

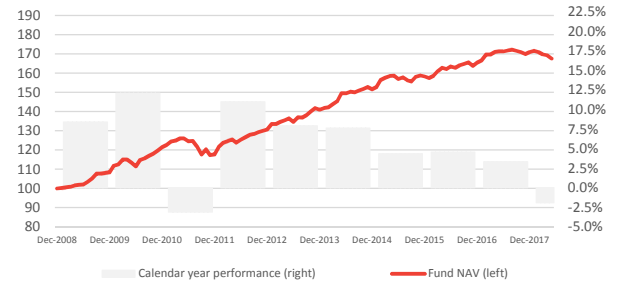
Investment Objectives & Approach

The Fund is targeted to private individuals and corporate investors who wish to preserve their capital through business cycles but are willing to accept risk in order to earn moderate returns. The assets of the Fund may be invested in any liquid financial asset (incl. cash, deposits, bonds, equities, other investment funds, derivatives). The Fund's assets shall be invested globally, with a focus on Central and Eastern Europe. The Fund's risk level and portfolio allocation shall vary over time in accordance with the views of Avaron investment managers. Overall investors should accept that relatively high risk is associated with investing into the Fund. There is no guarantee that investors will get back the amount invested. The Fund is suited to an investor who does not want to follow the markets daily himself or herself and wishes the Avaron investment team to decide the allocation of each asset class (equities, bonds, deposits). Fund units can be redeemed with 7 or 30 calendar days prior notice. However, arising from the Fund's investment strategy an investor should have an investment horizon of at least 3 years. Should the horizon fall below three years, investor should consider exiting the

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 and Emerging equities sold off. Reawakened worries over a potential collapse of the Eurozone amid the Italian political drama dragged down European stocks, while Emerging Markets became under renewed pressure on rising dollar (+3.3% to euro) and US Treasury yields. Emerging Europe stocks got hit especially hard, down 7.1% in € on negative fund flows. Greek and Turkish indices lost more than 10% in € terms as fears over the European periphery were reignited driven by the Italian political crisis (Italian market lost 9.2%). 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. After the Central Bank delivered a 300bps rate hike, which pushed the weighted average cost of central bank funding to 16.5%, lira stabilised but still lost 7.3% to euro in May. Prices of fixed income instruments mostly declined during May. The Fund unit lost 1% of its value due to the drop in bond prices of Turkish companies (dollar denominated). As at the end of May 13% of the Fund assets were invested in equities, 34% in bonds and the rest was kept in cash. As we are cautious on the current developments in the markets due to sceptic view on world economy and companies' profit growth potential, we are likely to keep large share of the fund in cash, unless markets tank further.

Performance since launch

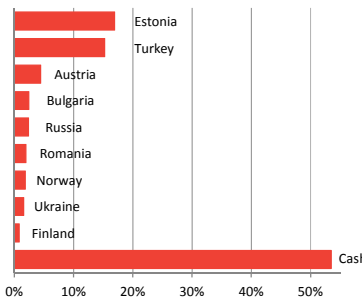


Past performance is not a guarantee or indicative of future results

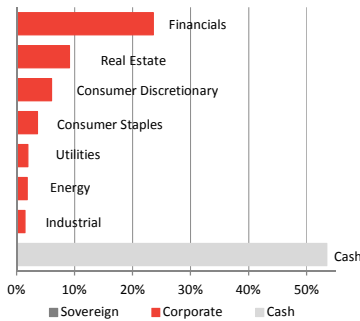
Performance Overview	Net return	Calendar year net return	
1 month	-1.0%	2017	3.3%
YTD	-1.9%	2016	4.5%
3 months	-2.0%	2015	4.4%
6 months	-1.4%	2014	7.6%
1 year	-2.1%	2013	7.9%
3 years	5.7%	2012	11.0%
5 years	22.9%	2011	-3.1%
7 years	33.0%	2010	12.1%
Since inception	67.7%		

CAGR of calendar years	
2016-2017	3.9%
2015-2017	4.1%
2013-2017	5.5%

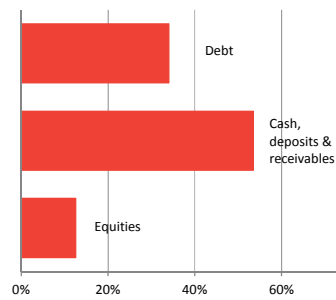
Geographic breakdown



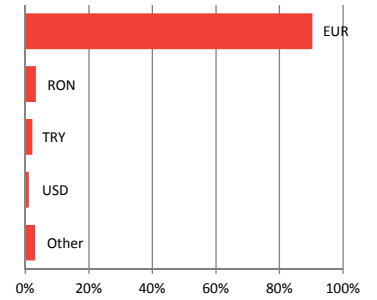
Sector breakdown



Asset class breakdown



Net currency breakdown



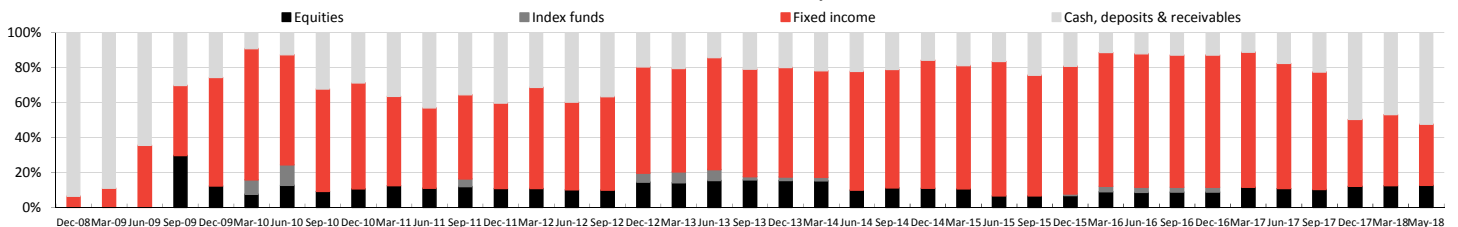
Country allocation

	May-18	Change					Contribution analysis					Risk metrics	3Y risk	
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12m	YTD	3 years			5 years
Estonia	16.9%	-3.9%	-2.4%	5.8%	8.2%	12.9%	0.1%	0.0%	0.8%	0.2%	1.9%	3.3%	Volatility	1.8%
Turkey	15.2%	-1.8%	-1.8%	10.0%	11.6%	15.2%	-0.3%	-0.4%	-0.7%	-0.4%	-0.4%	2.7%		
Austria	4.5%	0.0%	0.4%	2.3%	1.5%	4.5%	0.0%	0.1%	0.2%	0.0%	0.4%	1.1%		
Bulgaria	2.5%	0.0%	0.2%	-0.3%	1.1%	-0.5%	0.0%	-0.1%	0.0%	-0.1%	0.5%	1.5%		
Russia	2.4%	0.2%	0.0%	2.4%	2.4%	2.4%	0.1%	-0.3%	-0.4%	-0.3%	-0.4%	-0.4%		
Romania	2.0%	0.1%	0.3%	-0.7%	-1.2%	-3.7%	0.0%	0.1%	0.2%	0.2%	0.6%	3.1%		
Norway	1.9%	0.0%	0.2%	1.9%	1.9%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
Ukraine	1.6%	0.1%	0.2%	1.6%	1.6%	1.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
Others	-0.3%	-0.3%	-0.6%	64.7%	59.2%	63.2%	-0.8%	-1.0%	-0.8%	-0.9%	7.7%	22.4%		

Sector allocation

	May-18	Change					Contribution analysis					Fund statistics		
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12m	YTD	3 years		5 years	
Financials	23.6%	-0.2%	0.1%	15.8%	19.9%	22.3%	-0.4%	-0.7%	-0.4%	-0.5%	0.3%	3.0%	Number of positions	25
Real Estate	9.1%	-4.1%	-3.0%	-0.8%	5.9%	6.4%	0.0%	0.1%	0.5%	0.1%	1.9%	2.9%		
Consumer Discretionary	6.0%	0.2%	0.4%	1.6%	1.3%	4.6%	0.1%	-0.2%	0.3%	-0.1%	0.9%	0.9%	Top10	28.7%
Consumer Staples	3.6%	0.2%	0.3%	3.6%	3.6%	3.6%	0.1%	-0.1%	-0.6%	-0.3%	-0.6%	-0.6%		
Utilities	2.0%	0.1%	0.3%	-0.7%	-5.2%	-5.5%	0.0%	0.1%	0.2%	0.2%	0.2%	4.2%		
Energy	1.8%	-1.4%	-1.1%	1.8%	-2.4%	1.8%	0.0%	0.1%	0.0%	0.1%	-0.1%	0.1%		
Industrial	1.5%	0.0%	0.2%	1.5%	1.5%	1.5%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%		
Others	0.0%	0.0%	0.0%	65.3%	57.5%	63.0%	0.0%	0.0%	-0.3%	0.0%	7.8%	23.0%		
FX Derivatives	-1.1%	-0.8%	-1.0%	-1.3%	-1.2%	-1.1%	-0.7%	-1.0%	-0.5%	-0.9%	-0.1%	0.2%		
Cash	53.5%	6.0%	3.9%	43.8%	34.0%	30.8%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.2%		

Historic Portfolio Allocation by Asset Class



Fund Facts - Avaron Flexible Strategies Fund

Investment Manager	AS Avaron Asset Management	Min. Investment	-
Fund type	non-UCITS, public common alternative investment fund	Front-end load	-
Asset class	Flexible, all asset classes	Management fee	1.25%
Launch date	December 17, 2008	Performance fee	10% over EURIBOR 12-months, annual reset (Dec 31)
Domicile	Estonia	Back-end load (to the fund)	Rate depends on advance notice period - Advance notice 7 calendar days: 1.5% - Advance notice 30 calendar days: 0%
Currency	EUR	Bloomberg ticker	B unit: AVFLXSB ET
Dividends	reinvested	Contact Information	Avaron Asset Management Narva mnt 7D, 10117 Tallinn ESTONIA Phone: +372 66 44 205 Fax: +372 66 44 201 E-mail: info@avaron.com www.avaron.com
Fund size, MEUR	11.7	See Lipper, TK Valoren tickers:	www.avaron.com/fundfacts_flex
Total AUM, MEUR	450+	ISIN Code	EE3500100922
Unit	NAV 31-May 2018 16.7661 EUR	NAV frequency	Daily dealing, T+3
Cut-off subscriptions	10am CET	Public offering	Estonia
Cut-off redemptions	10am CET, notice period 7 or 30 calendar days	Supervised by	Estonian FSA
NAV calculation	Swedbank AS	Custodian	Swedbank AS
External auditor	KPMG	Transfer agent	Swedbank AS
Internal auditor	PWC	NAV calculation	Swedbank AS
Fund documents & prospectus	www.avaron.com/documents	External auditor	KPMG
		Internal auditor	PWC

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 Kivimurm-Priisalm
Managing Partner,
CEO & COO



Peter Priisalm
Partner, co-CIO,
Investment Manager



Valdur Jaht
Partner, co-CIO,
Investment Manager

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