



Avaron Emerging Europe Fund

SEMI-ANNUAL REPORT FOR THE FINANCIAL YEAR 2019

UNAUDITED

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FUND FACTS

Avaron Emerging Europe Fund is a public common investment fund registered in the Republic of Estonia. The Fund complies with the requirements set out in the Directive 2009/65/EC of the European Parliament and of the Council.

Name of the Fund	Avaron Emerging Europe 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: avaron@avaron.com www.avaron.com
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	Valdur Jaht, Peter Priisalm
Fund established	3 April 2007
Start of the Fund's activities	23 April 2007
Reporting period	1 January 2019–30 June 2019

INVESTMENT MANAGERS' REPORT

General Information

Avaron Emerging Europe Fund (hereinafter: "the Fund") invests actively in listed equities of Emerging Europe ex-Russia region. 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 maximize upside to internally set target prices, taking into account company quality, ESG score, 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.

The Fund is managed by AS Avaron Asset Management (hereinafter "Avaron"), an independent investment management company established in 2007 and fully owned by employees. Avaron's core activity involves investing the assets of our mutual funds and institutional investor managed accounts into Central and Eastern European listed equities. We create additional value to our clients by applying active value investing principles while also adhering to the UN Principles of Responsible Investment. As at the end of June 2019 Avaron managed 384 million euros of investor assets. The firm employs 20 investment and finance specialists. Avaron holds a licence from the Estonian Financial Supervision Authority to manage investment portfolios and funds.

The Fund is a UCITS-V fund and registered for public sale in Estonia, France, Switzerland, Germany, United Kingdom, Finland, Sweden and Latvia. The Fund's fund administration, custody services and transfer agent services are outsourced to Swedbank AS.

Investment Philosophy: Value Investing, Stock-Picking and Responsible Investing

Our investment philosophy is based on value investing principles. Over time stock prices tend to over or underreact to market news and thus deviate from fundamental value of a company. In order to take advantage of such occurrences our portfolio construction is fully bottom-up, assessing every investment case on a standalone basis. Our idea generation is proprietary, driven predominantly by upside to internally set fair value targets. We tend to have long term holding periods but our upside oriented investment process also allows us to take advantage of short-term market volatility without losing focus of the underlying fundamental value of the company. We search for well managed companies with leading market positions, identifiable competitive advantage(s) and strong recurring revenue based business models that we understand and are able to model ourselves.

Within our investment process **we put strong emphasis on company quality that is assessed by using an internal Quality Score** focusing on management team and business model quality, and financial strength of the company. Besides conventional financial and non-financial aspects **we have integrated ESG (environmental, social, governance) analysis into our investment process leveraging upon our bottom-up regional expertise with an aim to identify material ESG risks and value creation opportunities.** Our investment team has been following vast majority of our current listed equity universe for a decade, which serves as an important strength in assessing the companies' future potential. In order to have an extensive knowledge base of the companies in our universe we have taken a strategic decision not to outsource ESG analysis to third party providers but rather to educate our research team and develop the knowhow in-house.

Sustainability at Avaron

Avaron as a company is committed to sustainable business practices, which are embedded into our corporate identity. We review sustainability under the categories of People, Community, Environment and Investing. Avaron as a company can leave the most significant footprint of its activities by investing into companies that follow ESG principles, i.e. care for the environment, pay attention to social aspects and follow corporate governance principles in their activities. Details of these topics are available in [Avaron Sustainability Report 2018](#) publicly available at our website.

In Q2 we participated for the 2nd time in Estonian Corporate Social Responsibility Index assessment and maintained the gold level quality label that we initially received in 2017. The quality label is given to organizations that show high performance and systematic approach in sustainable activities as an employer, towards local community, environment, workplace and marketplace, and have high governance standards. The questionnaire that is used for the assessment is based on ISO26000 and Global Reporting Initiative standards. We are proud to have scored among the highest across small and mid-sized enterprises, proving that our efforts in adopting sustainable business and responsible investment practices are bearing fruit.

Main Developments During First Half of 2019

Emerging Europe equities (MSCI EFM EUROPE + CIS (E+C) ex Russia) gained 6.2% in € during the first half of 2019 driven by the positive sentiment of global markets. Among the largest markets Poland (+5.4% in €) and the Czech Republic (+6.8%) were the best performers while Turkey finished the first six months down 2.7% in € mainly driven by weakening lira (-7.9% to €). However, the main surprises came from Romania (+17.5% in €) and Greece (+41.6% in €). Romanian stocks continue to re-rate as analysts continue to upgrade earnings estimates following the milder than initially anticipated sector based taxation impact and solid Q1 figures. Greece has been the strongest performer as the markets have shrugged off worries over potential recapitalization of banks while the economic performance has been strong and political change is about to happen on the 7th of July snap elections.

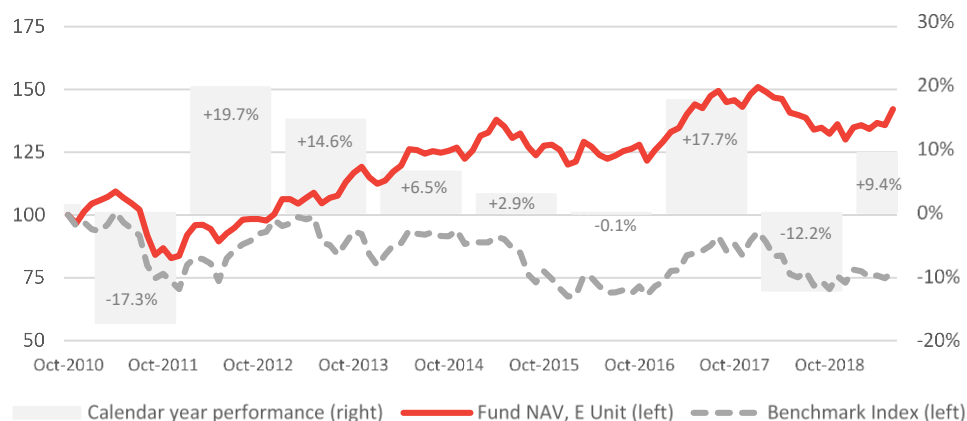
Avaron Emerging Europe Fund gained 8.8-9.4% (depending upon a share class) in the first half of 2019 outperforming the benchmark MSCI EFM Central and Eastern Europe & CIS ex Russia Index (up 6.2%) mainly due to overweight positioning in Romania, strong performance of Polish stock picks and underweight in Turkey. In 5 years, the Fund has delivered 13.0% return vs. -16.2% for the index, with lower volatility (9.2% vs. 16.8% for the index), resulting in 4.2% alpha for our investors. Total net assets of the Fund increased from €60.7 million to €62.8 million during the first half of 2019.

Table 1. Cumulative rate of net return of Fund's NAV, in EUR

	2019					
	HY1	1 year	3 years	5 years	7 years	10 years
A unit	8.9%	0.8%	13.5%	12.7%	55.4%	106.1%
B unit	9.2%	1.3%	15.4%	15.8%	61.2%	117.2%
C unit	9.3%	1.3%	14.0%	13.4%	55.4%	
D unit	8.8%	0.5%	12.6%	11.3%	52.5%	
E unit	9.4%	1.7%	16.2%	13.0%	53.4%	
Index*	6.2%	3.1%	12.4%	-16.2%	-6.2%	30.6%

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

Graph 1. Performance of Fund's NAV vs. the market (2010-2019, E unit)



Fund Positioning and Portfolio Valuation

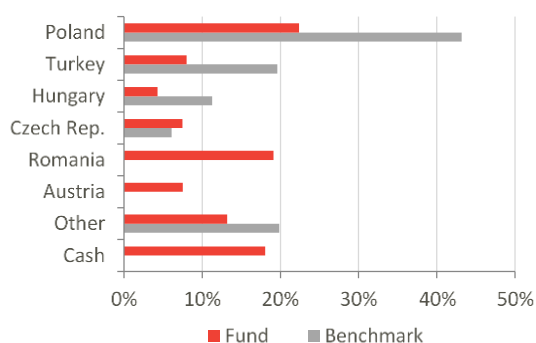
Positioning of the Fund remains conservative as we have around 16% of cash in the portfolio and are underweight compared to the benchmark in Turkish equities. Such stance is a reflection of our modest bottom-up estimates for corporate earnings growth in the region amid maturing economic cycle and slowing growth. Consensus on benchmark basis has been continuously revised downwards. In Q2 we saw -7% revision in the consensus EPS estimates for 2019-20, which now indicate 10% earnings decline for 2019 and a rebound of 18% for 2020. In comparison, our estimates for the Fund portfolio stand at -6% and +6%, respectively. While valuation on an index basis does not look expensive with MSCI EFM EUROPE + CIS (E+C) ex Russia trading at 9.8x 1YR FWD P/E, the number of attractively valued companies within our investment universe is limited.

Our portfolio construction process is benchmark agnostic and fully bottom-up. In comparison to the benchmark the Fund is currently strongly OW in Romania, and UW in Poland, Turkey, Greece and Hungary. In the Czech Republic the positioning is marginally overweight. Besides the large cash position majority of the difference is balanced by off-benchmark exposure in Vienna-listed regional real estate companies.

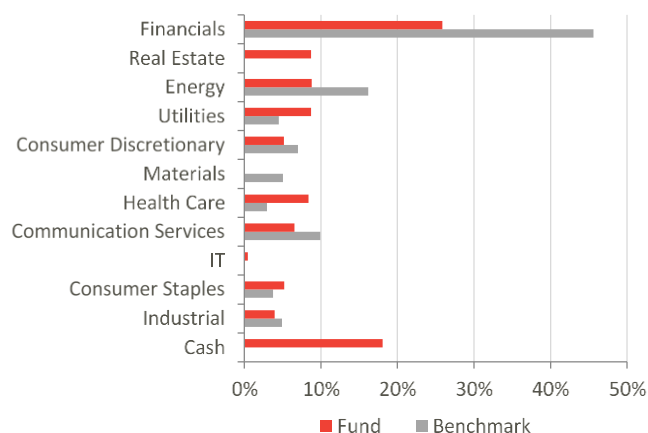
Romanian stocks are in our view reasonably valued with MSCI Romania trading at 8.4x 1YR FWD P/E albeit corporate profits are expected to contract in 2019 by 7% and recover 2% in 2020. Limited relative exposure to Poland compared to the index is due to somewhat demanding valuations in the regional context as MSCI Poland is trading at 11.8x 1YR FWD P/E. Consensus expects 2% and 15% earnings growth for 2019-20, while we remain more cautious in our estimates regarding 2020.

In Turkey we are underweight compared to the benchmark as we think that the economic contraction period will be longer than the market anticipates. Also, the political pressure on the central bank to bring interest rates lower amid high inflation, low central bank reserves, notable external re-financing needs and tense relations with the US make Turkish lira fragile. Valuations in Turkey do reflect a fair amount of the risks as the market index MSCI Turkey trades at 6.3x 1YR FWD P/E, significantly below the 10-year historical average of 9.9.

Graph 2. Fund vs. Benchmark Country Weights



Graph 3. Fund vs. Benchmark Sector Weights



The selection of companies in the Fund portfolio trade at 11.0x 1YR FWD P/E compared to 9.9x historical average. In the current environment we favour companies with strong balance sheets and solid sustainable free cash flow generation. The aggregate net gearing of our portfolio companies stands at 16% and dividend yield at 5%+ on an average pay-out rate of 63%.

Table 2. Style Allocation of the Fund

	% of the Fund	P/E adj			EPS adj growth		EV/EBITDA		Div yield	P/B
		12M	2019	2020	2019	2020	2019	2020	2018	12M
Cyclical	46.0%	9.3	10.1	9.7	-9.7%	3.9%	4.4	4.2	6.8%	1.23
Non-cyclical	21.0%	15.7	15.3	13.5	6.6%	13.9%	6.8	6.2	3.4%	1.63
Asset play	14.9%	-	-	-	-	-	-	-	6.6%	0.77
Total equity	81.9%	10.7	11.3	10.7	-6.4%	6.2%	5.4	5.1	5.9%	1.18

30 July 2019

Kristel Kivinurm-Priisalm
Member of the Management Board

CONFIRMATION OF SEMI-ANNUAL FINANCIAL STATEMENTS OF 2019

The Management Board of the Fund Management Company has prepared the semi-annual Financial Statements of Avaron Emerging Europe Fund on 26/08/2019.

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 Emerging Europe Fund. The Management Board considers Avaron Emerging Europe Fund to carry its activities as a going concern.

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

Name	Date	Signature
Kristel Kivinurm-Priisalm Member of the Management Board of the Fund Management Company	26/08/2019	/Signed digitally/
Valdur Jaht Member of the Management Board of the Fund Management Company / Investment Manager	26/08/2019	/Signed digitally/
Peter Priisalm Investment Manager	26/08/2019	/Signed digitally/

FINANCIAL STATEMENTS**BALANCE SHEET**

In EUR

ASSETS	Note	30/06/2019	31/12/2018
Cash and cash equivalents	3	9,779,943	10,522,718
Term deposits	3	1,153,704	1,001,197
Financial assets at fair value through profit or loss:	4		
Shares and units		51,493,889	49,062,202
Receivables and prepayments	4; 6	507,136	214,555
TOTAL ASSETS		62,934,672	60,800,672
LIABILITIES			
Other financial liabilities	4		
Payables to the management company	7	44,366	49,287
Payables to the depository		34,070	19,520
Other liabilities		16,283	14,652
TOTAL LIABILITIES		94,719	83,459
NET ASSETS ATTRIBUTABLE TO HOLDERS		62,839,953	60,717,213

STATEMENT OF INCOME AND EXPENSES

In EUR

	Note	01/01/2019- 30/06/2019	01/01/2018- 30/06/2018
INCOME			
Interest income		5,737	10,613
From deposits		5,737	10,613
 Dividend income		 2,058,219	 1,983,523
From shares and units		2,058,219	1,983,523
 Net gain/loss from financial assets at fair value through profit or loss		 4,524,101	 -3,402,217
From shares and units	5	4,524,101	-3,406,489
From derivative instruments	5	-	4,272
 Net gain/loss from foreign exchange		 -732,583	 -2,545,750
 TOTAL INCOME		 5,855,474	 -3,953,831
 OPERATING EXPENSES			
Management fees	7	285,146	410,580
Performance fees	7	-	153,092
Custodian fees		99,336	123,924
Transaction fees		982	1,996
Other operating expenses		11,760	16,902
 TOTAL OPERATING EXPENSES		 397,224	 706,494
 NET INCOME		 5,458,250	 -4,660,325

STATEMENT OF CHANGES IN NET ASSETS

In EUR

	01/01/2019- 30/06/2019	01/01/2018- 30/06/2018	01/01/2017- 30/06/2017
NET ASSET VALUE AT THE BEGINNING OF THE PERIOD	60,717,213	80,590,739	63,112,459
Cash received for fund units issued	1,453,291	7,601,885	2,139,376
Cash paid for fund units redeemed	-4,788,801	-12,726,630	-5,268,564
Net result of the Fund	5,458,250	-4,660,325	8,048,785
NET ASSET VALUE AT THE END OF THE PERIOD	62,839,953	70,805,669	68,032,056
	30/06/2019	30/06/2018	30/06/2017
NUMBER OF THE UNITS IN CIRCULATION AT THE END OF REPORTING PERIOD			
Number of A units in circulation:	127,194.756	140,383.755	160,305.508
Number of B units in circulation:	387,774.897	396,121.279	483,429.051
Number of C units in circulation:	129,873.476	17,782.851	27,557.687
Number of D units in circulation:	236,261.378	496,392.613	687,939.694
Number of E units in circulation:	<u>3,852,735.100</u>	<u>4,357,170.987</u>	<u>3,822,299.391</u>
NET ASSET VALUE OF AN UNIT AT THE END OF REPORTING PERIOD			
Net asset value of the A unit:	4.6826	4.6474	4.7630
Net asset value of the B unit:	5.0010	4.9387	5.0362
Net asset value of the C unit:	16.9298	16.7075	17.1164
Net asset value of the D unit:	14.0749	14.0063	14.3936
Net asset value of the E unit:	<u>14.2187</u>	<u>13.9878</u>	<u>14.2480</u>
TOTAL NET ASSET VALUE OF THE FUND UNITS			
Total net asset value of the A units:	595,600	652,425	763,533
Total net asset value of the B units:	1,939,261	1,956,315	2,434,629
Total net asset value of the C units:	2,198,732	297,107	471,687
Total net asset value of the D units:	3,325,360	6,952,641	9,901,938
Total net asset value of the E units:	<u>54,781,000</u>	<u>60,947,181</u>	<u>54,460,269</u>
TOTAL NET ASSET VALUE	62,839,953	70,805,669	68,032,056

STATEMENT OF CASH FLOWS

In EUR

	01/01/2019- 30/06/2019	01/01/2018- 30/06/2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	3,214	10,977
Dividends received	1,583,369	1,856,528
Net result from foreign exchange	310,162	-98,472
Sale of investments	3,658,936	6,151,945
Purchase of investments	-2,745,326	-13,047,549
Operating expenses paid	-264,852	-563,633
	2,545,503	-5,690,204
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	1,441,410	7,618,672
Payments on redemption of units	-4,740,146	-12,726,796
	-3,298,736	-5,108,124
TOTAL CASH FLOWS	-753,233	-10,798,328
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	10,522,718	23,515,538
Effect of exchange rate fluctuations on cash and cash equivalents	10,458	-64,596
Cash and cash equivalents at the end of the period	9,779,943	12,652,614

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES AND ASSESSMENTS USED

The semi-annual financial statements of Avaron Emerging Europe Fund for 2019 have been prepared in compliance with the valid Investment Funds Act as supplemented by the regulations of the Minister of Finance. The financial statements have been prepared, as stipulated in the Minister of Finance Regulation 8 of 18/01/2017 “Requirements for the reports of investment funds to be published” in accordance with the accounting policies and information presentation principles of the International Financial Reporting Standards as approved by the European Commission while taking into account the specifications of the regulation and Rules for Calculating Net Asset Value of 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:

- 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),
- 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 IAS 19 „Plan Amendment, Curtailment or Settlement“ (effective for annual periods beginning on or after 1 January 2019),
- Annual Improvements to IFRS Standards 2015-2017 Cycle (effective for annual periods beginning on or after 1 January 2019).

The adoption of these amendments to the existing standards has not led to any significant changes in the Fund’s accounting policies.

Standards and interpretations issued by IASB but not yet adopted by the EU

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 References to the Conceptual Framework in IFRS Standards (effective for annual periods beginning on or after 1 January 2020),
- Amendment to IFRS 3 „Business Combinations“ (effective for annual periods beginning on or after 1 January 2020),

- Amendments to IAS 1 „Presentation of Financial Statements“ and IAS 8 „Accounting Policies, Changes in Accounting Estimates and Errors“: Definition of Material (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.

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 the circumstances. The 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. The fair value of financial instruments quoted on actively traded markets is determined by the quoted prices. 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 based on valuation models that use unobservable inputs.

Foreign currency transactions

Foreign currency transactions are recorded using the last bid rate established by the depositary for the funds managed by AS Avaron Asset Management on the transaction date (hereinafter referred to as the depositary bid rate). This rate is based on market inputs. The assets and liabilities quoted in foreign currency are translated into EUR based on the depositary bid rate applicable on the reporting 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 a 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 another 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 three categories in accordance to the principles of IFRS 9 taking into account the measurement:

1. amortised cost (AC);
2. fair value through other comprehensive income (FVOCI);
3. fair value through profit or loss (FVTPL).

The Fund does not hold financial assets measured at fair value through other comprehensive income.

Classification

On initial recognition, the Fund classifies financial instruments at amortised cost or fair value through profit or loss. A financial instrument is measured at amortised cost if it is not designated as at FVTPL, it is held within a business model whose objective is to hold assets to collect contractual cash flows, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). The classification and subsequent measurement depend on the business model for managing the financial assets and the contractual cash flow characteristics. The classification of financial assets is determined at initial recognition. The Fund has determined the following business models for managing financial assets:

- Held-to-collect business model, which includes financial assets that are held to collect contractual cash flows.
- Other business model, where financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent purchases and sales taking place.

Recognition

In the course of normal business activities investments into shares or units of funds, bonds and derivative instruments are recognised using the trade date accounting principles. Trade date is defined as the date when the Fund takes the obligation to buy or sell the financial instrument. 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 the statement of income and expenses. Commissions recognized as acquisition cost are insignificant and have no impact on Fund's assets or net income. Commissions are shown in the semi-annual report under "Net gain/loss from financial assets at fair value through profit and loss" through revaluation. If the commissions were directly expensed, they would have been reported under operating expenses.

After initial recognition the financial assets and liabilities are measured at fair value in the category "At fair value through profit or loss" or at amortised cost. 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 the 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) (i.e. exit price) 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 inputs that are determined based on the market data (such as publicly available information about actual events or transactions) and that reflect assumptions which market participants would use when pricing an asset or a 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, based on professional judgement, the one that is most liquid and most representative 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 reporting date. If the closing price is unavailable, the official mid price is used. If the 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.
- 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 them 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 sales amount of securities includes the 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 it intends to use the right.

Cash and cash equivalents and cash flows

Cash and cash equivalents comprise of the 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 maturity is less than 12 months. Deposits are initially recognised at acquisition cost and subsequently measured at amortized cost using the effective interest rate method.

Receivables

Receivables include revenues calculated on the accrual basis but not yet collected, including dividend receivables and other accrued income. Miscellaneous receivables include receivables from unsettled sales 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.

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 five classes of units which are redeemable at demand of the unit-holder. Different rights are attached to different unit classes. All the unit classes are reported as financial liabilities. Units shall be issued, redeemed and switched on every banking day according to the Fund rules. The redemption price of a unit is equal to the net asset value of the unit as of the trade date from which the redemption fee and penalty charge may be deducted.

The net asset value of a Unit is determined by dividing the total net asset value of a class of Units by the number of Units of that class 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 income of the Fund shall not be distributed to unit holders but shall be reinvested. A unit holder's profit or loss is reflected in the Unit's net asset value change.

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.

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 the Management Company AS Avaron Asset Management, other investment funds managed by the management company, all the group companies, the Management Board of the Fund Management Company and their related parties. According to the Fund rules the Fund pays management fees to the Management Company on a monthly basis. Transactions with group companies have been made based on market conditions.

NOTE 2. RISK MANAGEMENT

Short Overview of Investment and Risk Management Techniques

Avaron focuses on Emerging Europe listed equity asset class with an objective to deliver positive risk adjusted return to our clients over the market cycle. This is achieved by constructing a portfolio of companies that maximises the aggregate upside to internally set target prices of individual companies in our investment universe taking into account the quality and ESG profile of a company, liquidity of an instrument and where relevant also FX outlook.

Our investment philosophy is based on value investing principles. Over time stock prices tend to over or underreact to market news and thus deviate from fundamental value of a company. In order to take advantage of such occurrences our portfolio construction is fully bottom-up, assessing every investment case on a standalone basis. Our idea generation is proprietary, driven predominantly by upside to internally set fair value targets. We tend to have long term holding periods but our upside oriented investment process also allows us to take advantage of short-term market volatility without losing focus of the underlying fundamental value of the company. We search for well managed companies with leading market positions, identifiable competitive advantage(s) and strong recurring revenue based business models that we understand and are able to model ourselves.

Within our investment process we put strong emphasis on company quality that is assessed by using an internal Quality Score focusing on management team and business model quality, and financial strength of the company. Besides conventional financial and non-financial aspects we have integrated ESG analysis into our investment process leveraging upon our bottom-up regional expertise with an aim to identify material ESG risks and value creation opportunities. Our investment team has been following vast majority of our current listed equity universe for a decade, which serves as an important strength in assessing the companies' future potential. In order to have an extensive knowledge base of the companies in our universe we have taken a strategic decision not to outsource ESG analysis to third party providers but rather to educate our research team and add an ESG specific layer within our investment process.

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's portfolio based on the Fund Manager's views of the economy and attractiveness of each financial instrument.

The Fund Management Company has established procedures for internal risk management in order to identify, monitor, measure and hedge the risks associated with the Fund's investments. The Fund Management Company regularly examines that the Fund is in compliance with its investment restrictions.

Credit risk

Credit risk refers to the risk that the issuer of a security 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 the issued debt obligations, a counterparty to a trade does not deliver the securities or cash during the settlement, a counterparty defaults on a loan granted by the Fund), causing damage to the Fund.

Maximum exposure to credit risk as of the end of the period in EUR (detailed overview regarding cash and cash equivalents and term deposits presented in Note 3):

	30/06/2019	% of NAV	31/12/2018	% of NAV
Cash and cash equivalents	9,779,943	15.56%	10,522,718	17.34%
Term deposits	1,153,704	1.84%	1,001,197	1.65%
Receivables and prepayments	507,136	0.81%	214,555	0.35%
TOTAL	11,440,783	18.21%	11,738,470	19.34%

The Fund's assets can be invested in bonds that are liquid and transferable. In case of debt securities with investment grade rating by S&P (or Moody's equivalent) of BBB- or higher a basic financial analysis and a study of terms of the issue (prospectus) is conducted. In case of debt securities with no rating / non-investment grade rating, higher due diligence requirements apply.

The Fund had no investments in bonds as at 30 June 2019 nor 31 December 2018.

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 01/04/2019 by Standard & Poor's, with AS SEB Bank, which parent company Skandinaviska Enskilda Banken AB is rated A+ as of 30/10/2018 (Standard & Poor's) and with Luminor Bank AS, which is rated A- as of 13/09/2018 (Moody's).

Liquidity risk

Liquidity risk refers to the risk that due to low liquidity a financial instrument cannot be sold at the desired time, at the desired price or there is no market (buyer) at all. Liquidity risk is particularly relevant in case of investing into small cap companies and 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 a credit line of 6,000,000 EUR that can be accessed to meet short-term liquidity needs. These resources have not been used as of 30/06/2019.

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

	Up to 3 days		Up to 1 month		Over 1 month	
	30/06/2019	31/12/2018	30/06/2019	31/12/2018	30/06/2019	31/12/2018
Payables to the management company	-	-	44,366	49,287	-	-
Payables to the depository	-	-	34,070	19,520	-	-
Payables for redeemed units	9,122	617	-	-	-	-
Trade settlement payable	-	6,854	-	-	-	-
Other liabilities	-	-	-	-	7,161	7,181
Assets attributable to holders	-	-	-	-	62,839,953	60,717,213
TOTAL	9,122	7,471	78,436	68,807	62,847,114	60,724,394

Positions that may take more than 10 business days to liquidate based on six months average trading volume (30% of trading volume).

Instrument	Country	Sector	% of NAV	
			30/06/2019	31/12/2018
OMV PETROM SA	Romania	Energy	6.93%	5.52%
SC FONDUL PROPRIETATEA SA	Romania	Utilities	6.14%	5.33%
KRKA	Slovenia	Health Care	4.11%	3.93%
ATRIUM EUROPEAN REAL ESTATE	Jersey	Real Estate	2.77%	2.83%
TALLINK GRUPP AS	Estonia	Industrial	1.78%	1.93%
WIRTUALNA POLSKA HOLDING SA	Poland	Communication Services	1.73%	1.49%
NOVA LJUBLJANSKA BANKA DD	Slovenia	Financials	1.50%	-
ANADOLU HAYAT EMEKLILIK	Turkey	Financials	1.37%	1.85%
BULGARIA REAL ESTATE FUND	Bulgaria	Real Estate	1.23%	1.16%
ARENA HOSPITALITY GROUP DD	Croatia	Consumer Discretionary	1.07%	1.04%
TALLINNA SADAM AS	Estonia	Industrial	1.01%	1.10%
HRVATSKI TELEKOM DD	Croatia	Communication Services	0.79%	0.77%
SPHERA FRANCHISE GROUP SA	Romania	Consumer Discretionary	0.54%	0.56%
TELEKOM SPRSKE AD BANJA LUKA	Bosnia & Herzegovina	Communication Services	-	0.04%
TOTAL			30.97%	27.55%

Positions that may take more than 20 business days to liquidate based on six months average trading volume (30% of trading volume).

Instrument	Country	Sector	% of NAV	
			30/06/2019	31/12/2018
KRKA	Slovenia	Health Care	4.11%	3.93%
ATRIUM EUROPEAN REAL ESTATE	Jersey	Real Estate	2.77%	2.83%
TALLINK GRUPP AS	Estonia	Industrial	1.78%	1.93%
NOVA LJUBLJANSKA BANKA DD	Slovenia	Financials	1.50%	-
ANADOLU HAYAT EMEKLILIK	Turkey	Financials	1.37%	1.85%
BULGARIA REAL ESTATE FUND	Bulgaria	Real Estate	1.23%	1.16%
ARENA HOSPITALITY GROUP DD	Croatia	Consumer Discretionary	1.07%	1.04%
TALLINNA SADAM AS	Estonia	Industrial	1.01%	-
TOTAL			14.84%	12.74%

Market risk

Market risk refers to the risk of suffering losses due to adverse price movements at a specific securities market or a market for other assets. Adverse price movements may be caused by a country's weak economic indicators, poor financial results of an business sector, volatile securities market, investors' behaviour and psychology and other factors. Diversification among sectors, countries, currencies and instruments are the main risk management tools used by the Fund to address market risk.

Currency risk

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

	% of Fund's		% of Fund's	
	30/06/2019	assets	31/12/2018	assets
EUR	20,683,352	32.87%	13,288,849	21.86%
PLN	13,518,249	21.48%	12,038,557	19.80%
RON	13,292,703	21.12%	13,077,059	21.51%
TRY	5,063,073	8.04%	7,292,337	11.99%
CZK	4,872,376	7.74%	7,684,190	12.64%
HUF	3,130,453	4.97%	3,164,865	5.20%
HRK	1,205,361	1.92%	1,097,556	1.81%
BGN	1,169,105	1.86%	1,102,357	1.81%
USD	-	-	2,031,373	3.34%
BAM	-	-	23,529	0.04%
TOTAL	62,934,672	100.00%	60,800,672	100.00%

Currency risk sensitivity analysis

Fund's net asset value would have been affected by the weakening of foreign currencies against EUR on 30 June 2019. The sensitivity analysis assumes the weakening of foreign currency rates against EUR in the magnitude of the change from the higher to lower value during the last ten years. The analysis assumes that all the other variables remain constant. Analysis for 31 December 2018 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:

	30/06/2019			31/12/2018		
	Currency	Possible	Currency's	Currency	Possible	Currency's %
	wakening	impact	% of Fund's	wakening	impact	of Fund's
			assets			assets
TRY	-77%	-3,902,389	8.04%	-77%	-5,620,605	11.99%
PLN	-17%	-2,293,970	21.48%	-23%	-2,751,307	19.80%
RON	-15%	-2,089,694	21.12%	-15%	-1,928,366	21.51%
CZK	-16%	-780,979	7.74%	-19%	-1,489,042	12.64%
HUF	-21%	-663,467	4.97%	-21%	-670,760	5.20%
HRK	-11%	-137,090	1.92%	-12%	-128,296	1.81%
BGN	-5%	-57,227	1.86%	-5%	-59,187	1.81%
USD	-32%	-	-	-32%	-644,140	3.34%
BAM	-18%	-	-	-6%	-1,414	0.04%
TOTAL		-9,924,816	67.13%		-13,293,117	78.14%

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:

	30/06/2019	% of NAV	31/12/2018	% of NAV
Financials	16,262,512	25.89%	15,295,465	25.20%
Energy	5,537,607	8.81%	4,860,185	8.01%
Real Estate	5,485,412	8.73%	5,130,251	8.45%
Utilities	5,490,105	8.73%	4,830,552	7.96%
Health Care	5,282,654	8.40%	5,548,190	9.14%
Communication Services	4,127,599	6.56%	1,115,604	1.84%
Consumer Staples	3,266,680	5.20%	3,145,283	5.17%
Consumer Discretionary	3,252,346	5.18%	4,217,080	6.94%
Industrial	2,496,447	3.97%	3,805,826	6.26%
IT	292,527	0.47%	1,113,766	1.83%
TOTAL	51,493,889	81.94%	49,062,202	80.80%

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

	30/06/2019	% of NAV	31/12/2018	% of NAV
Romania	12,010,019	19.11%	10,516,402	17.33%
Poland	11,589,280	18.44%	10,426,826	17.17%
Turkey	5,020,734	7.99%	7,292,337	12.00%
Czech Rep.	4,683,256	7.45%	4,537,715	7.48%
Slovenia	3,716,027	5.91%	3,308,985	5.45%
Austria	2,971,005	4.73%	2,709,163	4.46%
Hungary	2,693,159	4.29%	3,164,865	5.21%
Estonia	1,755,470	2.79%	1,841,597	3.03%
Jersey	1,743,090	2.77%	1,716,519	2.83%
Portugal	1,501,490	2.39%	1,096,040	1.80%
Croatia	1,169,805	1.86%	1,097,556	1.81%
Luxembourg	983,666	1.57%	626,099	1.03%
Greece	885,571	1.41%	-	-
Bulgaria	771,317	1.23%	704,569	1.16%
Bosnia & Herzegovina	-	-	23,529	0.04%
TOTAL	51,493,889	81.94%	49,062,202	80.80%

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 2018 has been made with using the same assumptions.

	probability	+/- possible change of Fund's NAV during year	
		2019	2018
σ	68.27%	12.87%	13.06%
2σ	95.45%	25.73%	26.12%
3σ	99.73%	38.60%	39.19%

NOTE 3. CASH AND CASH EQUIVALENTS

Deposits in EUR

	30/06/2019	% of NAV	31/12/2018	% of NAV
Deposits, Luminor Bank AS	1,150,000	1.84%	999 999	1.65%
Overnight deposit, Swedbank	-	-	2 031 308	3.35%
TOTAL	1,150,000	1.84%	3,031,307	5.00%

* "Term deposits" in balance sheet include also accrued interest in the amount of 3,704.15 EUR as of 30/06/2019 (2018: 1,197.79 EUR). "Receivables and prepayments" in balance sheet include accrued interest from overnight deposit in the amount of 0 EUR as of 30/06/2019 (2018: 65.53 EUR).

Cash and cash equivalents (incl. overnight deposits) by credit institution and currency

	30/06/2019	% of NAV, converted into EUR	31/12/2018	% of NAV, converted into EUR
Luminor Bank AS		9.23%		1.40%
EUR	5,800,441	9.23%	850,025	1.40%
Swedbank AS		6.17%		15.77%
RON	6,063,244	2.04%	11,923,701	4.22%
PLN	4,013,849	1.50%	4,228,953	1.62%
EUR	549,383	0.87%	450,845	0.74%
HUF	141,302,746	0.70%	-	-
BGN	778,034	0.63%	778,034	0.66%
CZK	4,809,899	0.30%	80,917,898	5.18%
TRY	278,961	0.07%	-	-
HRK	263,045	0.06%	-	-
USD	-	-	2,330,317	3.35%
AS SEB Pank		0.16%		0.17%
EUR	100,035	0.16%	99,989	0.17%
TOTAL		15.56%		17.34%

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 01/04/2019 by Standard & Poor's, with AS SEB Bank, which parent company Skandinaviska Enskilda Banken AB is rated A+ as of 30/10/2018 (Standard & Poor's) and with Luminor Bank AS, which is rated A- as of 13/09/2018 (Moody's).

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

In EUR

30/06/2019

	Measured at fair value through profit or loss			Financial assets at amortised cost			Financial liabilities at amortised cost		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
Cash and cash equivalents	-	-	-	9,779,943	-	-	-	-	-
Term deposits	-	-	-	1,153,704	-	-	-	-	-
Shares and units	51,493,889	-	-	-	-	-	-	-	-
Dividend receivable	-	-	-	-	507,136	-	-	-	-
LIABILITIES									
Payables to the management company	-	-	-	-	-	-	-	44,366	-
Payables to the depository	-	-	-	-	-	-	-	34,070	-
Payments on redemption of units*	-	-	-	-	-	-	-	9,122	-
Other liabilities*	-	-	-	-	-	-	-	7,161	-
Net assets attributable to holders	-	-	-	-	-	-	62,839,953	-	-
TOTAL	51,493,889	-	-	10,933,647	507,136	-	62,839,953	94,719	-

* Liabilities are carried in the balance sheet under "Other liabilities"

According to the estimates of the Fund Management Company the carrying value of financial assets and liabilities at amortised cost 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

31/12/2018

	Measured at fair value through profit or loss			Financial assets at amortised cost			Financial liabilities at amortised cost		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
Cash and cash equivalents	-	-	-	10,522,718	-	-	-	-	-
Term deposits	-	-	-	1,001,197	-	-	-	-	-
Shares and units	49,062,202	-	-	-	-	-	-	-	-
Dividend receivable	-	-	-	-	1,172	-	-	-	-
Dividend tax reclaims	-	-	-	-	31,626	-	-	-	-
Interest receivable	-	-	-	-	66	-	-	-	-
Receivables for securities transactions	-	-	-	-	181,691	-	-	-	-
LIABILITIES									
Payables to the management company	-	-	-	-	-	-	-	49,287	-
Payables to the depository	-	-	-	-	-	-	-	19,520	-
Payments on redemption of units*	-	-	-	-	-	-	-	617	-
Trade settlement payable*	-	-	-	-	-	-	-	6,854	-
Other liabilities*	-	-	-	-	-	-	-	7,181	-
Net assets attributable to holders	-	-	-	-	-	-	60,717,213	-	-
TOTAL	49,062,202	-	-	11,523,915	214,555	-	60,717,213	83,459	-

* Liabilities are carried in the balance sheet under "Other liabilities"

According to the estimates of the Fund Management Company the carrying value of financial assets and liabilities at amortised cost 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

	01/01/2019- 30/06/2019	01/01/2018- 30/06/2018
Net gain/loss from financial assets at fair value through profit or loss		
From shares and units		
Sales profit/(-loss)	-4,623	1,316,702
Unrealised profit /(-loss)	4,528,724	-4,723,191
From derivative instruments		
Sales profit/(-loss)	-	-13,956
Unrealised profit /(-loss)	-	18,228
Total net gain/(-loss)	4,524,101	-3,402,217

Sales profit/loss and unrealised profit/loss include commissions paid to brokers on the acquisition and disposal of the securities. According to the principles of IAS 39 and IFRS 9 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 the net gain/loss from financial assets is not significant.

NOTE 6. RECEIVABLES AND PREPAYMENTS

In EUR

	30/06/2019	31/12/2018
Dividend receivable	507,136	1,172
Receivables for securities transactions	-	181,691
Dividend tax reclaims	-	31,626
Interest receivable	-	66
TOTAL	507,136	214,554

NOTE 7. TRANSACTIONS WITH RELATED PARTIES

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

The transactions with related parties were as follows in EUR:

	01/01/2019- 30/06/2019	01/01/2018- 30/06/2018
Fund Management Company		
Paid management and performance fees	285,146	563,672
Units bought	-	5,915
Units sold	-	5,915
TOTAL	285,146	575,502

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

	30/06/2019	31/12/2018
Fund Management Company		
Management and performance fee payable	44,366	49,287

The market value of Avaron Emerging Europe Fund units owned by the shareholders of the Fund Management Company amounted to 49,096 EUR as of 30/06/2019 (31/12/2018: 44,957 EUR).

NOTE 8. OTHER INFORMATION

Total expense ratio (TER)

The total expense ratios (including management fees, performance fees, depository fees and other fees) of different unit classes are set out below. Total expense ratios are calculated on annual basis.

	TER without performance fees	TER with performance fees
A units	2.11%	2.11%
B units	1.61%	1.61%
C units	1.51%	1.51%
D units	2.36%	2.36%
E units	1.21%	1.21%

Portfolio turnover rate

The Fund's portfolio turnover ratio, which is calculated by taking the lesser of purchases or sales and dividing it by the average value of monthly net assets, amounted to 4.0% in the first half of 2019 (20.7% in 2018).

Adjusted to the Fund's inflows and outflows the Fund's portfolio turnover rate amounted to 0.1% in the first half of 2019 (2.6% in 2018).

$$\text{Portfolio Turnover Rate}\% = \frac{(\text{Total 1 EUR} - \text{Total 2 EUR})}{\text{Average net assets in EUR}} * 100$$

Where

$$\text{Total 1} = \sum \text{securities purchases} + \sum \text{securities sales}$$

$$\text{Total 2} = \sum \text{units issued} + \sum \text{units redeemed}$$

STATEMENT OF INVESTMENTS

In EUR as of 30/06/2019

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:										
OMV PETROM SA	ROSNPPACNOR9	RO			RON	0.06	2,977,090	0.08	4,358,462	6.93%
SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO			RON	0.18	3,115,211	0.23	3,861,782	6.14%
BANK PEKAO SA	PLPEKAO00016	PL	S&P	BBB+	PLN	30.00	4,000,809	26.33	3,511,190	5.59%
KOMERCNI BANKA	CZ0008019106	CZ	S&P	A	CZK	33.34	2,907,658	35.03	3,054,933	4.86%
IMMOFINANZ AG	AT0000A21KS2	AT	S&P	BBB-	EUR	18.81	2,438,073	22.92	2,971,005	4.73%
RICHTER GEDEON NYRT	HU0000123096	HU			HUF	16.61	2,761,218	16.20	2,693,159	4.29%
KRKA	SI0031102120	SI			EUR	59.27	2,443,758	62.80	2,589,495	4.11%
BRD GR SOCIETE GENERALE SA RON	ROBRDBACNOR2	RO	Fitch	BBB+	RON	2.17	1,847,113	2.67	2,274,262	3.62%
PKO BANK POLSKI	PLPKO0000016	PL			PLN	8.61	1,844,729	10.08	2,159,848	3.44%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	JE	S&P	BBB-	EUR	3.85	2,043,639	3.28	1,743,090	2.77%
POWSZECHNY ZAKLAD UBEZP SHARE	PLPZU0000011	PL	S&P	A-	PLN	10.82	1,730,882	10.28	1,645,180	2.62%
CESKE ENERGETICKE ZAVODY AS	CZ0005112300	CZ	S&P	A-	CZK	22.29	1,709,505	21.23	1,628,323	2.59%
CYFROWY POLSAT SA	PLCFRPT00013	PL	S&P	BB+	PLN	5.68	1,261,028	7.01	1,555,950	2.47%
JERONIMO MARTINS SGPS SA	PTJMTOAE0001	PT			EUR	13.07	1,385,925	14.17	1,501,490	2.39%
TOFAS TURK OTOMOBIL FABRIKA	TRATOASO91H3	TR			TRY	4.43	2,016,161	2.93	1,332,812	2.12%
SGN ROMGAZ SA	ROSNNGNACNOR3	RO			RON	7.14	1,235,807	6.81	1,179,145	1.88%
TALLINK GRUPP AS	EE3100004466	EE			EUR	0.95	1,100,526	0.97	1,116,911	1.78%
WIRTUALNA POLSKA HOLDING SA	PLWRTPL00027	PL			PLN	11.27	830,460	14.79	1,089,967	1.73%
BIM BIRLESIK MAGAZALAR AS	TRBIMM000018	TR			TRY	14.33	1,244,334	12.09	1,049,992	1.67%
PLAY COMMUNICATIONS SA	LU1642887738	LU			PLN	8.52	1,100,706	7.62	983,666	1.57%
NOVA LJUBLJANSKA BANKA DD	SI0021117344	SI	S&P	BBB-	EUR	52.49	837,125	59.00	940,932	1.50%
ANADOLU HAYAT EMEKLILIK	TRAAHYT91O3	TR			TRY	1.51	1,705,335	0.76	863,422	1.37%
COCA-COLA ICECEK AS	TRECOLA00011	TR	Fitch	BB	TRY	9.86	1,554,872	4.54	715,198	1.14%
JUMBO SA	GRS282183003	GR			EUR	14.82	586,704	17.00	673,166	1.07%
ARENA HOSPITALITY GROUP DD	HRARNTRA0004	HR			HRK	57.94	795,457	48.93	671,789	1.07%
TALLINNA SADAM AS	EE3100021635	EE			EUR	1.70	556,692	1.95	638,559	1.01%
BANK HANDLOWY W WARSZAWIE	PLBH00000012	PL	Fitch	A-	PLN	17.56	833,243	12.65	600,171	0.96%
WARSAW STOCK EXCHANGE	PLGPW0000017	PL			PLN	9.33	540,816	10.12	586,477	0.93%
TURK TRAKTOR VE ZIRAAT MAKIN	TRETRK00010	TR			TRY	6.20	681,945	4.81	528,572	0.84%
HRVATSKI TELEKOM DD	HRHT00RA0005	HR			HRK	18.79	432,588	21.63	498,016	0.79%
ALIOR BANK SA	PLALIOR00045	PL	S&P	BB	PLN	11.78	442,158	11.73	440,497	0.70%
SPHERA FRANCHISE GROUP SA	ROSFPGACNOR4	RO			RON	6.64	530,420	4.21	336,368	0.54%
LOGO YAZILIM SANAYI VE TICAR	TRALOGOW91U2	TR			TRY	14.25	658,464	6.33	292,527	0.47%
FORD OTOMOTIV SANAYI AS	TRAOTOSN91H6	TR			TRY	7.83	196,693	9.49	238,211	0.38%
AEGEAN AIRLINES S.A.	GRS495003006	GR			EUR	7.90	205,799	8.15	212,405	0.34%
NOVA LJUBLJANSKA BANKA GDR	US66980N2036	SI	S&P	BBB-	EUR	12.17	194,678	11.60	185,600	0.30%
SHARES TOTAL							50,747,621		50,722,572	80.71%

Statement of investments as of 30/06/2019 (continued)

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:									
BULGARIA REAL ESTATE FUND	BG1100001053	BG	REAL ESTATE MANAGEMENT LTD	BGN	0.75	542,077	1.06	771,317	1.23%
CLOSED-END FUNDS TOTAL						542,077		771,317	1.23%
SHARES AND FUNDS TOTAL						51,289,698		51,493,889	81.94%

Credit Institution	Deposit type	Credit Institution's country	Rating agency	Rating	FX	Interest rate	Start date	Maturity	Average acquisition cost	Total market value	Share of market value of fund's net assets
DEPOSITS*											
Luminor Bank AS	Deposit	EE	Moody's	A- (Luminor Bank AS)	EUR	0.5000%	05/10/2018	07/10/2019	903,337	903,337	1.44%
Luminor Bank AS	Deposit	EE	Moody's	A- (Luminor Bank AS)	EUR	0.6000%	02/04/2019	02/04/2020	250,367	250,367	0.40%
DEPOSITS TOTAL									1,153,704	1,153,704	1.84%

*Accrued interest in the amount of 3,704.15 EUR has been added to the value of deposits

Statement of investments as of 30/06/2019 (continued)

Name	ISIN	Credit Institution's country	Credit Institution	FX	Interest rate	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			5,800,441		5,800,441	9.23%
CURRENT ACCOUNT		EE	Swedbank	RON			1,282,684		1,282,684	2.04%
CURRENT ACCOUNT		EE	Swedbank	PLN			945,303		945,303	1.50%
CURRENT ACCOUNT		EE	Swedbank	EUR			549,383		549,383	0.87%
CURRENT ACCOUNT		EE	Swedbank	HUF			437,294		437,294	0.70%
CURRENT ACCOUNT		EE	Swedbank	BGN			397,788		397,788	0.63%
CURRENT ACCOUNT		EE	Swedbank	CZK			189,120		189,120	0.30%
CURRENT ACCOUNT		EE	SEB	EUR			100,035		100,035	0.16%
CURRENT ACCOUNT		EE	Swedbank	TRY			42,339		42,339	0.07%
CURRENT ACCOUNT		EE	Swedbank	HRK			35,556		35,556	0.06%
CURRENT ACCOUNT TOTAL							9,779,943		9,779,943	15.56%
DEPOSITS AND CASH TOTAL							10,933,647		10,933,647	17.40%
INVESTMENTS TOTAL							62,223,345		62,427,536	99.34%
OTHER ASSETS										
DIVIDEND RECEIVABLE				EUR					507,136	0.81%
OTHER ASSETS TOTAL									507,136	0.81%
TOTAL ASSETS OF THE FUND							62,223,345		62,934,672	100.15%
LIABILITIES									-94,719	-0.15%
NET ASSETS OF THE FUND									62,839,953	100.00%

In EUR as of 31/12/2018

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:										
BANK PEKAO SA	PLPEKAO00016	PL	S&P	BBB+	PLN	30.00	4,000,809	25.40	3,387,749	5.58%
OMV PETROM SA	ROSNPPACNOR9	RO			RON	0.06	2,977,090	0.06	3,349,140	5.52%
SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO			RON	0.18	3,115,211	0.19	3,235,122	5.33%
RICHTER GEDEON NYRT	HU0000123096	HU			HUF	16.10	3,015,169	16.90	3,164,865	5.21%
KOMERCNI BANKA	CZ0008019106	CZ	S&P	A	CZK	33.34	2,978,395	32.94	2,942,285	4.85%
IMMOFINANZ AG	AT0000A21KS2	AT	S&P	BBB-	EUR	18.81	2,438,073	20.90	2,709,163	4.46%
KOC HOLDING AS	TRAKCHOL91Q8	TR	S&P	BB-	TRY	2.70	3,102,825	2.34	2,692,986	4.43%
KRKA	SI0031102120	SI			EUR	59.27	2,443,758	57.80	2,383,325	3.93%
BRD GR SOCIETE GENERALE SA RON	ROBRDBACNOR2	RO	Fitch	BBB+	RON	2.17	1,847,113	2.45	2,082,208	3.43%
PKO BANK POLSKI	PLPKO0000016	PL			PLN	8.61	1,844,729	9.20	1,970,225	3.24%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	JE	S&P	BBB-	EUR	3.85	2,043,639	3.23	1,716,519	2.83%
POWSZECHNY ZAKLAD UBEZP SHARE	PLPZU0000011	PL	S&P	A-	PLN	10.82	1,730,882	10.23	1,637,067	2.70%
CESKE ENERGETICKE ZAVODY AS	CZ0005112300	CZ	S&P	A-	CZK	22.29	1,709,505	20.80	1,595,430	2.63%
SNGN ROMGAZ SA	ROSNGNACNOR3	RO			RON	7.42	1,877,269	5.97	1,511,045	2.49%
BIM BIRLESIK MAGAZALAR AS	TREBIMM00018	TR			TRY	14.33	1,244,334	14.35	1,246,141	2.05%
TALLINK GRUPP AS	EE3100004466	EE			EUR	0.95	1,100,526	1.02	1,173,566	1.93%
CYFROWY POLSAT SA	PLCFRPT00013	PL	S&P	BB+	PLN	5.68	1,261,028	5.26	1,167,277	1.92%
ANADOLU HAYAT EMEKLILIK	TRAANHYT91O3	TR			TRY	1.51	1,705,335	0.99	1,120,927	1.85%
JERONIMO MARTINS SGPS SA	PTJMT0AE0001	PT			EUR	13.07	1,385,925	10.34	1,096,040	1.80%
NOVA LJUBLJANSKA BANKA DD	SI0021117344	SI	S&P	BB+	EUR	52.33	781,278	62.00	925,660	1.52%
WIRTUALNA POLSKA HOLDING SA	PLWRTPL00027	PL			PLN	11.27	830,460	12.31	906,901	1.49%
TOFAS TURK OTOMOBIL FABRIKA	TRATOASO91H3	TR			TRY	5.04	1,639,505	2.79	905,770	1.49%
COCA-COLA ICECEK AS	TRECOLA00011	TR	Fitch	BBB-	TRY	9.86	1,554,872	5.09	803,102	1.32%
BANK HANDLOWY W WARSZAWIE	PLBH00000012	PL	Fitch	A-	PLN	17.56	833,243	16.11	764,278	1.26%
TALLINNA SADAM AS	EE3100021635	EE			EUR	1.70	556,692	2.04	668,031	1.10%
ARENA HOSPITALITY GROUP DD	HRARNTRA0004	HR			HRK	57.94	795,457	46.00	631,580	1.04%
PLAY COMMUNICATIONS SA	LU1642887738	LU			PLN	8.52	1,100,706	4.85	626,099	1.03%
HRVATSKI TELEKOM DD	HRHT00RA0005	HR			HRK	18.79	432,588	20.24	465,976	0.77%
ALIOR BANK SA	PLALIOR00045	PL	S&P	BB	PLN	11.78	442,158	12.39	465,066	0.77%
SPHERA FRANCHISE GROUP SA	ROSGFPACNOR4	RO			RON	6.64	530,420	4.24	338,887	0.56%
TURK TRAKTOR VE ZIRAAT MAKIN	TRETRK00010	TR			TRY	6.32	347,772	5.76	316,546	0.52%
LOGO YAZILIM SANAYI VE TICAR	TRALOGOW91U2	TR			TRY	14.25	658,464	4.48	206,865	0.34%
PRIME CAR MANAGEMENT SA	PLPRMCM00048	PL			PLN	10.44	446,972	2.99	128,263	0.21%
TELEKOM SPRSKE AD BANJA LUKA	BA100TLKMRA2	BA			BAM	0.75	41,390	0.42	23,529	0.04%
SHARES TOTAL							52,813,592		48,357,633	79.64%

Statement of investments as of 31/12/2018 (continued)

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:									
BULGARIA REAL ESTATE FUND	BG1100001053	BG	REAL ESTATE MANAGEMENT LTD	BGN	0.75	542,077	0.97	704,569	1.16%
CLOSED-END FUNDS TOTAL						542,077		704,569	1.16%
SHARES AND FUNDS TOTAL						53,355,669		49,062,202	80.80%

Credit Institution	Deposit type	Credit Institution's country	Rating agency	Rating	FX	Interest rate	Start date	Maturity	Average acquisition cost	Total market value	Share of market value of fund's net assets
DEPOSITS*											
	Overnight										
Swedbank AS	deposit	EE	S&P	AA- (Swedbank AB)	USD	1.1614%	31/01/2018	01/01/2019	2,031,307	2,031,373	3.35%
Luminor Bank AS	Deposit	EE	Moody's	A- (Luminor Bank AS)	EUR	0.5000%	05/10/2018	07/10/2019	900,000	901,100	1.48%
Luminor Bank AS	Deposit	EE	Moody's	A- (Luminor Bank AS)	EUR	0.4000%	05/10/2018	05/04/2019	99,999	100,097	0.17%
DEPOSITS TOTAL									3,031,306	3,032,570	5.00%

*Accrued interest in the amount of 1,263.32 EUR has been added to the value of deposits

Statement of investments as of 31/12/2018 (continued)

Name	ISIN	Credit Institution's country	Credit Institution	FX	Interest rate	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	Swedbank	CZK			3,146,475		3,146,475	5.18%
CURRENT ACCOUNT		EE	Swedbank	RON			2,560,657		2,560,657	4.22%
CURRENT ACCOUNT		EE	Swedbank	PLN			985,632		985,632	1.62%
CURRENT ACCOUNT		EE	Luminor	EUR			850,025		850,025	1.40%
CURRENT ACCOUNT		EE	Swedbank	EUR			450,845		450,845	0.74%
CURRENT ACCOUNT		EE	Swedbank	BGN			397,788		397,788	0.66%
CURRENT ACCOUNT		EE	SEB	EUR			99,989		99,989	0.17%
CURRENT ACCOUNT TOTAL							8,491,411		8,491,411	13.99%
DEPOSITS AND CASH TOTAL							11,522,717		11,523,981	18.99%
INVESTMENTS TOTAL							64,878,386		60,586,183	99.79%
OTHER ASSETS										
RECEIVABLES FOR SECURITIES TRANSACTIONS				EUR					181,691	0.30%
DIVIDEND TAX RECLAIMS				EUR					31,626	0.05%
DIVIDEND RECEIVABLE				EUR					1,172	0.00%
OTHER ASSETS TOTAL									214,489	0.35%
TOTAL ASSETS OF THE FUND							64,878,386		60,800,672	100.14%
LIABILITIES									-83,459	-0.14%
NET ASSETS OF THE FUND									60,717,213	100.00%

STATEMENT OF COMMISSIONS

In EUR

01/01/2019-30/06/2019

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
Regulated securities market transactions*				
Shares				
Wood and Company Financial Services a.s.	8	1,094,210	1,041	0.10%
Swiss Capital S.A.	1	569,927	1,142	0.20%
PKO Bank Polski	1	489,634	489	0.10%
Patria Finance A.S.	3	463,146	251	0.05%
Santander Biuro Maklerskie	1	224,044	135	0.06%
Raiffeisen CAPITAL a.d. Banjaluka	1	24,351	172	0.70%
Third country securities market transactions				
Shares				
BGC Partners Turkey	15	3,440,179	2,065	0.06%
TOTAL	30	6,305,491	5,295	0.08%

* 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.

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
Regulated securities market transactions*				
Shares				
Dom Maklerski mBanku	13	4,478,802	3,582	0.08%
Patria Finance A.S.	5	2,321,888	1,315	0.06%
Swedbank AS	1	896,692	-	-
Patria Finance A.S. (KBC Securities NV)	1	890,400	489	0.05%
Erste Group Bank AG	6	765,723	1,376	0.18%
Wood and Company Financial Services a.s.	9	597,361	656	0.11%
Raiffeisen Centrobank AG	1	450,568	315	0.07%
Intercapital (Swiss Capital S.A.)	1	60,999	140	0.23%
Third country securities market transactions				
Shares				
BGC Partners Turkey	22	6,741,886	4,044	0.06%
TEB Yatirim Menkul Degerler A.S.	1	412,405	310	0.08%
OTC trades				
Corporate Action	4	384,090	-	-
Exchange offer	1	1,121,578	2,586	0.23%
TOTAL	65	19,122,392	14,813	0.08%

* 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.