inability to fulfil orders.

Liquidity risk – the risk that a financial instrument cannot be sold due to low liquidity at the time desired or at a reasonable price, or that it is not possible to sell the asset at all. Liquidity risk is particularly relevant in cases when investing into small cap companies and in instruments not traded on a regulated securities market.

Interest rate risk – the risk that the level, yield curves or volatility of interest rates, change in an adverse direction for the Fund.

The risk arising from the concentration of asset classes or markets – the risk that a particular event or circumstance shall have a pervasive effect on a Fund's return because the Fund's investments are concentrated on one or a small number of markets, a specific asset class or a small number of issuers.

Legal risk – the risk that the Fund suffers losses or that penalties are imposed on the Fund, due to the possibility that the Management Company does not have sufficient knowledge of the legislation and its statutory obligations that are applied in the target countries of the Fund's investments. Additionally, amendments in legislation after the investment has been made could result in restrictions for the Fund's activities or create obligations for the Fund.

Systemic risk – the risk that technical faults in the systems of securities depositories, stock exchanges, market places, clearing houses etc could cause losses for the Fund due to failed trades, delayed settlement, mistakes in recorded transactions etc.

Tax risk – unfavourable changes in the tax laws could take place in the countries where the Fund's assets have been invested. E.g. a tax could be imposed on the Fund's profit or income.

The risk related to valuing the assets of the Fund – the assets of the Fund may be invested in securities with low liquidity and in securities that are not traded on regulated markets. For such securities, a valid market price may not be available. Determining the fair value of such assets may be complex and depends on assessments made by the Management Company. The price of such financial instruments used in NAV calculation may be substantially different from a later market transaction price, which may lead to significant downward adjustment of the price of the financial instrument and a sizeable change in the net asset value of the Unit.

Registrar risk – the risk of suffering losses due to actions or inaction of the Registrar (e.g. due to failed trades arising from technical faults, delayed settlement, erroneous transactions, unauthorised disclosure of confidential information etc.).

In addition to customary investment risks, investors have to take into account the possibility of changes taking place in the governance of the Fund. Such changes could have a significant impact on an investment in the Fund. For example, redemption of Units may be suspended based on the terms and conditions set out in the Prospectus and the Applicable Law; the Fund could be reorganised, merged with another investment fund or liquidated. Additionally, the fees and expenses payable on account of the Fund or the Unitholder may be changed; the Rules and/or the Prospectus may be substantially amended, etc. Some of the abovementioned events may take place without giving prior notice to the Unitholders.

RISKS RELATED TO DERIVATIVE INSTRUMENTS

The Management Company may invest the Fund's assets in derivative instruments for the purpose of hedging risks as well as for the purpose of achieving the Fund's investment objectives. The market value of a derivative instrument depends on the price or value of another underlying asset (e.g. share, stock index, foreign exchange rate). Using derivative instruments entails leverage, i.e. a small change in the price of the underlying asset may lead to a large change in the price of the derivative instrument. Therefore, an investment in derivative instruments leads to relatively larger profit or larger loss (higher risk) compared to a similar investment in the underlying asset. In case of certain derivative instruments, the potential loss is larger than the initial investment made. Since the value of the derivative instrument depends on the price of the underlying asset, the derivative instrument is subject to the same risks as the underlying. In addition, counterparty risk, interest rate risk and changes in the volatility of the underlying asset affect the value of the derivative. In order to determine the value of the derivative, complex valuation models are often used. Thus, investing in derivatives is also accompanied by valuation risk.

RISKS RELATED TO SECURITIES NOT TRADED ON REGULATED MARKETS

The assets of the Fund may be invested in securities not traded on regulated securities markets. In addition to ordinary investment risks, such investments entail a higher liquidity risk and higher risk related to valuing such assets. The Fund may invest into private equity, real estate or precious metals which in their essence run higher investment related risk and liquidity risk compared to listed instruments. Due to the fairly small size of the Fund, its investments into non-listed instruments might be concentrated.

UNIT, RIGHTS AND OBLIGATIONS ATTACHED TO UNITS

UNIT

A Unit represents the Unitholder's share in the assets of the Fund. The Unit is a dematerialised book-entry security, maintained in an electronic Unit Registry. No certificate in relation to the Units is issued to the Unitholder. Information about the Unit Registry and the Registrar is provided in section "Registrar" below.

The Fund has one class of Units with nominal value EUR 10 (ten euros). A Unit is divisible. The fractions of Units created by dividing Units are rounded up to three decimal points. The following rules are applied for rounding: numbers NNN.NNN0 until NNN.NNN4 are rounded to NNN.NNN and numbers NNN.NNN5 to NNN.NNN9 are rounded to NNN.NN(N+1).

RIGHTS ATTACHED TO UNITS

The issue and redemption of Units, and the creation and termination of the rights and obligations relating thereto, shall take effect with relevant entry into the Unit Registry.

Unitholders shall be treated equally in equal circumstances. A Unit shall grant to the Unitholder the following rights, to be exercised in accordance with the terms and procedures provided in this Prospectus and the Applicable Laws: (i) right to demand redemption of Units; (ii) right to transfer the Units to third parties; (iii) right to receive a share of the assets remaining upon the liquidation of the Fund and of any distributions made from the Fund in proportion to the number of Units and the class of Units held; (iv) right to access and receive information regarding the Fund; (v) upon request, to receive a confirmation from the Registrar relating to Units registered to his or her name in the Registry; (vi) to exercise other rights provided by the imperative provisions of the Applicable Law.

The Fund does not have a general meeting nor any other Unitholders' representative body, and therefore the Unitholders do not have the right or the opportunity to participate in the management of the Fund through any Unitholders' representative body. Without limiting the above, the Unit does not grant any right to participate or demand participation in the investment management of the Fund. No Unitholder is entitled to demand termination of the Fund.

Unitholders shall exercise their rights attached to the Units in good faith and in accordance with the Rules, the Prospectus, and the Applicable Law. The exercise of such rights shall not be with the intent or objective to damage the interests of other Unitholders, the Management Company, the Depositary, or any third party.

NET ASSET VALUE OF THE UNIT AND TRANSACTIONS WITH UNITS

NET ASSET VALUE OF THE FUND AND UNIT

The net asset value of the Fund and of the Unit depends on the value of the assets of the Fund. The Management Company shall calculate the net asset value of the Fund and Units based on the provisions of its internal rules and the Applicable Law. In order to determine the net asset value of the Fund, the value of the assets shall be calculated in accordance with the internal rules of the Management Company (available on website www.avaron.com), from which the liabilities of the Fund shall be deducted. The value of the assets shall be determined primarily based on their market value. If the market value cannot be established, valuation shall be based on another suitable and generally accepted method for establishing the fair value as set out in the Management Company's internal rules. The net asset value of a Unit is determined by dividing the total net asset value of the Fund by the number of issued and outstanding Units (adjusted by transaction orders received by the Management Company, but not yet settled). The net asset value, subscription and redemption price of a Unit shall be calculated every Banking Day in the reference currency of the relevant Unit.

The Management Company shall publish the net asset value of the Fund and the Unit, as well as the subscription and redemption price at least once for each Banking Day on the following Banking Day by 16.30 EET (GMT+2), and shall publish such information at its website www.avaron.com. A Unit's net asset value, issue and redemption price shall be rounded up to four decimal points. In case an event or a fact occurs or becomes evident after the net asset value of the Fund has been calculated and published and if such an event or fact, based on the professional assessment of the Management Company, substantially affects the calculation of the net asset value, the Management Company has the right to perform a revaluation, if not doing so would be detrimental to the interests of Unitholders.

TRANSACTIONS WITH FUND UNITS

The issue of Units is not limited by time or amount. The issue of Units is performed on every Banking Day and redemption once a month (additional information in section "Cut-off Dates"), unless the issue or redemption is suspended pursuant to and in accordance with the Prospectus and/or the Applicable Law. Transactions with Units shall be performed and settled in the reference currency of the respective Units.

The issue and redemption of Units is organised by the Transfer Agent. In order to enter into transactions with Units, an investor shall have a securities account and a corresponding cash account opened with the Transfer Agent, or a registry account opened with the Transfer Agent, and a cash account in another credit institution.

An investor can open a segregated account in its own name, or a nominee account on terms and conditions as provided by such third party-service provider (e.g. a distributor). If the Units are kept on a nominee account, the Unit transaction orders shall be submitted to the Management Company by the nominee, and all transfers and payments in relation to Unit transactions shall be made to the nominee account (and to the current account of the nominee, respectively).

By submitting a subscription order, the Unitholder confirms that he or she has thoroughly acquainted with, consents to and undertakes to adhere to the Rules and the Prospectus. The Unitholder is not permitted to revoke or make amendments to his or her subscription or redemption order after it has been submitted to the Management Company. Upon subscribing to Units, the investor shall pay the subscription amount within the prescribed time limit to the Fund's cash account. In case the Unitholder has not duly performed its obligations, the Management Company is entitled to use any legal remedy available to it pursuant to the Applicable Law, including the right of withdrawal from the transaction and claim damage caused by such non-performance to the Fund, other Unitholders and/or to the Management Company. The Management Company has the right in its sole discretion to refuse to execute a subscription order, if this is deemed necessary for protecting the interests of existing Unitholders, or for the orderly management of the Fund.

Subscription and redemption fees, as well as all other direct expenses related to subscribing and redeeming Units shall be paid for by the Unitholder.

ISSUE OF UNITS

The subscription of Units is not limited by the number of Units, or an amount of investment. Units can be subscribed, and are issued on every Banking Day. The subscription price of a Unit is the net asset value of the Unit that has been calculated as of the day of receiving the subscription order (the "Trade Date") to which the Management Company does not add any subscription fee. Units shall be issued only upon due payment of the full subscription price.

In order to subscribe Units, an investor shall submit a subscription order to the Transfer Agent. A Unit shall be issued upon receiving the subscription amount in the reference currency of the Unit to the Fund's cash account latest by the settlement date, and the registration of the Unit in the Unit Registry. The settlement date shall be no later than the third Banking Day from the Trade Date (T+3), unless the Management Company and the investor agree on a different settlement cycle.

By submitting a subscription order, each person consents to the processing of his/her data (including personal data) pursuant to the Management Company's principles of processing client data (available at the website www.avaron.com). The persons authorised by the Management Company to process personal data (authorised processors) and their contact details are also available at the above website.

REDEEMING UNITS

Upon the redemption of Units, a payment in the amount of the aggregate redemption price of the Units redeemed shall be made out of the assets of the Fund to the Unitholder's cash account. The redemption payment shall be made in the reference currency of the Unit. Payment in-kind is not available. Upon making the redemption payment, the Units will be deleted from the Unit Registry (on the settlement date), and all the rights and obligations relating to Units shall be deemed as terminated as from making such a deletion. Units are redeemed with either 7 calendar days' or 30 calendar days' advance notice, as may be chosen by redeeming Unitholder in his or her sole discretion.

The redemption price of a Unit shall depend on the notice period for executing the redemption order, as chosen by the Unitholder. If the Unitholder has chosen a notice period of 7 calendar days, the redemption price shall be the net asset value of the Unit that is calculated as of the seventh calendar day following the day of receiving the redemption order. If the Unitholder has chosen a notice period of 30 calendar days, the redemption price shall be the net asset value of the Unit that is calculated as of the last Banking Day of the 30 calendar days immediately following the day of receiving the redemption order. In case the day is not a

Banking Day, the next Banking Day shall be counted. In case the Unitholder redeems the Units with 7 calendar days' advance notice, a redemption fee of 1.5% is applicable. In case the Unitholder redeems the Units with 30 calendar days' advance notice, no redemption fee is applied. The redemption fee may be deducted from the redemption price of the Units payable to the Unitholder, subject to and in accordance with this Prospectus. The redemption fee is payable to the Fund, not to the Management Company, and therefore the Management Company is not entitled to waive or to decrease the redemption fee (if applicable).

In order to redeem Units, a Unitholder shall submit a redemption order to the Transfer Agent. Among other information, the Unitholder shall indicate in the redemption order whether he or she wishes to redeem Units with 7 calendar days' or 30 calendar days' notice period. The settlement date shall be no later than the third Banking Day from the date of executing the redemption order, unless the Management Company and the Unitholder agree on a different settlement cycle. The term for making the redemption payment does not include the time for executing any transfer by the beneficiary bank.

SWITCHING UNITS

The Unitholder is not entitled to demand exchange of the Units with shares or units of other funds managed by the Management Company.

CUT-OFF DATES

The date of a subscription order is the Banking Day when it is received by the Transfer Agent by 11.00 EET (GMT+2) on such a Banking Day. Transaction orders received by the Transfer Agent after such a cut-off date are deemed to have been received on the immediately following Banking Day.

The date of a redemption order is the Banking Day when the redemption order is duly submitted and received by the Transfer Agent by 11.00 EET (GMT+2) on such a Banking Day. Redemption orders received by the Transfer Agent after such a cut-off date are deemed to have been received on the immediately following Banking Day.

SUSPENDING TRANSACTIONS

The Management Company may suspend the issue or redemption of Units subject to and in accordance with the Investment Funds Act, if such suspension would be in the collective interests of the Unitholders, or to ensure the due operation and management of the Fund. The Management Company has the right to suspend redemption of Units where: (i) the Fund does not have liquid assets to redeem the Units; (ii) the Management Company is unable to repatriate moneys for the purpose of making payments on the redemption of Units or during which any transfer of moneys involved in the realisation or acquisition of investments or payments due on redemption of such Units cannot in the opinion of the Management Company be effected at fair value; (iii) the calculation of the net asset value of the Fund is complicated, for example due to the breakdown or restriction in the use of the means of communication normally employed in determining the price or value of any of the investments or the current prices on any stock exchange or trading venue; (iv) any stock exchange or trading venue, which is a relevant market or venue on which a material part of the Fund's assets for the time being are quoted, is closed (otherwise than for ordinary holidays), or during which dealings are substantially restricted or suspended, or the redemption of units or shares of the funds where the Fund holds relevant investments has been suspended or is restricted; (v) the redemption would otherwise be detrimental to the collective interests of the Unitholders or for the management and operation of the Fund (e.g. preparation for corporate events such as merger or dissolution and liquidation); (vi) other grounds for suspension of subscriptions or redemptions exist as per the Applicable Law.

The Management Company shall promptly notify the Financial Supervision Authority of the suspension of subscriptions or redemptions of Units, unless this is due to the suspension of trading on a relevant stock exchange or other relevant trading venue. The Management Company shall publish a notice regarding the suspension of subscriptions or redemptions on its website. The subscription and redemption of Units may be suspended for the period of three months, and such period may be extended with the approval of the Financial Supervision Authority.

Upon the suspension of the redemption of Units, the Registrar shall retain all subscription orders and payments on its account, and Units are issued based on the net asset value first determined after the suspension is lifted and redemption of Units is continued. All such orders shall be executed in order of their receipt.

TAXATION

According to the Estonian legislation, the Fund is not a taxable person and does not pay taxes in Estonia. The Fund and/or investors could be liable to pay taxes in the countries where the Fund has investments, subject to the tax system of the particular country. If a Unitholder is a taxable person, gains from Units may be taxable. The Management Company does not withhold any taxes on the gains earned from the Units. Declaring and paying respective taxes is the obligations of each Unitholder. The tax system applicable to an investor may depend on his or her tax residency, legal form and other circumstances. Investors are advised to consult a professional tax advisor before investing into the Fund.

FEES AND EXPENSES

FEES AND EXPENSES PAID BY THE FUND

- Management Fee: 1.25% per annum of the market value of the assets of the Fund
- Performance Fee: 10% of the return that exceeds 12-month Euribor rate
- Depository Fee: 0.108%-0.288% per year, but at least EUR 150 per month
- Other expenses based on the price list of the service providers

The Management Fee and Depository Fee shall be accrued on each day the net asset value of the Fund is calculated, and shall be paid out monthly for the previous calendar month. The rates of Depository Fee as shown above include value added tax.

The Management Company is entitled to a Performance Fee if the net asset value of a Unit exceeds the most recent Fixed NAV to which the required minimum return (12 month's Euribor rate) has been added. The rate of the Performance Fee is 10% of the increase in the net asset value of a Unit that exceeds the most recent Fixed NAV to which the required minimum return has been added. The Fixed NAV is the net asset value of a Unit calculated as of December 31 of the year preceding the net asset value calculation date. The applicable Euribor rate is fixed on the final Banking Day of each quarter for the following quarter. Should the Euribor rate be negative, a rate of 0% shall be applied. The accrual for the Performance Fee shall be revalued on each day the net asset value is calculated. The Performance Fee shall be crystallised as of 31 December of each year and shall be paid out during January of the following year.

The Fund shall pay expenses related to the management of the Fund, as specified in the Rules (incl. liquidation costs).

The total fees and expenses (excl. liquidation costs) payable on behalf of the Fund may not exceed 5% of the weighted average net asset value of the Fund per annum.

FEES AND EXPENSES PAID BY THE UNITHOLDER

- Subscription Fee: none
- Redemption Fee: The rate of redemption fee shall depend on the length of the notice period chosen by the investor for executing the redemption order:
 - notice period of 7 calendar days: 1.5%
 - notice period of 30 calendar days: 0%.

Subscription and redemption fees, as well as all other direct expenses in relation to subscribing and redeeming Units shall be paid for by the Unitholder. Redemption fee shall be paid to and kept by the Fund. At the request of the Unitholder subscribing for or redeeming Units, the Management Company shall report the amount of subscription or redemption fees charged to him or her in relation to such transaction.

INFORMATION ON THE FUND

ACCOUNTING AND REPORTING

The Management Company is responsible for arranging the accounting and reporting of the Fund subject to and in accordance with the Investment Funds Act, the Accounting Act, as well as other applicable legislation and the internal rules of accounting. The annual report of the Fund shall be audited, and the auditor's report attached to the Fund's annual report. The annual reports of the Fund shall be approved and made available within four months after the end of the financial year, and semi-annual reports within two months after the end of the respective reporting period.

Any person has the right to access the following information and documents at the Management Company's registered address and at its website www.avaron.com: (i) the Rules; (ii) the annual report of the Fund for the most recent year; (iii) the semi-annual report of the Fund if it has been approved later than the most recent annual report; (iv) the Prospectus and the KIID; (v) the name and contact details of the Management Company; (vi) the names of persons responsible for the investment management activities; (vii) the name and contact details of the Depository; (viii) the rules for calculating the net asset value and the internal rules for making derivative transactions on the account of the Fund; (ix) information on the size of the Management Company's holding in the Fund; (x) annual reports of the Management Company for the most recent year.

On request, the Unitholders shall receive a copy of the Rules, the Fund's most recent annual and/or semi-annual report, the Prospectus and the KIID free of charge, either as a physical copy whether by mail or at the location of the Management Company, or electronically via e-mail or fax.

The Management Company shall publish the Unit's net asset value and subscription and redemption price daily at its website www.avaron.com.

In case circumstances become evident that substantially affect the activities or the financials of the Fund or the Management Company, or the net asset value of the Fund, the respective information shall be promptly published at the website of the Management Company at www.avaron.com.

AMENDING PROSPECTUS

The Prospectus may be amended with the resolution of the Management Company's management board, including in material issues such as amendments to the Investment Policy or Investment Restrictions, fees, costs and expenses payable on behalf of the Fund. In the case of material amendments to the Prospectus, the Management Company shall ensure that the Unitholders are provided with a period of at least one month before such material amendments enter into effect, during the period the Management Company redeems the Units at the request of the Unitholder without a redemption fee, or ensures an option to exit by sale of the Units at the price at least equal to the net asset value of the Units. The Management Company shall inform the Unitholders of such rights via its website.

Subject to the one-month period provided in the previous paragraph, the amendments to the Prospectus shall take effect only after the amended Prospectus has been notified to the Financial Supervision Authority and published on the Management Company's website, unless a later date is provided with a relevant resolution. If material amendments to the Prospectus are due to amendments to the Rules, such amendments shall take effect together with the amended Rules.

LIQUIDATION OF THE FUND

The Fund shall be terminated and liquidated only with the resolution of the Management Company's management board, or pursuant to the imperative provisions of the Applicable Law. The approval of the Financial Supervision Authority is required for the liquidation of the Fund. Upon receipt of such approval, the Management Company shall without delay publish a notice regarding the liquidation of the Fund on its website.

The dissolution and liquidation of the Funds shall be performed in accordance with the Applicable Law by the Management Company, Depositary or a third-party liquidator appointed by the Financial Supervision Authority, respectively. Upon publishing the liquidation notice, the Management Company shall suspend the issue and redemption of Units. The Management Company (or other designated liquidator) shall sell and dispose of the assets of the Fund as soon as possible and in accordance with the interests of the Fund (and thereby collective interests of the Unitholders), collect the debts owed to the Fund and satisfy the claims of the creditors of the Fund. The liquidation proceedings must be completed within 6 months starting from the publishing of the liquidation notice. With the consent of the Financial Supervision Authority such period may be extended to up to 18 months.

The costs and expenses of the liquidation procedure may be covered at the account of the Fund. However, such expenses shall not exceed 2% of the net asset value of the Fund at the date of the resolution to liquidate, unless such additional expenses are identified and justified with the liquidation resolution. If the actual liquidation expenses exceed the limit threshold, the Management Company or the person who was the designated Management Company prior to the liquidation shall be responsible for the expenses exceeding such a limit.

The Management Company (or other designated liquidator) shall distribute the remaining assets between the Unitholders on the basis of the class, number and net asset value of Units owned by each of them. A notice concerning the liquidation distributions shall be published on the Management Company's website.

LIABILITY ATTRIBUTABLE TO THE PROSPECTUS

If the Prospectus or the KIID contains information material for the assessment of the value of the Fund or the Units, and such information turns out to be incorrect, the Management Company shall compensate the damage to the Unitholders resulting therefrom, subject to and in accordance with the Applicable Law. In order to compensate such damage, the Management Company is entitled to redeem the Units without redemption fee at the same net asset value, as was applied in issuing the Units to the Unitholder. In compensating the damage by redemption, the Unitholder does not have the right to apply any other remedies. For the avoidance of doubt, the Management Company shall not be responsible for any information derived from a third party, if such third-party source has been identified in the Prospectus, and the Management Company did not know and should not have known that such information was incorrect.

MANAGEMENT COMPANY

General

The Fund is managed by AS Avaron Asset Management, registry code 11341336, registered address at Narva mnt 7D, 10117 Tallinn, Estonia. The Management Company is a public limited liability company registered in Estonia (date of establishment 14 September 2006). With the resolution No. 119 of the Financial Supervision Authority dated 28 December 2006, the Management Company is authorised to manage investment funds established pursuant to and in accordance with the UCITS Directive, other funds pursuant to and in accordance with the Investment Funds Act, and to provide portfolio management and investment advisory services.

The share capital of the management Company totals to EUR 271,383.30. The Management Company is controlled by OÜ Avaron Partners with 82.41% of shares and 100% of voting rights represented thereby. AS Avaron Asset Management manages the following funds: Avaron Emerging Europe Fund and Avaron Flexible Strategies Fund. The members of the supervisory board of the Management Company are Priit Sander (independent member), Peter Priisalm and Maris Viire. The members of the management board of the Management Company are Kristel Kivinurm-Priisalm and Valdur Jaht. Valdur Jaht, Peter Priisalm and Kristel Kivinurm-Priisalm have been also persons responsible for the investment management activities of the Fund.

The Activities of the Management Company

Pursuant to the mandate provided with the Rules, the Management Company has the full power and authority, on behalf of the Fund, to enter into transactions for investment and divestment of the Fund's assets, pursuant to and in accordance with the Investment Policy and Investment Restrictions provided in this Prospectus, and the imperative provisions of the Applicable Law. The Management Company shall conduct transactions with the assets of the Fund in its own name and for the account of all the Unitholders collectively (i.e. for the account of a common fund). When performing the investment management function, the Management Company shall obtain sufficient information on the assets which the Management Company intends to acquire or has acquired on behalf of the Fund, monitor the financial situation of the issuer whose securities the Management Company intends to acquire or has acquired, obtain sufficient information with regard to the solvency of the persons with whom they transact on behalf of the Fund, and perform its duties otherwise with due care, skill and diligence, as is common in the investment management industry. The assets of the Fund shall be kept segregated from the assets of the Management Company and any other fund or pool of assets managed by the Management Company, and such assets are excluded from the estate of the Management Company in the case of bankruptcy. The claims of the Management Company's creditors cannot be satisfied out of the Fund's assets.

Outsourcing the Activities of the Management Company

In order to provide more efficient services, the Management Company has the right to delegate the following functions relating to the management of the Fund to third-parties in accordance with the Investment Funds Act: (i) investment management; (ii) Unit issues and redemptions; (iii) issuing confirmations to Unitholders regarding Units registered to their name in the Unit Registry; (iv) providing necessary information to the Fund's Unitholders and other customer services; (v) distribution; (vi) fund management accounting services; (vii) valuation and pricing (including tax returns); (viii) regulatory compliance monitoring. Delegation of its functions does not affect the liability of the Management Company in relation to the management of the Fund.

The Management Company has outsourced maintaining the Unit Registry, organising the issue and redemption of Units and carrying out the due diligence of investors as prescribed in the Prevention of Money Laundering and Financing of Terrorism Act to Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia. In addition, the Management Company has outsourced to Swedbank AS the accounting of proceeds of the Fund, valuation of the Fund's assets and the determination of their net value, including provision of information and reports on the Fund's assets. Swedbank AS is a licensed credit institution and it provides various financial services. Swedbank AS is supervised by the Financial Supervision Authority.

Remuneration Policy

The Management Company has established a remuneration policy for the employees of the Management Company regulating practices regarding fixed (monthly) and variable remuneration. The remuneration principles are adopted by the Management Company's Supervisory Board. No remuneration committee has been established at the Management Company. The total remuneration of the Management Company's employees consists of a fixed and variable remuneration. The total remuneration is based on the conditions prevalent on the labour market and devised so as to achieve a reasonable balance between its fixed and variable components. Details of the Management Company's up to date remuneration policy are disclosed at the website www.avaron.com and shall be made available to an investor, upon request, in a paper copy form at the registered office of the Management Company.

DEPOSITARY

The Depositary of the Fund is Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia. The Depositary was established on 6 January 1992. Swedbank AS is a licensed credit institution and it provides various financial services. The activities of the Depositary are supervised by the Financial Supervision Authority.

The Activities of the Depositary

The Depositary shall safekeep the cash, securities and other liquid assets of the Fund. The Depositary does not safekeep other assets of the Fund, unless it is agreed otherwise between the Management Company and the Depositary. The Depositary shall also carry out other duties entrusted to it by legislation. The Depositary shall act independently of the Management Company and in the best interests of the Fund and the Unitholders.

The Depositary has the right, in accordance to the policies provided for in the depositary agreement, to enter into agreements with third parties for delegating the safekeeping of the Fund's assets, performing settlements therewith and fulfilling other functions. The Depositary shall keep the assets of the Fund segregated from its own assets and shall keep separate accounting of the assets of Fund. The Depositary shall choose the third parties safekeeping the Fund's assets or securities with due care to ensure the reliability of such third parties. The Depositary shall, before delegating its functions, assess and also perform ongoing monitoring, to ensure that the organisational and technical arrangement of the delegate as well as its financial condition are sufficient for performing its contractual obligations. The Depositary shall be liable for the direct proprietary damage caused to the Fund and Unitholders as a result of breach of its duties.

The Depositary may offer its services to the Fund or to the Management Company which do not entail conflicts of interest between the Fund, the Management Company, the Fund investors and the Depositary. In case of an existence of a conflicts of interest situation, the Depositary is only allowed to offer services if the organisational set up and the level of technical systems of the Depositary enable the Depositary to separate the depositary functions from the services that create conflicting interests.

Conflicts of interest may occur in a situation where Swedbank AS offers different services in addition to the depositary service to the Management Company or to the Fund. Detailed information regarding the conflict of interests' situations and the management of such situations can be found at the website.

The organisational set up and the arrangement of the technical systems enable the Depositary to separate the depositary function from the services causing conflicts of interest. Efficient internal control systems, the division of responsibilities and reporting lines enable the Depositary to identify, manage and avoid conflicts of interests.

The Depositary has the right, in accordance to the policies provided for in the depositary agreement and in the applicable regulations, to delegate to third parties the safekeeping of the Funds' assets. Where the law of a third country requires that certain financial instruments be held in custody by a local entity and no local entities satisfy the delegation requirements laid down in that point, the Depositary may delegate its functions to such a local entity only to the extent required by the law of that third country, only for as long as there are no local entities that satisfy the delegation requirements, and only where the Unitholders of the Fund are duly informed, prior to their investment, of the fact that such a delegation is required due to legal constraints in the law of the third country, of the circumstances justifying the delegation and of the risks involved in such a delegation.

By delegating the safekeeping of the Fund's assets, the Depositary ensures that it has sufficient internal procedures for identifying, managing and avoiding conflicts of interests. For example, the conflicts of interest situation could arise in an event where safekeeping of assets has been delegated by the Depositary to an entity belonging to the same group with the Depositary.

Detailed information regarding the Sub-custodians who have been delegated with the safekeeping of the Fund's asset can be found at the Webpage www.avaron.com.

Upon request of the Unitholder, an updated information of the conflict of interests and delegating the safekeeping of the Fund's assets shall be provided by the Management Company.

REGISTRAR

The Unit Registry may be maintained by the Management Company, or such function may be delegated to a third-party service provider. Such service provider shall have sufficient organizational, technical and financial capacity, as well as appropriate internal control measures and procedures as well as qualified human resources to be able to perform such a function with due care and diligences in accordance with the relevant agreement and the applicable law in a sustainable manner.

The Management Company has delegated the function of maintaining the Unit Registry to the Registrar, being Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia.

The Unit Registry shall be maintained in an electronic book-entry form in accordance with the agreement and data processing rules agreed between the Management Company and the Registrar, as well as the Applicable Laws, including the Personal Data Protection Act. Access to the Unit Registry information is enabled pursuant to the Applicable Laws. Each Unitholder has the right to acquaint with the registry information relating to him or her, and upon request, to receive a confirmation from the Registrar relating to the Units registered to his or her name in the Unit Registry. The Registrar shall retain the data and documents received for making a register entry as prescribed by Applicable Law.

AUDITOR

The auditor of the Management Company and of the Fund is KPMG Baltics OÜ, Narva mnt 5, 10117 Tallinn, Estonia, registry code 10096082.

Members of the Management Board of the Management Company

Kristel Kivinurm-Priisalm

Valdur Jaht

APPENDIX 1.

1. List of financial indices that are allowed as underlying for derivative instruments into which the Fund's assets may be invested:

All the indices of the following index providers (including regional, country, sector, factor etc indices)	MSCI, FTSE, STOXX, S&P DOW JONES, Nasdaq OMX, Euronext
Volatility	Chicago Board Options Exchange SPX Volatility Index (VIX), VDAX, VFTSE, VSTOXX
Regional indices	CECEEUR, EUETMP, SETXEUR, CETOP20, NTX
Baltic countries	OMX Baltic, OMX Baltic 10
Austria	ATX, ATX five, IATX
Bosnia and Herzegovina	BIRS, ERS10, BIFXX, SASX-10, BATX
Bulgaria	SOFIX, BG40, BTX
Estonia	OMX Tallinn
Croatia	CROBEX, CROEMI, CROX
Greece	FTASE, ASE
Lithuania	OMX Vilnius
Latvia	OMX Riga
Macedonia	MIB10
Montenegro	MOSTE
Poland	WIG 20, WIG, WIG 40, WIG 80, WIGBANK, PTX
Romania	BET, ROTX, BET-C, BET-FI
Serbia	BELEX15, BELEXfm, SRX
Czech Republic	PX, CTX
Turkey	XU100, XBANK, BIST30
Hungary	BUX, HTX
Belgium	BEL20
Cyprus	CSE GENERAL Index
Denmark	OMX Copenhagen 20
Finland	OMX HELSINKI 25
Germany	DAX, MDAX, SDAX, TecDAX
Ireland	ISEQ OVERALL, ISEQ 20, ISEQ SMALL CAP, ISEQ FINANCIAL
Italy	FTSE MIB, FTSE Italia Small Cap, FTSE Italia Mid Cap
Malta	MSE Equity Total Return Index, MSE Equity Price Index
Netherlands	AEX, AMX, ASX
Portugal	PSI 20, PSI ALL-SHARE
Spain	IBEX 35, MADX
Sweden	OMXS30B
United Kingdom	FT30, FTSE 100, FTSE MID 250, FTSE, FTSE AIM All-Share, FTSE AIM UK 50
France	CAC 40, CAC Next 20, CAC Mid 60, CAC Small, SBF 250
Norway	OBX, OSE All Share
USA	S&P 500, NASDAQ Composite, NASDAQ-100, Russell 3000
Japan	Nikkei 225, TPX
Australia	ASX
Canada	CSE, CSE25
China	Shanghai Stock Exchange Composite, HANG SENG
South Korea	KOSPI
Taiwan	TAIEX
India	S&P BSE SENSEX, NIFTY 50
Brazil	IBOVESPA
Chile	IGPA
Colombia	COLCAP
Mexico	S&P/BMV IPC
Peru	S&P/BVL Peru General Index
South Africa	FTSE/JSE Africa All Shares
Qatar	DSM

United Arab Emirates	ADX General
Indonesia	JCI
Malaysia	FTSE Bursa Malaysia KLCI
Pakistan	KSE 100
Philippines	PSE
Thailand	SET
Argentina	MERVAL
Russia	MICEX, RTS

2. List of foreign currencies that are allowed as underlying for derivative instruments into which the Fund's assets may be invested:

ALL	Albanian Lek
ARS	Argentina Peso
AUD	Australian Dollar
AZN	Azerbaijan New Manat
BAM	Bosnian Convertible Marka
BGN	Bulgarian Lev
BHD	Bahraini Dinar
BRL	Brazilian Real
CAD	Canadian Dollar
CHF	Swiss Franc
CLP	Chilean Peso
CNY	Chinese Yuan
CZK	Czech Koruna
DKK	Danish Krone
EGP	Egyptian Pound
EUR	Euro
GBP	British Pound
GEL	Georgian Lari
HKD	Hong Kong Dollar
HRK	Croatian Kuna
HUF	Hungarian Forint
IDR	Indonesian Rupiah
ILS	Israeli Shekel
INR	Indian Rupee
IRR	Iranian Rial
JPY	Japanese Yen
KRW	South Korean Won
KZT	Kazakhstani Tenge
MAD	Moroccan Dirham
MDL	Moldavan Leu
MKD	Macedonian Denar
MXN	Mexican Peso
MYR	Malaysian Ringgit
NOK	Norwegian Krone
NZD	New Zealand Dollar
PKR	Pakistani Rupee
PLN	Polish Zloty
RON	Romanian Leu
RSD	Serbian Dinar
RUB	Russia Ruble
SEK	Swedish Krona
SGD	Singapore Dollar
THB	Thai Baht
TRY	Turkish Lira
TWD	Taiwan Dollar
UAH	Ukrainian Hryvnia

USD	US Dollar
ZAR	South African Rand

It shall be noted that combination of any currency pair among the currencies listed in point 2 may be underlying for the derivatives.

3. List of interest rates that are allowed as underlying for derivative instruments into which the Fund's assets may be invested:

Interest rate derivatives, for different maturities, based on the respective overnight interbank or money market interest rates for the currencies in point 2.

APPENDIX 2.

FUND RULES OF AVARON FLEXIBLE STRATEGIES FUND