

Investment Objectives & Approach

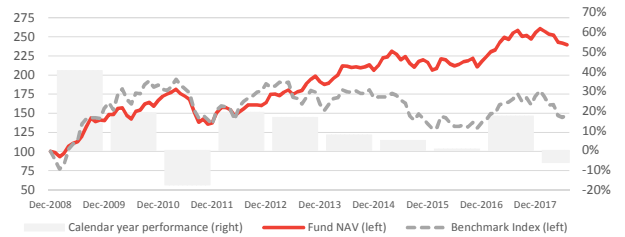
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside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

Emerging Markets (MSCI EM) rebounded 1.7% in \$ (+1.6%), while Emerging Europe stocks (MSCI EFM EUROPE + CIS (E+C) ex Russia) were up 2.9% in € in July on the back of a very strong rally in Poland induced by heavy index driven buying. This was also visible among main CE3 currencies that gained vs. the euro. Turkish lira continued to slide as new cabinet appointments and the latest central bank (CBRT) decision to hold policy rate steady at 17.75% disappointed the markets, and tensions with the US over the detained pastor Brunson intensified. Avaron Emerging Europe Fund lost 0.9% in July, underperforming the benchmark due to UW in Poland and poor performance of Turkish stock picks. YTD the Fund is down 6.3% compared to -13.7% of the benchmark. Turkish companies remain a core part of the portfolio on valuation grounds with the local market index BIST100 trading at 7.0x 2018f P/E, close to the post 2009 crisis lows, with expected corporate earnings growth at around 20%. Romanian stocks are in our view reasonably valued, with MSCI Romania trading at 7.8x 2018f P/E and estimated earnings growth at 9%, supported by corporate profit growth in a cyclically strong macro environment. Fund portfolio companies trade on average 9.7x 1YR FWD P/E and provide 5% dividend yield on an average pay-out rate of 50%.

To receive full monthly report please send a request to info@avaron.com.

Performance



Past performance is not a guarantee or indicative of future results.

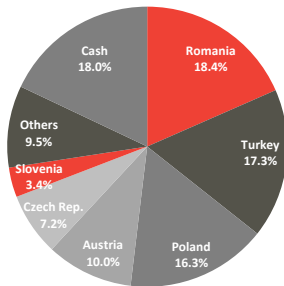
The benchmark of the Fund (E Unit) was changed from MSCI EFM CEEC ex Russia (net return) to MSCI EFM EUROPE + CIS (E+C) ex Russia (net return) as of July 2018 to better reflect our internal coverage universe. All historical comparisons refer to the new benchmark.

Perf overview	Fund net return	Index return*
1 month	-0.9%	2.9%
YTD	-6.3%	-13.7%
3 months	-5.0%	-7.6%
6 months	-8.1%	-17.0%
1 year	-6.1%	-11.9%
3 years	6.9%	-8.9%
5 years	34.6%	-12.1%
7 years	42.7%	-15.6%
10 years	16.8%	-22.4%

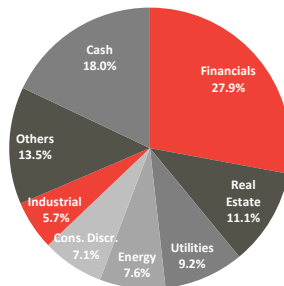
* MSCI EFM EUROPE + CIS (E+C) ex Russia

Year	Calendar year return		
	Gross	Net	Index*
2017	19.2%	17.3%	25.3%
2016	2.1%	0.6%	1.2%
2015	6.7%	5.0%	-20.0%
2014	9.4%	7.8%	4.7%
2013	18.5%	16.7%	-13.9%
2012	21.1%	19.2%	39.3%
2011	-16.3%	-17.6%	-27.5%
2010	20.8%	18.9%	19.2%

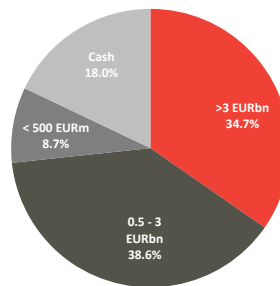
Geographic breakdown



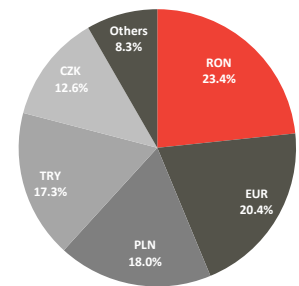
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Change						Contribution analysis					
	Jul-18	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Romania	18.4%	0.1%	1.4%	0.5%	-0.6%	-1.9%	0.1%	-0.1%	1.3%	2.0%	5.0%	14.3%
Turkey	17.3%	-2.9%	4.0%	-4.9%	8.0%	10.1%	-3.2%	-4.7%	-7.8%	-6.6%	-5.3%	2.8%
Poland	16.3%	1.0%	1.4%	0.2%	6.2%	12.8%	1.0%	-0.7%	0.2%	-1.7%	3.3%	5.3%
Austria	10.0%	0.8%	1.6%	0.6%	-11.6%	-2.0%	0.6%	0.4%	1.0%	0.5%	5.8%	8.0%
Czech Rep.	7.2%	0.0%	0.5%	-3.6%	-4.3%	-1.7%	0.4%	0.4%	1.1%	0.8%	1.2%	4.7%
Slovenia	3.4%	0.1%	0.5%	0.2%	0.0%	-2.4%	0.2%	0.1%	0.3%	0.2%	0.0%	1.1%
Baltics	3.2%	0.0%	1.8%	1.5%	1.3%	-4.7%	0.0%	0.2%	0.2%	0.0%	1.2%	1.7%
Hungary	3.2%	1.0%	1.2%	2.5%	2.1%	-7.9%	0.0%	-0.1%	-0.4%	-0.4%	0.5%	4.4%
Croatia	1.8%	0.0%	0.2%	-0.2%	1.8%	0.3%	0.0%	-0.1%	-0.2%	-0.1%	0.1%	0.1%
Others	1.3%	2.1%	2.1%	2.4%	3.9%	8.6%	0.0%	0.1%	0.0%	0.1%	0.7%	3.7%

Risk metrics

	3Y risk*
Alpha	4%
Volatility & stand. deviation	9.4%
Beta	0.45
Sharpe ratio	0.27
Information ratio	0.49
Tracking error	10.7%

* MSCI EFM EUROPE + CIS (E+C) ex Russia

Sector allocation

	Change					Contribution analysis						
Financials	27.9%	-1.3%	0.5%	-5.9%	-2.5%	-4.2%	-0.6%	-2.5%	-3.3%	-3.9%	4.6%	17.4%
Real Estate	11.1%	0.8%	1.8%	-1.4%	-1.8%	0.0%	0.6%	0.4%	0.7%	0.5%	1.8%	4.1%
Utilities	9.2%	0.5%	1.1%	0.2%	-4.7%	-4.3%	0.3%	0.2%	1.1%	0.7%	1.0%	8.7%
Energy	7.6%	-0.4%	0.5%	0.6%	-2.2%	4.5%	-0.1%	-0.2%	0.7%	0.9%	3.0%	2.9%
Cons. Discr.	7.1%	-0.1%	1.4%	1.2%	2.7%	-3.1%	-0.3%	-0.7%	-0.7%	-1.1%	2.5%	7.3%
Health care	6.6%	1.1%	1.7%	2.5%	2.1%	-1.2%	0.1%	0.0%	-0.1%	-0.2%	0.4%	2.9%
Industrial	5.7%	-0.2%	5.4%	2.6%	3.9%	4.7%	-0.3%	-0.4%	-0.6%	-0.4%	0.4%	0.6%
Consumer Staples	2.7%	-0.2%	0.3%	-3.0%	-0.3%	0.8%	-0.3%	-0.5%	-0.5%	-0.8%	0.2%	2.4%
Others	4.2%	5.0%	4.9%	5.2%	3.8%	1.7%	-0.4%	-0.9%	-1.7%	-1.1%	-1.2%	-0.2%

Fund statistics

Number of positions	39
Top10	43.6%
Top20	65.3%
Gross exposure	82.0%
Net exposure	82.0%
Concentration coefficient	37
Median market cap MEUR	1902
Average market cap MEUR	2767

Style allocation

	Change					Contribution analysis						
Cyclical	48.9%	-2.3%	7.5%	1.9%	14.1%	20.2%	-1.7%	-4.1%	-4.8%	-5.1%	7.7%	17.7%
Non-cyclical	17.3%	1.2%	2.8%	-1.1%	-3.9%	-6.0%	0.1%	-0.8%	-0.4%	-1.1%	0.3%	11.1%
Asset play	15.8%	0.9%	2.3%	-1.8%	-0.4%	-2.2%	0.7%	0.4%	1.0%	0.9%	3.4%	11.6%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-1.6%	-14.7%	0.0%	0.0%	0.0%	0.0%	-0.1%	2.6%
High yield bonds	0.0%	0.0%	0.0%	-2.7%	-7.2%	-1.8%	0.0%	0.0%	0.0%	0.0%	1.2%	2.5%
FX Derivatives	0.0%	0.0%	0.0%	-0.1%	0.0%	-0.1%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.5%
Cash	18.0%	0.2%	-12.5%	3.8%	-1.0%	4.6%	0.2%	-0.1%	-0.2%	-0.1%	-0.3%	-0.3%

Turnover

	Adj*
FY 2017	28.5%
FY 2016	17.7%
FY 2015	22.2%

* Adjusted for fund flows

Liquidity analysis*	20%	50%
3 days	66.4%	77.3%
2 weeks	80.9%	93.6%
4 weeks	90.7%	98.3%

* 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	69.6
Total AUM, MEUR	450+

TER 2017 0.22% (excluding management and performance fees)

	ISIN Code	NAV 31-Jul 2018
A unit	EE3600090049	4.6023 EUR
B unit	EE3600090056	4.8928 EUR
C unit	EE3600102901	16.5522 EUR
D unit	EE3600108866	13.8670 EUR
E unit	EE3600108874	13.8626 EUR

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

Cut-off	10am CET
NAV frequency	Daily dealing, T+3
Public offering	France, Switzerland, Germany, Finland, Sweden, Estonia, Latvia
Morningstar rating	Yes, four stars (3 & 5 years)
Tax transparency	Germany, 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 EUROPE + CIS (E+C) ex RU 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



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 Managing Partner,
 CEO & COO



Peter Priisalm
 Partner, co-CIO,
 Investment Manager



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