

Investment Objectives & Approach

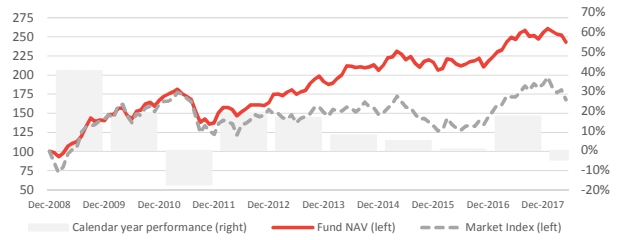
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside 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, May 2018

MSCI World gained 0.3% in \$ (+3.6 in €) in May on the back of strong US performance, while European equities sold off due to the Italian political drama and Emerging Markets' equities due to pressure on rising dollar. Emerging Europe ex-Russia stocks got hit especially hard, down 7.1% in € on negative fund flows. Greek and Turkish indices lost more than 10% in € terms. Sell-off in Turkish lira intensified during May (down 7.3% to euro), developing into a small scale crisis as the local central bank failed to address the market worries in a timely manner. Avaron Emerging Europe Fund lost 3.6% in May, strongly outperforming the benchmark due to high cash position and favourable stock selection. In May the Q1 earnings season finished. Companies in the Fund excluding asset valuation driven names delivered on aggregate 10.7% earnings growth in € terms and 17.4% growth on FX adjusted basis. At the end of May, the cash position in the Fund stood at 28%. Despite the recent market volatility we do not see abundant attractive value opportunities in Emerging Europe equity markets, thus we maintain our conservative positioning. Our portfolio construction process is fully bottom-up and is currently resulting in a large overweight in Romania, large underweights in Poland and Hungary, while majority of the difference is balanced by off-benchmark exposure in Turkey and Vienna-listed regional real estate companies. The selection of companies in the Fund portfolio trade at 9.3x 1YR FWD P/E, below 10.5x of the benchmark index and below the 8-year historical average of 9.9x.

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.

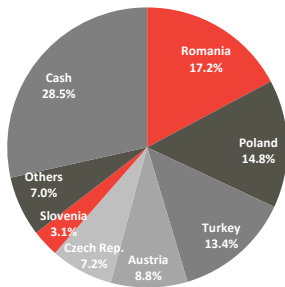
Perf overview	Fund net return	Index return*	Calendar year return			
			Year	Gross	Net	Index*
1 month	-3.6%	-7.1%	2017	19.2%	17.3%	30.1%
YTD	-5.0%	-10.9%	2016	2.1%	0.6%	8.2%
3 months	-5.5%	-9.3%	2015	6.7%	5.0%	-9.6%
6 months	-1.7%	-8.3%	2014	9.4%	7.8%	-2.1%
1 year	-2.5%	-2.2%	2013	18.5%	16.7%	-2.4%
3 years	6.8%	1.6%	2012	21.1%	19.2%	26.5%
5 years	34.5%	13.5%	2011	-16.3%	-17.6%	-24.3%
7 years	38.3%	-4.1%	2010	20.8%	18.9%	13.4%
10 years	2.2%	-15.2%				

* MSCI EFM Central and Eastern Europe & CIS ex Russia

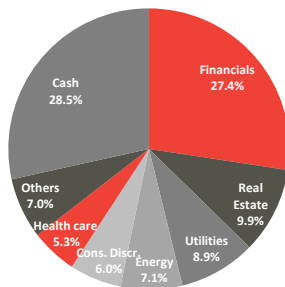
CAGR of calendar years

Years	Fund	Index*
2016-2017	8.6%	18.6%
2015-2017	7.4%	8.4%
2013-2017	9.3%	4.0%

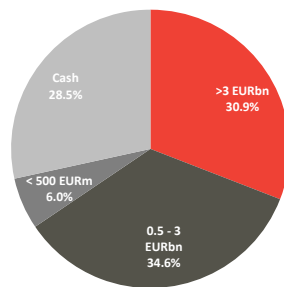
Geographic breakdown



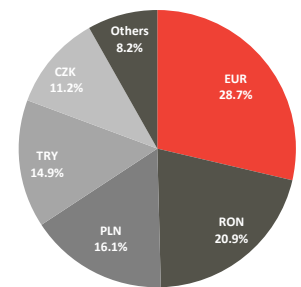
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

Country	May-18	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Romania	17.2%	0.2%	1.6%	-3.9%	-0.2%	-4.0%	-0.7%	0.1%	0.7%	1.4%	5.2%	13.0%
Poland	14.8%	-0.1%	-0.5%	-0.8%	4.8%	12.3%	-1.4%	-2.2%	0.0%	-2.4%	1.9%	5.1%
Turkey	13.4%	0.1%	-3.0%	-9.5%	3.9%	13.4%	-1.0%	-3.1%	-3.3%	-2.9%	-2.4%	5.6%
Austria	8.8%	0.5%	1.4%	-0.6%	-13.4%	-4.2%	-0.1%	0.6%	1.1%	0.0%	4.7%	6.8%
Czech Rep.	7.2%	0.5%	0.3%	-3.7%	-2.2%	-2.6%	-0.1%	0.1%	0.9%	0.2%	1.2%	3.9%
Slovenia	3.1%	0.2%	0.3%	-0.1%	-0.1%	-2.7%	0.0%	-0.1%	0.3%	0.0%	-0.4%	1.2%
Hungary	2.2%	0.2%	0.1%	1.4%	1.1%	-10.5%	0.0%	-0.2%	-0.2%	-0.2%	0.6%	4.1%
Croatia	1.7%	0.1%	0.2%	-0.2%	1.7%	-0.7%	0.0%	0.0%	-0.1%	-0.1%	0.2%	-0.1%
Baltics	1.6%	0.1%	-0.1%	0.0%	-2.5%	-5.8%	0.0%	-0.3%	0.2%	-0.3%	0.9%	1.6%
Others	1.5%	2.4%	2.4%	2.6%	4.0%	7.9%	0.0%	0.0%	-0.2%	0.0%	0.7%	4.6%

Risk metrics

Metric	3Y Risk*
Alpha	2%
Volatility & stand. deviation	9.6%
Beta	0.41
Sharpe ratio	0.27
Information ratio	0.15
Tracking error	11.6%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

Sector allocation

Sector	May-18	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	27.4%	0.0%	-2.0%	-6.8%	-3.1%	-2.2%	-2.0%	-4.1%	-2.1%	-3.4%	4.5%	17.1%
Real Estate	9.9%	0.6%	1.5%	-2.8%	-3.1%	-2.2%	-0.1%	0.6%	0.8%	-0.1%	0.4%	3.4%
Utilities	8.9%	0.8%	1.3%	-1.9%	-6.9%	-5.1%	0.0%	0.2%	1.1%	0.6%	0.8%	7.9%
Energy	7.1%	0.0%	0.7%	-0.7%	-1.3%	3.5%	-0.4%	0.1%	0.1%	0.7%	2.8%	2.4%
Cons. Discr.	6.0%	0.3%	1.3%	-2.2%	2.1%	-0.7%	-0.3%	-0.4%	0.2%	-0.6%	3.1%	7.9%
Health care	5.3%	0.4%	0.4%	0.4%	1.0%	-2.7%	0.0%	-0.2%	0.0%	-0.3%	0.3%	3.1%
Consumer Staples	2.4%	0.0%	-0.1%	-1.9%	-0.1%	0.4%	-0.2%	-0.4%	0.4%	-0.4%	0.8%	2.9%
Telecom	1.8%	-0.1%	-0.2%	0.8%	1.4%	-1.6%	-0.2%	-0.3%	-0.4%	-0.3%	-0.2%	-0.3%
Others	2.8%	5.1%	3.1%	2.3%	1.8%	3.6%	-0.2%	-0.5%	-0.9%	-0.4%	0.2%	1.2%

Fund statistics

Number of positions	38
Top10	38.7%
Top20	57.9%
Gross exposure	71.5%
Net exposure	71.5%
Concentration coefficient	47
Median market cap MEUR	1864
Average market cap MEUR	2708

Style allocation

Style	May-18	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	41.6%	0.2%	-2.5%	-8.1%	7.9%	20.2%	-2.8%	-4.9%	-2.4%	-3.8%	7.8%	18.6%
Non-cyclical	15.4%	0.8%	0.9%	-3.0%	-6.5%	-8.5%	-0.5%	-0.8%	1.0%	-0.8%	1.1%	11.3%
Asset play	14.6%	1.0%	2.2%	-3.5%	-1.8%	-4.1%	-0.1%	0.7%	1.2%	0.4%	2.1%	10.8%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-1.5%	-16.5%	0.0%	0.0%	0.0%	0.0%	-0.1%	2.0%
High yield bonds	0.0%	0.0%	0.0%	-2.9%	-6.2%	-1.9%	0.0%	0.0%	-0.1%	0.0%	1.6%	2.5%
FX Derivatives	0.0%	0.0%	0.0%	-0.2%	0.0%	0.0%	0.0%	0.0%	-0.2%	0.0%	0.0%	0.6%
Cash	28.5%	-2.0%	-0.6%	17.7%	8.2%	10.8%	-0.1%	-0.1%	-0.3%	-0.1%	-0.3%	-0.3%

Turnover

FY	Turnover	Adj*
FY 2017	28.5%	29.1%
FY 2016	17.7%	-13.0%
FY 2015	22.2%	-10.5%

* Adjusted for fund flows

Liquidity analysis*

Period	20%	50%
3 days	68.7%	80.0%
2 weeks	83.8%	95.2%
4 weeks	92.8%	98.5%

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

Fund Facts - Avaron Emerging Europe Fund

Investment Manager	AS Avaron Asset Management
Fund type	UCITS, public common investment fund
Launch date	April 23, 2007
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	75.3
Total AUM, MEUR	450+

TER 2017 0.22% (excluding management and performance fees)

	ISIN Code	NAV 31-May 2018
A unit	EE3600090049	4.6731 EUR
B unit	EE3600090056	4.9639 EUR
C unit	EE3600102901	16.7931 EUR
D unit	EE3600108866	14.0868 EUR
E unit	EE3600108874	14.0687 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 (5 years)
Tax transparency	Germany, Switzerland
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.

Signatory of:



RESPONSIBLE BUSINESS INDEX
 GOLD LEVEL 2018



Kristel Kivnurm-Priisalm
 Managing Partner,
 CEO & COO



Peter Priisalm
 Partner, co-CIO,
 Investment Manager



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