

Investment Objectives & Approach

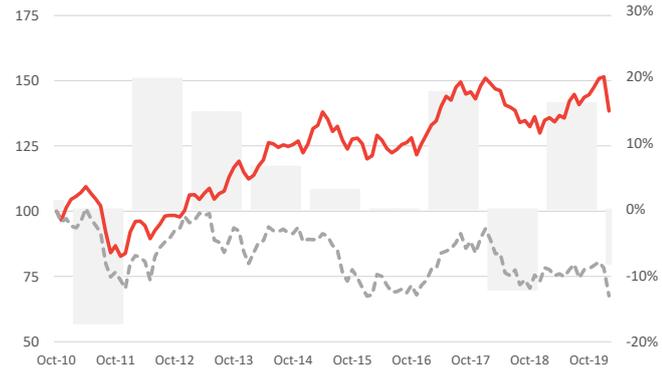
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside 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, February 2020

Global equities sold-off in a panicky manner amid coronavirus related fears wiping out several months' gains in most markets. MSCI World lost 8.6% in \$ (-8.0% in €) underperforming MSCI EM (-4.8% in €) that fared better thanks to early-month rebound in Chinese stocks. Emerging Europe, down 13.6% in €, was a clear underperformer as investors fled the region. Greek stocks (-21%) saw extremely heavy selling as people desperately tried to lock in profits from the 2019 massive rally. In euros other decliners were stocks in Turkey (-14.3%), Poland (-13.7%), the Czech Republic (-9.8%) and Romania (-9.7%) while smaller markets lost much less. Regional currencies were similarly under pressure, especially Turkish lira (-8% to €) given the rapid credit growth and rising external imbalances. Avaron Emerging Europe Fund lost 8.7% in February driven by large negative contribution from Poland (-2.3ppt) and Romania (-1.9ppt). The sharp sell-off in some Emerging Europe markets seems a bit harsh given the solid economic fundamentals of most regional economies. With a few exceptions, like Romania and Turkey, the external and fiscal balances are contained, and we do not really see any excessive leverage that could result in systemic liquidity or solvency problems during economic downturn. The Fund companies trade 9.9x 1YR FWD P/E, 10% cash flow yield and 6% dividend yield.

To receive detailed fund manager comment please send a request to info@avaron.com.

Performance, E Unit

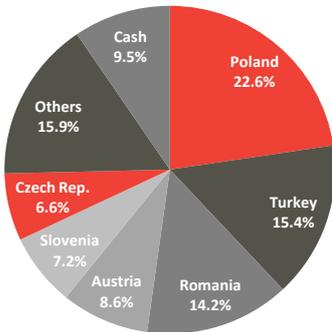


Calendar year performance (right)
Fund NAV, E Unit (left)
Benchmark Index (MSCI EFM EUROPE + CIS (E+C) ex Russia, left)
Past performance is not a guarantee or indicative of future results.

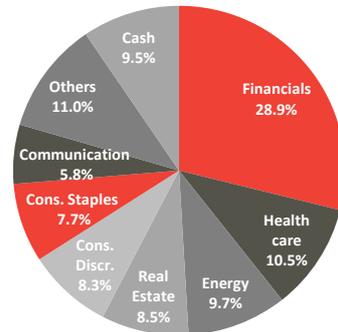
Perf overview	E Unit return	Index return*	Calendar year return, E Unit			
			Year	Gross	Net Index*	
1 month	-8.7%	-13.6%	2019	18.0%	16.0%	10.3%
YTD	-8.3%	-16.1%	2018	-10.9%	-12.2%	-18.6%
3 months	-6.1%	-14.6%	2017	19.2%	17.7%	25.3%
6 months	-1.7%	-9.1%	2016	2.1%	-0.1%	1.2%
1 year	1.9%	-12.8%	2015	6.7%	2.9%	-20.0%
3 years	4.0%	-13.0%	2014	9.4%	6.5%	4.7%
5 years	5.1%	-24.1%	2013	18.5%	14.6%	-13.9%
7 years	30.1%	-30.0%	2012	21.1%	19.7%	39.3%
8 years	44.1%	-18.5%	2011	-16.3%	-17.3%	-27.5%

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

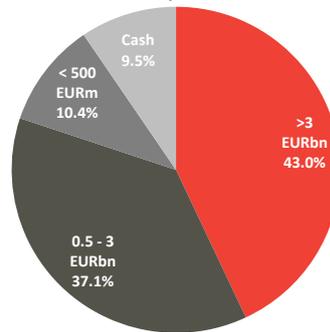
Geographic breakdown



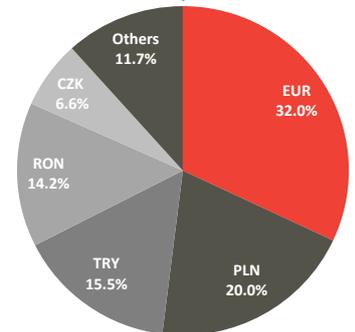
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Feb-20	Change				
		1 mo	3 mo	12 mo	3 years	5 years
Poland	22.6%	-0.1%	-0.5%	2.4%	10.9%	12.7%
Turkey	15.4%	0.7%	1.6%	1.4%	-7.7%	3.7%
Romania	14.2%	-0.5%	-0.8%	-3.3%	-6.1%	-0.1%
Austria	8.6%	0.3%	0.1%	1.3%	-4.0%	-15.2%
Hungary	7.4%	2.3%	2.7%	2.8%	6.7%	5.3%
Slovenia	7.2%	0.2%	0.7%	1.9%	3.9%	3.9%
Czech Rep.	6.6%	-0.1%	-0.3%	-1.2%	-4.0%	-1.7%
Greece	3.0%	1.0%	0.9%	3.0%	3.0%	3.0%
Baltics	2.4%	0.0%	0.0%	-0.5%	0.8%	-2.4%
Others	3.1%	0.1%	0.2%	0.1%	0.7%	-0.1%

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
Poland	-2.3%	-1.9%	-1.3%	-2.2%	0.2%	2.3%
Turkey	-0.6%	0.8%	0.8%	0.1%	-4.6%	-7.1%
Romania	-1.9%	-1.8%	4.8%	-2.0%	7.9%	10.6%
Austria	-0.6%	-0.4%	0.7%	-0.4%	3.8%	6.6%
Hungary	-0.4%	0.1%	0.2%	-0.4%	0.4%	1.4%
Slovenia	-0.5%	0.2%	1.1%	-0.2%	2.0%	1.6%
Czech Rep.	-0.7%	-0.8%	-1.5%	-1.0%	0.8%	0.8%
Greece	-0.6%	-0.6%	-0.2%	-0.6%	-0.2%	-0.2%
Baltics	-0.2%	-0.1%	0.0%	-0.1%	0.6%	1.2%
Others	-0.1%	0.0%	0.3%	0.0%	-0.2%	1.3%

Risk metrics

Alpha	4%
Volatility & stand. deviation	9.5%
Beta	0.47
Sharpe ratio	0.14
Information ratio	0.62
Tracking error	10.2%

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

Turnover

	FY 2019	Adj*
	26.1%	32.9%

Fund statistics

Number of positions	44
Top10	45.1%
Top20	68.5%
Gross exposure	90.5%
Net exposure	90.5%
Concentration coefficient	34
Median market cap MEUR	1832
Average market cap MEUR	2842

Sector allocation

	Feb-20	Change				
		1 mo	3 mo	12 mo	3 years	5 years
Financials	28.9%	-0.2%	-1.5%	4.0%	-7.2%	-1.6%
Health care	10.5%	0.3%	1.0%	2.1%	5.5%	6.2%
Energy	9.7%	1.4%	1.8%	1.2%	3.4%	2.1%
Real Estate	8.5%	0.4%	0.2%	0.0%	-3.9%	-7.4%
Cons. Discr.	8.3%	0.7%	0.9%	3.2%	1.7%	3.9%
Consumer Staples	7.7%	0.5%	1.1%	2.2%	5.4%	3.3%
Communication	5.8%	0.0%	-0.1%	0.3%	3.2%	5.3%
Industrial	5.3%	0.4%	0.6%	-2.8%	2.7%	5.3%
Others	5.7%	0.3%	0.5%	-2.4%	-6.7%	-8.2%

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	-3.0%	-2.2%	-2.0%	-3.0%	-3.7%	0.8%
Health care	-0.7%	0.2%	1.3%	-0.5%	2.4%	2.6%
Energy	-1.4%	-1.8%	1.0%	-1.9%	2.7%	4.5%
Real Estate	-0.5%	-0.3%	0.8%	-0.2%	2.7%	0.3%
Cons. Discr.	-0.6%	-0.2%	0.9%	-0.5%	0.9%	3.0%
Consumer Staples	-0.2%	0.5%	0.9%	0.4%	2.2%	2.8%
Communication	-0.6%	-0.3%	1.1%	-0.5%	0.6%	1.1%
Industrial	-0.5%	-0.2%	-1.3%	-0.3%	0.5%	0.7%
Others	-0.3%	-0.1%	2.3%	-0.1%	2.5%	2.5%

Style allocation

	Feb-20	Change				
		1 mo	3 mo	12 mo	3 years	5 years
Cyclical	54.2%	2.6%	2.2%	5.6%	3.9%	22.4%
Non-cyclical	25.4%	0.8%	2.0%	5.0%	9.1%	3.8%
Asset play	10.9%	0.4%	0.5%	-2.6%	-4.7%	-8.7%
Cash	9.5%	-3.8%	-4.7%	-7.9%	-3.7%	-9.0%

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	-5.5%	-4.1%	-0.7%	-5.6%	-0.5%	4.9%
Non-cyclical	-1.7%	0.0%	2.4%	-1.0%	5.9%	6.6%
Asset play	-0.6%	-0.3%	3.2%	-0.2%	5.6%	4.4%
Cash	-0.1%	-0.1%	0.0%	-0.1%	-0.6%	-0.6%

Liquidity analysis*

	20%	50%
3 days	66.3%	74.7%
2 weeks	77.9%	91.0%
4 weeks	92.2%	98.7%

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

Fund Facts - Avaron Emerging Europe Fund

Investment Manager	AS Avaron Asset Management	Cut-off	10am CET
Fund type	UCITS V	NAV frequency	Daily dealing, T+3
Launch date	April 23, 2007	Supervised by	Estonian FSA
Domicile	Estonia	Custodian	Swedbank AS
Currency	EUR	Transfer agent	Swedbank AS
Dividends	reinvested	NAV calculation	Swedbank AS
Fund size, MEUR	56.6	External auditor	KPMG
Total AUM, MEUR	360+	Internal auditor	PWC

Unit class	D (Retail)	C (Institutional)	E (Institutional)
Min. initial investment	-	500,000 EUR	500,000 EUR

Front-end load	-	-	-
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Management fee	2%	1.15%	0.85%
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Performance fee (unit based)	-	-	15% over MSCI EFM EUROPE + CIS (E+C) ex RU index, annual reset (June 30)
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Back-end load	-	-	-
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Contact Information

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	NAV	ISIN code	TER 2019
28-Feb-2020			
B unit	4.9366 EUR	EE3600090056	1.63%
C unit	16.7231 EUR	EE3600102901	1.53%
D unit	13.8237 EUR	EE3600108866	2.38%
E unit	13.8318 EUR	EE3600108874	1.25%

Public offering France, Switzerland, Germany, United Kingdom, Finland, Sweden, Estonia, Latvia, Lithuania

Tax transparency Germany, Switzerland

Platforms & execution Allfunds, MFEX, Clearstream AFS, SIX SIS AG, RBC Investor Services

Morningstar rating Yes, four stars (5 years)

Fund documents & prospectus www.avaron.com/documents

	WKN code	Telekurs ID	Bloomberg ticker	Reuters RIC
C unit	A0PEFO	CH10799792	AVAEESC ET	LP68063797
D unit	A1W7P0	CH12407332	AVEMEUD ET	LP68083763
E unit	A113GN	CH12414216	AVEMEUE ET	LP68083764

About Avaron Asset Management

Avaron Asset Management (founded in 2007) is an independent management-owned investment manager with a clear focus on stock-picking (bottom-up) and value investing in Emerging Europe region. We aim to deliver positive risk-adjusted return to our clients over the market cycle. Our portfolios are long-only and invest in listed stocks. Investment ideas are generated through in-house proprietary research of approximately 250 Emerging Europe companies, backed by regular on the ground visits and meetings. Our stock selection is primarily driven by the upside to internally set target prices on single company level. We invest only in business models that we understand and can model ourselves focusing on companies with leading market positions and strong recurring revenue streams. In addition, we have integrated ESG analysis into our investment process and adhere to the UN Principles for Responsible Investment (UN PRI). Our team of 17 professionals (including 11 in the investment team), based in Estonia and Poland, takes care of around 400 million euros of mainly professional investor assets. We adhere to the *UN Principles for Responsible Investment* (PRI) and are supervised by the Estonian Financial Supervision Authority.

Signatory of:



Kristel Kivinurm-Prisalm
Managing Partner,
CEO & Investor Relations



Peter Priisalm
Partner, co-CIO,
Investment Manager



Valdur Jaht
Partner, co-CIO,
Investment Manager



Rain Leesi, CFA
Investment Manager

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