

**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.

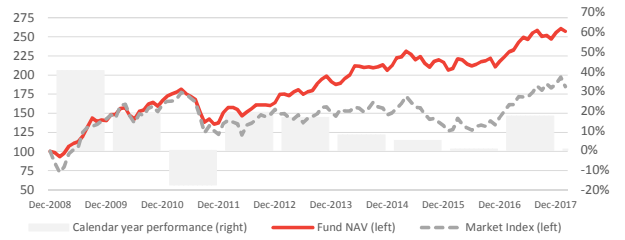
**Fund Manager's Comment, February 2018**

Volatility hit the global equity markets in February with MSCI World losing 4.3% in \$ (-2.6% in €). Emerging Europe stocks (MSCI EFM CEEC ex-RU) lost 6.3% in € driven by heavy losses in index-heavy Poland and Hungary. Emerging Europe currencies were mixed with a clear difference between dollarized economies like Turkey and Serbia and the rest.

Avaron Emerging Europe Fund lost 1.3% in February strongly outperforming the benchmark due low overlap with the index and above average cash position. The macro environment in Emerging Europe remains strong. Lengthy Q4 earnings season in Emerging Europe has reached the final stretch. Aggregate earnings of our portfolio companies were up 41% yoy in Q4 and 25% in 2017 in € terms, while on FX adjusted basis 55% and 37%, respectively. We have maintained high weight in Romania (15.5% in the portfolio) on decent valuations and strong macro environment. Off-benchmark Turkish companies (16.4% of the Fund) remain core part of the portfolio on valuation grounds and growth potential. We think the Turkish lira is slightly undervalued. The selection of companies in the Fund portfolio trade at 10.5x 1YR FWD P/E, have free cash flow yield at 8% and dividend yield close to 5% on average pay-out rate of 77%.

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.

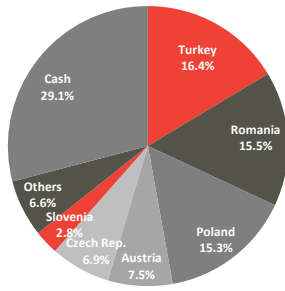
Perf overview	Fund net return	Index return*	Calendar year return			
			Year	Gross	Net	Index*
1 month	-1.3%	-6.3%	2017	19.2%	17.3%	30.1%
YTD	0.6%	-1.8%	2016	2.1%	0.6%	8.2%
3 months	4.1%	1.1%	2015	6.7%	5.0%	-9.6%
6 months	-0.4%	-0.4%	2014	9.4%	7.8%	-2.1%
1 year	11.6%	14.7%	2013	18.5%	16.7%	-2.4%
3 years	15.6%	18.5%	2012	21.1%	19.2%	26.5%
5 years	47.0%	23.8%	2011	-16.3%	-17.6%	-24.3%
7 years	47.1%	11.5%	2010	20.8%	18.9%	13.4%
10 years	4.9%	-1.8%				

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

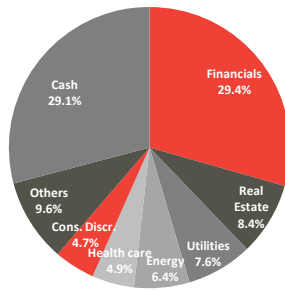
**CAGR of calendar years**

Years	Fund	Index*
2016-2017	8.6%	18.6%
2015-2017	7.4%	8.4%
2013-2017	9.3%	4.0%

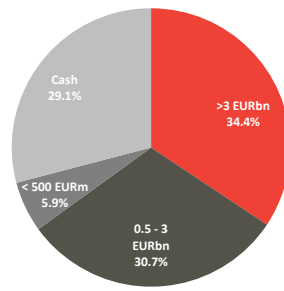
**Geographic breakdown**



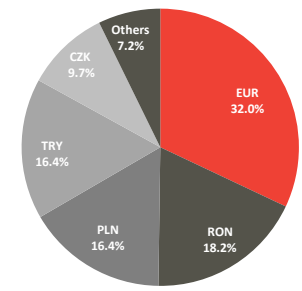
**Sector breakdown**



**Market Cap breakdown**



**Net currency breakdown**



**Country allocation**

	Change						Contribution analysis					
	Feb-18	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	16.4%	0.3%	-1.5%	-6.7%	4.7%	13.4%	0.0%	2.4%	2.1%	0.2%	-0.5%	9.5%
Romania	15.5%	-0.6%	-0.4%	-4.8%	1.3%	-3.8%	0.2%	1.3%	3.2%	1.3%	6.0%	15.2%
Poland	15.3%	-1.0%	0.9%	3.5%	5.3%	11.5%	-0.7%	0.4%	3.3%	-0.1%	5.5%	7.4%
Austria	7.5%	-0.3%	-1.0%	-5.1%	-16.4%	-4.2%	-0.4%	-0.2%	2.4%	-0.6%	5.4%	7.5%
Czech Rep.	6.9%	0.0%	-0.4%	-3.8%	-1.4%	-4.2%	-0.1%	0.2%	1.9%	0.1%	1.8%	3.8%
Slovenia	2.8%	0.0%	-0.1%	-0.4%	-0.4%	-1.1%	0.0%	0.2%	0.5%	0.0%	0.1%	1.4%
Hungary	2.1%	1.5%	1.4%	1.4%	0.0%	-8.1%	0.0%	-0.1%	0.0%	-0.1%	1.0%	6.5%
Baltics	1.7%	0.0%	0.0%	0.0%	-3.2%	-4.0%	0.0%	0.2%	0.5%	0.0%	1.1%	2.6%
Croatia	1.5%	0.0%	-0.2%	0.7%	1.5%	-3.7%	0.0%	-0.1%	-0.1%	0.0%	0.2%	-0.2%
Others	1.3%	2.2%	2.5%	2.3%	4.0%	14.8%	0.0%	0.1%	-0.2%	0.0%	1.0%	5.6%

**Risk metrics**

Alpha	3%
Volatility & stand. deviation	9.6%
Beta	0.42
Sharpe ratio	0.55
Information ratio	-0.08
Tracking error	11.4%
3Y risk*	

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

**Sector allocation**

	Change						Contribution analysis					
	Feb-18	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	29.4%	-2.1%	-2.3%	-6.7%	-1.1%	3.2%	-0.6%	2.7%	6.0%	0.7%	10.7%	23.3%
Real Estate	8.4%	-0.3%	-1.1%	-4.0%	-7.5%	-10.0%	-0.5%	-0.3%	1.3%	-0.6%	-1.2%	4.4%
Utilities	7.6%	-1.3%	-0.7%	-4.2%	-6.3%	-7.4%	-0.1%	0.5%	1.3%	0.4%	1.0%	10.0%
Energy	6.4%	0.3%	0.0%	0.1%	-1.2%	2.0%	0.2%	0.6%	1.2%	0.7%	3.1%	2.8%
Health care	4.9%	1.5%	1.4%	-0.1%	0.6%	-0.9%	-0.1%	0.1%	0.8%	0.0%	1.1%	3.7%
Cons. Discr.	4.7%	1.5%	1.4%	-2.0%	0.3%	-0.3%	-0.2%	0.1%	1.6%	-0.2%	3.8%	9.2%
Consumer Staples	2.5%	0.1%	-0.1%	0.2%	-1.9%	0.0%	0.1%	0.1%	1.6%	0.0%	2.3%	3.6%
Industrial	2.4%	0.1%	0.2%	-0.2%	2.4%	-1.8%	0.1%	0.5%	0.6%	0.0%	0.9%	1.8%
Others	4.7%	5.4%	4.9%	5.7%	4.2%	-3.5%	-0.1%	0.2%	-0.8%	0.0%	0.0%	0.5%

**Fund statistics**

Number of positions	38
Top10	37.1%
Top20	56.8%
Gross exposure	70.9%
Net exposure	70.9%
Concentration coefficient	51
Median market cap MEUR	1967
Average market cap MEUR	3115

**Style allocation**

	Change						Contribution analysis					
	Feb-18	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	44.1%	-1.6%	0.4%	-6.2%	12.4%	20.1%	-0.6%	4.1%	7.9%	1.2%	14.2%	24.3%
Non-cyclical	14.4%	3.0%	2.1%	-1.9%	-7.2%	-11.7%	-0.2%	0.2%	4.2%	0.0%	4.2%	13.2%
Asset play	12.4%	-1.5%	-1.5%	-3.3%	-7.2%	-10.7%	-0.4%	0.1%	1.8%	-0.3%	0.6%	14.1%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-1.8%	-16.3%	0.0%	0.0%	0.0%	0.0%	-0.2%	4.2%
High yield bonds	0.0%	0.0%	-2.3%	-4.2%	-6.7%	0.0%	0.0%	0.0%	-0.1%	0.0%	2.6%	2.8%
FX Derivatives	0.0%	0.0%	0.1%	-0.2%	0.0%	-0.1%	0.0%	0.1%	-0.2%	0.0%	0.1%	0.6%
Cash	29.1%	0.1%	1.2%	15.8%	10.6%	18.6%	0.0%	0.0%	-0.2%	0.0%	-0.2%	-0.2%

**Turnover**

	Adj*
FY 2017	19.6%
FY 2016	17.7%
FY 2015	22.2%

\* Adjusted for fund flows

**Liquidity analysis\***

20%	20%	50%
3 days	69.7%	81.3%
2 weeks	85.0%	94.6%
4 weeks	92.6%	98.2%

\* 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**

<b>Investment Manager</b>	AS Avaron Asset Management
<b>Fund type</b>	Open-ended, UCITS-IV
<b>Launch date</b>	April 23, 2007
<b>Domicile</b>	Estonia
<b>Currency</b>	EUR
<b>Dividends</b>	reinvested
<b>Fund size, MEUR</b>	85.7
<b>Total AUM, MEUR</b>	450+

**TER 2017** 0.22% (excluding management and performance fees)

	<b>ISIN Code</b>	<b>NAV 28-Feb 2018</b>
<b>A unit</b>	EE3600090049	4.9538 EUR
<b>B unit</b>	EE3600090056	5.2554 EUR
<b>C unit</b>	EE3600102901	17.7801 EUR
<b>D unit</b>	EE3600108866	14.9431 EUR
<b>E unit</b>	EE3600108874	14.9035 EUR

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

<b>Cut-off</b>	10am CET
<b>NAV frequency</b>	Daily dealing, T+3
<b>Public offering</b>	France, Switzerland, Germany, Finland, Sweden, Estonia, Latvia
<b>Morningstar rating</b>	Yes, four stars (3 & 5 years)
<b>Tax transparency</b>	Germany
<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>	KPMG
<b>Internal auditor</b>	PWC
<b>Fund documents &amp; prospectus</b>	<a href="http://www.avaron.com/documents">www.avaron.com/documents</a>

<b>Unit class</b>	<b>D (Retail)</b>	<b>C (Institutional)</b>	<b>E (Institutional)</b>
<b>Min. initial investment</b>	-	125,000 EUR	1M EUR
<b>Front-end load</b>	2%	-	-
<b>Management fee</b>	2%	1.25%	0.85%
<b>Performance fee (unit based)</b>	-	10% over 12-month EURIBOR, HWM	15% over MSCI EFM CEEC ex-Russia Index, annual reset (June 30)
<b>Back-end load</b>	-	-	-

**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](http://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 11 investment professionals, in Estonia and Poland, focus on active investment management. In total 17 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,  
 Investment Manager

**Important Legal Information**

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