



# **Avaron Flexible Strategies Fund**

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

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## FUND FACTS

Avaron Flexible Strategies Fund is a contractual open-ended investment fund registered in the Republic of Estonia.

Name of the Fund	Avaron Flexible Strategies Fund
Fund Management Company	AS Avaron Asset Management (reg. no. 11341336)
Registered address and contact details of the Fund Management Company	Address: Narva 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	25 November 2008
Start of the Fund's activities	17 December 2008
Report period	1 January 2017–30 June 2017

## MANAGEMENT REPORT

Avaron Flexible Strategies Fund (hereinafter: “the Fund”) is an actively managed fund set up for investors that wish to assign asset allocation decision making to Avaron. The Fund can invest in all liquid asset classes, including cash, bonds and fixed income, equities, funds and derivatives. As allocation to different asset classes varies based on Avaron investment managers' views on valuation levels and available investment opportunities, the risk level and risk profile of the Fund are changing over time. However, while making investments, we keep in mind the absolute return target in 3-5 year horizon. The Fund does not guarantee any of the capital invested. The Fund has a global mandate with bias to Central and Eastern Europe, a region of Avaron’s competence.

In the first half of 2017 the Fund’s net return reached +3.5%. In 5 years the Fund has delivered net return of +36.6%. The total net assets of the Fund increased from €10.8 million to €12.0 million during the first half of the year.

	2012	2013	2014	2015	2016	6 m 2017
B unit	11.0%	7.9%	7.6%	4.4%	4.5%	3.5%



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

**Graph 1.** Performance of Fund’s NAV (31/12/2008-30/06/2017)

7 July 2017  
 Kristel Kivinurm-Priisalm  
 Fund Manager and Member of the Management Board

## CONFIRMATION OF THE MANAGEMENT BOARD OF THE FUND MANAGEMENT COMPANY TO THE SEMI-ANNUAL FINANCIAL STATEMENTS OF 2017

The Management Board of the Fund Management Company has prepared the semi-annual Financial Statements of Avaron Flexible Strategies 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 Flexible Strategies Fund. The Management Board considers Avaron Flexible Strategies Fund to carry its activities as a going concern.

The semi-annual Financial Statements of Avaron Flexible Strategies 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	1,977,607	1,210,168
Term deposits	3	153,538	153,499
Financial assets at fair value through profit or loss:			
Shares and units	4	8,498,945	8,199,206
Bonds	4	1,406,080	1,189,170
Derivatives	4; 7	14,307	-
Reverse repurchase agreements		-	100,184
Receivables and prepayments	4	27,023	6,917
<b>TOTAL ASSETS</b>		<b>12,077,500</b>	<b>10,859,144</b>
<b>LIABILITIES</b>			
Financial liabilities at fair value through profit or loss:			
Derivatives	4; 7	-	7,770
Other financial liabilities			
Payables to the management company	4; 6	57,963	63,513
Payables to the depository	4	2,929	4,883
Other liabilities	4	417	1,399
<b>TOTAL LIABILITIES (except net assets attributable to holders)</b>		<b>61,309</b>	<b>77,565</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS</b>		<b>12,016,191</b>	<b>10,781,579</b>

## STATEMENT OF INCOME AND EXPENSES

In EUR

<b>INCOME</b>	<b>Note</b>	<b>01/01/2017- 30/06/2017</b>	<b>01/01/2016- 30/06/2016</b>
<b>Interest income</b>		<b>49,329</b>	<b>47,631</b>
From bonds		47,648	45,566
From deposits		94	2,065
Repurchase agreements		1,587	-
<b>Dividend income</b>			
From shares and units		79,923	50,349
<b>Net gain/loss from financial assets at fair value through profit or loss</b>		<b>417,442</b>	<b>334,932</b>
From shares and units	5	366,392	353,770
From bonds	5	37,884	-9,865
From derivative instruments	5	13,166	-8,973
<b>Net gain/loss from foreign exchange</b>		-59,674	6,102
<b>Other financial income</b>			
Rebates from investments		21,150	22,592
<b>TOTAL INCOME</b>		<b>508,170</b>	<b>461,606</b>
<b>OPERATING EXPENSES</b>			
Management fees	6	69,825	66,025
Performance fees	6	46,790	38,524
Custodian fees		14,658	13,981
Transaction fees		209	225
Other operating expenses		1,613	1,207
<b>TOTAL OPERATING EXPENSES</b>		<b>133,095</b>	<b>119,962</b>
<b>NET INCOME</b>		<b>375,075</b>	<b>341,644</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>10,781,579</b>	<b>10,423,674</b>	<b>9,563,365</b>
Cash received for fund units issued	1,292,796	394,397	1,402,795
Cash paid for fund units redeemed	-433,259	-455,434	-1,083,270
Net result of the Fund	375,075	341,644	336,197
<b>NET ASSET VALUE AT THE END OF THE PERIOD</b>	<b>12,016,191</b>	<b>10,704,281</b>	<b>10,219,087</b>
	<b>30/06/2017</b>	<b>30/06/2016</b>	<b>30/06/2015</b>
Number of B units in circulation at the end of the period:	701,633.712	654,800.693	651,017.518
Net asset value of a B unit:	17.1260	16.3474	15.6971
Total net asset value of the B units in circulation:	12,016,191	10,704,281	10,219,087



## 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	48,304	55,647
Dividends received	60,029	37,919
Net result from foreign exchange	-6,482	16,360
Sale of investments	695,367	940,827
Purchase of investments	-749,094	-1,280,591
Operating expenses paid	-120,715	-111,966
	<b>-72,591</b>	<b>-341,804</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of units	1,293,038	394,631
Payments on redemption of units	-433,501	-455,668
	<b>859,537</b>	<b>-61,037</b>
<b>TOTAL CASH FLOWS</b>	<b>786,946</b>	<b>-402,841</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at the beginning of the period	1,210,168	1,468,314
Effect of exchange rate fluctuations on cash and cash equivalents	-19,507	5,939
Cash and cash equivalents at the end of the period	<b>1,977,607</b>	<b>1,071,412</b>

## NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1. ACCOUNTING POLICIES AND ASSESSMENTS USED

The semi-annual financial statements of Avaron Flexible Strategies Fund for 2017 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 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 or 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) 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.

### ***Reverse-repo transactions***

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

### **Other financial liabilities**

Other financial liabilities include management fee and performance fee payables to the Fund Management Company, depository fee and transaction fee payables to the depository. Liabilities also include payables to Fund unit holders for redeemed units. Miscellaneous liabilities include payables for securities purchase transactions.

Other financial liabilities are initially recognised at fair value and subsequently recorded at amortized cost using the effective interest rate method.

### **Fund units**

The Fund has one class of units which are reported as financial liabilities. Units are issued on every banking day. Units are redeemed once a month, with prior notice of one to three months according to the Fund rules. Switching Units is not allowed. The redemption price of a Unit shall depend on the notice period for fulfilling the redemption order, as chosen by the unit-holder. If the unit-holder has chosen notice period of one month, the redemption price shall be the net asset value of the Unit that shall be calculated as of the last banking day of the month that follows to the month of receiving the redemption order from which the redemption fee may be deducted. If the unit-holder has chosen notice period of three months, the redemption price shall be the net asset value of the Unit that shall be calculated as of the last banking day of the third month that follows to the month of receiving the redemption order from which the redemption fee may be deducted.

The net asset value of a unit is determined by dividing the total net asset value of the Fund by the number of units 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 Fund's income shall not be distributed to unit-holders but shall be reinvested. Unit-holders profit or loss shall be reflected in the changes of a 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.

### **Other financial income**

Refunds of management fee received by the Fund are recognized under “Other financial income” in statement of income and expenses. When the assets of the Fund are invested in another investment fund managed by the Management Company, the Management Company refunds the management fee which were charged on the invested amount to the Fund making the investment. The management fee is deducted by fees related to fund size before payment. Refunds of management fee are made each quarter. If the Management Company has made an agreement on refunding management fees with other management companies which are managing funds in which the Fund is investing, the Fund Management Company transfers the full amount to the Fund and these amounts are also recognised under “Other income”.

### **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, sector and macro 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 the 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, the Fund Management Company develops a financial model on the company and determines its target price. Companies with highest upside to target price adjusted to liquidity, transparency, business model cyclicalities 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 and its view on macroeconomic trends.

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	1,977,607	16.46%	1,210,168	11.22%
Term deposits	153,538	1.28%	153,499	1.42%
Corporate bonds	1,406,080	11.70%	1,189,170	11.03%
Receivables and prepayments	27,023	0.22%	6,917	0.07%
<b>TOTAL</b>	<b>3,564,248</b>	<b>29.66%</b>	<b>2,559,754</b>	<b>23.74%</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+	-	-	105,690	0.98%
BB	333,014	2.77%	-	-
No rating	1,073,066	8.93%	1,083,480	10.05%
<b>TOTAL</b>	<b>1,406,080</b>	<b>11.70%</b>	<b>1,189,170</b>	<b>11.03%</b>

The Fund's cash and cash equivalents are held with Fund's depository Swedbank AS, which parent company Swedbank AB is rated AA- as of 20/06/2017 by Standard & Poor's. Additional cash and term deposits are held 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 500,000 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 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>
Payables to the management company	57,963	63,513	-	-
Payables to the depository	2,929	4,883	-	-
Other liabilities	-	-	417	1,399
Net Assets attributable to Holders	-	-	12,016,191	10,781,579
<b>TOTAL</b>	<b>60,892</b>	<b>68,396</b>	<b>12,016,608</b>	<b>10,782,978</b>

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

<b>Instrument</b>	<b>Country</b>	<b>Sector</b>	<b>% of NAV</b>	
			<b>30/06/2017</b>	<b>31/12/2016</b>
MAINOR EUR 26.11.2018	Estonia	Real Estate	3.77%	4.20%
TALLINK GRUPP AS FRN 18.10.18	Estonia	Consumer Discretionary	2.79%	-
LHV GROUP SUBORDIN 29.10.25	Estonia	Financials	1.34%	1.47%
INBANK SUBORDINATED 28.09.2026	Estonia	Financials	1.03%	1.14%
BULGARIA REAL ESTATE FUND	Bulgaria	Real Estate	0.63%	-
ADVANCE TERRAFUND SHARE	Bulgaria	Real Estate	-	1.98%
<b>TOTAL</b>			<b>9.56%</b>	<b>8.79%</b>

Liquidation of remaining positions based on six months average trading volume may probably take less than 20 days.

**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>30/06/2017</b>	<b>% of Assets</b>	<b>31/12/2016</b>	<b>% of Assets</b>
EUR	10,351,206	85.70%	9,251,017	85.19%
RON	354,955	2.94%	306,699	2.82%
NOK	354,220	2.93%	411,283	3.79%
TRY	344,078	2.85%	286,562	2.64%
USD	343,829	2.85%	195,361	1.80%
BGN	326,884	2.71%	303,635	2.80%
RSD	2,328	0.02%	2,269	0.02%
PLN	-	-	102,318	0.94%
<b>TOTAL</b>	<b>12,077,500</b>	<b>100.00%</b>	<b>10,859,145</b>	<b>100.00%</b>

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

	<b>30/06/2017</b>	<b>% of Assets</b>	<b>31/12/2016</b>	<b>% of Assets</b>
RON	354,955	2.94%	306,699	2.82%
TRY	344,078	2.85%	286,562	2.64%
USD	343,829	2.85%	195,361	1.80%
BGN	326,884	2.71%	303,635	2.80%
NOK	41,848	0.35%	521,251	4.80%
RSD	2,328	0.02%	2,270	0.02%
PLN	-	-	102,318	0.94%
<b>TOTAL</b>	<b>1,413,922</b>	<b>11.72%</b>	<b>1,718,096</b>	<b>15.82%</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 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 weakening	Possible impact	Currency's % of NAV	Currency weakening	Possible impact	Currency's % of NAV
TRY	-60%	-207,153	2.85%	-56%	-161,426	2.64%
RON	-33%	-117,656	2.94%	-33%	-101,660	2.82%
USD	-36%	-122,077	2.85%	-35%	-69,233	1.80%
BGN	-7%	-23,493	2.71%	-8%	-25,167	2.80%
NOK	-29%	-7,288	0.35%	-29%	-147,091	4.80%
RSD	-40%	-941	0.02%	-40%	-901	0.02%
PLN	-	-	-	-35%	-35,996	0.94%
<b>TOTAL</b>		<b>-478,608</b>	<b>11.72%</b>		<b>-541,474</b>	<b>15.82%</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
Fixed income fund	7,202,287	59.94%	6,951,196	64.47%
Real estate	1,094,433	9.11%	874,115	8.11%
Financials	853,888	7.11%	373,007	3.46%
Consumer Discretionary	487,015	4.05%	501,127	4.65%
Utilities	267,402	2.22%	287,228	2.66%
Equity funds	-	-	296,013	2.75%
Energy	-	-	105,690	0.98%
<b>TOTAL</b>	<b>9,905,025</b>	<b>82.43%</b>	<b>9,388,376</b>	<b>87.08%</b>

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

	30/06/2017	% of NAV	31/12/2016	% of NAV
Avaron Eastern Europe Fixed Income Fund	7,202,287	59.94%	6,951,196	64.47%
Estonia	1,224,957	10.19%	1,235,871	11.46%
Turkey	568,922	4.73%	284,933	2.64%
Bulgaria	296,591	2.47%	290,703	2.70%
Romania	267,402	2.23%	287,228	2.67%
Austria	229,966	1.91%	130,437	1.21%
Germany	114,900	0.96%	-	-
Hungary	-	-	105,690	0.98%
France	-	-	102,318	0.95%
<b>TOTAL</b>	<b>9,905,025</b>	<b>82.43%</b>	<b>9,388,376</b>	<b>87.08%</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.

	Probability	+/- possible change of Fund's NAV during year	
		2017	2016
$\sigma$	68.27%	2.70%	2.81%
$2\sigma$	95.45%	5.40%	5.62%
$3\sigma$	99.73%	8.10%	8.43%

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

	30/06/2017	% of NAV	31/12/2016	% of NAV
Deposits, Nordea Bank AB Estonian Branch	153,516	1.28%	153,478	1.42%
<b>TOTAL</b>	<b>153,516</b>	<b>1.28%</b>	<b>153,478</b>	<b>1.42%</b>

\* "Term deposits" in balance sheet include also accrued interest in the amount of 21.62 EUR as at 30/06/2017 and 21.61 EUR as at 31/12/2016.

**Cash and cash equivalents by currency**

	30/06/2017	% of NAV, converted into EUR	31/12/2016	% of NAV, converted into EUR
EUR	1,733,661	14.42%	915,961	8.50%
TRY	435,634	0.90%	6,050	0.01%
RON	399,461	0.73%	88,449	0.18%
BGN	59,248	0.25%	25,292	0.12%
USD	12,361	0.09%	205,500	1.81%
NOK	45,675	0.04%	568,599	0.58%
RSD	280,382	0.02%	280,382	0.02%
<b>TOTAL</b>		<b>16.45%</b>		<b>11.22%</b>

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

## 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	-	-	-	1,977,607	-	-	-	-	-
Term deposits	-	-	-	153,538	-	-	-	-	-
Shares and units	1,296,658	-	7,202,287	-	-	-	-	-	-
Bonds	333,014	620,091	452,975	-	-	-	-	-	-
Derivative instruments	-	14,307	-	-	-	-	-	-	-
Receivables for securities transactions	-	-	-	27,023	-	-	-	-	-
<b>LIABILITIES</b>									
Payables to the management company	-	-	-	-	-	-	-	57,963	-
Payables to the depository	-	-	-	-	-	-	-	2,929	-
Other liabilities	-	-	-	-	-	-	-	417	-
Net assets attributable to holders	-	-	-	-	-	-	-	12,016,191	-
<b>TOTAL</b>	<b>1,629,672</b>	<b>634,398</b>	<b>7,655,262</b>	<b>2,158,168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,077,500</b>	<b>-</b>

\* Additional information for instruments categorised under Level 3

	Shares and units	Bonds
<b>Starting balance of Level 3 instruments</b>	6,951,196	452,975
Transfers from level 2 to level 3	-	-
Purchases	448,145	-
Total gains	-197,054	-
Interest received	-	31,500
Interest accrued	-	2,975
<b>Total level 3 investments fair value</b>	<b>7,202,287</b>	<b>452,975</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	-	-	-	1,210,168	-	-	-	-	-
Term deposits	-	-	-	153,499	-	-	-	-	-
Shares and units	1,248,010	-	6,951,196	-	-	-	-	-	-
Bonds	105,690	630,505	452,975	-	-	-	-	-	-
Repurchase agreements	-	-	-	100,184	-	-	-	-	-
Receivables for securities transactions	-	-	-	6,917	-	-	-	-	-
<b>LIABILITIES</b>									
Derivative instruments	-	-7,770	-	-	-	-	-	-	-
Payables to the management company	-	-	-	-	-	-	-	63,513	-
Payables to the depository	-	-	-	-	-	-	-	4,883	-
Other liabilities	-	-	-	-	-	-	-	1,399	-
Net assets attributable to holders	-	-	-	-	-	-	-	10,781,579	-
<b>TOTAL</b>	<b>1,353,700</b>	<b>622,735</b>	<b>7,404,171</b>	<b>1,470,768</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,851,374</b>	<b>-</b>

\* Additional information for instruments categorised under Level 3

	Shares and units	Bonds
<b>Starting balance of Level 3 instruments</b>	5,992,196	453,063
Purchases	500,000	-
Total gains	459,000	-
Interest received	-	31,500
Interest accrued	-	2,975
<b>Total level 3 investments fair value</b>	<b>6,951,196</b>	<b>452,975</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)	82,311	-16,829
Unrealised profit /(-loss)	284,081	370,599
<b>From bonds</b>		
Sales profit/(-loss)	-9,430	-17,361
Unrealised profit /(-loss)	47,314	7,496
<b>From derivative instruments</b>		
Sales profit/(-loss)	-8,911	19,195
Unrealised profit /(-loss)	22,077	-28,169
<b>Total net gain/loss</b>	<b>417,442</b>	<b>334,931</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. 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.

Consolidation exception applies for the Fund as it corresponds to Investment Entity's definition introduced in IFRS 10. The Fund carries its investment in Avaron Flexible Strategies Fund at fair value through profit or loss. Avaron Flexible Strategies Fund, which operates in the location of the Management Company, Narva road 7D, 10117 Tallinn, Estonia, owned 85.95% of Avaron Eastern Europe Fixed Income Fund units as at 30 June 2017 (86.72% in 2016).

Avaron Flexible Strategies Fund

The transactions with related parties were 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	116,615	66,793
Received management fees from investments to Management Company's other Funds	21,150	22,592
<b>Other investment funds managed by Fund Management Company</b>		
Purchase of securities	-	686,351
<b>Other entities belonging to the consolidation group of the Fund Management Company</b>		
Units bought	22,000	-
Units sold	11,000	-
<b>TOTAL</b>	<b>170,765</b>	<b>775,736</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	57,963	63,513
Other receivables - management fees from investments to Management Company's other Funds	10,765	10,432
<b>TOTAL</b>	<b>68,728</b>	<b>73,945</b>

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

	<b>30/06/2017</b>	<b>31/12/2016</b>
Fund Management Company	1,587,782	1,523,384
Main shareholder of the Fund Management Company	300,069	289,905
<b>TOTAL</b>	<b>1,887,851</b>	<b>1,813,289</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	
Swap	AS SEB Pank	109,123	EUR	05/01/2018	1.0000	1.0000	109,123	30/06/2017	-	EUR 760,606,000
		1,000,000	NOK	05/01/2018	0.1041	0.1091	109,123	30/06/2017	4,999	EUR 760,606,000
Forward	AS SEB Pank	217,557	EUR	05/01/2018	1.0000	1.0000	217,557	30/06/2017	-	EUR 760,606,000
		2,000,000	NOK	05/01/2018	0.1041	0.1088	217,557	30/06/2017	9,308	EUR 760,606,000
<b>TOTAL</b>									<b>14,307</b>	

In EUR  
31/12/2016

Type of Instrument	Issuer of Instrument	Quantity of underlying	The underlying currency	Exercise date	Price of Instrument /premium	Exercise price		Market value		Equity of the issuer of the instrument
						Per unit	Total	Date	Total	
Swap	AS SEB Pank	102,197	EUR	06/01/2017	1.0000	1.0000	102,197	30/12/2016	-	EUR 764,692,000
		1,000,000	NOK	06/01/2017	0.1100	0.1022	102,197	30/12/2016	-7,770	EUR 764,692,000
<b>TOTAL</b>									<b>-7,770</b>	

## STATEMENT OF INVESTMENTS

In EUR 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>										
SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO			RON	0.14	209,630	0.18	267,402	2.22%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	AT	S&P	BBB-	EUR	3.39	199,146	3.91	229,966	1.91%
TALLINK GRUPP	EE3100004466	EE			EUR	0.94	157,508	0.91	151,890	1.26%
TURKIYE HALK BANKASI	TRETHAL00019	TR	Fitch	BB+	TRY	2.86	103,681	3.27	118,495	0.99%
TURKIYE GARANTI BANKASI	TRAGARAN91N1	TR	S&P	BB	TRY	2.31	111,642	2.43	117,413	0.98%
CITYCON OYJ	FI0009002471	DE	S&P	BBB	EUR	2.2	110,220	2.30	114,900	0.96%
<b>SHARES TOTAL</b>						<b>891,827</b>			<b>1,000,066</b>	<b>8.32%</b>

Name	ISIN	Fund country	Fund Management Company	FX	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets, %	
<b>FUNDS</b>										
<b>CLOSED-END FUNDS LISTED ON STOCK EXCHANGE:</b>										
ADVANCE TERRAFUND SHARE	BG1100025052	BG	KAROLL FINANCE	BGN	0.92	182,916	1.10	220,583	1.84%	
BULGARIA REAL ESTATE FUND	BG1100001053	BG	REAL ESTATE MANAGEMENT LTD	BGN	0.55	36,443	1.14	76,009	0.63%	
<b>FUNDS TOTAL</b>						<b>219,359</b>		<b>296,592</b>	<b>2.47%</b>	
<b>BOND FUNDS</b>										
AVARON E-EUROPE FI FUND B	EE3600109385	Eastern Europe	AS AVARON ASSET MANAGEMENT	EUR	10.81	5,315,581	14.63	7,194,943	59.88%	
AVARON E-EUROPE FI FUND A	EE3600109377	Eastern Europe	AS AVARON ASSET MANAGEMENT	EUR	12.93	6,610	14.37	7,344	0.06%	
<b>BOND FUNDS TOTAL</b>						<b>5,322,191</b>		<b>7,202,287</b>	<b>59.94%</b>	
<b>FUNDS TOTAL</b>						<b>5,541,550</b>		<b>7,498,879</b>	<b>62.41%</b>	
<b>SHARES AND FUNDS TOTAL</b>						<b>6,433,377</b>		<b>8,498,945</b>	<b>70.73%</b>	

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

Name	ISIN	Emitent country	Rating agency	Rating	FX	Interest rate	Maturity	Average acquisition cost per unit	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets, %
<b>BONDS*</b>												
MAINOR EUR 26.11.2018	EE3300110691	EE			EUR	7.00%	26/11/2018	100.00	450,000	100.00	452,975	3.77%
TALLINK GRUPP AS FRN 18.10.18	NO0010682255	EE			NOK	0.00%	18/10/2018	12.51	375,237	11.04	335,125	2.79%
TURKIYE VAKIFLAR BANK 01.11.27	XS1551747733	TR	S&P	BB	USD	8.00%	01/11/2027	88.30	317,887	91.36	333,014	2.77%
LHV GROUP SUBORDIN 29.10.25	EE3300110741	EE			EUR	6.50%	29/10/2025	100.00	143,000	111.25	160,662	1.34%
INBANK SUBORDINATED 28.09.2026	EE3300110964	EE			EUR	7.00%	28/09/2026	100.00	114,000	109.00	124,304	1.03%
<b>BONDS TOTAL</b>									<b>1,400,124</b>		<b>1,406,080</b>	<b>11.70%</b>

\*Accrued interest in the amount of 12,550.20 EUR has been added to the value of bonds.

Name	Derivative Type	Emitent country	Rating agency	Rating	FX	Maturity	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets, %	
<b>DERIVATIVES</b>											
FX-Forward EUR/NOK SEB Pank	Forward	EE	Moody's	AA- (Skandinaviska Enskilda Banken AB)	NOK	05/01/2018			9,308	0.08%	
FX-Swap EUR/NOK SEB Pank	Swap	EE	Moody's	AA- (Skandinaviska Enskilda Banken AB)	NOK	05/01/2018			4,999	0.04%	
<b>DERIVATIVES TOTAL</b>									<b>14,307</b>	<b>0.12%</b>	
<b>SHARES TOTAL</b>									<b>7,833,501</b>	<b>9,919,332</b>	<b>82.55%</b>

Credit Institution	Deposit Type	Credit Institution's country	Rating agency	Rating	FX	Interest rate	Start date	Maturity	Average acquisition cost	Market value per unit	Total market value	Share of market value of fund's net assets, %
<b>DEPOSITS*</b>												
Nordea Bank AB Estonian branch	Term deposit	EE	S&P	AA-	EUR	0.05%	13/03/2017	13/09/2017	122,833		122,852	1.02%
Nordea Bank AB Estonian branch	Term deposit	EE	S&P	AA-	EUR	0.05%	24/04/2017	25/10/2017	30,668		30,686	0.26%
<b>DEPOSITS TOTAL</b>									<b>153,501</b>		<b>153,538</b>	<b>1.28%</b>

\*Accrued interest in the amount of 21.62 EUR has been added to the value of deposits.

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

Name	Credit Institution's 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>CASH</b>									
CURRENT ACCOUNT	EE			EUR		1,733,661		1,733,661	14.42%
CURRENT ACCOUNT	EE			TRY		108,170		108,170	0.90%
CURRENT ACCOUNT	EE			RON		87,553		87,553	0.73%
CURRENT ACCOUNT	EE			BGN		30,292		30,292	0.25%
CURRENT ACCOUNT	EE			USD		10,815		10,815	0.09%
CURRENT ACCOUNT	EE			NOK		4,788		4,788	0.04%
CURRENT ACCOUNT	EE			RSD		2,328		2,328	0.02%
<b>CURRENT ACCOUNT TOTAL</b>						<b>1,977,607</b>		<b>1,977,607</b>	<b>16.45%</b>
<b>INVESTMENTS TOTAL</b>						<b>9,964,608</b>		<b>12,050,477</b>	<b>100.28%</b>
<b>OTHER ASSETS</b>									
DIVIDEND RECEIVABLE				EUR				19,728	0.17%
RECEIVABLES FOR SECURITIES TRANSACTIONS				EUR				7,201	0.06%
DIVIDEND TAX RECLAIMS				EUR				94	0.00%
<b>OTHER ASSETS TOTAL</b>								<b>27,023</b>	<b>0.23%</b>
<b>TOTAL ASSETS OF THE FUND</b>						<b>9,964,608</b>		<b>12,077,500</b>	<b>100.51%</b>
LIABILITIES								-61,309	-0.51%
<b>NET ASSETS OF THE FUND</b>								<b>12,016,191</b>	<b>100.00%</b>

Avaron Flexible Strategies Fund

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, %
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**SHARES**

**SHARES LISTED ON STOCK EXCHANGE:**

SC FONDUL PROPRIETATEA SA	ROFPTAACNOR5	RO	0.85	RON	1,641,250	0.14	226,963	0.18	287,228	2.66%
TURKISH LARGE CP BANKS ETF-A	TRYFNBK00048	TR	0.00	TRY	55,140	3.74	206,201	3.51	193,695	1.80%
TALLINK GRUPP	EE3100004466	EE	0.54	EUR	166,912	0.94	157,508	0.91	152,390	1.41%
ATRIUM EUROPEAN REAL ESTATE	JE00B3DCF752	AT	0.00	EUR	33,190	3.09	102,412	3.93	130,437	1.21%
LYXOR ETF WIG20	LU0459113907	FR	0.00	PLN	1,960	48.09	94,257	52.20	102,318	0.95%
TURKIYE HALK BANKASI	TRETHAL00019	TR	1.00	TRY	36,290	2.86	103,680	2.51	91,238	0.85%

<b>SHARES TOTAL</b>							<b>891,021</b>		<b>957,306</b>	<b>8.88%</b>
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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, %
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**FUNDS**

**CLOSED-END FUNDS LISTED ON STOCK EXCHANGE:**

ADVANCE TERRAFUND SHARE	BG1100025052	BG	1.00	KAROLL FINANCE REAL ESTATE	BGN	199,740	0.92	182,916	1.07	213,435	1.98%
BULGARIA REAL ESTATE FUND	BG1100001053	BG	1.00	MANAGEMENT LTD	BGN	66,666	0.55	36,443	1.16	77,269	0.72%

<b>REAL ESTATE FUNDS TOTAL</b>							<b>219,359</b>		<b>290,704</b>	<b>2.70%</b>
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**BOND FUNDS**

AVARON E-EUROPE FI FUND B	EE3600109385	AIEF	1.00	AS AVARON ASSET MANAGEMENT	EUR	491,858	10.81	5,315,581	14.12	6,944,096	64.41%
AVARON E-EUROPE FI FUND A	EE3600109377	AIEF	10.00	AS AVARON ASSET MANAGEMENT	EUR	511	12.93	6,610	13.89	7,100	0.07%

<b>BOND FUNDS TOTAL</b>							<b>5,322,190</b>		<b>6,951,196</b>	<b>64.47%</b>
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<b>FUNDS TOTAL</b>							<b>5,541,550</b>		<b>7,241,900</b>	<b>67.17%</b>
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<b>SHARES AND FUNDS TOTAL</b>							<b>6,432,571</b>		<b>8,199,206</b>	<b>76.05%</b>
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**Statement of investments as of 31/12/2016 (continued)**

Name	ISIN	Country	Nominal value	Maturity	Interest rate	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, %
<b>BONDS*</b>													
MAINOR EUR 26.11.2018	EE3300110691	EE	1,000	26/11/2018	7.000%		EUR	450,000	100	450,000	100.00	452,975	4.20%
TALLINK GRUPP AS FRN 18.10.18	NO0010682255	EE	1,000,000	18/10/2018	0.000%		NOK	3,000,000	12.51	375,237	11.49	348,737	3.23%
LHV GROUP SUBORDIN 29.10.25	EE3300110741	EE	1,000	29/10/2025	6.500%		EUR	143,000	100	143,000	110.05	158,946	1.47%
INBANK SUBORDINATED 28.09.2026	EE3300110964	EE	1,000	28/09/2026	7.000%		EUR	114,000	100	114,000	107.70	122,822	1.14%
MOL MAGYAR EUR 5.875% 20.04.17	XS0503453275	HU	1,000	20/04/2017	5.875%	BB+	EUR	100,000	109.43	109,430	101.60	105,690	0.98%
<b>BONDS TOTAL</b>										<b>1,191,667</b>		<b>1,189,170</b>	<b>11.03%</b>

\*Accrued interest in the amount of 12,771.34 EUR has been added to the value of bonds.

**DERIVATIVES**

FX-Swap EUR/NOK SEB Pank		EE		06/01/2017			NOK					-7,770	-0.07%
<b>DERIVATIVES TOTAL</b>												<b>-7,770</b>	<b>-0.07%</b>

**Reverse repos**

AVARON FLEXIBLE STRATEGIES FUND, reversed repo		EE		05/04/2017			EUR					100,184	0.93%
<b>Reverse repos TOTAL</b>												<b>100,184</b>	<b>0.93%</b>

**SHARES TOTAL**

**7,624,238**      **9,480,790**      **87.94%**

Name	ISIN	Country	Nominal value	Maturity	Interest rate	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, %
<b>DEPOSITS*</b>													
DEPOSIT- NORDEA PANK TLN(EUR)		EE	12/09/2016	13/03/2017	0.050%	AA-	EUR			122,802		122,821	1.14%
DEPOSIT- NORDEA PANK TLN(EUR)		EE	25/10/2016	25/04/2017	0.050%	AA-	EUR			30,676		30,678	0.28%
<b>DEPOSITS TOTAL</b>										<b>153,478</b>		<b>153,499</b>	<b>1.42%</b>

\*Accrued interest in the amount of 21.61 EUR has been added to the value of deposits.

**Statement of investments as of 31/12/2016 (continued)**

Name	ISIN	Country	Nominal value	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, %
<b>CASH</b>											
CURRENT ACCOUNT		EE			EUR			915,961		915,961	8.50%
CURRENT ACCOUNT		EE			USD			195,361		195,361	1.81%
CURRENT ACCOUNT		EE			NOK			62,547		62,547	0.58%
CURRENT ACCOUNT		EE			RON			19,470		19,470	0.18%
CURRENT ACCOUNT		EE			BGN			12,931		12,931	0.12%
CURRENT ACCOUNT		EE			RSD			2,269		2,269	0.02%
CURRENT ACCOUNT		EE			TRY			1,628		1,628	0.02%
<b>CURRENT ACCOUNT TOTAL</b>								<b>1,210,168</b>		<b>1,210,168</b>	<b>11.22%</b>
<b>INVESTMENTS TOTAL</b>								<b>8,987,884</b>		<b>10,844,457</b>	<b>100.58%</b>
<b>OTHER ASSETS</b>											
RECEIVABLES FOR SECURITIES TRANSACTIONS					EUR					6,917	0.06%
<b>OTHER ASSETS TOTAL</b>										<b>6,917</b>	<b>0.06%</b>
<b>TOTAL ASSETS OF THE FUND</b>								<b>8,987,884</b>		<b>10,851,374</b>	<b>100.65%</b>
<b>LIABILITIES</b>										-69,795	-0.65%
<b>NET ASSETS OF THE FUND</b>										<b>10,781,579</b>	<b>100.00%</b>

## 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>				
PKO Bank Polski	1	115,962	116	0.10%
Swedbank Finland	1	110,220	220	0.20%
Erste Group Bank AG	1	96,734	97	0.10%
Wood and Company Financial Services, a.s	1	34,082	103	0.30%
<b>Third country securities market transactions</b>				
BGC Partners Turkey	1	215,890	259	0.12%
TEB Yatirim Menkul Degerler A.S.	1	111,642	145	0.13%
<b>OTC transactions</b>				
Citigroup Global Markets Ltd	1	320,563	-	-
AS SEB Pank	2	331,340	-	-
<i>Final maturity</i>	1	105,875	-	-
<i>Other**</i>	2	657,265	-	-
<b>TOTAL</b>	<b>12</b>	<b>2,099,573</b>	<b>940</b>	<b>0.04%</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
Avaron Eastern Europe Fixed Income Fund	3	686,351	-	-
TEB Yatirim Menkul Degerler A.S.	2	206,201	268	0.13%
Karoll AD	2	132,801	529	0.40%
Erste Group Bank AG	2	102,412	102	0.10%
<i>Other**</i>	4	452,909	-	-
<b>TOTAL</b>	<b>13</b>	<b>1,580,674</b>	<b>899</b>	<b>0.06%</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" repurchases resulting from corporate events and liquidations are shown.