



Avaron Flexible Strategies Fund

ANNUAL REPORT FOR THE FINANCIAL YEAR 2021

Audited by KPMG

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FUND FACTS

Avaron Flexible Strategies Fund is a public common alternative investment fund registered in the Republic of Estonia.

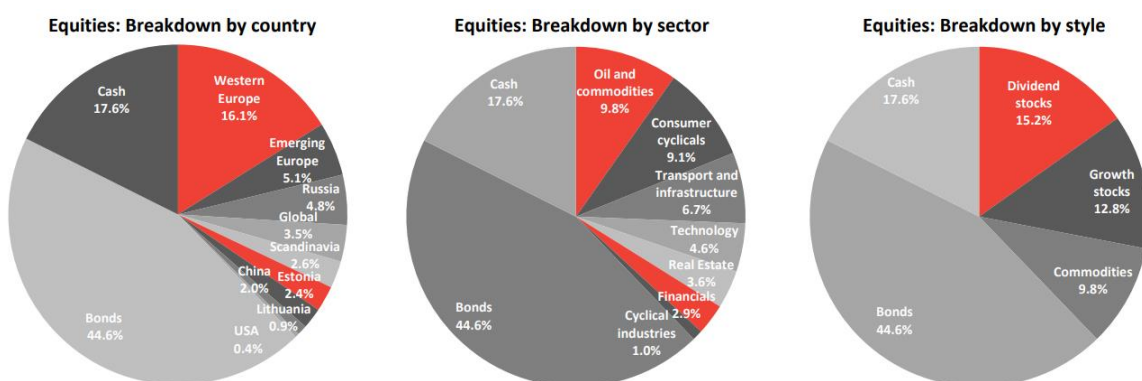
Name of the Fund	Avaron Flexible Strategies Fund
Fund Management Company	AS Avaron Asset Management (reg. no. 11341336)
Registered address and contact details of the Fund Management Company	Address: Narva mnt 7d, 10117 Tallinn, Estonia Phone: +372 664 4200 Facsimile: +372 664 4201 E-mail: avaron@avaron.com www.avaron.com
Depository & custody bank	Swedbank AS (reg. no. 10060701)
Fund administration (NAV calculation) & Transfer Agent services	Swedbank AS (reg. no. 10060701)
Auditor	KPMG Baltics OÜ (reg. no. 10096082)
Supervisor	Estonian Financial Supervision Authority
Investment managers	Valdur Jaht, Peter Priisalm, Rain Leesi
Fund established	25 November 2008
Start of the Fund's activities	17 December 2008
Report period	1 January 2021–31 December 2021

MANAGEMENT REPORT

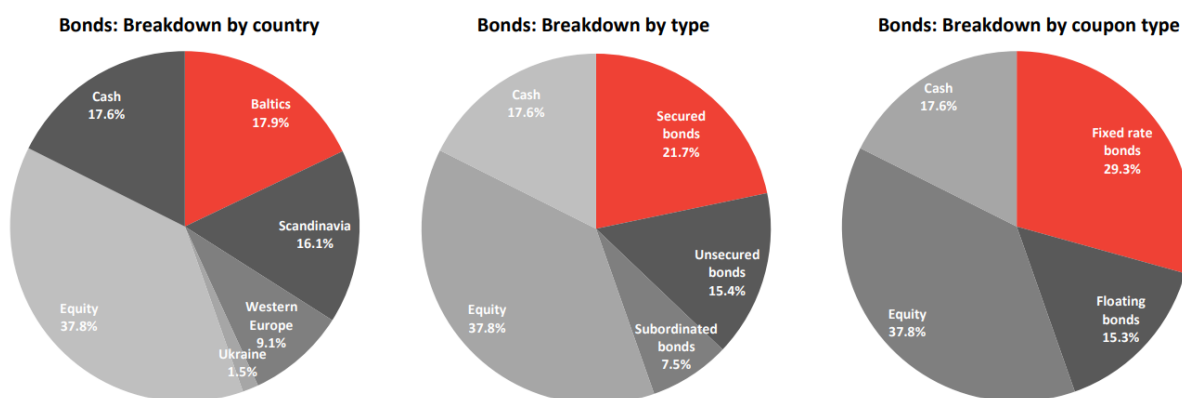
Avaron Flexible Strategies Fund (hereinafter: “the Fund”) is an actively managed fund set up for investors that wish to assign asset allocation decision making to Avaron. The Fund aims to grow the capital of private individuals and corporate investors over long term. The Fund has a global mandate with emphasis on European markets. The Fund is an actively managed investment fund and mainly combines the best opportunities we find among listed equities, bonds and commodities. The share of each asset class and the Fund’s risk level vary over time in accordance with the views of Avaron investment managers. Investors’ interests are aligned with Avaron as the Fund’s investment managers are the largest investors of the Fund. Arising from the Fund's investment strategy an investor should have an investment horizon of at least 5 years

In 2021 the Fund’s net return reached +9.2%, a third best year for the Fund since its launch. The total net assets of the Fund increased from €9.6 million to €12.1 million over the year. As at the end of the year 34% of the Fund is invested in equities, 45% in bonds and 3% in gold. Regionally 42% of the portfolio is invested in Western Europe, 33% in Eastern Europe and 6% outside Europe.

The Fund has invested in stocks of 35 companies which on average trade at 12.4x 2022 expected earnings and deliver strong 5.0% dividend yield. We find the most attractive equities these days in Western Europe. Among sectors we favour oil and commodities, consumer driven names, transport and infrastructure companies and technology firms. Large part of equities is invested in dividend stocks.



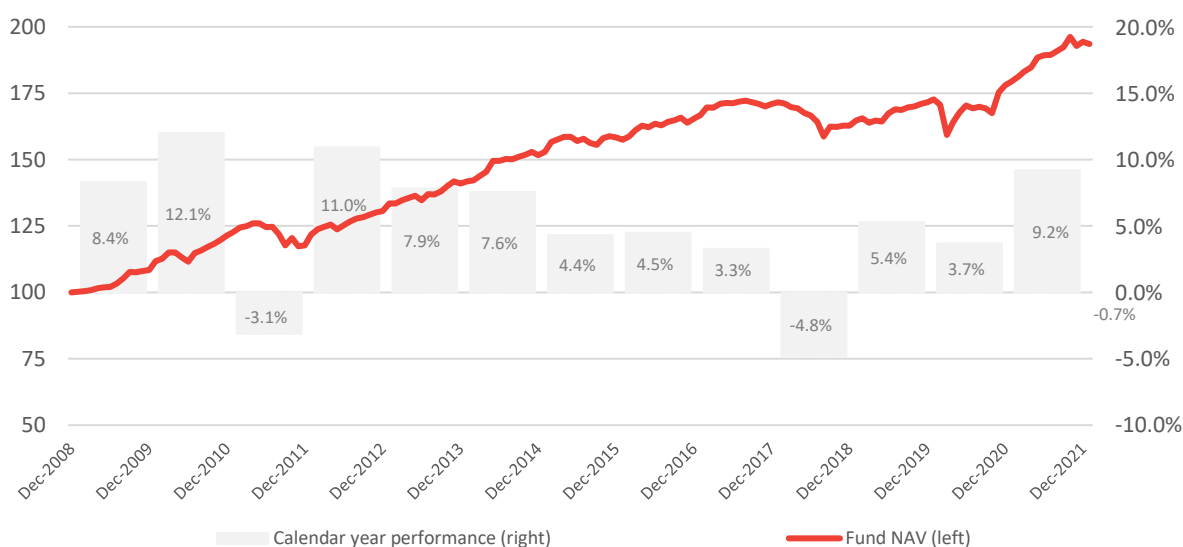
The bond portfolio, consisting of 38 bonds, trades at 6.0% yield to maturity of 3.6 years which is attractive taking into account low yield environment. Most of our bond portfolio is invested in corporate bonds in the Baltics and Scandinavia.



After the long rally we have seen in equity markets we are not keen on increasing the Fund’s risk level. We expect market volatility to increase in near term and thus wait before we take on any more equity exposure. At present we only invest in select equities or bonds that provide great risk-return ratio. Although markets are expensive at the moment, we do see some companies and segments that trade at attractive levels. which we plan to put to work in case of increased volatility in the market.

Table 1. Net return of the Fund units, in EUR

	1 year	3 years	5 years	7 years	Since inception
Unit	9.2%	19.4%	17.5%	28.2%	94.4%



Graph 1. Performance of Fund’s NAV since launch

Coronavirus and its affects in 2021

Throughout the two years Avaron and the Fund has coped well with the Covid-19 situation. We took a cautious approach from day one to protect our people and mitigate risk to Avaron, our clients and our business. Avaron’s Risk Management Committee has actively monitored the situation and set guidelines depending on the overall virus situation. Apart from some key investment team members and trading desk most of our employees have been working from home during peak periods of the pandemic. All our systems have worked flawlessly, and our collective effort has ensured that Avaron continues to service the clients at the highest level.

Russian invasion to Ukraine and its affects in 2022

Russian invasion to Ukraine affected the Fund's assets directly as the Fund had invested 3.5% of its assets to Russian listed equities (0.9% through ADRs traded on Moscow Stock Exchange) ahead of the war. After the war started, the Moscow Stock Exchange froze the assets of foreign investors and thus the Fund wrote these assets to zero till they are liquid again. We expect the markets to be volatile till the war is ceased in Ukraine. However, market volatility might create attractive investment opportunities which we will use to increase the Fund's equity holdings from the current relatively low levels upwards. Additional information about the affects are described in Note 8.



31 March 2022

Kristel Kivinurm-Priisalm
Member of the Management Board

CONFIRMATION OF ANNUAL FINANCIAL STATEMENTS OF 2021

The Management Board of the Fund Management Company has prepared the annual Financial Statements of Avaron Flexible Strategies Fund on 31 March 2022.

The Financial Statements have been prepared in compliance with the requirements stipulated in the 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 Flexible Strategies Fund. The Management Board considers Avaron Flexible Strategies Fund to carry its activities as a going concern.

The annual Financial Statements of Avaron Flexible Strategies Fund have been approved by the Fund Management Company and the investment managers.

Name	Date	Signature
Kristel Kivinurm-Priisalm <i>Member of the Management Board of the Fund Management Company</i>	31/03/2022	/signed digitally/
Valdur Jaht <i>Member of the Management Board of the Fund Management Company / Investment manager</i>	31/03/2022	/signed digitally/
Peter Priisalm <i>Investment manager</i>	31/03/2022	/signed digitally/
Rain Leesi <i>Investment manager</i>	31/03/2022	/signed digitally/

FINANCIAL STATEMENTS**BALANCE SHEET**

In EUR

ASSETS	Note	31/12/2021	31/12/2020
Cash and cash equivalents	3	1,883,713	3,152,016
Term deposits	3	401,376	403,515
Financial assets at fair value through profit or loss:			
Shares and units	4	4,570,065	3,269,081
Bonds	4	4,579,489	2,227,967
Derivatives	4; 7	-	127,033
Loans and receivables			
Receivables and prepayments	4	13,419	10,122
Unlisted bonds	4	814,803	448,744
TOTAL ASSETS		12,262,865	9,638,478
LIABILITIES			
Financial liabilities at fair value through profit or loss:			
Derivatives	4; 7	39,976	-
Other financial liabilities			
Payables to the management company	4; 6	123,274	48,888
Payables to the depository	4	2,440	4,137
Other liabilities	4	1,854	933
TOTAL LIABILITIES (except net assets attributable to holders)		167,544	53,958
NET ASSETS ATTRIBUTABLE TO HOLDERS		12,095,321	9,584,520

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31.03.2022

Signature / allkiri
KPMG, Tallinn



STATEMENT OF INCOME AND EXPENSES

In EUR

INCOME	Note	01/01/2021- 31/12/2021	01/01/2020- 31/12/2020
Interest income		263,759	237,126
From bonds		261,165	232,181
From deposits		2,594	4,945
Dividend income			
From shares and units		138,997	85,088
Net gain/loss from financial assets at fair value through profit or loss		675,925	449,989
From shares and units	5	674,314	266,247
From bonds	5	51,675	110,782
From derivative instruments	5	-50,064	72,960
Net gain/loss from foreign exchange		83,004	-238,364
TOTAL INCOME		1,161,685	533,839
OPERATING EXPENSES			
Management fees	6	126,551	123,187
Performance fees	6	114,587	38,821
Custodian fees		24,628	23,281
Transaction fees		1,148	1,136
Other operating expenses		6,434	5,693
TOTAL OPERATING EXPENSES		273,348	192,118
NET INCOME		888,337	341,721

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STATEMENT OF CHANGES IN NET ASSETS

In EUR

	01/01/2021- 31/12/2021	01/01/2020- 31/12/2020	01/01/2019- 31/12/2019
NET ASSET VALUE AT THE BEGINNING OF THE PERIOD	9,584,520	10,195,421	10,200,145
Cash received for fund units issued	1,783,512	95,541	36,522
Cash paid for fund units redeemed	-161,048	-1,048,163	-571,527
Net result of the Fund	888,337	341,721	530,281
NET ASSET VALUE AT THE END OF THE PERIOD	12,095,321	9,584,520	10,195,421
	31/12/2021	31/12/2020	31/12/2019
Number of units in circulation at the end of the period:	<u>622,147.450</u>	<u>538,573.406</u>	<u>594,269.085</u>
Net asset value of an unit:	<u>19.4412</u>	<u>17.7961</u>	<u>17.1562</u>
Total net asset value of the units in circulation:	12,095,321	9,584,520	10,195,421

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STATEMENT OF CASH FLOWS

In EUR

	01/01/2021- 31/12/2021	01/01/2020- 31/12/2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	225,537	222,540
Dividends received	137,601	74,710
Net result from foreign exchange	101,341	-55,349
Sale of investments	2,565,289	4,201,000
Purchase of investments	-5,734,932	-4,462,933
Operating expenses paid	-199,863	-209,667
	-2,905,027	-229,699
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of units	1,783,512	95,541
Payments on redemption of units	-160,921	-1,048,163
	1,622,591	-952,622
TOTAL CASH FLOWS	-1,282,436	-1,182,321
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	3,152,016	4,344,180
Effect of exchange rate fluctuations on cash and cash equivalents	14,133	-9,843
Cash and cash equivalents at the end of the period	1,883,713	3,152,016

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31. 03. 2022

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES AND ASSESSMENTS USED

The annual financial statements of Avaron Flexible Strategies Fund for 2021 have been prepared in compliance with the valid Investment Funds Act as supplemented by the regulations of the Minister of Finance. The financial statements have been prepared, as stipulated in the Minister of Finance Regulation 8 of 18/01/2017 "Requirements for the reports of investment funds to be published" in accordance with the accounting policies and information presentation principles of the International Financial Reporting Standards as approved by the European Commission while taking into account the specifications of the regulation and Rules for Calculating Net Asset Value of Funds.

The financial statements have been prepared in EUR, which is also Fund's functional and presentation currency.

The main accounting principles used when preparing the financial statements have been set out below.

The following standards and interpretations have been used for the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- Amendments to IFRS 4 "Insurance Contracts" (effective for annual periods beginning on or after 1 January 2021).
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform (effective for annual periods beginning on or after 1 January 2021)
- Amendments to IFRS 16 "Leases", (effective for annual periods beginning on or after 1 April 2021)

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:

- Amendment to IFRS 3 "Business Combinations" (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 16 "Property, Plant and Equipment" (effective for annual periods beginning on or after 1 January 2022),
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" (effective for annual periods beginning on or after 1 January 2022),
- Annual Improvements 2018-2020 (effective for annual periods beginning on or after 1 January 2022).
- 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).

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:

- 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)
- Amendments to IAS 1 "Presentation of Financial Statements" (effective for annual periods beginning on or after 1 January 2023)

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 depository for the funds managed by AS Avaron Asset Management on the transaction date (hereinafter referred to as the depository bid rate). This rate is based on market inputs. The assets and liabilities quoted in foreign currency are translated into EUR based on the depository 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.

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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;
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 all 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) 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.

Financial instruments at amortised cost

At each reporting date the Fund recognises loss allowances for expected credit losses on financial assets measured at amortised cost. The loss allowance for a financial instrument is measured at an amount equal the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. When determining the credit risk, financial assets are divided into two categories. Financial assets that are determined to have low credit risk at the reporting date, and other financial assets for which credit risk has not increased significantly since initial recognition are classified to the first category. Financial assets which credit risk has increased significantly are classified to the second category. The Fund measures loss allowances for the first category instruments at an amount equal to 12-month expected credit losses. The second category instruments' loss allowances are measured at an amount equal to lifetime expected credit losses.

Unlisted bonds' credit risk is assessed individually. As the financial position of the issuers has not deteriorated and economic outlook remains favourable, there are no credit losses assessed on unlisted bonds in the application of IFRS 9. The Fund Management Company has applied regular evaluation process to financial assets measured at amortised cost, which includes, among other aspects, counterparties' payment behaviour, financial performance and overall outlook of the economic environment.

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.

Reverse-repo transactions

Securities that are bought using reverse repurchase agreement (reverse-repo) are recognized under loans and prepayments to customers. The difference between the sales and repurchase price is considered as interest and is accrued during the contract period using effective interest rate method.

Other financial liabilities

Other financial liabilities include management fee and performance fee payables to the Fund Management Company, depository 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 one class of units which are reported as financial liabilities. Units are issued on every banking day. Units are redeemed with either 7 calendar days' or 30 calendar days' advance notice, as may be chosen by redeeming Unitholder in his or her sole discretion. Switching Units is not allowed. The redemption price of a Unit shall depend on the notice period for fulfilling the redemption order, as chosen by the unit-holder. If the Unitholder has chosen a notice period of 7 calendar days, the redemption price shall be the net asset value of the Unit that is calculated as of the seventh calendar day following the day of receiving the redemption order. If the Unitholder has chosen a notice period of 30 calendar days, the redemption price shall be the net asset value of the Unit that is calculated as of the last Banking Day of the 30 calendar days immediately following the day of receiving the redemption order. In case the Unitholder redeems the Units with 7 calendar days' advance notice, a

redemption fee is applicable. In case the Unitholder redeems the Units with 30 calendar days' advance notice, no redemption fee is applied.

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.

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.

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NOTE 2. RISK MANAGEMENT

Short Overview of the Investment and Risk Management Techniques

Avaron Flexible Strategies is an asset allocation fund targeting long-term capital growth through economic and market cycles by combining investments into various asset classes, industries and geographies. Predominant exposure of the Fund is invested in listed equities and exchange traded funds, listed and non-listed fixed income, and money market instruments or cash. The allocation to different asset classes depends on Avaron investment managers' views on valuation levels and available investment opportunities, and varies over time. As a result the risk level of the Fund also changes over time.

The Fund is mainly exposed to market risk, including currency risk, interest rate risk and price risk, credit risk and liquidity risk arising from the financial instruments it holds. Funds investing in equities are subject to loss of value because of weakness in the stock market, a particular industry, or specific holdings. Stock prices can decline for many reasons, including adverse political or economic developments, changes in investor psychology, heavy institutional selling, or historical and prospective earnings of the issuer.

Funds that invest in fixed income are subject to interest rate and credit risk. Interest rate risk arises from potential decline in bond prices that accompanies a rise in interest rates. Longer-maturity bonds typically decline more than those with shorter maturities. Credit risk is a chance that any fund holding could have its credit rating downgraded or that a bond issuer will default (fail to make timely payments of interest or principal).

Foreign securities carry additional risks, including exchange rate changes, adverse political and economic developments, differing regulatory environments and accounting standards.

Avaron has established procedures for internal risk management in order to identify, monitor, measure and, if necessary, hedge the risks associated with the Fund's investments. Avaron regularly examines that the Fund is in compliance with its investment restrictions. Portfolio diversification across sectors, countries, currencies and instruments alongside with liquidity analysis are the main risk management tools used. In addition, Avaron may use derivatives to reduce investment risks. Avaron's investment team actively follows financial results of issuers and makes relevant changes in the Fund's portfolio based on the Fund Managers' views of the economy and attractiveness of each financial instrument in respect to issuer specific risk.

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:

	31/12/2021	% of NAV	31/12/2020	% of NAV
Cash and cash equivalents	1,883,713	15.56%	3,152,016	32.89%
Term deposits	401,376	3.32%	403,515	4.20%
Corporate bonds	4,579,489	37.86%	2,227,967	23.25%
Loans and receivables				
Receivables and prepayments	13,419	0.11%	10,122	0.10%
Unlisted bonds	814,803	6.74%	448,744	4.68%
TOTAL	7,692,800	63.59%	6,242,364	65.12%

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The following table presents information related to the Fund's financial derivative instruments assets and liabilities by counterparty net of amounts available for offset under ISDA agreements and net of related collateral received or pledged by the Fund as of the end of the period in EUR:

31/12/2021		Gross Amounts of Liabilities in the Balance Sheet	Gross Amount Not Offset in the Balance Sheet			
			Derivative Financial Instruments Available to Offset	Cash Collateral Pledged	Non-Cash Collateral	Net Amount
Counterparty	Credit Rating					
Swedbank AS	A+ (S&P) - Swedbank AB	-36,074	-	-	-	-36,074
AS SEB Pank	A+ (S&P) - Skandinaviska Enskilda Banken AB	-3,903	-	-	-	-3,903
TOTAL		-39,976	-	-	-	-39,976

The Fund's assets are invested in bonds that are transferable. The Fund Management Company conducts a thorough credit risk analysis of the issuers of the bonds by analysing the financial data and studying the terms of the issue (prospectus).

Allocation of bonds according to Standard & Poor's credit rating scale in EUR:

	31/12/2021	% of NAV	31/12/2020	% of NAV
B+	365,104	3.02%	515,357	5.38%
B	199,674	1.65%	0	0.00%
B-	0	0.00%	388,778	4.06%
CCC+	0	0.00%	158,226	1.65%
Reitinguta	4,829,514	39.94%	1,614,350	16.84%
TOTAL	5,394,292	44.62%	2,676,711	27.93%

The Fund's cash and cash equivalents are held with the Fund's depository Swedbank AS, which parent company Swedbank AB is rated A+ as of 19/05/2021 by Standard & Poor's and with Luminor Bank AS, which is rated A- as of 13/09/2021 by Moody's and with AS SEB Pank, which parent company Skandinaviska Enskilda Banken AB is rated A+ as of 31/05/2021 by Standard & Poor's. Term deposits are held with Bigbank AS.

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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. The Fund's financial assets include unlisted bond investments, which are generally illiquid. As a result, the Fund may not be able to liquidate some of its unlisted instruments in due time to meet its liquidity requirements.

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.

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

	Up to 3 days		Up to 1 month		Over 1 month	
	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Payables to the management company	-	-	123,274	48,888	-	-
Payables to the depository	-	-	2,440	4,137	-	-
Payments on redemption of units	126	-	-	-	-	-
Other liabilities	-	-	-	-	1,854	933
TOTAL	126	0	125,714	53,025	1,854	933

The Fund maintains a credit line of 1,000,000 EUR that can be accessed to meet short-term liquidity needs. These resources have not been used as of 31/12/2020.

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

Instrument	Country	Sector	% of NAV	
			31/12/2021	31/12/2020
CAPITALICA BALT 6.50% 30.10.23	Real Estate	Lithuania	2.54%	0.00%
BULGARIA REAL ESTATE FUND	Real Estate	Bulgaria	1.89%	1.20%
ADMIRAL MK ALLUT 8% 05.02.31	Financials	Estonia	1.75%	0.00%
CENTRALNIC FRN 03.07.2023 EUR	IT	United Kingdom	1.72%	2.20%
MEDIA AND GAMES FRN 27.11.2024	Communication Services	Malta	1.70%	0.00%
BALTIC HORIZON 4.250% 08.05.23	Real Estate	Estonia	1.66%	0.00%
INVESTMIRA 6.000% 28.12.2023 ¹	Real Estate	Lithuania	1.65%	0.00%
ADVANZIA FRN SUBORD 24.03.31 ¹	Financials	Luxembourg	1.64%	0.00%
INBANK SUBORDINATED 19.12.2029	Financials	Estonia	1.49%	1.91%
LHV GROUP SUBORDIN 28.11.28	Financials	Estonia	1.43%	1.84%
MAINOR ULEMISTE 5.5% 05.04.23	Real Estate	Estonia	1.28%	1.59%
NORSKE VIKING FRN 03.05.2024 ¹	Communication Services	Norway	1.10%	0.00%
SEAMLESS DISTR FRN 05.05.2024	IT	Sweden	1.07%	0.00%
MERAKI 5.000% 19.11.2022 EUR	Real Estate	Lithuania	0.91%	0.00%
ELKO GRUPA 6% 12.02.2026 EUR	IT	Latvia	0.87%	0.00%
HKSCAN 5% 24.03.2025 EUR	Consumer Staples	Finland	0.85%	0.00%
ESTO HOLDINGS 9.000% 22.11.2024	Financials	Estonia	0.83%	0.00%
ARCO VARA 10% 13.12.2022 EUR ¹	Real Estate	Estonia	0.83%	1.05%
DELFINGROUP 9.750% 25.08.2023	Financials	Latvia	0.82%	0.00%
AXACTOR FRN 15.09.2026 EUR	Financials	Norway	0.81%	0.00%
IUTECR 11.000% 06.10.2026 EUR	Financials	Luxembourg	0.79%	0.00%
LHV PANK 6.000% 30.09.2030 EUR	Financials	Estonia	0.70%	0.88%
MAINOR EUR 4.75% 10.06.2026	Real Estate	Estonia	0.68%	0.00%
INBANK SUBORDINATED 28.09.2026	Financials	Estonia	0.00%	2.17%
TERSETA 6.00% 10.06.2022 EUR	Real Estate	Lithuania	0.00%	2.05%
HKSCAN 2.625% 21.09.2022	Consumer Staples	Finland	0.00%	1.01%
GL AGRAJES FRN EUR 22.12.2025	Materials	Spain	0.00%	1.06%
TURKIYE VAKIFLAR BANK 01.11.27	Financials	Turkey	0.00%	3.14%
KERNEL HOLDING 6.75% 27.10.27	Consumer Staples	Luxembourg	0.00%	1.82%
TURKIYE BANKASI 7.85% 10.12.23	Financials	Turkey	0.00%	1.81%
STENA 7% 01.02.2024	Industrial	Sweden	0.00%	1.75%
PRO-GEST 3.250% 15.12.2024 EUR	Materials	Italy	0.00%	1.65%
IUTECR 13.000% 07.08.2023 EUR	Financials	Luxembourg	0.00%	1.08%
EXPLORER II 3.375% EUR 24.02.25	Industrial	Norway	0.00%	0.92%
TOTAL			29.01%	29.11%

¹Bonds not traded on a regulated market

As many trades with fixed income instruments are made over the counter then the actual trading volume data may be not publicly available. For the fixed income instruments for which reliable trading data is not available, it is assumed 0.1% of the amount outstanding is being traded on daily basis. Based on the relevant decision by the Investment Manager relating to specific debt instrument a more conservative assumption may still be used. In this case the instrument shall be assumed not to be sellable before maturity.

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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:

	31/12/2021	% of Assets	31/12/2020	% of Assets
EUR	8,059,334	65.72%	6,366,338	66.07%
USD	1,701,917	13.88%	1,953,523	20.27%
NOK	789,566	6.44%	187,207	1.94%
SEK	582,836	4.75%	210,549	2.18%
BGN	452,439	3.69%	329,963	3.42%
PLN	189,734	1.55%	93,711	0.97%
RON	170,229	1.39%	296,663	3.08%
GBP	157,567	1.28%	57,817	0.60%
TRY	112,776	0.92%	133,285	1.38%
RUB	44,084	0.36%	7,038	0.07%
RSD	2,383	0.02%	2,384	0.02%
TOTAL	12,262,865	100.00%	9,638,478	100.00%

Taking into account the derivatives contracts, net FX positions as per currency were the following:

	31/12/2021	% of Assets	31/12/2020	% of Assets
USD	1,145,096	9.34%	925,016	9.60%
NOK	679,900	5.54%	187,207	1.94%
SEK	582,836	4.75%	210,549	2.18%
BGN	452,439	3.69%	329,963	3.42%
PLN	189,734	1.55%	93,711	0.97%
RON	170,230	1.39%	296,663	3.08%
GBP	157,567	1.28%	57,817	0.60%
TRY	112,776	0.92%	133,285	1.38%
RUB	44,084	0.36%	7,038	0.07%
RSD	2,383	0.02%	2,384	0.02%
TOTAL	3,537,045	28.84%	2,243,633	23.26%

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Currency risk sensitivity analysis

Fund's net asset value would have been affected by the weakening of foreign currencies against EUR on 31 December 2021. 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 December 17, 2008. The analysis assumes that all the other variables remain constant. Analysis for 31 December 2020 has been made using the same assumptions.

The impact on net assets attributable to Fund's unit holders and net income:

	31/12/2021			31/12/2020		
	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
USD	-114,510	-20%	9.34%	-92,502	-20%	9.60%
NOK	-67,990	-25%	5.54%	-18,721	-25%	1.94%
SEK	-58,284	-12%	4.75%	-21,055	-12%	2.18%
BGN	-45,244	0%	3.69%	-32,996	0%	3.42%
PLN	-18,973	-16%	1.55%	-9,371	-16%	0.97%
RON	-17,023	-9%	1.39%	-29,666	-9%	3.08%
GBP	-15,757	-23%	1.28%	-5,782	-23%	0.60%
TRY	-11,278	-55%	0.92%	-13,329	-48%	1.38%
RUB	-4,408	-48%	0.36%	-704	-48%	0.07%
RSD	-238	-18%	0.02%	-238	-18%	0.02%
TOTAL	-353,704		28.83%	-224,362		23.26%

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:

	31/12/2021	% of NAV	31/12/2020	% of NAV
Financials	1,991,869	16.48%	1,558,468	16.26%
Real Estate	1,915,240	15.83%	711,319	7.43%
Industrial	1,318,223	10.90%	829,953	8.64%
Energy	1,058,920	8.75%	732,094	7.64%
IT	897,409	7.42%	268,936	2.80%
Communication Services	711,325	5.88%	196,992	2.06%
Consumer Staples	698,180	5.77%	503,537	5.26%
Commodities	421,079	3.48%	271,993	2.84%
Consumer Discretionary	350,588	2.90%	284,638	2.97%
Utilities	250,047	2.07%	131,460	1.37%
Materials	196,140	1.62%	360,554	3.77%
Health Care	155,337	1.28%	95,848	1.00%
TOTAL	9,964,357	82.39%	5,945,792	62.04%

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

	31/12/2021	% of NAV	31/12/2020	% of NAV
Estonia	1,640,508	13.56%	1,179,644	12.29%
Sweden	1,189,754	9.84%	378,416	3.95%
Germany	992,487	8.21%	463,075	4.83%
Norway	862,906	7.13%	271,381	2.83%
Lithuania	730,721	6.04%	196,352	2.05%
United Kingdom	729,590	6.03%	436,059	4.54%
Luxembourg	581,102	4.80%	277,393	2.90%
Russia	574,845	4.75%	652,352	6.82%
France	399,181	3.30%	255,012	2.66%
China	241,330	2.00%	-	-
Bulgaria	228,108	1.89%	115,206	1.20%
Austria	212,288	1.76%	255,750	2.67%
Jersey	211,494	1.75%	147,369	1.54%
Spain	210,776	1.74%	101,209	1.06%
Latvia	205,315	1.70%	-	-
Malta	205,306	1.70%	-	-
Finland	203,995	1.69%	194,130	2.02%
Romania	170,230	1.41%	126,125	1.32%
Turkey	112,776	0.93%	607,033	6.34%
Netherlands	109,044	0.90%	-	0.00%
Poland	106,078	0.88%	93,711	0.98%
USA	46,523	0.38%	37,350	0.39%
Italy	-	-	158,226	1.65%
TOTAL	9,964,358	82.38%	5,945,792	62.04%

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 2019 has been made with using the same assumptions.

	Probability	+/- possible change of Fund's NAV during year	
		2021	2020
σ	68.27%	3.06%	3.04%
2σ	95.45%	6.12%	6.08%
3σ	99.73%	9.18%	9.12%

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NOTE 3. CASH AND CASH EQUIVALENTS**Deposits in EUR**

	31/12/2021	% of NAV	31/12/2020	% of NAV
Deposits, Bigbank AS	401,100	3.32%	403,303	4.20%
TOTAL*	401,100	3.32%	403,303	4.20%

* "Term deposits" in balance sheet include also accrued interest in the amount of 275.88 EUR as at 31/12/2021 and 211.52 EUR as at 31/12/2020. Deposits' maturity is between 1-12 months and interest rates vary from 0.35-1.00%.

Cash and cash equivalents by currency

	31/12/2021	% of NAV, converted into EUR	31/12/2020	% of NAV, converted into EUR
Swedbank AS		8.95%		12.33%
EUR	613,012	5.07%	629,524	6.57%
USD	124,960	0.91%	187,916	1.61%
BGN	438,767	1.85%	420,043	2.24%
PLN	384,854	0.69%	-	-
RUB	3,749,311	0.36%	635,800	0.07%
NOK	46,786	0.04%	43,121	0.04%
RSD	280,382	0.02%	280,382	0.02%
RON	-	-	830,093	1.78%
SEK	17,188	0.01%		
Luminor Bank AS		2.48%		10.12%
EUR	300,001	2.48%	969,889	10.12%
AS SEB Pank		4.13%		10.44%
EUR	500,023	4.13%	999,960	10.44%
TOTAL		15.56%		32.89%

The Fund's cash and cash equivalents are held with the Fund's depository Swedbank AS, which parent company Swedbank AB is rated A+ as of 19/05/2021 by Standard & Poor's and with Luminor Bank AS, which is rated A- as of 13/09/2021 by Moody's and with AS SEB Pank, which parent company Skandinaviska Enskilda Banken AB is rated A+ as of 31/05/2021 by Standard & Poor's. Term deposits are held with Luminor Bank AS and Bigbank AS.

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

In EUR

31/12/2021	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	-	-	-	1,883,713	-	-	-	-	-
Term deposits	-	-	-	401,376	-	-	-	-	-
Shares and units	4,570,065	-	-	-	-	-	-	-	-
Bonds	4,022,950	-	401,966	154,573	-	-	-	-	-
Unlisted bonds	514,331	-	-	-	-	300,472	-	-	-
Dividend receivable	-	-	-	13,419	-	-	-	-	-
Trade settlement receivable	-	-	-	-	-	-	-	-	-
LIABILITIES									
Derivative instruments	-	39,976	-	-	-	-	-	-	-
Payables to the management company	-	-	-	-	-	-	-	123,274	-
Payables to the depository	-	-	-	-	-	-	-	2,440	-
Payments on redemption of units*	-	-	-	-	-	-	-	126	-
Other liabilities	-	-	-	-	-	-	-	1,728	-
TOTAL	9,107,346	39,976	401,966	2,453,081	-	300,472	-	127,568	-

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

Additional information for instruments categorised under Level 3

Starting balance of Level 3 instruments	448,744
Transfers from level 3 to level 1	-150,000
Purchases	599,920
Sales	-196,698
Total gains/losses	998
Interest received	-3,045
Interest accrued	2,519
Total level 3 investments	702,438

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.

Avaron Flexible Strategies Fund

In EUR

31/12/2020	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	-	-	-	3,152,016	-	-	-	-	-
Term deposits	-	-	-	403,515	-	-	-	-	-
Shares and units	3,269,081	-	-	-	-	-	-	-	-
Bonds	2,227,967	-	-	-	-	-	-	-	-
Derivative instruments	-	127,033	-	-	-	-	-	-	-
Unlisted bonds	-	-	-	-	-	448,744	-	-	-
Dividend receivable	-	-	-	10,122	-	-	-	-	-
LIABILITIES									
Payables to the management company	-	-	-	-	-	-	-	48,888	-
Payables to the depository	-	-	-	-	-	-	-	4,137	-
Other liabilities	-	-	-	-	-	-	-	933	-
TOTAL	5,497,048	127,033	-	3,565,653	-	448,744	-	53,958	-

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

Additional information for instruments categorised under Level 3

	Unlisted bonds
Starting balance of Level 3 instruments	503,081
Purchases	462,761
Sales	-513,495
Total gains/losses	-3,567
Interest received	23,763
Interest accrued	3,045
Total level 3 investments	448,744

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.

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NOTE 5. NET GAIN/LOSS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

In EUR

	01/01/2021- 31/12/2021	01/01/2020- 31/12/2020
Net gain/loss from financial assets at fair value through profit or loss		
From shares and units		
Sales profit/(-loss)	228,212	84,085
Unrealised profit /(-loss)	446,102	182,162
From bonds		
Sales profit/(-loss)	74,527	-24,080
Unrealised profit /(-loss)	-22,852	134,862
From derivative instruments		
Sales profit/(-loss)	116,945	-35,730
Unrealised profit /(-loss)	-167,009	108,690
Total net gain/(-loss)	675,925	449,989

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NOTE 6. 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.

Consolidation exception applies for the Fund as it corresponds to Investment Entity's definition introduced in IFRS 10. The Fund carries its investment in Avaron Flexible Strategies Fund at fair value through profit or loss.

Transactions with related parties in EUR were as follows:

	01/01/2021- 31/12/2021	01/01/2020- 31/12/2020
Fund Management Company		
Paid management and performance fees	241,137	162,008
Other investment funds managed by the Fund Management Company		
Purchase of securities	79,728	-
Other entities belonging to the consolidation group of the Fund Management Company		
Units bought	200,000	-
TOTAL	520,865	162,008

The balances outstanding with related parties were as follows:

	31/12/2021	31/12/2020
Fund Management Company		
Management and performance fee payable	123,274	48,888
TOTAL	123,274	48,888

Related parties of the Fund Management Company owned the units of Avaron Flexible Strategies Fund in market value as follows:

	31/12/2021	31/12/2020
Ultimate parent of the Fund Management Company	1,803,562	1,650,946
Fund Management Company	451,637	413,420
Other group entities	206,022	-
TOTAL	2,461,221	2,064,366

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NOTE 7. DERIVATIVE INSTRUMENTS

In EUR
31/12/2021

Type of Instrument	Issuer of Instrument	Quantity of underlying	The underlying currency	Exercise date	Price of Instrument / premium	Exercise price		Market value		Equity of the issuer of the instrument
						Per unit	Total	Date	Total	
Swap	Swedbank AS	520,748	EUR	06/05/2022	1.0000	1.0000	520,748	31/12/2021	-	EUR 1,817,264,000
		635,000	USD	06/05/2022	0.8769	0.8201	520,748	31/12/2021	-36,074	EUR 1,817,264,000
Forward	AS SEB Pank	105,762	EUR	09/02/2022	1.0000	1.0000	105,762	31/12/2021	-	EUR 858,897,000
		1,100,000	NOK	09/02/2022	0.0997	0.0961	105,762	31/12/2021	-3,903	EUR 858,897,000
TOTAL									-39,976	

Collateral and margin accounts received and paid by the Fund in respect of financial derivative instruments

No collateral was pledged or received at the end of 31/12/2021.

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Avaron Flexible Strategies Fund

In EUR
31/12/2020

Type of Instrument	Issuer of Instrument	Quantity of underlying	The underlying currency	Exercise date	Price of Instrument / premium	Exercise price		Market value		Equity of the issuer of the instrument
						Per unit	Total	Date	Total	
Swap	Swedbank AS	1,155,539	EUR	07/05/2021	1.0000	1.0000	1,155,539	31/12/2020	-	EUR 1,842,944,000
		1,260,000	USD	07/05/2021	0.8163	0.9171	1,155,539	31/12/2020	127,033	EUR 1,842,944,000
TOTAL									127,033	

Collateral and margin accounts received and paid by the Fund in respect of financial derivative instruments

No collateral was pledged or received at the end of 31/12/2020.

NOTE 8. SUBSTANTIAL EVENTS AFTER THE REPORTING DATE

Due to war between Russia and Ukraine that broke out on February 24th, 2022 the trading on Moscow's Stock Exchange was suspended on February 28th, 2022. Because of that Avaron started to determine the value of Russian positions in Avaron Flexible Strategies Fund based on the market price of a GDRs listed on London Stock Exchange. Two of the three positions owned by the Fund (Magnit ja Polyus) have GDRs listed on London SE. In case of the third position (Detsky Mir) we used the average price change of three Russian food retailers (Magnit, X5 Retail Group ja Lenta) on the London Stock Exchange. Due to heavy fall of Russian equity, which amounted to approximately 90% compared to the price level from February 23rd, Avaron decided to value the Russian local shares at zero. Considering that the trading on Russian SE was suspended, we assumed that Avaron would not be able to sell the shares for at least six months and as the trading is prohibited for non-resident investors, it is justified to apply at least 10% lower price compared to pre-war value of GDRs. Additionally, Russia has suspended dividend payments of the issuers and it is restricted to vote in General Meetings. This makes the shareholders' rights worthless. Percentage of Russian shares listed on Moscow Stock Exchange in the Fund before determining the value of these at zero was 2.6% of the Fund's NAV.

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STATEMENT OF INVESTMENTS

In EUR 31/12/2021

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
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SHARES**SHARES LISTED ON STOCK EXCHANGE:**

OMV AG	AT0000743059	AT			EUR	18.94	80,488	49.95	212,288	1.76%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	JE	Fitch	BB	EUR	3.39	199,146	3.60	211,494	1.75%
DETSKY MIR PJSC	RU000A0JSQ90	RU			USD	1.56	194,704	1.47	183,363	1.52%
BP PLC-SPONS ADR	US0556221044	GB	S&P	A-	USD	22.34	173,133	23.42	181,483	1.50%
OMV PETROM SA (RON)	ROSNPPACNOR9	RO			RON	0.07	114,872	0.10	170,230	1.41%
TALLINNA SADAM AKTSIA	EE3100021635	EE			EUR	1.73	145,473	1.86	155,821	1.29%
GLOBALTRANS INVESTMENT PLC	US37949E2046	RU	Fitch	BBB-	USD	4.86	98,757	7.49	152,089	1.26%
MAGNIT COMMON STOCK	RU000A0JKQU8	RU	S&P	BB+	USD	86.94	199,965	63.98	147,154	1.22%
SWEDBANK AB SER A	SE0000242455	SE	S&P	A+	SEK	12.61	100,872	17.68	141,451	1.17%
TALLINK GRUPP	EE3100004466	EE			EUR	0.81	188,998	0.59	138,008	1.14%
ENGIE LOYALTY 2023	FR0014000R50	FR	S&P	BBB+	EUR	9.29	97,564	13.01	136,647	1.13%
IGNITIS GRUPE AB	LT0000115768	LT	S&P	BBB+	EUR	21.07	113,774	21.00	113,400	0.94%
FIELMANN AG	DE0005772206	DE			EUR	55.93	106,271	59.15	112,385	0.93%
EURONEXT NV	NL0006294274	NL	S&P	BBB	EUR	90.44	108,082	91.25	109,044	0.90%
HAMBURGER HAFEN UND LOGISTIK	DE000A0S8488	DE			EUR	18.24	96,648	20.56	108,968	0.90%
EQUINOR ASA	NO0010096985	NO	S&P	AA-	NOK	8.82	40,138	23.55	107,164	0.89%
AENA SME SA	ES0105046009	ES	Fitch	A-	EUR	136.78	105,317	138.80	106,876	0.88%
BANK PEKAO SA	PLPEKAO00016	PL	S&P	BBB+	PLN	14.54	58,179	26.52	106,078	0.88%
SIXT SE PRFD	DE0007231334	DE			EUR	41.01	47,159	86.80	99,820	0.83%
PUBLICIS GROUPE	FR0000130577	FR	S&P	BBB	EUR	28.68	47,613	59.20	98,272	0.81%
DANONE	FR0000120644	FR	S&P	BBB+	EUR	55.17	99,303	54.59	98,262	0.81%
POLYUS PJSC	RU000A0JNAA8	RU	S&P	BB+	USD	167.76	100,655	153.73	92,240	0.76%
CENTRALNIC GROUP PLC	GB00BCCW4X83	GB			GBP	0.84	46,244	1.67	91,623	0.76%
FRESENIUS MEDICAL CARE AG	DE0005785802	DE	S&P	BBB	EUR	63.05	100,881	57.14	91,424	0.76%
CTS EVENTIM AG and CO KGAA	DE0005470306	DE			EUR	37.47	50,584	64.36	86,886	0.72%
KRONES AG	DE0006335003	DE			EUR	65.55	49,164	95.90	71,925	0.59%
COCA-COLA ICECEK AS	TRECOLA00011	TR	S&P	BBB-	TRY	10.29	125,024	5.85	71,041	0.59%

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Statement of investments as of 31/12/2021 (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
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SHARES

SHARES LISTED ON STOCK EXCHANGE:

JCDECAUX SA	FR0000077919	FR			EUR	16.66	49,989	22.00	66,000	0.55%
SAGE GROUP PLC	GB00B8C3BL03	GB			GBP	8.27	53,753	10.15	65,944	0.55%
RAYSEARCH LABORATORIES AB	SE0000135485	SE			SEK	8.34	97,191	5.49	63,912	0.53%
ALIBABA GROUP HOLDING LTD	US01609W1027	CH			USD	192.58	101,103	104.46	54,841	0.45%
HERMAN MILLER INC	US6005441000	US			USD	20.47	27,637	34.46	46,523	0.38%
TAV HAVALIMANLARI HOLDING	TRETAVH00018	TR			TRY	2.00	38,681	2.16	41,734	0.35%
SHARES TOTAL						3,257,360			3,734,388	30.87%

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
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FUNDS

CLOSED-END FUNDS LISTED ON STOCK EXCHANGE:

BULGARIA REAL ESTATE FUND	BG1100001053	BG	REAL ESTATE MANAGEMENT LTD	BGN	0.80	180,932	1.01	228,108	1.89%
CLOSED-END FUNDS TOTAL						180,932		228,108	1.89%

EXCHANGE TRADED COMMODITIES:

XTRACKER IE PHYSICAL GOLD ETC	DE000A2TOVU5	DE	DEUTCHE BANK AG	EUR	22.05	377,662	23.06	421,079	3.48%
EXCHANGE TRADED COMMODITIES TOTAL						377,662		421,079	3.48%

EXCHANGE TRADED FUNDS:

KRANESHARES CSI CHINA INTERNET E	IE00BFXR7892	CH	WAYSTONE MANAGEMENT COMPANY	USD	25.20	216,719	21.68	186,490	1.54%
EXCHANGE TRADED FUNDS TOTAL						216,719		186,490	1.54%

FUNDS TOTAL						775,313		835,677	6.91%
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SHARES AND FUNDS TOTAL						4,032,673		4,570,065	37.78%
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Statement of investments as of 31/12/2021 (continued)

Name	ISIN	Emitent country	Rating agency	Rating	FX	Interest rate	Maturity	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
BONDS*												
CAPITALICA BALT 6.50% 30.10.23	LT0000404725	LT			EUR	6.50%	30/10/2023	102.18	306,531	101.50	307,750	2.54%
ADMIRAL MK ALLUT 8% 05.02.31	EE3300001999	EE			EUR	8.00%	05/02/2031	100.00	200,000	102.50	211,489	1.75%
CENTRALNIC FRN 03.07.2023	EUR NO0010856750	GB			EUR	7.00%	03/07/2023	83.00	166,000	102.19	207,792	1.72%
MEDIA AND GAMES FRN 27.11.2024	SE0015194527	MT			EUR	5.75%	27/11/2024	101.38	202,750	102.14	205,306	1.70%
BEERENBERG FRN NOK 13.11.2023	NO0010904782	NO			NOK	8.79%	13/11/2023	10.40	204,456	10.32	205,008	1.69%
EASTNINE FRN 08.07.2024	EUR SE0013719788	SE			EUR	5.00%	08/07/2024	100.00	200,000	101.25	204,833	1.69%
BALTIC HORIZON 4.250% 08.05.23	EE3300111467	EE			EUR	4.25%	08/05/2023	100.20	200,400	100.00	201,251	1.66%
INVESTMIRA 6.000% 28.12.2023 ¹	LT0000405334	LT			EUR	6.00%	28/12/2023	100.00	200,000	100.00	200,000	1.65%
ADVANZIA FRN SUBORD 24.03.31 ¹	NO0010955909	LU			EUR	5.25%	24/03/2031	100.00	200,000	99.36	198,845	1.64%
STENA 7% 01.02.2024	USW8758PAK22	SE	S&P	B+	USD	7.00%	01/02/2024	90.88	181,760	91.12	187,375	1.55%
WALDORF 9.75% 01.10.2024 ¹	NO0011100935	GB			USD	9.75%	01/10/2024	84.61	169,219	89.25	182,748	1.51%
INBANK SUBORDINATED 19.12.2029	EE3300001544	EE			EUR	6.00%	19/12/2029	100.00	176,000	102.53	180,532	1.49%
KERNEL HOLDING 6.75% 27.10.27	XS2244927823	LU	S&P	B+	USD	6.75%	27/10/2027	84.61	169,218	87.83	177,728	1.47%
LHV GROUP SUBORDIN 28.11.28	EE3300111558	EE			EUR	6.00%	28/11/2028	100.00	166,000	103.80	173,193	1.43%
MAINOR ULEMISTE 5.5% 05.04.23	EE3300111343	EE			EUR	5.50%	05/04/2023	100.00	150,000	101.75	154,573	1.28%
NORSKE VIKING FRN 03.05.2024 ¹	NO0011140402	NO			NOK	8.75%	03/05/2024	10.31	134,000	10.07	132,738	1.10%
SEAMLESS DISTR FRN 05.05.2024	SE0015811914	SE			SEK	8.75%	05/05/2024	9.89	123,578	10.18	128,862	1.07%
VNV GL 5.5% 24.06.2024	SEK SE0016275077	SE			SEK	5.50%	24/06/2024	9.79	122,333	9.98	124,820	1.03%
CAYBON HOLD FRN 03.12.2025	SEK SE0017084478	SE			SEK	6.50%	03/12/2025	9.81	122,674	9.72	122,123	1.01%
BAKKGRUPPEN FRN NOK 03.02.2025	NO0010917750	NO			NOK	7.75%	03/02/2025	9.65	106,170	10.28	114,470	0.95%
LAKERS FRN 09.06.2025	NOK NO0011017113	SE			NOK	6.28%	09/06/2025	10.21	112,259	10.36	114,365	0.95%
JOTTA GRP FRN 28.05.2025	NOK NO0010998586	NO			NOK	7.31%	28/05/2025	9.99	109,901	10.04	111,149	0.92%
MERAKI 5.000% 19.11.2022	EUR LT0000405243	LT			EUR	5.00%	19/11/2022	100.00	108,800	100.13	109,571	0.91%
IUTECR 13.000% 07.08.2023	EUR XS2033386603	LU			EUR	13.00%	07/08/2023	100.00	100,000	104.00	109,158	0.90%
ELKO GRUPA 6% 12.02.2026	EUR LV0000870079	LV			EUR	6.00%	12/02/2026	100.00	100,000	103.25	105,550	0.87%
GL AGRAJES FRN EUR 22.12.2025	NO0010912801	ES			EUR	6.00%	22/12/2025	100.00	100,000	103.75	103,900	0.86%
HKSCAN 5% 24.03.2025	EUR FI4000490990	FI			EUR	5.00%	24/03/2025	100.07	100,070	101.16	102,493	0.85%
DDM DEBT 9% 20.04.2026	EUR SE0015797683	SE			EUR	9.00%	19/04/2026	100.00	100,000	100.24	102,013	0.84%
HKSCAN 2.625% 21.09.2022	FI FI4000278536	FI			EUR	2.63%	21/09/2022	93.50	93,500	100.78	101,501	0.84%
ESTO HOLDINGS 9.000% 22.11.2024	EE EE3300002294	EE			EUR	9.00%	22/11/2024	100.00	100,000	100.00	100,950	0.83%
ARCO VARA 10% 13.12.2022	EUR ¹ EE3300001957	EE			EUR	10.00%	13/12/2022	100.00	100,000	100.00	100,472	0.83%
DELFINGROUP 9.750% 25.08.2023	LV LV0000850048	LV			EUR	9.75%	25/08/2023	99.52	99,520	99.63	99,765	0.82%
AXACTOR FRN 15.09.2026	EUR NO0011093718	NO			EUR	5.35%	15/09/2026	100.00	100,000	97.42	97,661	0.81%
IUTECR 11.000% 06.10.2026	EUR XS2378483494	LU			EUR	11.00%	06/10/2026	100.00	90,000	103.37	95,372	0.79%
EXPLORER II 3.375% EUR 24.02.2025	NO0010874548	NO			EUR	3.38%	24/02/2025	100.00	100,000	93.52	94,717	0.78%
LHV PANK 6.000% 30.09.2030	EUR EE3300001791	EE			EUR	6.00%	28/09/2030	100.00	79,000	106.85	84,412	0.70%
MAINOR EUR 4.75% 10.06.2026	EE EE3300002138	EE			EUR	4.75%	10/06/2026	100.00	82,500	100.00	82,718	0.68%
INBANK ALLUT 5.5% 15.12.2031	EE EE3300002302	EE			EUR	5.50%	15/12/2031	100.00	56,000	101.70	57,089	0.47%
BONDS TOTAL									5,232,639		5,394,292	44.61%

¹Bonds not traded on a regulated market

As of 31/12/2021 Avaron considers also securities listed on multilateral trading facilities as securities traded on a regulated market. The amendment is based on an interpretation published by European Securities and Markets Authority (ESMA) in its Questions and Answers on Application of the UCITS Directive.

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Statement of investments as of 31/12/2021 (continued)

Name	Derivative Type	Emitent country	Rating agency	Rating	FX	Maturity	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
DERIVATIVES										
FX-Swap EUR/USD Swedbank A Swap		EE	S&P	A+ (Swedbank AB)	USD	06/05/2022			-36,074	-0.30%
FX-Forward EUR/NOK AS SEB Pa Forward		EE	S&P	A+ (Skandinaviska Enskilda)	NOK	09/02/2022			-3,903	-0.03%
DERIVATIVES TOTAL									-39,976	-0.33%
INSTRUMENTS TOTAL							9,225,336	9,924,380	82.06%	

Credit Institution	Deposit type	Credit Institution's country	Rating agency	Rating	FX	Interest rate	Start date	Maturity	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
DEPOSITS*												
Bigbank AS	Term deposit	EE			EUR	1.00%	18/11/2021	18/11/2022	200,000		200,241	1.66%
Bigbank AS	Term deposit	EE			EUR	0.35%	08/12/2021	10/01/2022	101,100		101,123	0.84%
Bigbank AS	Term deposit	EE			EUR	0.35%	20/12/2021	20/01/2022	100,000		100,012	0.83%
DEPOSITS TOTAL									401,100	401,375	3.32%	

*Accrued interest in the amount of 275.88 EUR has been added to the value of deposits

Name	Credit Institution's country	Credit Institution	FX	Interest rate	Quantity	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
CASH										
CURRENT ACCOUNT	EE	Luminor	EUR				300,001		300,001	2.48%
CURRENT ACCOUNT	EE	Swedbank	EUR				613,012		613,012	5.07%
CURRENT ACCOUNT	EE	Swedbank	BGN				224,330		224,330	1.85%
CURRENT ACCOUNT	EE	Swedbank	SEK				1,669		1,669	0.01%
CURRENT ACCOUNT	EE	Swedbank	RUB				44,084		44,084	0.36%
CURRENT ACCOUNT	EE	Swedbank	USD				109,884		109,884	0.91%
CURRENT ACCOUNT	EE	Swedbank	PLN				83,657		83,657	0.69%
CURRENT ACCOUNT	EE	Swedbank	RSD				2,383		2,383	0.02%
CURRENT ACCOUNT	EE	Swedbank	NOK				4,671		4,671	0.04%
CURRENT ACCOUNT	EE	SEB	EUR				500,023		500,023	4.13%
CURRENT ACCOUNT TOTAL							1,883,713	1,883,713	15.56%	
INVESTMENTS TOTAL							1,883,713	1,883,713	15.56%	
OTHER ASSETS										
DIVIDEND RECEIVABLE			EUR						13,419	0.11%
OTHER ASSETS TOTAL									13,419	0.11%
TOTAL ASSETS OF THE FUND							0	12,222,888	101.05%	
LIABILITIES									-127,568	-1.05%
NET ASSETS OF THE FUND									12,095,320	100.00%

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Avaron Flexible Strategies Fund

In EUR 31/12/2020

Name	ISIN	Emitent country	Rating agency	Rating	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
SHARES										
SHARES LISTED ON STOCK EXCHANGE:										
OMV AG	AT0000743059	AT	Fitch	A-	EUR	24.79	192,158	33.00	255,750	2.67%
DETSKY MIR PJSC	RU000A0JSQ90	RU			USD	1.56	194,704	1.50	187,515	1.96%
EQUINOR ASA	NO0010096985	NO	S&P	AA-	NOK	10.95	145,147	13.82	183,096	1.91%
BP PLC-SPONS ADR	US0556221044	GB	S&P	A-	USD	24.80	246,801	16.80	167,123	1.74%
TALLINNA SADAM AKTSIA	EE3100021635	EE			EUR	1.73	145,473	1.80	150,957	1.57%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	JE			EUR	3.39	199,146	2.51	147,369	1.54%
MAGNIT COMMON STOCK	RU000A0JKQU8	RU	S&P	BB	USD	86.94	199,965	62.75	144,317	1.51%
ENGIE SA	FR0010208488	FR	S&P	BBB+	EUR	9.29	97,564	12.52	131,460	1.37%
OMV PETROM SA (RON)	ROSNPPACNOR9	RO			RON	0.07	114,872	0.07	126,125	1.32%
TALLINK GRUPP	EE3100004466	EE			EUR	0.94	157,508	0.74	123,181	1.28%
SBERBANK COMMON SHARE	RU0009029540	RU	Fitch	BBB	USD	3.22	128,933	3.00	120,036	1.25%
SWEDBANK AB SER A	SE0000242455	SE	S&P	A+	SEK	12.61	100,872	14.34	114,701	1.20%
POLYUS PJSC	RU000A0JNAA8	RU	S&P	BB+	USD	167.76	100,655	168.53	101,119	1.06%
GLOBALTRANS INVESTMENT PLC	US37949E2046	RU	Fitch	BBB-	USD	4.86	98,757	4.89	99,365	1.04%
NOKIAN RENKAAT OYJ	FI0009005318	FI			EUR	18.23	61,431	28.82	97,123	1.01%
RAYSEARCH LABORATORIES AB	SE0000135485	SE			SEK	8.34	97,191	8.23	95,848	1.00%
BANK PEKAO SA	PLPEKAO00016	PL	S&P	BBB+	PLN	14.54	101,813	13.39	93,711	0.98%
COCA-COLA ICECEK AS	TRECOLA00011	TR	Fitch	BBB-	TRY	10.29	125,024	7.24	87,979	0.92%
CTS EVENTIM AG CO KGAA	DE0005470306	DE			EUR	37.47	50,584	54.40	73,440	0.77%
PUBLICIS GROUPE	FR0000130577	FR	S&P	BBB	EUR	28.68	47,613	40.76	67,662	0.71%
SIXT SE PRFD	DE0007231334	DE			EUR	41.01	47,159	57.40	66,010	0.69%
CENTRALNIC GROUP PLC	GB00BCCW4X83	GB			GBP	0.84	46,244	1.05	57,817	0.60%
JCDECAUX SA	FR0000077919	FR	S&P	BBB-	EUR	16.66	49,989	18.63	55,890	0.58%
HAMBURGER HAFEN UND LOGISTIK	DE000A0S8488	DE			EUR	17.45	48,870	18.44	51,632	0.53%
TAV HAVALIMANLARI HOLDING	TRETAHVH00018	TR			TRY	2.00	38,681	2.34	45,306	0.47%
HERMAN MILLER INC	US6005441000	US			USD	20.47	27,637	27.67	37,350	0.39%
SHARES TOTAL							2,864,791		2,881,882	30.07%

Name	ISIN	Fund country	Fund Management Company	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets	
FUNDS										
CLOSED-END FUNDS LISTED ON STOCK EXCHANGE:										
BULGARIA REAL ESTATE FUND	BG1100001053	BG	REAL ESTATE MANAGEMENT LTD	BGN	0.76	101,204	0.86	115,206	1.20%	
CLOSED-END FUNDS TOTAL							101,204		115,206	1.20%
EXCHANGE TRADED COMMODITIES ON STOCK EXCHANGE:										
XTRACKER PHYSICAL GOLD ETC	DE000A1EOHR8	DE	DEUTCHE BANK AG	EUR	137.11	250,903	148.63	271,993	2.84%	
EXCHANGE TRADED COMMODITIES TOTAL							250,903		271,993	2.84%
FUNDS TOTAL							352,107		387,199	4.04%
SHARES AND FUNDS TOTAL							3,216,898		3,269,081	34.11%

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Statement of investments as of 31/12/2020 (continued)

Name	ISIN	Emitent country	Rating agency	Rating	FX	Interest rate	Maturity	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
BONDS*												
TURKIYE VAKIFLAR BANK 01.11.27	XS1551747733	TR	Fitch	B-	USD	8.00%	01/11/2027	85.55	307,997	82.38	300,493	3.14%
CENTRALNIC FRN 03.07.2023	NO0010856750	GB			EUR	7.00%	03/07/2023	83.00	166,000	103.83	211,119	2.20%
INBANK SUBORDINATED 28.09.2026	EE3300110964	EE			EUR	7.00%	28/09/2026	102.76	203,460	104.95	207,917	2.17%
TERSETA 6.00% 10.06.2022 EUR ¹	LT0000404832	LT			EUR	6.00%	10/06/2022	100.00	195,700	100.00	196,352	2.05%
INBANK SUBORDINATED 19.12.2029	EE3300001544	EE			EUR	6.00%	19/12/2029	100.00	176,000	104.45	183,920	1.91%
LHV GROUP SUBORDIN 28.11.28	EE3300111558	EE			EUR	6.00%	28/11/2028	100.00	166,000	106.25	177,260	1.84%
KERNEL HOLDING 6.75% 27.10.27	XS2244927823	LU	S&P	B+	USD	6.75%	27/10/2027	84.61	169,218	86.15	174,235	1.82%
TURKIYE BANKASI 7.85% 10.12.23	XS1003016018	TR	S&P	B+	USD	7.85%	10/12/2023	88.85	177,705	86.25	173,255	1.81%
STENA 7% 01.02.2024	USW8758PAK22	SE	S&P	B+	USD	7.00%	01/02/2024	90.88	181,760	81.55	167,867	1.75%
PRO-GEST 3.250% 15.12.2024 EUR	XS1733958927	IT	S&P	CCC+	EUR	3.25%	15/12/2024	58.75	96,938	95.75	158,226	1.65%
MAINOR ULEMISTE 5.5% 05.04.23 ¹	EE3300111343	EE			EUR	5.50%	05/04/2023	100.00	150,000	100.00	151,948	1.59%
IUTECR 13.00% 07.08.2023 EUR	XS2033386603	LU			EUR	13.00%	07/08/2023	100.00	100,000	98.00	103,158	1.08%
GL AGRAJES FRN EUR 22.12.2025	NO0010912801	ES			EUR	6.00%	22/12/2025	100.00	100,000	101.06	101,209	1.06%
ARCO VARA 10% 13.12.2022 EUR ¹	EE3300001957	EE			EUR	10.00%	13/12/2022	100.00	100,000	100.00	100,444	1.05%
HKSCAN 2.625% 21.09.2022	FI4000278536	FI			EUR	2.63%	21/09/2022	93.50	93,500	96.28	97,006	1.01%
EXPLORER II 3.375% EUR 24.02.2	NO0010874548	NO	S&P	B-	EUR	3.38%	24/02/2025	100.00	100,000	87.09	88,285	0.92%
LHV PANK 6.000% 30.09.2030	EE3300001791	EE			EUR	6.00%	28/09/2030	100.00	79,000	106.35	84,017	0.88%
BONDS TOTAL									2,563,278		2,676,711	27.93%

*Accrued interest in the amount of 26,446.88 EUR has been added to the value of bonds

¹Bonds not traded on a regulated market

Name	Derivative Type	Emitent country	Rating agency	Rating	FX	Maturity	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets	
DERIVATIVES											
FX-Swap EUR/USD Swedbank AS	Swap	EE	S&P	A+ (Swedbank AB)	USD	07/05/2021			127,033	1.33%	
DERIVATIVES TOTAL									127,033	1.33%	
INSTRUMENTS TOTAL									5,907,209	6,072,825	63.37%

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Statement of investments as of 31/12/2020 (continued)

Credit Institution	Deposit type	Credit Institution's country	Rating agency	Rating	FX	Interest rate	Start date	Maturity	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
DEPOSITS*												
Bigbank AS	Term deposit	EE			EUR	0.35%	30/12/2020	01/02/2021	202,200		202,204	2.11%
Bigbank AS	Term deposit	EE			EUR	1.00%	26/10/2020	26/10/2021	101,103		101,289	1.05%
Bigbank AS	Term deposit	EE			EUR	0.35%	09/12/2020	11/01/2021	100,000		100,022	1.04%
DEPOSITS TOTAL									403,303		403,515	4.20%

*Accrued interest in the amount of 211.52 EUR has been added to the value of deposits

Name	Credit Institution's country	Credit Institution	FX	Interest rate	Quantity	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
CASH										
CURRENT ACCOUNT	EE	SEB	EUR				999,960		999,960	10.44%
CURRENT ACCOUNT	EE	Luminor	EUR				969,889		969,889	10.12%
CURRENT ACCOUNT	EE	Swedbank	EUR				629,524		629,524	6.57%
CURRENT ACCOUNT	EE	Swedbank	BGN				214,757		214,757	2.24%
CURRENT ACCOUNT	EE	Swedbank	RON				170,538		170,538	1.78%
CURRENT ACCOUNT	EE	Swedbank	USD				153,815		153,815	1.61%
CURRENT ACCOUNT	EE	Swedbank	RUB				7,038		7,038	0.07%
CURRENT ACCOUNT	EE	Swedbank	NOK				4,111		4,111	0.04%
CURRENT ACCOUNT	EE	Swedbank	RSD				2,384		2,384	0.02%
CURRENT ACCOUNT TOTAL							3,152,016		3,152,016	32.89%
INVESTMENTS TOTAL							9,335,495		9,628,356	100.46%
OTHER ASSETS										
DIVIDEND RECEIVABLE			EUR						10,122	0.10%
OTHER ASSETS TOTAL									10,122	0.10%
TOTAL ASSETS OF THE FUND							9,335,495		9,638,478	100.56%
LIABILITIES									-53,958	-0.56%
NET ASSETS OF THE FUND									9,584,520	100.00%

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STATEMENT OF COMMISSIONS

In EUR

01/01/2021-31/12/2021

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
Regulated securities market transactions*				
Shares				
Wood and Company Financial Services a.s.	11	693 148	1 204	0.17%
SEB Pank AS	7	448 239	804	0.18%
BCS Prime Brokerage Limited	1	183 700	129	0.07%
AS SEB Pank	2	183 433	147	0.08%
Erste Group Bank AG	2	135 207	95	0.07%
Santander Biuro Maklerskie	1	79 876	48	0.06%
Funds listed on stock exchange				
Wood and Company Financial Services a.s.	2	216 719	108	0.05%
Exchange traded commodities				
Wood and Company Financial Services a.s.	1	126 768	101	0.08%
Võlakirjad				
SEB Pank AS	15	168 469		
Third country securities market transactions				
Shares				
Wood and Company Financial Services a.s.	1	101 103	51	0.05%
OTC transactions				
Shares				
Avaron Emerging Europe Fund	1	79 728		
Swedbank AS	1	31 490		
Early redemption	1	297 208		
Initial public offering				
Swedbank AS	1	110 925		
Corporate actions				
	4			
Derivative instruments				
Swedbank AS	2	992 388		
AS SEB Pank	1	105 762		
Bond issue				
Pareto Securities AS	6	839 041		
ABG Sundal Collier ASA	4	532 575		
Redgate Capital	3	391 300		
Signet Bank	3	299 520		
Šiauliai bankas AB	2	295 030		
Arctic Securities AS	2	234 000		
Banca Promos SPA	2	206 240		
Swedbank AS	1	56 000		
Coop Pank	1	20 000		
Bonds				
Banca Promos SPA	3	650 894		
SEB Pank AS	7	330 281		
Pareto Securities AS	2	237 017		
ABG Sundal Collier ASA	1	204 982		
Luminor Bank AS	1	200 613		
Arctic Securities AS	1	109 187		
Šiauliai bankas AB	1	103 169		
AS SEB Pank	7	37 895		
TOTAL	101	8,701,908	2,688	0.03%

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

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In EUR

01/01/2020-31/12/2020

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
Regulated securities market transactions*				
Shares				
Wood and Company Financial Services a.s.	18	1,028,364	1,620	0.16%
AS SEB Pank	7	302,954	337	0.11%
Erste Group Bank AG	4	192,158	134	0.07%
Santander Biuro Maklerskie	1	101,813	61	0.06%
Exchange Traded Commodities				
Wood and Company Financial Services a.s.	3	518,487	415	0.08%
Third country securities market transactions				
Shares				
BCS Prime Brokerage Limited	6	672,486	465	0.07%
OYAK Yatirim Menkul Degerler A.S.	1	38,681	28	0.07%
OTC transactions				
Shares				
Avaron Emerging Europe Fund	1	48,803	-	-
Early redemption	10	1,476,359	-	-
Final maturity	1	200,000	-	-
Derivatives				
Swedbank AS	2	1,655,076	-	-
Tender offer	1	381,827	-	-
Note issue	6	743,918	-	-
Bonds				
Banca Promos SPA	6	1,055,172	-	-
AS SEB Pank	2	291,648	-	-
Adamant Capital Partners	1	187,047	-	-
Pareto Securities AS	1	169,422	-	-
STX Fixed Income B.V.	1	100,258	-	-
TOTAL	72	9,164,473	3,060	0.03%

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

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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.

The Fund Management Company employed 18 specialists as at the end of 2020 (end-2019: 18 specialists). Total remuneration amounted to:

In EUR

	2021	2020
Wages and salaries	487,841	445,265
Social tax and unemployment insurance contributions	174,707	152,933
Total	662,548	598,198
incl. bonus program cost with applicable taxes	63,078	44,226

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 was paid, in total with applicable social tax, EUR 11,385 in the financial year 2021 (2020: EUR 7,980).

No remuneration has been paid by the Fund.

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31.03.2022

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KPMG, Tallinn



KPMG Baltics OÜ
Narva mnt 5
Tallinn 10117
Estonia

Telephone +372 6 268 700
Fax +372 6 268 777
Internet www.kpmg.ee

Independent Auditors' Report

(Translation of the Estonian original)

To the Fund Management Fund and Unitholders of Avaron Flexible Strategies Fund

Opinion

We have audited the financial statements of Avaron Flexible Strategies Fund (the Fund), which comprise the balance sheet as at 31 December 2021, the statement of income and expenses, statement of changes in net assets and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the financial statements presented on pages from 8 to 31 present fairly, in all material respects, the financial position of the Fund as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the management report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Fund Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics OÜ
Licence No 17

digitally signed

Eero Kaup

Certified Public Accountant, Licence No. 459

Tallinn, 31 March 2022