



## Avaron Emerging Europe Fund

**ANNUAL REPORT FOR THE FINANCIAL YEAR 2023**

*Translation from Estonian original*

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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: <a href="mailto:aaron@aaron.com">aaron@aaron.com</a> <a href="http://www.aaron.com">www.aaron.com</a>
Depository & Custody Bank	Swedbank AS (reg. no. 10060701)
Fund Administration (NAV calculation) & Transfer Agent services	Swedbank AS (reg. no. 10060701)
Auditor	KPMG Baltics OÜ (reg. no. 10096082)
Supervisor	Estonian Financial Supervision Authority
Investment Managers	Valdur Jaht, Peter Priisalm, Rain Leesi
Fund established	3 April 2007
Start of the Fund's activities	23 April 2007
Reporting period	1 January 2023–31 December 2023

## INVESTMENT MANAGERS' REPORT

### General Information

**Avaron Emerging Europe Fund (hereinafter: "the Fund") invests actively in listed equities of Emerging Europe ex-Russia region with the aim to outperform the market with lower volatility.** The Fund creates alpha to investors through active investment management, stock-picking and responsible investing. The Fund is benchmark agnostic and emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. Thus the Fund has low overlap to regional indices.

**The Fund's investment objective is to maximize upside to internally set target prices, taking into account in-house built company Quality Score, in-house ESG Score, stock liquidity and FX outlook.** By implementing our investment process we aim to outperform the market with lower volatility. The Fund typically invests in 30-45 regional companies, who generally demonstrate a competitive advantage, have a dynamic management team and strong recurring revenue stream or attractive risk/return features. We only invest in businesses we understand and are able to model ourselves.

**Responsible investing and ESG processes have been integrated into our investment process since 2011** when Avaron joined the UN PRI, an international network of financial institutions to promote sustainable investment through the incorporation of environmental, social and corporate governance principles. Over the years we have put a lot of work into developing our ESG research and integration processes to ensure a rigorous framework that adds value in investment and risk management. Today, Avaron Emerging Europe Fund relies upon negative and norms-based screening accompanied by ESG ratings that are established by our own investment team using an internally developed rating system. Furthermore, Avaron ESG ratings are linked to the valuation of issuers ensuring full ESG integration to the investment decision-making process.

**In April 2023 Avaron Emerging Europe Fund, being the first Emerging Europe investment fund, was granted LuxFLAG ESG Label.** The primary objective of the LuxFLAG ESG Label is to reassure investors that the Fund incorporates ESG (Environmental, Social and Governance) criteria throughout the entire investment process while screening 100% of their invested portfolio according to three of the ESG strategies and standards recognized by LuxFLAG. The label is awarded for a one year period after which a new audit of our responsible investment processes is carried out to confirm the Fund's compliance with the label criteria. In spring 2024 Avaron successfully passed LuxFLAG's audit and was granted the label for one more year.

**The Fund is managed by AS Avaron Asset Management (hereinafter: "Avaron"), an independent investment management boutique established in 2007 and fully owned by its employees.** The Fund's fund managers are seasoned investment managers Valdur Jaht and Peter Priisalm, both of whom are Avaron CIOs and founding partners. Valdur and Peter are supported by Avaron research team which consists of Head of Research, 2 Senior Analysts and 3 Analysts. Avaron's core activity involves investing the assets of Avaron investment funds and institutional investor managed accounts into Emerging Europe listed equities.



Signatory of:



As at the end of December 2023 Avaron managed 243 million euros of investor assets. The firm employs 15 investment and finance specialists. Avaron holds a licence from the Estonian Financial Supervision Authority to manage investment portfolios and funds. Avaron is also a registered investment advisor at SEC.

**The Fund is a UCITS-V and SFDR Article 8 fund, registered for public sale in Estonia, France, Germany, United Kingdom, Finland, Sweden, Norway, Latvia and Lithuania.** The Fund's fund administration, custody services and transfer agent services are outsourced to Swedbank AS.

### **Investment Philosophy: Stock-Picking, Active Management and ESG Focus**

We rely on stock-picking based on in-house company research. Over time stock prices tend to over or underreact to market news and thus deviate from fundamental value of a company. 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 in-house issuer focused ESG rating 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 over 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.

In Avaron issuer ESG ratings are linked to their valuations. Companies with a rating between 2-5 a fair value adjustment factor is applied in the process of establishing their intrinsic value. The adjustment factor ranges from -10% to +10% and is linearly correlated to the ESG rating. For example, the valuation of a company with an ESG Score of 2 is discounted by 10%, while the valuation of a company with a rating of 3.5 remains unaffected and a company with an ESG Score of 5 gets a 10% premium. Companies with the rating below 2 are subject to exclusion from the investment universe.

### **Sustainability and Responsible Investing**

Avaron is committed to sustainable business practices, which are embedded into our corporate identity. As an asset management boutique, the largest impact we can make is via our investment decision making process. We believe that environmental, social and corporate governance (ESG) issues and stewardship activities are material to delivering strong risk-adjusted investment returns over the long-term and contribute to a more cohesive and fairer society.

Since 2011 Avaron is a signatory of the UN PRI and we have integrated ESG factors into our fundamental company research and investment decision-making processes. We take an active approach to communicating our views to the companies we invest in and seek improvements where there are shortcomings in performance. From our website's section [Responsible Investment](#) you can download our Responsible Investment Policy, Responsible Investment Report, UN PRI Transparency and Assessment Reports, Voting Policy and Voting Records of the Fund.

**2023 was an important year from the regulatory perspective as the step-by-step implementation of the Sustainable Finance Disclosure Regulation (SFDR) continued.** The regulation came into force in March 2021 imposing ESG and reporting requirements on a wide range of financial market participants including asset managers. On 6 April 2022, Regulatory Technical Standards under the SFDR (RTS) were published by the European Commission and provide further detail as to the content, methodologies and presentation of information required to be disclosed under the SFDR, as well as templates for the relevant disclosures. These requirements came into force on 1 January 2023. **We have categorized Avaron Emerging Europe Fund as an Article 8 product according to the SFDR.** This means that the Fund promotes environmental and/or social characteristics, which is achieved using our internal ESG rating system in the investment decision-making process. The Fund considers principle adverse impacts (PAI) of investment decisions on sustainability factors. **The first PAI statement of the Fund was published in the first half of 2023 and is available [here](#).** For further details on SFDR-related disclosures please refer to this report and appendix 3 in the Fund Prospectus.

**In 2023 we took a step further in our journey towards net-zero investments in the Fund by 2050.** It is an ambitious target, set forth in [Avaron Climate Change Policy Statement](#), especially given that the Fund is geographically and asset class wise significantly constrained, resulting in a narrow investment universe, thus affecting the range of approaches we can implement to deliver on the net-zero commitment. Being bottom-up stock pickers, we rely primarily on the transformation of Emerging Europe issuers towards net-zero and use three company business model centric approaches - exclusion, engagement and integration – to achieve the set targets. In 2023 we launched a themed engagement with 18 companies out of 37 in the Fund portfolio with an objective to encourage setting carbon emissions reduction targets, net-zero by 2050 ambition and improvements in climate change related reporting. The engagement shall run until June 2024. Prior launching the engagement 12 issuers had not set any emissions reduction targets, while 11 companies lacked Scopes 1-3 emissions reporting.

**In total we launched 28 separate engagements with 23 issuers in 2023.** Besides the issuers targeted as part of the emissions targets themed engagement, 5 engagements were reactive in nature and related to the discovered ESG controversies. Also, for the 6<sup>th</sup> consecutive year we participated in the [CDP Non-Disclosure Campaign](#) that pushes issuers globally towards improved climate change, water security and deforestation related disclosure. We took a lead investor role in engaging with 2 portfolio companies that were in the scope of the 2022 campaign. As a result, TAV Holding, a regional infrastructure company headquartered in Turkey, started disclosing climate change information on the CDP platform. A total of 288 institutional investors participated in the campaign and contacted 1,509 companies, 20% of whom in turn started reporting on these issues.

**A key part of being an active responsible owner of listed equities is using voting rights in an informed way at company meetings.** Starting from 2018 we have committed to systematically exercising our voting rights on all shareholder meetings. In 2023 we voted in 98% of the shareholders' meetings of the companies we own in the Fund portfolio compared to 90% the year before. Starting from 2019 we are disclosing all our voting details for our publicly sellable funds, including Avaron Emerging Europe Fund, which are available in the [Responsible Investment](#) section on Avaron website.

### Main Developments During 2023

**2023 was a strong year for Emerging Europe region and for the Fund** as the regional performance managed to keep up with the US and Europe despite continuing war in Ukraine and outflows from regional funds. **Emerging Europe ex-Russia benchmark delivered +25.2% return in € in 2023,** strongly outperforming Emerging Markets equities (+3.8% in €). **Avaron Emerging Europe Fund delivered an even better result of +34%-35.5% net of fees, strongly outperforming Emerging Europe ex-Russia index.** Based on the Fund's annual attribution analysis the main sources of outperformance were Greece and smaller frontier markets, like Romania and Slovenia.

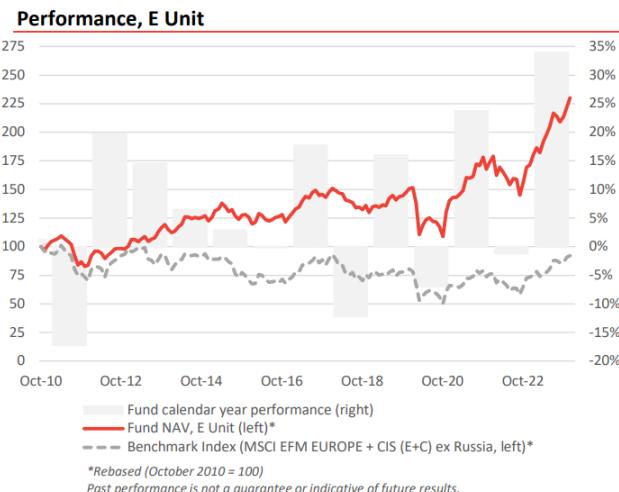
**Emerging Europe ex-Russia index.** Based on the Fund's annual attribution analysis the main sources of outperformance were Greece and smaller frontier markets, like Romania and Slovenia.

**The main positive contributors geographically were Poland (+10.9pp) and Greece (+10.5pp)**

while Turkey was the only detractor with -1.1pp.

In January-February we exited from Turkey, following a huge 120%+ rally in € terms the year before. As Turkish stocks ended 2022 at 5-year record highs in hard currency terms and started to correct in 2023, then our exits resulted in negative contribution to 2023 return. Looking at major sectors' contribution financials were by far the most important positive contributors with 15.8pp, followed by energy (+4.8pp) and consumer discretionary (+4.0pp).

**Graph 1. E unit performance**



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

	A unit	B unit	C unit	D unit	E unit	Index*	Excess return (E unit)
<b>2023</b>	34.8%	35.5%	35.5%	34.5%	34.0%	25.2%	8.8%
<b>3 years</b>	64.8%	67.3%	67.7%	63.6%	63.9%	39.3%	24.6%
<b>5 years</b>	78.7%	83.3%	84.1%	76.5%	76.9%	26.0%	50.9%
<b>7 years</b>	82.0%	88.5%	87.3%	78.8%	82.8%	28.5%	54.2%
<b>10 years</b>	103.9%	114.7%	109.5%	98.6%	100.0%	9.0%	91.0%
<b>12 years</b>	180.9%	198.8%	189.6%	172.2%	174.4%	30.7%	143.7%

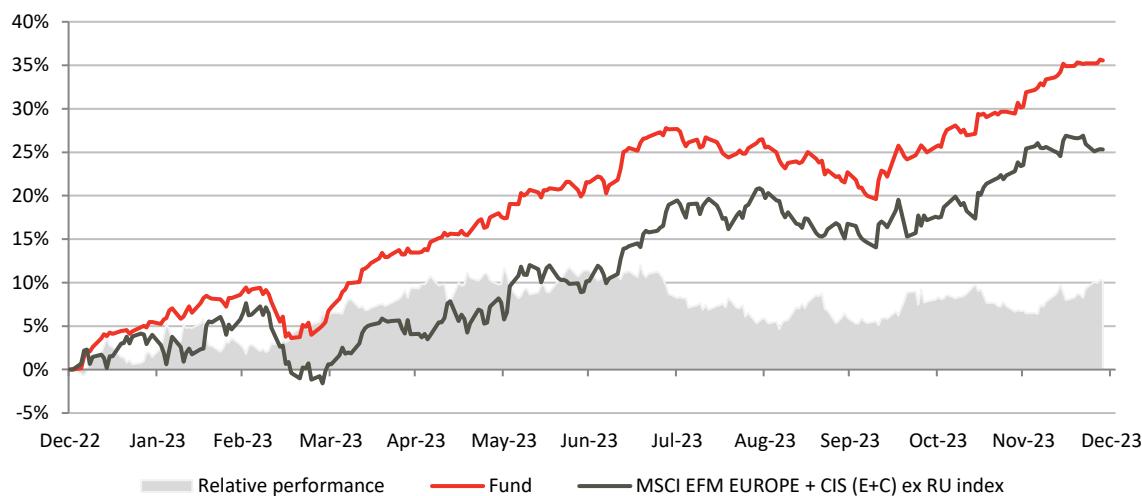
\* MSCI EFM EUROPE + CIS (E+C) ex Russia index

**Table 2.** Fund's calendar year performance (2019 - 2023)

	C unit	D unit	E unit	Index*	Excess return (E unit)
<b>2023</b>	35.5%	34.5%	34.0%	25.2%	8.8%
<b>2022</b>	-1.2%	-2.1%	-1.2%	-3.1%	1.9%
<b>2021</b>	25.3%	24.3%	23.8%	14.9%	9.0%
<b>2020</b>	-5.5%	-6.3%	-7.0%	-18.0%	11.0%
<b>2019</b>	16.1%	15.2%	16.0%	10.3%	5.8%

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

**Graph 2. Fund performance and index performance 2023**



### Fund Positioning and Portfolio Valuation

**Emerging Europe region trades at a significant discount to Europe, global emerging markets and MSCI ACWI.**

Although the regional performance has been very strong over the past two years, we have not seen any meaningful re-rating as corporate earnings have grown in line with share prices. We expect a solution to the Ukraine-Russia war, once it happens, to close the gap significantly as investors who are today avoiding the region are expected to return. However, the end of the war is not on the immediate horizon. The conflict seems to be at risk of turning into static warfare if it has not already, making an end to it very hard to predict.

**During 2023 we have maintained a tilt towards cyclical companies in our portfolio (67% of the portfolio) despite slowing economic environment.** This reflects how important valuations are to our investment decision-making. We can comfortably hold cyclical exposure in a slowdown if our evaluation shows that such macro scenario is already priced in, and vice versa. We construct our portfolios fully bottom-up, thus the changes between geographies, sectors or style categories are an outcome of our investment process. We do not make any top-down allocation decisions but focus on value-oriented stock picking in our aim to deliver above benchmark returns. We have had historically similar situations where the portfolio composition may not make sense from the near-term top-down perspective as in our company valuations we go beyond the short-term cycles and focus on what these companies are worth in normal circumstances.

**Our Fund portfolio trades at 8.2x 1YR FWD P/E assuming 7% earnings growth and 12% contraction for the companies in 2023-24.** Current valuation level is 17% below the long-term historical average. Non-financial companies in the portfolio are trading at 5.0x 1YR FWD EV/EBITDA, on par with the long-term average. The aggregate upside of the Fund on 2-year forward looking basis stands at 34%, around 10pp below the historical median level.

Higher valuation of the portfolio vs. benchmark stems from the fact that we do not hold any exposure in Turkey that accounts for 22% of the index and trades at 4.7x 1YR FWD P/E. We have been avoiding Turkey since the beginning of 2023 due to worries over the stability of lira. Although since the summer 2023 the central bank has been step-by-step moving back to orthodox policies, the currency is still vulnerable due to high current account deficit, high inflation and shallow central bank reserves. Also, the currency seems to be again in displaying crawling peg-like behaviour as we approach municipal elections in March, indicative of the administration's unwillingness to let it find its real value.

**Table 3. Emerging Europe valuation vs other markets**

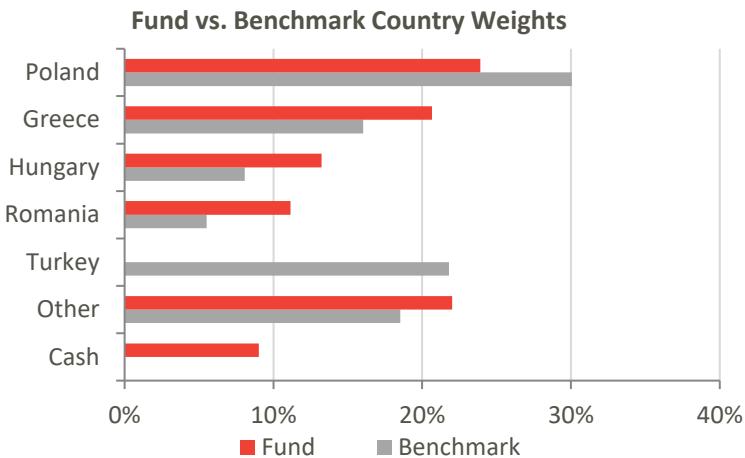
	P/E		P/B		ROE %		DY %	
	2024	2025	2024	2025	2024	2025	2024	2025
MSCI ACWI	18.6	16.8	2.80	2.57	14.2	14.5	2.1	2.2
EURO STOXX 50	14.0	13.5	2.42	2.22	17.6	15.6	3.4	3.8
MSCI EM	14.1	11.8	1.60	1.44	11.1	12.0	3.1	3.1
Emerging Europe *	6.9	6.8	1.34	1.12	19.3	16.8	4.9	6.1
vs Global	-63%	-59%	-52%	-57%	36%	16%	136%	175%
vs Europe	-51%	-50%	-45%	-50%	10%	8%	46%	59%
vs EM	-51%	-43%	-16%	-22%	73%	41%	62%	96%

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

**Table 4. Style Allocation of the Fund**

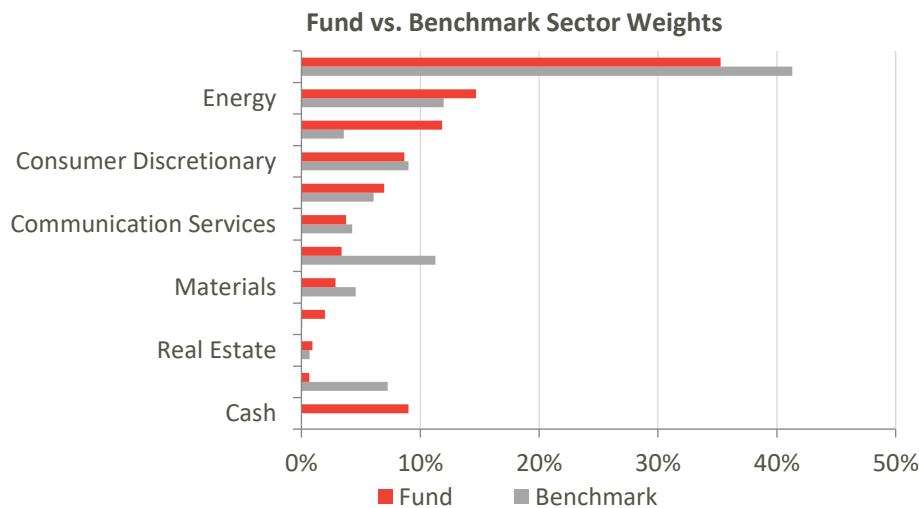
% of the Fund	EPS adj growth						Div	
	P/E adj		growth		EV/EBITDA		yield	P/B
	12M	2023	2024	2023	2024	2023	2024	2022
Cyclical	66.4%	6.3	6.3	7.7	14.9%	-18.2%	4.0	4.6
Non-cyclical	23.6%	12.1	11.5	9.8	-22.2%	16.6%	6.2	5.6
Asset play	0.9%	-	-	-	-	-	-	4.7%
Total equity	91.0%	7.2	7.2	8.2	6.6%	-12.5%	4.7	5.0
								1.15

**Graph 3.** Fund vs. Benchmark Country Weights



Note: Other for Avaron includes Slovenia, Czech Republic, Austria, Estonia, Bulgaria, Croatia and Lithuania. All but Austria are under Other for index as well.

**Graph 4.** Fund vs. Benchmark Sector Weights



Note: Due to the unavailability of MSCI EFM EUROPE + CIS (E+C) ex Russia country and sector weights respective data of MSCI EFM Europe + CIS (E+C) Index is used instead



27 March 2024

Kristel Kivinurm-Priisalm  
Member of the Management Board

## CONFIRMATION OF ANNUAL FINANCIAL STATEMENTS OF 2023

The Management Board of the Fund Management Company has prepared the annual Financial Statements of Avaron Emerging Europe Fund on 27 March 2024.

The Financial Statements have been prepared in compliance with the requirements stipulated in the Regulation (EC) No 1606/2002 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 annual Financial Statements of Avaron Emerging Europe Fund have been approved by the Fund Management Company and the investment managers.

Name	Date	Signature
<b>Kristel Kivinurm-Priisalm</b> Member of the Management Board of the Fund Management Company	27/03/2024	/Signed digitally/
<b>Valdur Jaht</b> Member of the Management Board of the Fund Management Company / Investment manager	27/03/2024	/Signed digitally/
<b>Peter Priisalm</b> Investment manager	27/03/2024	/Signed digitally/
<b>Rain Leesi</b> Investment manager	27/03/2024	/Signed digitally/

## SUSTAINABILITY-RELATED DISCLOSURE

**AVARON EMERGING EUROPE FUND (LEI: 5299002W6ED92XBPCX25)**

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not lay down a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.



**Sustainability indicators** measure how the environmental or social characteristics promoted by the financial product are attained.

### ENVIRONMENTAL AND/OR SOCIAL CHARACTERISTICS

**Does this financial product have a sustainable investment objective?**

● ● Yes

It made **sustainable investments with an environmental objective**: \_\_\_%

in economic activities that qualify as environmentally sustainable under the EU Taxonomy

in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

It made sustainable investments with a social objective: \_\_\_%

● ● ✗ No

It **promoted Environmental/Social (E/S) characteristics** and while it did not have as its objective a sustainable investment, it had a proportion of \_\_\_% of

with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

with a social objective

It promoted E/S characteristics, but **did not make any sustainable investments**

**To what extent were the environmental and/or social characteristics promoted by this financial product met?**

The Fund has contributed to its environmental and social characteristics through making investments in compliance with Avaron Responsible Investment Policy (RI Policy) and favoring investments into corporates with sound ESG practices. All issuers in the Fund portfolio have undergone ESG analysis and assigned an ESG rating using Avaron's proprietary ESG rating system. Throughout the year all issuers have been subject to controversy monitoring to detect potential ESG-related negligence. All discovered controversies have been acted upon according to engagement principles set in the RI policy. The Fund has followed relevant international sanctions to avoid exposure to controversial jurisdictions, and recommendations to combat money laundering and terrorist financing.

In accordance to the exclusion principles set in the RI Policy the Fund has not made any investments into:

- issuers involved in design, development, production, distribution or overhaul of weapons, weapon systems or components;
- issuers involved in production, publication, printing or distribution of newspapers or magazines or films or videos classified as pornographic;
- issuers involved in production or distribution tobacco or alternative smoking products (e - cigarettes, next-generation tobacco/nicotine products);

- retailers that generate 10%+ revenues from distribution of adult content or tobacco products;
- issuers that generate 10%+ of revenue from production or distribution of alcoholic drinks;
- issuers that generate 10%+ of revenue from gambling or lottery services;
- issuers that generate 20%+ of revenue from the extraction of any kind of coal including lignite;
- issuers that generate 20%+ of revenue from coal-based energy production unless they have set net-zero ambitions in accordance with Science-Based Targets Initiative (SBTi) Net-Zero Standard;
- issuers that have violated norms set in United Nations Global Compact, Universal Declaration of Human Rights, and ILO's International Labour Standards;
- issuers with Avaron's internal ESG rating below 2

In 2023 the Fund was awarded the ESG label by LuxFLAG, a Luxembourg-based organization that issues labels for financial products, which is a confirmation that the Fund takes into account ESG aspects in the investment process and that the portfolio meets the requirements established by LuxFLAG regarding ESG. The label is valid for one year.

#### ***How did the sustainability indicators perform?***

The primary sustainability indicator of the Fund is its proprietary ESG rating. It is calculated as the weighted average of ratings of issuers in the Fund portfolio excluding cash and cash equivalents. The scale of the rating is from 1 to 5. On issuer level the overall rating comprises separate ratings for environmental, social and governance topics with equal weights of 1/3rd, and a controversy adjustments. At the end of 2023 the Fund's overall ESG rating stood at 3.266, the environmental rating at 3.005, social rating at 3.391, governance rating at 3.587 and controversy adjustment at -0.062.

The secondary sustainability indicator is the number of companies restricted as a result of exclusion, which measures the reduction of involvement in controversial activities. In 2023 the ESG blacklist included 228 companies out of the formal investment universe (defined as companies with market capitalization above €100mil and 6-month average daily turnover above €100,000) of 346, implying 8.1% reduction.

#### ***...and compared to previous periods***

In 2023 the Fund's ESG rating dropped 5% compared to end-2022. The rating of environmental issues dropped 9%, the rating of social aspects 4%, while governance rating did not change during the year. The main reason for the deterioration was the transition to a new, enhanced and upgraded rating system. The implementation of the new rating system began in the fourth quarter of 2022 and was finalized in 2023. The main differences of the new rating system compared to the previous one are an approximately 20% increase in the number of evaluated criteria, and in case of environmental aspects a greater emphasis on climate change. The negative adjustment of the Fund's ESG rating due to ESG controversies during the year increased by 72%, reflecting a higher number of discovered controversies among the issuers in the Fund portfolio.

The number of companies excluded from the investment universe due to ESG exclusions increased from 7.3% to 8.1% compared to 2022.

*The EU Taxonomy sets out a "do not significant harm" principle by which Taxonomy-aligned investments should not significantly harm EU Taxonomy objectives and is accompanied by specific EU criteria.*

The "do no significant harm" principle applies only to those investments underlying the financial product that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the remaining portion of this financial product do not take into account the EU criteria for environmentally sustainable economic activities.

*Any other sustainable investments must also not significantly harm any environmental or social objectives.*

**Principal adverse impacts** are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



#### How did this financial product consider principal adverse impacts on sustainability factors?

Principle adverse impacts (PAI) on sustainability factors as outlined in the Regulation are assessed and monitored as part of the routine ESG analysis process the Fund holdings undergo. The Fund reports on all indicators related to PAI on sustainability factors as set out in Table 1 of Annex I of the Regulatory Technical Standards of the Regulation. Furthermore, at least one additional indicator related to PAI on a climate or other environment related sustainability factor that qualifies as principal as set out in Table 2 of Annex I, as well as at least one additional indicator related to PAI on a social, employee, human rights, anti-corruption or anti-bribery sustainability factor that qualifies as principal as set out in Table 3 of Annex I are included.

PAI statement of the Fund for 2022 is available here: [https://avaron.com/wp-content/uploads/Avaron\\_Emerging\\_Europe\\_Fund\\_PA1\\_0101\\_31122022.pdf](https://avaron.com/wp-content/uploads/Avaron_Emerging_Europe_Fund_PA1_0101_31122022.pdf)  
Respective statement for 2023 shall be published by 30 June 2024.



#### What were the top investments of this financial product?

The list includes the investments constituting the greatest proportion of investments of the financial product during the reference period which is 31/12/2023

Largest investments	Sector	% Assets	Country
COCA COLA HBC AG	Consumer Staples	7.0%	Greece
RICHTER GEDEON NYRT	Health Care	6.8%	Hungary
KOMERCNI BANKA AS	Financials	5.1%	Czech Rep.
KRKA	Health Care	5.0%	Slovenia
OTP BANK PLC	Financials	4.8%	Hungary
POLSKI KONCERN NAFTOWY ORLEN	Energy	4.7%	Poland
BANK PEKAO SA	Financials	4.4%	Poland
POWSZECHNY ZAKLAD UBEZPIECZE	Financials	4.1%	Poland
OMV PETROM SA	Energy	3.7%	Romania
BRD-GROUPE SOCIETE GENERALE	Financials	3.4%	Romania
JUMBO SA	Consumer Discretionar	3.3%	Greece
NOVA LJUBLJANSKA BANKA DD	Financials	3.3%	Slovenia
ERSTE GROUP BANK AG	Financials	2.8%	Austria
MOTOR OIL (HELLAS) SA	Energy	2.7%	Greece
BANK HANDLOWY W WARSZAWIE SA	Financials	2.4%	Poland



#### What was the proportion of sustainability-related investments?

The Fund did not hold any sustainable investments but had 91% of the portfolio in investments used to attain the environmental or social characteristics promoted by the Fund. 9% of the Fund assets were held in cash or cash equivalents.

#### What was the asset allocation?

**Asset allocation** describes the share of investments in specific assets.

Investments

#1 Aligned with E/S characteristics

91%

#1B Other E/S characteristics

100%

#2 Other  
9%

**#1 Aligned with E/S characteristics** includes the investments of the financial product used to attain the environmental or social characteristics promoted by the financial product.

**#2 Other** includes the remaining investments of the financial product which are neither aligned with the environmental or social characteristics, nor are qualified as sustainable investments.

● ***In which economic sectors were the investments made?***

Diversified Banks	29.6%
Pharmaceuticals	11.8%
Oil & Gas Refining & Marketing	7.4%
Soft Drinks & Non-alcoholic Beverages	7.0%
Integrated Oil & Gas	5.3%
Multi-line Insurance	4.1%
Other Specialty Retail	3.3%
Construction Materials	2.9%
Renewable Electricity	2.0%
Industrial Conglomerates	1.7%
Restaurants	1.7%
Broadline Retail	1.7%
Interactive Media & Services	1.6%
Financial Exchanges & Data	1.6%
Application Software	1.4%
Cable & Satellite	1.2%
Homefurnishing Retail	1.1%
Integrated Telecommunication Services	0.9%
Diversified REITs	0.9%
Marine Transportation	0.8%
Hotels, Resorts & Cruise Lines	0.7%
Electric Utilities	0.7%
Marine Ports & Services	0.6%
Systems Software	0.5%
Human Resource & Employment Services	0.2%



**What investments were included under “other”, what was their purpose and were there any minimum environmental or social safeguard?**

The Fund held 9% in cash and cash equivalents. The credit institutions where cash is being held or deposited are obliged financial market participants and/or financial advisers under SFDR. They are not subject to the ESG screening and analysis process by Avaron. However, annual sustainability related check is carried out to assess whether and to what degree the credit institutions are following sustainable business practices.



**What actions have been taken to meet the environmental and/or social characteristics during the reference period?**

All issuers in the Fund were screened according to exclusion principles set in Avaron Responsible Investment Policy, underwent ESG analysis and were assigned an ESG rating using Avaron's proprietary ESG rating system.

In addition, Avaron follows active engagement and ownership practices in managing the Fund. In 2023 28 separate engagements were launched with Fund portfolio companies, targeting 23 issuers (2022: 26 engagements targeting 23 issuers). 5 engagements were reactive in nature and related to the discovered ESG controversies (2022: 2), while the rest proactive with an aim to influence the companies to improve their disclosure and sustainability practices.

For the 6<sup>th</sup> consecutive year Avaron participated in the CDP Non-Disclosure Campaign that pushes issuers globally towards improved climate change, water security and deforestation related disclosure. We took a lead investor role in engaging with 2 companies in the Fund portfolio that were in the scope of the 2023 campaign. As a result, TAV Holding, a regional infrastructure company headquartered in Istanbul, started disclosing climate change information on the CDP platform. A total of 288 institutional investors participated in the campaign and contacted 1,509 companies, 20% of whom in turn started reporting on these issues.

We also initiated a thematic engagement process for companies in the Fund portfolio that have not set carbon reduction targets or do not disclose their carbon footprint. In total, we contacted 18 out of 37 issuers in the portfolio to discuss opportunities to take the necessary steps in setting emissions reduction goals and to improve public reporting on this issue. At the start of the engagement process, 12 companies did not have emission reduction targets. In terms of public reporting of greenhouse gas emissions, we saw shortfalls for 11 issuers. The engagement process is planned to be completed in the first half of 2024.

A key part of being an active responsible owner of listed equities is using voting rights in an informed way at the shareholder meetings of issuers. Starting from 2018 Avaron has committed to systematically exercising our voting rights on all shareholder meetings of the Fund. In 2023 we voted in 98% of the shareholders' meetings of the companies we own in the Fund portfolio compared to 90% the year before. Starting from 2019 we are disclosing all our voting details for our publicly sellable funds, including Avaron Emerging Europe Fund, which are available in the Responsible Investment section on Avaron website.

## FINANCIAL STATEMENTS

### BALANCE SHEET

In EUR

<b>ASSETS</b>	<b>Note</b>	<b>31/12/2023</b>	<b>31/12/2022</b>
Cash and cash equivalents	3	3,950,513	5,431,569
Term deposits	3	1,507,826	-
Financial assets at fair value through profit or loss:			
Shares and units	4	49,077,074	31,600,252
Receivables and prepayments	4; 6	361	41,000
<b>TOTAL ASSETS</b>		<b>54,535,774</b>	<b>37,072,821</b>
<b>LIABILITIES</b>			
Other financial liabilities			
Payables to the management company	4	482,122	281,231
Payables to the depository	4	20,251	18,490
Other liabilities	4	96,595	4,769
<b>TOTAL LIABILITIES</b>		<b>598,968</b>	<b>304,490</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS</b>		<b>53,936,806</b>	<b>36,768,331</b>

## STATEMENT OF INCOME AND EXPENSES

In EUR

	Note	01/01/2023- 31/12/2023	01/01/2022- 31/12/2022
<b>INCOME</b>			
<b>Interest income</b>		<b>65,134</b>	<b>142</b>
From deposits		65,134	142
<b>Dividend income</b>		<b>2,483,195</b>	<b>2,094,138</b>
From shares and units		2,483,195	2,094,138
<b>Net gain/loss from financial assets at fair value through profit or loss</b>		<b>11,411,783</b>	<b>-1,606,329</b>
From shares and units	5	11,411,783	-1,606,339
From derivative instruments	5	-	10
<b>Net gain/loss from foreign exchange</b>		<b>742,905</b>	<b>-642,957</b>
<b>TOTAL INCOME</b>		<b>14,703,017</b>	<b>-155,006</b>
<b>OPERATING EXPENSES</b>			
Management fees	7	527,963	381,823
Performance fees	7	434,070	92,652
Custodian fees		147,146	115,070
Transaction fees		2,653	2,167
Other operating expenses		22,184	28,995
<b>TOTAL OPERATING EXPENSES</b>		<b>1,134,015</b>	<b>620,707</b>
<b>NET INCOME</b>		<b>13,569,002</b>	<b>-775,713</b>

## STATEMENT OF CHANGES IN NET ASSETS

In EUR

	<b>01/01/2023- 31/12/2023</b>	<b>01/01/2022- 31/12/2022</b>	<b>01/01/2021- 31/12/2021</b>
<b>NET ASSET VALUE AT THE BEGINNING OF THE PERIOD</b>	<b>36,768,331</b>	<b>40,109,416</b>	<b>49,585,817</b>
Cash received for fund units issued	5,877,919	1,951,810	9,093,574
Cash paid for fund units redeemed	-2,278,446	-4,517,182	-29,141,979
Net result of the Fund	13,569,002	-775,713	10,572,004
<b>NET ASSET VALUE AT THE END OF THE PERIOD</b>	<b><u>53,936,806</u></b>	<b><u>36,768,331</u></b>	<b><u>40,109,416</u></b>
<b>NUMBER OF THE UNITS IN CIRCULATION AT THE END OF REPORTING PERIOD</b>			
Number of A units in circulation:	67,681.988	110,874.623	110,837.658
Number of B units in circulation:	317,434.427	376,084.744	388,261.629
Number of C units in circulation:	89,427.954	41,090.944	163,357.044
Number of D units in circulation:	466,641.702	384,346.228	319,418.361
Number of E units in circulation:	<u>1,633,678.373</u>	<u>1,540,020.085</u>	<u>1,612,539.479</u>
<b>NET ASSET VALUE OF AN UNIT AT THE END OF REPORTING PERIOD</b>			
Net asset value of the A unit:	7.6829	5.7000	5.8071
Net asset value of the B unit:	8.3935	6.1962	6.2811
Net asset value of the C unit:	28.5272	21.0515	21.3176
Net asset value of the D unit:	22.8334	16.9825	17.3450
Net asset value of the E unit:	<u>22.9827</u>	<u>17.1516</u>	<u>17.3666</u>
<b>TOTAL NET ASSET VALUE OF THE FUND UNITS</b>			
Total net asset value of the A units:	519,997	631,988	643,647
Total net asset value of the B units:	2,664,391	2,330,302	2,438,697
Total net asset value of the C units:	2,551,132	865,027	3,482,376
Total net asset value of the D units:	10,655,026	6,527,173	5,540,326
Total net asset value of the E units:	<u>37,546,258</u>	<u>26,413,841</u>	<u>28,004,370</u>
<b>TOTAL NET ASSET VALUE</b>	<b><u>53,936,806</u></b>	<b><u>36,768,331</u></b>	<b><u>40,109,416</u></b>

## STATEMENT OF CASH FLOWS

In EUR

	01/01/2023- 31/12/2023	01/01/2022- 31/12/2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	57,308	142
Interest paid	0	-110
Dividends received	2,570,719	2,092,094
Net result from foreign exchange	17,746	-27,529
Sale of investments	6,903,128	7,838,964
Purchase of investments	-13,685,264	-6,009,651
Operating expenses paid	-892,739	-571,772
	<b>-5,029,102</b>	<b>3,322,138</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of units	5,877,558	1,951,810
Payments on redemption of units	-2,278,446	-4,517,182
	<b>3,599,112</b>	<b>-2,565,372</b>
<b>TOTAL CASH FLOWS</b>	<b>-1,429,990</b>	<b>756,766</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at the beginning of the period	5,431,569	4,675,632
Effect of exchange rate fluctuations on cash and cash equivalents	-51,067	-829
<b>Cash and cash equivalents at the end of the period</b>	<b>3,950,513</b>	<b>5,431,569</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. ACCOUNTING POLICIES AND ASSESSMENTS USED

The annual financial statements of Avaron Emerging Europe Fund for 2023 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 IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2023),
- Amendments to IAS 8 "Accounting policies, Changes in Accounting Estimates and Errors" (effective for annual periods beginning on or after 1 January 2023).
- IFRS 17 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 12 "Income Taxes" (effective for annual periods beginning on or after 1 January 2023)

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 that are adopted by the EU but have not yet been implemented**

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

- IFRS 16 "Leases" (applicable from financial years beginning on or after 1 January 2024);

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

#### **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:

- IAS 21 Effects of Changes in Foreign Exchange Rates (applicable from financial years beginning on or after 1 January 2025);

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

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.
- The value of a listed debt security shall be determined on the basis of the last known market quote. Avaron will determine which of the following reflects best the last known market quote representing the fair value of a debt security on the valuation date: last traded price on the regulated market or multilateral trading facility; last reported traded price based on the source of the financial data vendor currently used; mid-market price on the regulated market or multilateral trading facility; bid price on the regulated market or multilateral trading facility; mid-market price provided by sources of the financial data vendor currently used; bid price provided by sources of the financial data vendor currently used. Should market quotes for an instrument not be available or in the opinion of Avaron do not represent the actual value of a listed debt security, its value will be determined on the basis of the yield curve method. If yield curve method cannot be used due to the absence of reliable data or its low sample size, the amortized cost method shall be used.
- 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.

#### **Offsetting**

Financial assets and liabilities 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.

### **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.

## NOTE 2. RISK MANAGEMENT

### Short Overview of the 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 Score 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 over 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):

	<b>31/12/2023</b>	<b>% of NAV</b>	<b>31/12/2022</b>	<b>% of NAV</b>
Cash and cash equivalents	3,950,513	7.32%	5,431,569	14.77%
Term deposits	1,507,826	2.79%	0	0.00%
Receivables and prepayments	361	0.00%	41,000	0.11%
<b>TOTAL</b>	<b>5,458,700</b>	<b>10.11%</b>	<b>5,472,569</b>	<b>14.88%</b>

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 31 December 2023 nor 31 December 2022.

The Fund's cash and cash equivalents are held with Fund's depository Swedbank AS, which parent company Swedbank AB is rated A+ as of 26/06/2023 by Standard & Poor's, with AS SEB Bank, which parent company Skandinaviska Enskilda Banken AB is rated A+ as of 28/06/2023 (Standard & Poor'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 analysis of aggregate ownership in share capital and free float. Regular liquidity stress tests are performed to assess the adequacy of the Fund's liquidity profile.

The Fund maintains a credit line of 3,000,000 EUR that can be accessed to meet short-term liquidity needs. These resources have not been used as of 31/12/2023.

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

	<b>Up to 1 month</b>		<b>Over 1 month</b>	
	<b>31/12/2023</b>	<b>31/12/2022</b>	<b>31/12/2023</b>	<b>31/12/2022</b>
Payables to the management company	482,122	281,231	-	-
Payables to the depository	20,251	18,490	-	-
Other liabilities	-	-	96,595	4,769
<b>TOTAL</b>	<b>502,373</b>	<b>299,721</b>	<b>96,595</b>	<b>4,769</b>

Positions that may take more than 11 business days to liquidate based on the six month average trading volume (30% of trading volume).

Instrument	Country	Sector	% of NAV	
			31/12/2023	31/12/2022
KRKA	Slovenia	Health Care	5.04%	-
NOVA LJUBLJANSKA BANKA DD	Slovenia	Financials	3.33%	-
SPHERA FRANCHISE GROUP SA	Romania	Consumer Discretionary	1.72%	1.39%
WIRTUALNA POLSKA HOLDING SA	Poland	Communication Services	1.60%	-
BULGARIA REAL ESTATE FUND	Bulgaria	Real Estate	0.92%	1.12%
FIRST INVESTMENT BANK	Bulgaria	Financials	0.83%	0.80%
ARENA HOSPITALITY GROUP DD	Croatia	Consumer Discretionary	0.73%	1.12%
TALLINNA SADAM AKTSIA	Romania	Communication Services	0.60%	1.10%
BRD-GROUPE SOCIETE GENERALE	Bulgaria	Real Estate	-	2.98%
TALLINK GRUPP	Estonia	Industrial	-	1.05%
DIGI COMMUNICATIONS NV	Romania	Communication Services	-	0.69%
<b>TOTAL</b>			<b>14.78%</b>	<b>10.25%</b>

### 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 the Fund's assets in EUR:

	31/12/2023 % of Fund's		31/12/2022 % of Fund's	
	assets		assets	
EUR	18,062,463	33.11%	11,690,109	31.53%
PLN	13,578,449	24.90%	6,697,872	18.07%
HUF	8,460,246	15.51%	5,241,065	14.14%
RON	6,939,915	12.73%	4,142,246	11.17%
GBP	3,755,114	6.89%	1,817,902	4.90%
CZK	2,759,721	5.06%	3,744,977	10.10%
BGN	979,866	1.80%	717,401	1.94%
TRY	0	0.00%	2,609,934	7.04%
HRK	0	0.00%	411,315	1.11%
<b>TOTAL</b>	<b>54,535,774</b>	<b>100.00%</b>	<b>37,072,821</b>	<b>100.00%</b>

### Currency risk sensitivity analysis

Fund's net asset value would have been affected by the weakening of foreign currencies against EUR on 31 December 2023. The sensitivity analysis assumes the weakening of foreign currency rates 10% against EUR. Below table illustrates the maximum weakening of foreign currency in the magnitude of the change from the higher to lower value since the launch of the fund on April 23, 2007. The analysis assumes that all the other variables remain constant. Analysis for 31 December 2022 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:

	31/12/2023			31/12/2022		
	Impact in EUR (-10% weakening)	Maximum annual currency weakening	Currency's % of NAV	Impact in EUR (-10% weakening)	Maximum annual currency weakening	Currency's % of NAV
PLN	-1,357,845	-35%	24.90%	-669,787	-35%	18.07%
HUF	-846,025	-28%	15.51%	-524,107	-28%	14.14%
CZK	-275,972	-22%	5.06%	-374,498	-22%	10.10%
RON	-693,992	-20%	12.73%	-414,225	-20%	11.17%
GBP	-375,511	-25%	6.89%	-181,790	-25%	4.90%
BGN	-97,987	0%	1.80%	-71,740	0%	1.94%
TRY	0	-55%	0.00%	-260,993	-55%	7.04%
HRK	0	0%	0.00%	-41,132	-6%	1.11%
<b>TOTAL</b>	<b>-3,647,331</b>		<b>66.89%</b>	<b>-2,538,271</b>		<b>68.48%</b>

#### *Instrument's price risk*

Price risk is closely related to market risk but mainly affects a specific security or investment. Price risk is the risk of suffering losses due to adverse price movements of a specific stock or another investment. The price of a specific security is affected by developments in the issuer's financial results, changes in the competitive environment, analyst estimates and commentaries, etc.

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

	31/12/2023	% of NAV	31/12/2022	% of NAV
Financials	19,028,313	35.28%	11,099,841	30.19%
Energy	7,923,854	14.69%	4,575,031	12.44%
Health Care	6,390,532	11.84%	2,988,787	8.13%
Consumer Discretionary	4,668,109	8.65%	4,580,904	12.46%
Consumer Staples	3,755,114	6.96%	1,810,561	4.92%
Industrial	1,827,603	3.39%	2,373,952	6.46%
Materials	1,542,006	2.86%	869,880	2.37%
Communication Services	2,023,315	3.75%	1,381,132	3.76%
IT	1,061,522	1.97%	375,864	1.02%
Real Estate	498,746	0.92%	412,187	1.12%
Utilities	357,960	0.66%	1,132,113	3.08%
<b>TOTAL</b>	<b>49,077,074</b>	<b>90.98%</b>	<b>31,600,252</b>	<b>85.94%</b>

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

	<b>31/12/2023</b>	<b>% of NAV</b>	<b>31/12/2022</b>	<b>% of NAV</b>
Greece	13,274,338	24.62%	7,880,982	21.44%
Poland	11,971,364	22.20%	4,944,822	13.45%
Romania	6,704,948	12.43%	2,177,674	5.92%
Slovenia	4,787,535	8.88%	2,307,965	6.28%
Hungary	3,472,022	6.42%	4,777,703	12.97%
Czech Rep.	2,759,721	5.12%	2,835,902	7.71%
Austria	1,524,295	2.83%	418,600	1.14%
Belgium	1,177,356	2.18%	869,880	2.37%
Bulgaria	946,622	1.75%	707,447	1.92%
Luxembourg	924,489	1.71%	647,284	1.76%
Estonia	780,342	1.45%	1,209,192	3.29%
Croatia	396,082	0.73%	411,315	1.12%
Lithuania	357,960	0.66%	361,380	0.98%
Turkey	0	0.00%	2,050,106	5.59%
<b>TOTAL</b>	<b>49,077,074</b>	<b>90.98%</b>	<b>31,600,252</b>	<b>85.94%</b>

*Instrument's price risk sensitivity analysis*

Sensitivity analysis is based on standard deviation of the Fund since launch, whereas the Fund's risk profile has been calculated based on normal distribution. The analysis assumes that all the other variables remain constant. Analysis as per 31 December 2022 has been made with using the same assumptions.

	<b>probability</b>	<b>+/- possible change of Fund's NAV during year</b>	
		<b>31/12/2023</b>	<b>31/12/2022</b>
$\sigma$	68.27%	13.53%	13.75%
$2\sigma$	95.45%	27.06%	27.51%
$3\sigma$	99.73%	40.59%	41.26%

### NOTE 3. CASH AND CASH EQUIVALENTS

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

	<b>31/12/2023</b>	<b>% of NAV, converted into EUR</b>	<b>31/12/2022</b>	<b>% of NAV, converted into EUR</b>
<b>Swedbank AS</b>		<b>7.32%</b>		<b>12.66%</b>
EUR	997,619	1.85%	1,606,582	4.37%
CZK	-	-	21,970,528	2.47%
PLN	2,972,906	1.27%	3,692,521	2.14%
TRY	-	-	11,198,379	1.52%
HUF	507,299,900	2.44%	185,131,424	1.26%
RON	4,583,220	1.71%	1,541,592	0.85%
BGN	65,020	0.06%	19,469	0.03%
GBP	-	-	6,494	0.02%
<b>AS SEB Pank</b>		<b>0.00%</b>		<b>2.12%</b>
EUR	455	0.00%	776,494	2.12%
<b>TOTAL</b>		<b>7.32%</b>		<b>14.78%</b>

The Fund's cash and cash equivalents are held with Fund's depository Swedbank AS, which parent company Swedbank AB is rated A+ as of 26/06/2023 by Standard & Poor's, with AS SEB Bank, which parent company Skandinaviska Enskilda Banken AB is rated A+ as of 28/06/2023 (Standard & Poor's).

#### Deposits in EUR

	<b>31/12/2023</b>	<b>% of NAV</b>	<b>31/12/2022</b>	<b>% of NAV</b>
Short term deposits*	1,507,826	2.79%	0	0.00%
<b>TOTAL</b>	<b>1,507,826</b>	<b>2.79%</b>	<b>0</b>	<b>0.00%</b>

\*Accrued interest in the amount of 7,826.40 EUR has been added to the value of deposits.

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

In EUR

31/12/2023

	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	-	-	-	3,950,513	-	-	-	-	-
Term deposits	-	-	-	-	1,507,826	-	-	-	-
Shares and units	49,077,074	-	-	-	-	-	-	-	-
Receivables for units subscribed	-	-	-	-	361	-	-	-	-
LIABILITIES									
Payables to the management company	-	-	-	-	-	-	-	482,122	-
Payables to the depository	-	-	-	-	-	-	-	20,251	-
Other liabilities*	-	-	-	-	-	-	-	96,595	-
<b>TOTAL</b>	<b>49,077,074</b>	-	-	<b>3,950,513</b>	<b>1,508,187</b>	-	-	<b>598,968</b>	-

\* 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

31/12/2022

<b>ASSETS</b>	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
Cash and cash equivalents	-	-	-	5,431,569	-	-	-	-	-
Shares and units	31,600,252	-	-	-	-	-	-	-	-
Dividend receivable	-	-	-	-	6,000	-	-	-	-
Other receivable	-	-	-	-	35,000	-	-	-	-
<b>LIABILITIES</b>									
Payables to the management company	-	-	-	-	-	-	-	281,231	-
Payables to the depository	-	-	-	-	-	-	-	18,490	-
Other liabilities*	-	-	-	-	-	-	-	4,769	-
<b>TOTAL</b>	<b>31,600,252</b>	-	-	<b>5,431,569</b>	<b>41,000</b>	-	-	<b>304,490</b>	-

\* 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

	01/01/2023-	01/01/2022-
	31/12/2023	31/12/2022
<b>Net gain/loss from financial assets at fair value through profit or loss</b>		
<b>From shares and units</b>		
Sales profit/(-loss)	3,217,809	1,920,322
Unrealised profit /(-loss)	8,193,974	-3,526,661
<b>From derivative instruments</b>		
Sales profit/(-loss)	0	10
<b>Total net gain/(-loss )</b>	<b>11,411,783</b>	<b>-1,606,329</b>

## NOTE 6. RECEIVABLES AND PREPAYMENTS

In EUR

	31/12/2023	31/12/2022
Dividend receivable	0	6,000
Receivables for units subscribed	361	0
Other receivables	0	35,000
<b>TOTAL</b>	<b>361</b>	<b>41,000</b>

## 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 in EUR as follows:

	01/01/2023-	01/01/2022-
	31/12/2023	31/12/2022
<b>Fund Management Company</b>		
Paid management and performance fees	962,033	474,475
<b>Other investment funds managed by Fund Management Company</b>		
Sale of securities	292,000	-
<b>TOTAL</b>	<b>1,254,033</b>	<b>474,475</b>

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

	<b>31/12/2023</b>	<b>31/12/2022</b>
<b>Fund Management Company</b>		
Management and performance fee payable	482,122	281,231

The market value of Avaron Emerging Europe Fund units owned by the shareholders of the Fund Management Company amounted to 82,401 EUR as of 31/12/2023 (31/12/2022: 60,829 EUR).

**STATEMENT OF INVESTMENTS**

In EUR as of 31/12/2023

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
<b>SHARES</b>										
<b>SHARES LISTED ON STOCK EXCHANGE:</b>										
COCA-COLA HBC AG	CH0198251305	GR	S&P	BBB+	GBP	23.04	3,255,126	26.58	3,755,114	6.96%
RICHTER GEDEON NYRT	HU0000123096	HU			HUF	18.09	2,927,344	22.69	3,672,542	6.81%
KOMERCNI BANKA	CZ0008019106	CZ	S&P	A	CZK	30.33	2,857,499	29.30	2,759,721	5.12%
KRKA	SI0031102120	SI			EUR	77.96	1,926,437	110.00	2,717,990	5.04%
OTP BANK SHARE	HU0000061726	HU	S&P	BBB-	HUF	31.51	1,991,239	40.98	2,589,765	4.80%
POLSKI KONCERN NAFTORYN ORLEN	PLPKN0000018	PL			PLN	13.90	2,349,451	15.04	2,541,616	4.71%
BANK PEKAO SA	PLPEKAO000016	PL	S&P	BBB+	PLN	14.36	977,091	34.91	2,375,098	4.40%
POWSZECHNY ZAKLAD UBEZP SHARE	PLPZU0000011	PL	S&P	A-	PLN	6.04	1,226,836	10.85	2,204,334	4.09%
OMV PETROM SA (RON)	ROSNNPPACNOR9	RO			RON	0.07	1,250,083	0.12	1,986,757	3.68%
BRD Gr Societe Generale SA RON	ROBRDBACNOR2	RO	Fitch	BBB+	RON	2.38	1,227,590	3.60	1,859,798	3.45%
JUMBO SA	GRS282183003	GR			EUR	14.73	1,054,351	25.12	1,798,542	3.33%
NOVA LJUBLJANSKA BANKA DD	SI0021117344	SI	S&P	BBB	EUR	62.57	1,323,845	85.00	1,798,345	3.33%
ERSTE GROUP BANK AG	AT0000652011	AT	S&P	A+	EUR	30.04	1,246,461	36.73	1,524,295	2.83%
MOTOR OIL (HELLAS) SA	GRS426003000	GR			EUR	14.07	849,501	23.76	1,434,439	2.66%
BANK HANDLOWY W WARSZAWIE	PLBH00000012	PL	Fitch	A-	PLN	15.96	895,077	23.28	1,305,467	2.42%
TITAN CEMENT INTERNATIONAL SA	BE0974338700	BE	S&P	BB	EUR	11.25	623,222	21.25	1,177,356	2.18%
PKO BANK POLSKI	PLPKO0000016	PL			PLN	8.33	759,640	11.55	1,053,401	1.95%
MYTILINEOS SA	GRS393503008	GR	S&P	BB+	EUR	5.17	131,334	36.70	932,180	1.73%
SPHERA FRANCHISE GROUP SA	ROSGFPACNOR4	RO			RON	4.89	880,260	5.16	928,997	1.72%
ALLEGRO.EU SA	LU2237380790	LU			PLN	8.21	991,627	7.65	924,489	1.71%
MOL HUNGARIAN OIL AND GAS PLC	HU0000153937	HU	S&P	BBB-	HUF	5.64	678,903	7.33	882,256	1.64%
WIRTUALNA POLSKA HOLDING SA	PLWRTPLO0027	PL			PLN	16.27	504,325	27.92	865,408	1.60%
WARSAW STOCK EXCHANGE	PLGPW0000017	PL			PLN	9.40	808,298	9.76	839,012	1.56%
EPSILON NET SA	GRS498003003	GR			EUR	5.65	460,356	9.56	779,551	1.45%
S.P.E.E.H. HIDROELECTRICA S.A.	RO4Q0Z5RO1B6	RO			RON	21.01	604,157	25.72	739,508	1.37%
CYFROWY POLSAT SA	PLCFRP00013	PL	S&P	BB	PLN	3.29	760,776	2.83	653,969	1.21%
FOURLIS SA	GRS096003009	GR			EUR	3.68	570,442	4.00	620,000	1.15%
DIGI COMMUNICATIONS NV	NL0012294474	NL	S&P	BB-	RON	8.04	458,027	8.84	503,938	0.93%
FIRST INVESTMENT BANK	BG1100106050	BG	Fitch	B	BGN	0.82	244,721	1.49	447,876	0.83%
TALLINK GRUPP	EE3100004466	EE			EUR	0.76	483,624	0.69	441,064	0.82%
ARENA HOSPITALITY GROUP DD	HRARNTRA0004	HR			EUR	57.97	755,350	30.40	396,082	0.73%
TITAN CEMENT INTERNATIONAL GRE	BE0974338700	BE	S&P	BB	EUR	11.69	198,761	21.45	364,650	0.68%
IGNITIS GRUPE AB	LT0000115768	LT	S&P	BBB+	EUR	21.07	400,317	18.84	357,960	0.66%
ENEFIT GREEN AKTSIA	EE3100137985	EE			EUR	2.90	276,689	3.56	339,278	0.63%
TALLINNA SADAM AKTSIA	EE3100021635	EE			EUR	1.77	503,328	1.13	321,301	0.60%
ENTERSOFT SA SOFTWARE DEVELO	GRS503003014	GR			EUR	5.71	253,006	6.36	281,971	0.52%
NOVA LJUBLJANSKA BANKA GDR	US66980N2036	SI	S&P	BBB	EUR	12.17	194,678	16.95	271,200	0.50%
GRUPA PRACUJ SA	PLGRPRC00015	PL			PLN	11.21	104,752	14.24	133,058	0.25%
<b>SHARES TOTAL</b>							<b>37,004,522</b>		<b>48,578,328</b>	<b>90.06%</b>

**Statement of investments as of 31/12/2023 (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
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**FUNDS:****CLOSED-END FUNDS LISTED ON STOCK EXCHANGE:**

BULGARIA REAL ESTATE FUND	BG1100001053	BG	REAL ESTATE MANAGEMENT LTD	BGN	0.93	375,450	1.24	498,746	0.92%
<b>CLOSED-END FUNDS TOTAL</b>									
<b>SHARES AND FUNDS TOTAL</b>									

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
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**DEPOSITS\***

Swedbank AS	Deposit	EE	A+(Swedbank AS)	EUR	4.0000%	14/11/2023	14/05/2024	0	502,555	0.93%		
Swedbank AS	Deposit	EE	A+(Swedbank AS)	EUR	3.7500%	14/11/2023	14/02/2024	0	502,396	0.93%		
Swedbank AS	Deposit	EE	A+(Swedbank AS)	EUR	4.5000%	14/11/2023	14/11/2024	0	502,875	0.93%		
<b>DEPOSITS TOTAL</b>										<b>0</b>	<b>1,507,826</b>	<b>2.79%</b>

\*Accrued interest in the amount of 7826.40 EUR has been added to the value of deposits

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
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**CASH**

CURRENT ACCOUNT	EE	Swedbank	PLN			682,595		682,595	1.27%	
CURRENT ACCOUNT	EE	SEB	EUR			455		455	0.00%	
CURRENT ACCOUNT	EE	Swedbank	EUR			997,619		997,619	1.85%	
CURRENT ACCOUNT	EE	Swedbank	RON			920,917		920,917	1.72%	
CURRENT ACCOUNT	EE	Swedbank	BGN			33,244		33,244	0.06%	
CURRENT ACCOUNT	EE	Swedbank	HUF			1,315,682		1,315,682	2.44%	
<b>CURRENT ACCOUNT TOTAL</b>								<b>3,950,513</b>	<b>3,950,513</b>	<b>7.32%</b>
<b>INVESTMENTS TOTAL</b>								<b>42,838,311</b>	<b>54,535,413</b>	<b>101.09%</b>

**Statement of investments as of 31/12/2023 (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
<b>OTHER ASSETS</b>										
RECEIVABLE FOR SUBSCRIBED SHARES				EUR					361	0.00%
<b>OTHER ASSETS TOTAL</b>									<b>361</b>	<b>0.00%</b>
<b>TOTAL ASSETS OF THE FUND</b>										
LIABILITIES									-598,968	-1.09%
<b>NET ASSETS OF THE FUND</b>									<b>53,936,806</b>	<b>100.00%</b>

In EUR as of 31/12/2022

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
<b>SHARES</b>										
<b>SHARES LISTED ON STOCK EXCHANGE:</b>										
KOMERCI BANKA	CZ0008019106	CZ	S&P	A	CZK	30.59	2,330,829	27.10	2,065,169	5.62%
OMV PETROM SA	ROSNPPACNOR9	RO			RON	0.07	1,660,767	0.08	1,971,405	5.36%
COCA-COLA HBC AG	CH0198251305	GR	S&P	BBB+	GBP	22.45	1,822,261	22.30	1,810,561	4.92%
RICHTER GEDEON NYRT	HU0000123096	HU			HUF	15.99	1,292,792	20.77	1,679,259	4.57%
POWSZECHNY ZAKLAD UBEZP SHARE	PLPZU0000011	PL	S&P	A-	PLN	6.04	1,226,836	7.55	1,533,598	4.17%
OTP BANK SHARE	HU0000061726	HU	S&P	BBB	HUF	30.62	1,720,810	25.30	1,422,091	3.87%
MOTOR OIL (HELLAS) SA	GRS426003000	GR			EUR	14.07	849,501	21.82	1,317,317	3.58%
KRKA	SI0031102120	SI			EUR	59.09	841,088	92.00	1,309,528	3.56%
JUMBO SA	GRS282183003	GR			EUR	14.73	1,054,351	15.98	1,144,136	3.11%
BRD Gr Societe Generale SA RON	ROBRDBACNOR2	RO	Fitch	BBB+	RON	2.36	984,949	2.63	1,094,968	2.98%
BANK HANDLOWY W WARSZAWIE	PLBH00000012	PL	Fitch	A-	PLN	15.96	895,077	16.12	903,693	2.46%
MOL HUNGARIAN OIL AND GAS PLC	HU0000153937	HU	S&P	BBB-	HUF	5.64	751,791	6.51	868,604	2.36%
BANK PEKAO SA	PLPEKAO00016	PL	S&P	BBB+	PLN	12.56	578,032	18.44	848,846	2.31%
TOFAS TURK OTOMOBIL FABRIKA	TRATOASO91H3	TR			TRY	2.91	285,378	8.28	811,800	2.21%
MAGYAR TELEKOM RT	HU0000073507	HU			HUF	1.08	1,027,762	0.85	807,749	2.20%
NOVA LJUBLJANSKA BANKA DD	SI0021117344	SI	S&P	BBB	EUR	52.74	672,788	62.40	796,037	2.17%
CESKE ENERGETICKE ZAVODY AS	CZ0005112300	CZ	S&P	A-	CZK	22.33	540,151	31.86	770,733	2.10%
MAVI GIYIM SANAYI VE TICARET A	TREMAVI00037	TR			TRY	2.38	263,968	6.61	732,046	1.99%
TITAN CEMENT INTERNATIONAL SA	BE0974338700	BE	S&P	BB	EUR	11.25	623,222	12.00	664,860	1.81%
WARSAW STOCK EXCHANGE	PLGPW0000017	PL			PLN	9.40	808,298	7.57	651,064	1.77%
ALLEGRO.EU SA	LU2237380790	LU			PLN	8.21	991,627	5.36	647,284	1.76%
PKO BANK POLSKI	PLPKO0000016	PL			PLN	8.33	759,640	6.46	588,740	1.60%
MYTILINEOS SA	GRS393503008	GR	S&P	BB-	EUR	5.17	131,334	20.30	515,620	1.40%
SPHERA FRANCHISE GROUP SA	ROSFGPACNOR4	RO			RON	4.89	880,260	2.83	509,323	1.39%
TAV HAVALIMANLARI HOLDING	TRETAVH00018	TR			TRY	1.89	204,677	4.67	506,259	1.38%
AEGEAN AIRLINES S.A.	GRS495003006	GR			EUR	6.39	508,924	5.29	421,079	1.15%
ERSTE GROUP BANK AG	AT0000652011	AT	S&P	A+	EUR	27.23	381,158	29.90	418,600	1.14%
ENEFIT GREEN AKTSIA	EE3100137985	EE			EUR	2.90	276,689	4.38	417,705	1.14%
ARENA HOSPITALITY GROUP DD	HRARNTRA0004	HR			HRK	57.97	755,350	31.57	411,315	1.12%
TALLINNA SADAM AKTSIA	EE3100021635	EE			EUR	1.77	503,328	1.42	405,613	1.10%
TALLINK GRUPP	EE3100004466	EE			EUR	0.78	577,812	0.52	385,874	1.05%
EPSILON NET SA	GRS498003003	GR			EUR	5.03	293,832	6.44	375,864	1.02%
IGNITIS GRUPE AB	LT0000115768	LT	S&P	BBB+	EUR	21.07	400,317	19.02	361,380	0.98%
FOURLIS SA	GRS096003009	GR			EUR	3.80	379,666	3.25	325,000	0.88%

**Statement of investments as of 31/12/2022 (continued)**

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
WIRTUALNA POLSKA HOLDING SA	PLWRTPL00027	PL		PLN		11.58	171,327	21.53	318,580	0.87%
FIRST INVESTMENT BANK	BG1100106050	BG	Fitch	B	BGN	0.82	244,721	0.98	295,261	0.80%
SANTANDER BANK POLSKA SA	PLBZ00000044	PL	Fitch	BBB+	PLN	72.26	365,069	55.30	279,374	0.76%
DIGI COMMUNICATIONS NV	NL0012294474	RO	S&P	BB-	RON	8.51	340,418	6.37	254,803	0.69%
TITAN CEMENT INTERNATIONAL GR	BE0974338700	BE	S&P	BB	EUR	11.69	198,761	12.06	205,020	0.56%
NOVA LJUBLJANSKA BANKA GDR	US66980N2036	SI	S&P	BBB	EUR	12.17	194,678	12.65	202,400	0.55%
GRUPA PRACUJ SA	PLGRPRC00015	PL		PLN		11.21	179,317	8.72	139,507	0.38%
<b>SHARES TOTAL</b>						<b>28,969,554</b>		<b>31,188,065</b>		<b>84.82%</b>

Name	ISIN	Fund country	Fund Management Company	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
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**FUNDS:****CLOSED-END FUNDS LISTED ON STOCK EXCHANGE:**

BULGARIA REAL ESTATE FUND	BG1100001053	BG	REAL ESTATE MANAGEMENT LTD	BGN	0.93	375,450	1.02	412,187	1.12%
<b>CLOSED-END FUNDS TOTAL</b>									
<b>SHARES AND FUNDS TOTAL</b>									

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
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**CASH**

CURRENT ACCOUNT	EE	Swedbank	PLN			787,184		787,184		2.14%
CURRENT ACCOUNT	EE	SEB	EUR			776,494		776,494		2.11%
CURRENT ACCOUNT	EE	Swedbank	EUR			1,606,582		1,606,582		4.37%
CURRENT ACCOUNT	EE	Swedbank	RON			311,748		311,748		0.85%
CURRENT ACCOUNT	EE	Swedbank	CZK			909,075		909,075		2.47%
CURRENT ACCOUNT	EE	Swedbank	BGN			9,954		9,954		0.03%
CURRENT ACCOUNT	EE	Swedbank	HUF			463,362		463,362		1.26%
CURRENT ACCOUNT	EE	Swedbank	TRY			559,829		559,829		1.52%
<b>CURRENT ACCOUNT TOTAL</b>						<b>5,431,569</b>		<b>5,431,569</b>		<b>14.77%</b>
<b>INVESTMENTS TOTAL</b>						<b>34,776,573</b>		<b>37,031,821</b>		<b>100.71%</b>

**Statement of investments as of 31/12/2022 (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
<b>OTHER ASSETS</b>										
DIVIDEND RECEIVABLE				EUR				6,000	6,000	0.02%
OTHER RECEIVABLE				EUR				35,000	35,000	0.09%
<b>OTHER ASSETS TOTAL</b>								<b>41,000</b>	<b>41,000</b>	<b>0.11%</b>
<b>TOTAL ASSETS OF THE FUND</b>						<b>34,776,573</b>	<b>37,072,821</b>		<b>37,072,821</b>	<b>100.82%</b>
LIABILITIES							-304,490		-304,490	-0.82%
<b>NET ASSETS OF THE FUND</b>								<b>36,768,331</b>	<b>36,768,331</b>	<b>100.00%</b>

## STATEMENT OF COMMISSIONS

In EUR

01/01/2023-31/12/2023

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
<b>Regulated securities market transactions*</b>				
<b>Shares</b>				
Patria Finance A.S.	16	4,715,330	2,201	0.05%
Santander Biuro Maklerskie	16	3,616,216	1,717	0.05%
Wood and Company Financial Services a.s.	12	2,612,770	1,693	0.06%
Interkapital vrijednosni papiri d.o.o.	16	2,603,148	3,762	0.14%
Eurobank Equities Investment Firm S.A	19	1,482,755	1,333	0.09%
Erste Group Bank AG	4	1,470,130	1,378	0.09%
Swiss Capital S.A.	1	190,802	382	0.20%
SEB Pank AS	1	68,397	103	0.15%
<b>Third country securities market transactions</b>				
<b>Shares</b>				
OYAK Yatirim Menkul Degerler A.S.	3	1,748,834	872	0.05%
<b>OTC trades</b>				
<b>Bonds</b>				
Avaron Flexible Strategies Fund	1	157,000	0	0.00%
LHV PANK AS	1	157,000	0	0.00%
Avaron Bond Fund	1	135,000	0	0.00%
Inbank AS	1	135,000	0	0.00%
<b>TOTAL</b>	<b>92</b>	<b>19,092,382</b>	<b>13,441</b>	<b>0.07%</b>

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

Avaron Emerging Europe Fund

In EUR

01/01/2022-31/12/2022

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
<b>Regulated securities market transactions*</b>				
<b>Shares</b>				
Patria Finance A.S.	17	4,765,319	1,869	0.04%
Wood and Company Financial Services a.s.	9	2,300,483	1,322	0.06%
Santander Biuro Maklerskie	10	1,767,008	1,060	0.06%
Interkapital vrijednosni papiri d.o.o.	12	720,420	1,153	0.16%
Erste Group Bank AG	2	697,875	836	0.12%
Swiss Capital S.A.	1	494,573	987	0.20%
Eurobank Equities Investment Firm S.A	4	328,608	328	0.10%
SEB Pank AS	3	104,092	156	0.15%
<b>Third country securities market transactions</b>				
<b>Shares</b>				
OYAK Yatirim Menkul Degerler A.S.	6	1,728,648	865	0.05%
<b>OTC trades</b>				
<b>Corporate actions</b>				
	5	940,545	-	0.00%
<b>TOTAL</b>	<b>69</b>	<b>13,847,570</b>	<b>8,577</b>	<b>0.06%</b>

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

## REPORT ON REMUNERATION OF THE FUND MANAGEMENT COMPANY

The remuneration principles of all Avaron employees including investment managers and risk-takers are set in the Company's Remuneration Policy. The remuneration of Avaron employees consists of fixed and variable remuneration. The total remuneration is based on local labour market conditions, and is designed so as to achieve a reasonable balance between the fixed and variable components of the salary.

Avaron employees receive a fixed salary, which reflects relevant professional experience and organisational responsibility as set out in the employee's job description. Variable remuneration depends on the performance of the employee, the business unit concerned and Avaron's overall results. The assessment of the performance is set in a three-year framework, to ensure, that the assessment process is based on longer-term performance taking into account the business cycle of the Company and its business risks. After awarding a bonus to the employees the Company has a three-year period during which it has the right to reduce the bonus, stop the payments of the announced bonus or even require partial or full repayment. The full Remuneration Policy of AS Avaron Asset Management can be downloaded here [www.avaron.com/documents](http://www.avaron.com/documents).

The Fund Management Company employed 15 specialists as at the end of 2023 (end-2022: 17 specialists). Total remuneration amounted to:

In EUR

	<b>2023</b>	<b>2022</b>
Wages and salaries	435,116	481,111
Social tax and unemployment insurance contributions	161,811	184,480
<b>Total</b>	<b>596,927</b>	<b>665,591</b>
incl. bonus program cost with applicable taxes	76,353	81,453

The Members of the Management Board did not receive extra remuneration for participating in the work of the managing bodies. Independent member of the Supervisory Board did not receive any payments with applicable social tax in the financial year 2023 (2022: EUR 2,993).

No remuneration has been paid by the Fund.

## INDEPENDENT CERTIFIED AUDITOR'S REPORT

*Independent auditor's report is available in Estonian at Avaron's website:*

<https://avaron.ee/dokumendid/>