

**Investment Objectives & Approach**

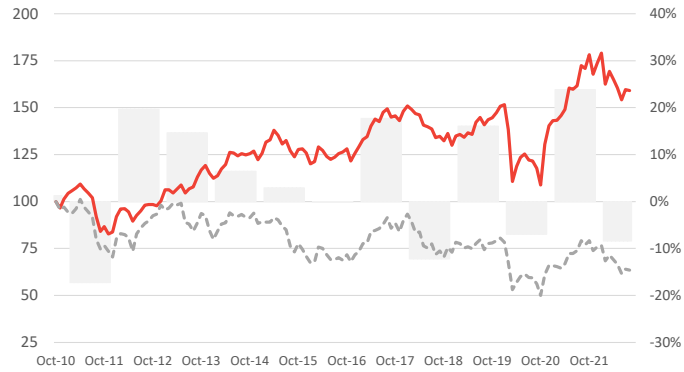
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside 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, August 2022**

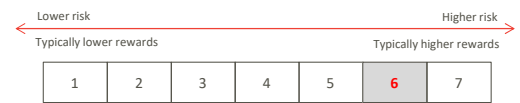
After a brief but sharp rally in July fuelled by the expected dovish monetary policy pivot global equity prices turned down again as central banks across the globe vowed to step up their fight against inflation. MSCI ACWI lost 3.9% in \$ last month, while Emerging Markets outperformed ending the month flat in \$. Emerging Europe markets delivered mixed returns with Poland, Czech Republic and Romania being the main losers, while Turkey outperformed. In Turkey we saw a wave of buying especially in the banking sector and even more so in state-owned banks. Turkish banking index soared over 50% in € terms triggered by a combination of long-term relative underperformance, low valuations and very strong Q2 results together with better than expected guidance in terms of potential inflation accounting impact. Avaron Emerging Europe Fund lost 0.4% in August, almost on par with the benchmark. The largest positive contributor (+0.3pp) was Greek refinery Motor Oil (3.4% of the portfolio) that reported exceptionally strong Q2 results. The largest negative contributor (-0.7pp) was Czech electricity producer CEZ (7.2% of the portfolio) amid renewed fears of potential windfall taxes and uncertainty related to the broader longer term politically induced transformation of the company. Inflation in the region is expected to remain stubbornly high over the coming months and central banks might continue their tightening cycles despite risks to growth and already very high base rates in several countries. Valuation wise the portfolio is trading at an undemanding 6.6x 2022f P/E and 7.6x on 2023 basis. End-August the aggregate portfolio earnings growth stood at 37% and -12% for 2022-23, respectively. Following the YTD sell-off the aggregate upside for the Fund on 2-year forward looking basis stands at 55%, some 15pp over the historical median. Over the past 7 years this level has indicated a good entry point, followed by a period of solid returns.

Please send an e-mail to [funds@avaron.com](mailto:funds@avaron.com) to receive a more detailed fund factsheet and portfolio manager comment.

**Performance, E Unit**



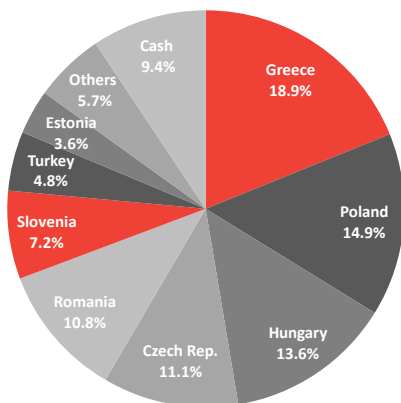
Calendar year performance (right)  
Fund NAV, E Unit (left)\*  
Benchmark Index (MSCI EFM EUROPE + CIS (E+C) ex Russia, left)\*  
\*Rebased (October 2010 = 100)  
Past performance is not a guarantee or indicative of future results.



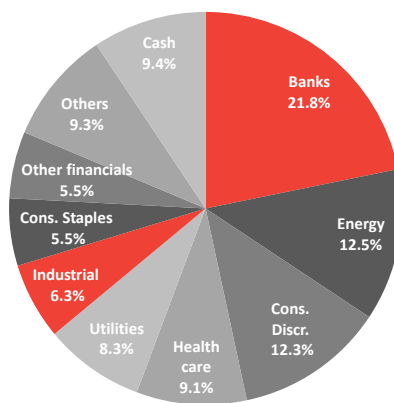
Perf overview	E Unit return	Index return*	Year	E Unit return	Index return*
1 month	-0.4%	-0.6%	2021	23.8%	14.9%
3 months	-0.9%	-4.4%	2020	-7.0%	-18.0%
6 months	-2.1%	-7.2%	2019	16.0%	10.3%
YTD	-8.4%	-16.3%	2018	-12.2%	-18.6%
1 year	-7.8%	-19.7%	2017	17.7%	25.3%
3 years	13.0%	-14.6%	<b>CAGR of calendar years</b>		
5 years	6.4%	-30.5%	<b>Years</b>	<b>Fund</b>	<b>Index*</b>
7 years	25.1%	-16.7%	2017-2021	6.7%	1.2%
8 years	26.8%	-31.8%	2019-2021	10.2%	1.3%
10 years	62.2%	-28.0%	2020-2021	7.3%	-2.9%

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

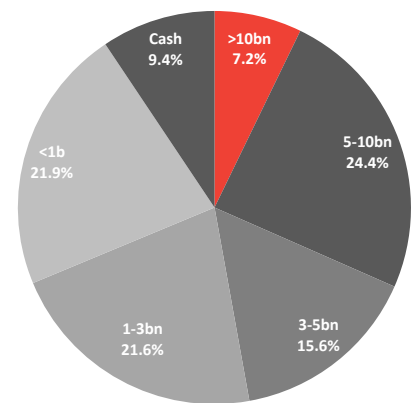
**Geographic breakdown**



**Sector breakdown**



**Market Cap breakdown**



Risk metrics	5Y risk*
Alpha	6%
Volatility & stand. deviation	14.4%
Beta	0.61
Sharpe ratio	0.12
Information ratio	0.94
Tracking error	8.7%

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

Fund statistics	
Number of positions	43
Top10	44.4%
Top20	66.7%
Gross exposure	90.6%
Net exposure	90.6%
Concentration coefficient	35
Median market cap MEUR	1240
Average market cap MEUR	2790

Liquidity analysis*	30%
3 days	79.4%
2 weeks	93.0%
4 weeks	95.5%

\* Proportion of portfolio that can be turned into cash based on past 6 month average trading volume if Fund accounted for 30% of trading volume

Turnover	
FY 2021	13.1%

\* Adjusted for fund flows

### Fund Facts - Avaron Emerging Europe Fund

<b>Investment Manager</b>	AS Avaron Asset Management	<b>Cut-off</b>	10am CET
<b>Fund type</b>	UCITS V	<b>NAV frequency</b>	Daily dealing, T+3
<b>Launch date</b>	April 23, 2007	<b>Supervised by</b>	Estonian FSA
<b>Domicile</b>	Estonia	<b>Custodian</b>	Swedbank AS
<b>Currency</b>	EUR	<b>Transfer agent</b>	Swedbank AS
<b>Dividends</b>	reinvested	<b>NAV calculation</b>	Swedbank AS
<b>Fund size, MEUR</b>	33.3	<b>External auditor</b>	KPMG
<b>Total AUM, MEUR</b>	135.7	<b>Internal auditor</b>	PWC

Unit class	D (Retail)	C (Institutional)	E (Institutional)
<b>Min. initial investment</b>	-	500,000 EUR	500,000 EUR
<b>Front-end load</b>	-	-	-
<b>Management fee</b>	2%	1.15%	0.85%
<b>Performance fee (unit based)</b>	-	-	15% over MSCI EFM EUROPE + CIS (E+C) ex RU index
<b>Back-end load</b>	-	-	-

NAV	31-Aug-2022	ISIN code	TER 2021
B unit	5.8151 EUR	EE3600090056	1.72%
C unit	19.7501 EUR	EE3600102901	1.62%
D unit	15.9777 EUR	EE3600108866	2.47%
E unit	15.9017 EUR	EE3600108874	3.23% (incl. Perf fee 1.91%)

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

**Tax transparency** Germany

**Platforms & execution** Euroclear FundSettle, Allfunds, MFEX, Clearstream AFS, SIX SIS AG, RBC Investor Services, IFSAM

**Morningstar rating** Yes, four stars (3 and 5 years)

**SFDR classification** Article 8, light green product

**Fund documents & prospectus** [www.avaron.com/documents](http://www.avaron.com/documents)

	WKN code	Telekurs ID	Bloomberg ticker	Refinitiv RIC
C unit	A0PEF0	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](mailto:info@avaron.com)

[www.avaron.com](http://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 300 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 8 in the investment team), based in Estonia and Poland, takes care of 130M+ 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 Kivimurm-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 2022



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