

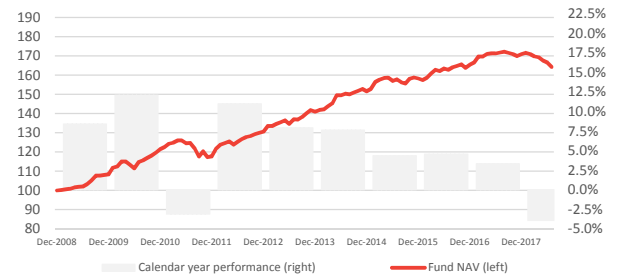
Investment Objectives & Approach

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.

Fund Manager's Comment, July 2018

Global equities (MSCI World) rallied strongly in July, up 3.1% in \$ (+3.0% in €) as market supportive comments from Fed officials combined with the apparent easing of trade tensions between the US and some of its key trade partners improved investor sentiment. News that the US and Europe are working to lower tariffs on non-auto industrial goods, and US seeking to restart trade talks with China soothed the fears related to global slowdown amid intensifying trade war. 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 decision to hold policy rate steady at 17.75% disappointed the markets, and tensions with the US over the detained pastor Brunson intensified. Bond markets moved sideways in July. In the midst of risk-taking global emerging market bonds and junk bonds rallied while global bond index lost a bit of value. The Fund NAV lost 1.4% of its value in July due to continuing weakness in Turkish stocks and bonds. As at the end of July 14% of the Fund was invested in stocks, 35% in bonds and 51% was in cash due to our cautious view on stock markets.

Performance since launch



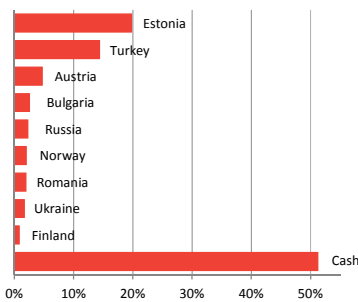
Past performance is not a guarantee or indicative of future results

Performance overview	Net return
1 month	-1.4%
YTD	-3.9%
3 months	-3.0%
6 months	-4.3%
1 year	-4.4%
3 years	4.0%
5 years	20.0%
7 years	31.7%
Since inception	64.3%

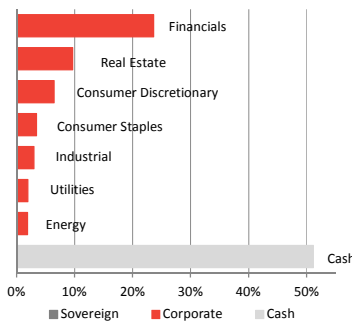
Calendar year net return	
2017	3.3%
2016	4.5%
2015	4.4%
2014	7.6%
2013	7.9%
2012	11.0%
2011	-3.1%
2010	12.1%

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

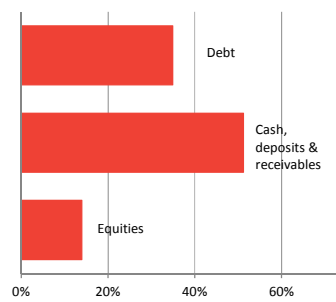
Geographic breakdown



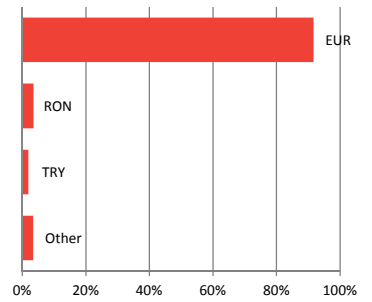
Sector breakdown



Asset class breakdown



Net currency breakdown



Country allocation

	Change						Contribution analysis						Risk metrics	3Y risk
	Jul-18	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12m	YTD	3 years	5 years		
Estonia	19.8%	1.0%	-1.0%	9.4%	15.2%	9.4%	0.1%	0.5%	0.9%	0.7%	2.8%	3.8%	Volatility	1.8%
Turkey	14.4%	-0.4%	-2.6%	9.6%	9.0%	14.4%	-1.1%	-2.1%	-2.5%	-2.2%	-2.2%	0.9%	Sharpe ratio	0.92
Austria	4.7%	0.2%	0.3%	2.8%	1.9%	4.7%	0.0%	-0.1%	0.1%	-0.1%	0.5%	1.0%		
Bulgaria	2.5%	0.0%	0.1%	0.0%	1.3%	-0.3%	0.0%	0.0%	-0.1%	-0.1%	0.6%	1.3%		
Russia	2.3%	0.0%	0.0%	2.3%	2.3%	2.3%	-0.1%	-0.1%	-0.6%	-0.5%	-0.6%	-0.6%		
Norway	2.0%	0.1%	0.2%	2.0%	2.0%	2.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
Romania	2.0%	0.1%	0.1%	-0.4%	-1.0%	-3.3%	0.0%	0.0%	0.1%	0.2%	0.7%	3.1%		
Ukraine	1.7%	0.1%	0.2%	1.7%	1.7%	1.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
Others	-0.5%	0.2%	-0.7%	58.9%	58.7%	56.8%	-0.1%	-0.9%	-0.9%	-1.0%	7.1%	21.1%		

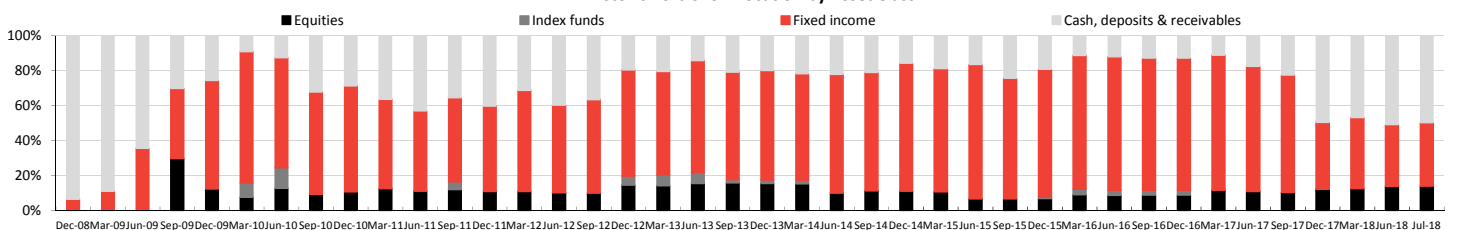
Sector allocation

	Change						Contribution analysis					
Financials	23.6%	0.2%	-0.2%	16.5%	16.7%	22.2%	-1.0%	-1.8%	-1.9%	-1.9%	-1.2%	1.3%
Real Estate	9.7%	0.4%	-3.5%	0.5%	6.6%	7.2%	0.0%	0.0%	0.2%	0.0%	1.9%	2.8%
Consumer Discretionary	6.5%	0.2%	0.6%	2.2%	1.9%	0.5%	0.0%	0.1%	0.1%	0.0%	1.1%	1.1%
Consumer Staples	3.5%	0.0%	0.0%	3.5%	3.5%	3.5%	-0.2%	-0.3%	-1.0%	-0.7%	-1.0%	-1.0%
Industrial	3.0%	0.1%	1.6%	3.0%	3.0%	3.0%	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%
Utilities	2.0%	0.1%	0.1%	-0.4%	-1.0%	-4.9%	0.0%	0.0%	0.1%	0.2%	0.7%	4.2%
Energy	1.9%	0.1%	-1.3%	1.9%	-2.2%	1.9%	0.0%	0.1%	0.1%	0.1%	0.0%	0.2%
Others	0.0%	0.0%	0.0%	59.9%	61.6%	59.2%	0.0%	0.0%	-0.2%	0.0%	7.6%	22.0%
FX Derivatives	-1.4%	-0.1%	-1.0%	-1.4%	-1.4%	-1.5%	0.0%	-0.8%	-0.5%	-1.0%	-0.4%	-0.1%
Cash	51.2%	-1.0%	3.7%	34.1%	34.5%	28.5%	0.0%	0.0%	-0.1%	0.0%	0.0%	0.1%

Fund statistics

Number of positions	26
Top5	18.8%
Top10	29.4%

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	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	10.9	See Lipper, TK Valoren tickers:	www.avaron.com/fundfacts_flex
Total AUM, MEUR	450+	ISIN Code	EE3500100922
Unit	NAV 31-Jul 2018 16.4258 EUR	NAV calculation	Swedbank AS
Cut-off subscriptions	10am CET	External auditor	KPMG
Cut-off redemptions	10am CET, notice period 7 or 30 calendar days (redemption price will be fixed after the notice period)	Internal auditor	PWC
NAV frequency	Daily dealing, T+3	Fund documents & prospectus	www.avaron.com/documents
Public offering	Estonia		
Supervised by	Estonian FSA		
Custodian	Swedbank AS		
Transfer agent	Swedbank AS		

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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