



# **Avaron Emerging Europe Fund**

**SEMI-ANNUAL REPORT FOR THE FINANCIAL YEAR 2017**  
**UNAUDITED**

## TABLE OF CONTENTS

FUND FACTS .....	3
INVESTMENT MANAGERS' REPORT .....	4
CONFIRMATION OF SEMI-ANNUAL FINANCIAL STATEMENTS OF 2017 .....	5
FINANCIAL STATEMENTS .....	6
BALANCE SHEET.....	6
STATEMENT OF INCOME AND EXPENSES.....	7
STATEMENT OF CHANGES IN NET ASSETS .....	8
STATEMENT OF CASH FLOWS .....	9
NOTES TO THE FINANCIAL STATEMENTS .....	10
NOTE 1. ACCOUNTING POLICIES AND ASSESSMENTS USED .....	10
NOTE 2. RISK MANAGEMENT.....	16
NOTE 3. CASH AND CASH EQUIVALENTS .....	21
NOTE 4. CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES TO CATEGORIES AND LEVELS .....	22
NOTE 5. NET GAIN/LOSS FROM FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS .....	24
NOTE 6. RECEIVABLES AND PREPAYMENTS.....	24
NOTE 7. DERIVATIVE INSTRUMENTS .....	25
NOTE 8. TRANSACTIONS WITH RELATED PARTIES.....	26
NOTE 9. OTHER INFORMATION .....	26
STATEMENT OF INVESTMENTS .....	28
STATEMENT OF COMMISSIONS .....	33

## 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: <a href="mailto:avaron@avaron.com">avaron@avaron.com</a> <a href="http://www.avaron.com">www.avaron.com</a>
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 April 2007
Start of the Fund's activities	23 April 2007
Reporting period	1 January 2017–30 June 2017

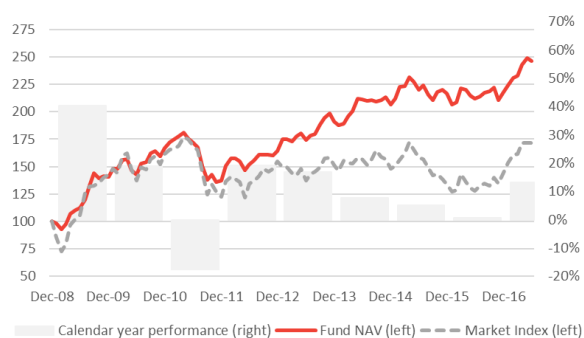
## INVESTMENT MANAGERS' REPORT

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.

Avaron Emerging Europe Fund returned 13.1% in the first half of 2017 underperforming the benchmark (MSCI EFM Central and Eastern Europe & CIS ex Russia Index 18.4%). In 5 years the Fund has returned +62.4% compared to +27.2% for the index lower volatility (9.1% vs. 15.7% for the index), resulting in 8.2% alpha for our investors. Total net assets of the Fund increased from €63.1 million to €68.0 million during the first half of the year.

	2012	2013	2014	2015	2016	6m 2017
<b>A unit</b>	18.6%	16.1%	7.2%	4.5%	-0.1%	12.8%
<b>B unit</b>	19.2%	16.7%	7.8%	5.0%	0.6%	13.1%
<b>C unit</b>	19.4%	15.7%	7.0%	4.2%	0.4%	12.4%
<b>D unit</b>	18.3%	15.8%	6.9%	4.3%	-0.3%	12.7%
<b>E unit</b>	19.7%	14.6%	6.5%	2.9%	-0.1%	13.3%
<b>Index*</b>	<b>26.5%</b>	<b>-2.4%</b>	<b>-2.1%</b>	<b>-9.6%</b>	<b>8.2%</b>	<b>18.4%</b>

\*MSCI EFM Central and Eastern Europe & CIS ex Russia



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

**Graph 1.** Performance of Fund's NAV vs. the market (31/12/2008-30/06/2017)

7 July 2017

Kristel Kivinurm-Priisalm

Fund Manager and Member of the Management Board

## CONFIRMATION OF SEMI-ANNUAL FINANCIAL STATEMENTS OF 2017

The Management Board of the Fund Management Company has prepared the semi-annual Financial Statements of Avaron Emerging Europe Fund on 21/08/2017.

The Financial Statements have been prepared in accordance with the requirements stipulated in the regulation no 1606/2002/EU of the European Parliament and of the Council on the application of International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Commission, the Investment Funds Act, Minister of Finance Regulation no 8 of 18/01/2017 "Requirements for the reports of investment funds to be published" and no 11 of 31/01/2017 "Procedure for Determination of Net Asset Value of Investment Funds" as established on the basis of the Investment Funds Act.

It gives a true and fair view of the assets, liabilities, net asset value and performance results of Avaron Emerging Europe Fund. The Management Board considers Avaron Emerging Europe Fund to carry its activities as a going concern.

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

<b>Name</b>	<b>Date</b>	<b>Signature</b>
Kristel Kivinurm-Priisalm Member of the Management Board of the Fund Management Company / Fund manager	21/08/2017	/Signed digitally/
Valdur Jaht Member of the Management Board of the Fund Management Company / Fund manager	21/08/2017	/Signed digitally/
Peter Priisalm Fund manager	21/08/2017	/Signed digitally/

**FINANCIAL STATEMENTS****BALANCE SHEET**

In EUR

<b>ASSETS</b>	<b>Note</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Cash and cash equivalents	3	9,239,338	12,019,662
Financial assets at fair value through profit or loss:	4		
Shares and units		56,153,820	48,539,737
Bonds		1,942,580	2,608,603
Derivatives	7	143,206	-
Receivables and prepayments	4; 6	747,929	26,223
<b>TOTAL ASSETS</b>		<b>68,226,873</b>	<b>63,194,225</b>
<b>LIABILITIES</b>			
Other financial liabilities	4		
Payables to the management company	8	59,704	53,471
Payables to the depository		21,653	26,879
Other liabilities		113,460	1,416
<b>TOTAL LIABILITIES</b>		<b>194,817</b>	<b>81,766</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS</b>		<b>68,032,056</b>	<b>63,112,459</b>

## STATEMENT OF INCOME AND EXPENSES

In EUR

	Note	01/01/2017- 30/06/2017	01/01/2016- 30/06/2016
<b>INCOME</b>			
<b>Interest income</b>		<b>88,112</b>	<b>74,469</b>
From bonds		87,668	74,107
From deposits		444	362
 <b>Dividend income</b>		 <b>2,023,733</b>	 <b>1,297,596</b>
From shares and units		2,023,733	1,297,596
 <b>Net gain/loss from financial assets at fair value through profit or loss</b>		 <b>6,980,870</b>	 <b>-2,068,864</b>
From shares and units	5	6,537,460	-2,156,405
From bonds	5	300,204	87,541
From derivative instruments	5	143,206	-
 <b>Net gain/loss from foreign exchange</b>		 -561,603	 -194,538
 <b>TOTAL INCOME</b>		 <b>8,531,112</b>	 <b>-891,337</b>
 <b>OPERATING EXPENSES</b>			
Management fees	8	345,869	259,371
Performance fees	8	3,143	382,176
Custodian fees		110,571	60,735
Transaction fees		2,731	2,338
Other operating expenses		20,013	7,094
 <b>TOTAL OPERATING EXPENSES</b>		 <b>482,327</b>	 <b>711,714</b>
 <b>NET INCOME</b>		 <b>8,048,785</b>	 <b>-1,603,051</b>

## STATEMENT OF CHANGES IN NET ASSETS

In EUR

	<b>01/01/2017- 30/06/2017</b>	<b>01/01/2016- 30/06/2016</b>	<b>01/01/2015- 30/06/2015</b>
<b>NET ASSET VALUE AT THE BEGINNING OF THE PERIOD</b>	<b>63,112,459</b>	<b>44,190,430</b>	<b>39,174,466</b>
Cash received for fund units issued	2,139,376	15,437,669	13,031,088
Cash paid for fund units redeemed	-5,268,564	-6,556,448	-11,665,481
Net result of the Fund	8,048,785	-1,603,051	2,369,927
<b>NET ASSET VALUE AT THE END OF THE PERIOD</b>	<b>68,032,056</b>	<b>51,468,600</b>	<b>42,910,001</b>
	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>30/06/2015</b>
<b>NUMBER OF A UNITS IN CIRCULATION AT THE END OF REPORTING PERIOD</b>			
Number of A units in circulation:	160,305.508	204,310.145	215,985.346
Number of B units in circulation:	483,429.051	579,930.812	775,850.605
Number of C units in circulation:	27,557.687	57,048.694	99,648.815
Number of D units in circulation:	687,939.694	666,841.827	588,305.770
Number of E units in circulation:	<u>3,822,299.391</u>	<u>3,181,916.677</u>	<u>2,241,338.833</u>
<b>NET ASSET VALUE OF A UNIT AT THE END OF REPORTING PERIOD</b>			
Net asset value of an A unit:	4.7630	4.1254	4.3024
Net asset value of an B unit:	5.0362	4.3330	4.4962
Net asset value of an C unit:	17.1164	14.8524	15.4117
Net asset value of an D unit:	14.3936	12.5002	13.0693
Net asset value of an E unit:	<u>14.2480</u>	<u>12.2347</u>	<u>13.0582</u>
<b>TOTAL NET ASSET VALUE OF THE FUND UNITS</b>			
Total net asset value of the A units:	763,533	842,869	929,262
Total net asset value of the B units:	2,434,629	2,512,844	3,488,372
Total net asset value of the C units:	471,687	847,310	1,535,762
Total net asset value of the D units:	9,901,938	8,335,627	7,688,752
Total net asset value of the E units:	<u>54,460,269</u>	<u>38,929,950</u>	<u>29,267,853</u>
<b>TOTAL NET ASSET VALUE</b>	<b>68,032,056</b>	<b>51,468,600</b>	<b>42,910,001</b>



## STATEMENT OF CASH FLOWS

In EUR

	<b>01/01/2017- 30/06/2017</b>	<b>01/01/2016- 30/06/2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest received	33,839	106,362
Dividends received	1,587,217	878,906
Net result from foreign exchange	-23,940	-20,701
Sale of investments	18,786,942	5,001,085
Purchase of investments	-19,552,284	-8,110,392
Operating expenses paid	-471,621	-410,756
	<b>360,153</b>	<b>-2,555,496</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of unit	2,138,475	15,433,143
Payments on redemption of units	-5,268,564	-6,385,479
	<b>-3,130,089</b>	<b>9,047,664</b>
<b>TOTAL CASH FLOWS</b>	<b>-2,769,936</b>	<b>6,492,168</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at the beginning of the period	12,019,662	7,687,081
Effect of exchange rate fluctuations on cash and cash equivalents	-10,388	-45,463
<b>Cash and cash equivalents at the end of the period</b>	<b>9,239,338</b>	<b>14,133,786</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. ACCOUNTING POLICIES AND ASSESSMENTS USED

The semi-annual financial statements of Avaron Emerging Europe Fund for 2017 have been prepared in compliance with the effective Investment Funds Act as supplemented by the regulations of the Minister of Finance. As stipulated in Minister of Finance Regulation no 8 of 18/01/2017 "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 Procedure for Determination of Net Asset Value of Investment 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.

#### **Standards and Interpretations issued by IASB that are adopted by the EU but have not yet been implemented**

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

- IFRS 9 "Financial Instruments" (2014) (effective for annual periods beginning on or after 1 January 2018),
- IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).

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 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,
- 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 date deferred indefinitely and EU endorsement halted),
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019),
- IAS 12 "Income Taxes" - Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- IAS 7 "Statement of Cash Flows" (effective for annual periods beginning on or after 1 January 2017),
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018),

- Amendments to IFRS 15 “Revenue from Contracts with Customers” – explanations (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 2 “Classification and Measurement of Share-based Payment Transactions” (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IAS 40 “Transfers of Investment Property” (effective for annual periods beginning on or after 1 January 2018),
- Amendments to IFRS 4 “Insurance Contracts”, applying IFRS 9 “Financial Instruments” with IFRS 4 (effective for annual periods beginning on or after 1 January 2018),
- IFRS 17 “Insurance Contracts” was issued on May 2017 and will replace IFRS 4 “Insurance Contracts” and is effective for annual periods beginning on or after 1 January 2021,
- Amendments to IFRIC 23 “Uncertainty over Income Tax Treatments” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to various standards “Improvements to IFRSs (cycle 2014-2016)” resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments in IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and for IFRS 1 and IAS 28 on or after 1 January 2018).

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

### **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 depositary for the funds managed by AS Avaron Asset Management on the transaction date has been used (hereinafter referred to as the depositary bid rate). The rate is based on market inputs. The assets and liabilities fixed in foreign currency are translated into EUR based on the depositary 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 semi-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 five 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, its board members, other investment funds managed by the management company, all companies being part of the consolidation group of OÜ Princo and persons related to the management board of the management company. 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:

	<b>30/06/2017</b>	<b>% of NAV</b>	<b>31/12/2016</b>	<b>% of NAV</b>
Cash and cash equivalents	9,239,338	13.58%	12,019,662	19.04%
Corporate bonds	1,942,580	2.86%	2,608,603	4.13%
Receivables and prepayments	747,929	1.10%	26,223	0.04%
<b>TOTAL</b>	<b>11,929,847</b>	<b>17.54%</b>	<b>14,654,488</b>	<b>23.21%</b>

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:

	<b>30/06/2017</b>	<b>% of NAV</b>	<b>31/12/2016</b>	<b>% of NAV</b>
BB	1,942,580	2.86%	2,608,603	4.13%
<b>TOTAL</b>	<b>1,942,580</b>	<b>2.86%</b>	<b>2,608,603</b>	<b>4.13%</b>

The Fund's cash and cash equivalents are held with Fund's depository Swedbank, which parent company Swedbank AB is rated AA- as of 20/06/2017 by Standard & Poor's and with Nordea Bank AB Estonian Branch, which parent company Nordea Bank AB is rated AA- as of 23/05/2017 by Standard & Poor's.

### 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 3,000,000 EUR that it can access to meet short-term liquidity needs. These resources have not been used as of 30/06/2017.

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

	<b>Up to 3 days</b>		<b>Up to 1 month</b>		<b>Over 1 month</b>	
	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>30/06/2017</b>	<b>31/12/2016</b>	<b>30/06/2017</b>	<b>31/12/2016</b>
Payables to the management company	-	-	59,704	53,471	-	-
Payables to the depository	-	-	21,653	26,879	-	-
Trade Settlement Payable	102,345	-	-	-	-	-
Other liabilities	-	-	-	-	11,115	1,416
Assets attributable to holders	-	-	-	-	68,032,056	63,112,459
<b>TOTAL</b>	<b>102,345</b>	<b>-</b>	<b>81,357</b>	<b>80,350</b>	<b>68,043,171</b>	<b>63,113,875</b>

Positions that may take more than 10 business days to liquidate based on six months average trading volume (30% of trading volume).

Instrument	Country	Sector	% of NAV	
			30/06/2017	31/12/2016
BRD GR SOCIETE GENERALE SA RON	Romania	Financials	4.46%	3.19%
OMV PETROM SA (RON)	Romania	Energy	4.41%	-
KRKA	Slovenia	Health Care	3.33%	3.46%
ATRIUM EUROPEAN REAL ESTATE	Austria	Real Estate	3.05%	3.31%
PEGAS NONWOVENS CZK	Czech Rep.	Consumer Discretionary	2.75%	1.70%
ANADOLU HAYAT EMEKLILIK SHARE	Turkey	Insurance	2.29%	2.40%
TALLINK GRUPP	Estonia	Consumer Discretionary	1.55%	1.67%
WIRTUALNA POLSKA HOLDING SA	Poland	IT	1.36%	1.38%
ARENA HOSPITALITY GROUP DD	Croatia	Consumer Discretionary	1.25%	-
NUCLEARELECTRICA SA	Romania	Utilities	1.16%	0.94%
ADVANCE TERRAFUND SHARE	Bulgaria	Real Estate	0.65%	0.68%
BULGARIA REAL ESTATE FUND	Bulgaria	Real Estate	0.61%	0.67%
PRIME CAR MANAGEMENT SA	Poland	Industrial	0.53%	0.51%
KOMERCIJALNA BANKA AD SKOPJE S	Macedonia	Financials	0.21%	0.24%
TELEKOM SPRSKE AD BANJA LUKA	Bosnia & Herzegovina	Telecom	0.19%	0.19%
TRANSELECTRICA SA	Romania	Utilities	-	1.33%
<b>TOTAL</b>			<b>27.80%</b>	<b>21.66%</b>

### 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:

	<b>% of Fund's</b>		<b>% of Fund's</b>	
	<b>30/06/2017</b>	<b>assets</b>	<b>31/12/2016</b>	<b>assets</b>
EUR	15,769,747	23.11%	24,208,367	38.31%
TRY	14,954,877	21.92%	6,302,729	9.97%
RON	14,213,196	20.83%	10,463,420	16.56%
PLN	10,240,984	15.01%	7,581,768	12.00%
CZK	7,481,161	10.96%	11,938,418	18.89%
USD	2,005,699	2.94%	-	-
HRK	1,413,766	2.07%	975,785	1.54%
BGN	925,958	1.36%	122,428	0.19%
HUF	924,612	1.36%	883,663	1.40%
MKD	140,782	0.21%	537,597	0.85%
BAM	127,803	0.19%	152,472	0.24%
RSD	28,288	0.04%	27,578	0.04%
<b>TOTAL</b>	<b>68,226,873</b>	<b>100.00%</b>	<b>63,194,225</b>	<b>100.00%</b>

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

	<b>% of Fund's</b>		<b>% of Fund's</b>	
	<b>30/06/2017</b>	<b>assets</b>	<b>31/12/2016</b>	<b>assets</b>
RON	14,213,196	20.83%	10,463,420	16.56%
TRY	12,311,671	18.05%	11,938,418	18.89%
PLN	10,240,984	15.01%	7,581,768	12.00%
CZK	7,481,161	10.97%	6,302,729	9.97%
USD	2,005,699	2.94%	-	-
HRK	1,413,766	2.07%	537,597	0.85%
BGN	925,958	1.36%	883,663	1.40%
HUF	924,612	1.36%	975,785	1.54%
MKD	140,782	0.21%	152,472	0.24%
BAM	127,803	0.19%	122,428	0.19%
RSD	28,288	0.04%	27,578	0.04%
<b>TOTAL</b>	<b>49,813,919</b>	<b>73.03%</b>	<b>38,985,858</b>	<b>61.68%</b>

*Currency risk sensitivity analysis*

Fund's net asset value would have been affected by the weakening of foreign currencies against EUR on 30 June 2017. The sensitivity analysis uses the weakening of foreign currency rates against EUR during the last ten years from the highest value to the lowest. The analysis assumes that all the other variables remain constant. Analysis for 31 December 2016 has been made with using the same assumptions.

Derivatives contracts have been taken into account and net open positions as per foreign currency were used. The impact on net assets attributable to holders and net income:

	30/06/2017			31/12/2016		
	Currency wakening	Possible impact	Currency's % of NAV	Currency wakening	Possible impact	Currency's % of NAV
TRY	-60%	-10,721,578	18.05%	-56%	-9,308,875	18.89%
RON	-33%	-4,711,190	20.83%	-33%	-4,370,510	16.56%
PLN	-35%	-3,671,351	15.01%	-35%	-3,405,865	12.00%
CZK	-23%	-1,717,380	10.97%	-23%	-1,593,191	9.97%
USD	-36%	-712,128	2.94%	-	-	-
HUF	-30%	-279,994	1.36%	-30%	-259,747	1.54%
HRK	-13%	-183,670	2.07%	-13%	-170,389	0.85%
BGN	-7%	-67,016	1.36%	-8%	-73,242	1.40%
MKD	-14%	-19,901	0.21%	-14%	-18,462	0.24%
RSD	-40%	-11,438	0.04%	-40%	-10,414	0.04%
BAM	-10%	-13,279	0.19%	-10%	-12,319	0.19%
<b>TOTAL</b>		<b>-22,108,925</b>	<b>73.03%</b>		<b>-19,223,014</b>	<b>61.68%</b>

### *Instrument's price risk*

Price risk is closely related to market risk but mainly affects a specific security or investment. Price risk is the risk of suffering losses due to adverse price movements of a specific stock or another investment. The price of 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:

	30/06/2017	% of NAV	31/12/2016	% of NAV
Financials	21,436,386	31.51%	21,354,276	33.83%
Real estate	8,679,811	12.76%	6,467,320	10.25%
Utilities	5,911,583	8.69%	6,762,706	10.71%
Consumer Discretionary	4,875,791	7.17%	3,595,997	5.70%
Energy	4,704,437	6.91%	3,041,049	4.82%
Health Care	3,377,166	4.96%	3,063,179	4.85%
Consumer Staples	3,135,889	4.61%	1,508,778	2.39%
Industrial	2,024,612	2.98%	1,660,651	2.63%
IT	1,599,978	2.35%	1,544,068	2.45%
Insurance	1,555,789	2.29%	1,513,047	2.40%
Telecom	692,862	1.02%	637,269	1.01%
Materials	102,096	0.15%	-	-
<b>TOTAL</b>	<b>58,096,400</b>	<b>85.40%</b>	<b>51,148,340</b>	<b>81.04%</b>

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

	<b>30/06/2017</b>	<b>% of NAV</b>	<b>31/12/2016</b>	<b>% of NAV</b>
Turkey	15,298,380	22.48%	11,935,925	18.91%
Romania	12,504,305	18.38%	10,463,420	16.58%
Poland	10,240,985	15.05%	6,651,296	10.54%
Czech Rep.	7,248,958	10.66%	6,302,729	9.98%
Austria	6,436,826	9.46%	10,390,145	16.47%
Slovenia	2,267,870	3.33%	2,181,279	3.46%
Croatia	1,413,766	2.08%	514,842	0.82%
Estonia	1,052,163	1.55%	1,055,632	1.67%
Bulgaria	855,867	1.26%	848,390	1.34%
Hungary	508,695	0.75%	529,782	0.84%
Macedonia	140,782	0.21%	152,472	0.24%
Bosnia & Herzegovina	127,803	0.19%	122,428	0.19%
<b>TOTAL</b>	<b>58,096,400</b>	<b>85.40%</b>	<b>51,148,340</b>	<b>81.04%</b>

### *Instrument's price risk sensitivity analysis*

Sensitivity analysis is based on standard deviation of the Fund since launch, whereas the Fund's risk profile has been calculated based on normal distribution. The analysis assumes that all the other variables remain constant. Analysis as per 31 December 2016 has been made with using the same assumptions.

	<b>probability</b>	<b>+/- possible change of Fund's NAV during year</b>	
		<b>2017</b>	<b>2016</b>
$\sigma$	68.27%	13.69%	13.95%
$2\sigma$	95.45%	27.39%	27.90%
$3\sigma$	99.73%	41.08%	41.85%

## **NOTE 3. CASH AND CASH EQUIVALENTS**

### **Cash and cash equivalents by currency**

	<b>30/06/2017</b>	<b>% of NAV, converted into EUR</b>	<b>31/12/2016</b>	<b>% of NAV, converted into EUR</b>
EUR	5,264,958	7.74%	10,555,089	16.72%
RON	7,796,817	2.51%	-	-
TRY	5,863,231	2.14%	9,260	0.00%
HUF	128,538,788	0.61%	138,091,096	0.71%
CZK	6,073,282	0.34%	-	-
BGN	137,091	0.10%	68,990	0.06%
USD	72,138	0.09%	-	-
RSD	3,407,310	0.04%	3,407,310	0.04%
PLN	-	-	4,099,563	1.47%
HRK	-	-	172,033	0.04%
<b>TOTAL</b>		<b>13.58%</b>		<b>19.04%</b>

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

In EUR

30/06/2017

	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
<b>ASSETS</b>									
Cash and cash equivalents	-	-	-	9,239,338	-	-	-	-	-
Shares and units	56,153,820	-	-	-	-	-	-	-	-
Bonds	1,942,580	-	-	-	-	-	-	-	-
Derivative instruments	-	143,206	-	-	-	-	-	-	-
Dividend receivable	-	-	-	-	444,045	-	-	-	-
Receivables for securities transactions	-	-	-	-	282,681	-	-	-	-
Dividend tax reclaims	-	-	-	-	15,400	-	-	-	-
Receivables for units subscribed	-	-	-	-	5,803	-	-	-	-
<b>LIABILITIES</b>									
Payables to the management company	-	-	-	-	-	-	-	59,704	-
Payables to the depository	-	-	-	-	-	-	-	21,653	-
Other liabilities	-	-	-	-	-	-	-	113,460	-
Net assets attributable to holders	-	-	-	-	-	-	68,032,056	-	-
<b>TOTAL</b>	<b>58,096,400</b>	<b>143,206</b>	<b>-</b>	<b>9,239,338</b>	<b>747,929</b>	<b>-</b>	<b>68,032,056</b>	<b>194,817</b>	<b>-</b>

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.

In EUR

31/12/2016

	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
<b>ASSETS</b>									
Cash and cash equivalents	-	-	-	12,019,662	-	-	-	-	-
Shares and units	48,539,737	-	-	-	-	-	-	-	-
Bonds	2,608,603	-	-	-	-	-	-	-	-
Dividend receivable	-	-	-	-	7,209	-	-	-	-
Dividend tax reclaims	-	-	-	-	14,112	-	-	-	-
Receivables for units subscribed	-	-	-	-	4,902	-	-	-	-
<b>LIABILITIES</b>									
Payables to the management company	-	-	-	-	-	-	-	53,471	-
Payables to the depository	-	-	-	-	-	-	-	26,879	-
Other liabilities	-	-	-	-	-	-	-	1,416	-
Net assets attributable to holders	-	-	-	-	-	-	63,112,459	-	-
<b>TOTAL</b>	<b>51,148,340</b>	<b>-</b>	<b>-</b>	<b>12,019,662</b>	<b>26,223</b>	<b>-</b>	<b>63,112,459</b>	<b>81,766</b>	<b>-</b>

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

	01/01/2017- 30/06/2017	01/01/2016- 30/06/2016
<b>Net gain/loss from financial assets at fair value through profit or loss</b>		
<b>From shares and units</b>		
Sales profit/(-loss)	2,274,471	671,028
Unrealised profit /(-loss)	4,262,989	-2,827,434
<b>From bonds</b>		
Sales profit/(-loss)	555,890	4,042
Unrealised profit /(-loss)	-255,686	83,500
<b>From derivative instruments</b>		
Sales profit/(-loss)	143,206	-
Unrealised profit /(-loss)	-	-
<b>Total net gain/loss</b>	<b>6,980,870</b>	<b>-2,068,864</b>

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

	30/06/2017	31/12/2016
Dividend receivable	444,045	7,209
Receivables for securities transactions	282,681	-
Dividend tax reclaims	15,400	14,112
Receivables for units subscribed	5,803	4,902
<b>TOTAL</b>	<b>747,929</b>	<b>26,223</b>



**NOTE 7. DERIVATIVE INSTRUMENTS**

in EUR

30/06/2017

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	
Forward	Swedbank AS	11,356,250	TRY	12/01/2018	0.2328	0.2201	2,500,000	30/06/2017	143,206	EUR 1,570,534,000
		2,500,000	EUR	12/01/2018	1.0000	1.0000	2,500,000	30/06/2017	-	EUR 1,570,534,000
<b>TOTAL</b>									<b>143,206</b>	

There were no derivative instruments at the end of 31/12/2016.

## NOTE 8. 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 in EUR as follows:

	<b>01/01/2017- 30/06/2017</b>	<b>01/01/2016- 30/06/2016</b>
<b>Fund Management Company</b>		
Paid management and performance fees	349,012	339,487
Units bought	14,205	-
Units sold	14,205	-
<b>TOTAL</b>	<b>377,422</b>	<b>339,487</b>

The balances outstanding with related parties were as follows:

	<b>30/06/2017</b>	<b>31/12/2016</b>
<b>Fund Management Company</b>		
Management and performance fee payable	59,704	53,471

Shareholders of the Fund Management Company owned the units of Avaron Emerging Europe Fund 49,441 EUR in market value as of 30/06/2017 (31/12/2016: 43,704 EUR).

## NOTE 9. 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.

	<b>TER without performance fees</b>	<b>TER with performance fees</b>
A units	2.15%	2.15%
B units	1.65%	1.65%
C units	1.65%	2.26%
D units	2.40%	2.40%
E units	1.25%	1.25%

### *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 20.4% in the first six months of 2017 (17.7% in 2016).

Adjusted to the Fund inflows and outflows the Fund's portfolio turnover rate amounted to 30.5% in the first six months of 2017 (-10.2% in 2016).

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

Where

$$\text{Total 1} = \sum \text{securities purchases} + \sum \text{securities sales}$$

$$\text{Total 2} = \sum \text{units issued} + \sum \text{units redeemed}$$

## STATEMENT OF INVESTMENTS

In EUR as of 30/06/2017

Name	ISIN	Emitent country	Rating agency	Rating	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
<b>SHARES</b>										
<b>SHARES LISTED ON STOCK EXCHANGE:</b>										
IMMOFINANZ AG	AT0000809058	AT			EUR	2.01	4,385,819	2.00	4,359,467	6.41%
KOMERCNI BANKA	CZ0008019106	CZ	S&P	A	CZK	33.46	4,026,534	35.02	4,214,371	6.19%
SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO			RON	0.17	3,220,369	0.18	3,377,195	4.96%
PKO BANK POLSKI	PLPKO0000016	PL			PLN	8.85	3,310,680	8.14	3,046,507	4.48%
BRD Gr Societe Generale SA RON	ROBRDBACNOR2	RO	Fitch	BBB+	RON	2.29	2,350,571	2.95	3,036,225	4.46%
OMV PETROM SA (RON)	ROSNPPACNOR9	RO			RON	0.06	2,743,264	0.06	2,998,613	4.41%
TURKIYE GARANTI BANKASI	TRAGARAN91N1	TR	S&P	BB	TRY	2.28	2,363,755	2.43	2,523,283	3.71%
YAPI VE KREDI BANKASI SHARE	TRAYKBNK91N6	TR	S&P	BB	TRY	1.09	2,437,985	1.11	2,487,355	3.66%
KRKA	SI0031102120	SI			EUR	59.27	2,443,758	55.00	2,267,870	3.33%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	AT	S&P	BBB-	EUR	3.85	2,043,639	3.91	2,077,360	3.05%
BANK PEKAO SA	PLPEKAO00016	PL	S&P	BBB+	PLN	30.24	2,128,841	29.49	2,075,872	3.05%
PÉGAS NONWOVENS CZK	LU0275164910	CZ			CZK	26	1,384,296	35.08	1,867,582	2.75%
BIM BIRLESIK MAGAZALAR AS	TREBIMM00018	TR			TRY	15.59	1,782,999	16.20	1,853,338	2.72%
SNGN ROMGAZ SA	ROSNNGNACNOR3	RO			RON	7.42	1,877,269	6.74	1,705,825	2.51%
TAV HAVALIMANLARI HOLDING	TRETAVH00018	TR			TRY	4.33	1,537,909	4.69	1,662,357	2.44%
ANADOLU HAYAT EMEKLILIK SHARE	TRAANHYT91O3	TR			TRY	1.51	1,705,335	1.38	1,555,789	2.29%
IS GAYRIMENKUL YATIRIM ORTAK	TRAISSGYO91Q3	TR			TRY	0.35	1,330,867	0.36	1,387,117	2.04%
BANK HANDLOWY W WARSZAWIE	PLBH0000012	PL	Fitch	A-	PLN	17.6	1,391,113	16.25	1,284,725	1.89%
DINO POLSKA SA	PLDINPL00011	PL			PLN	8.12	940,261	11.08	1,282,551	1.89%
CESKE ENERGETICKE ZAVODY AS	CZ0005112300	CZ	S&P	A-	CZK	22.29	1,709,505	15.22	1,167,005	1.72%
FORD OTOMOTIV SANAYI AS	TRAOTOSN91H6	TR			TRY	8.37	869,076	10.67	1,107,340	1.63%
TALLINK GRUPP	EE3100004466	EE			EUR	0.95	1,100,526	0.91	1,052,163	1.55%
WIRTUALNA POLSKA HOLDING SA	PLWRTPL00027	PL			PLN	11.27	830,460	12.52	922,854	1.36%
ARENA HOSPITALITY GROUP DD	HRARNTRA0004	HR			HRK	57.9	772,424	63.62	848,706	1.25%
NUCLEARELECTRICA SA	ROSNNEACNOR8	RO			RON	2.04	1,145,179	1.40	785,847	1.16%
ALIOR BANK SA	PLALIOR00045	PL	Fitch	BB	PLN	11.75	551,278	14.59	684,686	1.01%
LOGO YAZILIM SANAYI VE TICAR	TRALOGOW91U2	TR			TRY	14.25	658,464	14.65	677,124	1.00%
MED LIFE SA	ROMEDLACNOR6	RO			RON	5.75	440,194	7.85	600,600	0.88%
ENERGA SA	PLENERG00022	PL	Fitch	BBB	PLN	3.09	726,709	2.47	581,535	0.85%
HRVATSKI TELEKOM DD	HRHT00RA0005	HR			HRK	18.79	432,588	24.54	565,059	0.83%
RICHTER GEDEON NYRT	HU0000123096	HU			HUF	12.06	268,193	22.87	508,696	0.75%
PRIME CAR MANAGEMENT SA	PLPRMCM00048	PL			PLN	10.44	446,972	8.46	362,255	0.53%
KOMERCIJALNA BANKA AD SKOPJE S	MKKMBS101019	MK			MKD	62.23	204,491	42.84	140,782	0.21%
TELEKOM SPRSKE AD BANJA LUKA	BA100TLKMR2	BA			BAM	0.74	172,174	0.55	127,803	0.19%
AKCANSI CIMENTO SANAYI VE TICA	TRAAKNS91F3	TR			TRY	2.9	102,135	2.90	102,096	0.15%
<b>SHARES TOTAL</b>							<b>53,835,632</b>		<b>55,297,953</b>	<b>81.28%</b>

**Statement of investments as of 30/06/2017 (continued)**

Name	ISIN	Fund country	Fund Management Company	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
------	------	--------------	-------------------------	----	-----------------------------------	--------------------------	-----------------------	--------------------	--

**FUNDS:**

**REAL ESTATE FUNDS**

ADVANCE TERRAFUND SHARE	BG1100025052	BG	KAROLL FINANCE	BGN	0.66	265,179	1.10	442,396	0.65%
BULGARIA REAL ESTATE FUND	BG1100001053	BG	BULGARIA REAL ESTATE FUND	BGN	0.52	189,792	1.14	413,471	0.61%

<b>REAL ESTATE FUNDS TOTAL</b>						<b>454,971</b>		<b>855,867</b>	<b>1.26%</b>
--------------------------------	--	--	--	--	--	----------------	--	----------------	--------------

<b>SHARES AND FUNDS TOTAL</b>						<b>54,290,603</b>		<b>56,153,820</b>	<b>82.54%</b>
-------------------------------	--	--	--	--	--	-------------------	--	-------------------	---------------

Name	ISIN	Emitent country	Rating agency	Rating	FX	Interest rate	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
------	------	-----------------	---------------	--------	----	---------------	-----------------------------------	--------------------------	-----------------------	--------------------	--

**BONDS\***

TURKIYE VAKIFLAR BANK 01.11.27	XS1551747733	TR	S&P	BB	USD	8.000%	88.30	1,854,340	91.36	1,942,580	2.86%
--------------------------------	--------------	----	-----	----	-----	--------	-------	-----------	-------	-----------	-------

<b>BONDS TOTAL</b>								<b>1,854,340</b>		<b>1,942,580</b>	<b>2.86%</b>
--------------------	--	--	--	--	--	--	--	------------------	--	------------------	--------------

\* Accrued interest in the amount of 24,090.76 EUR has been added to the value of bonds

Name	ISIN	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**

Currency Forward TRY/EUR Swedbank AS		EE	S&P	AA- (Swedbank AB)	TRY	12/01/2018			143,206	0.21%
--------------------------------------	--	----	-----	-------------------	-----	------------	--	--	---------	-------

<b>DERIVATIVES TOTAL</b>									<b>143,206</b>	<b>0.21%</b>
--------------------------	--	--	--	--	--	--	--	--	----------------	--------------

**Statement of investments as of 30/06/2017 (continued)**

Name	ISIN	Credit Institution's country	Rating agency	Rating	FX	Interest rate	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets
<b>CASH</b>											
CURRENT ACCOUNT		EE			EUR			5,264,958		5,264,958	7.74%
CURRENT ACCOUNT		EE			RON			1,708,891		1,708,891	2.51%
CURRENT ACCOUNT		EE			TRY			1,455,871		1,455,871	2.14%
CURRENT ACCOUNT		EE			HUF			415,916		415,916	0.61%
CURRENT ACCOUNT		EE			CZK			232,203		232,203	0.34%
CURRENT ACCOUNT		EE			BGN			70,091		70,091	0.10%
CURRENT ACCOUNT		EE			USD			63,119		63,119	0.09%
CURRENT ACCOUNT		EE			RSD			28,288		28,288	0.04%
<b>CURRENT ACCOUNT TOTAL</b>								<b>9,239,338</b>		<b>9,239,338</b>	<b>13.58%</b>
<b>INVESTMENT TOTAL</b>								<b>65,384,281</b>		<b>67,478,944</b>	<b>99.19%</b>
<b>OTHER ASSETS</b>											
DIVIDEND RECEIVABLE					EUR					444,045	0.65%
RECEIVABLES FOR SECURITIES TRANSACTIONS					EUR					282,681	0.42%
DIVIDEND TAX RECLAIMS					EUR					15,400	0.02%
RECEIVABLES FOR UNITS SUBSCRIBED					EUR					5,803	0.01%
<b>OTHER ASSETS TOTAL</b>										<b>747,929</b>	<b>1.10%</b>
<b>TOTAL ASSETS OF THE FUND</b>								<b>65,384,281</b>		<b>68,226,873</b>	<b>100.29%</b>
LIABILITIES										-194,817	-0.29%
<b>NET ASSETS OF THE FUND</b>										<b>68,032,056</b>	<b>100.00%</b>

In EUR as of 31/12/2016

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
<b>SHARES</b>										
<b>SHARES LISTED ON STOCK EXCHANGE:</b>										
KOMERCNI BANKA	CZ0008019106	CZ	100.00	CZK	120,335	33.46	4,026,534	32.73	3,938,916	6.24%
ERSTE GROUP BANK AG	AT0000652011	AT	0.00	EUR	131,437	21.15	2,780,334	27.83	3,657,235	5.79%
SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO	0.85	RON	20,728,396	0.17	3,495,702	0.18	3,627,595	5.75%
PKO BANK POLSKI	PLPKO0000016	PL	1.00	PLN	374,174	8.85	3,310,680	6.39	2,389,808	3.79%
KRKA	SI0031102120	SI	0.00	EUR	41,234	59.27	2,443,758	52.90	2,181,279	3.46%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	AT	0.00	EUR	531,430	3.85	2,043,639	3.93	2,088,520	3.31%
YAPI VE KREDI BANKASI SHARE	TRAYKBNK91N6	TR	1.00	TRY	2,231,030	1.09	2,437,985	0.92	2,059,874	3.26%
IMMOFINANZ AG	AT0000809058	AT	0.00	EUR	1,098,644	2.17	2,384,724	1.85	2,035,787	3.23%
BRD GR SOCIETE GENERALE SA RON	ROBRDBACNOR2	RO	1.00	RON	769,654	2.16	1,662,027	2.62	2,012,787	3.19%
BANK PEKAO SA	PLPEKAO00016	PL	1.00	PLN	70,400	30.24	2,128,841	28.55	2,010,105	3.18%
TURKIYE HALK BANKASI	TREHAL00019	TR	1.00	TRY	747,343	3.20	2,392,749	2.51	1,878,919	2.98%
OMV PETROM SA (RON)	ROSNPPACNOR9	RO	0.10	RON	28,686,098	0.05	1,393,856	0.06	1,648,155	2.61%
ANADOLU HAYAT EMEKLILIK SHARE	TRAANHYT91O3	TR	1.00	TRY	1,130,980	1.51	1,705,335	1.34	1,513,047	2.40%
BIM BIRLESIK MAGAZALAR AS	TREBIMM00018	TR	1.00	TRY	114,390	15.59	1,782,999	13.19	1,508,778	2.39%
IS GAYRIMENKUL YATIRIM ORTAK	TRAISSGYO91Q3	TR	1.00	TRY	3,559,310	0.37	1,330,867	0.42	1,494,623	2.37%
FORD OTOMOTIV SANAYI AS	TRAOTOSN91H6	TR	1.00	TRY	177,928	8.62	1,534,474	8.23	1,464,613	2.32%
SNGN ROMGAZ SA	ROSNNGNACNOR3	RO	1.00	RON	253,100	7.42	1,877,269	5.50	1,392,894	2.21%
TAV HAVALIMANLARI HOLDING	TRETAVH00018	TR	1.00	TRY	354,786	4.33	1,537,909	3.78	1,339,878	2.12%
CESKE ENERGETICKE ZAVODY AS	CZ0005112300	CZ	100.00	CZK	76,691	22.29	1,709,505	15.90	1,219,704	1.93%
PEGAS NONWOVENS CZK	LU0275164910	CZ	1.24	CZK	37,822	24.96	944,096	28.44	1,075,752	1.70%
TALLINK GRUPP	EE3100004466	EE	0.54	EUR	1,156,223	0.95	1,100,526	0.91	1,055,632	1.67%
WIRTUALNA POLSKA HOLDING SA	PLWRTPL00027	PL	0.05	PLN	71,339	11.23	801,099	12.17	867,875	1.38%
TRANSELECTRICA SA	ROTSSELACNOR9	RO	10.00	RON	130,116	5.45	709,183	6.43	836,372	1.33%
LOGO YAZILIM SANAYI VE TICAR	TRALOGOW91U2	TR	1.00	TRY	46,220	14.25	658,464	14.63	676,193	1.07%
NUCLEARELECTRICA SA	ROSNNEACNOR8	RO	10.00	RON	561,100	2.04	1,145,179	1.06	593,499	0.94%
ALIOR BANK SA	PLALIOR00045	PL	10.00	PLN	46,929	11.75	551,278	12.30	577,199	0.91%
RICHTER GEDEON NYRT	HU0000123096	HU	100.00	HUF	26,414	12.20	322,157	20.06	529,782	0.84%
HRVATSKI TELEKOM DD	HRHT00RA0005	HR	0.00	HRK	23,027	18.79	432,588	22.36	514,842	0.82%
ENERGA SA	PLENERG00022	PL	10.92	PLN	235,080	3.09	726,709	2.07	485,537	0.77%
MED LIFE SA	ROMEDLACNOR6	RO	0.00	RON	60,820	5.76	350,090	5.79	352,118	0.56%
PRIME CAR MANAGEMENT SA	PLPRMCM00048	PL	2.00	PLN	42,827	10.44	446,972	7.49	320,772	0.51%
KOMERCIJALNA BANKA AD SKOPJE S	MKKMBS101019	MK	1,000.00	MKD	3,286	62.23	204,491	46.40	152,472	0.24%
TELEKOM SPRSKE AD BANJA LUKA	BA100TLKMRA2	BA	1.00	BAM	233,608	0.74	172,174	0.52	122,428	0.19%
MONETA MONEY BANK AS	CZ0008040318	CZ	1.00	CZK	22,321	2.78	61,991	3.06	68,357	0.11%
<b>SHARES TOTAL</b>							<b>50,606,184</b>		<b>47,691,347</b>	<b>75.57%</b>

## Statement of investments as of 31/12/2016 (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
------	------	---------	---------------	-------------------------	----	----------	-----------------------------------	--------------------------	-----------------------	--------------------	--

**FUNDS:****REAL ESTATE FUNDS**

ADVANCE TERRAFUND SHARE	BG1100025052	BG	1.00	KAROLL FINANCE	BGN	400,594	0.66	265,179	1.07	428,059	0.68%
BULGARIA REAL ESTATE FUND	BG1100001053	BG	1.00	BULGARIA REAL ESTATE FUND	BGN	362,649	0.52	189,792	1.16	420,331	0.67%

**REAL ESTATE FUNDS TOTAL****454,971 848,390 1.35%****SHARES AND FUNDS TOTAL****51,061,155 48,539,737 76.91%**

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	18/05/21	6.625%	Ba2	EUR	1,600,000	93.95	1,503,200	111.27	1,845,961	2.92%
RAIFFEISEN BK 6.000% 16.10.23	XS0981632804	AT	100,000.00	16/10/23	6.000%	Ba2	EUR	700,000	82.40	576,800	107.72	762,642	1.21%

**BONDS TOTAL****2,080,000 2,608,603 4.13%**

\* Accrued interest in the amount of 74,263.02 EUR has been added to the value of bonds

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			10,555,089		10,555,089	16.72%
CURRENT ACCOUNT		EE					PLN			930,471		930,471	1.47%
CURRENT ACCOUNT		EE					HUF			446,002		446,003	0.71%
CURRENT ACCOUNT		EE					BGN			35,273		35,273	0.06%
CURRENT ACCOUNT		EE					RSD			27,578		27,578	0.04%
CURRENT ACCOUNT		EE					HRK			22,755		22,755	0.04%
CURRENT ACCOUNT		EE					TRY			2,493		2,493	0.00%

**CURRENT ACCOUNT TOTAL****12,019,662 12,019,662 19.04%****INVESTMENTS TOTAL****65,160,817 63,168,002 100.09%****OTHER ASSETS**

DIVIDEND TAX RECLAIMS							EUR					14,112	0.02%
DIVIDEND RECEIVABLES							EUR					7,209	0.01%
RECEIVABLES FOR UNITS SUBSCRIBED							EUR					4,902	0.01%

**OTHER ASSETS TOTAL****26,223 0.04%****TOTAL ASSETS OF THE FUND****65,160,817 63,194,225 100.13%****LIABILITIES****- 81,766 -0.13%****NET ASSETS OF THE FUND****63,112,459 100.00%**



## STATEMENT OF COMMISSIONS

In EUR

01/01/2017-30/06/2017

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
<b>Regulated securities market transactions*</b>				
Erste Group Bank AG	7	6,155,775	6,158	0.10%
Raiffeisen Centrobank AG	16	3,309,658	7,578	0.23%
PKO Bank Polski	5	1,698,055	3,102	0.18%
Wood and Company Financial Services, a.s	8	781,805	2,215	0.28%
Interkapital vrijednosni papiri d.o.o.	2	772,424	852	0.11%
Dom Maklerski mBanku	3	258,100	258	0.10%
<b>Third country securities market transactions</b>				
TEB Yatirim Menkul Degerler A.S.	6	2,998,193	3,894	0.13%
BGC Partners Turkey	6	2,506,070	3,011	0.12%
<b>OTC trades</b>				
AS SEB Pank	2	2,732,011	-	-
Swedbank AS	1	2,500,000	-	-
<i>Other</i>	3	3,834,045	-	-
<b>TOTAL</b>	<b>59</b>	<b>27,546,136</b>	<b>27,068</b>	<b>0.10%</b>

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

In EUR

01/01/2016-30/06/2016

	Number of transactions	Volume of transactions	Total commissions paid	Weighted average fee
Teb Yatirim Menkul Degerler A.S.	47	4,810,447	6,249	0.13%
Raiffeisen Centrobank AG	17	1,869,870	3,275	0.18%
Erste Group Bank AG	6	1,783,726	1,796	0.10%
Kepler Cheuvreux	6	1,450,309	1,452	0.10%
PKO Bank Polski	3	793,111	793	0.10%
ING Securities S.A.	4	792,435	792	0.10%
Interkapital Vrijednosni Papiri D.O.O.	9	791,392	1,580	0.20%
BGC Partners Turkey	3	407,170	488	0.12%
Wood And Company Financial Services, A.S.	3	311,988	312	0.10%
AS SEB Pank	4	129,907	-	-
<i>Karoll AD</i>	2	85,253	340	0.40%
<i>Other</i>	6	168,570	-	-
<b>TOTAL</b>	<b>110</b>	<b>13,394,178</b>	<b>17,077</b>	<b>0.13%</b>

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.