

## Investment Objectives & Approach

The Fund is targeted to private individuals and corporate investors who wish to preserve their capital through business cycles but are willing to accept risk in order to earn moderate returns. The assets of the Fund may be invested in any liquid financial asset (cash, deposits, bonds, equities, other investment funds, derivatives). The Fund's assets shall be invested globally, with a focus on Central and Eastern Europe. The Fund's risk level and portfolio allocation shall vary over time in accordance with the views of Avaron investment managers. Overall investors should accept that relatively high risk is associated with investing into the Fund. There is no guarantee that investors will get back the amount invested. The Fund is suited to an investor who does not want to follow the markets daily himself or herself and wishes the Avaron investment team to decide the allocation of each asset class (equities, bonds, deposits). Fund units can be redeemed with 1-3 month prior notice. However, arising from the Fund's investment strategy an investor should have an investment horizon of at least 3 years. Should the horizon fall below three years, investor should consider exiting the Fund.

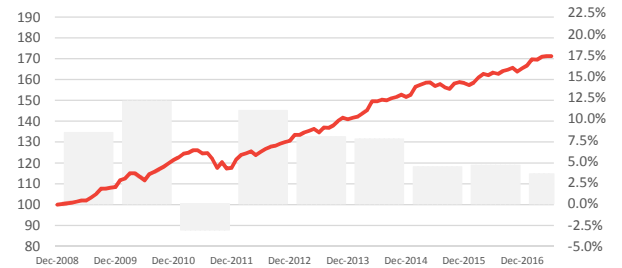
## Fund Manager's Comment, June 2017

Global equities were mixed in June. MSCI World edged up 0.2% in \$, while in € terms the return was negative (-1.4%) as the dollar continued to lose ground against the euro (-1.6%). In Q2 the greenback dropped 6.7% vs. the euro. Emerging Market equities were up 0.5% in June (-1.1% in \$) while Emerging Europe (MSCI EFM CEEC ex-RU) was flat in € terms. Performance of the regional equity and FX markets was mixed. Notable downward move was seen in Romanian stock market due to the change in government (-10.3% in €) while the Russian rouble weakened 5.4% against the euro amid the 4.8% drop in crude price. Global bond markets were weak in June as European investment grade bonds and CPI-linkers lost 0.2%-0.5% while high yield bonds managed to post +0.2% performance. Emerging Market Bond Index posted -0.2% return in \$ terms (-1.8% in €).

Avaron Flexible Strategies Fund was flat in June. As of end-June the Fund had 10.8% of the assets invested in equities and 71.8% in fixed income with 4.6 year average maturity and 5.1% yield to maturity profile.

To receive portfolio managers' detailed monthly report please send a request to [info@avaron.com](mailto:info@avaron.com).

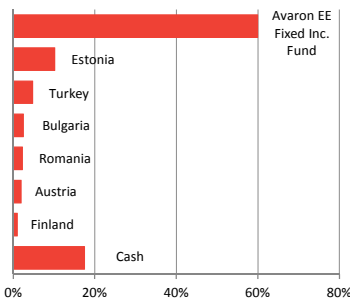
## Performance since launch



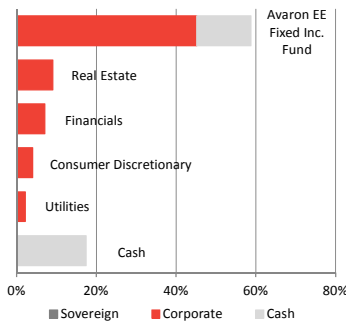
Calendar year performance (right) Fund NAV (left)  
Past performance is not a guarantee or indicative of future results

Performance Overview	Net return	Calendar year net return	
1 month	0.0%	2016	4.5%
YTD	3.5%	2015	4.4%
3 months	1.0%	2014	7.6%
6 months	3.5%	2013	7.9%
1 year	4.8%	2012	11.0%
2 years	9.1%	2011	-3.1%
3 years	14.5%	2010	12.1%
4 years	27.1%	2009	8.3%
5 years	36.6%	<b>CAGR of calendar years</b>	
Since inception	71.3%	2015-2016	4.4%
		2014-2016	5.5%
		2012-2016	7.0%

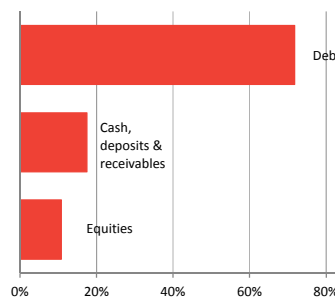
## Geographic breakdown



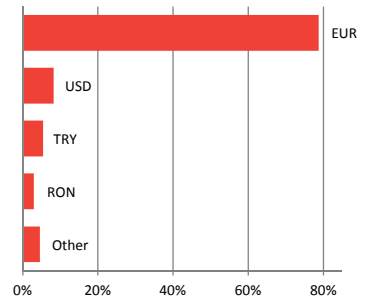
## Sector breakdown



## Asset class breakdown



## Net currency breakdown



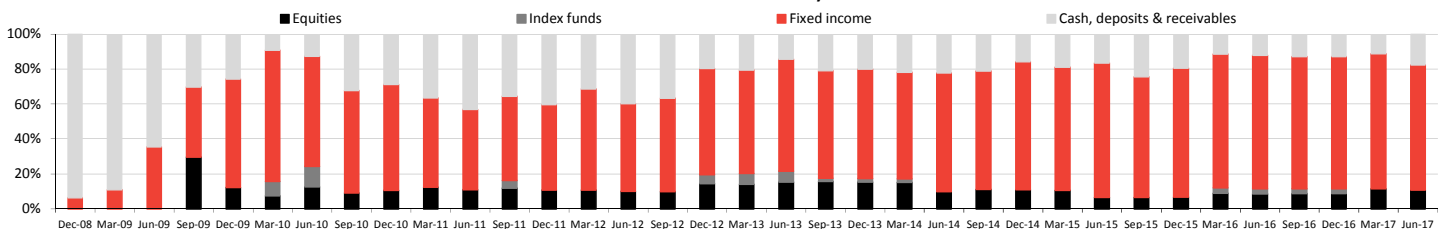
## Country allocation

	Jun-17	Change					Contribution analysis					Risk metrics	3Y risk	
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12m	YTD	3 years			5 years
<b>Avaron EE Fixed Inc. Fund</b>	<b>59.9%</b>	-5.4%	-3.7%	-4.1%	2.6%	59.9%	-0.1%	0.7%	3.3%	2.3%	13.8%	27.2%	Volatility	2.1%
<b>Estonia</b>	<b>10.2%</b>	-0.9%	-0.9%	0.0%	3.2%	10.0%	0.1%	0.0%	0.8%	0.3%	2.0%	3.3%	Sharpe ratio	2.25
<b>Turkey</b>	<b>4.7%</b>	-0.5%	-0.2%	1.8%	2.9%	4.7%	0.0%	0.3%	0.5%	0.8%	1.0%	3.4%		
<b>Bulgaria</b>	<b>2.5%</b>	-0.3%	-0.1%	0.0%	0.8%	-2.8%	0.1%	0.2%	0.5%	0.2%	0.6%	4.0%		
<b>Romania</b>	<b>2.2%</b>	-0.4%	-0.3%	-0.2%	-1.9%	-5.8%	-0.1%	0.0%	0.7%	0.5%	0.6%	5.0%		
<b>Austria</b>	<b>1.9%</b>	-0.2%	-0.1%	0.7%	1.9%	-1.3%	0.1%	0.2%	0.3%	0.2%	0.9%	1.0%		
<b>Finland</b>	<b>1.0%</b>	-0.1%	0.0%	1.0%	1.0%	1.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%		
<b>Hungary</b>	<b>0.0%</b>	0.0%	-0.9%	-2.4%	-5.7%	-22.7%	0.0%	0.0%	0.0%	0.0%	0.2%	2.5%		
<b>Others</b>	<b>0.1%</b>	0.1%	0.2%	0.7%	0.3%	15.1%	0.0%	0.1%	0.3%	0.3%	0.6%	3.8%		

## Sector allocation

	Jun-17	Change					Contribution analysis					Fund statistics		
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12m	YTD	3 years		5 years	
<b>Avaron EE Fixed Inc. Fund</b>	<b>59.9%</b>	-5.4%	-3.7%	-4.1%	2.6%	59.9%	-0.1%	0.7%	3.3%	2.3%	13.8%	27.2%	Number of positions	14
<b>Real Estate</b>	<b>9.1%</b>	-0.9%	-0.5%	1.2%	7.4%	4.2%	0.2%	0.5%	1.1%	0.6%	2.1%	5.0%	Top5	71.5%
<b>Financials</b>	<b>7.1%</b>	-0.6%	-0.4%	3.4%	3.3%	-4.3%	0.0%	0.3%	0.8%	0.7%	1.4%	5.1%	Top10	78.9%
<b>Consumer Discretionary</b>	<b>4.1%</b>	-0.4%	-0.4%	-0.5%	-0.5%	-3.9%	0.0%	-0.1%	0.2%	0.0%	0.8%	1.1%		
<b>Utilities</b>	<b>2.2%</b>	-0.4%	-0.3%	-0.2%	-4.3%	-0.5%	-0.1%	0.0%	0.7%	0.5%	0.9%	6.2%		
<b>Energy</b>	<b>0.0%</b>	0.0%	-0.9%	-1.0%	-3.9%	-5.1%	0.0%	0.0%	0.0%	0.0%	0.1%	0.3%		
<b>Equity funds</b>	<b>0.0%</b>	0.0%	0.0%	-2.9%	0.0%	0.0%	0.0%	0.0%	0.2%	0.3%	0.3%	3.6%		
<b>Others</b>	<b>0.0%</b>	0.0%	0.0%	1.2%	0.0%	8.6%	0.0%	0.0%	0.0%	0.0%	0.1%	1.1%		
<b>FX Derivatives</b>	<b>0.1%</b>	0.0%	0.1%	0.2%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.7%		
<b>Cash</b>	<b>17.5%</b>	7.7%	6.2%	5.2%	-4.7%	-22.2%	0.0%	0.0%	0.1%	0.0%	0.3%	0.6%		

## Historic Portfolio Allocation by Asset Class



**Fund Facts - Avaron Flexible Strategies Fund**

<b>Investment Manager</b>	AS Avaron Asset Management
<b>Fund type</b>	Public closed-end fund
<b>Asset class</b>	Flexible, all asset classes
<b>Launch date</b>	December 17, 2008
<b>Domicile</b>	Estonia
<b>Currency</b>	EUR
<b>Dividends</b>	reinvested
<b>Fund size, MEUR</b>	12.0
<b>Total AUM, MEUR</b>	450+

<b>B unit</b>	<b>ISIN Code</b>	<b>NAV 30-Jun 2017</b>
	EE3500100922	17.1260 EUR

<b>Cut-off subscriptions</b>	10am CET
<b>Cut-off redemptions</b>	Last business day of month 10 am CET Receive cash in 1 or 3 months

<b>NAV frequency</b>	Daily dealing, T+3
<b>Public offering</b>	Estonia
<b>Supervised by</b>	Estonian FSA
<b>Custodian</b>	Swedbank AS
<b>Transfer agent</b>	Swedbank AS
<b>NAV calculation</b>	Swedbank AS
<b>External auditor</b>	Deloitte
<b>Internal auditor</b>	PWC

<b>Fund documents &amp; prospectus</b>	<a href="http://www.avaron.com/documents">www.avaron.com/documents</a>
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<b>Min. Investment</b>	-
<b>Front-end load</b>	-
<b>Management fee</b>	1.25%
<b>Performance fee</b>	10% over EURIBOR 12-months, annual reset (Dec 31)
<b>Back-end load (to the fund)</b>	Rate depends on advance notice period - Advance notice 1 month: 1.5% - Advance notice 3 months: 0%

**Bloomberg ticker**  
B unit: AVFLXSB ET

See Lipper, TK Valoren tickers:  
[www.avaron.com/fundfacts\\_flex](http://www.avaron.com/fundfacts_flex)

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**About Avaron Asset Management**

Avaron Asset Management is an independent management-owned asset manager with a clear focus on Emerging Europe listed equities and fixed income. Our 8 investment professionals, in Estonia and Poland, focus on active investment management. In total 14 professionals are employed by Avaron.

We combine top down macroeconomic and sector analysis with bottom-up research. We source investment ideas through in-house proprietary research on approximately 300 companies, backed by regular visits and meetings. We seek inefficiencies in the valuation of companies' equity and debt with the aim to invest in well managed companies with leading market positions, highly motivated and dynamic management teams and competitive edge. Our preference goes to investments with attractive risk/return.

We adhere to the *UN Principles for Responsible Investment* (PRI) and are supervised by the Estonian Financial Supervision Authority.



**Kristel Kivnurm-Priisalm**  
Managing Partner,  
CEO & COO



**Peter Priisalm**  
Partner, co-CIO,  
Investment Manager



**Valdur Jaht**  
Partner, co-CIO,  
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**Important Legal Information**

*This material has been drawn up by AS Avaron Asset Management (hereafter: Avaron), a fund management company registered in Estonia which is authorised and supervised by the Estonian Financial Supervision Authority. The contact details of Avaron are as follows: address Narva mnt 7D, 10117 Tallinn, Estonia; phone +372 6644 205; fax +372 6644 201; e-mail [info@avaron.com](mailto:info@avaron.com). This material is the copyright property of Avaron, unless noted otherwise, and all rights are reserved.*

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