

Investment Objectives & Approach

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 maximise 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.

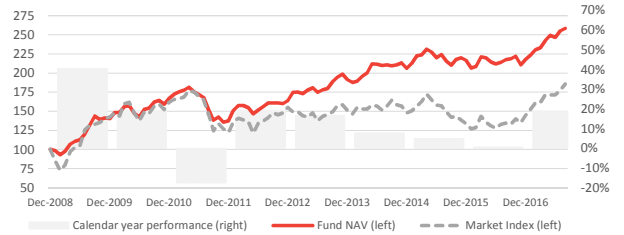
Fund Manager's Comment, August 2017

Global equities were almost flat in August. MSCI World lost 0.1% in \$, US dollar continued to weaken (-0.6% vs. the euro in August, -11.7% YTD) due to remaining uncertainty related to the policy implementation of Trump administration, while economic uptick in Eurozone continues. Like Emerging Markets (+1.4% in €) Emerging Europe stocks (MSCI EFM CEEC ex-RU) staged a spectacular rally in August delivering a return of 4.8% in € terms on the back of strong flows into blue-chip index heavyweights in Poland (+4.0% in €) and Hungary (+6.0% in €). Romanian equities and currency underperformed (-3.5% in €) driven by speculations on banking tax introduction and cutting state contributions to 2nd pillar pension funds.

Avaron Emerging Europe Fund added 1.3% in August, underperforming the regional index due to UW in Poland and notable OW in Romania. In 5 years the Fund has delivered +60.8% return vs. +31.2% for the index with lower volatility (9.1% vs. 15.5% for the index), resulting in 7.8% alpha. Strong economic environment in Emerging Europe continues to drive corporate earnings. Aggregate adjusted earnings of our portfolio companies (excluding asset driven companies) grew 39% yoy in €. We remain constructive on Turkey and Romania that offer decent value and growth and have thus invested over 40% of the portfolio into these countries. The Fund portfolio companies trade at 12.2x 2017f P/E, offering 4-5% dividend yield.

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

Performance



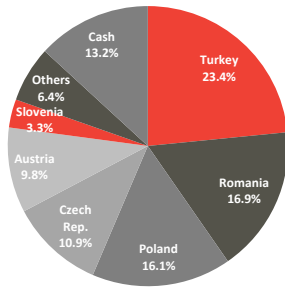
Past performance is not a guarantee or indicative of future results. The Fund was launched in 2007 as a small cap fund. From 2009 it operates as an all cap fund with small and mid-cap bias.

Perf overview	Fund net return	Index return*	Calendar year return			
			Year	Gross	Net	Index*
1 month	1.3%	4.8%	2016	2.1%	0.6%	8.2%
YTD	18.6%	28.3%	2015	6.7%	5.0%	-9.6%
3 months	3.7%	8.3%	2014	9.4%	7.8%	-2.1%
6 months	12.1%	15.2%	2013	18.5%	16.7%	-2.4%
1 year	18.9%	38.2%	2012	21.1%	19.2%	26.5%
3 years	22.7%	18.7%	2011	-16.3%	-17.6%	-24.3%
5 years	60.8%	31.2%	2010	20.8%	18.9%	13.4%
7 years	67.8%	26.2%	2009	42.6%	40.4%	42.6%

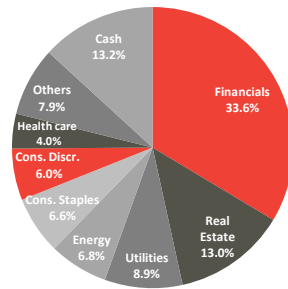
CAGR of calendar years		
Years	Fund	Index*
2015-2016	2.8%	-1.1%
2014-2016	4.4%	-1.4%
2012-2016	9.7%	3.4%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

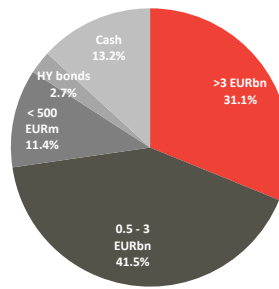
Geographic breakdown



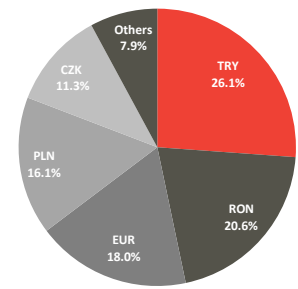
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Aug-17	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	23.4%	1.3%	0.5%	3.4%	10.5%	20.4%	0.8%	1.7%	2.9%	5.4%	3.3%	12.6%
Romania	16.9%	-1.0%	-4.2%	4.9%	-1.3%	0.7%	-0.5%	-0.5%	4.9%	4.4%	5.7%	19.5%
Poland	16.1%	0.0%	0.5%	7.3%	8.5%	8.1%	0.2%	0.6%	3.9%	3.6%	4.5%	3.9%
Czech Rep.	10.9%	0.0%	-0.1%	1.2%	6.8%	-11.6%	0.1%	0.5%	2.7%	2.1%	2.6%	2.2%
Austria	9.8%	0.4%	0.4%	-8.5%	-1.9%	4.1%	0.5%	1.1%	4.6%	2.8%	8.1%	10.8%
Slovenia	3.3%	0.1%	0.0%	-0.6%	-0.2%	-0.3%	0.1%	0.3%	0.0%	0.4%	-0.2%	2.7%
Croatia	2.0%	0.0%	0.1%	1.3%	2.0%	-0.3%	0.0%	0.1%	0.4%	0.2%	0.4%	0.3%
Baltics	1.9%	0.1%	0.3%	0.2%	-2.0%	0.2%	0.1%	0.4%	0.5%	0.4%	1.8%	3.0%
Bulgaria	1.3%	0.0%	0.0%	0.0%	-0.5%	-9.2%	0.0%	0.1%	0.3%	0.2%	0.5%	6.9%
Others	1.3%	2.0%	2.0%	2.3%	6.3%	10.8%	0.1%	0.0%	0.5%	0.4%	2.4%	12.3%

Risk metrics

Alpha	5%
Volatility & stand. deviation	9.7%
Beta	0.43
Sharpe ratio	0.75
Information ratio	0.10
Tracking error	11.5%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

Sector allocation

	Aug-17	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	33.6%	-0.2%	-0.6%	4.2%	14.1%	9.1%	0.3%	1.1%	8.6%	8.2%	10.4%	30.0%
Real Estate	13.0%	0.4%	0.2%	-3.4%	0.8%	3.6%	0.5%	1.1%	1.3%	1.7%	3.2%	8.5%
Utilities	8.9%	0.0%	-1.8%	-0.6%	-7.2%	-3.0%	0.1%	0.3%	2.4%	2.5%	1.7%	9.7%
Energy	6.8%	-0.2%	-1.0%	1.5%	-1.6%	3.1%	-0.1%	-0.5%	2.9%	1.4%	2.3%	4.0%
Consumer Staples	6.6%	0.9%	2.3%	3.8%	6.2%	5.0%	0.5%	1.1%	1.5%	1.9%	3.9%	4.1%
Cons. Discr.	6.0%	0.0%	-2.2%	0.2%	-0.6%	-5.3%	0.1%	0.7%	2.0%	2.2%	5.0%	10.4%
Health care	4.0%	-0.1%	-1.0%	-0.7%	-1.5%	0.4%	0.1%	0.3%	0.5%	0.9%	0.8%	4.8%
Industrial	3.0%	0.0%	0.3%	0.3%	3.0%	2.0%	0.0%	0.4%	1.0%	0.9%	1.1%	3.3%
Others	4.9%	6.1%	6.3%	4.2%	4.6%	-9.1%	-0.1%	-0.3%	0.5%	0.2%	0.6%	-0.4%

Fund statistics

Number of positions	38
Top10	44.7%
Top20	69.8%
Gross exposure	86.8%
Net exposure	86.6%
Concentration coefficient	34
Median market cap MEUR	1868
Average market cap MEUR	2532

Style allocation

	Aug-17	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	46.8%	-0.2%	-2.8%	2.7%	16.0%	23.6%	0.2%	1.4%	12.4%	10.4%	13.9%	30.1%
Non-cyclical	19.2%	0.8%	0.9%	3.8%	0.2%	-9.4%	0.7%	1.9%	4.9%	5.9%	7.7%	12.1%
Asset play	17.9%	0.3%	-0.3%	3.9%	5.8%	-2.7%	0.5%	1.1%	2.6%	3.0%	4.9%	20.4%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-7.2%	-5.1%	0.0%	0.0%	0.0%	0.0%	-0.3%	7.5%
High yield bonds	2.7%	0.0%	-0.2%	-1.4%	2.7%	-5.0%	0.0%	-0.1%	0.7%	0.4%	2.5%	3.2%
FX Derivatives	0.2%	0.1%	0.0%	0.2%	0.2%	0.2%	0.1%	0.0%	0.2%	0.2%	0.3%	1.0%
Cash	13.2%	-1.0%	2.5%	-9.2%	-17.7%	-1.8%	0.0%	-0.1%	-0.2%	-0.1%	-0.1%	-0.1%

Turnover

	Adj*
FY 2016	17.7%
FY 2015	22.2%
FY 2014	47.9%

* Adjusted for fund flows

Liquidity analysis*

20%	63.6%	77.9%
50%	82.0%	93.5%
	91.3%	98.7%

* Proportion of portfolio that can be turned into cash based on past 6 month average trading volume if Fund accounted for 20% & 50% of trading volume

Fund Facts - Avaron Emerging Europe Fund

Investment Manager	AS Avaron Asset Management
Fund type	Open-ended, UCITS-IV
Launch date	April 23, 2007
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	71.2
Total AUM, MEUR	450+

TER 2016 0.28% (excluding management and performance fees)

	ISIN Code	NAV 31-Aug 2017
A unit	EE3600090049	4.9884 EUR
B unit	EE3600090056	5.2790 EUR
C unit	EE3600102901	17.8795 EUR
D unit	EE3600108866	15.0679 EUR
E unit	EE3600108874	14.9433 EUR

A & B units only for investors who owned units as of May 30, 2009
C, D & E units for all investors

Cut-off	10am CET
NAV frequency	Daily dealing, T+3
Public offering	France, Switzerland, Germany, Finland, Sweden, Estonia, Latvia
Morningstar rating	Yes, four stars (5 years)
Tax transparency	Germany
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	D (Retail)	C (Institutional)	E (Institutional)
Min. initial investment	-	125,000 EUR	1M EUR
Front-end load	2%	-	-
Management fee	2%	1.25%	0.85%
Performance fee (unit based)	-	10% over 12-month EURIBOR, HWM	15% over MSCI EFM CEEC ex-Russia Index, annual reset (June 30)
Back-end load	-	-	-

Bloomberg tickers

A unit: AVAEESA
 B unit: AVAEESB
 C unit: AVAEESC
 D unit: AVEMEUD
 E unit: AVEMEUE

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

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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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