



Avaron Flexible Strategies Fund

PROSPECTUS

2 May 2023

This Prospectus contains information about Avaron Flexible Strategies Fund (the “Fund”) that a prospective investor should consider before investing in the Fund. Subscription of the Fund should be made based on this Prospectus, key investor information, fund rules and the latest available annual or semi-annual report. These documents are available on the website of and can be obtained from Avaron Asset Management.

The Prospectus does not constitute or form part of a distribution, or an offer or solicitation to buy or sell fund units 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 subscribe for units of the Fund to inform himself or herself about and to observe all applicable laws and regulations of relevant jurisdictions.

An investment in the Fund entails risks, some of which are described in this Prospectus. 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. Past performance is not indicative of future results. Investors should be aware of the high risks associated with investing in equities and high yield bonds which are the basis of the Fund’s investment strategy.

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 units of Avaron Flexible Strategies Fund. **The rules of the Fund form an integral part of the Prospectus, and both the Prospectus and the Rules should be thoroughly acquainted with before investing in Avaron Flexible Strategies Fund. 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 Flexible Strategies Fund (in Estonian: <i>Avaroni Privaatportfelli Fond</i>) , a public common alternative investment fund as per the definitions provided by the Investment Funds Act. The Fund's initial launch date and fixing of the base NAV is 17 December 2008.
Management Company	AS Avaron Asset Management , registry code 11341336, registered address at Narva Road 7D, 10117 Tallinn, Estonia, website www.avaron.com Management board members: Kristel Kivinurm-Priisalm, Valdur Jaht Supervisory board members: Peter Priisalm, Maris Jaht, Rain Leesi
Location of the Fund	Narva Road 7D, 10117 Tallinn, Estonia
Depository,	
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	
Auditor	KPMG Baltics OÜ , registry code 10096082, registered address at Narva Road 5, 10117 Tallinn, Estonia, website www.kpmg.ee
Supervisory Authority	Estonian Financial Supervision Authority (In Estonian: <i>Finantsinspektsioon</i>), registered address at Sakala 4, 15030 Tallinn, Estonia, website www.fi.ee
Registration of Fund Rules	The effective Fund Rules entered into force on 2 May 2023.
Issue of Units	Units are issued on every Banking Day.
Redemption of Units	Units are redeemed with 10 Banking Days' notice.
Unit prices	The Management Company publishes the net asset value (NAV) of the Fund and Units, and the subscription price and redemption price of a Unit at least once for each Banking Day on the following Banking Day by 16:30 Estonian time (15:30 CET).
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 Units, subscription and redemption price, are available at the website of the Management Company, www.avaron.com , and at the registered address of the Management Company.
Reference currency	The reference currency for the calculation of the net asset value of the Fund and the Units, as well as the issue and redemption prices and for any relevant transactions with Units shall be euro (EUR), the currency used within the European Monetary System.
Financial year	The financial year of the Fund begins on 1 January and ends on 31 December.
Distribution of proceeds	All the proceeds from the Fund's investments shall be reinvested, and no distributions shall be made to the Unitholders of the Fund. The Unitholder's return on his or her investment into the Fund is reflected in the increase or decrease of the net asset value of the Unit. The Unitholder may realize its return by exercising the redemption or sale right. For the avoidance of doubt the Fund has only accumulating Units.

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 Management Company in relation to the management of the Fund whether in Estonia or elsewhere, in particular the Estonian Investment Funds Act and derivative acts issued thereunder, European Union legal acts, as well as acts or resolutions of competent supervisory or other authorities to the extent that these are legally binding to the Management Company
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
Financial Supervision Authority	the Estonian Financial Supervision Authority (in Estonian: <i>Finantsinspektsioon</i>)
Fund	Avaron Flexible Strategies Fund (in Estonian Avaroni Privaatportfelli Fond)
Investment Funds Act	Estonian Investment Funds Act as amended or supplemented from time to time
Investment Policy	the investment strategy and objectives of the Fund, as stipulated in the Prospectus
Investment Restrictions	the investment restrictions applicable to the management of the Fund, as stipulated in the Prospectus
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 Company or Avaron	AS Avaron Asset Management, registry code of 11341336, with registered address at Narva Road 7D, 10117 Tallinn, Estonia
Management Fee	fee payable by the Fund to the Management Company for the management of the Fund pursuant to and in accordance with the Rules and the Prospectus
Member State	means a member state of the European Union
NAV	the net asset value of the Fund reflecting the value of the securities and other assets of the Fund from which claims against the Fund are deducted
Performance Fee	fee payable by the Fund to the Management Company pursuant and in accordance with the Rules 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 Management Company for deciding on investing into the Fund
Registrar	the registrar of the Unit Registry
Rules	the terms and conditions of the Fund, constituting the Fund and regulating the legal relationship between the Management Company and the Unitholders, including the investment management mandate provided hereunder
Trade Date	the Banking Day of receiving a duly compiled subscription order or the Banking Day as of which the redemption price shall be calculated based on the advance notice period (Redemption Trade Date)
Transferable Securities	as defined in section Investment Policy, Permitted Instruments
Unit	a unit representing a holding in the Fund
Unit Registry	registry of Units, maintained electronically by the Registrar
Unitholder	person who has subscribed for and/or is holding a Unit

The Rules, 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 Unitholders.

THE INVESTMENT OBJECTIVES, POLICY AND RESTRICTIONS

INVESTMENT OBJECTIVES

Actively managed with focus on stock-picking and fixed income investments in Europe

The Fund primarily invests in attractively valued equities and high yield bonds of European companies with an objective to grow Unitholders' assets over the long term. As Avaron follows stock-picking and value investing principles, the Fund mainly invests into single stocks and single bonds but from time to time also uses exchange traded investment funds (ETFs). Although the Fund's geographical focus is European listed equities and corporate bonds, it can invest globally in all liquid asset classes. The Fund is actively managed and combines Avaron's investment team's best investment opportunities. The Fund's investments are diversified across sectors and countries.

The Fund's risk level and allocation to equities varies over time

It is important to notice that the risk level of the Fund varies over time based on Avaron's investment managers' view on bottom-up investment opportunities, top-down trends and market cycle. Thus, for example, if Avaron's investment team finds attractive opportunities in the market, the Fund may be 70% invested in equities while if opportunities are scarce, the share of equities might fall to 20%. An investor can monitor the Fund's asset allocation positioning on monthly basis from the Fund factsheet disclosed on Avaron website. Thus, during some periods the Fund's risk level might be lower, during some periods it might be higher. However, arising from the Fund's investment strategy an investor should have an investment horizon of at least 5 years.

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 an indication nor a guarantee of future performance. The past positioning, asset allocation and risk level of the Fund is not an assurance of the Fund's future positioning, asset allocation and risk level. With the investment into the Fund, the Unitholder acknowledges and accepts that such an investment involves risks and it may result in both profit or loss to the Unitholder, including loss of the entire amount invested. The 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, fixed income securities and investment funds. From time to time the Fund also invests into deposits and FX or equity derivative instruments for hedging, commodities 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, buy derivatives for risk-taking or sell short for investment purposes.

The assets of the Fund shall be invested globally with emphasis on European markets. The allocation of the Fund's assets shall be determined by Avaron investment managers in exercising an active portfolio management strategy, subject to its professional assessment and the prevailing market conditions. Therefore, the proportions of different asset classes, industrial sectors and regions in the Fund's assets vary over time and the exact combination shall be determined based on issuer specific and macroeconomic research carried out by Avaron's investment team. For example, at a certain point in time the Fund can invest a large part of its assets into equities or equity investment funds, whereas in different market conditions bonds or cash may form the majority. However, the Fund aims to keep a diversified portfolio on single equity and single bond position level but from time to time can have relatively high concentration towards specific countries, industries or economic/investment themes.

Due to the flexible Investment Policy, the Fund's risk profile and risk level vary over time but as a whole, due to its ability to invest into equities, equity investment funds and high yield bonds the Fund has a medium risk level. Investors can monitor the Fund's asset allocation, geographical breakdown and sector breakdown on monthly basis from the Fund factsheet from Avaron website.

Permitted Instruments

The Fund may invest in the following instruments:

- Transferable securities, including 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, including convertible bonds and subscription rights (**the Transferable Securities**);
- Money market instruments;
- Units or shares of other investment funds or collective investment undertakings, including exchange traded funds;
- Derivative instruments, including FX forwards and swaps, derivatives on single instruments or indices, but only for hedging purposes; selling options is not allowed; derivatives on commodities are not allowed;

- Deposits with credit institutions;
- Securities linked to real estate;
- Precious metals or financial instruments the underlying of which are precious metals, or the price of which is linked to the value of precious metals.

Transferable Securities and money market instruments

The Fund may invest up to 100% of the Fund's net asset value into Transferable Securities, closed-end investment funds, investment funds or money market instruments 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;
- such an instrument has not been admitted to trading on any venue listed above, but the terms of issue include an undertaking that such an instrument will be admitted to trading on any of the trading venues meeting the above listed criterion within a year of the issue (including an instrument offered to the public through IPO).

The Fund may invest up to 100% of the Fund's net asset value into money market instruments that do not meet the above trading criterion, but where the emission and/or the issuer of such instruments meets the investor protection requirements deemed suitable pursuant to and in accordance with the Investment Funds Act.

The Fund may invest up to 30% of the Fund's net asset value into Transferable Securities that do not meet any of the above listed trading criteria, taking into account the requirements arising from the Investment Funds Act.

Investment funds and collective investment undertakings

The Fund may invest up to 30% of the Fund's net asset value into public open-ended investment funds, covering also collective investment undertakings, not considered as Transferable Securities (i.e. not mentioned above) which themselves invest into Transferable Securities or other liquid financial instruments on the principle of risk-spreading, that meets the following criterion:

- such funds are authorised under laws, which provide that they are subject to supervision pursuant to and in accordance with the European Union legislation, or legislation equivalent to that, and that cooperation of the Financial Supervision Authority with the authorities of the home jurisdiction of such funds is sufficiently ensured;
- the level of protection for unit- or shareholders in the other investment funds is equivalent to that provided for unit-holders in a UCITS, in particular relating to the rules on asset segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments;
- the business of the other investment funds is reported in semi-annual and annual reports to enable an assessment to be made of the assets and liabilities, income and operations over the reporting period; and
- no more than 10% of the assets of the other investment fund can be invested in aggregate in units or shares of other investment funds or collective investment undertakings which in turn may invest, in accordance with the fund rules, articles of association or prospectus, in other funds.

The Fund may invest up to 30% of the Fund's net asset value into other investment funds that do not meet the above criterion, provided the availability of an accurate and reliable valuation, whether based on market value or other valuation principles, in relation to the units or shares of such investment funds.

Subject to the requirements above, and the imperative provisions of the Applicable Law, the Fund may invest up to 30% of the Fund's net asset value in other investment funds managed by the Management Company (either directly or on delegation basis). When investing into other funds managed by the Management Company, no subscription or redemption fees are charged from the Fund. In addition, the Management Company shall reimburse to the Fund 100% of the performance fees and 100% of the management fees that have been paid to the Management Company on such investments.

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 and for hedging underlying instruments of the Fund's assets. In normal market circumstances the Fund does not use any hedges on its underlying assets. However, from time to time, the Fund may use FX hedges (forwards and swaps) on bonds or equities that are nominated in currencies other than euro. The Fund may hedge its single securities or segments of the Fund (e.g. sector, country or regional exposure) by using derivatives on single securities or indices that reflect price movements of such a security or exposure as an

underlying for a derivative (that is the Fund may use indirect hedging). The Fund may enter into OTC (over the counter, transaction between the parties outside a regulated market) derivative transactions subject to and in accordance with the imperative provisions of Applicable Law. The Fund may invest in investment funds that use synthetic derivatives for hedging. 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 or financial instrument or segment of the Fund may not exceed the security (securities) 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 favor 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 or money market instruments issued by the same entity. 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 asset value. Risk exposures through OTC derivative instruments into other counterparties shall not exceed 5% of the Fund's net asset value.

The total value of the Transferable Securities and/or money market instruments and/or derivative exposures held by the Fund in entities in each of which it invests more than 5% of the Fund's net asset value shall not exceed 40% of the Fund's net asset value. 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.

Notwithstanding the restrictions provided above, the Fund may invest up to 35% of the Fund's net asset value in the Transferable Securities or money market instruments issued or guaranteed by the same issuer, if such an issuer is a Member State, its local authorities, a third country or a public international body to which one or more Member States belong to. This limit may be exceeded only pursuant to and in accordance with the Investment Funds Act. Such Transferable Securities and money market instruments shall not be taken into calculation of the 40% limit provided in the second paragraph of this section.

The Fund shall not place more than 10% 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 Units 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.

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

Notwithstanding the restrictions provided in the first paragraph of this section, the Fund may invest up to 25% of the Fund's net asset value into covered bonds, issued by a credit institution with a registered office in a Member State, subject to the restrictions provided in the Investment Funds Act. The total value of the covered bonds issued by credit institutions, where the Fund has invested more than 5% of its assets, shall not exceed 80% of the value of its assets. Such covered bonds shall not be taken into calculation of the 40% limit provided in the second paragraph of this section.

Notwithstanding the restrictions provided in the first paragraph of this section, the Fund may incur a maximum exposure of 35% in relation to a single entity by means of investment into Transferable Securities or money market instruments or covered bonds issued by the same entity, and/or deposits and/or derivative instruments made with the same entity, except and to the extent the Fund is permitted to invest into the financial instruments issued by such entity pursuant to this Prospectus and/or the Investment Funds Act in excess of 35%.

The Fund shall not invest more than 10% of the Fund's net asset value into one investment fund. Such restrictions are not applied where the underlying investment fund ensures sufficient diversification of its assets (UCITS in particular).

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 and money market instruments issued within the same group may not exceed 20% of the Fund's net asset value.

The Fund's assets may be placed in precious metals and securities which underlying assets are precious metals or which price is dependent on precious metals in the total extent of up to 5% of the Fund's net asset value.

The Fund shall not acquire or hold in one person more than:

- 10% of non-voting shares or other equivalent rights;
- 10% of the debt securities issued by it;
- 10% of the money market instruments issued by it;
- 25% of the units or shares of another fund.

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

Avaron deploys a value investing and stock-picking investment style with the focus on company-specific, sector and macro analysis. The investment team 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, derivatives may be used to hedge the Fund's underlying investments and currencies. Avaron's investment managers actively follow financial results of companies and make 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.

PAST PERFORMANCE OF THE FUND

Past return is not a guarantee or indicative of future performance. The rates of return from previous years are presented in Appendix 1.

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. **For the avoidance of doubt, an investment into the Fund is in no way guaranteed.** Also, there is no guarantee to Unitholders 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 a Unit may be highly volatile.

RISK LEVEL OF THE FUND

Based on the investment policy of the Fund, the risk profile, asset allocation and risk level shall change over time. However, overall the Fund should be considered as an investment product with medium risk.

PROFILE OF A TYPICAL INVESTOR

The Fund is suitable to an investor with medium risk tolerance who seeks long-term capital growth. 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 Unit during this period.** The investor's financial position should be sufficiently strong to endure substantial volatility in the value of the investment and during the notice period for redeeming the Units. 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 MAJOR 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. **Overall, the risk of unsuccessful asset allocation decisions, market risk, issuer-specific price risk, credit risk and interest rate risk are the most critical risks for the Fund.**

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) causing damage to the Fund.

Custody risk – the risk that the Fund suffers losses due to actions or omissions or bankruptcy of the Depository, sub-custodians or local depositories. 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.

Interest rate risk – the risk that the level, yield curves or volatility of interest rates, change 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, analyst estimates and commentaries, etc.

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 low liquidity at the time desired 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 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.

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 settlement, erroneous transactions, unauthorised disclosure of confidential information etc.).

Risk arising from the concentration of asset classes or markets – the risk that a particular event or circumstance shall have a pervasive effect on a 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 of unsuccessful asset allocation decisions - A flexible strategy combining various asset classes, industries and geographic regions shall be implemented when investing the Fund's assets. As the Fund's allocation to equities, equity investment funds and fixed income instruments may vary significantly over time, the Fund's risk profile and risk level may change significantly over time. The Fund may face a risk of being underweight in equities in a rising market or overweight in equities in a falling market. The Fund's investment policy envisages combining various asset classes, geographic regions, industry sectors and types of financial instruments, allocation of which is subject to Avaron's investment team's view on bottom-up investment opportunities, top-down trends and market cycle. When selecting the Fund's investments, the Management Company is not required to set up a diversified portfolio of the permitted asset classes, geographic regions, sectors or types of financial instruments. In contrast, Avaron is authorised to invest the Fund's assets in a concentrated manner based on investment manager's views and the prevailing market circumstances. However, there is no certainty whatsoever that the investment decisions adopted by the investment managers shall be profitable. It is possible that the return of the chosen asset class or particular investment shall be lower than that of other permitted asset classes or individual investments that were not included in the Fund's portfolio based on the discretion of Avaron.

Risks related to derivative instruments - the Management Company may invest the Fund's assets in derivative instruments for the purpose of hedging risks. The market value of a derivative instrument depends on the price or value of another underlying asset (e.g. share, stock index, foreign exchange rate).

Risks related to investments in emerging markets – part of the Fund's assets may be invested in emerging markets. The legal, political and economic infrastructure of emerging countries is still at an early stage of development, thus investing in emerging markets 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 most emerging markets is relatively small. These markets are often volatile and have low

liquidity. The currency exchange rates of the investment region may substantially fluctuate against the Fund's reference currency, and this may have a significant impact on the Unit's net asset value. The Management Company does not generally hedge foreign exchange rate risks. Countries 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 Units regularly. Financial supervision may be ineffective in the countries of the investment region. The accounting, auditing and reporting standards accepted may not be equivalent to the standards accepted in developed markets. 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.

Risks related to securities not traded on regulated markets – the assets of the Fund may be 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. The Fund may invest into private equity or precious metals which in their essence run higher investment related risk and liquidity risk compared to listed instruments. Due to the fairly small size of the Fund, its investments into non-listed instruments might be concentrated.

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 Unit.

Systemic risk – the risk that technical faults in the systems of securities depositaries, stock exchanges, marketplaces, 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 Units 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 Unitholder may be changed; the Rules and/or the Prospectus may be substantially amended, etc. Some of the abovementioned events may take place without giving prior notice to the Unitholders.

UNIT, RIGHTS AND OBLIGATIONS ATTACHED TO UNITS

UNIT

A Unit represents the Unitholder's share in the assets of the Fund. The Unit is a dematerialised book-entry security, maintained in an electronic Unit Registry. No certificate in relation to the Units is issued to the Unitholder. Information about the Unit Registry and the Registrar is provided in section "Registrar" below.

The Fund has one class of Units with nominal value EUR 10 (ten euros). A Unit is divisible. The fractions of Units created by dividing Units 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).

RIGHTS ATTACHED TO UNITS

The issue and redemption of Units, and the creation and termination of the rights and obligations relating thereto, shall take effect with relevant entry into the Unit Registry.

The Management Company is committed to protecting the interests of the Unitholders. Unitholders shall be treated equally in equal circumstances. Unitholders shall exercise their rights attached to the Units in good faith and in accordance with the Rules, the Prospectus, and the Applicable Law. A Unit shall grant to the Unitholder the following rights, to be exercised in accordance with the terms and procedures provided in this Prospectus and the Applicable Law: (i) right to demand redemption of Units; (ii) right to transfer the Units to third parties; (iii) 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 Units and the class of Units held; (iv) right to access and receive information regarding the Fund; (v) upon request, right to receive a confirmation from the Registrar relating to Units registered to his or her name in the Registry; (vi) right to exercise other rights provided by the imperative provisions of the Applicable Law. Information on handling complaints by the Management Company is published on Avaron's website www.avaron.com/documents.

Without limiting the above, the Unit does not grant any right to participate or demand participation in the investment management of the Fund. The Fund does not have a general meeting nor any other Unitholders' representative body, and therefore the Unitholders do not have the right or the opportunity to participate in the management of the Fund through any Unitholders' representative body. No Unitholder is entitled to demand termination of the Fund.

NET ASSET VALUE OF THE UNIT AND TRANSACTIONS WITH UNITS

NET ASSET VALUE OF THE FUND AND UNIT

The net asset value of the Fund and of the Unit depends on the value of the assets of the Fund. The Management Company shall calculate the net asset value of the Fund and Units based on the provisions of its internal rules and the Applicable Law. In order to determine the net asset value of the Fund, the value of the assets shall be calculated in accordance with the internal rules of the Management Company (available on website www.avaron.com), from which the liabilities of the Fund shall be deducted. 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 Management Company's internal rules. The net asset value of a Unit is determined by dividing the total net asset value of the Fund by the number of issued and outstanding Units (adjusted by transaction orders received by the Management Company, but not yet settled). The net asset value of a Unit shall be calculated every Banking Day in the reference currency of the relevant Unit.

The Management Company shall publish the net asset value of the Fund and the Unit, as well as the redemption price at least once for each Banking Day on the following Banking Day by 16:30 Estonian time (15:30 CET) at its website www.avaron.com. A Unit's net asset value and redemption price 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 a revaluation, if not doing so would be detrimental to the interests of Unitholders.

TRANSACTIONS WITH FUND UNITS

The issue and redemption of Units is organised by the Transfer Agent. In order to enter into transactions with Units, 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 Units are kept on a nominee account, the Unit transaction orders shall be submitted to the Management Company by the nominee, and all transfers and payments in relation to Unit transactions shall be made to the nominee account (and to the current account of the nominee, respectively).

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

By submitting an order, the Unitholder confirms that he or she has thoroughly acquainted with, consents to and undertakes to adhere to the Rules of the Fund or articles of association, in case of exchange into a public limited fund, and the Prospectus. The Unitholder is not permitted to revoke or make amendments to his or her subscription or redemption order after it has been submitted to the Management Company. Upon subscribing to Units, the investor shall pay the subscription amount within the prescribed time limit to the Fund's cash account. In case the Unitholder 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 Unitholders and/or to the Management Company. 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 Unitholders, or for the orderly management of the Fund.

All direct expenses related to subscribing and redeeming Units shall be paid for by the Unitholder.

SUBSCRIPTION AND ISSUE OF UNITS

Units can be subscribed and are issued on every Banking Day. There is no minimum investment for subscribing the Units of the Fund. The date of a subscription and exchange order is the Banking Day when it is received by the Transfer Agent by 11:00 Estonian time (10:00 CET) on such a Banking Day. Transaction orders received by the Transfer Agent after such a cut-off date are deemed to have been received on the immediately following Banking Day.

No subscription fee is applied for the subscription order. The subscription price of a Unit is the net asset value of the Unit that has been calculated as of the day of receiving the subscription order (the Trade Date). Units shall be issued only upon due payment of the full subscription price. The subscription of Units is not limited by the number of Units, or an amount of investment.

In order to subscribe Units, an investor shall submit a subscription order to the Transfer Agent. A Unit shall be issued upon receiving the subscription amount in the reference currency of the Unit to the Fund's cash account latest by the settlement date, and the registration of the Unit in the Unit 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 UNITS

Units are redeemed with 10 Banking Days' prior notice. No redemption fee is applied. Investors can redeem their Units partially or fully. In order to redeem Units, a Unitholder shall submit a redemption order to the Transfer Agent. The redemption price shall be the net asset value of the Unit that is calculated as of the 10th Banking Day as of the day of receiving the redemption order (Redemption Trade Date). The date of a redemption order is the Banking Day when the redemption order is duly submitted and received by the Transfer Agent by 11:00 Estonian time (10:00 CET) on such a Banking Day. Redemption orders received by the Transfer Agent after such a cut-off date are deemed to have been received on the immediately following Banking Day.

The settlement date shall be no later than the third Banking Day from the Redemption Trade Date (T+3), unless the Management Company and the Unitholder agree on a different settlement cycle. The term for making the redemption payment does not include the time for executing any transfer by the beneficiary bank.

Upon the redemption of Units, a payment in the amount of the aggregate redemption price of the Units redeemed shall be made out of the assets of the Fund to the Unitholder's cash account. The redemption payment shall be made in the reference currency of the Unit, euro. Payment in-kind is not available. Upon making the redemption payment, the Units will be deleted from the Unit Registry (on the settlement date), and all the rights and obligations relating to Units shall be deemed as terminated as from making such a deletion.

Special arrangements

If a single Unitholder submits during 10 Banking Days in total a redemption and/or exchange order or orders that result in redemption of Units exceeding 10% of the net asset value of the Fund, the Management Company has the right (but not an obligation) to split the redemption and/or exchange orders and apply special principles for determining the Redemption Trade Date of such orders. In the case this Unitholder's aggregate orders result in redemption in the amount of (i) up to 10% of the net asset value of the Fund, the general provisions for redemption shall be applied; (ii) between 10%-15% of the net asset value of the Fund, the Redemption Trade Date shall be 20th Banking Day; (iii) exceeding 15% of the net asset value of the Fund, the Redemption Trade Date shall be 30th Banking Day.

The Management Company may postpone the Redemption Trade Date for redemption and/or exchange orders submitted by the Unitholders during consecutive 10 Banking Days, which are in processing and for which a redemption price has not yet been calculated, if these orders aggregately exceed 10% of the net asset value of the Fund. Such redemption and/or exchange orders shall be considered submitted with 20 Banking Days' notice. The redemption price shall be the net asset value of the Unit that is calculated as of the 20th Banking Day as of the day of receiving the redemption order (Redemption Trade Date). The payment shall be made in the order such redemption and/or exchange requests were received considering the settlement cycle T+3 from the Redemption Trade Date.

The Management Company shall notify the Unitholders affected by the postponement of the payment date and if needed publish a notice on its website.

The Unitholder 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.

EXCHANGE OF UNITS

The Unitholder is entitled to exchange the Units with the units or shares of another fund (consecutive redemption and subscription) managed by the Management Company, if permitted and on conditions stipulated in the prospectus of the relevant fund. Exchange of Units is performed based on the NAV of the day of receiving the order. When the redeemed Units are the Units of Avaron Flexible Strategies Fund, the redemption of the Units shall be performed with 10 Banking Days prior notice, considering also the special arrangements described above that may be applied.

SUSPENDING TRANSACTIONS

The Management Company may suspend the issue or redemption of Units subject to and in accordance with the Investment Funds Act, if such suspension would be in the collective interests of the Unitholders, or to ensure the due operation and management of the Fund. The Management Company has the right to suspend redemption of Units where: (i) the Fund does not have liquid assets to redeem the Units; (ii) the Management Company is unable to repatriate moneys for the purpose of making payments on the redemption of Units or during which any transfer of moneys involved in the realisation or acquisition of investments or payments due on redemption of such Units 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, or the redemption of units or shares of the funds where the Fund holds relevant investments has been suspended or is restricted; (v) the redemption would otherwise be detrimental to the collective interests of the Unitholders or for the management and operation of the Fund (e.g. preparation for corporate events such as 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 Units, 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 Units 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 redemption of Units, the Registrar shall retain all subscription orders and payments on its account, and Units are issued based on the net asset value first determined after the suspension is lifted and redemption of Units is continued. All such orders shall be executed in order of their receipt.

TAXATION

The Fund has only accumulating Units. All proceeds from the Fund's investments shall be reinvested, and no distributions shall be made to the Unitholders from the Fund. Profit generated or loss incurred by the Fund accrues in changes of the net asset value, consequently the value of the Unit increases or decreases. The investor has earned profit from the Fund if the redemption price of the Unit 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 obligations of each Unitholder. 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

FEES AND EXPENSES PAID BY THE FUND

- Management Fee: 0.95% per annum of the market value of the assets of the Fund
- Performance Fee: 10% of the amount that the Unit return exceeds the reference index return
- Depositary Fee (including VAT): 0.096% (no less than 10,800 euro) per annum, plus 0.034%-0.42% per annum depending on where the Fund's assets are registered
- Other expenses based on the price list of the service providers

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 rates of Depositary Fee as shown above include value added tax.

The Management Company may also receive Performance Fee. The Management Company is entitled to the Performance Fee if the Unit outperforms the reference index and has had a positive performance over a calendar year. The standard performance fee crystallisation period is calendar year (January 1 to December 31). The first period to measure the Performance Fee begins with January 1st, 2022 and ends with December 31st, 2022. The rate of the Performance Fee is 10% of the amount by which the Unit return exceeds the reference index return (positive relative return). If Performance Fee is due at the end of the calendar year, the Performance Fee shall be crystallised and paid out to the Management Company. Performance Fee measurement shall begin anew after each time the Performance Fee is crystallised at the end of the calendar year.

If the Unit underperforms the reference 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 the Unit exceeds the cumulative return of the reference index (positive cumulative relative return) during the extended performance fee measurement period.

If by the end of the second year the cumulative Unit return is below the cumulative return of the reference 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 the Unit outperforms the reference index during the latest calendar year, the Management Company is entitled to the Performance Fee which is calculated from the amount by which the Unit return exceeds the reference 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 the Unit underperforms (negative relative return) the reference 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 reference index for the Performance Fee calculation shall be Euro area¹ Harmonised Index of Consumer Prices (HICP - All Items²) final results officially published by Eurostat, the statistical office of the European Union. If the chosen reference index shall be renamed by Eurostat or the reference index shall become invalid, a new equivalent HICP published by Eurostat shall be used for Performance Fee calculation. The Management Company shall have the right to change the reference index and notify the Unitholders of the change of the index at least three months in advance on the website of the Management Company. If the new reference index becomes 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 reference index and ends on December 31 following the day of changing the reference 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. The applicable reference index value is fixed as of the last Banking Day each month based on latest available published monthly official results of the reference index³. When calculating the Management Company's entitlement for the Performance Fee at the end of the calendar year, the official published index value for the month of November shall be used.

Should Units be redeemed prior to the date when Performance Fee is fixed, any accrued but unpaid Performance Fee for the redeemed Units 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 Unit or reference index:

Year	Unit return	Reference 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	-0.1%	-0.5%	0.4%
Y10	6%	2%	4%

* Relative return - Unit return minus reference index return during calendar year

Y1	Measurement period is one year, the Unit outperforms the reference index (+5%), Performance Fee is paid. New measurement period shall begin from Y2.
Y2	Measurement period is one calendar year (Y2), the Unit underperforms the reference 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 Unit return for Y2 and Y3 = 2.0% = $(1+2\%)*(1+0\%) - 1$ Cumulative reference index return for Y2 and Y3 = 13.4% = $(1+9\%)*(1+4\%) - 1$ Cumulative relative return for Y2 and Y3 = -11.4% = 2.0% - 13.4% No Performance Fee is paid as cumulative relative return is negative and measurement period shall be extended to include Y2, Y3 and Y4.
Y4	Performance fee measurement period includes Y2 to Y4. Cumulative Unit return for Y2, Y3 and Y4 = 12.2% = $(1+2\%)*(1+0\%)*(1+10\%) - 1$ Cumulative reference index return for Y2, Y3 and Y4 = 15.6% = $(1+9\%)*(1+4\%)*(1+2\%) - 1$ Cumulative relative return for Y2, Y3 and Y4 = -3.4% = 12.2% - 15.6% Although the Unit outperforms the reference 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.

¹ Euro area (EA11-1999, EA12-2001, EA13-2007, EA15-2008, EA16-2009, EA17-2011, EA18-2014, EA19-2015), comprising the European Union (EU) Member States which adopted the euro as their common currency, started in January 1999 with 11 countries and has expanded through a series of enlargements to 19 countries, so far.

² For more information visit: <https://ec.europa.eu/eurostat/web/hicp>

³ Disclosed also by the European Central Bank at: https://sdw.ecb.europa.eu/quickview.do?SERIES_KEY=122.ICP.M.U2.N.000000.4.INX

Y5	<p>Performance fee measurement period includes Y2 to Y5.</p> <p>Cumulative Unit return for Y2, Y3, Y4 and Y5 = $17.8\% = (1+2\%)*(1+0\%)*(1+10%)*(1+5\%) - 1$</p> <p>Cumulative reference index return for Y2, Y3, Y4 and Y5 = $19.1\% = (1+9%)*(1+4%)*(1+2%)*(1+3\%) - 1$</p> <p>Cumulative relative return for Y2, Y3, Y4 and Y5 = $-1.3\% = 17.8\% - 19.1\%$</p> <p>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.</p>
Y6	<p>Performance fee measurement period includes Y2 to Y6.</p> <p>Cumulative Unit return for Y2, Y3, Y4, Y5 and Y6 = $19.0\% = (1+2%)*(1+0%)*(1+10%)*(1+5%)*(1+1\%) - 1$</p> <p>Cumulative reference index return for Y2, Y3, Y4, Y5 and Y6 = $21.5\% = (1+9%)*(1+4%)*(1+2%)*(1+3%)*(1+2\%) - 1$</p> <p>Cumulative relative return for Y2, Y3, Y4, Y5 and Y6 = $-2.5\% = 19.0\% - 21.5\%$</p> <p>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.</p>
Y7	<p>Performance fee measurement period includes Y3 to Y7.</p> <p>Cumulative Unit return for Y3, Y4, Y5, Y6 and Y7 = $19.0\% = (1+0%)*(1+10%)*(1+5%)*(1+1%)*(1+2\%) - 1$</p> <p>Cumulative reference index return for Y3, Y4, Y5, Y6 and Y7 = $14.8\% = (1+4%)*(1+2%)*(1+3%)*(1+2%)*(1+3\%) - 1$</p> <p>Cumulative relative return for Y3, Y4, Y5, Y6 and Y7 = $4.2\% = 19.0\% - 14.8\%$</p> <p>Although cumulative relative return for Y3 to Y7 is positive, as Y7 relative return is negative (-1%) no Performance Fee is paid. 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 Unit return for Y4, Y5, Y6, Y7 and Y8 = $22.6\% = (1+10%)*(1+5%)*(1+1%)*(1+2%)*(1+3\%) - 1$</p> <p>Cumulative reference index return for Y4, Y5, Y6, Y7 and Y8 = $11.5\% = (1+2%)*(1+3%)*(1+2%)*(1+3%)*(1+1\%) - 1$</p> <p>Cumulative relative return for Y4, Y5, Y6, Y7 and Y8 = $11.1\% = 22.6\% - 11.5\%$</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 the Unit outperforms the reference index (+0.4%), no Performance Fee is paid because the Unit calendar year return is not positive. New measurement period shall begin from Y10.</p>
Y10	<p>Measurement period is one year, the Unit outperforms the reference 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 Rules (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 net asset value of the Fund's assets per year. If no Performance Fee is paid, 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.

FEES AND EXPENSES PAID BY THE UNITHOLDER

The Management Company applies no subscription or redemption fees for transactions with Fund's Units.

The financial service provider or bank performing the transactions with the Units charges transactions fees according to their price list. Such service provider will provide you with information about transaction costs. These and all other direct expenses in relation to subscribing and redeeming Units shall be paid for by the Unitholder.

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 the following information and documents at the Management Company's registered address and at its website www.avaron.com: (i) the Rules; (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 on the account of the Fund; (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 Unitholders shall receive a copy of the Rules, 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 Prospectus may be amended with the resolution of the Management Company's management board, including in material issues such as amendments to the Investment Policy or Investment Restrictions, fees, costs and expenses payable on behalf of the Fund. In the case of material amendments to the Prospectus, the Management Company shall ensure that the Unitholders are provided with a period of at least one month before such material amendments enter into effect, during the period the Management Company redeems the Units at the request of the Unitholder without a redemption fee, or ensures an option to exit by sale of the Units at the price at least equal to the net asset value of the Units. The Management Company shall inform the Unitholders of such rights via its website.

Subject to the one-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 Rules, such amendments shall take effect together with the amended Rules.

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 Units, and such information turns out to be incorrect, the Management Company shall compensate the damage to the Unitholders resulting therefrom, subject to and in accordance with the Applicable Law. In order to compensate such damage, the Management Company is entitled to redeem the Units without redemption fee at the same net asset value, as was applied in issuing the Units to the Unitholder. In compensating the damage by redemption, the Unitholder does not have the right to apply any other remedies. For the avoidance of doubt, the Management Company 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 Management Company did not know and should not have known that such information was incorrect.

MANAGEMENT COMPANY

General

The Fund is managed by AS Avaron Asset Management, registry code 11341336, registered address at Narva Road 7D, 10117 Tallinn, Estonia. The Management Company is a public 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 271,447. The Management Company is controlled by OÜ Avaron Partners with 82.41% of shares and 100% of voting rights represented thereby. The beneficial owners of the Management Company are the firm's founders and long-term employees Kristel Kivinurm-Priisalm (Managing Partner & CEO), Valdur Jaht (co-Chief Investment Officer) and Peter Priisalm (co-Chief Investment Officer) as well as senior research staff Rain Leesi (Investment Manager, Head of Research and Trading), Piotr Jurga (Senior Analyst) and Reino Pent (Senior Analyst). 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, Rain Leesi and Maris Jaht. The members of the management board of the Management Company are Kristel Kivinurm-Priisalm and Valdur Jaht.

The Activities of the Management Company

Pursuant to the mandate provided with the Rules, the Management Company has the full power and authority, on behalf of the Fund, 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 its own name and for the account of all the Unitholders collectively (i.e. for the account of a common 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 on behalf of 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 uses cooperation partners to promote the Fund. Such cooperations are entered into bearing in mind the general interest of the Fund and its investors. The assets of the Fund shall be kept segregated from the assets of the Management Company and any other fund or pool of assets managed by the Management Company, and such

assets are excluded from the estate of the Management Company in the case of bankruptcy. The claims of the Management Company's creditors cannot be satisfied out of the Fund's assets.

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) Unit issues and redemptions; (iii) issuing confirmations to Unitholders regarding Units registered to their name in the Unit Registry; (iv) providing necessary information to the Fund's Unitholders 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 of the Fund.

The Management Company has outsourced to Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia maintaining the Unit Registry, organising the issue and redemption of Units and carrying out the due diligence of investors as prescribed in the Prevention of Money Laundering and Financing of Terrorism Act. 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. Swedbank AS is a licensed credit institution 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 Unitholders.

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 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 also perform ongoing monitoring, to ensure that the organisational and technical arrangement of the delegate as well as its financial condition are sufficient for performing its contractual obligations. The Depositary shall be liable for the direct proprietary damage caused to the Fund and Unitholders as a result of 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, the Fund investors and the Depositary. In case of an existence of a conflicts 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 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, 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 Unitholders 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 with 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 Unitholder, an updated information of the conflict of interests and delegating the safekeeping of the Fund's assets shall be provided by the Management Company.

REGISTRAR

The Unit Registry may be maintained by the Management Company, or such function may be delegated to a third-party service provider who has 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 Unit Registry to the Registrar, being Swedbank AS, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia, website www.swedbank.ee.

The Unit 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 Unit Registry information is enabled pursuant to the Applicable Law. Each Unitholder 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 Units registered to his or her name in the Unit Registry. The Registrar shall retain the data and documents received for making a register entry as prescribed by Applicable Law.

Members of the Management Board of the Management Company

Kristel Kivinurm-Priisalm

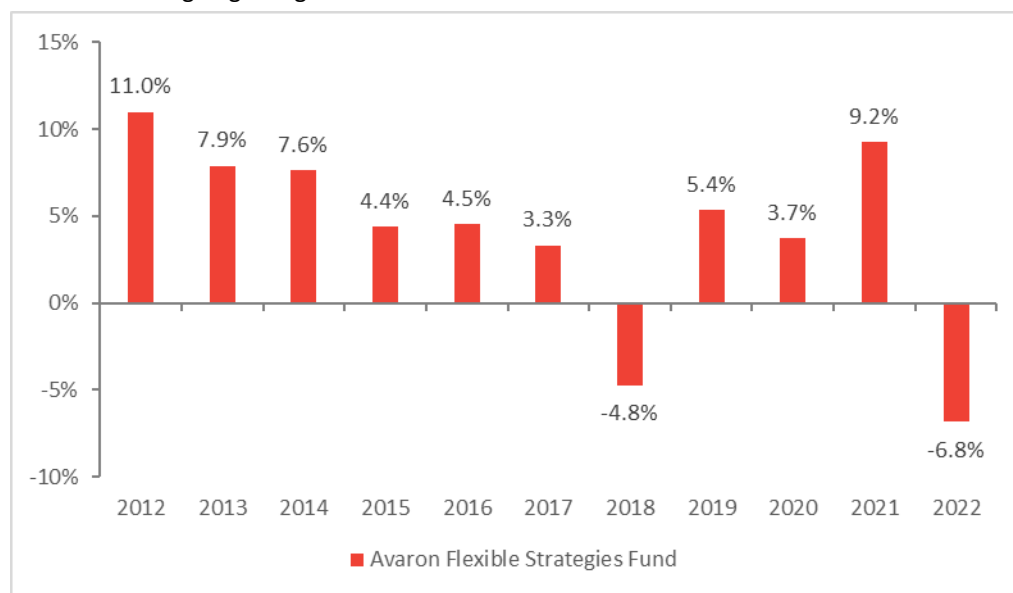
Valdur Jaht

APPENDIX 1.

The table below displays average annual cumulative rate of return of the Fund (as at 31/12/2022):

2 years	3 years	5 years
0.9%	1.8%	1.2%

The chart shows the Fund's performance as the percentage loss or gain per year over previous years. The figures below have been calculated for the corresponding calendar year based on the net asset value of the Fund's assets. 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.

FUND RULES OF AVARON FLEXIBLE STRATEGIES FUND

These Fund Rules registered with the Financial Supervision Authority are effective as of 2 May 2023.

1. Definitions and interpretation

1.1 In these Rules, unless the context otherwise requires, the defined terms shall have the following meaning:

Applicable Law	all laws and regulations applicable to the Management Company in relation to the management of the Fund whether in Estonia or elsewhere, in particular the Estonian Investment Funds Act and derivative 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 Management Company
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 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
Financial Supervision Authority	the Estonian Financial Supervision Authority (in Estonian: <i>Finantsinspektsioon</i>), hereinafter referred to with an abbreviation EFSA
Fund	Avaron Flexible Strategies Fund, constituted pursuant to these Rules
Investment Policy	the investment strategy and objectives of the Fund, as stipulated in the Prospectus
Investment Restrictions	the investment restrictions applicable to the management of the Fund, as stipulated in the Prospectus
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 Company	AS Avaron Asset Management, registry code of 11341336, with registered address at Narva Road 7D, 10117 Tallinn, Estonia
Management Fee	fee payable by the Fund to the Management Company for the management of the Fund pursuant to and in accordance with the Rules and the Prospectus
Performance Fee	fee payable by the Fund to the Management Company pursuant and in accordance with the Rules 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 on investing into the Fund
Registrar	the registrar of the Unit Registry, as identified in the Prospectus
Rules	these rules, constituting the Fund and regulating the legal relationship between the Management Company and the Unitholders, including the investment management mandate provided hereunder
Trade Date	the Banking Day of receiving a duly compiled subscription order or the Banking Day as of which the redemption price shall be calculated based on the advance notice period (Redemption Trade Date)
Unit	a unit representing a holding in the Fund
Unit Registry	registry of Units, maintained electronically by the Registrar
Unitholder	person who has subscribed for and/or is holding a Unit

1.2 The terms not defined above shall have the meaning as provided in the Prospectus or, if not defined, as used by professional financial market participants in similar transactions, and if no such specific meaning, in their ordinary meaning.

1.3 The Rules shall be interpreted together with the Prospectus and the Applicable Law. In the case of any conflict between the Rules and imperative provisions of Applicable Law, such imperative provisions of Applicable Law shall prevail. In the case of any ambiguity, the Rules shall be interpreted in the best interests of the Unitholders.

2. The Fund

- 2.1 Avaron Flexible Strategies Fund (in Estonian: *Avaroni Privaatportfelli Fond*) has been established with the resolution of the Management Company dated 25 November 2008, and originally registered with the EFSA on 3 December 2008. The Fund shall be deemed to be located at the registered address of the Management Company, as provided in Clause 3.1.
- 2.2 The Fund is a public common alternative investment fund constituted by the Rules and does not have a separate legal personality. The pool of money raised through issue of Units, and other assets acquired through investment activities belong jointly to the Unitholders. The assets of the Fund are managed by the Management Company pursuant to and in accordance with the Rules, the Prospectus and the Applicable Law. The assets of the Fund are segregated from the assets of the Management Company or any other fund or pool of assets managed by the Management Company, and are excluded from the estate of the Management Company in the case of bankruptcy. The claims of the Management Company's creditors cannot be satisfied out of the Fund's assets.
- 2.3 The Unitholders 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 Rules do not authorise the Management Company to assume obligation in the name of the Unitholder.
- 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. The list of jurisdictions where the Fund may be offered to the public is provided in the Prospectus.

3. The Management Company

- 3.1 The designated Management Company of the Fund 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 Road 7D, 10117 Tallinn, Estonia. The Management Company is authorised and supervised by the EFSA. 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.
- 3.2 The Management Company has the full power and authority, on behalf of the Fund, to do all such things as are, in the reasonable opinion of the Management Company, necessary or desirable in connection with the management of the Fund, its investments, or otherwise in the furtherance of the business or operations of the Fund, subject to and in accordance with the Rules, the Prospectus and the imperative provisions of Applicable Law. The Management Company shall conduct transactions with the assets of the Fund in its own name and for the account of all the Unitholders collectively (hereinafter for account of common fund).
- 3.3 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 Unitholders.
- 3.4 The Management Company shall appoint a depositary for safekeeping of the Fund's assets, and for performance 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.
- 3.5 The Management Company may, subject to the requirements and restrictions of the Applicable Law, delegate certain functions relating to management of the Fund to third parties, whether related to the Management Company or not. The Management Company shall apply due care in selecting, retaining and monitoring such third party. Delegation of its functions does not relieve the Management Company from its responsibility or liability towards the Unitholders 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.
- 3.6 The Management Company shall submit and process on behalf of the Fund, and thereby collectively on behalf of the Unitholders, any claims against the depositary or any third party, if the failure to submit or process such claim would result or may result in significant damage to the Fund and thereby collectively to its Unitholders. The Management company is not obliged to submit such claims, if these have already been submitted by or on behalf of the Fund and/or the Unitholders, or if the potential damage or amount of claim is small and insignificant in total amount (being less than EUR 1,000), or if costs relating to enforcing such claims would be disproportionate in relation to the amount of the claim.

4. General description of the Investment Policy

- 4.1 The objective of the Fund's activities is long term capital growth over five years. In order to achieve these investment objectives, a flexible strategy combining various asset classes (equities and fixed income instruments), industries and geographic regions shall be implemented when investing the Fund's assets.
- 4.2 Subject to the Investment Policy and Investment Restrictions, the Fund's assets can be invested into equities, various debt instruments, investment funds, deposits, derivative instruments (only for hedging purposes) and other financial instruments.

The Fund is not allowed to take any leverage or sell short for investment purposes. The Fund shall not grant loans or guarantees in favour of a third party. The assets of the Fund shall be invested globally. However, the focus shall be on European markets. 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.

- 4.3 In order to have the necessary flexibility when managing the Fund, the Investment Restrictions are not overly restrictive. However, the Fund aims to keep a diversified portfolio and from time to time can have high concentration towards specific industries or economic themes. A detailed overview of the Investment Policy and the Investment Restrictions is provided in the Prospectus.
- 4.4 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 indication of future performance. With the investment into the Fund the Unitholder acknowledges and accepts that such investment involves risks and it may result in both profit or loss to the Unitholder, including loss of the entire amount invested. The overview of risks pertaining to investment into the Fund is provided in the Prospectus. Each client is advised to consult with a professional investment advisor prior to making an investment.

5. Fund Units, the Rights and Obligations Attached to Units

- 5.1 A Unit represents the Unitholder's share in the assets of the Fund. A Unit is a dematerialised book-entry security, maintained in an electronic Unit Registry. No certificate in relation to the Units is issued to the Unitholder. Issue and redemption of Units, and creation and termination of rights and obligation relating thereto, shall take effect with relevant entry into the Unit Registry. Information about the Unit Registry and the Registrar is provided in the Prospectus.
- 5.2 The reference currency for the Fund and for the Units is euro (EUR).
- 5.3 The Fund has one class of Units: Avaron Flexible Strategies Fund (*Avaroni Privaatportfelli Fond* in Estonian), with nominal value of EUR 10 (ten euros).
- 5.4 A Unit is divisible. The fractions of Units that are created by dividing Units 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).
- 5.5 The issue of the Units is not limited by time or amount. The issue of Units is performed on every Banking Day, unless the transactions with Units are suspended pursuant to and in accordance with the Prospectus and/or the Applicable Law. The subscription price of a Unit shall be based on the net asset value of the Unit calculated as of the Trade Date.
- 5.6 The Units are redeemed with 10 Banking Days' prior notice. The redemption price shall be the net asset value of the Unit that is calculated as of the 10th Banking Day as of the day of receiving the redemption order. Detailed terms and procedure for Unit transactions, including applicable cut-off times and redemption fees, are provided in the Prospectus.
- 5.7 By submitting a subscription order, the Unitholder confirms that he or she has thoroughly acquainted, consents and undertakes to adhere to the Rules and the Prospectus. 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 Unitholders, or for the orderly management of the Fund.
- 5.8 Unitholders shall be treated equally in equal circumstances. A Unit grants to the Unitholder the following rights, subject to and in accordance with the terms and procedures provided in the Prospectus and the Applicable Laws:
- right to demand redemption of Units;
 - right to transfer the Units to third parties;
 - right to receive a share of the assets remaining upon liquidation of the Fund and of any distributions made from the Fund in proportion to the number of Units and the class of Units held;
 - right to access and receive information regarding the Fund;
 - upon request, to receive a confirmation from the Registrar relating to Units registered to his or her name in the Registry;
 - to exercise other rights provided by the imperative provisions of the Applicable Law.
- 5.9 The Units may be exchanged for shares or units of other funds managed by the Management Company according to terms and procedures provided in the prospectuses of the units or shares participating in the transaction.

- 5.10 The Fund does not have a general meeting nor any other Unitholders' representative body, and therefore Unitholders do not have the right or the opportunity to participate in the management of the Fund through any Unitholders' representative body. Without limiting the above, the Unit does not grant any right to participate or demand participation in the investment management of the Fund. No Unitholder is entitled to demand termination of the Fund.
- 5.11 Unitholders shall exercise their rights attached to Units in good faith and in accordance with the Rules, 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 Unitholders, the Management Company, the depositary of the Fund, or any third party.
- 5.12 By the declaration of intention to acquire Units (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 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. The Management Company has the right to send notices and reports about the Fund at any known postal or e-mail address of the Unitholder.
- 5.13 All proceeds from the investments of the Fund shall be reinvested, and no distributions shall be made to the Unitholders from the Fund. The Unitholder's return on his or her investment into the Fund is reflected in the increase or decrease of the net asset value of the Unit. The Unitholder may realize its return by exercising redemption or sale right.
- 5.14 Subscription and redemption fees, if applied, as well as all other direct expenses related to subscribing and redeeming Units shall be paid for by the Unitholder. The subscription and redemption fees relating to issue or redemption of same class of Units may differ depending on the number or value of Units issued or redeemed, or circumstances relating to the structure or arrangement of the issue or redemption. The applicable rates and procedure for determining the subscription and redemption fees are provided in the Prospectus. The Management Company is entitled to reduce or waive subscription and/or redemption fees at its sole discretion. At the request of the Unitholder subscribing for or redeeming Units, the Management Company shall report the amount of subscription or redemption fees charged to him or her in relation to such transaction.

6. Fees and Expenses of the Fund

- 6.1 The Management Company shall be paid a Management Fee on the account of the Fund, on terms and conditions as provided in the Rules and the Prospectus. In addition to the Management Fee, the Management Company is entitled to the Performance Fee, if the Unit outperforms the reference index and has had a positive performance over a calendar year. The standard performance fee crystallisation period is a calendar year. 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. Description of the Performance Fee model with examples of calculation and the rate of the Performance Fee is provided in the Prospectus.
- 6.2 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.
- 6.3 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.
- 6.4 The following costs and expenses shall be paid on the account of the Fund:
- a) expenses related to holding the Fund's assets and making transactions therewith (transaction fees, brokerage fees, transfer fees, subscription fees, exchange fees, registry fees, state fees), and bank charges for banking services (money transfers, international money transfers, account debiting and crediting, currency conversion);
 - b) expenses related to auditing the Fund and its reports;
 - c) fees related to borrowing on behalf of the Fund;
 - d) expenses in relation to exercising any rights arising from the assets of the Fund;
 - e) fund administration fees to the service providers (the service includes keeping the Fund's accounts and calculating net asset value);
 - f) expenses related to maintaining the Units Registry, based on the price list of the Registrar (including the Registrar's charges related to receiving and processing the subscription and redemption orders);
 - g) state charges related to registering amendments to the Rules and/or Prospectus and the expenses related to publishing relevant notices;
 - h) expenses related to preparing, printing, translating and distributing the Rules, Prospectus and other Fund documents;

- i) other fees and costs related to the management of the Fund that are related to taxes on the Fund's investments, fees and interest costs (including costs related to negative interest on deposits and other fixed income investments);
 - j) legal (incl. court costs) expenses incurred by the Fund; and
 - k) liquidation costs.
- 6.5 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.

7. Amendments

- 7.1 The Rules may be amended with the resolution of the Management Company's management board, including in material issues such as amendments to the Investment Policy or Investment Restrictions, fees, costs and expenses payable on behalf of the Fund.
- 7.2 The amendments to the Rules shall be approved by the EFSA, unless such amendments are solely due to changes to the Applicable Law, resulting in the obligation of the Management Company to amend the Rules, or when such amendments do not affect the rights of the Unitholders, or are beneficial to the Unitholders. In such case the approval of the EFSA is not required, and the amended Rules shall only be notified to the EFSA without delay.
- 7.3 Following the approval of the amendments by the EFSA, the Management Company shall without delay publish a notice regarding such amendments together with the amended Rules on its website www.avaron.com. The amended Rules shall take effect in one month after publishing the corresponding notice, unless the notice prescribes a later date.
- 7.4 In the case of material amendments to the Rules, the Management Company shall ensure that the Unitholders are provided with the period of at least one month before such material amendments enter into effect during which the Management Company redeems the Units at the request of the Unitholder without a redemption fee or ensures an option to exit by sale of the Units at the price at least equal to the net asset value of the Units. The material amendments shall take effect only after such one-month period has passed.

8. Liquidation of the Fund

- 8.1 The Fund shall be terminated and liquidated only with the resolution of the Management Company's management board, or pursuant to the imperative provisions of the Applicable Law. The approval of the EFSA is required for the liquidation of the Fund.
- 8.2 Upon receipt of the approval from the EFSA, the Management Company shall without delay publish a notice regarding the liquidation of the Fund on its website www.avaron.com.
- 8.3 Upon publishing the liquidation notice, the Management Company shall suspend the issue and redemption of Units.
- 8.4 The liquidation shall be performed in accordance with the Applicable Law by the Management Company, depositary or a third-party liquidator appointed by the EFSA.
- 8.5 The Management Company (or other designated liquidator) shall sell and dispose of the assets of the Fund as soon as possible and in accordance with the interests of the Fund (and thereby collective interests of the Unitholders), collect the debts owed to the Fund and satisfy the claims of the creditors of the Fund. The liquidation proceedings must be completed within 6 months starting from the publishing of the liquidation notice. With the consent of the EFSA such period may be extended to up to 18 months.
- 8.6 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 liquidation shall be responsible for the expenses exceeding such limit.
- 8.7 The Management Company (or other designated liquidator) shall distribute the remaining assets between the Unitholders on the basis of the class, number and net asset value of Units owned by each of them. Notice concerning the liquidation distributions shall be published on the Management Company's website www.avaron.com.

9. Liability

- 9.1 The Management Company shall compensate to the Fund any damages attributable to its intentional breach or gross negligence in performance of its obligations arising out of the Rules, Prospectus, documents issued thereunder, or the Applicable Law, subject to and in accordance with the imperative provisions of the Applicable Law.

- 9.2 The Management Company shall only be liable for direct monetary damage, except and to the extent the imperative provisions of the Applicable Law provide otherwise. Liability of the Management Company not specifically regulated in the Rules or the Prospectus, shall be excluded to the maximum extent permitted by the Applicable Law.
- 9.3 Unitholder is not personally liable for the obligations of the Fund assumed by the Management Company on behalf of the Fund, or for obligations the performance of which the Management Company has the right to demand from the Fund pursuant to the Rules and the Prospectus. The Unitholder's liability for such obligations is limited to his or her share of the Fund's assets.
- 9.4 The Management Company shall not assume any obligations on behalf of any individual Unitholder. In order to satisfy a claim against a Unitholder, the claim may be enforced against the Units held by the Unitholder, not the assets of the Fund.