

Investment Objectives & Approach

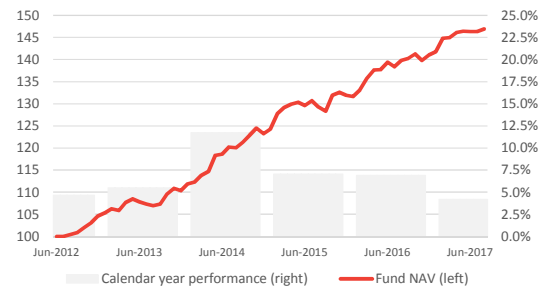
The Fund invests in high yield corporate bonds, government bonds and convertibles in Emerging Europe, Russia and CIS countries. The Fund may also invest in regional currencies, if deems them undervalued or may hedge its currency exposure. The Fund's investment objective is to maximise yield from investment, taking into account company quality, instrument maturity and FX outlook. The Fund adheres to the UN Principles for Responsible Investment. The Fund is suitable for investors who are prepared to bear higher risk compared to a similar investment in an investment grade corporate or sovereign fixed income instruments with the potential to earn a higher yield. Investors should have medium to long term investment horizon.

Fund Manager's Comment, August 2017

Global bond markets posted positive performance in August with European investment grade bonds and CPI-linkers up 0.8% while high yield bonds delivered +0.3% return. In the US the investment grade and inflation linked bonds added 0.9%-1.1% in \$ terms while high yield lost 0.2%. Emerging Market Bond Index posted +1.9% return in \$ terms. Euro-returns for USD denominated instruments were lower as the dollar continued to lose ground against the euro (-0.6% in August, -11.7% YTD) due to remaining uncertainty related to the policy implementation of Trump administration, while economic uptick in Eurozone continues causing a shift in interest expectations. Eastern European currencies were mixed. Turkish lira and Russian rouble recouped some of the losses seen in July, while Romanian leu was under pressure due to political noise on potential banking tax implementation and reduction of state contribution to the 2nd pillar pension system. Avaron Eastern Europe Fixed Income Fund was up 0.4% in August. As of end-August the Fund's bond portfolio had a weighted average maturity of 4.4 years without perpetuals with YTM at 4.9%.

To receive portfolio managers' detailed monthly report please send a request to info@avaron.com.

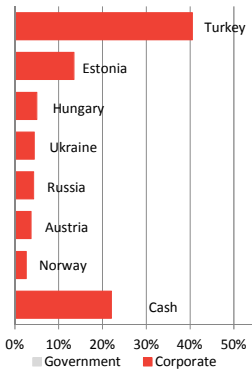
Performance since launch (July 2012)



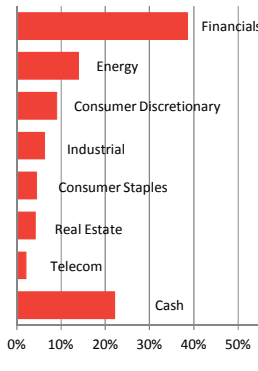
Past performance is not a guarantee or indicative of future results

Performance overview	Fund net return	Calendar year net return	Fund
1 month	0.4%	2016	6.9%
YTD	4.2%	2015	7.0%
3 months	0.3%	2014	11.7%
6 months	1.5%	2013	5.5%
1 year	5.1%		
3 years	22.3%		
5 years	46.2%		
Since inception	46.9%		

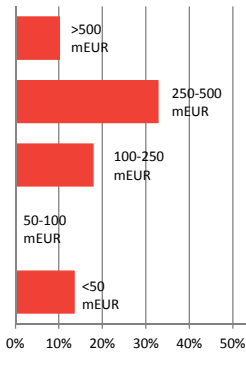
Geographic breakdown



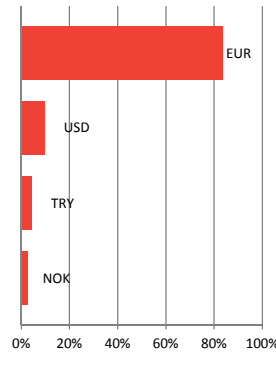
Sector breakdown



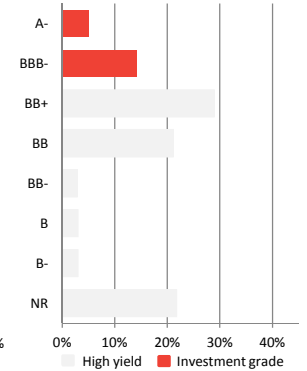
Issue size breakdown



Net currency breakdown



Credit rating breakdown



Country allocation

Country	Change					
	Aug-17	1 mo	3 mo	12 mo	3 years	5 years
Turkey	40.6%	-0.2%	0.4%	1.7%	8.2%	40.6%
Estonia	13.5%	0.0%	0.1%	0.6%	13.5%	13.5%
Hungary	5.0%	0.0%	-0.2%	-0.7%	-2.1%	-12.2%
Ukraine	4.5%	-0.1%	-0.1%	4.5%	3.1%	4.5%
Russia	4.3%	0.0%	-0.3%	-0.6%	4.3%	4.3%
Austria	3.7%	0.0%	0.0%	-8.5%	-3.7%	-0.5%
Norway	2.7%	0.0%	0.0%	0.0%	2.7%	2.7%
Poland	0.0%	0.0%	0.0%	-1.9%	-6.0%	-3.9%
Others	3.6%	3.9%	6.0%	6.3%	-1.7%	-13.7%

Contribution analysis

	Contribution analysis					
	1 mo	3 mo	12 mo	YTD	3 years	5 years
	0.1%	-1.7%	0.8%	-1.1%	14.9%	20.9%
	0.1%	0.3%	1.1%	0.5%	2.6%	2.5%
	0.0%	-0.2%	-0.1%	-0.5%	1.9%	11.6%
	0.0%	-0.1%	-0.1%	-0.1%	-1.1%	-2.9%
	0.0%	-0.2%	-0.1%	-0.3%	1.6%	2.1%
	0.0%	0.0%	1.1%	0.5%	3.8%	8.1%
	0.0%	0.1%	0.3%	0.3%	0.5%	0.5%
	0.0%	0.0%	0.0%	0.0%	1.0%	2.5%
	0.3%	2.4%	1.8%	5.5%	-1.0%	6.1%

Bond portfolio statistics* 31/08/2017

Portfolio maturity	4.4
Yield to maturity	4.9%
Yield to worst	4.4%
Portfolio current yield	6.0%
Current yield of perpetuals	7.4%
Share of perpetuals	5.0%
Portfolio duration	2.9
Modified duration	2.9%

* Excluding cash and derivatives

Sector allocation

Sector	Change					
	Aug-17	1 mo	3 mo	12 mo	3 years	5 years
Corporates	74.3%	-0.3%	-0.2%	-4.9%	16.5%	42.2%
Financials	34.3%	-0.1%	1.0%	-4.3%	0.3%	27.8%
Energy	13.9%	0.0%	-0.6%	-1.6%	8.5%	7.2%
Cons. Discr.	9.1%	0.0%	-0.1%	-2.5%	4.5%	-1.5%
Industrial	6.3%	0.0%	-0.2%	-0.5%	3.3%	4.6%
Consumer Staples	4.5%	-0.1%	-0.1%	4.5%	3.1%	4.5%
Real Estate	4.2%	-0.1%	0.0%	-0.2%	4.2%	4.2%
Telecom	2.1%	0.0%	-0.1%	-0.2%	-1.1%	2.1%
Materials	0.0%	0.0%	0.0%	0.0%	-4.2%	0.0%
Health Care	0.0%	0.0%	0.0%	0.0%	-2.1%	-6.6%
Sovereign	0.0%	0.0%	0.0%	0.0%	-4.8%	-16.7%
FX Derivatives	3.6%	0.3%	2.4%	2.6%	3.0%	3.6%
Cash	22.1%	0.1%	-2.2%	2.3%	-14.7%	-29.1%

Contribution analysis

	Contribution analysis					
	1 mo	3 mo	12 mo	YTD	3 years	5 years
	0.2%	-1.8%	3.2%	-0.7%	25.3%	46.5%
	0.1%	-0.9%	2.3%	0.5%	14.5%	27.3%
	0.0%	-0.4%	0.1%	-0.8%	4.1%	6.2%
	0.0%	-0.1%	0.4%	0.0%	2.9%	5.1%
	0.0%	-0.3%	0.2%	-0.3%	2.2%	4.4%
	0.0%	-0.1%	-0.1%	-0.1%	-1.1%	-2.9%
	0.0%	0.1%	0.3%	0.2%	1.2%	2.1%
	0.0%	-0.1%	0.0%	-0.2%	1.2%	1.8%
	0.0%	0.0%	0.0%	0.0%	0.2%	1.1%
	0.0%	0.0%	0.0%	0.0%	0.1%	1.5%
	0.0%	0.0%	0.0%	0.0%	1.5%	7.2%
	0.3%	2.4%	1.8%	5.5%	-2.7%	-2.2%
	0.0%	0.0%	1.1%	0.0%	1.1%	1.1%

Fund statistics

Number of positions	23
Number of issuers	22
Top10	46.0%
Top20	69.1%
Median issue size MEUR	421
Average issue size MEUR	318
Turnover (FY 2016)	3.8%
Turnover (FY 2015)	15.8%
Turnover (FY 2014)	33.0%

Fund Facts - Avaron Eastern Europe Fixed Income Fund

Investment Manager	AS Avaron Asset Management
Fund type	Open-ended, UCITS-IV
Launch date	July 10, 2012
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	8.3
Total AUM, MEUR	450+

TER 2016 0.26% (p.a. excluding management fee)

	ISIN Code	NAV 31-Aug 2017	TER 2016
A unit	EE3600109377	14.4231 EUR	1.21% (p.a.)
B unit	EE3600109385	14.6904 EUR	0.86% (p.a.)

Cut-off subscriptions	10am CET
Cut-off redemptions	Every Monday (cut off at 10am CET) Receive next Friday's NAV (T+4) Receive cash next Thursday (T+8)

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

Fund documents & prospectus www.avaron.com/documents

Unit class	A (Retail)	B (Institutional)
Min. initial investment	-	1M EUR
Front-end load	-	-
Management fee	0.95%	0.60%
Performance fee	-	-
Back-end load	-	-

Bloomberg tickers

A unit: AVEEFIA
B unit: AVEEFIB

See Lipper, TK Valoren tickers:
www.avaron.com/fundfacts_fix

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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.



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