

### Investment Objectives & Approach

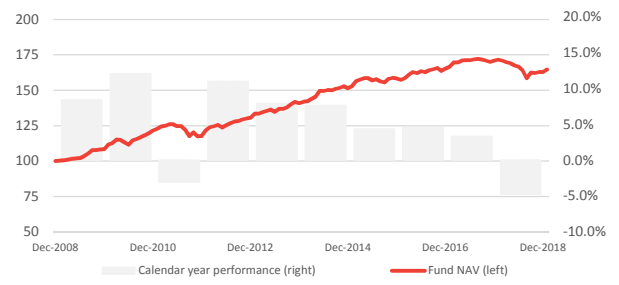
The Fund is targeted to private individuals and corporate investors who wish to preserve their capital through business cycles but are willing to accept risk in order to earn moderate returns. The assets of the Fund may be invested in any liquid financial asset (incl. cash, deposits, bonds, equities, 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, January 2019

Global equities started the year with a strong rally across the board supported by the Fed's somewhat unexpected dovish pivot on monetary policy. MSCI World rallied 7.7% in \$ terms (+7.9% in €), while Emerging Markets saw an 8.7% rise in \$ (+8.9% in €) as the market sentiment turned markedly positive. Emerging Europe (MSCI EFM EUROPE + CIS (E+C) ex Russia) rallied alongside, up 7.2% in January in € terms. Turkey was the main outperformer in the region getting support from rapidly improving headline trade and current account deficits. Romania underperformed for the second consecutive month in a row due to the announced fiscal changes. At the end of the month the Romanian government published the 2019 draft budget that did not include the "greed tax" nor the 2% revenue tax for energy and telecom sectors indicating that further changes might be contemplated. Fixed income indices, especially high risk ones, showed positive performance. Oil price rallied and to our surprise also gold price.

Avaron Flexible Strategies Fund posted +1.2% performance driven by higher prices in stocks and Turkish bonds. As of month end 11% of the Fund is invested in equities, 34% in bonds and 55% is kept in cash. Equities provide 6% dividend yield while bonds trade at 6.5% yield to maturity (2.4 years). We keep the conservative positioning due to our cautious view on global growth and companies earnings' outlook. In case of market crash we plan to invest the cash.

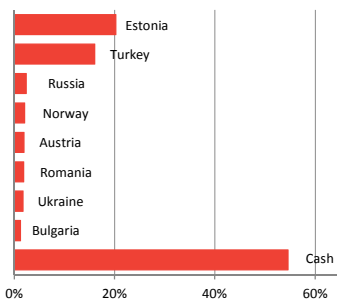
### Performance since launch



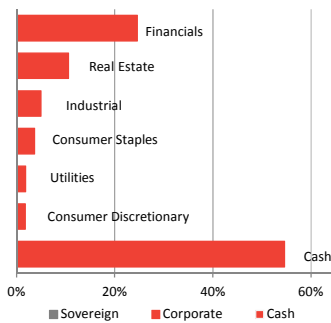
Past performance is not a guarantee or indicative of future results

Performance overview	Net return	Calendar year net return	
1 month	1.2%	2018	-4.8%
YTD	1.2%	2017	3.3%
3 months	1.5%	2016	4.5%
6 months	0.3%	2015	4.4%
1 year	-4.0%	2014	7.6%
3 years	4.6%	2013	7.9%
5 years	16.2%	2012	11.0%
7 years	35.3%	2011	-3.1%
Since inception	64.8%	2010	12.1%

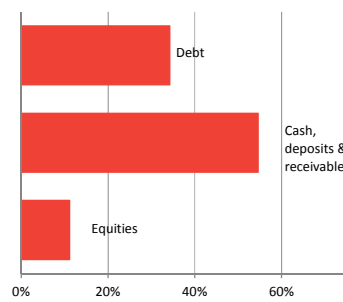
### Geographic breakdown



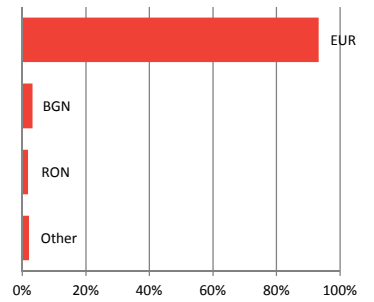
### Sector breakdown



### Asset class breakdown



### Net currency breakdown



### Country allocation

	Jan-19	Change				
		1 mo	3 mo	12 mo	3 years	5 years
Estonia	20.2%	0.2%	5.6%	1.1%	9.9%	11.6%
Turkey	16.0%	0.7%	1.5%	-0.5%	13.1%	11.0%
Russia	2.4%	0.5%	0.4%	0.5%	2.4%	2.4%
Norway	2.1%	0.0%	0.1%	0.4%	2.1%	2.1%
Austria	1.9%	0.1%	-0.1%	-2.1%	1.9%	1.9%
Romania	1.8%	-0.2%	-0.3%	-0.4%	-0.7%	-2.7%
Ukraine	1.8%	0.1%	0.1%	0.4%	1.8%	1.8%
Bulgaria	1.3%	0.0%	-1.8%	-1.0%	-1.3%	-1.5%
Others	-2.1%	-2.3%	-1.4%	-4.3%	55.9%	54.0%

### Contribution analysis

	Contribution analysis					
	1 mo	3 mo	12m	YTD	3 years	5 years
Estonia	0.4%	0.8%	1.4%	0.4%	3.5%	4.1%
Turkey	0.8%	1.4%	-0.2%	0.8%	-0.3%	2.7%
Russia	0.5%	0.3%	-0.5%	0.5%	-0.6%	-0.6%
Norway	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Austria	0.1%	-0.1%	-0.2%	0.1%	0.5%	0.9%
Romania	-0.2%	-0.3%	-0.2%	-0.2%	0.9%	1.3%
Ukraine	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%
Bulgaria	0.0%	0.0%	-0.2%	0.0%	0.4%	0.8%
Others	-0.1%	0.1%	-2.4%	-0.1%	5.7%	17.1%

Risk metrics	5Y risk
Volatility	2.3%
Sharpe ratio	1.45

### Sector allocation

	Jan-19	Change				
		1 mo	3 mo	12 mo	5 years	
Financials	24.6%	0.9%	3.6%	1.6%	18.7%	22.1%
Real Estate	10.6%	0.0%	0.4%	-1.6%	3.6%	8.5%
Industrial	5.0%	0.1%	2.1%	3.7%	5.0%	5.0%
Consumer Staples	3.7%	0.4%	0.4%	0.8%	3.7%	3.7%
Utilities	1.8%	-0.2%	-0.3%	-0.4%	-0.7%	-5.4%
Consumer Discretionary	1.8%	0.1%	0.3%	-3.8%	-2.7%	-5.4%
Energy	0.0%	0.0%	-2.0%	-2.8%	-1.1%	0.0%
Others	0.0%	0.0%	0.0%	0.0%	64.9%	60.1%
FX Derivatives	-2.1%	-0.1%	0.0%	-3.0%	-2.3%	-2.5%
Cash	54.6%	-1.2%	-4.5%	5.5%	40.6%	34.2%

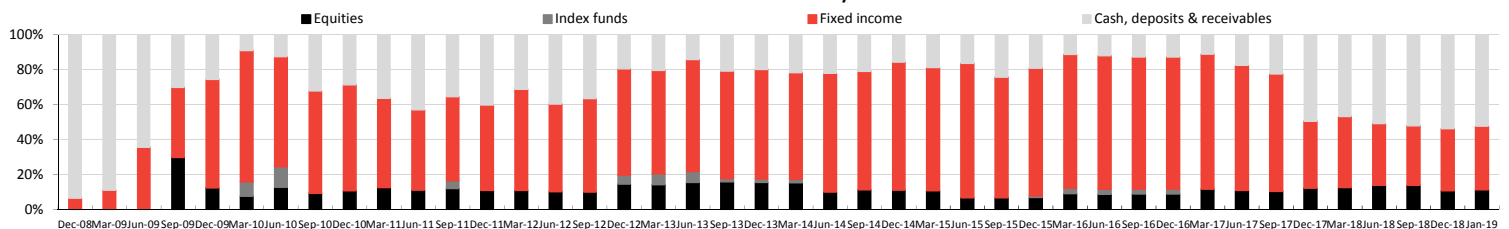
### Contribution analysis

	Contribution analysis					
	1 mo	3 mo	12m	YTD	3 years	5 years
Financials	1.1%	1.8%	0.0%	1.1%	0.7%	2.5%
Real Estate	0.1%	0.0%	-0.2%	0.1%	1.8%	2.5%
Industrial	0.1%	0.1%	0.5%	0.1%	0.4%	0.4%
Consumer Staples	0.4%	0.3%	-0.4%	0.4%	-0.9%	-0.9%
Utilities	-0.2%	-0.3%	-0.2%	-0.2%	0.9%	1.9%
Consumer Discretionary	0.1%	0.2%	0.0%	0.1%	1.2%	1.9%
Energy	0.0%	0.0%	0.2%	0.0%	0.1%	0.2%
Others	0.0%	0.0%	0.0%	0.0%	7.2%	19.1%
FX Derivatives	-0.1%	0.1%	-2.2%	-0.1%	-1.4%	-1.3%
Cash	0.0%	-0.1%	-0.1%	0.0%	-0.1%	0.0%

### Fund statistics

Number of positions	23
Top5	18.7%
Top10	28.7%

### Historic Portfolio Allocation by Asset Class



**Fund Facts - Avaron Flexible Strategies Fund**

<b>Investment Manager</b>	AS Avaron Asset Management	<b>Min. Investment</b>	-
<b>Fund type</b>	non-UCITS, public common alternative investment fund	<b>Front-end load</b>	-
<b>Asset class</b>	Flexible, all asset classes	<b>Management fee</b>	1.25%
<b>Launch date</b>	December 17, 2008	<b>Performance fee</b>	10% over EURIBOR 12-months, annual reset (Dec 31)
<b>Domicile</b>	Estonia	<b>Back-end load (to the fund)</b>	Rate depends on advance notice period - Advance notice 7 calendar days: 1.5% - Advance notice 30 calendar days: 0%
<b>Currency</b>	EUR	<b>Bloomberg ticker</b>	AVFLXSB ET
<b>Dividends</b>	reinvested	<b>Contact Information</b>	<b>Avaron Asset Management</b> Narva mnt 7D, 10117 Tallinn ESTONIA Phone: +372 66 44 205 Fax: +372 66 44 201 E-mail: <a href="mailto:info@avaron.com">info@avaron.com</a> <a href="http://www.avaron.com">www.avaron.com</a>
<b>Fund size, MEUR</b>	10.2	<b>See Lipper, TK Valoren tickers:</b>	<a href="http://www.avaron.com/fundfacts_flex">www.avaron.com/fundfacts_flex</a>
<b>Total AUM, MEUR</b>	400+	<b>ISIN Code</b>	EE3500100922
<b>Unit</b>	NAV 31-Dec-2018 16.4776 EUR	<b>NAV frequency</b>	Daily dealing, T+3
<b>Cut-off subscriptions</b>	10am CET	<b>Public offering</b>	Estonia
<b>Cut-off redemptions</b>	10am CET, notice period 7 or 30 calendar days (redemption price will be fixed after the notice period)	<b>Supervised by</b>	Estonian FSA
<b>NAV frequency</b>	Daily dealing, T+3	<b>Custodian</b>	Swedbank AS
<b>Public offering</b>	Estonia	<b>Transfer agent</b>	Swedbank AS
<b>Supervised by</b>	Estonian FSA	<b>NAV calculation</b>	Swedbank AS
<b>Custodian</b>	Swedbank AS	<b>External auditor</b>	KPMG
<b>Transfer agent</b>	Swedbank AS	<b>Internal auditor</b>	PWC
<b>NAV calculation</b>	Swedbank AS	<b>Fund documents &amp; prospectus</b>	<a href="http://www.avaron.com/documents">www.avaron.com/documents</a>
<b>External auditor</b>	KPMG		
<b>Internal auditor</b>	PWC		

**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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