

Investment Objectives & Approach

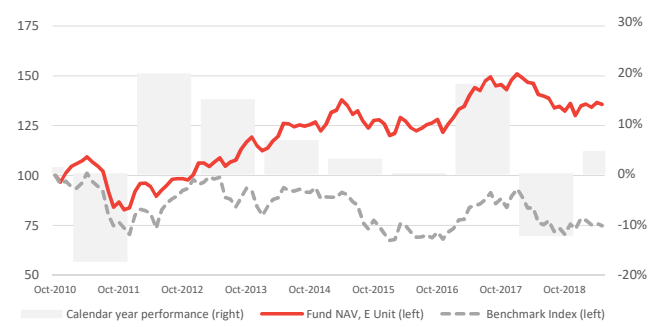
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside 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, May 2019

Emerging Europe ex-Russia equities (-1.4% in €) outperformed global emerging markets (-7.1% in €) in May amid milder correction in CE3 markets, a bounce in Turkish lira and strong upward move in Greece. Lira strengthened against hard currencies on rumours that Trump had agreed to a joint US-Turkey study on Washington's concerns over the sale and deployment of Russian missile defence system in Turkey. On top, there was lira short covering ahead of the Ramadan holiday. Greek equity market rallied strongly following the defeat of the ruling leftist Syriza-led coalition in regional and European Parliament elections which triggered Prime Minister Tsipras to call early elections in July. Avaron Emerging Europe Fund lost 0.7% in May, outperforming the benchmark due to OW in regional frontier markets. YTD the Fund is up 4.4% compared to 2.5% of the benchmark. During Q1 aggregate earnings of our portfolio companies grew 6% YoY on FX adjusted basis (+1% YoY in € terms) driven by strong performance of non-financial holdings. Non-financials posted +16% YoY increase in quarterly net profit on FX adjusted basis (+10% in € terms) driven by another stellar report from our largest holding, Romanian integrated oil and gas company OMV Petrom. The selection of companies in the Fund portfolio trade at 10.7x 1YR FWD P/E and offer dividend yield of 5%+ on an average pay-out rate of 63%. Positioning of the Fund is conservative as we have around 16% of cash in the portfolio and are underweight compared to the benchmark in the high beta Turkish equities.

To receive detailed fund manager comment please send a request to info@avaron.com.

Performance, E Unit

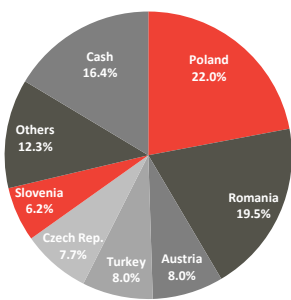


Past performance is not a guarantee or indicative of future results.

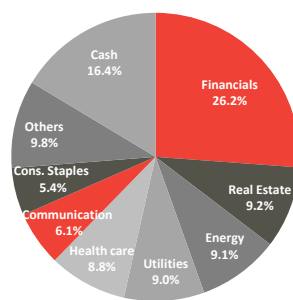
Perf overview	Net return E Unit	Index return*	Calendar year return, E Unit			
			Year	Gross	Net	Index*
1 month	-0.7%	-1.4%	2018	-10.9%	-12.2%	-18.6%
YTD	4.4%	2.5%	2017	19.2%	17.7%	25.3%
3 months	0.0%	-3.5%	2016	2.1%	-0.1%	1.2%
6 months	-0.4%	-0.9%	2015	6.7%	2.9%	-20.0%
1 year	-3.5%	-2.0%	2014	9.4%	6.5%	4.7%
3 years	9.5%	4.6%	2013	18.5%	14.6%	-13.9%
5 years	7.5%	-20.4%	2012	21.1%	19.7%	39.3%
7 years	51.7%	1.7%	2011	-16.3%	-17.3%	-27.5%
8 years	27.1%	-22.8%				

* MSCI EFM EUROPE + CIS (E+C) ex Russia

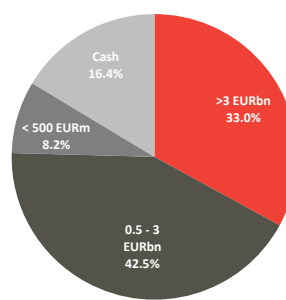
Geographic breakdown



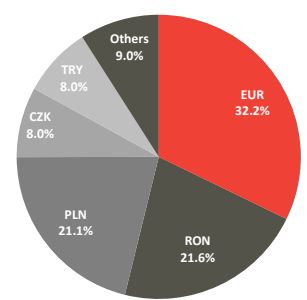
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Change						Contribution analysis					
	May-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Poland	22.0%	1.5%	1.9%	7.3%	11.7%	18.1%	-0.7%	0.1%	0.6%	1.0%	4.1%	4.4%
Romania	19.5%	0.1%	2.0%	2.3%	6.2%	3.8%	1.0%	2.9%	2.8%	3.6%	10.7%	10.4%
Austria	8.0%	0.3%	0.6%	-0.9%	-8.6%	-5.3%	0.0%	0.4%	0.5%	0.7%	5.8%	6.8%
Turkey	8.0%	-4.2%	-6.0%	-5.4%	-7.8%	-15.3%	-0.7%	-3.0%	-7.1%	-1.2%	-10.2%	-8.5%
Czech Rep.	7.7%	0.5%	-0.1%	0.5%	-1.0%	0.9%	-0.1%	-0.3%	0.1%	0.3%	2.2%	3.3%
Slovenia	6.2%	0.5%	0.9%	3.0%	2.6%	2.2%	0.2%	0.2%	0.6%	0.2%	0.7%	0.2%
Hungary	4.5%	-0.2%	-0.1%	2.4%	3.6%	1.0%	-0.5%	-0.3%	0.1%	-0.2%	0.0%	0.5%
Baltics	3.2%	0.1%	0.2%	1.6%	1.0%	-1.9%	0.0%	0.1%	0.3%	0.1%	0.6%	1.6%
Croatia	1.9%	0.0%	0.1%	0.2%	1.9%	1.9%	0.0%	0.1%	-0.2%	0.1%	0.0%	0.0%
Others	2.7%	0.2%	1.5%	1.2%	0.7%	-1.8%	0.0%	0.1%	0.2%	0.1%	0.6%	1.4%

Risk metrics

Alpha	4%
Volatility & stand. deviation	9.2%
Beta	0.46
Sharpe ratio	0.19
Information ratio	0.57
Tracking error	10.5%

* MSCI EFM EUROPE + CIS (E+C) ex Russia

Sector allocation

	Change						Contribution analysis					
	May-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	26.2%	1.2%	1.4%	-1.2%	-2.8%	3.9%	-0.9%	-0.7%	-3.9%	-0.1%	2.0%	1.8%
Real Estate	9.2%	0.4%	0.7%	-0.7%	-4.1%	-3.1%	0.1%	0.4%	0.5%	0.7%	1.3%	2.9%
Energy	9.1%	-0.3%	0.6%	2.0%	1.9%	1.4%	0.8%	1.7%	2.1%	2.5%	5.7%	4.9%
Utilities	9.0%	0.9%	1.4%	0.1%	-1.4%	-5.2%	0.4%	0.9%	0.8%	0.8%	4.8%	4.4%
Health care	8.8%	0.1%	0.4%	3.5%	4.3%	2.5%	-0.3%	-0.1%	0.4%	0.0%	0.9%	0.5%
Communication	6.1%	0.4%	0.7%	1.4%	5.8%	1.2%	0.0%	0.4%	0.5%	0.8%	0.5%	0.7%
Consumer Staples	5.4%	0.0%	-0.2%	3.0%	5.4%	3.7%	-0.3%	-0.5%	-0.4%	0.1%	0.4%	2.5%
Industrial	4.3%	-4.3%	-3.7%	4.1%	0.4%	4.3%	-0.4%	-1.7%	-0.5%	-0.2%	-0.1%	0.2%
Others	5.5%	0.3%	-0.2%	-0.2%	0.8%	-5.3%	-0.1%	-0.3%	-1.6%	0.2%	-0.9%	2.1%

Fund statistics

Number of positions	37
Top10	47.7%
Top20	68.8%
Gross exposure	83.6%
Net exposure	83.6%
Concentration coefficient	33
Median market cap MEUR	1638
Average market cap MEUR	2701

Style allocation

	Change						Contribution analysis					
	May-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	46.8%	-3.1%	-1.8%	5.2%	6.4%	9.5%	-0.7%	-0.9%	-3.8%	2.6%	4.4%	4.4%
Non-cyclical	21.3%	0.6%	0.8%	5.9%	7.6%	-2.2%	-0.5%	-0.2%	0.5%	0.8%	5.1%	7.4%
Asset play	15.5%	1.2%	2.0%	0.9%	0.8%	4.3%	0.5%	1.3%	1.2%	1.5%	4.3%	6.6%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	0.0%	-7.9%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.7%
High yield bonds	0.0%	0.0%	0.0%	0.0%	-4.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	2.3%
FX Derivatives	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Cash	16.4%	1.3%	-1.1%	-12.1%	-10.1%	-3.6%	0.1%	0.1%	-0.1%	0.0%	-0.5%	-0.4%

Turnover

	FY	Adj*
FY 2018	20.7%	2.6%
FY 2017	28.5%	29.1%
FY 2016	17.7%	-13.0%

* Adjusted for fund flows

Liquidity analysis*	20%	50%
3 days	64.0%	74.0%
2 weeks	76.8%	91.4%
4 weeks	87.8%	96.4%

* 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	UCITS V, public common investment fund
Launch date	April 23, 2007
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	59.0
Total AUM, MEUR	350+

TER 2018 0.37% (excluding management and performance fees)

	NAV	TER 2018	TER 2018
	31-May-2019	excl. perf fee	incl. perf fee
B unit	4.7745 EUR		
C unit	16.1620 EUR	1.58%*	1.67%*
D unit	13.4453 EUR	2.37%	2.37%
E unit	13.5707 EUR	1.22%	1.46%

* C unit management fee lowered to 1.15% and performance fee cancelled as of 06.09.2018

Cut-off	10am CET
NAV frequency	Daily dealing, T+3
Public offering	France, Switzerland, Germany, United Kingdom, Finland, Sweden, Estonia, Latvia
Morningstar rating	Yes, three stars (5 years)
Tax transparency	Germany, Switzerland
Supervised by	Estonian FSA
Custodian	Swedbank AS
Transfer agent	Swedbank AS
NAV calculation	Swedbank AS
External auditor	KPMG
Internal auditor	PWC
Fund documents & prospectus	www.avaron.com/documents

	ISIN code	WKN code	Bloomberg ticker	Reuters RIC	Telekurs ID
C unit	EE3600102901	A0PEFO	AVAEESC ET	LP68063797	CH10799792
D unit	EE3600108866	A1W7P0	AVEMEUD ET	LP68083763	CH12407332
E unit	EE3600108874	A113GN	AVEMEUE ET	LP68083764	CH12414216

Unit class	D (Retail)	C (Institutional)	E (Institutional)
Min. initial investment	-	500,000 EUR	500,000 EUR
Front-end load	-	-	-
Management fee	2%	1.15%	0.85%
Performance fee (unit based)	-	-	15% over MSCI EFM EUROPE + CIS (E+C) ex RU index, annual reset (June 30)
Back-end load	-	-	-

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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 11 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 Kivunurm-Priisalm
Managing Partner,
CEO & COO



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Partner, co-CIO,
Investment Manager



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Partner, co-CIO,
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