

Investment Objectives & Approach

The Fund invests in public 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 management, stock-picking and responsible investing. The Fund is benchmark agnostic, portfolio is built fully bottom up, and thus the Fund has low position overlap to regional indices. The Fund is run by seasoned investment managers Valdur Jaht and Peter Priisalm who are supported by Avaron's research team. The Fund has been granted LuxFLAG ESG Label.

Fund Manager's Comment, May 2023

Emerging Europe was one of the few outperformers that managed to show positive performance in the midst of weak global equity markets. Greece was the main driver of the regional index as the centre-right New Democracy (led by Prime Minister Kyriakos Mitsotakis) picked up 41% of the parliamentary election vote compared to left-wing Syriza's 20%. Greek equity market soared 12.3% in May. Around 23% of the Fund portfolio invested in Greece.

Avaron Emerging Europe Fund gained 3.2% in May, outperforming the benchmark thanks to strong +1.8pp and +1.2pp contribution from Greece and Hungary. For the 2nd consecutive month the largest positive contributor was the Hungarian pharmaceutical company Gedeon Richter amid very strong Q1 report (stock up almost 8% in May). The largest negative contributor was Czech Komerční banka as its Q1 report was soft with intensifying pressure on core net interest income (stock down 4% in €).

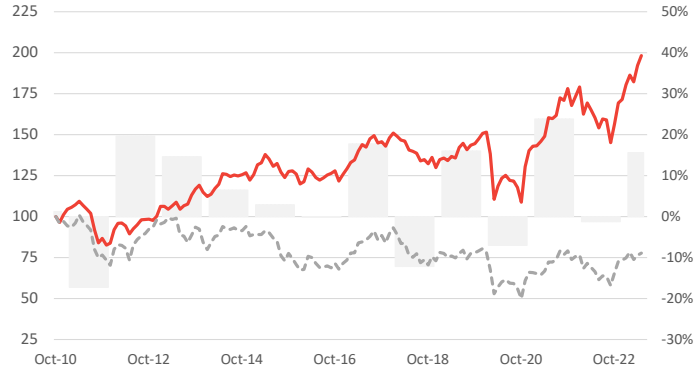
Emerging Europe region trades at around 50% discount to Europe, global emerging markets and MSCI ACWI (global markets). Although the regional performance has been strong over the past 12 months, earnings growth has kept up as well and the discount remains high. We expect a solution to the Ukraine-Russia war, once it happens, to close the gap significantly as investors who are today avoiding the region, are expected to return.

Despite the subdued economic environment in the region, **we maintain a tilt towards cyclical companies in our portfolio** (65% of the portfolio) as the stagnation of the economy is priced in and in the long run we see better value creation opportunities there compared to non-cyclicals (25% of the portfolio).

Our Fund portfolio trades at 7.7x 1YR FWD P/E assuming 9% earnings contraction for the companies this year. Current valuation level is 23% below the long-term historical average. The aggregate upside of the Fund's portfolio companies on 2-year forward looking basis stands at 43%, on par with the long-term median level.

To receive detailed fund factsheet please send your request to funds@avaron.com.

Performance, E Unit



— Fund 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.

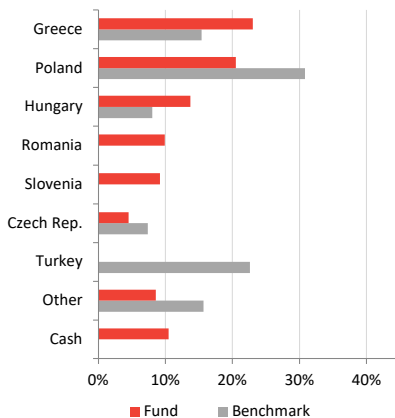


Perf overview	E Unit return	Index return*	Year	E Unit return	Index return*	Excess return
1 month	3.2%	1.6%	2023	15.7%	5.8%	1.9%
3 months	6.4%	-0.7%	2022	-1.2%	-3.1%	9.0%
6 months	17.1%	7.0%	2021	23.8%	14.9%	11.0%
YTD	15.7%	5.8%	2020	-7.0%	-18.0%	5.8%
1 year	23.7%	16.9%	2019	16.0%	10.3%	6.4%
3 years	60.6%	29.3%				
5 years	41.0%	1.7%				
7 years	60.1%	8.6%				
8 years	46.7%	-13.9%				
10 years	82.4%	-21.6%				

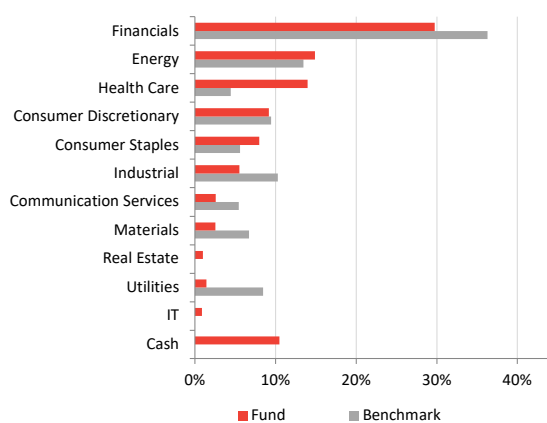
CAGR of calendar years		
Years	Fund	Index*
2021-2022	10.6%	5.5%
2020-2022	4.4%	-3.0%
2018-2022	3.0%	-3.9%

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

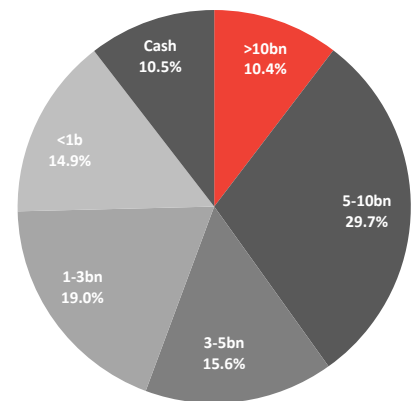
Fund vs. Benchmark Country Weights



Fund vs. Benchmark Sector Weights



Market Cap breakdown



Risk metrics	5Y risk*
Alpha	7%
Volatility & stand. deviation	14.8%
Beta	0.62
Sharpe ratio	0.49
Information ratio	0.77
Tracking error	8.8%

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

Fund statistics	
Number of positions	38
Top10	48.7%
Top20	71.3%
Gross exposure	89.5%
Net exposure	89.5%
Concentration coefficient	29
Median market cap MEUR	1605
Average market cap MEUR	3381

Liquidity analysis*	30%
3 days	78.2%
2 weeks	91.2%
4 weeks	96.5%

*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 2022	17.4%
FY 2021	13.1%
FY 2020	33.8%

* Adjusted for fund flows

Fund Facts - Avaron Emerging Europe Fund

Investment Manager	AS Avaron Asset Management	Cut-off	10am CET
Fund type	UCITS V	NAV frequency	Daily dealing, T+3
Launch date	April 23, 2007	Supervised by	Estonian FSA
Domicile	Estonia	Custodian	Swedbank AS
Currency	EUR	Transfer agent	Swedbank AS
Dividends	reinvested	NAV calculation	Swedbank AS
Fund size, MEUR	47.0	External auditor	KPMG
Total AUM, MEUR	237.7	Internal auditor	PWC

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

NAV	31-May-2023	ISIN code
B unit	7.2743 EUR	EE3600090056
C unit	24.7092 EUR	EE3600102901
D unit	19.8749 EUR	EE3600108866
E unit	19.8362 EUR	EE3600108874

TER (2022) 0.41% + unit class management fees

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, 5 and 10 years)

SFDR classification Article 8, light green product

Fund documents & prospectus <https://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

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 and responsible 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 15 professionals (including 7 in the investment team), based in Estonia and Poland, takes care of 230M+ euros of mainly professional investor assets. We are supervised by the Estonian Financial Supervision Authority.



Kristel Kivinurm-Priisalm
Managing Partner,
CEO & Investor Relations



Peter Priisalm
Partner, co-CIO,
Investment Manager



Valdur Jaht
Partner, co-CIO,
Investment Manager



Rain Leesi, CFA
Head of Research,
Investment Manager



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