



Avaron Emerging Europe Smaller Companies Fund (UCITS)

PROSPECTUS

7 February 2024

The Prospectus does not constitute or form part of a distribution, or an offer or solicitation to buy or sell any securities to any person in any jurisdiction in which such distribution, offer or solicitation would be contrary to local law or regulation. It is the responsibility of any person in possession of this Prospectus and of any person wishing to apply for Shares to inform himself or herself about and to observe all applicable laws and regulations of relevant jurisdictions.

Subscription to Avaron Emerging Europe Smaller Companies Fund should be made based on this Prospectus, the Articles of Association of the Fund and the latest available annual or semi-annual report. These documents can be obtained from Avaron. Past performance is not indicative of future results. The value of investments and any income derived from the Fund may fall as well as rise and investors may not get back the amount invested. An investment in the Fund entails risks, some of which are described in this Prospectus. Investors should be aware of the high risks associated with investments in emerging markets such as Emerging Europe and in small cap companies.

Any dispute, controversy or claim arising out of or in connection with the information provided in this material shall be settled in accordance with Estonian law, exclusively in Estonian courts.

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GENERAL INFORMATION

This Prospectus is the offering prospectus within the meaning of the Investment Funds Act of the Republic of Estonia of the shares of Avaron Emerging Europe Smaller Companies Fund MASF. **The Articles of Association of the Fund form an integral part of the Prospectus, and both the Prospectus and the Articles of Association should be thoroughly reviewed before investing in Avaron Emerging Europe Smaller Companies Fund MASF. Each prospective investor is encouraged to seek independent professional advice in relation to his or her investment.**

MAIN INFORMATION ABOUT THE FUND

Name and legal status of the Fund	Avaron Emerging Europe Smaller Companies MASF (in Estonian: Avaron Areneva Euroopa Väikeettevõtete Fond), a public limited fund with variable capital (in Estonian in short: MASF) established under the Estonian Investment Funds Act. The Fund qualifies and is authorised as a UCITS.
Registered office of the Fund	The registered office of the Fund is at Narva mnt 7d, 10117 Tallinn, the Republic of Estonia
Governance of the Fund	Fund's Management Board members: Kristel Kivinurm-Priisalm, Valdur Jaht Fund's Supervisory Board members: Maarja Härsing-Värk, Reino Pent, Rain Leesi
Management Company	AS Avaron Asset Management, registry code 11341336, registered address at Narva mnt 7d, 10117 Tallinn, Estonia, website www.avaron.com Management Company's Management Board members: Kristel Kivinurm-Priisalm, Valdur Jaht Management Company's Supervisory Board members: Peter Priisalm, Maris Jaht, Rain Leesi
Depository	Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia, website www.swedbank.ee
Administrator (NAV calculation and Fund accounting)	Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia, website www.swedbank.ee
Registrar and transfer agent	Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia, website www.swedbank.ee
Auditor	KPMG Baltics OÜ, registry code 10096082, registered address at Narva mnt 5, 10117 Tallinn, Estonia, website www.kpmg.ee
Supervisory Authority	Estonian Financial Supervision Authority, registered address at Sakala 4, 15030 Tallinn, Estonia, website www.fi.ee
Issue and redemption of Shares	Shares are issued on every Banking Day and redeemed once a month.
Share prices	The net asset value of the Fund and Shares, and the subscription price and redemption price of a Share are calculated and published at least once for each Banking Day on the following Banking Day by 16.30 CET.
Launch dates of Share classes and the fixing of the base NAV	The Fund has two classes of Shares (A-Share, B-Share). This date serves as the start of the NAV history for the Shares
Publication of information	The important information and documents relating to the Fund, as well as up to date information on the net asset value of the Fund and Shares, subscription and redemption price, are available at the website of the Management Company at www.avaron.com , and at the registered address of the Fund.
Reference currency	The reference currency for the calculation of the net asset value of the Fund and the Shares, as well as the issue and redemption prices and for any relevant transactions with Shares shall be euro (EUR).
Financial year	The financial year of the Fund begins on 1 January and ends on 31 December
Distribution of proceeds	All proceeds from the Fund's investments shall be reinvested, and no distributions shall be made to the Shareholders from the Fund. The Shareholder's return on his or her investment into the Fund is reflected in the increase or decrease of the net asset value of the Share. The Shareholder may realize his or her return by exercising the redemption or sale right. For the avoidance of doubt, the Fund has only accumulating Shares.

DEFINITIONS

In the Prospectus, unless the context otherwise requires, the defined terms shall have the following meaning:

Applicable Law	all laws and regulations applicable to the Fund and Management Company in relation to the management of the Fund whether in Estonia or elsewhere, in particular the Investment Funds Act and implementing acts issued thereunder, European Union legal acts, as well as acts or resolutions of competent supervisory or other authorities to the extent these are legally binding to the Fund
Articles of Association	document which sets forth the legal grounds for the Fund and regulates the legal relationships of the Fund with the Management Company and its Shareholders
Banking Day	a day when credit institutions are generally open for business in Estonia, excluding Saturdays, Sundays, national and public holidays
Depository Fee	a fee payable to a designated depository for safekeeping the assets of the Fund, and performing certain other functions in relation to the Fund, subject to and in accordance with an agreement concluded with the depository
Emerging Europe	Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Georgia, Greece, Hungary, Kazakhstan, Latvia, Lithuania, Moldova, Poland, Romania, Serbia, Slovakia, Slovenia, Turkey, Ukraine and all European countries of MSCI Emerging Markets' and Frontier Markets' indices
Emerging Europe Company	a company who has its registered office in an Emerging Europe country or has substantial business interests in Emerging Europe countries or whose securities are issued in the currencies of Emerging Europe countries or listed in the regulated markets of Emerging Europe countries. Substantial business interests shall be deemed to exist if more than 40% of the company's turnover, EBITDA, assets, cost base, number of employees, operating profit or net profit is derived from Emerging Europe countries
Financial Supervision Authority	the Estonian Financial Supervision Authority (in Estonian: <i>Finantsinspektsioon</i>)
Fund	Avaron Emerging Europe Smaller Companies Fund MASF, established as a public limited company qualifying as a UCITS and a public limited fund with variable capital based on Investment Funds Act; the abbreviation MASF characterises the set-up of a Fund, i.e. a public limited (AS) fund (F) with variable capital (in Estonian: <i>muutuvkapitaliga</i> , abbreviation M). MASF is an Estonia's version of Luxembourg's SICAV structure.
Investment Funds Act	Estonian Investment Funds Act, as amended or supplemented from time to time, in conformity with the UCITS Directive
Investment Policy	the investment policy of the Fund, as stipulated subsequently in the Prospectus
Investment Restrictions	the investment restrictions applicable to the management of the Fund, as stipulated in the Prospectus and based on the Applicable Law
KID	Key Information Document is a short form pre-sale disclosure document, containing only key information about the essential characteristics of the Fund as prescribed in the Applicable Law
Management Agreement	a contract which is concluded between the Fund and the Management Company pursuant to which the latter undertakes to provide asset management services to the Fund in accordance with the Articles of Association and the Prospectus
Management Company or Avaron	AS Avaron Asset Management, supervised by the Financial Supervision Authority, authorised to manage investment funds established pursuant to and in accordance with the UCITS Directive, other funds pursuant to and in accordance with the Investment Funds Act, and to provide portfolio management and investment advisory services
Management Fee	fee payable by the Fund to the Management Company for the management of the Fund pursuant to and in accordance with the Management Agreement, Articles of Association and the Prospectus
Member State	means a member state of the European Economic Area
OTC	means an over-the-counter transaction, i.e. a transaction between parties outside the regulated market

Performance Fee	fee payable by the Fund to the Management Company pursuant and in accordance with the Articles of Association and the Prospectus dependent on the result of the investment management services rendered by the Management Company
Prospectus	this document for the public offering of the Fund, presenting information to the extent required by the Applicable Law, and any other information deemed necessary or advisable by the Fund for deciding on investing into the Fund
Registrar	the registrar of the Share Registry
Trade Date	the date of receiving a duly compiled order to transact with Shares
Transferable Securities	as defined subsequently in the Prospectus in section “Investment Policy” – “Permitted Instruments”
UCITS	a fund established pursuant to and in accordance with the UCITS Directive
UCITS Directive	Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities
Share	Share representing a holding in the Fund
Shareholder	person who has subscribed for and/or is holding the Share
Share Registry	registry of Shares, maintained electronically by the Registrar

The Articles of Association, as enclosed to the Prospectus in Appendix 2, form an inseparable part of the Prospectus, shall be interpreted together with the Prospectus and the Applicable Law. In the case of any conflict between the Prospectus and imperative provisions of the Applicable Law, such imperative provisions of the Applicable Law shall prevail. In the case of any ambiguity, the Prospectus shall be interpreted in the best interests of the Shareholders.

THE INVESTMENT OBJECTIVES, POLICY AND RESTRICTIONS

INVESTMENT OBJECTIVES

The Fund invests primarily in attractively valued, privately owned and well-managed fast growing public small and mid-cap companies in Emerging Europe ex-Russia region with an objective to deliver positive alpha over the period of five years. As stock exchanges in these markets are dominated by banking sector companies and state-owned enterprises, the Fund aims to limit investing into these segments, and focus on stock-picking mainly among privately owned, well-managed and fast growing smaller companies. **Benchmark agnostic, the Fund aims to find the optimal balance between highest upside to internally set target prices and the risk level perceived by the Management Company, considering among others company quality, ESG factors, liquidity and FX outlook.** Avaron adheres to the UN Principles for Responsible Investment. By implementing Avaron’s investment process the Fund aims to outperform the market.

The return on an investment into the Fund, or achievement of its investment objective is not guaranteed. The past performance of the Fund is neither a guarantee nor an indication of future performance. With the investment into the Fund, the Shareholder acknowledges and accepts that such an investment involves risk and it may result in either profit or loss to the Shareholder, including loss of the substantial amount invested. Overview of the risks pertaining to an investment into the Fund is provided in the section “Risks” below.

The Fund performs sectorial ESG (Environmental, Social and Governance) exclusions as described under Investment Restrictions below but does not promote environmental and social characteristics and does not have a sustainable investment as its main objective because the related costs would not be proportionate to the current business volume of the Fund.

INVESTMENT POLICY

General Principles

In order to achieve the investment objectives, the Fund’s assets are mainly invested into equities but can also be invested into various debt instruments, deposits, FX derivative instruments and other financial instruments, subject to and in accordance with the more detailed Investment Policy guidelines and Investment Restrictions provided below, as well as the Applicable Law. The Fund is not allowed to take any leverage for investment purposes.

The Fund is suitable for investors seeking a small cap stock picking portfolio in Emerging Europe ex-Russia region. The Fund acts as a medium to long term diversifier in a global Emerging Markets, European or Global Equity portfolio. The allocation of the Fund’s assets between different countries and sectors shall be determined by the Management Company in exercising active portfolio management strategy, subject to its professional assessment and the prevailing market conditions. The degree of

diversification of the Fund's investments between different countries and sectors changes over time and may be low. Due to investing in small and mid-cap equities in developing markets that carry less liquidity the Fund has a high-risk level.

The Fund mainly invests in Emerging Europe ex-Russia region. The Fund is benchmark agnostic in its investments but for the region's performance comparison MSCI EFM EUROPE + CIS (E+C) ex Russia index is used. The Fund may invest up to 20% of its assets into listed instruments in Ukraine, Georgia, Moldova and Kazakhstan.

At least 60% of the Fund's net asset value are invested in companies with market capitalisation of less than 3 billion euros.

State-controlled companies are capped at 20% of the Fund's net asset value.

Pure banking sector companies are capped at 20% of the Fund's net asset value.

If this is deemed necessary for protecting the interests of existing Shareholders, or for the orderly management of the Fund, the Management Company may decide to deviate from the above-described limits on market capitalisation of the companies, state-controlled and pure banking sector companies within 20 working days in case of large subscriptions or redemptions of Fund's Shares.

Permitted Instruments

The Fund may invest in any financial instrument issued by an Emerging Europe Company or registered in Emerging Europe, unless prohibited pursuant to the mandatory provisions of the Applicable Law. In particular, the Fund may invest in the following instruments:

- Transferable securities, incl. shares and other securities equivalent to shares in companies, bonds and other forms of securitised debt (debt securities), any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange, incl. convertible bonds and subscription rights (the Transferable Securities);
- FX derivative instruments for hedging purposes only;
- Deposits with credit institutions.

Money market instruments and derivative instruments (except FX derivatives) are not allowed.

Transferable Securities

Considering the restrictions provided in section "Investment Policy – General Principles", the Fund may invest up to 100% of the Fund's net asset value into Transferable Securities that meet any of the following criteria:

- such an instrument is admitted to trading or dealt in on a regulated market of any Member State or any other regulated trading facility in a Member State, which operates regularly and is recognised and open to trading to the public;
- such an instrument is admitted to official listing on a stock exchange in any other third country (excl. FATF non-cooperative countries) or dealt in on another regulated trading venue in any other third country, which operates regularly and is recognised and open to the public.

The Fund's assets may be invested in IPOs. The Fund may not invest in pre-IPOs. In regard to debt securities the Fund may invest in primary issues and aftermarket.

Investment funds and collective investment undertakings

Up to 10% of the Fund's assets may be invested into listed closed-end investment funds and collective investment undertakings.

The Fund may not invest into non-listed UCITS funds or other collective investment undertakings. The Fund may not invest into any investment funds or collective investment undertakings managed by the Management Company, either as a designated management company or on delegation basis.

Deposits

The Fund's assets may be placed in deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and mature in no more than 12 months, provided that the credit institution has its registered office in a Member State or in a third country, subject to prudential rules equivalent to those provided in the European Union legislation.

Derivative instruments

The Fund is permitted to invest in and transact with derivative instruments only for hedging exchange rate risks of the Fund's assets.

The Fund may enter into OTC derivative transactions subject to and in accordance with the imperative provisions of Applicable Law. The Fund's total open exposure relating to derivative instruments may not exceed the total net asset value of the Fund. The open exposure of derivative instruments for each underlying currency may not exceed the security and cash positions in the underlying currency more than 3 percentage points of the net assets of the Fund.

Leverage and Other Transactions

The Fund is not allowed to take any leverage to achieve its investment purposes. The Fund shall not grant loans or guarantees in favour of a third party.

The Management Company shall not carry out on behalf of the Fund uncovered sales of Transferable Securities or other permitted instruments.

The Fund may not invest directly into real estate or commodities.

Investment Restrictions

Unless additional exposure per issuer (or issuers within the same consolidation group) is permissible by the Applicable Law, the Fund shall not invest more than 10% of the Fund's net asset value into Transferable Securities issued by the same entity. The total value of the Transferable Securities in entities in each of which it invests more than 5% of the Fund's net asset value shall not exceed 40% of the value of its net assets. This restriction does not apply to deposits with credit institutions, or OTC derivative transactions with such credit institutions where the Fund is permitted to hold deposits.

The Fund shall not hold more than 20% of the Fund's net asset value in cash and deposits. If this is deemed necessary for protecting the interests of existing Shareholders, or for the orderly management of the Fund, the Management Company may decide to deviate from the limit within 20 working days in case of large subscriptions or redemptions of Fund's Shares.

The Fund shall not place more than 20% of the Fund's net asset value into deposits with the same credit institution. This restriction does not apply in relation to an account with the Depositary, where funds from the issue of Shares or sale of the Fund's assets, as well as dividends, interest and other monetary payment attributable to the Fund's assets are received, or in relation to funds held in overnight deposit.

An OTC derivative exposure to a credit institution, in which the Fund is permitted to hold deposits, may amount to 10% of the Fund's net assets. Risk exposures through OTC derivative instruments into other counterparties shall not exceed 5% of the Fund's net assets.

The Fund shall not invest more than 20% of the Fund's net asset value into Transferable Securities, deposits or exposures to OTC derivative instruments with the same entity.

Companies which are included in the same group for the purposes of consolidated accounts shall be regarded as a single entity for the purpose of these Investment Restrictions, unless exempted from such treatment by the Investment Funds Act. In this regard, the cumulative investment of Transferable Securities issued within the same group may not exceed 20% of the Fund's net asset value.

The Fund shall not acquire or hold more than:

- 10% of non-voting shares or other equivalent rights in a single issuer;
- 10% of the debt securities of a single issuer.

In addition to the Investment Restrictions provided above, the Management Company shall comply with all other limitations and restrictions provided by imperative provisions of the Applicable Law. The Management Company may, on temporary basis, deviate from the Investment Restrictions provided in the Prospectus, pursuant to and in accordance with the Applicable Law.

Due to sectorial exclusions followed by the Fund, it does not invest in issuers that:

- design, develop, manufacture or overhaul weapons, weapon systems or components;
- produce or have the distribution of pornography as their sole business;
- manufacture or distribute tobacco or alternative smoking products (not applicable to general FMCG retailers and wholesalers);
- derive more than 10% of revenues from gambling or lottery services;
- derive more than 20% of revenues from the extraction of any kind of coal including lignite;
- that derive more than 20% of revenues from coal based energy generation.

Short Overview of Investment and Risk Management Techniques

The Management Company deploys a stock-picking investment style with the focus on company-specific, sector and macro analysis. The Management Company is searching for and investing in securities with the best upside potential among equally risky alternatives or in securities with lowest risk among alternatives with equal upside.

Portfolio liquidity analysis and diversification among sectors, countries, currencies and instruments are the main risk management tools used. In addition, the Management Company may use derivatives to hedge exposure in currencies. The Management Company actively follows financial results of companies and makes relevant changes in the Fund portfolio based on companies' upside to target prices and its view on macroeconomic trends.

The Management Company has established procedures for internal risk management in order to identify, monitor, measure and hedge the risks associated to the Fund's investments. The Management Company regularly examines the Fund's compliance with

its investment restrictions. Should the Fund's portfolio become in breach with the applicable Investment Restrictions due to share price movements or other circumstances, the Management Company is obligated to immediately take measures to correct such breaches.

The Fund may not use efficient portfolio management techniques and instruments for investment, hedging and cost optimisation, including securities lending and securities financing. This does not prevent the Management Company from starting to use such efficient portfolio management techniques in the future, subject to appropriate disclosures in accordance with the Applicable Law.

RISKS

GENERAL RISK WARNING

Various risks may affect the return from the investment into the Fund. The activities of the Fund may or may not be profitable. There is no guarantee to Shareholders that they will get the invested amount back. In case any of the risk factors materialise, it is possible that the investor will lose a substantial part of his or her investment. Past performance of the Fund is not a guarantee or indicative of future results. Due to the Fund's investment policy, the net asset value of the Share may be highly volatile.

RISK WARNING RELATED TO EMERGING MARKETS

The assets of the Fund shall be in financial instruments of Emerging Europe ex-Russia countries. Part of the countries belonging to the Fund's investment region are not part of the European Union, and thus the legal, political and economic infrastructure of such countries is less developed compared to developed Europe. As a result, investing in the Emerging Europe ex-Russia region is accompanied by higher risks compared to investing in developed markets. Investors of the Fund should accept that the positive developments and successful reforms that have taken place in some countries may not necessarily happen in other countries. The market capitalisation of Emerging Europe ex-Russia markets is relatively small. These markets are often volatile and have low liquidity. Largest countries of Emerging Europe ex-Russia region do not use euro as their base currency and thus the currency exchange rates of the investment region may substantially fluctuate against the Fund's reference currency euro and this may have a significant impact on the Share's net asset value. The Management Company does not generally hedge foreign exchange rate risks. Countries outside the European Union may impose restrictions on capital flows and currency export restrictions. This may result in difficulties for the Fund in drawing sales proceeds and may harm the ability of the Fund to redeem Shares regularly. Financial supervision may be ineffective in part of the countries of the investment region. The accounting, auditing and reporting standards accepted in the countries outside the European Union may not be equivalent to the standards accepted in developed markets and the systems for settlement and registering of securities and the regulations applicable to and the supervision of the settlement bodies, registrars and custodians may not be up to the standards assumed in developed markets.

RISK LEVEL OF THE FUND

As the assets of the Fund shall be invested in the financial instruments of Emerging Europe ex-Russia region that is part of emerging countries and the assets shall be invested primarily in small cap and medium sized businesses which are less liquid compared to blue chips, the Fund should be considered as an investment product with high risk.

PROFILE OF A TYPICAL INVESTOR

The Fund is suitable to an investor with high risk tolerance who seeks long-term capital growth through investing into the equity markets of the Emerging Europe region. The investor should acknowledge that there is no guarantee that the capital invested into the Fund will be preserved or that it will grow. The recommended investment horizon is at least 5 years and the investor should be able to tolerate volatility in the net asset value of the Share during this period. The investor should have prior experience with investing into investment products or knowledge of the functioning of the financial markets. Being a regional equity fund investing into Emerging Markets, the Fund is suitable as one constituent of a diversified investment portfolio. Each investor is required to independently evaluate the risks related to investing in the Fund and the effects and possible consequences of such risks in light of the investor's investment experience and knowledge, as well as the investor's financial and economic circumstances, and the time period and the objectives of the investment. The Management Company recommends that potential investors consult with a professional investment advisor, before making the decision to invest.

OVERVIEW OF RISK FACTORS RELATED TO THE INVESTMENT

Various risks relate to investing into the Fund. Such risks may have a negative effect on the outcome of the investment. Investment risks shall be borne by the investor.

A list of risks that could influence the return on the investment into the Fund and what we think is important has been presented below. The list of risks is not comprehensive. Additional risks entail with the investment and have been discussed in other parts of the Prospectus or are not explicitly addressed in the Prospectus. When investing into Emerging Europe markets, the investor should take into account that any risk factor listed below is more likely to materialise as compared to investing into developed

markets. Considering the investment objectives and investment policy of the Fund, the most critical risks that are most likely to have an impact on the market value of the assets of the Fund include market risk, issuer's price risk, liquidity risk, foreign currency risk, political risk and the risk arising from the concentration of asset classes or markets.

Benchmark risk – Management Company is not seeking to meet Emerging Europe ex-Russia region benchmark. Instead, the Management Company deploys stock-picking investment style by investing the Fund's assets into companies with the highest upside to target price. Therefore, the Fund's return may differ substantially from the market return.

Credit risk – the risk that the issuer of securities where the Fund has invested or the counterparty to a transaction on account of the Fund, fails to perform its obligations either fully or partially (e.g. an issuer fails to redeem issued debt obligations, a counterparty to a trade does not deliver securities or cash during the settlement, a counterparty defaults on a loan granted by the Fund) causing damage to the Fund.

Custody risk – the risk that the Fund suffers losses due to actions or omissions or bankruptcy of the Depositary, sub-custodians or local depositaries. Such losses may include losses due to the person holding the securities going bankrupt, losing the securities or its inability to fulfil orders.

Foreign currency risk – the risk that the value of an investment denominated in a foreign currency shall change in an adverse direction due to fluctuations in exchange rates.

Fund fees – Fund management fees and expenses are paid on behalf of the Fund, of whether the Fund performs or underperforms. This influences the Fund's performance. The Management Company has set the limits for the fees and expenses paid by the Fund to protect the Shareholders' interests. Management fee is based on fixed rate and performance fee, which aims to align the Management Company's and Shareholders' interests by linking the management fee partially with the performance of Fund's investments.

Interest rate risk – the risk that the level, yield curves or volatility of interest rates, move in an adverse direction for the Fund.

Issuer-specific price risk – price risk is closely related to market risk, but mainly affects a specific security or investment. Price risk is the risk of suffering losses due to adverse price movements of a specific stock or another investment. The price of an issuer's securities is affected by the developments in the issuer's financial results, changes in the competitive environment, analysts' estimates and commentaries, etc.

Key personnel related risk – the Fund's performance depends on investment managers and other key personnel actions and experiences. The Management Company might experience negative impact when key employees leave. The Management Company aims to guarantee competitive and motivating working conditions to its managers and employees. Key investment team members are direct and indirect owners of the Management Company and thus incentivised directly by the performance and pay-out capability of the Management Company. Compensation package of other key employees is also related to the performance of the Management Company in compliance with the limitations set out in applicable legislation.

Legal risk – the risk that the Fund suffers losses or that penalties are imposed on the Fund, due to the possibility that the Management Company does not have sufficient knowledge of the legislation and its statutory obligations that are applied in the target countries of the Fund's investments. Additionally, amendments in legislation after the investment has been made could result in restrictions for the Fund's activities or create obligations for the Fund.

Liquidity risk – the risk that a financial instrument cannot be sold due to the low liquidity at the desired time or at a reasonable price, or that it is not possible to sell the asset at all. Liquidity risk is particularly relevant in cases when investing into small cap companies and in instruments not traded on a regulated securities market.

Market concentration risk – the risk arises from the fact that the majority of the fund's investments may be allocated to a certain country or region, which may result in an additional price fluctuation risk.

Market risk – the risk of suffering losses due to adverse price movements at a specific securities market or at a market for other assets. Adverse price movements may be caused by a country's weak macroeconomic data, poor financial results of an industry sector, unstable securities market, investor behaviour and psychology and other factors. Investors should bear in mind that smaller companies' volatility is usually higher compared to blue chips, thus in market downturn smaller companies' shares may fall more compared to the share prices of blue-chip companies.

Political risk – the risk that unfavourable trends or (political) events (e.g. changes in economic policy or legal environment, nationalisations, riots, war) take place in a country where the Fund's assets have been invested that affect the country's political or economic stability or future development, thereby causing the loss of the Fund's investments in the country or diminishing the value of such investments.

Registrar risk – the risk of suffering losses due to actions or inaction of the Registrar (e.g. due to failed trades arising from technical faults, delayed settlements, erroneous transactions, unauthorised disclosure of confidential information etc.).

Responsible investing risk – following responsible investment principles carries the risk that, under certain market conditions, the Fund may underperform funds that do not utilize a responsible investment strategy. The application of responsible investment criteria may affect the Fund's exposure to certain sectors or types of investments and may impact the Fund's relative

investment performance depending on whether such sectors or investments are in or out of favour in the market. An investment's ESG performance or the Management Company's assessment of such performance may change over time, which could cause the Fund to temporarily hold securities that do not comply with the Fund's responsible investment criteria. In evaluating an investment, the Management Company is dependent upon information and data that may be incomplete, inaccurate or unavailable, which could adversely affect the analysis of the ESG factors relevant to a particular investment. Successful application of the Fund's responsible investment strategy will depend on the Management Company's skill in properly identifying and analysing material ESG issues.

Risk arising from the concentration of asset classes or markets – the risk that a particular event or circumstance shall have a pervasive effect on the Fund's return because the Fund's investments are concentrated on one or a small number of markets, a specific asset class or a small number of issuers.

Risk associated with conflict of interests – in addition to the Fund, the Management Company manages other funds and client portfolios with potentially conflicting interests during certain period of time. Management Company has established internal rules and policies to effectively avoid and/or adequately manage potential conflict of interests and shall adhere to such policies and procedures.

Risk of investing in funds – the Management Company is not always able to completely monitor the activity of investment funds where the funds have invested, since such investment funds may use investment strategies, which are not comprehensively disclosed to the Management Company, or contain risks in certain market situations, which are not envisioned by the Management Company. Furthermore, the risk associated with valuation of the assets arises when investing in other investment funds as the Management Company may not be able to monitor the price of every single component affecting the net asset value of the investment fund.

Risk of investing in small and mid-cap companies – the Fund invests mainly in small and mid-cap companies. The stocks of smaller and mid-sized companies are generally subject to greater price fluctuations compared to larger companies, limited liquidity, higher transaction costs and higher investment risk than the stocks of larger, more established companies. Such companies may have limited product lines, financial resources and access to capital, may be dependent on a limited management group, and may lack substantial capital reserves or an established performance record. Such companies' corporate governance may be of lower quality compared to larger companies. There may be generally less publicly available information about such companies than for larger, more established companies. Stocks of these companies frequently have lower trading volumes making them more volatile and potentially more difficult to value.

Risks related to derivative instruments – The Management Company may invest the Fund's assets in derivative instruments for the purpose of hedging currency risks. The market value of a derivative instrument depends on the price or value of another underlying foreign exchange rate. Using derivative instruments entails leverage, i.e. a small change in the price of the underlying asset may lead to a large change in the price of the derivative instrument. Therefore, an investment in derivative instruments leads to relatively larger profit or larger loss (higher risk) compared to a similar investment in the underlying asset. In case of certain derivative instruments, the potential loss is larger than the initial investment made. Since the value of the derivative instrument depends on the price of the underlying asset, the derivative instrument is subject to the same risks as the underlying. In addition, counterparty risk, interest rate risk and changes in the volatility of the underlying asset affect the value of the derivative. To determine the value of the derivative, complex valuation models are often used. Thus, investing in derivatives is also accompanied by valuation risk.

Risk related to securities not traded on regulated markets – The assets of the Fund may be partially invested in securities not traded on regulated securities markets. In addition to ordinary investment risks, such investments entail a higher liquidity risk and higher risk related to valuing such assets.

Risk related to valuing the assets of the Fund – the assets of the Fund may be invested in securities with low liquidity and in securities that are not traded on regulated markets. For such securities, a valid market price may not be available. Determining the fair value of such assets may be complex and depends on assessments made by the Management Company. The price of such financial instruments used in NAV calculation may be substantially different from a later market transaction price, which may lead to significant downward adjustment of the price of the financial instrument and a sizeable change in the net asset value of the Share.

Systemic risk – the risk that technical faults in the systems of securities depositaries, stock exchanges, market places, clearing houses etc. could cause losses for the Fund due to failed trades, delayed settlement, mistakes in recorded transactions etc.

Tax risk – unfavourable changes in the tax laws could take place in the countries where the Fund's assets have been invested. E.g., a tax could be imposed on the Fund's profit or income.

In addition to customary investment risks, investors have to take into account the possibility of changes taking place in the governance of the Fund. Such changes could have a significant impact on an investment in the Fund. For example, redemption of Shares may be suspended based on the terms and conditions set out in the Prospectus and the Applicable Law; the Fund could be reorganised, merged with another investment fund or liquidated. Additionally, the fees and expenses payable on

account of the Fund or the Shareholder may be changed; the Articles of Association and/or the Prospectus may be substantially amended, etc. Some of the abovementioned events may take place without giving prior notice to the Shareholders.

SHARE, RIGHTS AND OBLIGATIONS ATTACHED TO SHARES

SHARE

Share represents the Shareholder's holding in the assets of the Fund. The Share is a dematerialised book-entry security, maintained in an electronic Share Registry. No certificate in relation to the Shares is issued to the Shareholder. Information about the Share Registry and the Registrar is provided in section "Registrar" below.

The Share is divisible. The fractions of Shares created by dividing Shares are rounded up to three decimal points. The following rules are applied for rounding: numbers NNN.NNN0 until NNN.NNN4 are rounded to NNN.NNN and numbers NNN.NNN5 to NNN.NNN9 are rounded to NNN.NN(N+1). The Fund has two classes of Shares:

- Avaron Emerging Europe Smaller Companies Fund A (hereafter "A-Share"),
- Avaron Emerging Europe Smaller Companies Fund B (hereafter "B-Share").

RIGHTS ATTACHED TO SHARES

The issue and redemption of Shares, and the creation and termination of the rights and obligation relating thereto, shall take effect with relevant entry into the Share Registry.

Shareholders shall be treated equally in equal circumstances. Shareholders shall exercise their rights attached to the Shares in good faith and in accordance with the Articles of Association, the Prospectus, and the Applicable Law. The Share shall grant to the Shareholder the following rights: (i) right to demand redemption of Shares; (ii) right to transfer the Shares to third parties; (iii) right to participate in the general meeting of Shareholders; (iv) right to receive a share of the assets remaining upon the liquidation of the Fund and of any distributions made from the Fund in proportion to the number of Shares and the class of Shares held; (v) right to access and receive information regarding the Fund; (vi) upon request, to receive a confirmation from the Registrar relating to Shares registered to his or her name in the Registry; (vii) to exercise other rights provided by the imperative provisions of the Applicable Law. The exercise of such rights shall not be with the intent or objective to damage the interests of other Shareholders, the Management Company, the Depositary, or any third party.

NET ASSET VALUE OF THE SHARE AND TRANSACTIONS WITH SHARES

NET ASSET VALUE OF THE FUND AND SHARE

The net asset value of the Fund and of the Share depends on the value of the assets of the Fund. The net asset value shall be calculated based on the provisions of internal rules of the Management Company (available on website www.avaron.com), the Articles of Association of the Fund and the Applicable Law. The value of the assets shall be determined primarily based on their market value. If the market value cannot be established, valuation shall be based on another suitable and generally accepted method for establishing the fair value as set out in the internal rules of the Management Company. The net asset value of the Share is determined by dividing the total net asset value of the Fund by the number of issued and outstanding Shares of that class (adjusted by transaction orders received by the Management Company, but not yet settled). The net asset value of a particular class of Share is calculated by subtracting the liabilities of the Fund that are allocated to such class of Shares from the aggregate market value of the securities and other assets of the Fund attributable to such class of Shares and dividing such value with the number of outstanding Shares of that particular class.

The net asset value of the Share shall be calculated every Banking Day in the reference currency of the relevant Share.

The Management Company shall publish the net asset value of the Fund and the Share at least once for each Banking Day on the following Banking Day by 16.30 CET at its website www.avaron.com. The net asset value of the Share shall be rounded up to four decimal points.

In case an event or a fact occurs or becomes evident after the net asset value of the Fund has been calculated and published and if such an event or fact, based on the professional assessment of the Management Company, substantially affects the calculation of the net asset value, the Management Company has the right to perform revaluation, if not doing so would be detrimental to the interests of Shareholders.

TRANSACTIONS WITH FUND SHARES

The issue and redemption of Shares is organised by the Transfer Agent. In order to enter into transactions with Shares, an investor or a credit institution in which investor has a cash account shall have a securities account and a cash account linked to it opened with the Transfer Agent or only a registry account opened with the Transfer Agent and a cash account in another credit institution.

A qualified investor can open a segregated account in its own name, or a nominee account on terms and conditions as provided by such third party-service provider (e.g. a distributor). If the Shares are kept on a nominee account, the Share transaction orders

shall be submitted by the nominee, and all transfers and payments in relation to Share transactions shall be made to the nominee account (and to the current account of the nominee, respectively).

Transactions with Shares shall be performed and settled in the reference currency of the respective Shares.

By submitting an order, the Shareholder confirms that he or she has thoroughly acquainted with, consents to and undertakes to adhere to the Articles of Association of the Fund or fund rules, in case of exchange into a common fund, and the Prospectus. The Shareholder is not permitted to revoke or make amendments to his or her subscription, redemption or exchange order after it has been submitted to the Management Company. Upon subscribing Shares, the investor shall pay the subscription amount within the prescribed time limit to the Fund's cash account. In case the Shareholder has not duly performed its obligations, the Management Company is entitled to use any legal remedy available to it pursuant to the Applicable Law, including the right of withdrawal from the transaction and claim damage caused by such non-performance to the Fund, other Shareholders and/or to the Management Company. The Management Company has the right in its sole discretion to refuse to execute a subscription or exchange order, if this is deemed necessary for protecting the interests of existing Shareholders, or for the orderly management of the Fund.

SUBSCRIPTION AND ISSUE OF SHARES

Shares can be subscribed and are issued on every Banking Day (additional information in section "Cut-off Dates"), unless the transactions are suspended pursuant to and in accordance with the Prospectus and/or the Applicable Law. The subscription price of the Share is the net asset value of the Share that has been calculated as of the day of receiving the subscription order (the Trade Date). No subscription fee is added to the net asset value of the Share. Shares shall be issued only upon due payment of the full subscription price.

The subscription of Shares is not limited by the number of Shares or an amount of investment. There are no minimum initial subscription amounts. However, the Management Company's Management Board has the right in its sole discretion not to accept new subscriptions should the Fund's net asset value exceed the optimum size of the Fund ("soft close" of the Fund), if this is deemed necessary for protecting the interests of existing Shareholders, or for the orderly management of the Fund. In order to subscribe Shares, an investor shall submit a subscription order to the Transfer Agent. The Share shall be issued upon receiving the subscription amount in the reference currency of the Share to the Fund's cash account latest by the settlement date, and the registration of the Share in the Share Registry. The settlement date shall be no later than the third Banking Day from the Trade Date (T+3), unless the Management Company and the investor agree on a different settlement cycle.

By submitting a subscription order, each person consents to the processing of his/her data (including personal data) pursuant to the Management Company's principles of processing client data (available at the website www.avaron.com). The persons authorised by the Management Company to process personal data (authorised processors) and their contact details are also available at the above website.

REDEMPTION OF SHARES

Upon redemption of Shares a payment in the amount of the aggregate redemption price of the Shares redeemed shall be made from the assets of the Fund to the Shareholder's cash account. The redemption payment shall be made in the reference currency of the Share. Payment in-kind is not available. Upon making the redemption payment, the Shares will be deleted from the Share Registry (on the settlement date), and all the rights and obligations relating to Shares shall be deemed as terminated as from making such a deletion. Shares are redeemed at month-end net asset value with a cut-off at 11am CET on the 6th calendar day of the month. The redemption price of the Share shall be the net asset value of the Share that is calculated as of the last Banking Day of the month. No redemption fee is applied.

In order to redeem Shares, a Shareholder shall submit a redemption order to the Transfer Agent latest by 11:00 CET on the 6th calendar day of the month. The settlement date shall be no later than the third Banking Day from the date of executing the redemption order (T+3), unless the Management Company and the Shareholder agree on a different settlement cycle, or when special arrangements specified below are applied. The term for making the redemption payment does not include the time for executing any transfer by the beneficiary bank.

Special arrangements

If net redemptions of Shares (total subscriptions minus total redemptions), including exchange of Shares to Management Company's other funds' shares or units, exceed 15 million euros, the Management Company's Management Board has the right but not an obligation to split the redemption and/or conversion orders and postpone net redemptions exceeding 15 million euros to the next redemption date (next month). The payment of the postponed orders shall take place proportionally. Postponing the trade date of the orders does not affect the settlement of the redemption and/or conversion orders received on the following month, unless the conditions for postponement of the payment date provided in this section are met for such orders. The Management Company shall notify the Shareholders affected by the postponement of the trade and payment date and publish a notice on its website. The Shareholder is not entitled to demand fine for delay, penalty, indemnification or use any other legal

remedies and the Management Company is not liable for any potential damages that might occur due to splitting of orders into parts, postponing the Trade Date or payment date of the orders as described above.

If net redemptions of Shares (total subscriptions minus total redemptions), including exchange of Shares to Management Company's other funds' shares or units, exceed 15 million euros, the Management Company's Management Board has the right but not an obligation to postpone the payment date for all redemption orders up to 10 Banking Days (T+10). In such case all redeeming investors shall be treated equally. For clarification purposes redeeming Shareholders shall receive the net asset value as of the last Banking Day of the month but the payment date might be postponed from T+3 up to T+10.

The Management Company shall notify the Shareholders affected by the postponement of the payment date and publish a notice on its website. The Shareholder is not entitled to demand fine for delay, penalty, indemnification or use any other legal remedies and the Fund and the Management Company is not liable for any potential damages that might occur due to splitting of orders into parts, postponing the Trade Date or payment date of the orders as described above.

EXCHANGE OF SHARES

The Shareholder is entitled to exchange the Shares with the shares of another class of the Fund or units of another fund managed by the Management Company, provided that acquiring the shares or units of the other investment fund through exchange transaction is permitted and the conditions for the minimum initial subscription, if applied, are met, unless the Management Company has reduced or waived the requirements for some investors at its discretion. Exchange of Shares is performed based on the month-end NAV with cut-off at 11 am CET on the sixth calendar day each month.

CUT-OFF DATES

The subscription order cut-off date is the Banking Day when it is duly submitted and received by the Transfer Agent by 11.00 CET on such Banking Day. The redemption and exchange order cut-off date is the 6th calendar day each month when it is duly submitted and received by the Transfer Agent by 11.00 CET on such calendar day. Transaction orders received by the Transfer Agent after such a cut-off date are deemed to have been received by the next cut-off.

SUSPENDING TRANSACTIONS

The Management Company may suspend the issue or redemption of Shares subject to and in accordance with the Investment Funds Act, if such suspension would be in the collective interests of the Shareholders, or to ensure the due operation and management of the Fund. The Management Company has the right to suspend redemption of Shares where: (i) the Fund does not have liquid assets to redeem the Shares; (ii) the Management Company is unable to repatriate moneys for the purpose of making payments on the redemption of Shares or during which any transfer of moneys involved in the realisation or acquisition of investments or payments due on redemption of such Shares cannot in the opinion of the Management Company be effected at fair value; (iii) the calculation of the net asset value of the Fund is complicated, for example due to the breakdown or restriction in the use of the means of communication normally employed in determining the price or value of any of the investments or the current prices on any stock exchange or trading venue; (iv) any stock exchange or trading venue, which is a relevant market or venue on which a material part of the Fund's assets for the time being are quoted, is closed (otherwise than for ordinary holidays), or during which dealings are substantially restricted or suspended; (v) the redemption would otherwise be detrimental to the collective interests of the Shareholders or for the management and operation of the Fund (e.g. preparation for corporate events such as a merger or dissolution and liquidation); (vi) other grounds for suspension of subscriptions or redemptions exist as per the Applicable Law.

The Management Company shall promptly notify the Financial Supervision Authority of the suspension of subscriptions or redemptions of Shares, unless this is due to the suspension of trading on a relevant stock exchange or other relevant trading venue. The Management Company shall publish a notice regarding the suspension of subscriptions or redemptions on its website. The subscription and redemption of Shares may be suspended for the period of three months, and such period may be extended with the approval of the Financial Supervision Authority.

Upon the suspension of the subscription and redemption of Shares, the Registrar shall retain all subscription and redemption orders and payments on its account, and Shares are issued based on the net asset value first determined after the suspension is lifted and redemption of Shares is continued. All such subscription and redemption orders shall be executed at the same terms for all delayed Fund investors.

TAXATION

The Fund has only accumulating Shares. All proceeds from the Fund's investments shall be reinvested, and no distributions shall be made to the Shareholders from the Fund. Profit generated or loss incurred by the Fund accrues in changes of the net asset value, consequently the value of the Share increases or decreases. The investor has earned profit from the Fund if the redemption price of the Share exceeds the cost of acquisition. The Fund and/or investors could be liable to pay taxes in the countries where the Fund has investments, subject to the tax system of the particular country. Declaring and paying respective taxes is the

obligation of each Shareholder. The tax system applicable to an investor may depend on his or her tax residency, legal form and other circumstances. Investors are advised to consult a professional tax advisor before investing into the Fund.

FEES AND EXPENSES

The rates of fees are provided in the Table 1 below. Management and Depositary Fees are calculated as a percentage of the market value of the assets of the Fund. The Management and Depositary Fees are accrued and deducted from the market value of the assets of the Fund on a daily basis and paid out monthly for the previous calendar month. The Management Fee is presented as an annual rate of the market value of the assets of the Fund. The rates of Depositary Fee as shown below include value added tax (VAT).

Table 1 Fees for the Fund and Shareholder

	A-Share	B-Share
Expenses paid by the Shareholder:		
Subscription fee	None	None
Redemption fee	None	None
Fees and expenses paid by the Fund:		
Management Fee	0.85%	1.15%
Performance Fee	15% of return over benchmark index	None
Depositary Fee (including VAT)	0.096% (no less than 10,800 Euros) per annum, plus 0.034%-0.42% per annum depending on where the Fund's assets are registered	
Other expenses	According to the price list of the service provider	

The Management Company is entitled to a Performance Fee if A-Share outperforms the benchmark. The Performance Fee shall be calculated for the A-Share starting from 1st of January 2023. The Performance Fee shall be payable also in case the A-Share has outperformed the benchmark but had a negative performance. The standard performance fee crystallisation period is calendar year (January 1 to December 31). The rate of the Performance Fee is 15% of the amount by which the Share return exceeds the benchmark index return (positive relative return). The benchmark index is MSCI EFM Europe + CIS (E+C) ex Russia Net Return EUR Index¹. If Performance Fee is due at the end of the calendar year, the Performance Fee shall be crystallised. Performance Fee measurement shall begin anew after each time the Performance Fee is crystallised at the end of the calendar year.

If the A-Share underperforms the benchmark index at the end of the calendar year (negative relative return), Management Company will not receive Performance Fee and the performance fee measurement period shall be extended to include the next calendar year. The Management Company is entitled to the Performance Fee at the end of the second year if the cumulative return of A-Share exceeds the cumulative return of the benchmark index (positive cumulative relative return) during the extended performance fee measurement period.

If by the end of the second year the cumulative A-Share return is below the cumulative return of the benchmark index (negative cumulative relative return), the measurement period shall be extended again to include the next calendar year. The same cumulative outperformance/underperformance assessments for the entitlement of the Performance Fee shall be made at the end of each calendar year until the end of the fifth year. If by the end of the fifth calendar year the negative cumulative relative return has still not been covered and no Performance Fee is due, the return from the first calendar year is no longer relevant and performance fee measurement period shall be adjusted for the next year to include four preceding calendar years. If by the end of the adjusted measurement period positive cumulative relative return occurs and also A-Share outperforms the benchmark index during the latest calendar year, the Management Company is entitled to the Performance Fee which is calculated from the amount by which A-Share return exceeds the benchmark index return during the latest calendar year (not the measurement period positive cumulative relative return). In case there is positive cumulative relative return during the adjusted five year measurement period but A-Share underperforms (negative relative return) the benchmark index during the latest calendar year, no Performance Fee is due and the measurement period shall be adjusted again for the next year to include four preceding calendar years. Same outperformance/underperformance assessments shall be made at the end of this newly adjusted period.

The Management Company shall have the right to change the benchmark index and notify the Shareholders of the change of the index at least three months in advance on the website of the Management Company. If the new benchmark index becomes

¹ For more information visit: <https://www.msci.com/end-of-day-data-search> (search for Emerging Markets, EUR Net index)

effective on any other day except January 1, the Management Company shall not be entitled to a Performance Fee for the period that begins on January 1 preceding the day of changing the benchmark index and ends on December 31 following the day of changing the benchmark index.

The entitlement for Performance Fee is revalued on each day when the net asset value of the Fund is calculated and fixed on December 31 each calendar year if Performance Fee is due. The Performance Fee is paid out thereafter within one-month period. Should Shares be redeemed prior to the date when Performance Fee is fixed, any accrued but unpaid Performance Fee for the redeemed Shares shall be crystallised and paid during the month following the fixing of the Performance Fee.

Examples of Performance Fee entitlement calculation with fictitious figures not reflecting the results of the Share or benchmark index:

Year	A-Share return	Benchmark index return	Relative return*
Y1	10%	5%	5%
Y2	2%	9%	-7%
Y3	0%	4%	-4%
Y4	10%	2%	8%
Y5	5%	3%	2%
Y6	1%	2%	-1%
Y7	2%	3%	-1%
Y8	3%	1%	2%
Y9	-1%	-5%	4%
Y10	6%	2%	4%

* Relative return – A-Share return minus benchmark index return during calendar year

Y1	Measurement period is one year, A-Share outperforms the benchmark index (+5%), Performance Fee is paid. New measurement period shall begin from Y2.
Y2	Measurement period is one calendar year (Y2), A-Share underperforms the benchmark index (-7%), no Performance Fee is paid. Performance fee measurement period shall be extended to include Y2 and Y3.
Y3	Performance fee measurement period includes Y2 and Y3. Cumulative A-Share return = 2.0% = $(1+2\%)*(1+0\%) - 1$ Cumulative benchmark index return = 13.4% = $(1+9\%)*(1+4\%) - 1$ Cumulative relative return = -11.4% = 2.0% - 13.4% No Performance Fee is paid and measurement period shall be extended to include Y2, Y3 and Y4.
Y4	Performance fee measurement period includes Y2 to Y4. Cumulative A-Share return = 12.2% = $(1+2\%)*(1+0\%)*(1+10\%) - 1$ Cumulative benchmark index return = 15.6% = $(1+9\%)*(1+4\%)*(1+2\%) - 1$ Cumulative relative return = -3.4% = 12.2% - 15.6% Although the Share outperforms the benchmark index during Y4, no Performance Fee is paid because cumulative relative return is still negative. The measurement period shall be extended to include Y2, Y3, Y4 and Y5.
Y5	Performance fee measurement period includes Y2 to Y5. Cumulative A-Share return = 17.8% = $(1+2\%)*(1+0\%)*(1+10\%)*(1+5\%) - 1$ Cumulative benchmark index return = 19.1% = $(1+9\%)*(1+4\%)*(1+2\%)*(1+3\%) - 1$ Cumulative relative return = -1.3% = 17.8% - 19.1% No Performance Fee is paid (despite the positive relative return during the calendar year, the cumulative relative return is still negative) and measurement period shall be extended to include Y2, Y3, Y4, Y5 and Y6.
Y6	Performance fee measurement period includes Y2 to Y6. Cumulative A-Share return = 19.0% = $(1+2\%)*(1+0\%)*(1+10\%)*(1+5\%)*(1+1\%) - 1$ Cumulative benchmark index return = 21.5% = $(1+9\%)*(1+4\%)*(1+2\%)*(1+3\%)*(1+2\%) - 1$ Cumulative relative return = -2.5% = 19.0% - 21.5% No Performance Fee is paid, Y2 returns are no longer accounted for next period, measurement period shall be adjusted to include Y3, Y4, Y5, Y6 and Y7.

Y7	<p>Performance fee measurement period includes Y3 to Y7.</p> <p>Cumulative A-Share return = $19.0\% = (1+0\%)*(1+10%)*(1+5%)*(1+1%)*(1+2\%) - 1$</p> <p>Cumulative benchmark index return = $14.8\% = (1+4%)*(1+2%)*(1+3%)*(1+2%)*(1+3\%) - 1$</p> <p>Cumulative relative return = $4.2\% = 19.0\% - 14.8\%$</p> <p>As Y7 relative return is negative (-1%) no Performance Fee is paid</p> <p>Y3 returns are no longer accounted for next period, measurement period shall be adjusted to include Y4, Y5, Y6, Y7 and Y8.</p>
Y8	<p>Performance fee measurement period includes Y4 to Y8.</p> <p>Cumulative A-Share return = $22.6\% = (1+10%)*(1+5%)*(1+1%)*(1+2%)*(1+3\%) - 1$</p> <p>Cumulative benchmark index return = $11.5\% = (1+2%)*(1+3%)*(1+2%)*(1+3%)*(1+1\%) - 1$</p> <p>Cumulative relative return = $11.1\% = 22.6\% - 11.5\%$</p> <p>Y8 relative return is also positive (+2%) and Performance Fee is paid from the 2% outperformance.</p> <p>New measurement period shall begin from Y9.</p>
Y9	<p>Measurement period is one year. Although A-Share calendar year performance is negative, A-Share outperforms the benchmark index (+4%), Performance Fee is paid. New measurement period shall begin from Y10.</p>
Y10	<p>Measurement period is one year, A-Share outperforms the benchmark index (+4%), Performance Fee is paid. New measurement period shall begin from Y11.</p>

The Fund shall pay expenses related to the management of the Fund, as specified in the Articles of Association (incl. liquidation costs).

The total fees and expenses (excl. liquidation costs) payable on behalf of the Fund may not exceed 5% of the weighted average market value of the Fund's assets per annum.

INFORMATION ON THE FUND

ACCOUNTING AND REPORTING

The Management Company is responsible for arranging the accounting and reporting of the Fund subject to and in accordance with the Investment Funds Act, the Accounting Act, as well as other applicable legislation and the internal rules of accounting. The annual report of the Fund shall be audited, and the auditor's report attached to the Fund's annual report. The annual reports of the Fund shall be approved and made available within four months after the end of the financial year, and semi-annual reports within two months after the end of the respective reporting period.

Any person has the right to access Fund and Management Company related information and documents at the Management Company's registered address and at its website www.avaron.com: (i) the Articles of Association; (ii) the annual report of the Fund for the most recent year; (iii) the semi-annual report of the Fund if it has been approved later than the most recent annual report; (iv) the Prospectus and the KID; (v) the name and contact details of the Management Company; (vi) the names of persons responsible for the investment management activities; (vii) the name and contact details of the Depositary; (viii) the rules for calculating the net asset value and the internal rules for making derivative transactions; (ix) information on the size of the Management Company's holding in the Fund; (x) annual reports of the Management Company for the most recent year.

On request, the Shareholders shall receive a copy of the Articles of Association, the Fund's most recent annual and/or semi-annual report, the Prospectus and the KID free of charge, either electronically via e-mail or as a physical copy by mail or at the location of the Management Company.

AMENDING PROSPECTUS

The Management Company's Management Board may amend the Prospectus, including material issues such as amendments to the Investment Policy or Investment Restrictions, fees, costs and expenses. In the case of material amendments to the Prospectus, the Management Company shall ensure that the Shareholders are provided with a period of at least three months before such material amendments enter into effect during the period the Management Company redeems the Shares at the request of the Shareholder or ensures an option to exit by sale of the Shares at the price at least equal to the net asset value of the Shares. The Management Company shall inform the Shareholders of such rights via its website.

Subject to the three-month period provided in the previous paragraph, the amendments to the Prospectus shall take effect only after the amended Prospectus has been notified to the Financial Supervision Authority and published on the Management Company's website, unless a later date is provided with a relevant resolution. If material amendments to the Prospectus are due to amendments to the Articles of Association, such amendments shall take effect together with the amended Articles of Association.

LIABILITY ATTRIBUTABLE TO THE PROSPECTUS

If the Prospectus or the KID contains information material for the assessment of the value of the Fund or the Shares, and such information turns out to be incorrect, the Fund shall compensate the damage to the Shareholders resulting therefrom, subject to and in accordance with the Applicable Law. In order to compensate such damage, the Fund is entitled, with the consent of the Shareholder, to redeem the Shares without redemption fee at the same net asset value, as was applied in issuing the Shares to the Shareholder. In compensating the damage by redemption, the Shareholder does not have the right to apply for any other remedies. For the avoidance of doubt, the Fund shall not be responsible for any information derived from a third party, if such third-party source has been identified in the Prospectus, and the Fund did not know and should not have known that such information was incorrect.

GOVERNANCE OF THE FUND

The Fund is established as a public limited fund with variable capital. The more detailed governance structure of the Fund is regulated in the Articles of Association. In general, the competence of the general meeting by law has been delegated to the Supervisory Board of the Fund. The general meeting has the right to amend the Articles of Association and reclaim the competence as regulated by law. The Supervisory Board supervises the activities of the Fund's Management Board and the Management Company who provides investment management services as described below to the Fund. The Fund's Management Board acts as the representative body of the Fund and performs supervision over the outsourced activities.

MANAGEMENT COMPANY

General

The Fund is managed by AS Avaron Asset Management based on the Management Agreement signed between the Fund and AS Avaron Asset Management (registry code 11341336, registered address at Narva mnt 7d, 10117 Tallinn, Estonia). The Management Company is a limited liability company registered in Estonia (date of establishment 14 September 2006). With the resolution No. 119 of the Financial Supervision Authority dated 28 December 2006, the Management Company is authorised to manage investment funds established pursuant to and in accordance with the UCITS Directive, other funds pursuant to and in accordance with the Investment Funds Act, and to provide portfolio management and investment advisory services. The share capital of the management Company totals to EUR 271,383.30. The Management Company is owned by OÜ Princo and OÜ Venatio, the companies belonging to founders of the Management Company Kristel Kivnurum-Priisalm, Valdur Jaht and Peter Priisalm. The beneficial owners of the Management Company are Kristel Kivnurum-Priisalm, Valdur Jaht and Peter Priisalm as well as senior research staff who are long-term employees - Rain Leesi, Piotr Jurga and Reino Pent. AS Avaron Asset Management manages UCITS funds and alternative investment fund(s). The members of the supervisory board of the Management Company are Peter Priisalm, Maris Jaht and Rain Leesi. The members of the Management Company's Management Board are Kristel Kivnurum-Priisalm and Valdur Jaht.

The Activities of the Management Company

Pursuant to the mandate provided with the Management Agreement and Articles of Association, the Management Company has the full power and authority to enter into transactions for investment and divestment of the Fund's assets, pursuant to and in accordance with the Investment Policy and Investment Restrictions provided in this Prospectus, and the imperative provisions of the Applicable Law. The Management Company shall conduct transactions with the assets of the Fund in the name and for the account of the Fund. When performing the investment management function, the Management Company shall obtain sufficient information on the assets which the Management Company intends to acquire or has acquired for the Fund, monitor the financial situation of the issuer whose securities the Management Company intends to acquire or has acquired, obtain sufficient information with regard to the solvency of the persons with whom they transact on behalf of the Fund, and perform its duties otherwise with due care, skill and diligence, as is common in the investment management industry. Management Company may use cooperation partners to promote the Fund. Such cooperations are entered into bearing in mind the general interest of the Fund and its investors.

Outsourcing the Activities of the Management Company

In order to provide more efficient services, the Management Company has the right to delegate the following functions relating to the management of the Fund to third-parties in accordance with the Investment Funds Act: (i) investment management; (ii) Share issues and redemptions; (iii) issuing confirmations to Shareholders regarding Shares registered to their name in the Share Registry; (iv) providing necessary information to the Fund's Shareholders and other customer services; (v) distribution; (vi) fund management accounting services; (vii) valuation and pricing (including tax returns); (viii) regulatory compliance monitoring. Delegation of its functions does not affect the liability of the Management Company in relation to the management services provided to the Fund.

The Management Company has outsourced maintaining the Share Registry, organising the issue and redemption of Shares and carrying out the due diligence of investors as prescribed in the Prevention of Money Laundering and Financing of Terrorism Act to Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia. In addition, the Management Company has outsourced to Swedbank AS the accounting of proceeds of the Fund, valuation of the Fund's assets and the determination of their net value, including provision of information and reports on the Fund's assets. Swedbank AS is a licensed credit institution and it provides various financial services. Swedbank AS is supervised by the Financial Supervision Authority.

Remuneration Policy

The Management Company has established a remuneration policy for the employees of the Management Company regulating practices regarding fixed (monthly) and variable remuneration. The remuneration principles are adopted by the senior partners of Avaron. No remuneration committee has been established at the Management Company. The total remuneration of the Management Company's employees consists of a fixed and variable remuneration. The total remuneration is based on the conditions prevalent on the labour market and devised so as to achieve a reasonable balance between its fixed and variable components. Details of the Management Company's up to date remuneration policy are disclosed at the website www.avaron.com.

DEPOSITARY

The Depositary of the Fund is Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia, website www.swedbank.ee. Swedbank AS is a licensed credit institution in Estonia and it provides various financial services. The activities of the Depositary are supervised by the Financial Supervision Authority.

The Activities of the Depositary

The Depositary shall safekeep the cash, securities and other liquid assets of the Fund. The Depositary does not safekeep other assets of the Fund not referred to, unless it is agreed otherwise between the Management Company and the Depositary. The Depositary shall also carry out other duties entrusted to it by legislation. The Depositary shall act independently of the Management Company and in the best interests of the Fund and the Shareholders.

The Depositary has the right, in accordance with the policies provided for in the depositary agreement, to enter into agreements with third parties for delegating the safekeeping of the Fund's assets, performing settlements therewith and fulfilling other functions. The Depositary shall keep the assets of the Fund segregated from its own assets and shall keep separate accounting of the assets of the Fund. The Depositary shall choose the third parties safekeeping the Fund's assets or securities with due care to ensure the reliability of such third parties. The Depositary shall, before delegating its functions, assess and perform ongoing monitoring to ensure that the organisational and technical arrangement of the delegate as well as its financial condition is sufficient for performing its contractual obligations. The Depositary shall be liable for the direct proprietary damage caused to the Fund and Shareholders as a result of the breach of its duties.

The Depositary may offer its services to the Fund or to the Management Company which do not entail conflicts of interest between the Fund, the Management Company, Fund investors and the Depositary. In case of an existence of a conflict-of-interest situation, the Depositary is only allowed to offer services if the organisational set up and the level of technical systems of the Depositary enable the Depositary to separate the depositary functions from the services that create conflicting interests.

Conflicts of interest may occur in a situation where Swedbank AS offers different services in addition to the depositary service to the Management Company or to the Fund. Detailed information regarding the conflict of interests' situations and the management of such situations can be found at the Management Company's website.

The organisational set up and the arrangement of the technical systems enable the Depositary to separate the depositary function from the services causing conflicts of interest. Efficient internal control systems, the division of responsibilities and reporting lines enable the Depositary to identify, manage and avoid conflicts of interests.

The Depositary has the right, in accordance with the policies provided for in the depositary agreement and in the Applicable Law, to delegate to third parties the safekeeping of the Funds' assets. Where the law of a third country requires that certain financial instruments be held in custody by a local entity and no local entities satisfy the delegation requirements laid down, the Depositary may delegate its functions to such a local entity only to the extent required by the law of that third country, only for as long as there are no local entities that satisfy the delegation requirements, and only where the Shareholders of the Fund are duly informed, prior to their investment, of the fact that such a delegation is required due to legal constraints in the law of the third country, of the circumstances justifying the delegation and of the risks involved in such a delegation.

By delegating the safekeeping of the Fund's assets, the Depositary ensures that it has sufficient internal procedures for identifying, managing and avoiding conflicts of interests. For example, the conflicts of interest situation could arise in an event where safekeeping of assets has been delegated by the Depositary to an entity belonging to the same group within the Depositary.

Detailed information regarding the sub-custodians who have been delegated with the safekeeping of the Fund's asset can be found at the website www.avaron.com.

Upon request of the Shareholder, an updated information of the conflicts of interest and delegating the safekeeping of the Fund's assets shall be provided by the Management Company.

REGISTRAR

The Share Registry may be maintained by the Management Company, or such function may be delegated to a third-party service provider. Such service provider shall have sufficient organizational, technical and financial capacity, as well as appropriate internal control measures and procedures as well as qualified human resources to be able to perform such a function with due care and diligences in accordance with the relevant agreement and the Applicable Law in a sustainable manner.

The Management Company has delegated the function of maintaining the Share Registry to the Registrar, being Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia, website www.swedbank.ee.

The Share Registry shall be maintained in an electronic book-entry form in accordance with the agreement and data processing rules agreed between the Management Company and the Registrar, as well as the Applicable Law, including the Personal Data Protection Act. Access to the Share Registry information is enabled pursuant to the Applicable Law. Each Shareholder has the right to acquaint with the registry information relating to him or her, and upon request, to receive a confirmation from the Registrar relating to the Shares registered to his or her name in the Share Registry. The Registrar shall retain the data and documents received for making a register entry as prescribed by the Applicable Law.

Members of the Management Board of the Management Company

Kristel Kivinurm-Priisalm

Valdur Jaht

APPENDIX 1

The table below displays the average annual cumulative rate of return of the Fund (as of 31/12/2023):

	1 year
A Unit	17.3%
B Unit	17.4%

The performance is shown after deduction of ongoing charges and incidental costs.

The past performance of the Fund helps you to assess how the Fund has been managed in the past. However, please bear in mind that the past performance is not a reliable indicator of future performance. Markets could develop very differently in the future.

APPENDIX 2

ARTICLES OF ASSOCIATION OF AVARON EMERGING EUROPE SMALLER COMPANIES FUND

These Articles of Association registered with the Estonian Financial Supervision Authority are effective as of 1 January 2023.

1. Name and Registered Office

- 1.1. The business name of the public limited company qualifying as public limited fund with variable capital (in Estonian *muutuvkapitaliga aktsiaseltsifond*, in short MASF) is **Avaron Emerging Europe Smaller Companies Fund MASF** (in Estonian: *Avaron Areneva Euroopa Väikeettevõtete Fond*, hereinafter referred to as the Fund).
- 1.2. The registered office of the Fund is in Tallinn, the Republic of Estonia.

2. Duration and Purpose

- 2.1. The Fund is incorporated for an unlimited period.
- 2.2. The Fund is a UCITS fund established under the Estonian Investment Funds Act. The exclusive object of the Fund is to invest the funds available to it in transferable securities as well as in any other assets and financial instruments permitted by the Applicable Law and the Prospectus with the purpose of spreading investment risks and affording its Shareholders the results of the management of its portfolio. Generally, the Fund may take any measures and carry out any transaction which it may deem useful in the accomplishment and development of its purpose to the largest extent permitted by Estonian Investment Funds Act which is in conformity with the UCITS directive.
- 2.3. The investment objective of the Fund is to invest primarily in attractively valued small and mid-cap companies in Emerging Europe ex-Russia region to deliver positive risk-adjusted return over the market cycle. To achieve these investment objectives, at least 80% of the Fund's net assets shall be invested into equity instruments of Emerging Europe companies as defined in the Prospectus.
- 2.4. The Fund may be offered to the public in Estonia, and in any other jurisdictions where it is specifically authorised to do so by the competent authorities.

3. General Description of the Investment Policy

- 3.1. Subject to the investment policy and investment restrictions, the Fund's assets can be invested into equities, various debt instruments, deposits, FX derivative instruments and other financial instruments. The Fund may not use leverage to achieve its investment objective. The assets of the Fund shall be invested into Emerging Europe countries. The allocation of the Fund's assets between different asset classes, industrial sectors and regions shall be determined by the Management Company in exercising active portfolio management strategy, subject to its professional assessment and the prevailing market circumstances. Therefore, the proportions of various financial instruments in the Fund's assets vary over time and the exact combination shall be determined based on the Management Company's views and on the issuer specific and macroeconomic research as carried out by the Management Company.
- 3.2. A detailed overview of the investment policy and the investment restrictions is provided in the Prospectus.
- 3.3. The return on investment into the Fund, or achievement of its investment objective is not guaranteed. The past performance of the Fund is neither a guarantee nor an indication of future performance. With the investment into the Fund the Shareholder acknowledges and accepts that such investment involves risk and it may result in both profit or loss to the Shareholder, including loss of the entire amount invested. The overview of risks pertaining to investment into the Fund is provided in the Prospectus. Each investor is advised to consult with a professional investment advisor prior to making an investment.

4. Definitions and interpretation

- 4.1. In these Articles of Association, unless the context otherwise requires, the defined terms shall have the following meaning:

Applicable Law	all matters not governed by these Articles of Association shall be subject to Estonian legislation concerning undertakings for collective investment applicable to the Fund, in particular, the Investment Funds Act, as amended or supplemented from time to time, in conformity with the UCITS directive
Articles of Association	this governing document which sets forth the legal grounds for the Fund and regulates the legal relationships of the Fund with the Management Company and its Shareholders

Banking Day	a day when credit institutions are generally open for business in Estonia, excluding Saturdays, Sundays, national and public holidays
Depository Fee	a fee payable to a designated depository (hereinafter referred to as the Depository) for safekeeping assets of the Fund, and performing certain other functions in relation to the Fund, subject to and in accordance with an agreement concluded with the Depository
Foundation Resolution	a resolution of the founding Shareholder made for the founding of the public limited fund according to Applicable Law with which the Shareholder also approves the Management Agreement and the depository agreement
KID	Key Information Document is a short form pre-sale disclosure document, containing only key information about the essential characteristics of the Fund as prescribed in the Applicable Law
Management Agreement	a contract which is entered into between the Fund and the Management Company pursuant to which the latter undertakes to provide asset management services to the Fund in accordance with the Articles of Association and the Prospectus
Management Company	AS Avaron Asset Management, registry code of 11341336, with registered address at Narva mnt 7d, 10117 Tallinn, Estonia, website www.avaron.com
Management Fee	fee payable by the Fund to the Management Company for the management of the Fund pursuant to and in accordance with the Management Agreement, the Articles of Association and the Prospectus
Performance Fee	fee payable by the Fund to the Management Company pursuant and in accordance with the Articles of Association and the Prospectus dependent on the result of the investment management services rendered by the Management Company
Prospectus	a document for the public offering of the Fund, presenting information to the extent required by the Applicable Law, and any other information deemed necessary or advisable by the Management Company for deciding an investment into the Fund
Registrar	the registrar of the Share Registry, as identified in the Prospectus
Share	Share representing a holding in the Fund
Shareholder	person who has subscribed for and/or is holding a Share
Share Registry	registry of Shares, maintained electronically by the Registrar
Trade Date	the date of receiving a duly compiled order to transact with Shares
UCITS	a fund established pursuant to and in accordance with the UCITS Directive
UCITS Directive	Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)

5. Share Capital and Classes of Shares

- 5.1. The amount of the Share capital of the Fund corresponds to the amount of the net asset value of the Fund. The Share capital of the Fund shall be deemed to be increased or decreased after changing the net asset value of the Fund.
- 5.2. The reference currency for the calculation of the net asset value of the Fund and the Shares, as well as the issue and redemption prices and for any relevant transactions with Shares is euro (EUR), the currency used within the European Economic and Monetary Union.
- 5.3. The minimum Share capital of the Fund is EUR 125,000 (one hundred and twenty-five thousand euros) and the maximum Share capital is EUR 250,000,000 (two hundred and fifty million euros). The Fund may to the extent of the minimum and maximum capital issue and redeem Shares.
- 5.4. The initial issued Share capital of the Fund was EUR 125,000 (one hundred and twenty-five thousand euros) fully paid in and represented by registered Shares.
- 5.5. The Share has a book value which is based on the net asset value of Fund's assets.

- 5.6. All proceeds from the investments of the Fund shall be reinvested, and no distributions shall be made to the Shareholders from the Fund. The Shareholder's return on his or her investment into the Fund is reflected in the increase or decrease of the net asset value of the Share. The Shareholder may realize its return by exercising redemption or sale right.
- 5.7. The Fund has two classes of registered Shares without nominal value:
- 5.7.1. Avaron Emerging Europe Smaller Companies Fund A (hereafter "A-Share");
- 5.7.2. Avaron Emerging Europe Smaller Companies Fund B (hereafter "B-Share").
- 5.8. The rights attached to a registered Share belong to the person who is entered as the Shareholder in the Share register. Shareholders shall exercise their rights attached to Shares in good faith and in accordance with the Articles of Association, the Prospectus, and the Applicable Law. The exercise of such rights shall not be with the intent or objective to damage the interests of other Shareholders, the Management Company, the Depositary of the Fund, or any third party.
- 5.9. Share is a dematerialised book-entry security, maintained in an electronic Share Registry. The Shareholder is not entitled to request that the Share certificates be issued. The Share is freely transferable. Issue and redemption of Shares, and creation and termination of rights and obligation relating thereto, shall take effect with relevant entry into the Share Registry. Information about the Share Registry and the Registrar is provided in the Prospectus.
- 5.10. Shareholders shall be treated equally in equal circumstances. The Share grants to the Shareholder the following rights, subject to and in accordance with the terms and procedures provided in the Prospectus and the Applicable Laws:
- 5.10.1. right to demand redemption of Shares;
- 5.10.2. right to transfer the Shares to third parties;
- 5.10.3. right to participate in the general meeting of Shareholders of the Fund where one Share shall grant the holder one (1) vote;
- 5.10.4. right to participate in distribution of assets remaining upon liquidation of the Fund in proportion to the number of Shares and the class of Shares held;
- 5.10.5. right to access and receive information regarding the Fund;
- 5.10.6. upon request, to receive a confirmation from the Registrar relating to Shares registered to his or her name in the Share Registry;
- 5.10.7. to exercise other rights provided by the imperative provisions of the Applicable Law.
- 5.11. The Share is divisible. The fractions of Share that are created by dividing Shares are rounded up to three decimal points. The following rules are applied for rounding numbers NNN.NNN0 until NNN.NNN4 are rounded to NNN.NNN and numbers NNN.NNN5 to NNN.NNN9 are rounded to NNN.NN(N+1). A holder of a fractional Share participates in making of payments from a Fund and in distribution of assets in the case of dissolution of the Fund. A fractional Share shall not grant its holder voting rights.
- 5.12. The Shareholders shall not be personally liable for the obligations of the Fund, and their liability for the performance of such obligations is limited to their respective investment into the Fund. The Articles of Association do not authorise the Management Company to assume obligation in the name of the Shareholder
- 5.13. The Fund may not issue convertible bonds and other securities which grant the owner thereof rights similar with those associated with convertible bonds.

6. Issue, Exchange and Redemption of Shares

- 6.1. New and fully paid-up Shares may be issued in the Fund without reserving to existing Shareholders of the Fund any preferential right to subscribe to Shares to be issued. The subscription of Shares is not limited by the number of Shares or an amount of investment.
- 6.2. The Shareholder is entitled to demand exchange of the Shares with Shares or units of other funds managed by the Management Company and other class of Shares of the Fund. Detailed terms and procedure for exchanging Shares, are provided in the Prospectus.
- 6.3. Shares are issued on every Banking Day and redeemed once a month unless the issue or redemption is suspended pursuant to and in accordance with the Prospectus and/or the Applicable Law. The issue of the Fund Shares and exchange for the Fund Shares is carried out every Banking Day. The redemption of Shares and exchange for the Management Company's other funds is carried out based on month-end NAV.
- 6.4. Detailed terms and procedure for Share transactions, including applicable cut-off times, are provided in the Prospectus.

- 6.5. By submitting a subscription order, the Shareholder confirms that he or she has thoroughly acquainted, consents and undertakes to adhere to the Articles of Association and the Prospectus. By Share subscription a subscriber shall receive the right to acquire Shares and shall undertake to pay for the subscribed Share. The Management Company has the right in its sole discretion to refuse to execute a subscription order if this is deemed necessary for protecting the interests of existing Shareholders, or for the orderly management of the Fund.
- 6.6. By the declaration of intention to acquire Shares (whether by submitting a subscription order or otherwise), each person consents to the processing of his/her data (including personal data) pursuant to the Management Company's principles of processing client data (available at the web page www.avaron.com/documents). The persons authorised by the Management Company to process personal data (authorised processors) and their contact details are also available at Management Company's website. The Management Company has the right to send notices and reports about the Fund at any known postal or e-mail address of the Shareholder.
- 6.7. In case the subscription and redemption fees or other direct expenses in relation to subscribing and redeeming Shares apply, these shall be paid for by the Shareholder.

7. Net Asset Value of a Fund

- 7.1. The net asset value of the Fund and of the Share depends on the value of the assets of the Fund. In order to determine the net asset value of the Fund, the value of the assets shall be calculated daily in accordance with the internal rules of the Fund (available on web page www.avaron.com/documents), from which the liabilities of the Fund shall be deducted.

8. General Meeting

- 8.1. According to Foundation Resolution the founding Shareholder has granted the Supervisory Board the competence of the General Meeting as stipulated in clause 9.2. The General Meeting has the right to amend the Articles of Association and reclaim the competence as regulated by law.
- 8.2. The Management Board shall call an extraordinary General Meeting if:
- 8.2.1. the net assets of the Fund are less than the amount permitted by law; or
 - 8.2.2. this is demanded by Shareholders whose Shares represent at least one-tenth of the Share Capital; or
 - 8.2.3. this is demanded by the Supervisory Board, the Management Company, the Depositary or the auditor of the Fund; or the Financial Supervision Authority.
- 8.3. If the Management Board does not call the extraordinary General Meeting within one (1) month after receipt of a demand from persons listed in clauses 8.2.2-8.2.3, the listed persons shall have the right to call the General Meeting themselves pursuant to the Articles of Association and law.
- 8.4. The Management Board shall, at least one (1) week prior to the day of the extraordinary General Meeting, publish a notice of the General Meeting in accordance with the requirements as stipulated in the Applicable Law.
- 8.5. The General Meeting is competent to adopt resolutions if more than 50% of the votes represented by Shares are present excluding deciding on amendment of Articles of Association as specified in clause 8.1, when 90% of the votes represented by Shares should be present. The persons authorised to participate at the General Meeting shall be determined seven calendar days before General Meeting at the end of a Banking Day. The Shareholder may participate in the General Meeting by electronic means according to the Applicable Law.
- 8.6. A list of Shareholders who participate in the General Meeting, shall set out the names of the Shareholders who participate in the meeting, the number of votes attached to their Shares, form of participation of the meeting and, if a representative of a Shareholder participates, the name of the representatives of the Shareholder. If Shareholder has voted by using electronic means, the list shall also specify the voting date. The chairman and the secretary of the meeting shall sign the list as well as all Shareholders or representatives participating in the meeting.
- 8.7. A resolution of the General Meeting shall be adopted if more than 50% of the votes represented at the General Meeting are in favour, excluding deciding on amendment of Articles of Association as specified in clause 8.1, when at least 90% of the votes represented at the General Meeting shall be required, and in other cases provided by law. In the election of a person at the General Meeting, the candidate who receives more votes than the others shall be considered elected.
- 8.8. Shareholders may vote on the draft resolutions prepared in respect to the items on the agenda of a General Meeting by using electronic means prior to the General Meeting or adopt resolutions as prescribed by law without calling a meeting.

9. Supervisory Board

9.1. The Supervisory Board shall have three (3) members who shall perform their duties with due diligence. Members of the Supervisory Board shall be elected for five (5) years. The members of the Supervisory Board shall elect a chairman from among themselves, who shall organise the activities of the Supervisory Board. The functions of the members of the Supervisory Board shall not be remunerated.

9.2. Based on the Foundation Resolution the Supervisory Board has the competence as prescribed by these Articles of Association to:

- 9.2.1. organise the governance of the Fund;
- 9.2.2. amend the Articles of Association;
- 9.2.3. approve amendments to the Management Agreement of the Fund;
- 9.2.4. supervise the activities of the Management Company;
- 9.2.5. elect an auditor;
- 9.2.6. designate a special audit and approve the procedure for payment of remuneration to persons executing special audit;
- 9.2.7. review the annual report and prepare a report concerning it;
- 9.2.8. approve the annual report;
- 9.2.9. supervise the activities of the Management Board
- 9.2.10. review, once every four months, the overview of economic activity and economic situation of the Fund presented by the Management Board
- 9.2.11. elect and recall members of the Management Board;
- 9.2.12. decide on conclusion of a transaction between the Fund and a member of the Management Board, determine the terms and conditions of this transaction and decide on having legal disputes with Management Board members and appoint a representative of the Fund in such transaction or legal dispute;
- 9.2.13. elect and recall members of the Supervisory Board before expiry of his or her term of authority;
- 9.2.14. decide on conclusion of a transaction with the member of the Supervisory Board, determine the terms and conditions of this transaction and decide on having legal disputes with the Supervisory Board members and appoint a representative of the Fund in such transaction or legal dispute;
- 9.2.15. decide on transactions which are beyond the scope of Fund's everyday economic activities;
- 9.2.16. decide on dissolution, merger, division and/or transformation of the Fund;
- 9.2.17. decide on other matters placed in the competence of the Supervisory Board by law.

9.3. Meetings of the Supervisory Board shall be held when necessary but not less frequently than once every three (3) months.

9.4. A meeting of the Supervisory Board shall be called if:

- 9.4.1. this is demanded by a member of the Supervisory Board, the Management Board or an auditor of the Fund; or
- 9.4.2. Shareholders whose Shares represent at least one-tenth of the Share Capital.

9.5. If the meeting is not called within two weeks after the date of receipt of a demand from persons listed on clause 9.4, the listed persons shall have the right to call the meeting themselves.

9.6. A meeting of the Supervisory Board has a quorum if all the members of the Supervisory Board participate. A member of the Supervisory Board shall not be represented by another member of the Supervisory Board or by a third person at a meeting or in the adoption of a resolution. A member of the Supervisory Board may participate in a meeting of the Supervisory Board by electronic means according to the Applicable Law.

9.7. A resolution of the Supervisory Board shall be adopted if all the members of the Supervisory Board vote in favour. Each member of the Supervisory Board shall have one vote. A member of the Supervisory Board does not have the right to abstain from voting or to remain undecided.

9.8. A member of the Supervisory Board shall not participate in voting if:

- 9.8.1. election or recall of the member is being decided; or
- 9.8.2. remuneration of the member is being decided; or
- 9.8.3. approval of the conclusion of a transaction between the member and the Fund is being decided; or
- 9.8.4. approval of the conclusion of a transaction between a third person and the Fund is being decided if the interests of the member of the Supervisory Board arising from such transaction conflict with the interests of the Fund.

9.9. The Supervisory Board shall have the right to adopt resolutions as prescribed by law without calling a meeting.

10. The Management Board

- 10.1. The Management Board is a directing and representative body of the Fund, adhering to the lawful orders of the Supervisory Board.
- 10.2. The Management Board shall have two (2) members. The members of the Management Board shall perform his or her duties with due diligence. Each member of the Management Board may represent the Fund in all legal acts. A member of the Management Board shall have the right of delegation of authority. The functions of the members of the Management Board shall not be remunerated.
- 10.3. The members of the Management Board shall be elected by the Supervisory Board for five (5) years. In case of more than two members, the members shall elect a chairman of the Management Board from among themselves. The chairman of the Management Board shall organise work of the Management Board and direct everyday activities of the Fund pursuant to law and according to the requirements of the Articles of Association.
- 10.4. The Management Board shall adopt all resolutions concerning activities of the Fund and shall independently execute all transactions, which are not placed in the competence of the Supervisory Board by these Articles of Association.
- 10.5. The Management Board of the Fund shall:
- 10.5.1. approve amendments to the depositary agreement of the Fund;
 - 10.5.2. supervise the activities of the Depositary;
 - 10.5.3. supervise the activities of other third persons to whom activities related to Fund management have outsourced;
 - 10.5.4. present an overview of the economic activities and economic situation of the Fund to the Supervisory Board at least once every four months;
 - 10.5.5. decide on other matters which are not placed in the competence of the Supervisory Board or which are placed in the competence of the Management Board by law;
- 10.6. The Management Board shall appoint the Depositary for safekeeping of the Fund's assets, and for performance of certain other functions, subject to and in accordance with the Applicable Law. Information about the depositary designated for the Fund, and description of its functions and liability is provided in the Prospectus.
- 10.7. The Management Board, subject to the requirements and restrictions of the Applicable Law, delegate certain functions relating to management of the Fund to third parties. The Management Board shall apply due care in selecting, retaining and monitoring such third party. Delegation of the functions does not relieve the Management Board from its responsibility or liability towards the Shareholders in relation to management of the Fund, unless otherwise provided by the Applicable Law. The information regarding functions delegated to third parties is provided in the Prospectus.
- 10.8. The members of the Management Board shall be jointly liable for any damage caused by failure to fulfil their obligations in accordance with law.

11. The Management Company

- 11.1. The Management Company of the Fund designated by the Management Agreement is **AS Avaron Asset Management**, an Estonian limited liability company registered with the Estonian Commercial Register under the registry code of 11341336, with registered address at Narva mnt 7d, 10117 Tallinn, Estonia. The Management Company is authorised and supervised by the Estonian Financial Supervision Authority. The Management Company is authorised to manage investment funds established pursuant to and in accordance with the UCITS Directive, other funds pursuant to and in accordance with the Estonian Investment Funds Act, and to provide portfolio management and investment advisory services.
- 11.2. The Management Company has the power and authority to manage the assets of the Fund at its discretion and in the reasonable opinion it deems necessary, subject to and in accordance with the imperative provisions of Applicable Law, the Prospectus, the Articles of Association and the Management Agreement concluded between the Fund and the Management Company.
- 11.3. The Management Company shall:
- 11.3.1. organise the asset management activities of the Fund;
 - 11.3.2. determine the investment policy of the Fund;
 - 11.3.3. decide on issue and redemption of Shares within limits stipulated in the Articles of Association;
 - 11.3.4. organise the calculation of net asset value of Fund's assets and the Fund;
 - 11.3.5. make investment decisions upon investment of the assets of the Fund;
 - 11.3.6. possess, use and dispose of the assets of the Fund;
 - 11.3.7. conduct transactions with the assets of the Fund in the name and for the account of the Fund;
 - 11.3.8. organise the maintaining of the Share Registry;
 - 11.3.9. perform regulatory compliance monitoring;

- 11.3.10. prepare and submit to the Financial Supervision Authority reports on the supervision over the Fund;
 - 11.3.11. distribute the Fund to target investors;
 - 11.3.12. carry out the due diligence of investors;
 - 11.3.13. publish information pursuant to Applicable Law, including maintaining a website, preparing fund documentation;
 - 11.3.14. organise the accounting of the Fund.
- 11.4. The Management Company shall, pursuant to the Applicable Law, act with all due care, skill and diligence in discharging its role as the Management Company of the Fund, considering the best interests of the Fund, and thereby the collective best interests of the Shareholders. The Management Company shall treat the Shareholders of a Fund equally under equal circumstances and share information and documents with them on equal basis.
- 11.5. The Management Company shall be liable for the damage caused to the Fund or the Shareholders by violation of its obligations under Applicable Law, the Management Agreement, Articles of Association and Prospectus of the Fund.

12. Fees and Expenses of the Fund

- 12.1. The Management Company shall be paid a Management Fee on the account of the Fund, on terms and conditions as provided for in the Management Agreement, Articles of Association and the Prospectus.
- 12.2. In addition to the Management Fee, the Management Company is entitled to the Performance Fee if the A-Share outperforms the benchmark index over the performance fee measurement period. Details of the Performance Fee calculation are described in the Prospectus. No Performance Fee shall be calculated and paid for the B Share.
- 12.3. The Depositary shall be paid a Depositary Fee for its services on the account of the Fund. The rate of the Depositary Fee and payment conditions are provided in the Prospectus.
- 12.4. The Management Fee and Depositary Fee shall be accrued on each day the net asset value of the Fund is calculated and shall be paid out monthly for the previous calendar month. The accrual for the Performance Fee shall be revalued on each day the net asset value of the Fund is calculated. The rules for Performance Fee crystallisation and reset are provided in the Prospectus.
- 12.5. The following costs and expenses shall be paid on the account of the Fund:
- 12.5.1. expenses related to holding the Fund's assets;
 - 12.5.2. making transactions with Fund's assets (transaction fees, brokerage fees, transfer fees, subscription fees, exchange fees, registry fees, state fees, etc.), and bank charges for banking services (money transfers, international money transfers, account debiting and crediting, currency conversion etc.);
 - 12.5.3. expenses related to auditing the Fund and its reports;
 - 12.5.4. fund administration fees to the service providers (the service includes keeping the Fund's accounts and calculating net asset value);
 - 12.5.5. expenses related to maintaining the Share Registry, based on the price list of the Registrar (including the Registrar's charges related to receiving and processing the subscription and redemption orders);
 - 12.5.6. charges related to registering and distributing the Fund abroad, including costs for using agent services required by law or inevitable in the market, amendments to the Fund's documentation and the expenses related to publishing relevant notices;
 - 12.5.7. expenses related to marketing and distribution of the Fund, including initial set-up, ongoing registration, listing and quotation fees of distribution platforms;
 - 12.5.8. expenses related to preparing, amending, printing, translating and distributing the Articles of Association, Prospectus and other Fund documents;
 - 12.5.9. other fees and costs related to the management of the Fund related to the Fund's investments, liquidation costs, taxes to the Fund's investments, fees and interest costs (including costs related to negative interest on deposits and other fixed-income investments), costs related to the realisation of rights related to the Fund's assets and legal (incl. court costs) expenses incurred by the Fund.
- 12.6. The total fees and expenses (excl. liquidation fees) paid on behalf of the Fund may not exceed 5% of the weighted average net asset value of the Fund's assets per year. If no Performance Fee is paid in case of the A-Share, the total fees and expenses (excl. liquidation fees) paid on behalf of the Fund may not exceed 1,75% of the weighted average net asset value of the Fund's assets per year.

13. Financial Year

- 13.1. The financial year of the Fund shall begin on January 1st of each year and terminates on December 31st of the same year. The consolidated accounts of the Fund shall be expressed in Euros.

14. Amendments

- 14.1. The Articles of Association may be amended with the resolution of the Supervisory Board.
- 14.2. The amendments to the Articles of Association shall be approved by the Estonian Financial Supervision Authority, unless the need to amend the Articles of Association come solely from changes to the Applicable Law or when such amendments do not affect the rights of the Shareholders, or are beneficial to the Shareholders. In such cases the amended Articles of Association shall only be notified to the Financial Supervision Authority without delay.
- 14.3. Following the approval of the amendments by the Estonian Financial Supervision Authority, or notification of the amendments to the Financial Supervision Authority, as relevant, the Fund shall without delay publish a notice regarding such amendments together with the amended Articles of Association on the website www.avaron.com. The amended Articles of Association shall take effect after the amendment of the Articles of Association has been entered in the commercial register, unless the notice prescribes a later date.
- 14.4. In the case of material amendments to the Articles of Association, the Fund shall ensure that the Shareholders are provided with the period of at least one month before such material amendments enter into effect during which the Fund redeems the Shares at the request of the Shareholder without a redemption fee, or ensures an option to exit by sale of the Shares at the price at least equal to the net asset value of the Shares.

15. Liquidation of the Fund

- 15.1. The Fund shall be terminated and liquidated according to the Articles of Association with the resolution of the Supervisory Board, or pursuant to the imperative provisions of the Applicable Law. The approval of the Estonian Financial Supervision Authority is required for the liquidation of the Fund.
- 15.2. Upon receipt of the approval from Financial Supervision Authority, the Fund shall without delay publish a notice regarding the liquidation of the Fund on the website www.avaron.com and in the official publication *Ametlikud Teadaanded*.
- 15.3. Upon publishing the liquidation notices, the issue and redemption of Shares shall be suspended.
- 15.4. The liquidation shall be performed in accordance with the Applicable Law by the Management Board, Depositary or a third-party liquidator appointed by the Estonian Financial Supervision Authority.
- 15.5. The creditors shall notify the liquidators of all their claims against the Fund within four months after publication of the notices as stated above. After satisfaction of the claims of all creditors, the liquidators shall prepare the final balance sheet and distribution plan for the assets remaining upon liquidation. Assets may be distributed within six months after the entry of the dissolution of the Fund in the commercial register and within two months after the date on which the Shareholders were informed that the final balance sheet and asset distribution plan are disclosed for examination.
- 15.6. Liquidators shall submit a petition for deletion of a Fund from the commercial register after the conclusion of the liquidation, however not earlier than six months after the entry of the liquidation of the Fund in the commercial register and publication of the liquidation notices and after three months of the date on which the Shareholders were informed that the final balance sheet and asset distribution plan are disclosed for examination.
- 15.7. The costs and expenses of the liquidation procedure may be covered at the account of the Fund. However, such expenses shall not exceed 2% of the net asset value of the Fund at the date of the resolution to liquidate, unless such additional expenses are identified and justified with the liquidation resolution. If the actual liquidation expenses exceed the limit threshold, the Management Company or the person who was the designated Management Company prior to the liquidation shall be responsible for the expenses exceeding such limit.