



# **Avaron Flexible Strategies Fund**

**SEMI-ANNUAL REPORT FOR THE FINANCIAL YEAR 2018**  
**UNAUDITED**

## TABLE OF CONTENTS

FUND FACTS .....	3
MANAGEMENT REPORT .....	4
CONFIRMATION OF THE MANAGEMENT BOARD OF THE FUND MANAGEMENT COMPANY TO THE SEMI-ANNUAL FINANCIAL STATEMENTS OF 2018 .....	5
FINANCIAL STATEMENTS .....	6
BALANCE SHEET .....	6
STATEMENT OF INCOME AND EXPENSES .....	7
STATEMENT OF CHANGES IN NET ASSETS .....	8
STATEMENT OF CASH FLOWS .....	9
NOTES TO THE FINANCIAL STATEMENTS .....	10
NOTE 1. ACCOUNTING POLICIES AND ASSESSMENTS USED .....	10
NOTE 2. RISK MANAGEMENT .....	16
NOTE 3. CASH AND CASH EQUIVALENTS .....	22
NOTE 4. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES TO CATEGORIES AND LEVELS .....	23
NOTE 5. NET GAIN/LOSS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS .....	25
NOTE 6. TRANSACTIONS WITH RELATED PARTIES .....	25
NOTE 7. DERIVATIVE INSTRUMENTS .....	27
STATEMENT OF INVESTMENTS .....	29
STATEMENT OF COMMISSIONS .....	35

## FUND FACTS

Avaron Flexible Strategies Fund is a public common alternative investment fund registered in the Republic of Estonia.

Name of the Fund	Avaron Flexible Strategies Fund
Fund Management Company	AS Avaron Asset Management (reg. no. 11341336)
Registered address and contact details of the Fund Management Company	Address: Narva mnt 7d, 10117 Tallinn, Estonia Phone: +372 664 4200 Facsimile: +372 664 4201 E-mail: <a href="mailto:avaron@avaron.com">avaron@avaron.com</a> <a href="http://www.avaron.com">www.avaron.com</a>
Depository & custody bank	Swedbank AS (reg. no. 10060701)
Fund administration (NAV calculation) & Transfer Agent services	Swedbank AS (reg. no. 10060701)
Auditor	KPMG Baltics OÜ (reg. no. 10096082)
Supervisor	Estonian Financial Supervision Authority
Investment managers	Kristel Kivinurm-Priisalm, Valdur Jaht, Peter Priisalm
Fund established	25 November 2008
Start of the Fund's activities	17 December 2008
Reporting period	1 January 2018–30 June 2018

## MANAGEMENT REPORT

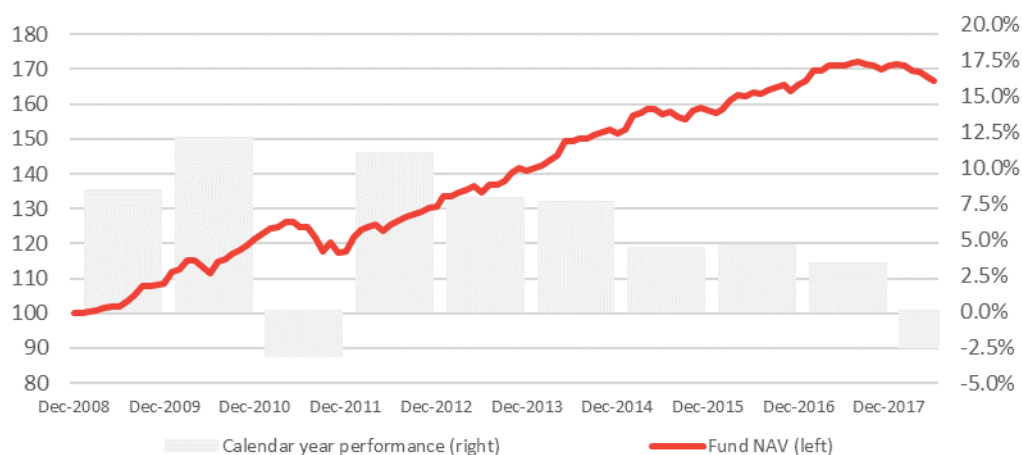
Avaron Flexible Strategies Fund (hereinafter: “the Fund”) is an actively managed fund set up for investors that wish to assign asset allocation decision making to Avaron. The Fund can invest in all liquid asset classes, including cash, bonds and fixed income, equities, funds and derivatives. As allocation to different asset classes varies based on Avaron Investment Managers' views on valuation levels and available investment opportunities, the risk level and risk profile of the Fund are changing over time. However, while making investments, we keep in mind the absolute return target in 3-5 year horizon. The Fund does not guarantee any of the capital invested. The Fund has a global mandate with bias to Central and Eastern Europe, a region of Avaron’s competence.

In the first half of 2018 the Fund’s net return (investor return after the deduction of all fees) was -2.5%. In 5 years the Fund has delivered net return of +23.7%. The total net assets of the Fund decreased from €13.1 million to €11.4 million during the first half of the 2018.

**Table 1.** Net return of the Fund units, in EUR

	2018 HY1	1 year	3 years	5 years	7 years	Since inception
Unit	-2.5%	-2.7%	6.1%	23.7%	33.7%	66.6%

**Graph 1.** Performance of Fund’s NAV since launch



21 August 2018

Kristel Kivinurm-Priisalm

Investment Manager and Member of the Management Board

## CONFIRMATION OF THE MANAGEMENT BOARD OF THE FUND MANAGEMENT COMPANY TO THE SEMI-ANNUAL FINANCIAL STATEMENTS OF 2018

The Management Board of the Fund Management Company has prepared the semi-annual Financial Statements of Avaron Flexible Strategies Fund on 21/08/2018.

The Financial Statements have been prepared in accordance with the requirements stipulated in the regulation no 1606/2002/EU of the European Parliament and of the Council on the application of International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Commission, the Investment Funds Act, Minister of Finance Regulation no 8 of 18/01/2017 "Requirements for the reports of investment funds to be published" and no 11 of 31/01/2017 "Procedure for Determination of Net Asset Value of Investment Funds" as established on the basis of the Investment Funds Act.

It gives a true and fair view of the assets, liabilities, net asset value and performance results of Avaron Flexible Strategies Fund. The Management Board considers Avaron Flexible Strategies Fund to carry its activities as a going concern.

The semi-annual Financial Statements of Avaron Flexible Strategies Fund have been approved by the Fund Management Company and the Investment Managers.

<b>Name</b>	<b>Date</b>	<b>Signature</b>
<b>Kristel Kivinurm-Priisalm</b> <i>Member of the Management Board of the Fund Management Company / Investment manager</i>	21/08/2018	/Signed digitally/
<b>Valdur Jaht</b> <i>Member of the Management Board of the Fund Management Company / Investment manager</i>	21/08/2018	/Signed digitally/
<b>Peter Priisalm</b> <i>Investment Manager</i>	21/08/2018	/Signed digitally/

## FINANCIAL STATEMENTS

### BALANCE SHEET

In EUR

<b>ASSETS</b>	<b>Note</b>	<b>30/06/2018</b>	<b>31/12/2017</b>
Cash and cash equivalents	3	5,671,832	6,370,560
Term deposits	3	153,659	153,577
Financial assets at fair value through profit or loss:			
Shares and units	4	1,573,689	1,586,513
Bonds	4	4,046,026	5,025,950
Derivatives	4; 7	-	65,325
Receivables and prepayments	4	160,660	16,670
<b>TOTAL ASSETS</b>		<b>11,605,866</b>	<b>13,218,595</b>
<b>LIABILITIES</b>			
Financial liabilities at fair value through profit or loss:			
Derivatives	4; 7	144,268	-
Other financial liabilities			
Payables to the management company	4; 6	11,626	61,117
Payables to the depository	4	4,441	5,987
Other liabilities	4	592	1,921
<b>TOTAL LIABILITIES (except net assets attributable to holders)</b>		<b>160,927</b>	<b>69,025</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS</b>		<b>11,444,939</b>	<b>13,149,570</b>

## STATEMENT OF INCOME AND EXPENSES

In EUR

<b>INCOME</b>	<b>Note</b>	<b>01/01/2018- 30/06/2018</b>	<b>01/01/2017- 30/06/2017</b>
<b>Interest income</b>		<b>162,349</b>	<b>49,329</b>
From bonds		161,472	47,648
From deposits		877	94
Repurchase agreements		-	1,587
<b>Dividend income</b>			
From shares and units		49,980	79,923
<b>Net gain/loss from financial assets at fair value through profit or loss</b>		<b>-464,419</b>	<b>417,442</b>
From shares and units	5	-134,066	366,392
From bonds	5	-221,740	37,884
From derivative instruments	5	-108,613	13,166
<b>Net gain/loss from foreign exchange</b>		<b>40,164</b>	<b>-59,674</b>
<b>Other financial income</b>			
Rebates from investments		-	21,150
<b>TOTAL INCOME</b>		<b>-211,926</b>	<b>508,170</b>
<b>OPERATING EXPENSES</b>			
Management fees	6	77,420	69,825
Performance fees	6	104	46,790
Custodian fees		14,456	14,658
Transaction fees		209	209
Other operating expenses		2,320	1,613
<b>TOTAL OPERATING EXPENSES</b>		<b>94,509</b>	<b>133,095</b>
<b>NET INCOME</b>		<b>-306,435</b>	<b>375,075</b>

## STATEMENT OF CHANGES IN NET ASSETS

In EUR

	<b>01/01/2018- 30/06/2018</b>	<b>01/01/2017- 30/06/2017</b>	<b>01/01/2016- 30/06/2016</b>
<b>NET ASSET VALUE AT THE BEGINNING OF THE PERIOD</b>	<b>13,149,570</b>	<b>10,781,579</b>	<b>10,423,674</b>
Cash received for fund units issued	142,779	1,292,796	394,397
Cash paid for fund units redeemed	-1,540,975	-433,259	-455,434
Net result of the Fund	-306,435	375,075	341,644
<b>NET ASSET VALUE AT THE END OF THE PERIOD</b>	<b>11,444,939</b>	<b>12,016,191</b>	<b>10,704,281</b>
	<b>30/06/2018</b>	<b>30/06/2017</b>	<b>30/06/2016</b>
Number of units in circulation at the end of the period:	686,884.853	701,633.712	654,800.693
Net asset value of an unit:	16.6621	17.1260	16.3474
Total net asset value of the units in circulation:	11,444,939	12,016,191	10,704,281



## STATEMENT OF CASH FLOWS

In EUR

	<b>01/01/2018- 30/06/2018</b>	<b>01/01/2017- 30/06/2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	153,723	48,304
Dividends received	39,450	60,029
Net result from foreign exchange	113,844	-6,482
Sale of investments	1,202,068	695,367
Purchase of investments	-514,317	-749,094
Cash collateral for derivatives	-150,000	-
Operating expenses paid	-140,207	-120,715
	<b>704,561</b>	<b>-72,591</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of units	154,365	1,293,038
Payments on redemption of units	-1,542,561	-433,501
	<b>-1,388,196</b>	<b>859,537</b>
<b>TOTAL CASH FLOWS</b>	<b>-683,635</b>	<b>786,946</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at the beginning of the period	6,370,560	1,210,168
Effect of exchange rate fluctuations on cash and cash equivalents	-15,093	-19,507
Cash and cash equivalents at the end of the period	<b>5,671,832</b>	<b>1,977,607</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. ACCOUNTING POLICIES AND ASSESSMENTS USED

The semi-annual financial statements of Avaron Flexible Strategies Fund for 2018 have been prepared in compliance with the Estonian Accounting Act, effective Investment Funds Act as supplemented by the regulations of the Minister of Finance. As stipulated in Minister of Finance Regulation no 8 of 18/01/2017 "Requirements for the reports of investment funds to be published" the financial statements have been prepared using the accounting policies and information presentation principles of International Financial Reporting Standards (hereafter: "IFRS") approved by European Commission taking into account the specifications of the regulation and Procedure for Determination of Net Asset Value of Investment Funds.

The financial statements have been prepared in EUR, which is also Fund's functional and presentation currency.

The main accounting principles used when preparing the financial statements have been set out below.

#### The following standards and interpretations have been used for the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 9 "Financial Instruments" (2014) (effective for annual periods beginning on or after 1 January 2018),
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018),
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018),
- IAS 40 "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 2 "Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments in IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and for IFRS 1 and IAS 28 on or after 1 January 2018),
- Amendments to IFRS 4 "Insurance Contracts", applying IFRS 9 "Financial Instruments" with IFRS 4 (effective for annual periods beginning on or after 1 January 2018).

The adoption of these amendments to the existing standards has not led to any changes in the Fund's accounting policies. IFRS 9 implementation had no significant impact on the Fund, since the Fund's assets were recognized in the balance sheet at fair value, and the use of this principle will continue in the future.

#### Standards and Interpretations issued by IASB that are adopted by the EU but have not yet been implemented

At present EU has approved the following standards, amendments to the existing standards and interpretations, which were not yet applicable:

- Amendments to IFRS 9 "Prepayment Features With Negative Compensation" (effective for annual periods beginning on or after 1 January 2019),
- IFRS 16 "Leases" (2017) (effective for annual periods beginning on or after 1 January 2019).

The Fund has not applied the new standards or amendments before deadline. Even though the new standards and amendments listed above may have an impact on Fund's effective accounting principles, the Fund has not yet measured the potential impact on its financial reports.

### **Standards and Interpretations issued by IASB that are not adopted by the EU but have not yet been implemented**

At present, the IFRS' as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at date of publication of the financial statements:

- IFRS 17 "Insurance Contracts" was issued on May 2017 and will replace IFRS 4 "Insurance Contracts" and is effective for annual periods beginning on or after 1 January 2021,
- Amendments to IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to various standards "Improvements to IFRSs (cycle 2015-2017)" resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording,
- Amendments to IAS 19 „Plan Amendment, Curtailment or Settlement“ (effective for annual periods beginning on or after 1 January 2019),
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020).

The Fund has not estimated the impact on the new standards and amendments on its accounting principles and semi-annual report.

At the same time the hedge accounting principles for the portfolio of financial assets and liabilities that have not been adopted by the EU, are still unregulated. According to the Fund's estimates, the application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

### **Corrections**

This semi-annual report includes adjustments to the report in Note 4 "Classification of financial assets and liabilities to categories and levels". Due to misinterpretation of the categorisation regarding IFRS 13 all bonds shown as Level 2 instruments in the annual report for 2017 were categorised as Level 1 instruments as at 31/12/2017, as prices are quoted in active market.

### **Use of estimates and judgements**

The preparation of the financial statements calls for the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and judgements have been used according to the best knowledge based on prior experience and other factors that the management considers reasonable under circumstances. Estimates and underlying assumptions are reviewed on an ongoing basis.

Financial instruments are recognized in the balance sheet at fair value taking into account the principles stipulated in the Rules for Calculating Net Asset Value of Funds approved by the management board. Prices quoted in active markets are mostly used for measuring the fair value of financial instruments. If the prices in active markets are not available other valuation models are being used according to the Rules for Calculating Net Asset Value of Funds. Main risks involved with the estimates and judgements

that may affect the value of the Fund's assets and liabilities are related to measuring the fair value of financial instruments that are based on valuation models that use unobservable inputs.

### **Foreign currency transactions**

Upon recording foreign currency transactions, the last bid rate established by the depositary for the funds managed by AS Avaron Asset Management on the transaction date has been used (hereinafter referred to as the depositary bid rate). The rate is based on market inputs. The assets and liabilities fixed in foreign currency are translated into EUR based on the depositary bid rate applicable on the balance sheet date.

Gains and losses from foreign currency transactions are recorded in the statement of income and expenses under "Gain/ (loss) from transactions in foreign currencies" on net basis.

### **Financial instruments**

Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets include cash, contractual right to receive cash or another financial assets (for example receivables) from another entity, equity instruments of other entity and contractual rights to exchange financial assets with another entity under potentially favourable conditions. Financial liabilities include contractual obligation to deliver cash or other financial assets to another entity or to exchange financial assets with another entity under potentially unfavourable conditions.

Financial assets and liabilities are initially recorded at cost, which is the fair value of the consideration paid or received to acquire the financial asset or liability. Financial instruments are later divided into four categories in accordance to the principles of IAS 39 taking into account the purpose of their acquisition:

1. financial assets at fair value through profit or loss;
2. financial assets held to maturity;
3. loans and receivables;
4. financial assets available for sale.

The Fund does not hold financial assets held to maturity and available for sale.

### **Financial instruments at fair value through profit and loss**

#### *Classification*

The Fund classifies its investments into debt, equity and derivative instruments as financial assets or liabilities through profit or loss. This category has two sub-categories: held for trading and financial assets and liabilities through profit and loss – designation upon initial recognition. The Fund reports all the investments under the second category as designated at fair value through profit and loss using the fair value option on initial recognition according to the Fund's investment strategy.

#### *Recognition*

During normal economic activities recognising investments into shares and units, bonds and derivative instruments trade date accounting principles are used. Trade date is defined as when the Fund takes the obligation to buy or sell the investment. Financial assets and liabilities are initially recognised at acquisition cost, which is the fair value of the consideration paid for the financial asset. Initial acquisition cost of financial assets at fair value through profit or loss includes direct expenses related to financial asset or liability (commission). According to IFRS 13 these commissions should be recognized directly in statement of income and expenses. Commissions recognized at acquisition cost are insignificant and have no impact on Fund's assets or net income. Commissions are shown in semi-annual report under

“Net gain/loss from financial assets at fair value through profit or loss” through revaluation. If the commissions were directly expensed, they would have been included under operating expenses.

After initial recognition all financial assets and liabilities are measured at fair value in the category “at fair value through profit or loss”. Gains/ (losses) from the revaluation of securities are recorded in the statement of income and expenses under “net gain/loss from financial assets at fair value through profit or loss”

Dividend income from financial assets at fair value through profit or loss are recorded in the statement of income and expenses under “Dividends” at the moment when the Fund’s right to the dividend is fixed.

### *Fair value of financial instruments*

Fair value is the price that would be received upon selling an asset or paid upon transferring a liability in an orderly transaction in the principal market (or the most advantageous market) between market participants at the measurement date, irrespective if the price is easily traceable or shall be determined using other valuation techniques. According to the fair value hierarchy stipulated in IFRS 13 the financial instruments at fair value shall be divided into three levels depending on the rate of observable inputs used:

- level 1 – unadjusted quoted prices in active market for identical assets or liabilities;
- level 2 – inputs other than quoted prices in level 1 that are observable directly or indirectly;
- level 3 – unobservable inputs for an asset or liability.

Observable inputs are considered inputs that shall be determined based on the market data (such as publicly available information about actual events or transactions) that reflect the assumptions which market participants would use when pricing an asset or liability. When a fair value measurement is developed using inputs from multiple levels of the fair value hierarchy, the fair value measurement of that instrument shall fall entirely into the lowest level from which the inputs have been used.

If an instrument is traded on multiple regulated markets the one that is more liquid and the most representative based on professional judgement is considered as the principal market.

Measuring the fair value of financial instruments is based on the Rules for Calculating Net Asset Value of Funds approved by the management board. General principles are the following:

- The market value of shares traded on a regulated market is determined on the basis of the official closing price on the balance sheet date. If the closing price is unavailable, the official mid price is used. If mid price is also unavailable, the last official bid price is used.
- In Avaron’s opinion the market price of bonds may not reflect the fair value of the securities even when the market price is available. The value of bonds not traded on a regulated market is determined based on the average of the bid and ask quotes as provided by the price feed service provider being used. If the quotes are not available or if the quotes do not reflect the fair value of the bond in the opinion of the Fund Management Company, the price is determined based on the yield curve method.
- The value of options not traded on a regulated market is determined based on the Black & Scholes valuation model. The inputs that are necessary for the calculation are determined by the Fund Management Company after consulting with the counterparty of the option.

### *Derecognition*

Securities are removed from the balance sheet when the Fund has lost control over the corresponding financial assets either as a result of selling or expiry of their term. FIFO method is used in accounting for the realised gains/ (losses) from securities transactions. The line “Sales profit/ (loss)” in the statement of income and expenses indicates the difference between the sales amount of an instrument and the

corresponding acquisition cost. The sale amount of securities includes commissions related to the transaction.

### **Offsetting**

Financial assets and liabilities at fair value through profit and loss are offset only when the Fund has a legal right to offset the amounts and intends to use the right.

### **Cash and cash equivalents and cash flows**

Cash and cash equivalents comprise Fund's current accounts and over-night deposits that are subject to an insignificant risk of changes in their fair value

Cash flows from operating activities are reported using the direct method.

### **Deposits**

Deposits comprise term deposits of credit institutions given that their term is at maximum 12 months. Deposits are initially recognised at acquisition cost and subsequently measured at amortized cost using effective interest rate method.

### **Receivables**

Receivables include revenues calculated on the accrual basis but not received yet including dividend receivables and other accrued income. Miscellaneous receivables include receivables from unsettled sale transactions.

Receivables are initially recognised at fair value and subsequently recorded at amortized cost using the effective interest rate method from which any possible impairment loss has been deducted.

### ***Reverse-repo transactions***

Securities that are bought using reverse repurchase agreement (reverse-repo) are recognized under loans and prepayments to customers. The difference between the sales and repurchase price is considered as interest and is accrued during the contract period using effective interest rate method.

### **Other financial liabilities**

Other financial liabilities include management fee and performance fee payables to the Fund Management Company; depository fee, safekeeping fee and transaction fee payables to the depository. Liabilities also include payables to Fund unit holders for redeemed units. Miscellaneous liabilities include payables for securities purchase transactions.

Other financial liabilities are initially recognised at fair value and subsequently recorded at amortized cost using the effective interest rate method.

### **Fund units**

The Fund has one class of units which are reported as financial liabilities. Units are issued on every banking day. Units are redeemed once a month, with prior notice of one to three months according to the Fund rules. Switching Units is not allowed. The redemption price of a Unit shall depend on the notice period for fulfilling the redemption order, as chosen by the unit-holder. If the unit-holder has chosen notice period of one month, the redemption price shall be the net asset value of the Unit that shall be calculated as of the last banking day of the month that follows to the month of receiving the redemption order from which the redemption fee may be deducted. If the unit-holder has chosen notice period of three months, the redemption price shall be the net asset value of the Unit that shall be calculated as of the last banking day of the third month that follows to the month of receiving the redemption order from which the redemption fee may be deducted.

The net asset value of a unit is determined by dividing the total net asset value of the Fund by the number of units that have been issued and not redeemed (adjusted by the number of units from unsettled subscription and redemption orders that have been received by the Management Company).

The Fund's income shall not be distributed to unit-holders but shall be reinvested. Unit-holders profit or loss shall be reflected in the changes of a unit's net asset value.

#### **Interest and dividend income**

Interest income is recognised on accrual basis using the effective interest rate method. It comprises reported interest from cash and cash equivalents, deposits and debt instruments at fair value through profit or loss.

Received dividends are recorded under "Dividends" at the moment when the shareholder's right to the dividend is fixed.

#### **Other financial income**

Refunds of management fee received by the Fund are recognized under "Other financial income" in statement of income and expenses. When the assets of the Fund are invested in another investment fund managed by the Management Company, the Management Company refunds the management fee which were charged on the invested amount to the Fund making the investment. The management fee is deducted by fees related to fund size before payment. Refunds of management fee are made each quarter. If the Management Company has made an agreement on refunding management fees with other management companies which are managing funds in which the Fund is investing, the Fund Management Company transfers the full amount to the Fund and these amounts are also recognised under "Other income".

#### **Operating expenses**

The operating expenses of the Fund include the management fee and performance fee payable to the management company, the depository fee payable to the Fund's depository, fund administration fees, fees to the registrar of fund units, transaction fees and other operating expenses stated in the Fund rules. Transaction fees related to security purchase and sales transactions are recorded under "Transaction fees" in the statement of income and expenses. Commissions which arose and were paid in acquisition of securities, but are not clearly identifiable are included within the acquisition cost of securities.

#### **Related parties**

Parties that are considered as related parties to the Fund are Management Company AS Avaron Asset Management, its board members, other investment funds managed by the management company, all companies being part of the consolidation group of OÜ Princo and persons related to the management board of the Management Company. According to the Fund rules the Fund pays management fees to the management company on monthly basis. Transactions with group companies have been made at market conditions.

## NOTE 2. RISK MANAGEMENT

### Short Overview of Investment and Risk Management Techniques

The Fund Management Company deploys value investing and stock-picking investment style with focus on company-specific, sector and macro analysis. Company analysis comprises 3 phases: quantitative screening, qualitative analysis and valuation work. During the quantitative phase we conduct analysis of company liquidity and basic financial statements. Should the company fulfil our criteria, we will interview the management during qualitative analysis phase. During a management interview, among other things, we study the company's business model, strategy, growth prospects, transparency, dividend policy and compliance to the UN Principles for Responsible Investing. If a company has successfully passed the qualitative phase, the Fund Management Company develops a financial model on the company and determines its target price. Companies with highest upside to target price adjusted to liquidity, transparency, business model cyclicalities and other risk parameters are invested in.

Portfolio liquidity analysis and diversification among sectors, countries, currencies and instruments are the main risk management tools used. In addition, the Fund Management Company may use derivatives to hedge or take directional exposure in currencies. The Fund 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 Fund 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 Fund Management Company regularly examines that the Fund is in compliance with its investment restrictions.

### Credit risk

Credit risk is 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) cause damage to the Fund.

Maximum exposure to credit risk as of the end of the period in EUR:

	<b>30/06/2018</b>	<b>% of NAV</b>	<b>31/12/2017</b>	<b>% of NAV</b>
Cash and cash equivalents	5,671,832	49.58%	6,370,560	48.45%
Term deposits	153,659	1.34%	153,577	1.17%
Corporate bonds	4,046,026	35.35%	5,025,950	38.22%
Receivables and prepayments	160,660	1.40%	16,670	0.12%
<b>TOTAL</b>	<b>10,032,177</b>	<b>87.67%</b>	<b>11,566,757</b>	<b>87.96%</b>



The following table presents information related to the Fund's financial derivative instruments assets and liabilities by counterparty net of amounts available for offset under ISDA agreements and net of related collateral received or pledged by the Fund as of the end of the period in EUR:

Counterparty	Credit Rating	Gross Amounts of Liabilities in the Balance Sheet	Gross Amount Not Offset in the Balance Sheet			Net Amount
			Derivative Financial Instruments Available to Offset	Cash Collateral Pledged	Non-Cash Collateral	
AS SEB Pank	AA (Moody's) - Skandinaviska Enskilda Banken AB	-9,115	-	-	-	-9,115
AS SEB Pank	AA (Moody's) - Skandinaviska Enskilda Banken AB	-6,323	-	-	-	-6,323
Swedbank AS	AA- (S&P) - Swedbank AB	-128,830	-	150,000	-	21,170
<b>TOTAL</b>		<b>-144,268</b>	<b>-</b>	<b>150,000</b>	<b>-</b>	<b>5,732</b>

Fund's assets are invested in bonds that are liquid and transferable. Basic financial data of the issuer and terms of the issue (prospectus) will be analysed in case of debt securities with investment grade rating by S&P (or Moody's equivalent) of BBB- or higher. In case of debt securities with no rating / non-investment grade rating, higher due diligence requirements apply.

Allocation of bonds according to rating in Standard & Poor's rating scale in EUR:

	30/06/2018	% of NAV	31/12/2017	% of NAV
BBB-	173,282	1.51%	341,644	2.60%
BB+	-	-	168,292	1.28%
BB	1,200,989	10.49%	1,337,687	10.17%
B	179,339	1.57%	189,959	1.44%
No rating	2,492,416	21.78%	2,988,368	22.73%
<b>TOTAL</b>	<b>4,046,026</b>	<b>35.35%</b>	<b>5,025,950</b>	<b>38.22%</b>

The Fund's cash and cash equivalents are held with Fund's depository Swedbank AS, which parent company Swedbank AB is rated AA- as of 27/06/2018 by Standard & Poor's, with AS SEB Bank, which parent company Skandinaviska Enskilda Banken AB is rated AA as of 02/05/2018 (Moody's) and with Luminor Bank AS. Luminor Estonia is currently in the process of acquiring a credit rating. Nordea Bank AB and DNB Bank ASA are the ultimate owners of the holding company Luminor Group AB. Nordea Bank AB owns 56.2% and DNB Bank ASA owns 43.6% of proprietary rights. DNB Bank ASA has a credit rating (Standard & Poor's A+, Moody's Aa2). Nordea Bank AB has a credit rating (Standard & Poor's AA-, Fitch AA-, Moody's Aa3).

### Liquidity risk

Liquidity risk is the risk that a financial instrument cannot be sold due to low liquidity at the time desired or at a reasonable price, or there is no market (buyer) at all. Liquidity risk is particularly relevant in case of investing into small cap companies and in instruments not traded on a regulated securities market.

Liquidity risk is managed through regular liquidity analysis and limitations on estimated exit times from positions and share capital/ free float ownership.

The Fund maintains the credit lines of 500,000 EUR that it can access to meet short-term liquidity needs. These resources have not been used as of 30/06/2018.

Maximum exposure of financial liabilities according to the maturity as of the end of the period in EUR:

	Up to 1 month		Over 1 month	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Payables to the management company	11,626	61,117	-	-
Payables to the depository	4,441	5,987	-	-
Other liabilities	-	-	592	1,921
Net Assets attributable to Holders	-	-	11,444,939	13,149,570
<b>TOTAL</b>	<b>16,067</b>	<b>67,104</b>	<b>11,445,531</b>	<b>13,151,492</b>

Positions that may take more than 20 days to liquidate based on six months average trading volume (30% of trading volume) can be found on the next table.

As the bonds are not traded on the stock exchange, we are not able to calculate the average daily turnover of bonds. Due to the conservative approach, we have listed all the bonds in the list. Liquidation of remaining positions based on six months average trading volume may probably take less than 20 days.

Instrument	Country	Sector	% of NAV	
			30/06/2018	31/12/2017
TURKIYE VAKIFLAR BANK 01.11.27	Turkey	Financials	5.08%	4.99%
TALLINK GRUPP AS FRN 18.10.18	Estonia	Consumer Discretionary	4.68%	3.99%
LHV GROUP SUBORDIN 29.10.25	Estonia	Financials	3.54%	3.07%
ENDOVER FABRIK 11.00% 17.10.20	Estonia	Real Estate	2.65%	-
YAPI VE KRD BK 5.5% 06.12.22	Turkey	Financials	2.61%	2.51%
VIENNA INSURANCE GROUP 8% PERP	Austria	Financials	2.53%	2.22%
ADVANCE TERRAFUND SHARE	Bulgaria	Real Estate	1.95%	1.70%
B2 HOLDING AS FRN EUR 08.12.20	Norway	Financials	1.88%	1.67%
NELJA ENERGIA FRN 02.06.21 EUR	Estonia	Energy	1.83%	1.60%
INBANK SUBORDINATED 28.09.2026	Estonia	Financials	1.82%	1.60%
KERNEL HOLDING 8.75% 31.01.22	Luxembourg	Consumer Staples	1.57%	1.44%
FINANSBANK 6.25% 30.04.19 USD	Turkey	Financials	1.51%	1.32%
GL LIMAN ISLETM 8.125%14.11.21	Turkey	Industrial	1.51%	1.31%
TURKIYE BANKASI 7.85% 10.12.23	Turkey	Financials	1.47%	1.36%
TURKIYE BANKASI VAR 29.06.28	Turkey	Financials	1.34%	1.31%
MAINOR ULEMISTE 5.5% 05.04.23	Estonia	Real Estate	1.33%	1.15%
BULGARIA REAL ESTATE FUND	Bulgaria	Real Estate	0.57%	-
MAINOR EUR 7% 26.11.2018	Estonia	Real Estate	-	6.12%
TUPRAS-TURKI 4.125% 02.05.18	Turkey	Energy	-	1.28%
AK FIN KIRALAMA 4.125%17.04.18	Turkey	Financials	-	1.28%
<b>TOTAL</b>			<b>37.86%</b>	<b>39.92%</b>

### Market risk

Market risk is 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.

Diversification among sectors, countries, currencies and instruments are the main risk management tools used.

### Currency risk

The Fund is open to foreign currency risk. Currency breakdown of Fund's assets in EUR:

	30/06/2018	% of Assets	31/12/2017	% of Assets
EUR	7,695,277	66.31%	9,155,806	69.26%
USD	2,393,287	20.62%	2,501,626	18.93%
NOK	565,560	4.87%	561,010	4.24%
RON	383,123	3.30%	356,555	2.70%
BGN	321,555	2.77%	333,177	2.52%
TRY	244,690	2.11%	308,057	2.33%
RSD	2,374	0.02%	2,364	0.02%
<b>TOTAL</b>	<b>11,605,866</b>	<b>100.00%</b>	<b>13,218,595</b>	<b>100.00%</b>

Taking into account the derivatives contracts, the net open positions as per currency were following:

	<b>30/06/2018</b>	<b>% of Assets</b>	<b>31/12/2017</b>	<b>% of Assets</b>
RON	383,123	3.30%	356,555	2.70%
BGN	321,555	2.77%	333,177	2.52%
TRY	244,690	2.11%	308,057	2.33%
USD	82,781	0.71%	215,551	1.63%
NOK	43,012	0.37%	256,510	1.94%
RSD	2,374	0.02%	2,364	0.02%
<b>TOTAL</b>	<b>1,077,535</b>	<b>9.28%</b>	<b>1,472,214</b>	<b>11.14%</b>

### *Currency risk sensitivity analysis*

Fund's net asset value would have been affected by the weakening of foreign currencies against EUR on 30 June 2018. The sensitivity analysis uses the weakening of foreign currency rates against EUR during the last ten years from the highest value to the lowest. The analysis assumes that all other variables remain constant. Analysis for 31 December 2017 has been made using the same assumptions.

Derivatives contracts have been taken into account and net open positions as per foreign currency were used. The impact on net assets attributable to holders and net income:

	<b>30/06/2018</b>			<b>31/12/2017</b>		
	<b>Currency weakening</b>	<b>Possible impact</b>	<b>Currency's % of Assets</b>	<b>Currency weakening</b>	<b>Possible impact</b>	<b>Currency's % of Assets</b>
TRY	-71%	-85,358	2.11%	-65%	-199,593	2.33%
RON	-26%	-49,881	3.30%	-26%	-93,948	2.70%
BGN	-7%	-11,332	2.77%	-7%	-23,763	2.52%
USD	-36%	-7,060	0.71%	-36%	-59,267	1.63%
NOK	-29%	-5,745	0.37%	-29%	-67,102	1.94%
RSD	-40%	-474	0.02%	-40%	-956	0.02%
<b>TOTAL</b>		<b>-159,850</b>	<b>9.28%</b>		<b>-444,629</b>	<b>11.14%</b>

### *Instrument's 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 developments in the issuer's financial results, changes in competitive environment, analyst estimates and commentaries, etc.

Concentration of risk of Fund's investments based on sectors as of the end of the period in EUR:

	<b>30/06/2018</b>	<b>% of NAV</b>	<b>31/12/2017</b>	<b>% of NAV</b>
Financials	2,688,078	23.49%	3,048,177	23.18%
Real Estate	1,065,483	9.30%	1,608,716	12.23%
Consumer Discretionary	714,378	6.24%	733,570	5.58%
Consumer Staples	400,334	3.50%	400,328	3.04%
Industrial	332,941	2.91%	171,901	1.31%
Utilities	209,598	1.83%	271,240	2.06%
Energy	208,903	1.83%	378,531	2.88%
<b>TOTAL</b>	<b>5,619,715</b>	<b>49.10%</b>	<b>6,612,463</b>	<b>50.28%</b>

Concentration of risk of Fund's investments based on emitent's geographic location as of the end of the period in EUR:

	<b>30/06/2018</b>	<b>% of NAV</b>	<b>31/12/2017</b>	<b>% of NAV</b>
Estonia	2,154,112	18.82%	2,513,901	19.12%
Turkey	1,699,109	14.85%	2,224,646	16.92%
Austria	517,407	4.52%	535,975	4.08%
Bulgaria	288,747	2.52%	300,369	2.28%
Russia	262,889	2.30%	249,097	1.89%
Norway	215,814	1.88%	219,375	1.67%
Romania	209,598	1.83%	271,240	2.06%
Luxembourg	179,339	1.57%	189,960	1.44%
Finland	92,700	0.81%	107,900	0.82%
<b>TOTAL</b>	<b>5,619,715</b>	<b>49.10%</b>	<b>6,612,463</b>	<b>50.28%</b>

*Instrument's price risk sensitivity analysis*

Sensitivity analysis is based on standard deviation of the Fund since launch, whereas the Fund's risk profile has been calculated based on normal distribution. The analysis assumes that all the other variables remain constant. Analysis as per 31 December 2017 has been made with using the same assumptions.

	<b>Probability</b>	<b>+/- possible change of Fund's NAV during year</b>	
		<b>2018</b>	<b>2017</b>
$\sigma$	68.27%	2.60%	2.70%
$2\sigma$	95.45%	5.20%	5.40%
$3\sigma$	99.73%	7.80%	8.10%

**NOTE 3. CASH AND CASH EQUIVALENTS****Deposits in EUR**

	<b>30/06/2018</b>	<b>% of NAV</b>	<b>31/12/2017</b>	<b>% of NAV</b>
Over-night deposits, Swedbank AS	404,340	3.54%	-	-
Deposits, Luminor Bank AS	153,594	1.34%	153,556	1.17%
<b>TOTAL*</b>	<b>557,934</b>	<b>4.88%</b>	<b>153,556</b>	<b>1.17%</b>

\* "Term deposits" in balance sheet include also accrued interest in the amount of 64.24 EUR as at 30/06/2018 and 21.24 EUR as at 31/12/2017

**Cash and cash equivalents (incl. over-night deposit) by credit institution and currency**

	<b>30/06/2018</b>	<b>% of NAV, converted into EUR</b>	<b>31/12/2017</b>	<b>% of NAV, converted into EUR</b>
<b>Swedbank AS</b>		<b>23.19%</b>		<b>9.40%</b>
EUR	1,916,500	16.75%	998,224	7.59%
USD	472,552	3.54%	16	0.00%
RON	809,770	1.52%	399,461	0.65%
TRY	494,690	0.81%	468,451	0.78%
BGN	64,168	0.29%	64,168	0.25%
NOK	283,620	0.26%	135,873	0.11%
RSD	280,382	0.02%	280,382	0.02%
<b>Luminor Bank AS</b>		<b>17.65%</b>		<b>31.45%</b>
EUR	2,020,246	17.65%	4,135,114	31.45%
<b>AS SEB Pank</b>		<b>8.74%</b>		<b>7.60%</b>
EUR	999,968	8.74%	1,000,000	7.60%
<b>TOTAL</b>		<b>49.58%</b>		<b>48.45%</b>

The Fund's cash and cash equivalents are held with Fund's depository Swedbank, which parent company Swedbank AB is rated AA- as of 27/06/2018 by Standard & Poor's, with AS SEB Bank, which parent company Skandinaviska Enskilda Banken AB is rated AA as of 02/05/2018 (Moody's) and with Luminor Bank AS. Luminor Estonia is currently in the process of acquiring a credit rating. Nordea Bank AB and DNB Bank ASA are the ultimate owners of the holding company Luminor Group AB. Nordea Bank AB owns 56.2% and DNB Bank ASA owns 43.6% of proprietary rights. DNB Bank ASA has a credit rating (Standard & Poor's A+, Moody's Aa2). Nordea Bank AB has a credit rating (Standard & Poor's AA-, Fitch AA-, Moody's Aa3).

**NOTE 4. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES TO CATEGORIES AND LEVELS**

In EUR

30/06/2018

	Designated as at fair value			Loans and receivables			Other financial liabilities		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>ASSETS</b>									
Cash and cash equivalents	-	-	-	5,671,832	-	-	-	-	-
Term deposits	-	-	-	153,659	-	-	-	-	-
Shares and units	1,573,689	-	-	-	-	-	-	-	-
Bonds	3,590,251	-	455,775	-	-	-	-	-	-
Interest receivable	-	-	-	6	-	-	-	-	-
Dividend tax reclaims	-	-	-	87	-	-	-	-	-
Dividend receivable	-	-	-	10,567	-	-	-	-	-
Collateral receivable	-	-	-	150,000	-	-	-	-	-
<b>LIABILITIES</b>									
Derivative instruments	-	144,268	-	-	-	-	-	-	-
Payables to the management company	-	-	-	-	-	-	-	11,626	-
Payables to the depository	-	-	-	-	-	-	-	4,441	-
Other liabilities	-	-	-	-	-	-	-	592	-
Net assets attributable to holders	-	-	-	-	-	-	-	11,444,939	-
<b>TOTAL</b>	<b>5,163,940</b>	<b>144,268</b>	<b>455,775</b>	<b>5,986,151</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,461,598</b>	<b>-</b>

Additional information for instruments categorised under Level 3

	<b>Bonds</b>
Starting balance of Level 3 instruments	956,302
Purchases	300,000
Sales	-800,000
Interest received	17,375
Interest accrued	5,775
<b>Total level 3 investments fair value</b>	<b>455,775</b>

According to the estimates of the Fund Management Company the carrying value of financial instruments “Loans and receivables” and other financial liabilities amounts approximate fair value. There have been no transfers of the assets designated as at fair value from one level to another as of the end of the period.

In EUR

31/12/2017

	Designated as at fair value			Loans and receivables			Other financial liabilities		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>ASSETS</b>									
Cash and cash equivalents	-	-	-	6,370,560	-	-	-	-	-
Term deposits	-	-	-	153,577	-	-	-	-	-
Shares and units	1,586,513	-	-	-	-	-	-	-	-
Bonds	4,069,648	-	956,302	-	-	-	-	-	-
Derivative instruments	-	65,325	-	-	-	-	-	-	-
Receivables for units subscribed	-	-	-	10,000	-	-	-	-	-
Receivables for securities transactions	-	-	-	6,670	-	-	-	-	-
<b>LIABILITIES</b>									
Payables to the management company	-	-	-	-	-	-	-	61,117	-
Payables to the depository	-	-	-	-	-	-	-	5,987	-
Other liabilities	-	-	-	-	-	-	-	1,921	-
Net assets attributable to holders	-	-	-	-	-	-	-	13,149,570	-
<b>TOTAL</b>	<b>5,656,161</b>	<b>65,325</b>	<b>956,302</b>	<b>6,540,807</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,218,595</b>	<b>-</b>

Additional information for instruments categorised under Level 3

	Shares and units	Bonds
Starting balance of Level 3 instruments	6,951,196	452,975
Purchases	-	506,650
Sales	-7,176,921	-
Total gains/losses	225,724	-6,650
Interest received	-	31,500
Interest accrued	-	6,302
<b>Total level 3 investments fair value</b>	<b>-</b>	<b>956,302</b>

According to the estimates of the Fund Management Company the carrying value of financial instruments “Loans and receivables” and other financial liabilities amounts approximate fair value.

There have been no transfers of the assets designated as at fair value from one level to another as of the end of the period.



## NOTE 5. NET GAIN/LOSS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In EUR

	01/01/2018- 30/06/2018	01/01/2017- 30/06/2017
<b>Net gain/loss from financial assets at fair value through profit or loss</b>		
<b>From shares and units</b>		
Sales profit/(-loss)	34,023	82,311
Unrealised profit /(-loss)	-168,090	284,081
<b>From bonds</b>		
Sales profit/(-loss)	-7,503	-9,430
Unrealised profit /(-loss)	-214,237	47,314
<b>From derivative instruments</b>		
Sales profit/(-loss)	100,980	-8,911
Unrealised profit /(-loss)	-209,592	22,077
<b>Total net gain/(-loss)</b>	<b>-464,419</b>	<b>417,442</b>

Sales profit/loss and unrealised profit/loss include commissions paid to brokers on acquisition and disposal of securities. According to the principles of IAS 39 and IFRS 13 the commissions should be reflected in the statement of income and expenses under transaction costs. According to the estimates of the Fund Management Company the effect of commissions to net gain/loss from financial assets is not significant.

## NOTE 6. TRANSACTIONS WITH RELATED PARTIES

In addition to the Fund Management Company related parties to the Fund are considered to be companies belonging to the same group, other investment funds managed by the Management Company and shareholders of the Management Company.

Consolidation exception applies for the Fund as it corresponds to Investment Entity's definition introduced in IFRS 10. The Fund carries its investment in Avaron Flexible Strategies Fund at fair value through profit or loss.

The transactions with related parties were as follows in EUR:

	01/01/2018- 30/06/2018	01/01/2017- 30/06/2017
<b>Fund Management Company</b>		
Paid management and performance fees	77,524	116,615
Received management fees from investments to Management Company's other Funds	-	21,150
Units bought	394,456	-
<b>Other entities belonging to the consolidation group of the Fund Management Company</b>		
Units bought	98,000	22,000
Units sold	394,456	11,000
<b>TOTAL</b>	<b>964,436</b>	<b>170,765</b>

Avaron Flexible Strategies Fund

The balances outstanding with related parties were as follows in EUR:

	<b>30/06/2018</b>	<b>31/12/2017</b>
<b>Fund Management Company</b>		
Management and performance fee payable	11,626	61,117
Other receivables - management fees from investments to Management Company's other Funds	-	6,670
<b>TOTAL</b>	<b>11,626</b>	<b>67,787</b>

Related parties of the Fund Management Company owned the units of Avaron Flexible Strategies Fund in market value as follows:

	<b>30/06/2018</b>	<b>31/12/2017</b>
Ultimate parent of the Fund Management Company	1,545,744	1,585,923
Fund Management Company	387,076	-
Other group entities	-	299,530
<b>TOTAL</b>	<b>1,932,820</b>	<b>1,885,453</b>

**NOTE 7. DERIVATIVE INSTRUMENTS**

In EUR  
30/06/2018

Type of Instrument	Issuer of Instrument	Quantity of underlying	The underlying currency	Exercise date	Price of Instrument / premium	Exercise price		Market value		Equity of the issuer of the instrument
						Per unit	Total	Date	Total	
Swap	AS SEB Pank	304,414	EUR	29/10/2018	1.0000	1.0000	304,414	29/06/2018	-	EUR 747,286,000
		3,000,000	NOK	29/10/2018	0.1045	0.1015	304,414	29/06/2018	-9,115	EUR 747,286,000
Forward	AS SEB Pank	202,696	EUR	29/10/2018	1.0000	1.0000	202,696	29/06/2018	-	EUR 747,286,000
		2,000,000	NOK	29/10/2018	0.1045	0.1013	202,696	29/06/2018	-6,323	EUR 747,286,000
Swap	Swedbank AS	2,181,674	EUR	08/02/2019	1.0000	1.0000	2,181,674	29/06/2018	-	EUR 1,585,286,000
		2,750,000	USD	08/02/2019	0.8402	0.7933	2,181,674	29/06/2018	-128,830	EUR 1,585,286,000
<b>TOTAL</b>									<b>-144,268</b>	

Collateral and margin accounts received and paid by the Fund in respect of financial derivative instruments

Type of Collateral	Counterparty	Currency	Amount received	Amount paid
Cash	Swedbank AS	EUR	-	150,000
<b>TOTAL</b>			<b>-</b>	<b>150,000</b>

Avaron Flexible Strategies Fund

In EUR  
31/12/2017

Type of Instrument	Issuer of Instrument	Quantity of underlying	The underlying currency	Exercise date	Price of Instrument / premium	Exercise price		Market value		Equity of the issuer of the instrument
						Per unit	Total	Date	Total	
Swap	AS SEB Pank	109,123	EUR	05/01/2018	1.0000	1.0000	109,123	29/12/2017	-	EUR 797,650,000
		1,000,000	NOK	05/01/2018	0.1015	0.1091	109,123	29/12/2017	7,660	EUR 797,650,000
Forward	AS SEB Pank	217,557	EUR	05/01/2018	1.0000	1.0000	217,557	29/12/2017	-	EUR 797,650,000
		2,000,000	NOK	05/01/2018	0.1015	0.1088	217,557	29/12/2017	14,631	EUR 797,650,000
Forward	Swedbank AS	2,329,127	EUR	08/02/2018	1.0000	1.0000	2,329,127	29/12/2017	-	EUR 1,658,718,000
		2,750,000	USD	08/02/2018	0.8313	0.8470	2,329,127	29/12/2017	43,034	EUR 1,658,718,000
<b>TOTAL</b>									<b>65,325</b>	

Collateral and margin accounts received and paid by the Fund in respect of financial derivative instruments

No collateral was pledged or received at the end of 31/12/2017

## STATEMENT OF INVESTMENTS

In EUR 30/06/2018

Name	ISIN	Emitent country	Rating agency	Rating	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
------	------	-----------------	---------------	--------	----	-----------------------------------	--------------------------	-----------------------	--------------------	--

### SHARES

#### SHARES LISTED ON STOCK EXCHANGE:

ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	AT	S&P	BBB-	EUR	3.39	199,146	3.88	228,260	2.00%
SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO			RON	0.15	168,191	0.19	209,598	1.83%
TALLINK GRUPP	EE3100004466	EE			EUR	0.94	157,508	1.07	178,596	1.56%
TALLINNA SADAM AKTSIA	EE3100021635	EE			EUR	1.70	139,924	1.95	160,501	1.40%
MAGNIT COMMON STOCK	RU000A0JKQU8	RU	S&P	BB	USD	86.94	199,965	62.66	144,112	1.26%
SBERBANK COMMON SHARE	RU0009029540	RU	Fitch	BBB-	USD	3.22	128,933	2.97	118,777	1.04%
CITYCON OYJ	FI0009002471	FI	S&P	BBB	EUR	2.20	110,220	1.85	92,700	0.81%
COCA-COLA ICECEK AS	TRECOLA00011	TR	Fitch	BBB	TRY	10.29	125,024	6.33	76,883	0.67%
TURKIYE GARANTI BANKASI	TRAGARAN91N1	TR	S&P	BB	TRY	2.31	111,642	1.56	75,514	0.66%

<b>SHARES TOTAL</b>							<b>1,340,553</b>		<b>1,284,941</b>	<b>11.23%</b>
---------------------	--	--	--	--	--	--	------------------	--	------------------	---------------

Name	ISIN	Fund country	Fund Management Company	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
------	------	--------------	-------------------------	----	-----------------------------------	--------------------------	-----------------------	--------------------	--

### FUNDS

#### CLOSED-END FUNDS LISTED ON STOCK EXCHANGE:

ADVANCE TERRAFUND SHARE	BG1100025052	BG	KAROLL FINANCE	BGN	0.92	182,916	1.12	223,647	1.95%
BULGARIA REAL ESTATE FUND	BG1100001053	BG	REAL ESTATE MANAGEMENT LTD	BGN	0.55	36,443	0.98	65,101	0.57%

<b>CLOSED-END FUNDS TOTAL</b>						<b>219,359</b>		<b>288,748</b>	<b>2.52%</b>
-------------------------------	--	--	--	--	--	----------------	--	----------------	--------------

<b>FUNDS TOTAL</b>						<b>219,359</b>		<b>288,748</b>	<b>2.52%</b>
--------------------	--	--	--	--	--	----------------	--	----------------	--------------

<b>SHARES AND FUNDS TOTAL</b>						<b>1,559,913</b>		<b>1,573,689</b>	<b>13.75%</b>
-------------------------------	--	--	--	--	--	------------------	--	------------------	---------------

## Statement of investments as of 30/06/2018 (continued)

Name	ISIN	Emitent country	Rating agency	Rating	FX	Interest rate	Maturity	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
<b>BONDS*</b>												
TURKIYE VAKIFLAR BANK 01.11.27	XS1551747733	TR	S&P	BB	USD	8.00%	01/11/2027	86.86	660,106	75.36	581,126	5.08%
TALLINK GRUPP AS FRN 18.10.18	NO0010682255	EE			NOK	6.16%	18/10/2018	11.65	582,695	10.59	535,782	4.68%
LHV GROUP SUBORDIN 29.10.25	EE3300110741	EE			EUR	6.50%	29/10/2025	105.07	389,810	108.25	405,627	3.54%
ENDOVER FABRIK 11.00% 17.10.20	EE3300111491	EE			EUR	11.00%	17/10/2020	100.00	300,000	100.00	303,850	2.65%
YAPI VE KRD BK 5.5% 06.12.22	XS0861979440	TR	S&P	BB	USD	5.50%	06/12/2022	82.06	328,241	74.27	298,285	2.61%
VIENNA INSURANCE GROUP 8% PERP	AT0000A09SA8	AT			EUR	8.00%	12/06/2049	106.06	284,227	101.53	289,146	2.53%
B2 HOLDING AS FRN EUR 08.12.20	NO0010753072	NO			EUR	7.50%	08/12/2020	109.50	219,000	107.47	215,814	1.88%
NELJA ENERGIA FRN 02.06.21 EUR	NO0010737174	EE			EUR	6.50%	02/06/2021	104.75	209,500	104.00	208,903	1.83%
INBANK SUBORDINATED 28.09.2026	EE3300110964	EE			EUR	7.00%	28/09/2026	102.76	203,460	105.50	208,928	1.82%
KERNEL HOLDING 8.75% 31.01.22	XS1533923238	LU	S&P	B	USD	8.75%	31/01/2022	93.16	186,316	86.57	179,339	1.57%
FINANSBANK 6.25% 30.04.19 USD	XS1063442484	TR	Fitch	BBB-	USD	6.25%	30/04/2019	86.49	172,976	85.76	173,282	1.51%
GL LIMAN ISLETM 8.125%14.11.21	XS1132825099	TR			USD	8.125%	14/11/2021	86.16	172,312	85.35	172,440	1.51%
TURKIYE BANKASI 7.85% 10.12.23	XS1003016018	TR	S&P	BB	USD	7.85%	10/12/2023	88.85	177,705	83.85	168,417	1.47%
TURKIYE BANKASI VAR 29.06.28	XS1623796072	TR	S&P	BB	USD	7.00%	29/06/2028	83.35	166,709	73.59	153,162	1.34%
MAINOR ULEMISTE 5.5% 05.04.23	EE3300111343	EE			EUR	5.50%	05/04/2023	100.00	150,000	100.00	151,925	1.33%
<b>BONDS TOTAL</b>									<b>4,203,057</b>		<b>4,046,026</b>	<b>35.35%</b>
*Accrued interest in the amount of 61,083.86 EUR has been added to the value of bonds												
Name	Derivative Type	Emitent country	Rating agency	Rating	FX	Maturity	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets		
<b>DERIVATIVES</b>												
FX-Swap EUR/USD Swedbank AS	Swap	EE	S&P	AA- (Swedbank AB) AA (Skandinaviska Enskilda Banken AB)	USD	08/02/2019			-128,830	-1.13%		
FX-Swap EUR/NOK AS SEB Pank	Swap	EE	Moody's	AA (Skandinaviska Enskilda Banken AB)	NOK	29/10/2018			-9,115	-0.08%		
FX-Forward EUR/NOK AS SEB Pank	Forward	EE	Moody's	AA (Skandinaviska Enskilda Banken AB)	NOK	29/10/2018			-6,323	-0.06%		
<b>DERIVATIVES TOTAL</b>									<b>-144,268</b>	<b>-1.27%</b>		
<b>INSTRUMENTS TOTAL</b>									<b>5,618,701</b>	<b>5,475,447</b>	<b>47.83%</b>	

**Statement of investments as of 30/06/2018 (continued)**

Credit Institution	Deposit type	Credit Institution's country	Rating agency	Rating	FX	Interest rate	Start date	Maturity	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
--------------------	--------------	------------------------------	---------------	--------	----	---------------	------------	----------	--------------------------	-----------------------	--------------------	--

**DEPOSITS\***

	Overnight deposit	EE	S&P	AA-	USD	0.53%	29/06/2018	30/06/2018	404,340		404,347	3.54%
Swedbank AS												
Luminor Bank AS	Term deposit	EE	S&P	A+	EUR	0.15%	13/03/2018	13/09/2018	122,895		122,952	1.07%
Luminor Bank AS	Term deposit	EE	S&P	A+	EUR	0.15%	25/04/2018	25/10/2018	30,699		30,707	0.27%

**DEPOSITS TOTAL**

**557,934** **558,006** **4.88%**

\*Accrued interest in the amount of 70.18 EUR has been added to the value of deposits

Name	Credit Institution's country	Credit Institution	FX	Interest rate	Quantity	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
------	------------------------------	--------------------	----	---------------	----------	-----------------------------------	--------------------------	-----------------------	--------------------	--

**CASH**

CURRENT ACCOUNT	EE	Luminor	EUR				2,020,246		2,020,246	17.65%
CURRENT ACCOUNT	EE	Swedbank	EUR				1,916,500		1,916,500	16.75%
CURRENT ACCOUNT	EE	SEB	EUR				999,968		999,968	8.74%
CURRENT ACCOUNT	EE	Swedbank	RON				173,525		173,525	1.52%
CURRENT ACCOUNT	EE	Swedbank	TRY				92,293		92,293	0.81%
CURRENT ACCOUNT	EE	Swedbank	BGN				32,807		32,807	0.29%
CURRENT ACCOUNT	EE	Swedbank	NOK				29,778		29,778	0.26%
CURRENT ACCOUNT	EE	Swedbank	RSD				2,374		2,374	0.02%

**CURRENT ACCOUNT TOTAL**

**5,267,491** **5,267,491** **46.04%**

**INVESTMENTS TOTAL**

**11,588,395** **11,300,944** **98.75%**

**OTHER ASSETS**

COLLATERAL RECEIVABLE			EUR						150,000	1.31%
DIVIDEND RECEIVABLE			EUR						10,567	0.09%
DIVIDEND TAX RECLAIMS			EUR						87	0.00%

**OTHER ASSETS TOTAL**

**160,654** **1.40%**

**TOTAL ASSETS OF THE FUND**

**11,588,395** **11,461,598** **100.15%**

**LIABILITIES**

**-16,659** **-0.15%**

**NET ASSETS OF THE FUND**

**11,444,939** **100.00%**

Avaron Flexible Strategies Fund

In EUR 31/12/2017

Name	ISIN	Emitent country	Rating agency	Rating	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
------	------	-----------------	---------------	--------	----	-----------------------------------	--------------------------	-----------------------	--------------------	--

**SHARES**

**SHARES LISTED ON STOCK EXCHANGE:**

SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO			RON	0.14	209,630	0.18	271,240	2.06%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	AT	S&P	BBB-	EUR	3.39	199,146	4.15	244,144	1.85%
TALLINK GRUPP	EE3100004466	EE			EUR	0.94	157,508	1.25	208,640	1.59%
SBERBANK COMMON SHARE	RU0009029540	RU	Fitch	BBB-	USD	3.22	128,933	3.25	130,079	0.99%
MAGNIT COMMON STOCK	RU000A0JKQU8	RU	S&P	BB	USD	96.81	125,853	91.55	119,017	0.91%
TURKIYE GARANTI BANKASI	TRAGARAN91N1	TR	S&P	BB	TRY	2.31	111,642	2.36	113,772	0.87%
CITYCON OYJ	FI0009002471	FI	S&P	BBB	EUR	2.20	110,220	2.16	107,900	0.82%
COCA-COLA ICECEK AS	TRECOLA00011	TR	Fitch	BBB	TRY	10.29	125,024	7.52	91,351	0.69%

<b>SHARES TOTAL</b>						<b>1,167,957</b>			<b>1,286,143</b>	<b>9.78%</b>
---------------------	--	--	--	--	--	------------------	--	--	------------------	--------------

Name	ISIN	Fund country	Fund Management Company	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
------	------	--------------	-------------------------	----	-----------------------------------	--------------------------	-----------------------	--------------------	--

**FUNDS**

**CLOSED-END FUNDS LISTED ON STOCK EXCHANGE:**

ADVANCE TERRAFUND SHARE	BG1100025052	BG	KAROLL FINANCE	BGN	0.92	182,916	1.12	224,566	1.70%
BULGARIA REAL ESTATE FUND	BG1100001053	BG	REAL ESTATE MANAGEMENT LTD	BGN	0.55	36,443	1.14	75,804	0.58%

<b>CLOSED-END FUNDS TOTAL</b>						<b>219,359</b>			<b>300,370</b>	<b>2.28%</b>
-------------------------------	--	--	--	--	--	----------------	--	--	----------------	--------------

<b>SHARES AND FUNDS TOTAL</b>						<b>1,387,317</b>			<b>1,586,513</b>	<b>12.06%</b>
-------------------------------	--	--	--	--	--	------------------	--	--	------------------	---------------



**Statement of investments as of 31/12/2017 (continued)**

Name	ISIN	Emitent country	Rating agency	Rating	FX	Interest rate	Maturity	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
<b>BONDS*</b>												
MAINOR EUR 7% 26.11.2018	EE3300110691	EE			EUR	7.00%	26/11/2018	100.83	806,650	100.00	805,133	6.12%
TURKIYE VAKIFLAR BANK 01.11.27	XS1551747733	TR	S&P	BB	USD	8.00%	01/11/2027	86.86	660,106	85.26	656,139	4.99%
TALLINK GRUPP AS FRN 18.10.18	NO0010682255	EE			NOK	5.84%	18/10/2018	11.65	582,695	10.38	524,930	3.99%
LHV GROUP SUBORDIN 29.10.25	EE3300110741	EE			EUR	6.50%	29/10/2025	105.07	389,810	107.75	403,772	3.07%
YAPI VE KRD BK 5.5% 06.12.22	XS0861979440	TR	S&P	BB	USD	5.50%	06/12/2022	82.06	328,241	82.29	330,331	2.51%
VIENNA INSURANCE GROUP 8% PERP	AT0000A09SA8	AT			EUR	8.00%	12/06/2049	106.06	284,227	106.53	291,831	2.22%
B2 HOLDING AS FRN EUR 08.12.20	NO0010753072	NO			EUR	7.50%	08/12/2020	109.50	219,000	109.25	219,375	1.67%
INBANK SUBORDINATED 28.09.2026	EE3300110964	EE			EUR	7.00%	28/09/2026	102.76	203,460	106.20	210,315	1.60%
NELJA ENERGIA FRN 02.06.21 EUR	NO0010737174	EE			EUR	6.50%	02/06/2021	104.75	209,500	104.52	209,943	1.60%
KERNEL HOLDING 8.75% 31.01.22	XS1533923238	LU	S&P	B	USD	8.75%	31/01/2022	93.16	186,316	91.96	189,959	1.44%
TURKIYE BANKASI 7.85% 10.12.23	XS1003016018	TR	S&P	BB	USD	7.85%	10/12/2023	88.85	177,705	88.85	178,399	1.36%
FINANSBANK 6.25% 30.04.19 USD	XS1063442484	TR	Fitch	BBB-	USD	6.25%	30/04/2019	86.49	172,976	85.67	173,056	1.32%
TURKIYE BANKASI VAR% 29.06.28	XS1623796072	TR	S&P	BB	USD	7.00%	29/06/2028	83.35	166,709	83.49	172,817	1.31%
GL LIMAN ISLETM 8.125%14.11.21	XS1132825099	TR			USD	8.125%	14/11/2021	86.16	172,312	85.10	171,901	1.31%
TUPRAS-TURKI 4.125% 02.05.18	XS0849020556	TR	Fitch	BBB-	USD	4.125%	02/05/2018	84.68	169,363	83.75	168,588	1.28%
AK FIN KIRALAMA 4.125%17.04.18	XS0914394688	TR	Fitch	BB+	USD	4.125%	17/04/2018	84.27	168,537	83.46	168,292	1.28%
MAINOR ULEMISTE 5.5% 05.04.23	EE3300111343	EE			EUR	5.50%	05/04/2023	100.00	150,000	100.00	151,169	1.15%
<b>BONDS TOTAL</b>									<b>5,047,607</b>		<b>5,025,950</b>	<b>38.22%</b>

\*Accrued interest in the amount of 52,165.59 EUR has been added to the value of bonds

Name	Derivative type	Emitent country	Rating agency	Rating	FX	Maturity	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets	
<b>DERIVATIVES</b>											
FX-Forward EUR/USD Swedbank AS	Forward	EE	S&P	AA- (Swedbank AB) AA- (Skandinaviska Enskilda)	USD	08/02/2018			43,034	0.33%	
FX-Forward EUR/NOK AS SEB Pank	Forward	EE	Moody's	AA- (Skandinaviska Enskilda) AA- (Skandinaviska Enskilda)	NOK	05/01/2018			14,631	0.11%	
FX-Swap EUR/NOK AS SEB Pank	Swap	EE	Moody's	AA- (Skandinaviska Enskilda) AA- (Skandinaviska Enskilda)	NOK	05/01/2018			7,660	0.06%	
<b>DERIVATIVES TOTAL</b>									<b>65,325</b>	<b>0.50%</b>	
<b>INVESTMENTS TOTAL</b>									<b>6,500,249</b>	<b>6,677,788</b>	<b>50.78%</b>

**Statement of investments as of 31/12/2017 (continued)**

Credit Institution	Deposit type	Credit Institution's country	Rating agency	Rating	FX	Interest rate	Start date	Maturity	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
<b>DEPOSITS*</b>												
Luminor Bank AS	Term deposit	EE	S&P	A+	EUR	0.05%	13/09/2017	13/03/2018	122,865		122,883	0.94%
Luminor Bank AS	Term deposit	EE	S&P	A+	EUR	0.05%	25/10/2017	25/04/2018	30,691		30,694	0.23%
<b>DEPOSITS TOTAL</b>									<b>153,556</b>		<b>153,577</b>	<b>1.17%</b>

\*Accrued interest in the amount of 21.24 EUR has been added to the value of deposits

Name	Credit Institution's country	Credit Institution	FX	Interest rate	Quantity	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
<b>CASH</b>										
CURRENT ACCOUNT	EE	Luminor	EUR				4,135,114		4,135,114	31.45%
CURRENT ACCOUNT	EE	SEB	EUR				1,000,000		1,000,000	7.60%
CURRENT ACCOUNT	EE	Swedbank	EUR				998,224		998,224	7.59%
CURRENT ACCOUNT	EE	Swedbank	TRY				102,934		102,934	0.78%
CURRENT ACCOUNT	EE	Swedbank	RON				85,315		85,315	0.65%
CURRENT ACCOUNT	EE	Swedbank	BGN				32,807		32,807	0.25%
CURRENT ACCOUNT	EE	Swedbank	NOK				13,789		13,789	0.11%
CURRENT ACCOUNT	EE	Swedbank	RSD				2,364		2,364	0.02%
CURRENT ACCOUNT	EE	Swedbank	USD				13		13	0.00%
<b>CURRENT ACCOUNT TOTAL</b>							<b>6,370,560</b>		<b>6,370,560</b>	<b>48.45%</b>
<b>INVESTMENTS TOTAL</b>							<b>12,959,039</b>		<b>13,201,925</b>	<b>100.40%</b>
<b>OTHER ASSETS</b>										
RECEIVABLES FOR UNITS SUBSCRIBED			EUR						10,000	0.07%
RECEIVABLES FOR SECURITIES TRANSACTIONS			EUR						6,670	0.05%
<b>OTHER ASSETS TOTAL</b>									<b>16,670</b>	<b>0.12%</b>
<b>TOTAL ASSETS OF THE FUND</b>							<b>12,959,039</b>		<b>13,218,595</b>	<b>100.52%</b>
LIABILITIES									-69,025	-0.52%
<b>TOTAL ASSETS OF THE FUND</b>									<b>13,149,570</b>	<b>100.00%</b>

## STATEMENT OF COMMISSIONS

In EUR

01/01/2018-30/06/2018

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
<b>Regulated securities market transactions*</b>				
<b>Shares</b>				
Erste Group Bank AG	1	72,740	168	0.23%
<b>Third country securities market transactions</b>				
<b>Shares</b>				
BCS Prime Brokerage Limited	1	74,111	52	0.07%
<b>OTC transactions</b>				
<b>IPO</b>	2	439,924	-	-
<b>Final maturity</b>	3	1,128,990	-	-
<b>Derivatives</b>				
Swedbank AS	1	2,248,569	-	-
AS SEB Pank	2	512,568	-	-
<b>TOTAL</b>	<b>10</b>	<b>4,476,902</b>	<b>220</b>	<b>0.00%</b>

\* Contracting Party to the EEA Agreement (European Economic Area countries)

Fund executes all securities transactions at net price. In acquisition the commission fee is included in the acquisition cost and in disposal the commission is deducted from the sale amount.

In EUR

01/01/2017-30/06/2017

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
<b>Regulated securities market transactions*</b>				
<b>Shares</b>				
Swedbank Finland	1	110,220	220	0.20%
Wood and Company Financial Services, a.s	1	34,082	103	0.30%
<b>Fund units</b>				
Erste Group Bank AG	1	96,735	97	0.10%
<b>Exchange traded funds</b>				
PKO Bank Polski	1	115,962	116	0.10%
<b>Third country securities market transactions</b>				
<b>Shares</b>				
TEB Yatirim Menkul Degerler A.S.	1	111,642	145	0.13%
<b>Exchange traded funds</b>				
BGC Partners Turkey	1	215,890	259	0.01%
<b>OTC trades</b>				
<b>Final maturity</b>	1	105,875	-	-
<b>Derivatives</b>				
AS SEB Pank	2	331,340	-	-
<b>Exchange offer</b>	2	657,265	-	-
<b>Bonds</b>				
Citigroup Global Markets Ltd	1	320,563	-	-
<b>TOTAL</b>	<b>12</b>	<b>2,099,574</b>	<b>940</b>	<b>0.04%</b>

\* Contracting Party to the EEA Agreement (European Economic Area countries)

Fund executes all securities transactions at net price. In acquisition the commission fee is included in the acquisition cost and in disposal the commission is deducted from the sale amount.