



Avaron Emerging Europe Fund

ANNUAL REPORT FOR THE FINANCIAL YEAR 2015

Audited by Deloitte

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FUND FACTS

Avaron Emerging Europe Fund is registered in the Republic of Estonia as a contractual open-ended investment fund the units of which are publicly offered. The Fund complies with the requirements set out in the Directive 2009/65/EC of the European Parliament and of the Council.

Name of the Fund	Avaron Emerging Europe Fund
Fund Management Company	AS Avaron Asset Management (reg. no. 11341336)
Registered address and contact details of the Fund Management Company	Address: Narva road 7D, 10117 Tallinn, Estonia Phone: +372 664 4200 Facsimile: +372 664 4201 E-mail: info@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	AS Deloitte Audit Eesti (reg. no. 10687819)
Supervisor	Estonian Financial Supervision Authority
Fund managers	Kristel Kivinurm-Priisalm, Valdur Jaht, Peter Priisalm
Fund established	3 rd April 2007
Start of the Fund's activities	23 rd April 2007
Reporting period	1 st January 2015 – 31 st December 2015

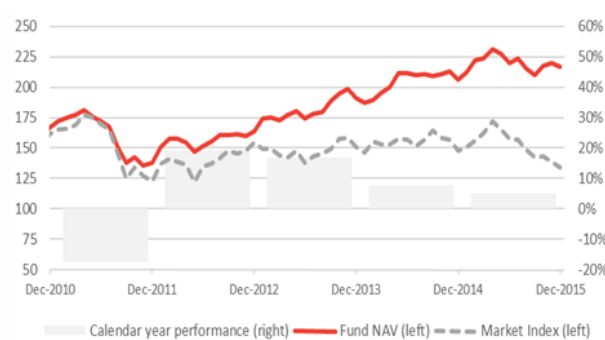
INVESTMENT MANAGERS' REPORT

Avaron Emerging Europe Fund (hereinafter: “the Fund”) invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximize upside to internally set target prices, taking into account company quality, liquidity and FX outlook. By implementing our investment process we aim to outperform the market with lower volatility. The Fund typically invests in 30-40 regional companies, who generally demonstrate a competitive advantage or attractive risk/return features. It adheres to the UN Principles for Responsible Investment. Suitable for investors seeking a stock picking portfolio in Emerging Europe, it acts as medium to long term diversifier in a global Emerging Markets, European or Global Equity portfolio.

2015 was another successful year for our investors. The Fund strongly outperformed the benchmark (MSCI EFM Central and Eastern Europe & CIS ex Russia Index) and delivered net return of +2.9% to +5% (depending on the share class) compared to -9.6% for the benchmark. In 5 years the Fund has returned +29.9% compared to -17.3% for the index with almost twice lower volatility (10.7% vs. 18.1% for the index), resulting in 7.0% alpha for our investors. Total net assets of the Fund increased in 2015 from €39.2 million to €44.2 million.

	2011	2012	2013	2014	2015
A unit	-18.0%	18.6%	16.1%	7.2%	4.5%
B unit	-17.6%	19.2%	16.7%	7.8%	5.0%
C unit	-18.3%	19.4%	15.7%	7.0%	4.2%
D unit	-18.9%	18.3%	15.8%	6.9%	4.3%
E unit	-17.3%	19.7%	14.6%	6.5%	2.9%
Index*	-24.3%	26.5%	-2.4%	-2.1%	-9.6%

*MSCI EFM Central and Eastern Europe & CIS ex Russia



Net return of the Fund units, in EUR

Performance of Fund’s NAV vs. the market (2011-2015)

Avaron Emerging Europe Fund received Thomson Reuters Lipper Fund Award as the best Equity Emerging Markets Europe Fund for three year performance (2013-2015) in Germany (among 57 funds), in Switzerland (among 39 funds), in Nordics (among 49 funds) and in France (among 40 funds). In addition the Thomson Reuters Lipper Fund Award for the best Equity Emerging Markets Europe Fund five year performance (2011-2015) in France (among 39 funds) was received. The greatest achievement was to receive Thomson Reuters Lipper Fund Award for whole Europe for three year performance among 60 funds.

March 15th, 2016
 Kristel Kivinurm-Priisalm
 Fund Manager and Member of the Management Board

CONFIRMATION OF ANNUAL FINANCIAL STATEMENTS OF 2015

The Management Board of the Fund Management Company has prepared the annual Financial Statements of Avaron Emerging Europe Fund on April 21st, 2016.

The Financial Statements have been prepared in compliance with the requirements stipulated in the Estonian Accounting Act, the Investment Funds Act and Minister of Finance Regulation no 21 of 13/04/2011 „Requirements for the reports of investment funds to be published". It gives a true and fair view of the assets, liabilities, net asset value and performance results of Avaron Emerging Europe Fund. The Management Board considers Avaron Emerging Europe Fund to carry its activities as a going concern.

The annual Financial Statements of Avaron Emerging Europe Fund have been approved by the Fund Management Company and the fund managers.

Name	Date	Signature
Kristel Kivinurm-Priisalm Member of the Management Board of the Fund Management Company / Fund manager	21/04/2016	/Signed digitally/
Valdur Jaht Member of the Management Board of the Fund Management Company / Fund manager	21/04/2016	/Signed digitally/
Peter Priisalm Fund manager	21/04/2016	/Signed digitally/

BALANCE SHEET

In EUR

ASSETS	Note	31/12/2015	31/12/2014
Cash and cash equivalents	3	7,687,081	11,460,629
Financial assets at fair value through profit or loss:	4		
Shares and units		34,696,222	27,085,376
Bonds		2,492,591	1,018,592
Receivables and prepayments	4; 6	26,969	18,607
TOTAL ASSETS		44,902,863	39,583,204
LIABILITIES			
Other financial liabilities			
Payables to the management company	4; 7	693,615	192,919
Payables to the depository	4	12,775	10,954
Other liabilities	4	6,042	204,864
TOTAL LIABILITIES (except net assets attributable to holders)		712,432	408,737
NET ASSETS ATTRIBUTABLE TO HOLDERS		44,190,431	39,174,467

STATEMENT OF INCOME AND EXPENSES

In EUR

INCOME	Note	01/01/2015- 31/12/2015	01/01/2014- 31/12/2014
Interest income		180,890	91,833
From bonds		180,124	90,072
From deposits		766	1,761
Dividend income			
From shares and units		1,100,194	884,505
Net gain/loss from financial assets at fair value through profit or loss		1,462,876	2,196,655
From shares and units	5	1,031,887	2,514,799
From bonds	5	403,732	-320,942
From derivative instruments	5	27,257	2,798
Net gain/loss from foreign exchange		-389,515	175,770
TOTAL INCOME		2,354,445	3,348,763
OPERATING EXPENSES			
Management fees	7	485,624	388,451
Performance fees	7	719,749	449,720
Custodian fees		123,773	102,910
Transaction fees		3,112	4,550
Other operating expenses		13,090	2,454
TOTAL OPERATING EXPENSES		1,345,348	948,085
NET INCOME		1,009,097	2,400,678

STATEMENT OF CHANGES IN NET ASSETS

In EUR	01/01/2015- 31/12/2015	01/01/2014- 31/12/2014
NET ASSET VALUE AT THE BEGINNING OF THE PERIOD	39,174,466	28,467,030
Cash received for fund units issued	18,174,454	17,629,874
Cash paid for fund units redeemed	-14,167,587	-9,323,116
Net result of the Fund	1,009,097	2,400,678
NET ASSET VALUE AT THE END OF THE PERIOD	44,190,430	39,174,466
Number of A units in circulation at the end of the period:	214,577.983	221,144.251
Number of B units in circulation at the end of the period:	749,350.911	732,336.173
Number of C units in circulation at the end of the period:	95,063.214	59,404.021
Number of D units in circulation at the end of the period:	693,423.275	296,024.969
Number of E units in circulation at the end of the period:	<u>2,353,961.560</u>	<u>2,508,662.751</u>
Net asset value of an A unit:	4.2242	4.0417
Net asset value of an B unit:	4.4256	4.2131
Net asset value of an C unit:	15.1698	14.5651
Net asset value of an D unit:	12.8153	12.2928
Net asset value of an E unit:	<u>12.5912</u>	<u>12.2340</u>

STATEMENT OF CASH FLOWS

In EUR	01/01/2015- 31/12/2015	01/01/2014- 31/12/2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest received	162,419	117,819
Dividends received	1,105,394	871,213
Net result from foreign exchange	16,328	114,281
Sale of investments	9,747,177	18,099,018
Purchase of investments	-17,781,243	-19,500,857
Operating expenses paid	-841,566	-780,823
	-7,591,491	-1,079,349
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of unit	18,163,744	17,641,223
Payments on redemption of units	-14,367,674	-9,119,592
	3,796,070	8,521,631
TOTAL CASH FLOWS	-3,795,421	7,442,282
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	11,460,629	4,047,585
Effect of exchange rate fluctuations on cash and cash equivalents	21,873	-29,238
Cash and cash equivalents at the end of the period	7,687,081	11,460,629

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES AND ASSESSMENTS USED

The annual financial statements of Avaron Emerging Europe Fund for 2015 have been prepared in compliance with the Estonian Accounting Act, effective Investment Funds Act as supplemented by the regulations of the Minister of Finance. As stipulated in Minister of Finance Regulation no 21 of 13/04/2011 "Requirements for the reports of investment funds to be published" the financial statements have been prepared using the accounting policies and information presentation principles of International Financial Reporting Standards (hereafter: "IFRS") approved by European Commission 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:

- IFRIC 21 "Levies" (effective for annual periods beginning on or after 17 June 2014),
- Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)" resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015).

The adoption of these amendments to the existing standards has not led to any 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:

- Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)" resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015).

The Fund has not applied the new standards or amendments before deadline. Even though the new standards and amendments listed above may have an impact on Fund's effective accounting principles, the Fund has not yet measured 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 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016). The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016).
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)" resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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

At the same time the hedge accounting principles for the portfolio of financial assets and liabilities that have not been adopted by the EU, are still unregulated. According to the Fund's estimates, the application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

Changes in the presentation of information

After assessing the liquidity risks, the calculation of positions that may take more than 7 days to liquidate has been amended. Up to this point, the six months average trading volume was based on 100% of the total trading. Evaluating the liquidity risk calculations the management considers that 30% of total trading volume represents the actual liquidity risk of trading with single instrument more adequately. Recalculations for the previous period have been made in note 2.

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 circumstances. 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. Prices quoted in active markets are mostly used for measuring the fair value of financial instruments. 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 that are based on valuation models that use unobservable inputs.

Foreign currency transactions

Upon recording foreign currency transactions, the last bid rate established by the depository for the funds managed by AS Avaron Asset Management on the transaction date has been used (hereinafter referred to as the depository bid rate). The rate is based on market inputs. The assets and liabilities fixed in foreign currency are translated into EUR based on the depository bid rate applicable on the balance sheet 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 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 other entity and contractual rights to exchange financial assets with another entity under potentially favourable conditions. Financial liabilities include contractual obligation to deliver cash or other financial assets to another entity or to exchange financial assets with another entity under potentially unfavourable conditions.

Financial assets and liabilities are initially recorded at cost, which is the fair value of the consideration paid or received to acquire the financial asset or liability. Financial instruments are later divided into four categories in accordance to the principles of IAS 39 taking into account the purpose of their acquisition:

1. financial assets at fair value through profit or loss,
2. financial assets held to maturity,
3. loans and receivables,
4. financial assets available for sale.

The Fund does not hold financial assets held to maturity and available for sale.

Financial instruments at fair value through profit and loss

Classification

The Fund classifies its investments into debt, equity and derivative instruments as financial assets or liabilities through profit or loss. This category has two sub-categories: held for trading and financial assets and liabilities through profit and loss – designation upon initial recognition. The Fund reports all the investments under the second category as designated at fair value through profit and loss using the fair value option on initial recognition according to the Fund's investment strategy.

Recognition

During normal economic activities recognising investments into shares and units, bonds and derivative instruments trade date accounting principles are used. Trade date is defined as when the Fund takes the obligation to buy or sell the investment. Financial assets and liabilities are initially recognised at acquisition cost, which is the fair value of the consideration paid for the financial asset. Initial acquisition cost of financial assets at fair value through profit or loss includes direct expenses related to financial asset or liability (commission). According to IFRS 13 these commissions should be recognized directly in statement of income and expenses. Commissions recognized at acquisition cost are insignificant and have no impact on Fund's assets or net income. Commissions are shown in annual report under "Net gain/loss from financial assets at fair value through profit and loss" through revaluation. If the commissions were directly expensed, they would have been included under operating expenses.

After initial recognition all financial assets and liabilities are measured at fair value in the category "At fair value through profit or loss". 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 financial assets at fair value through profit or loss are recorded in the statement of income and expenses under "Dividends" at the moment when the Fund's right to the dividend is fixed.

Fair value of financial instruments

Fair value is the price that would be received upon selling an asset or paid upon transferring a liability in an orderly transaction in the principal market (or the most advantageous market) (i.e. exit price) between market participants at the measurement date, irrespective if the price is easily traceable or shall be determined using other valuation techniques. According to the fair value hierarchy stipulated in IFRS 13 the financial instruments at fair value shall be divided into three levels depending on the rate of observable inputs used:

- level 1 – unadjusted quoted prices in active market for identical assets or liabilities,
- level 2 – inputs other than quoted prices in level 1 that are observable directly or indirectly,
- level 3 – unobservable inputs for an asset or liability.

Observable inputs are considered inputs that shall be determined based on the market data (such as publicly available information about actual events or transactions) that reflect the assumptions which market participants would use when pricing an asset or 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 the one that is more liquid and the most representative based on professional judgement 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 balance sheet date. If the closing price is unavailable, the official mid price is used. If mid price is also unavailable, the last official bid price is used.
- In Avaron's opinion the market price of bonds may not reflect the fair value of the securities even when the market price is available. The value of bonds not traded on a regulated market is determined based on the average of the bid and ask quotes as provided by the price feed service provider being used. If the quotes are not available or if the quotes do not reflect the fair value of the bond in the opinion of the Fund Management Company, the price is determined based on the yield curve method.
- The value of options not traded on a regulated market is determined based on the Black & Scholes valuation model. The inputs that are necessary for the calculation are determined by the Fund Management Company after consulting with the counterparty of the option.

Derecognition

Securities are removed from the balance sheet when the Fund has lost control over the corresponding financial assets either as a result of selling 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. The sale amount of securities includes commissions related to the transaction.

Offsetting

Financial assets and liabilities at fair value through profit and loss are offset only when the Fund has a legal right to offset the amounts and intends to use the right.

Cash and cash equivalents and cash flows

Cash and cash equivalents comprise 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 term is at maximum 12 months. Deposits are initially recognised at acquisition cost and subsequently measured at amortized cost using effective interest rate method.

Receivables

Receivables include revenues calculated on the accrual basis but not received yet including dividend receivables and other accrued income. Miscellaneous receivables include receivables from unsettled sale transactions.

Receivables are initially recognised at fair value and subsequently recorded at amortized cost using the effective interest rate method from which any possible impairment loss has been deducted.

Other financial liabilities

Other financial liabilities include management fee and performance fee payables to the Fund Management Company, depository fee 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 seven classes of units which are redeemable at demand of unit-holder. Different rights are attached to different unit classes. All the unit classes are reported as financial liabilities. Units shall be issued, redeemed and switched on every banking day according to the Fund rules. The redemption price of a unit is equal to the net asset value of the unit as of the trade date from which the redemption fee and penalty charge may be deducted.

The net asset value of a Unit is determined by dividing the total net asset value of a class of Units by the number of Units of that class that have been issued and not redeemed (adjusted by the number of Units from unsettled subscription and redemption orders that have been received by the management company). The income of the Fund shall not be distributed to unit holders but shall be reinvested. A unit holder's profit or loss shall be reflected in changes in Unit's net asset value.

Interest and dividend income

Interest income is recognised on accrual basis using the effective interest rate method. It comprises reported interest from cash and cash equivalents, deposits and debt instruments at fair value through profit or loss.

Received dividends are recorded under "Dividends" at the moment when the shareholder's right to the dividend is fixed.

Operating expenses

The operating expenses of the Fund include the management fee and performance fee payable to the management company, the depository fee payable to the Fund's depository, fund administration fees, fees to the registrar of fund units, transaction fees and other operating expenses stated in the Fund rules. Transaction fees related to security purchase and sales transactions are recorded under "Transaction fees" in the statement of income and expenses. Commissions which arose and were paid in acquisition of securities, but are not clearly identifiable are included within the acquisition cost of securities.

Related parties

Parties that are considered as related parties to the Fund are management company AS Avaron Asset Management, other investment funds managed by the management company, all group companies. According to the Fund rules the Fund pays management fees to the management company on monthly basis. Transactions with group companies have been made at market conditions.

NOTE 2. RISK MANAGEMENT

Short Overview of Investment and Risk Management Techniques

The Fund Management Company deploys value investing and stock-picking investment style with focus on company-specific analysis. Company analysis comprises 3 phases: quantitative screening, qualitative analysis and valuation work. During the quantitative phase we conduct analysis of company liquidity and basic financial statements. Should a company fulfil our criteria, we will interview the management during qualitative analysis phase. During a management interview, among other things, we study the company's business model, strategy, growth prospects, transparency, dividend policy and compliance to UN Principles for Responsible Investing. If a company has successfully passed the qualitative phase, we develop a financial model on the company and determine its target price. Companies with highest upside to target price adjusted to liquidity, transparency, business model cyclicity and other risk parameters are invested in.

Portfolio liquidity analysis and diversification among sectors, countries, currencies and instruments are the main risk management tools used. In addition, the Fund Management Company may use derivatives to hedge or take directional exposure in currencies. The Fund Management Company actively follows financial results of companies and makes relevant changes in the Fund portfolio based on companies' upside to target prices.

The Fund Management Company has established procedures for internal risk management in order to identify, monitor, measure and hedge the risks associated to the Fund's investments. The Fund Management Company regularly examines that the Fund is in compliance with its investment restrictions.

Credit risk

Credit risk is the risk that the issuer of securities 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 issued debt obligations, a counterparty to a trade does not deliver securities or cash during the settlement, a counterparty defaults on a loan granted by the Fund) cause damage to the Fund.

Maximum exposure to credit risk as of the end of the period in EUR:

	31/12/2015	% of NAV	31/12/2014	% of NAV
Cash and cash equivalents	7,687,081	17.40%	11,460,629	25.93%
Corporate bonds	2,492,591	5.64%	1,018,592	2.31%
Receivables and prepayments	26,969	0.06%	18,607	0.04%
TOTAL	10,206,641	23.10%	12,497,828	28.28%

Fund's assets are invested in bonds that are liquid and transferable. Basic financial data of the issuer and terms of the issue (prospectus) will be analysed in case of debt securities with investment grade rating by S&P (or Moody's equivalent) of BBB- or higher. In case of debt securities with no rating / non-investment grade rating, higher due diligence requirements apply.

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

	31/12/2015	% of NAV	31/12/2014	% of NAV
BB	2,357,903	5.34%	-	-
No rating	134,688	0.30%	1,018,592	2.60%
TOTAL	2,492,591	5.64%	1,018,592	2.60%

The Fund's cash and cash equivalents are held with Fund's depository Swedbank, which is rated AA- as of 04/02/2016.

Liquidity risk

Liquidity risk is the risk that a financial instrument cannot be sold due to low liquidity at the time desired or at a reasonable price, or there is no market (buyer) at all. Liquidity risk is particularly relevant in case of investing into small cap companies and in instruments not traded on a regulated securities market.

Liquidity risk is managed through regular liquidity analysis and limitations on estimated exit times from positions and share capital/ free float ownership.

The Fund maintains the credit lines of 1,000,000 EUR that it can access to meet short-term liquidity needs. These resources have not been used as of 31/12/2015.

Maximum exposure of 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	
	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
Payables to the management company	-	-	693,615	192,919	-	-
Payables to the depository	-	-	12,775	10,954	-	-
Payables for redeemed units	3,437	203,524	-	-	-	-
Other liabilities	-	-	-	-	2,605	1,340
Assets attributable to holders	-	-	-	-	44,190,431	39,174,467
TOTAL	3,437	203,524	706,390	203,873	44,193,036	39,175,807

Positions that may take more than 7 days to liquidate based on six months average trading volume (30% of trading volume).

Instrument	Country	Sector	% of NAV	
			31/12/2015	31/12/2014
BRD GR SOCIETE GENERALE SA RON	Romania	Financials	4.66%	4.11%
KRKA	Slovenia	Health Care	3.41%	3.37%
TRANSELECTRICA SA	Romania	Utilities	2.28%	1.93%
TALLINK GRUPP	Estonia	Consumer Discretionary	2.24%	1.98%
ATRIUM EUROPEAN REAL ESTATE	Austria	Real Estate	1.90%	-
SNT GAZE NATURALE TRANSGAZ SA	Romania	Energy	1.82%	1.97%
NUCLEARELECTRICA SA	Romania	Utilities	1.80%	0.95%

Instrument	Country	Sector	% of NAV	
			31/12/2015	31/12/2014
PRIME CAR MANAGEMENT SA	Poland	Industrial	0.85%	-
ADVANCE TERRAFUND SHARE	Bulgaria	Real Estate	0.77%	1.02%
BULGARIA REAL ESTATE FUND	Bulgaria	Real Estate	0.65%	0.77%
TELEKOM SPRSKE AD BANJA LUKA	Bosnia & Herzegovina	Telecom	0.44%	0.48%
LHV GROUP SUBORDIN 29.10.25	Estonia	Financials	0.30%	-
KOMERCIJALNA BANKA AD SKOPJE S	Macedonia	Financials	0.28%	0.27%
TALLINNA VESI AS	Estonia	Utilities	-	2.47%
PEGAS NONWOVENS CZK	Luxembourg	Consumer Discretionary	-	1.99%
AIK BANKA AD	Serbia	Financials	-	0.43%
TOTAL			21.40%	21.74%

Market risk

Market risk is the risk of suffering losses due to adverse price movements at a specific securities market or at a market for other assets. Adverse price movements may be caused by a country's weak macroeconomic data, poor financial results of an industry sector, unstable securities market, investor behaviour and psychology and other factors.

Diversification among sectors, countries, currencies and instruments are the main risk management tools used.

Currency risk

Fund is open to foreign currency risk. Currency breakdown of Fund's assets in EUR:

	31/12/2015	% of Fund's assets	31/12/2014	% of Fund's assets
EUR	18,139,033	40.40%	21,983,843	55.54%
RON	7,970,390	17.75%	5,890,844	14.88%
PLN	6,274,343	13.97%	2,837,428	7.17%
TRY	4,971,270	11.07%	4,398,973	11.11%
CZK	4,589,515	10.22%	2,410,910	6.09%
HUF	1,800,541	4.01%	900,303	2.27%
BGN	676,394	1.51%	699,526	1.77%
BAM	192,301	0.43%	189,913	0.48%
RSD	165,763	0.37%	166,559	0.42%
MKD	123,313	0.27%	104,905	0.27%
TOTAL	44,902,863	100.00%	39,583,204	100.00%

Currency risk sensitivity analysis

Fund's net asset value would have been affected by the weakening of foreign currencies against EUR on 31st December 2015. The sensitivity analysis uses the weakening of foreign currency rates against EUR during the last seven years from the highest value to the lowest. The analysis assumes that all the other variables remain constant. Analysis for 31st December 2014 has been made with using the same assumptions.

The impact on net assets attributable to holders and net income:

	31/12/2015			31/12/2014		
	Currency weakening	Possible impact	Currency's % of NAV	Currency weakening	Possible impact	Currency's % of NAV
TRY	-46%	-2,086,796	11.25%	-48%	-2,118,790	11.23%
RON	-13%	-1,170,321	18.04%	-26%	-1,582,318	15.64%
CZK	-19%	-1,016,322	10.39%	-28%	-765,054	6.98%
PLN	-23%	-910,442	14.20%	-35%	-1,268,669	9.21%
HUF	-20%	-269,154	4.07%	-32%	-376,379	3.02%
RSD	-28%	-43,253	0.38%	-39%	-64,974	0.43%
BGN	-5%	-33,765	1.53%	-7%	-48,443	1.79%
MKD	-11%	-10,804	0.28%	-14%	-14,829	0.27%
BAM	-4%	-9,417	0.44%	-10%	-18,499	0.48%
LTL	-	-	-	-4%	-246	0.02%
TOTAL		-5,550,275	60.56%		-6,258,202	49.06%

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 an issuer's securities is affected by developments in the issuer's financial results, changes in competitive environment, analyst estimates and commentaries, etc.

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

	31/12/2015	% of NAV	31/12/2014	% of NAV
Financials	16,909,418	38.26%	8,815,340	22.52%
Utilities	5,890,733	13.33%	5,709,939	14.57%
Real Estate	5,186,572	11.74%	5,741,725	14.66%
Energy	4,152,634	9.40%	2,803,187	7.15%
Health Care	2,091,643	4.73%	1,815,435	4.63%
Consumer Discretionary	1,938,415	4.39%	1,555,792	3.97%
Industrial	827,096	1.87%	-	-
Telecom	192,302	0.44%	189,912	0.48%
Consumer Staples	-	-	1,472,638	3.76%
TOTAL	37,188,813	84.16%	28,103,968	71.74%

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

	31/12/2015	% of NAV	31/12/2014	% of NAV
Austria	8,269,928	18.71%	6,161,628	15.73%
Romania	7,970,391	18.04%	5,890,844	15.04%
Poland	6,274,343	14.20%	2,643,212	6.75%
Turkey	4,971,270	11.25%	4,398,973	11.23%
Czech Rep.	4,108,035	9.30%	1,630,338	4.16%
Slovenia	1,508,337	3.41%	1,320,200	3.37%
Hungary	1,370,764	3.10%	900,303	2.29%
Estonia	1,125,571	2.55%	1,744,357	4.45%

	31/12/2015	% of NAV	31/12/2014	% of NAV
Bulgaria	627,317	1.42%	699,526	1.79%
Luxembourg	481,480	1.09%	974,788	2.49%
Bosnia & Herzegovina	192,301	0.43%	189,913	0.48%
Serbia	165,763	0.38%	166,559	0.43%
Macedonia	123,313	0.28%	104,905	0.27%
Portugal	-	-	1,278,422	3.26%
TOTAL	37,188,813	84.16%	28,103,968	71.74%

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 31st December 2014 has been made with using the same assumptions.

	probability	+/- possible change of Fund's NAV during year	
		2015	2014
σ	68.27%	14.23%	14.66%
2σ	95.45%	28.46%	29.33%
3σ	99.73%	42.69%	43.99%

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents by currency

	31/12/2015	% of NAV, converted into EUR	31/12/2014	% of NAV, converted into EUR
EUR	7,208,215	16.31%	9,843,398	25.13%
HUF	135,964,330	0.98%	89,607,316	0.72%
BGN	95,989	0.11%	-	-
CZK	-	-	8,917,579	0.82%
PLN	-	-	3,295,952	1.97%
RON	-	-	1,057,936	0.60%
LTL	-	-	22,492	0.02%
TRY	-	-	2,633	0.00%
TOTAL		17.40%		29.26%

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

In EUR

31/12/2015

	Designated as at fair value			Loans and receivables			Other financial liabilities		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
Cash and cash equivalents	-	-	-	7,687,081	-	-	-	-	-
Shares and units	34,696,222	-	-	-	-	-	-	-	-
Bonds	2,492,591	-	-	-	-	-	-	-	-
Receivables for units subscribed	-	-	-	-	10,725	-	-	-	-
Dividend receivable	-	-	-	-	10,461	-	-	-	-
Dividend tax reclaims	-	-	-	-	5,783	-	-	-	-
LIABILITIES									
Payables to the management company	-	-	-	-	-	-	-	693,615	-
Payables to the depository	-	-	-	-	-	-	-	12,775	-
Payments on redemption of units*	-	-	-	-	-	-	-	3,437	-
Other liabilities*	-	-	-	-	-	-	-	2,605	-
Net assets attributable to holders	-	-	-	-	-	-	44,190,431	-	-
TOTAL	37,188,813	-	-	7,687,081	26,969	-	44,190,431	712,432	-

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

According to the estimates of the Fund Management Company the carrying value of financial instruments "Loans and receivables" and other financial liabilities 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.

31/12/2014

	Designated as at fair value			Loans and receivables			Other financial liabilities		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
Cash and cash equivalents	-	-	-	11,460,629	-	-	-	-	-
Shares and units	27,085,376	-	-	-	-	-	-	-	-
Bonds	1,018,592	-	-	-	-	-	-	-	-
Dividend receivable	-	-	-	-	11,496	-	-	-	-
Dividend tax reclaims	-	-	-	-	7,072	-	-	-	-
Receivables for units subscribed	-	-	-	-	16	-	-	-	-
Receivables for securities transactions	-	-	-	-	23	-	-	-	-
LIABILITIES									
Payables to the management company	-	-	-	-	-	-	-	192,919	-
Payables to the depository	-	-	-	-	-	-	-	10,954	-
Payments on redemption of units*	-	-	-	-	-	-	-	203,524	-
Other liabilities*	-	-	-	-	-	-	-	1,340	-
Net assets attributable to holders	-	-	-	-	-	-	39,174,467	-	-
TOTAL	28,103,968	-	-	11,460,629	18,607	-	39,174,467	408,737	-

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

According to the estimates of the Fund Management Company the carrying value of financial instruments "Loans and receivables" and other financial liabilities amounts approximate fair value.

There have been no transfers of the assets designated as at fair value from one level to another as of the end of the period.

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

In EUR

	01/01/2015- 31/12/2015	01/01/2014- 31/12/2014
Net gain/loss from financial assets at fair value through profit or loss		
From shares and units		
Sales profit/(-loss)	1,361,188	2,331,516
Unrealised profit /(-loss)	-329,301	183,283
From bonds		
Sales profit/(-loss)	120,898	655,713
Unrealised profit /(-loss)	282,834	-976,655
From derivative instruments		
Sales profit/(-loss)	27,257	113,587
Unrealised profit /(-loss)	-	-110,789
Total net gain/loss	1,462,876	2,196,655

Sales profit/loss and unrealised profit/loss include commissions paid to brokers on acquisition and disposal of securities. According to the principles of IAS 39 and IFRS 13 the commissions should be reflected in the statement of income and expenses under transaction costs. According to the estimates of the Fund Management Company the effect of commissions to net gain/loss from financial assets is not significant.

NOTE 6. RECEIVABLES AND PREPAYMENTS

In EUR

	31/12/2015	31/12/2014
Receivables for units subscribed	10,725	16
Dividend receivable	10,461	11,496
Dividend tax reclaims	5,783	7,072
Receivables for securities transactions	-	23
TOTAL	26,969	18,607

NOTE 7. TRANSACTIONS WITH RELATED PARTIES

In addition to the Fund Management Company related parties to the Fund are considered to be companies belonging to the same group, other investment funds managed by the Management Company and shareholders of the management company.

The transactions with related parties were as follows:

	2015	2014
Fund Management Company		
Paid management and performance fees	1,205,373	838,172
Other investment funds managed by Fund Management Company		
Sale of securities	-	376,994
TOTAL	1,205,373	1,215,166

The balances outstanding with related parties were as follows:

	31/12/2015	31/12/2014
Fund Management Company		
Management and performance fee payable	693,615	192,919

Shareholders of the Fund Management Company owned the units of Avaron Emerging Europe Fund 43,447 EUR in market value as of 31/12/2015 (31/12/2014: 41,361 EUR).

NOTE 8. OTHER INFORMATION

Total expense ratio (TER)

The total expense ratios (including management, performance fees, depository fees and other fees) of different unit classes are set out below. Total expense ratios are on annual basis.

	TER without performance fees	TER with performance fees
A units	2.06%	2.06%
B units	1.56%	1.56%
C units	1.56%	2.35%
D units	2.31%	2.31%
E units	1.16%	1.89%

Portfolio turnover rate

The Fund's portfolio turnover ratio calculated by taking the lesser of purchases or sales and dividing by average monthly net assets amounted to 22.2% in 2015 (47.9% in 2014).

Adjusted to the Fund inflows and outflows the Fund's portfolio turnover rate amounted to -10.5% in 2015 (28.0% in 2014).

$$\text{Portfolio Turnover Rate}\% = \frac{(\text{Total 1 EUR} - \text{Total 2 EUR})}{\text{Average net assets in EUR}} * 100$$

Where

$$\begin{aligned} \text{Total 1} &= \sum \text{securities purchases} + \sum \text{securities sales} \\ \text{Total 2} &= \sum \text{units issued} + \sum \text{units redeemed} \end{aligned}$$

STATEMENT OF INVESTMENTS

In EUR as of 31/12/2015

Name	ISIN	Country	Nominal value	FX	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, %
SHARES										
SHARES LISTED ON STOCK EXCHANGE:										
KOMERCNI BANKA	CZ0008019106	CZ	500.00	CZK	15,572	174.54	2,717,976	182.94	2,848,747	6.45%
BANK PEKAO SA	PLPEKAO00016	PL	1.00	PLN	74,150	31.84	2,360,877	33.61	2,492,510	5.64%
PKO BANK POLSKI	PLPKO0000016	PL	1.00	PLN	374,174	8.85	3,310,680	6.40	2,395,450	5.42%
OMV AG	AT0000743059	AT	0.00	EUR	83,248	27.67	2,303,101	26.13	2,175,270	4.92%
SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO	1.00	RON	11,924,178	0.15	1,845,677	0.18	2,134,022	4.83%
BRD Gr Soci�t� G�n�rale SA RON	ROBRDBACNOR2	RO	1.00	RON	769,654	2.16	1,662,027	2.67	2,057,626	4.66%
IMMOFINANZ AG	AT0000809058	AT	0.00	EUR	945,394	2.20	2,075,950	2.10	1,986,273	4.49%
IS GAYRIMENKUL YATIRIM ORTAK	TRAIISGYO91Q3	TR	1.00	TRY	3,123,819	0.43	1,330,867	0.56	1,734,032	3.92%
TURKIYE HALK BANKASI	TRETHAL00019	TR	1.00	TRY	506,570	3.65	1,847,148	3.28	1,660,021	3.76%
KRKA	SI0031102120	SI	400.00	EUR	23,134	59.15	1,368,287	65.20	1,508,337	3.41%
CESKE ENERGETICKE ZAVODY AS	CZ0005112300	CZ	100.00	CZK	76,691	22.29	1,709,505	16.42	1,259,288	2.85%
SNGN ROMGAZ SA	ROSNNGNACNOR3	RO	1.00	RON	195,100	8.04	1,568,703	6.01	1,172,497	2.65%
TRANSELECTRICA SA	ROTSELACNOR9	RO	10.00	RON	156,116	5.36	836,691	6.44	1,005,475	2.28%
TALLINK GRUPP	EE3100004466	EE	0.60	EUR	1,156,223	0.95	1,100,526	0.86	990,883	2.24%
ERSTE GROUP BANK AG	AT0000652011	AT	0.00	EUR	31,530	18.56	585,149	28.91	911,532	2.06%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	AT	0.00	EUR	235,000	3.79	891,189	3.57	838,950	1.90%
SNT GAZE NATURALE TRANSGAZ SA	ROTGNTACNOR8	RO	10.00	RON	13,151	41.27	542,749	61.20	804,867	1.82%
NUCLEARELECTRICA SA	ROSNNEACNOR8	RO	10.00	RON	561,100	2.04	1,145,179	1.42	795,904	1.80%
OTP BANK SHARE	HU0000061726	HU	100.00	HUF	41,520	16.95	703,770	18.97	787,457	1.78%
ENERGA SA	PLENERG00022	PL	10.92	PLN	235,080	3.09	726,709	2.96	696,044	1.58%
YAPI VE KREDI BANKASI SHARE	TRAYKBNK91N6	TR	1.00	TRY	636,310	1.20	766,463	1.04	660,272	1.49%
RICHTER GEDEON NYRT	HU0000123096	HU	100.00	HUF	33,564	12.35	414,683	17.38	583,307	1.32%
PEGAS NONWOVENS CZK	LU0275164910	LU	1.24	CZK	17,822	19.50	347,541	27.02	481,480	1.09%
FORD OTOMOTIV SANAYI AS	TRAOTOSN91H6	TR	1.00	TRY	48,800	8.46	412,995	9.55	466,052	1.05%
TURK TRAKTOR VE ZIRAAT MAKIN	TRETRK00010	TR	1.00	TRY	20,555	21.99	452,083	21.94	450,893	1.02%
PRIME CAR MANAGEMENT SA	PLPRMCM00048	PL	2.00	PLN	42,827	10.44	446,972	8.78	376,203	0.85%
BANK ZACHODNI WBK SA	PLBZ00000044	PL	10.00	PLN	4,722	60.17	284,131	66.53	314,136	0.71%
TELEKOM SPRSKE AD BANJA LUKA	BA100TLKMRA2	BA	1.00	BAM	233,608	0.74	172,174	0.82	192,301	0.44%
AIK BANKA AD	RSAIKBE79302	RS	1,900.00	RSD	10,973	34.94	383,438	15.11	165,763	0.38%
KOMERCIJALNA BANKA AD SKOPJE S	MKKMBS101019	MK	1,000.00	MKD	3,286	62.23	204,491	37.53	123,313	0.28%
SHARES TOTAL							34,517,731		34,068,905	77.09%

Statement of investments as of 31/12/2015 (continued)

Name	ISIN	Country	Nominal value	Fund Management Company	FX	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, %		
REAL ESTATE FUNDS													
ADVANCE TERRAFUND SHARE	BG1100025052	BG	1.00	KAROLL FINANCE	BGN	319,964	0.56	179,926	1.06	338,629	0.77%		
BULGARIA REAL ESTATE FUND	BG1100001053	BG	1.00	BULGARIA REAL ESTATE FUND	BGN	1,087,946	0.17	189,792	0.27	288,688	0.65%		
REAL ESTATE FUNDS TOTAL								369,718		627,317	1.42%		
FUNDS TOTAL								369,718		627,317	1.42%		
Name	ISIN	Country	Nominal value	Maturity	Interest	Rating	FX	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, %
BONDS*													
RAIFFEISEN BK 6.625% 18.05.21	XS0619437147	AT	100,000.00	18/05/2021	6.625%	Ba2	EUR	1,600,000	93.95	1,503,200	102.53	1,706,175	3.86%
RAIFFEISEN BK 6.000% 16.10.23	XS0981632804	AT	100,000.00	16/10/2023	6.000%	Ba2	EUR	700,000	82.40	576,800	91.86	651,728	1.48%
LHV GROUP SUBORDIN 29.10.25	EE3300110741	EE	1,000.00	29/10/2025	6.500%		EUR	124,000	100.00	124,000	107.50	134,688	0.30%
BONDS TOTAL									2,204,000		2,492,591	5.64%	
Name	ISIN	Country	Starting date	Maturity	Interest	Rating	FX	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					EUR			7,208,227		7,208,227	16.31%
CURRENT ACCOUNT		EE					HUF			429,777		429,777	0.98%
CURRENT ACCOUNT		EE					BGN			49,077		49,077	0.11%
CURRENT ACCOUNT TOTAL									7,687,081		7,687,081	17.40%	
INVESTMENT TOTAL									44,778,530		44,875,894	101.55%	

Avaron Emerging Europe Fund

OTHER ASSETS

RECEIVABLES FOR UNITS SUBSCRIBED		10,725	0.02%
DIVIDEND RECEIVABLES		10,461	0.02%
DIVIDEND TAX RECLAIMS		5,783	0.01%
OTHER ASSETS TOTAL		26,969	0.06%
TOTAL ASSETS OF THE FUND	44,778,530	44,902,863	101.61%
LIABILITIES		-712,432	-1.61%
NET ASSETS OF THE FUND		44,190,431	100.00%

In EUR as of 31/12/2014

Name	ISIN	Country	Nominal value	FX	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, %
SHARES										
SHARES LISTED ON STOCK EXCHANGE:										
SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO	1.00	RON	11,924,178	0.15	1,845,677	0.20	2,381,752	6.08%
IMMOFINANZ AG	AT0000809058	AT	0.00	EUR	1,083,800	2.15	2,325,537	2.09	2,267,310	5.79%
PKO BANK POLSKI	PLPKO0000016	PL	1.00	PLN	268,574	9.05	2,430,846	8.34	2,239,944	5.72%
TURKIYE HALK BANKASI	TRETHAL00019	TR	1.00	TRY	379,930	4.08	1,548,528	4.92	1,867,341	4.77%
IS GAYRIMENKUL YATIRIM ORTAK	TRAISSGYO91Q3	TR	1.00	TRY	3,497,876	0.47	1,647,327	0.50	1,756,297	4.48%
OMV AG	AT0000743059	AT	0.00	EUR	73,938	27.83	2,057,357	22.01	1,627,375	4.15%
BRD Gr Soci�t� G�n�rale SA RON	ROBRDBACNOR2	RO	1.00	RON	825,154	2.20	1,818,413	1.95	1,609,545	4.11%
KRKA	SI0031102120	SI	400.00	EUR	22,151	59.02	1,307,414	59.60	1,320,200	3.37%
JERONIMO MARTINS SGPS SA	PTJMT0AE0001	PT	1.00	EUR	153,380	8.12	1,246,104	8.34	1,278,422	3.26%
ERSTE GROUP BANK AG	AT0000652011	AT	0.00	EUR	64,900	21.35	1,385,347	19.24	1,248,352	3.19%
TALLINNA VESI AS	EE3100026436	EE	0.60	EUR	73,980	10.92	807,761	13.10	969,138	2.47%
CESKE ENERGETICKE ZAVODY AS	CZ0005112300	CZ	100.00	CZK	38,721	22.25	861,688	21.36	826,977	2.11%
KOMERCNI BANKA	CZ0008019106	CZ	500.00	CZK	4,690	170.12	797,873	171.29	803,361	2.05%
PEGAS NONWOVENS CZK	LU0275164910	LU	1.24	CZK	33,750	17.27	582,980	23.13	780,572	1.99%
YAPI VE KREDI BANKASI SHARE	TRAYKBNK91N6	TR	1.00	TRY	448,410	1.10	491,047	1.73	775,335	1.98%
TALLINK GRUPP	EE3100004466	EE	0.60	EUR	1,148,473	0.95	1,094,303	0.68	775,219	1.98%
SNT GAZE NATURALE TRANSGAZ SA	ROTGNTACNOR8	RO	10.00	RON	13,151	41.27	542,749	58.61	770,743	1.97%
TRANSELECTRICA SA	ROTSELACNOR9	RO	10.00	RON	116,116	4.90	569,451	6.53	757,661	1.93%
RICHTER GEDEON NYRT	HU0000123096	HU	100.00	HUF	44,361	12.49	554,005	11.16	495,235	1.26%
MOL MAGYAR OLAJ-ESGAZIDARI	HU0000068952	HU	1,000.00	HUF	11,110	48.47	538,533	36.46	405,068	1.03%
ENERGA SA	PLENERG00022	PL	10.92	PLN	75,080	3.86	289,797	5.37	403,268	1.03%
NUCLEARELECTRICA SA	ROSNNEACNOR8	RO	10.00	RON	215,100	2.55	548,369	1.73	371,143	0.95%
KERNEL HOLDING SA SHARE	LU0327357389	LU	0.00	PLN	29,260	9.14	267,549	6.64	194,216	0.50%
TELEKOM SPRSKE AD BANJA LUKA	BA100TLKMRA2	BA	1.00	BAM	233,608	0.74	172,174	0.81	189,913	0.48%
AIK BANKA AD	RSAIKBE79302	RS	1,900.00	RSD	10,973	34.94	383,438	15.18	166,558	0.43%
KOMERCIJALNA BANKA AD SKOPJE S	MKKMBS101019	MK	1,000.00	MKD	3,286	62.23	204,491	31.92	104,905	0.27%
SHARES TOTAL							26,318,758		26,385,850	67.35%

Statement of investments as of 31/12/2014 (continued)

Name	ISIN	Country	Nominal value	Fund Management Company	FX	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, %		
REAL ESTATE FUNDS													
ADVANCE TERRAFUND SHARE	BG1100025052	BG	1.00	KAROLL FINANCE	BGN	319,964	0.56	179,926	1.25	399,158	1.02%		
BULGARIA REAL ESTATE FUND	BG1100001053	BG	1.00	BULGARIA REAL ESTATE FUND	BGN	1,087,946	0.17	189,792	0.28	300,369	0.77%		
REAL ESTATE FUNDS TOTAL								369,718		699,526	1.79%		
FUNDS TOTAL								369,718		699,526	1.79%		
Name	ISIN	Country	Nominal value	Maturity	Interest	Rating	FX	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, %
BONDS*													
IMMOFIN CV EUR 4.25% 08.03.18	XS0592528870	AT	4.12	08/03/2018	4.250%	-	EUR	1,002,532	108.59	1,088,688	101.60	1,018,592	2.60%
BONDS TOTAL										1,088,688		1,018,592	2.60%
Name	ISIN	Country	Starting date	Maturity	Interest	Rating	FX	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								11,460,629		11,460,629	29.26%
INVESTMENT TOTAL								39,237,793		39,564,597		101.00%	
OTHER ASSETS													
DIVIDEND RECEIVABLES												11,496	0.03%
DIVIDEND TAX RECLAIMS												7,072	0.01%
RECEIVABLES FOR SECURITIES TRANSACTIONS												23	0.00%
RECEIVABLES FOR UNITS SUBSCRIBED												16	0.00%
OTHER ASSETS TOTAL												18,607	0.04%
TOTAL ASSETS OF THE FUND								39,237,793		39,583,204		101.04%	
LIABILITIES												-408,737	-1.04%
NET ASSETS OF THE FUND										39,174,467		100.00%	

STATEMENT OF COMMISSIONS

In EUR

01/01/2015 - 31/12/2015

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
Erste Group Bank AG	50	7,357,666	7,361	0.10%
PKO Bank Polski	13	4,041,215	4,275	0.11%
Wood and Company Financial Services, a.s.	9	2,437,090	2,556	0.10%
KBC SECURITIES NV	7	2,150,966	4,953	0.23%
TEB Yatirim Menkul Degerler A.S.	10	2,081,790	2,705	0.13%
AS SEB Pank	5	2,071,606	-	-
Concorde Securities	2	1,941,441	1,552	0.08%
DNB Nord	2	1,573,189	-	-
Unicredit Bank AG London	2	1,121,467	-	-
Swedbank AS	4	999,024	1,501	0.15%
Raiffeisen Centrobank AG	5	828,663	1,428	0.17%
Kepler Cheuvreux	2	718,282	718	0.10%
Crossing with Avaron Clients	1	6,223	-	-
Other	2	143,000	-	-
TOTAL	114	27,471,620	27,048	0.10%

Fund executes all securities transactions at net price. In acquisition the commission fee is included in the acquisition cost and in disposal the commission is deducted from the sale amount.

Under "Other" public offerings and transactions regarding corporate events are shown.

01/01/2014 - 31/12/2014

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
TEB Yatirim Menkul Degerler A.S.	28	10,241,995	15,265	0.15%
Erste Group Bank AG	13	7,648,949	7,648	0.10%
Unicredit Bank AG London	9	5,101,818	-	-
Swiss Capital	16	3,204,982	8,013	0.25%
AS SEB Pank	7	2,117,495	1,138	0.05%
Wood and Company Financial Services, a.s.	6	1,670,046	1,669	0.10%
Raiffeisen Centrobank AG	7	1,224,141	3,061	0.25%
Concorde Securities	5	1,083,768	1,083	0.10%
<i>Tender Offer</i>	1	1,067,406	-	-
KBC SECURITIES NV	9	979,585	2,443	0.25%
PKO Bank Polski	4	779,511	780	0.10%
First Financial Brokerage House	5	722,728	3,632	0.50%
InterCapital Securities AD Belgrade	3	416,084	1,514	0.36%
Avaron Eastern Europe Fixed Income Fund	1	200,588	-	-
AQX Securities GmbH	1	187,720	244	0.13%
Avaron Flexible Strategies Fund	1	176,407	-	-
Swedbank AS	1	156,968	235	0.15%
DNB Bankas AB	1	117,994	-	-
AS LHV PANK	1	38,187	77	0.20%
TOTAL	119	37,136,372	46,801	0.13%

Fund executes all securities transactions at net price. In acquisition the commission fee is included in the acquisition cost and in disposal the commission is deducted from the sale amount.

[Translation from Estonian original]

INDEPENDENT CERTIFIED AUDITOR'S REPORT

To the shareholders of Avaron Emerging Europe Fund and the Fund Manager:

We have audited the accompanying annual report (pages 6 to 31) of Avaron Emerging Europe Fund, which comprises the financial statements, the investments report and the statement of transaction fees and commissions. The financial statements comprise the balance sheet as at 31 December 2015, the income statement for the year then ended, the statement of changes in the fund's net assets, statement of cash flows, a summary of significant accounting policies and other explanatory notes.

Fund Manager Management Board's Responsibility for the Fund's Annual Report

Management Board of the Fund Manager AS Avaron Asset Management is responsible for the preparation and fair presentation of these annual report in accordance with Estonian Accounting Act, Investment Funds Act and its fair presentation in accordance with decree no 21 by the Minister of Finance „The requirements for annual reports of investment funds” and for such internal control as the Management Board of the Fund Manager determines is necessary to enable the preparation of the annual report of the fund that is free from material misstatement, whether due to fraud or error.

Certified Auditor's Responsibility

Our responsibility is to express an opinion on this annual report of the fund based on our audit. We conducted our audit in accordance with International Standards on Auditing (Estonia). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual report of the fund is free from material misstatement.

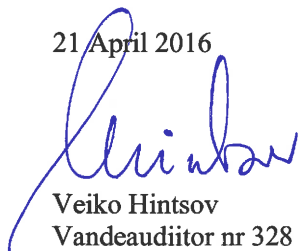
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report of the fund. The procedures selected depend on the certified auditor's judgment, including the assessment of the risks of material misstatement of the annual report of the fund, whether due to fraud or error. In making those risk assessments, the certified auditor considers internal control relevant to the entity's preparation and fair presentation of the annual report of the fund 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board of the Fund Manager, as well as evaluating the overall presentation of the annual report of the fund.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

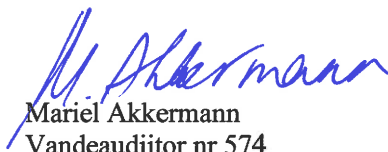
Opinion

In our opinion, the annual report of the fund presents fairly, in all material respects, the financial position of Avaron Emerging Europe Fund as at 31 December 2015, and of the financial performance for the financial year then ended, investments and commission fees in accordance with Estonian Accounting Act, Investment Funds Act and decree no 21 by the Minister of Finance „The requirements for annual reports of investment funds”.

21 April 2016



Veiko Hintsov
Vandeaudiitor nr 328
AS Deloitte Audit Eesti
Tegevusluba nr 27



Mariel Akkermann
Vandeaudiitor nr 574