

Investment Objectives & Approach

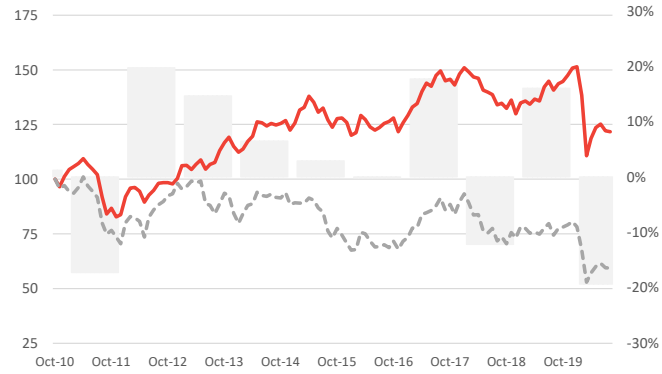
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside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

Fund Manager's Comment, August 2020

Emerging Europe underperformed Europe (+3.2% in €) and Emerging Markets (+0.7% in €) for the second consecutive month posting -0.3% return in €. The main negative contributor was Turkey (-10.4% in €). Pressure on the lira (-6.4% to €) remains strong as real interest rates are strongly negative and the current account back on deteriorating trend. Hungarian forint also weakened (-3.2% to €) as the government adjusted the full year budget deficit target close to 8% of GDP (previous: 3.8%). On YTD basis Emerging Europe remains a laggard, which in our view is unwarranted given overall sound regional macroeconomic fundamentals of Emerging Europe. We do not see any specific risks that would make Emerging Europe more vulnerable in the current downturn vis-à-vis the rest of emerging countries. Valuation of Emerging Europe is quite compelling compared to MSCI World and MSCI EM. Our region is ca. 2x cheaper on 2021-22 P/E and P/B basis versus MSCI World and some 30% cheaper than MSCI EM. Expected ROE is on par with MSCI EM but ca. 30% lower compared to MSCI World. On the other hand DY expectations are roughly double of the global and EM indices.

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

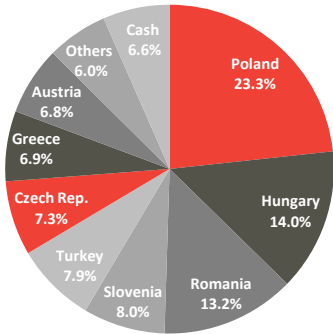
Performance, E Unit



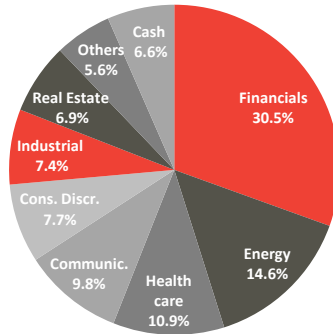
Perf overview	E Unit return	Index return*	Year	E Unit return	Index return*
1 month	-0.4%	-0.3%	2019	16.0%	10.3%
YTD	-19.3%	-26.4%	2018	-12.2%	-18.6%
3 months	-1.5%	-1.4%	2017	17.7%	25.3%
6 months	-12.0%	-12.3%	2016	-0.1%	1.2%
1 year	-13.6%	-20.2%	2015	2.9%	-20.0%
3 years	-18.6%	-35.1%	CAGR of calendar years		
5 years	-4.3%	-22.3%	Years	Fund	Index*
7 years	13.0%	-29.6%	2015-2019	4.3%	-1.8%
8 years	24.1%	-32.8%	2017-2019	6.2%	4.0%
			2018-2019	0.9%	-5.2%

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

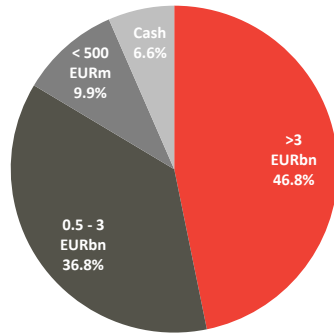
Geographic breakdown



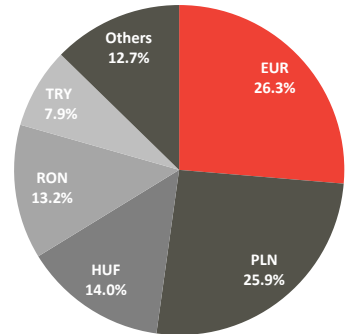
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Aug-20	1 mo	3 mo	12 mo	3 years	5 years
Poland	23.3%	0.5%	1.2%	0.4%	7.2%	13.1%
Hungary	14.0%	2.3%	2.2%	9.7%	13.4%	13.0%
Romania	13.2%	2.0%	1.4%	-6.5%	-3.7%	-5.1%
Slovenia	8.0%	0.7%	1.2%	1.8%	4.8%	4.8%
Turkey	7.9%	-5.0%	-4.5%	-1.4%	-15.5%	-1.7%
Czech Rep.	7.3%	0.5%	0.7%	-0.2%	-3.5%	-3.5%
Greece	6.9%	0.1%	0.4%	5.3%	6.9%	6.9%
Austria	6.8%	0.5%	0.8%	-1.4%	-3.1%	-11.6%
Baltics	2.5%	0.0%	-0.1%	0.0%	0.6%	0.4%
Others	3.5%	0.2%	0.3%	0.6%	0.0%	0.4%

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
Poland	0.2%	-0.2%	-6.3%	-6.7%	-6.0%	-2.6%
Hungary	-0.4%	-1.0%	0.0%	-1.0%	-0.3%	0.6%
Romania	1.4%	0.5%	-1.0%	-2.1%	4.9%	9.4%
Slovenia	0.3%	0.7%	1.7%	0.8%	2.3%	2.3%
Turkey	-1.8%	-0.9%	-0.1%	-2.6%	-10.2%	-6.0%
Czech Rep.	0.1%	0.3%	-2.0%	-2.1%	-1.8%	-1.6%
Greece	-0.3%	0.0%	0.3%	0.2%	0.5%	0.5%
Austria	0.2%	-0.6%	-3.1%	-3.0%	-1.9%	3.6%
Baltics	-0.1%	-0.3%	-0.5%	-0.5%	-0.3%	0.7%
Others	0.0%	0.0%	-0.3%	-0.4%	-0.7%	0.5%

Risk metrics

Alpha	2%
Volatility & stand. deviation	12.5%
Beta	0.57
Sharpe ratio	-0.04
Information ratio	0.40
Tracking error	10.1%

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

Turnover

	Adj*
FY 2019	26.1%
	32.9%

* Adjusted for fund flows

Sector allocation

	Aug-20	1 mo	3 mo	12 mo	3 years	5 years
Financials	30.5%	2.0%	1.8%	3.5%	-3.1%	2.3%
Energy	14.6%	1.6%	0.5%	6.7%	7.8%	5.1%
Health care	10.9%	1.0%	1.6%	2.1%	6.9%	6.6%
Communication	9.8%	1.4%	2.3%	3.4%	6.9%	9.4%
Cons. Discr.	7.7%	-3.1%	-2.1%	2.2%	1.8%	2.9%
Industrial	7.4%	-0.8%	0.5%	3.4%	4.3%	5.5%
Real Estate	6.9%	0.4%	0.8%	-2.2%	-6.0%	-4.2%
Utilities	3.2%	0.2%	0.2%	-6.5%	-5.8%	-10.3%
Others	2.4%	-0.9%	-1.9%	-4.5%	-5.8%	-0.4%

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	0.4%	-0.1%	-10.0%	-11.8%	-16.7%	-7.8%
Energy	0.9%	-0.8%	-1.1%	-1.5%	2.0%	4.7%
Health care	0.4%	0.8%	3.4%	1.7%	3.6%	4.4%
Communication	-0.1%	0.3%	0.4%	0.2%	1.3%	1.5%
Cons. Discr.	-1.2%	-0.4%	-0.7%	-1.8%	-1.9%	0.7%
Industrial	-0.6%	-0.3%	0.1%	-0.4%	-0.4%	0.5%
Real Estate	0.1%	-0.7%	-2.9%	-2.6%	-1.9%	0.1%
Utilities	0.0%	0.1%	-0.4%	-0.6%	2.1%	3.1%
Others	-0.2%	-0.2%	-0.1%	-0.4%	-1.3%	0.1%

Fund statistics

Number of positions	42
Top10	49.0%
Top20	72.2%
Gross exposure	93.4%
Net exposure	93.4%
Concentration coefficient	29
Median market cap MEUR	1497
Average market cap MEUR	2332

Style allocation

	Aug-20	1 mo	3 mo	12 mo	3 years	5 years
Cyclical	62.5%	-0.1%	0.9%	16.4%	15.6%	27.0%
Non-cyclical	24.1%	1.5%	1.9%	1.0%	4.8%	4.2%
Asset play	6.9%	0.4%	0.8%	-9.1%	-11.0%	-9.1%
Cash	6.6%	-1.8%	-3.6%	-8.2%	-6.6%	-16.7%

Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	-0.5%	-1.6%	-11.3%	-15.6%	-17.3%	-4.1%
Non-cyclical	0.1%	0.9%	3.2%	1.4%	4.4%	6.9%
Asset play	0.1%	-0.7%	-3.3%	-3.2%	-0.2%	3.3%
Cash	0.0%	0.0%	-0.2%	-0.3%	-0.6%	-0.7%

Liquidity analysis*

	20%	50%
3 days	70.6%	81.6%
2 weeks	86.0%	96.3%
4 weeks	96.8%	99.2%

* 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	42.0	External auditor	KPMG
Total AUM, MEUR	250+	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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NAV			
	31-Aug-2020	ISIN code	TER 2019
B unit	4.3265 EUR	EE3600090056	1.63%
C unit	14.6644 EUR	EE3600102901	1.53%
D unit	12.0694 EUR	EE3600108866	2.38%
E unit	12.1651 EUR	EE3600108874	1.25%

Public offering France, Switzerland, Germany, United Kingdom, Finland, Sweden, Estonia, Latvia, Lithuania, Norway (units C, E)

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

Contact Information

Avaron Asset Management

Narva mnt 7D, 10117 Tallinn, ESTONIA

Phone: +372 66 44 205

Fax: +372 66 44 201

E-mail: info@avaron.com

www.avaron.com

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 18 professionals (including 10 in the investment team), based in Estonia and Poland, takes care of around 250 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.



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

Signatory of:



RESPONSIBLE
BUSINESS INDEX
GOLD LEVEL 2020

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