

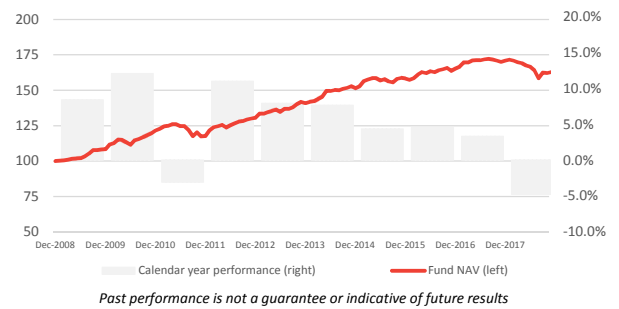
Investment Objectives & Approach

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 (incl. 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 prior notice of 7 or 30 calendar days. 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, December 2018

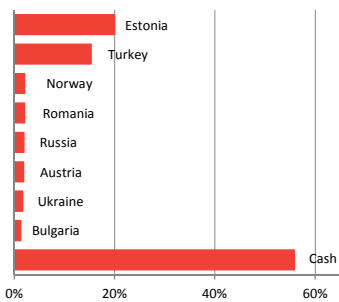
Rising worries over global growth, tightening monetary policy in the US and Europe, increased protectionism and political uncertainty together with the implied peak of the global economic cycle pressured the markets throughout 2018. December delivered another bout of volatility in global equities, reflective of the general nervousness in markets during the past year. MSCI World lost 7.7% in \$ terms (-8.9% in €) amid a sharp sell-off in the US (-10.4%) and Japan (-8.6%), while Emerging Markets (-4.2%) fared marginally better. Emerging Europe (MSCI EFM EUROPE + CIS (E+C) ex Russia) lost 3.3% in December and 18.6% in 2018 in € terms. Romania was the large negative outlier last month as on December 18 the government published a draft ordinance imposing severe tax burden on several sectors and effectively dismantling the Pillar 2 pension system. This led to a 17.3% slump in local equity market index in 3 days prior to Christmas. Fixed income returns were mostly positive during December as prices of investment grade papers climbed further while junk bonds provided negative returns. This was driven by investors' fears regarding change in the economic cycle which might bring along defaults. NAV of Avaron Flexible Strategies Fund was flat during December. The Fund's 2018 net return was -4.8%, driven by negative performance of Turkish equities (0.6% of current NAV) and Turkish bonds (14.7% of NAV). We are continuously at the opinion that our Turkish assets do not reflect their fundamental value and expect price normalisation to happen after the economy has adjusted.

Performance since launch

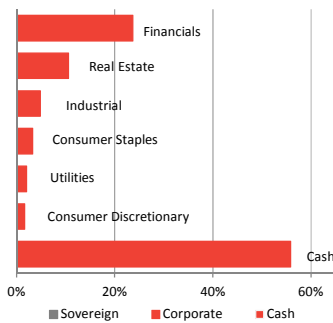


Performance overview	Net return	Calendar year net return
1 month	0.0%	2018 -4.8%
YTD	-4.8%	2017 3.3%
3 months	0.2%	2016 4.5%
6 months	-2.3%	2015 4.4%
1 year	-4.8%	2014 7.6%
3 years	2.9%	2013 7.9%
5 years	15.5%	2012 11.0%
7 years	38.3%	2011 -3.1%
Since inception	62.8%	2010 12.1%

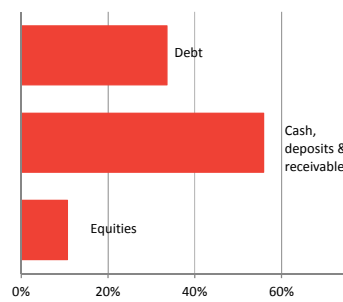
Geographic breakdown



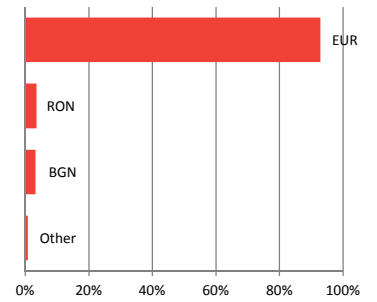
Sector breakdown



Asset class breakdown



Net currency breakdown



Country allocation

	Dec-18	Change				
		1 mo	3 mo	12 mo	3 years	5 years
Estonia	20.0%	2.8%	0.1%	0.9%	9.7%	11.3%
Turkey	15.3%	0.2%	1.5%	-1.6%	14.2%	10.5%
Norway	2.1%	0.0%	0.1%	0.4%	2.1%	2.1%
Romania	2.1%	-0.1%	0.0%	0.0%	-0.8%	-2.7%
Russia	1.9%	-0.1%	-0.2%	0.0%	1.9%	1.9%
Austria	1.9%	-0.1%	-0.3%	-2.2%	1.9%	1.9%
Ukraine	1.7%	0.0%	0.0%	0.3%	1.7%	1.7%
Bulgaria	1.3%	-2.0%	-1.9%	-1.0%	0.0%	-1.4%
Others	-2.0%	-1.8%	-1.5%	-3.7%	53.4%	54.8%

Contribution analysis

	1 mo	3 mo	12m	YTD	3 years	5 years
Estonia	0.0%	0.4%	1.2%	1.2%	3.1%	3.9%
Turkey	0.3%	1.5%	-1.2%	-1.2%	-1.1%	1.3%
Norway	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Romania	-0.1%	-0.1%	0.2%	0.2%	0.8%	1.3%
Russia	-0.1%	-0.2%	-1.0%	-1.0%	-1.1%	-1.1%
Austria	-0.1%	-0.3%	-0.3%	-0.3%	0.4%	0.8%
Ukraine	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Bulgaria	0.0%	-0.1%	-0.2%	-0.2%	0.4%	1.0%
Others	0.3%	-0.4%	-1.7%	-1.7%	5.5%	18.2%

Risk metrics

Volatility	2.1%
Sharpe ratio	0.62

Sector allocation

	Dec-18	Change				
		1 mo	3 mo	12 mo	3 years	5 years
Financials	23.7%	0.2%	3.3%	0.5%	19.5%	21.0%
Real Estate	10.6%	0.9%	0.0%	-1.6%	5.0%	8.5%
Industrial	4.9%	1.9%	2.1%	3.6%	4.9%	4.9%
Consumer Staples	3.3%	0.0%	0.0%	0.3%	3.3%	3.3%
Utilities	2.1%	-0.1%	0.0%	0.0%	-0.8%	-5.4%
Consumer Discretionary	1.7%	-0.2%	-4.9%	-3.9%	-2.8%	-5.0%
Energy	0.0%	-2.1%	-2.0%	-2.9%	-1.0%	0.0%
Others	0.0%	0.0%	0.0%	0.0%	62.4%	61.0%
FX Derivatives	-2.0%	0.2%	-0.3%	-2.5%	-2.3%	-2.3%
Cash	55.8%	-0.8%	1.8%	6.6%	36.6%	36.1%

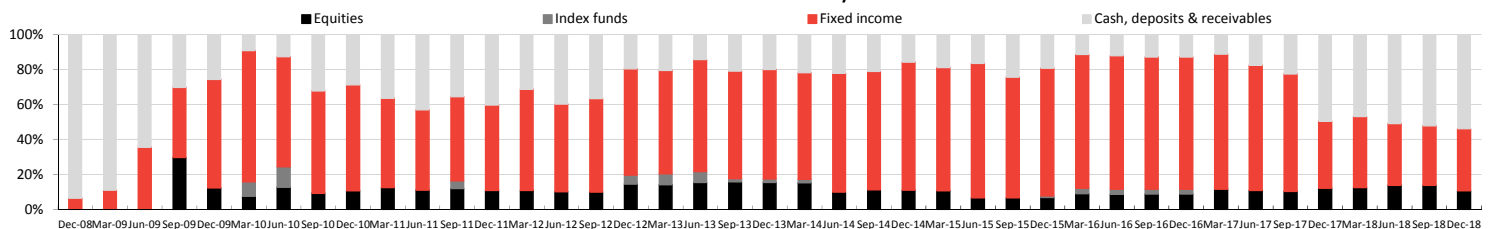
Contribution analysis

	1 mo	3 mo	12m	YTD	3 years	5 years
Financials	0.4%	1.4%	-1.0%	-1.0%	-0.4%	1.3%
Real Estate	-0.1%	-0.3%	-0.2%	-0.2%	1.7%	2.4%
Industrial	0.0%	0.1%	0.3%	0.3%	0.3%	0.3%
Consumer Staples	0.0%	-0.1%	-1.0%	-1.0%	-1.3%	-1.3%
Utilities	-0.1%	-0.1%	0.2%	0.2%	0.8%	2.1%
Consumer Discretionary	-0.2%	0.1%	0.0%	0.0%	1.1%	1.6%
Energy	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%
Others	0.0%	0.0%	0.0%	0.0%	6.9%	19.7%
FX Derivatives	0.2%	-0.4%	-1.6%	-1.6%	-1.3%	-1.1%
Cash	-0.1%	0.0%	-0.1%	-0.1%	-0.1%	0.1%

Fund statistics

Number of positions	23
Top5	18.2%
Top10	28.2%

Historic Portfolio Allocation by Asset Class



Fund Facts - Avaron Flexible Strategies Fund

Investment Manager	AS Avaron Asset Management	Min. Investment	-
Fund type	non-UCITS, public common alternative investment fund	Front-end load	-
Asset class	Flexible, all asset classes	Management fee	1.25%
Launch date	December 17, 2008	Performance fee	10% over EURIBOR 12-months, annual reset (Dec 31)
Domicile	Estonia	Back-end load (to the fund)	Rate depends on advance notice period - Advance notice 7 calendar days: 1.5% - Advance notice 30 calendar days: 0%
Currency	EUR	Bloomberg ticker	AVFLXSB ET
Dividends	reinvested	Contact Information	Avaron Asset Management Narva mnt 7D, 10117 Tallinn ESTONIA Phone: +372 66 44 205 Fax: +372 66 44 201 E-mail: info@avaron.com www.avaron.com
Fund size, MEUR	10.2	See Lipper, TK Valoren tickers:	www.avaron.com/fundfacts_flex
Total AUM, MEUR	385.0	ISIN Code	EE3500100922
Unit	NAV 31-Dec 2018 16.2830 EUR	NAV calculation	Swedbank AS
Cut-off subscriptions	10am CET	External auditor	KPMG
Cut-off redemptions	10am CET, notice period 7 or 30 calendar days (redemption price will be fixed after the notice period)	Internal auditor	PWC
NAV frequency	Daily dealing, T+3	Fund documents & prospectus	www.avaron.com/documents
Public offering	Estonia		
Supervised by	Estonian FSA		
Custodian	Swedbank AS		
Transfer agent	Swedbank AS		

About Avaron Asset Management

Avaron Asset Management (founded in 2007) is an independent management-owned investment manager with a clear focus on stock-picking (bottom-up) and value investing in Emerging Europe region. We aim to deliver positive risk-adjusted return to our clients over the market cycle. Our portfolios are long-only and invest in listed stocks.

Investment ideas are generated through in-house proprietary research of approximately 250 Emerging Europe companies, backed by regular on the ground visits and meetings. Our stock selection is primarily driven by the upside to internally set target prices on single company level. We invest only in business models that we understand and can model ourselves focusing on companies with leading market positions and strong recurring revenue streams. In addition, we have integrated ESG analysis into our investment process and adhere to the UN Principles for Responsible Investment (UN PRI). Our team of 19 professionals (including 10 in the investment team), based in Estonia and Poland, takes care of around 400 million euros of mainly professional investor assets.

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



Kristel Kivimurm-Priisalm
Managing Partner,
CEO & COO



Peter Priisalm
Partner, co-CIO,
Investment Manager



Valdur Jaht
Partner, co-CIO,
Investment Manager

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