



# Avaron High Yield Bond Fund

## PROSPECTUS

21 January 2025

This Prospectus contains information about Avaron High Yield Bond 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, fund rules, key investor document 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 full amount invested. Past performance is not indicative of future results. Investors should be aware of the risks associated with investing in 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 High Yield Bond Fund. **The Rules of the Fund (Appendix 2 of the Prospectus) form an integral part of the Prospectus, and both the Prospectus and the Rules should be thoroughly acquainted with before investing in Avaron High Yield Bond Fund. Each prospective investor is encouraged to seek independent professional advice in relation to his or her investment.**

## MAIN INFORMATION ABOUT THE FUND

<b>Name and legal status of the Fund</b>	<b>Avaron High Yield Bond Fund (in Estonian <i>Avaroni Völakirjafond</i>)</b> , a public common investment fund as per the definitions provided by the Estonian Investment Funds Act. The Fund qualifies and is registered in Estonia with the Estonian Financial Supervision Authority as a UCITS as of 20 January 2025. The Fund's initial launch date was 9 October 2023 and fixing of the base NAV was 31 October 2023.
<b>Management Company</b>	<b>AS Avaron Asset Management</b> , registry code 11341336, registered address at Narva Road 7D, 10117 Tallinn, Estonia, website <a href="http://www.avaron.com">www.avaron.com</a>  Management board members: Kristel Kivinurm-Priisalm, Valdur Jaht  Supervisory board members: Peter Priisalm, Maris Jaht, Rain Leesi
<b>Location of the Fund</b>	Narva Road 7D, 10117 Tallinn, Estonia
<b>Depository,</b>	
<b>Administrator (NAV calculation and Fund accounting),</b>	<b>Swedbank AS</b> , registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia, website <a href="http://www.swedbank.ee">www.swedbank.ee</a>
<b>Registrar and Transfer Agent</b>	
<b>Auditor</b>	<b>KPMG Baltics OÜ</b> , registry code 10096082, registered address at Ahtri 4, 10151 Tallinn, Estonia, website <a href="http://www.kpmg.ee">www.kpmg.ee</a>
<b>Supervisory Authority</b>	<b>Estonian Financial Supervision Authority</b> (in Estonian: <i>Finantsinspektsioon</i> ), registered address at Sakala 4, 15030 Tallinn, Estonia, website <a href="http://www.fi.ee">www.fi.ee</a>
<b>Registration of Fund Rules</b>	The effective Fund Rules entered into force on 21 January 2025.
<b>Issue of Units</b>	Units are issued on every Banking Day.
<b>Redemption of Units</b>	Redemption orders below or equal to 25,000 EUR per Unitholder per calendar month are redeemed with 10 Banking Days' prior notice, redemption orders above 25,000 EUR and up to or equal to 1 million EUR per Unitholder per calendar month are redeemed with one month's prior notice and redemption orders above 1 million EUR per Unitholder per calendar month are redeemed with two months' prior notice, considering the restrictions described in the prospectus.
<b>Unit prices</b>	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).
<b>Publication of information</b>	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, <a href="http://www.avaron.com">www.avaron.com</a> , and at the registered address of the Management Company.
<b>Reference currency</b>	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.
<b>Financial year</b>	The financial year of the Fund begins on 1 January and ends on 31 December.
<b>Distribution of proceeds</b>	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 his or her 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:

<b>Applicable Law</b>	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
<b>Banking Day</b>	a day when credit institutions are generally open for business in Estonia, excluding Saturdays, Sundays, national and public holidays
<b>Depository Fee</b>	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
<b>Financial Supervision Authority</b>	the Estonian Financial Supervision Authority (in Estonian <i>Finantsinspeksioon</i> )
<b>Fund</b>	<b>Avaron High Yield Bond Fund (in Estonian <i>Avaroni Võlakirjafond</i>)</b>
<b>Investment Funds Act</b>	Estonian Investment Funds Act as amended or supplemented from time to time
<b>Investment Policy</b>	the investment strategy and objectives of the Fund, as stipulated in the Prospectus
<b>Investment Restrictions</b>	the investment restrictions applicable to the management of the Fund, as stipulated in the Prospectus
<b>KID</b>	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
<b>Management Company or Avaron</b>	AS Avaron Asset Management, registry code of 11341336, with registered address at Narva Road 7D, 10117 Tallinn, Estonia
<b>Management Fee</b>	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
<b>Member State</b>	a member state of the European Union
<b>NAV</b>	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
<b>Performance Fee</b>	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
<b>Prospectus</b>	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
<b>Registrar</b>	the registrar of the Unit Registry
<b>Rules</b>	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 (Appendix 2 of the Prospectus)
<b>Trade Date</b>	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)
<b>Transferable Securities</b>	as defined in section Investment Policy, Permitted Instruments
<b>Unit</b>	a unit representing a holding in the Fund
<b>Unit Registry</b>	registry of Units, maintained electronically by the Registrar
<b>Unitholder</b>	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

The Fund pursues a value-oriented fixed income strategy that seeks attractive returns through investing in a diversified portfolio of high yield bonds. The Fund invests primarily into European high yield corporate bonds that offer a yield above that generally available on investment grade debt securities.

**As the Fund invests mostly in high yield bonds that are unrated or have a rating below investment grade, the Fund's risk level is higher compared to bond funds that invest in government bonds and investment grade bonds, thus the Fund has a medium risk level.** Arising from the Fund's risk level, investors should have an investment horizon of at least 2 years. 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 a significant loss of the amount invested. The overview of the risks pertaining to an investment into the Fund is provided in the section Risks below.

**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 Fund's investment strategy focuses primarily on generating returns through investments in corporate debt, including private debt instruments. Due to the nature of the Fund, sustainable investments are not pursued as a core goal, nor does the Fund promote environmental and social characteristics. For smaller or private-held debt issuers, obtaining reliable and standardized ESG data presents challenges. This segment often lacks the necessary transparency and uniform reporting practices required to thoroughly assess and integrate sustainability factors into the investment process. Applying sustainability criteria could constrain the investable universe and limit the Fund's capacity to capitalize on compelling debt opportunities.

### INVESTMENT POLICY

#### General Principles

**The assets of the Fund shall mainly be invested in high yield corporate bonds in Europe.** During certain times the Fund might have a significant concentration geographically to the Baltics, Emerging Europe, the Nordics or outside of Europe or sector-wise to financials, real estate or energy. The Fund aims to keep a diversified portfolio on single bond position level but from time to time can have relatively high concentration towards specific countries, industries or economic/investment themes. Investors can monitor the Fund's geographic and sector allocations as well as portfolio concentration and risk level on monthly basis from the Fund's factsheet available on the Fund's website at [www.avaron.com](http://www.avaron.com).

The Fund's assets may be invested in any type of bonds. Different types of bonds may substantially differ in their terms and conditions (including redemption possibilities, conversion, related risks). The Fund may invest in unsecured bonds, subordinated bonds, perpetual or hybrid bonds, additional Tier I or subordinated Tier II bonds and convertible bonds. The list is not exhaustive. Bonds invested in may not be tradable on securities markets. The Fund may invest in money market instruments. The Fund mainly invests into euro-denominated bond issues but can also invest in bonds in other currencies, in which case the Management Company decides whether to hedge the currency risk to euro. The Fund mainly invests in single unrated corporate bonds but may from time to time also invest into debt investment funds.

The Fund's portfolio may also contain shares, if these are acquired by conversion, switch or restructuring of bonds or in some other way. Management Company has the right to decide at its own discretion on keeping such equity position in the portfolio.

Allocation of the Fund's assets between different bond types, industrial sectors and geographical regions shall be determined by the Management Company in exercising an active portfolio management strategy, subject to its professional assessment and the prevailing market conditions based on issuer specific and macroeconomic research.

The Fund may use short-term leverage of up to 10% of its NAV for investment purposes. The Fund may use FX derivatives only for hedging the bonds' underlying currency risks and interest rate derivatives for managing the bonds' interest rate exposure. Short selling is not allowed.

#### Permitted Instruments

The Fund may invest in the following instruments:

- transferable securities, including 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, shares and other securities equivalent to shares in companies (**the Transferable Securities**);
- money market instruments;
- units or shares of other investment funds or collective investment undertakings, including exchange traded funds;
- FX derivative instruments, including FX forwards and swaps, for hedging purposes only;
- interest rate swaps to manage the Fund's fixed and variable rate exposure;
- deposits with credit institutions.

### Transferable Securities and Money Market Instruments

The Fund may invest up to 110% (including up to 10% leverage) 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 20% of the Fund's net asset value into money market instruments that do not meet the above trading criterion, but where the issuance 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 is a high yield bond fund but its portfolio may also contain shares, if these are acquired by conversion, switch or restructuring of bonds or in some other way. The Management Company has the right to decide at its own discretion on keeping such equity positions in the portfolio.

The Fund may invest up to 10% 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 10% 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 provisions and restrictions in relation to investment into Transferrable Securities are applied in relation to an investment into closed-ended investment funds or collective investment undertakings that are dealt in on a regulated market, and not the restrictions provided herein in relation to investment into other collective investment undertakings. The Fund may not invest into any investment funds or collective investment undertakings managed by the Management Company, either as a designated management company or on delegation basis.

### Deposits

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

### Derivative Instruments

**The Fund is permitted to transact with derivative instruments only for hedging exchange rate risks and to manage interest rate risks.** The Fund may use FX hedges (forwards and swaps) on bonds that are nominated in currencies other than euro. 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'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 5 percentage points of the net assets of the Fund. The Fund may use interest rate swaps to manage interest rate exposure of the underlying instruments. Total variable to fixed interest rate swap exposure may not exceed the notional amount of floating rate bonds in respective currency and the fixed to variable interest rate swap exposure may not exceed the notional amount of fixed rate bonds in respective currency.

## Leverage and Other Transactions

**The Fund is allowed to take short-term leverage of up to 10% for 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 use of a credit limit for a limited time to cover Fund's cash flows is not considered taking leverage for investment purposes. 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.

The Fund shall not place more than 20% of the Fund's net asset value into deposits with the same credit institution. This restriction does not apply in relation to an account with the Depositary, where funds from the issue of 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.

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 assets.

The total value of the Transferable Securities and/or money market instruments 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 above in this section.

The value of the Transferable Securities and money market instruments issued by one person and the value of the deposits placed in such person and the risk positions of transactions with derivative instruments in this person may not constitute in total more than 20% of the value of the assets of the Fund.

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 40% of the value of its assets. Such covered bonds shall not be taken into calculation of the 40% limit provided above in this section.

Notwithstanding the restrictions provided elsewhere in 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%.

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 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.

## Short Overview of Investment and Risk Management Techniques

Avaron deploys a value driven investment style with the focus on company-specific analysis that is supported by sector and macro analysis. Avaron investment team is searching for and investing in bonds with the best return or yield among equally risky alternatives or in securities with lowest risk among alternatives with equal return potential. Allocation of the Fund's assets between different bond types, industrial sectors and geographical regions shall be determined by the Management Company in

exercising an active portfolio management strategy, subject to its professional assessment and the prevailing market conditions based on issuer specific and macroeconomic research.

Portfolio liquidity analysis and diversification among sectors, countries and currencies are the main risk management tools used. In addition, derivatives may be used to hedge the Fund's underlying investments' currencies and to manage interest rate risks. Avaron's investment managers actively follow financial results of companies and make relevant changes in the Fund portfolio.

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 securities' price movements or other circumstances, the Management Company is obligated to immediately take measures to correct such breaches.

The Fund does not use efficient portfolio management techniques and instruments for investment, hedging and cost optimisation, including securities lending and securities financing.

## PAST PERFORMANCE OF THE FUND

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

## RISKS

### GENERAL RISK WARNING

Various risks may affect the return of 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 and the Fund's return is in no way fixed and is subject to price movements in the bond market.** 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 volatile.

### RISK LEVEL OF THE FUND

The Fund mainly invests in unrated or below investment grade high yield corporate bonds. The investor must consider the higher risks associated with investing in these instruments compared to investing in low-risk bonds such as government bonds or investment grade corporate bonds. Overall, the Fund should be considered as an investment product with a medium risk level.

### PROFILE OF A TYPICAL INVESTOR

**The Fund is suitable for an investor with a medium risk tolerance whose investment horizon is at least two years.** 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 investor's financial position should be sufficiently strong to endure 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. Based on the investment strategy, the most critical risks related to an investment in the Fund are the following: risk of investing in different types of bonds, market risk, issuer-specific price risk, credit risk and interest rate risk.

**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 depositaries. Such losses may include losses due to the person holding the securities going bankrupt, losing the securities or its inability to fulfil orders.

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

**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 bond 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 could result in restrictions for the Fund's activities or create obligations for the Fund.

**Leverage risk** – some transactions may give rise to a form of economic leverage. These transactions may expose the Fund to greater risk and increase its costs. The use of leverage may cause the Fund to liquidate portfolio positions when it may not be advantageous to do so to satisfy its obligations. Increases and decreases in the value of the Fund's portfolio will be magnified when the Fund uses leverage.

**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 of small issue size 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 markets, industrial sectors and geographical regions** – 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 sectors, markets or geographical regions, a specific asset class or a small number of issuers.

**Risks from different types of bonds** - The objective of the Fund is to invest mainly in corporate high yield bonds which may involve higher risks compared to investing in government bonds or investment grade corporate bonds. Such debt obligations may be subordinated to company's other debt obligations, contain a contingent write-off option, and carry greater losses, including total loss of value in the event of company's bankruptcy. The Fund may invest in different types of bonds which may substantially differ in their terms and conditions (including redemption possibilities, conversion, related risks). Fund may invest in unsecured bonds, subordinated bonds, perpetual or hybrid bonds, additional Tier I or subordinated Tier II bonds and convertible bonds. The list is not exhaustive. Investment in convertible bonds may mean that an equity position is added to the Fund's portfolio when the exchange is realised.

**Risks related to foreign exchange and interest rate derivative instruments** - the Management Company may invest the Fund's assets in derivative instruments for the purpose of hedging FX risks or managing the Fund's fixed and variable rate exposure. The market value of a derivative instrument depends on the price or value of another underlying asset (e.g. foreign exchange rate, interest rates). The use of derivatives can lead to losses, particularly when derivatives are used to enhance return rather than mitigate risk.

**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. 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.

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). Base currency of the Fund and units is euro, i.e. the net asset value of the Fund's units is calculated and transactions with units are made in euros.

The Fund has four different unit classes which differ from each other in terms of associated fees and minimum investment amount on initial subscription as described below. The units are registered in the central securities registry with the following identification codes (ISIN-code):

- Avaron High Yield Bond Fund A Unit (ISIN EE3600001855)
- Avaron High Yield Bond Fund B Unit (ISIN EE3600001863)
- Avaron High Yield Bond Fund C Unit (ISIN EE3600001897) and
- Avaron High Yield Bond Fund D Unit (ISIN EE3600001905)

### 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 <https://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 <https://avaron.com/documents/>), 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 particular class of Unit is calculated by subtracting the liabilities of the Fund that are allocated to such class of Units from the aggregate market value of the securities and other assets of the Fund attributable to such class of Units and dividing such value with the number of outstanding Units of that particular class. 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 subscription and 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](http://www.avaron.com). A Unit's net asset value, subscription 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.** The minimum investment in the Fund is 100 (hundred) euros depending on the Unit class. 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.

Subscription fee of 1% from subscription amount shall be applied to subscriptions. The subscription fee is transferred to Fund and it is an income of the Fund. The subscription price of a Unit is the net asset value of the Unit where a subscription fee has been added 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.

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](http://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

In order to redeem Units, the Unitholder shall submit a redemption order to the Transfer Agent. No redemption fee is applied. Investors can redeem their Units partially or fully.

**Redemption orders below or equal to 25,000 EUR per Unitholder per calendar month shall be 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 10<sup>th</sup> Banking Day from 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 time are deemed to have been received on the immediately following Banking Day.

**Redemption orders above 25,000 EUR and up to or equal to 1 million EUR per Unitholder per calendar month shall be redeemed at month-end net asset value with one month's prior notice,** i.e. for all redemption orders received by 11:00 Estonian time (10:00 CET) on the first Banking Day of the month, the redemption price shall be the net asset value of the Unit that is calculated as of the last Banking Day of that calendar month (Redemption Trade Date). **In case the Fund has sufficient cash, the Management Company may decide to redeem all orders with 10 Banking Days' prior notice.** In such case the redemptions are processed in the order such redemption requests were submitted to the Transfer Agent.

**Redemption orders above 1 million EUR shall be redeemed at month-end net asset value with two months' prior notice,** i.e. for all redemption orders received by 11:00 Estonian time (10:00 CET) on the first Banking Day of the month, the redemption price

shall be the net asset value of the Unit that is calculated as of the last Banking Day of the next calendar month (Redemption Trade Date). **In case the Fund has sufficient cash, the Management Company may decide to redeem all orders with 10 Banking Days' prior notice.** In such case the redemptions are processed in the order such redemption requests were submitted to the Transfer Agent.

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.

## EXCHANGE OF UNITS

The Unitholder is entitled to exchange the Units with the Units of another class of the Fund or units or shares of another fund managed by the Management Company, provided that acquiring the shares or units of the other investment fund through exchange transaction is permitted and the conditions for the minimum initial subscription, if applied, are met, unless the Management Company has reduced or waived the requirements for some investors at its discretion. Exchange of Units with another class of the Fund's Units is performed based on the net asset value of the Banking Day of receiving the order (cut-off time 11:00 Estonian time (10:00 CET)). When the Units are exchanged with the shares or units of another fund, the general provisions for redemptions (with either 10 Banking Days', one month's prior notice or two months' prior notice) shall 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 (other 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 tax system applicable to a Unitholder 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.

The following is a general description of the applicable tax principles.

### Taxation of Fund's Income

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 Fund is not a taxable person and the income earned by the Fund is not subject to taxation in the Republic of Estonia. The Fund could be liable to pay taxes in the countries where the Fund has investments pursuant to the regulation applicable in the respective country.

### Taxation of Unitholder's Income

The investor earns profit from the Fund if the redemption price of the Unit exceeds the cost of acquisition. The Management Company does not withhold any taxes on gains earned from Units. Declaring and paying applicable taxes is the obligation of each Unitholder.

**For Non-Residents.** Gains earned on the Units by a non-resident investor are not taxed in the Republic of Estonia. Such gains may be taxed in the non-resident investor's country of residency according to local tax law.

**For Estonian Residents.** Gains from sale of Units by an Estonian resident natural person are taxed with the income tax rate set forth in Estonia's Income Tax Act. Gains made by an Estonian resident natural person by exchanging Units for units of another investment fund managed by the Management Company will not be treated as taxable income, unless it includes disbursements to the investor.

The Estonian Income Tax Act allows to shift the income tax liability further into the future, to the moment when the profit is withdrawn from the dedicated investment account. Obligation to pay income tax moves to the moment when an investor withdraws more money from such investment account than he or she has invested in total. The dedicated investment account is an ordinary bank account that is used for investments and is declared in the tax return of a natural person.

For an Estonian resident legal person, gains from Unit transactions are tax-exempt. Such gains are counted as the legal person's profit and taxed when the profit is distributed.

## FEES AND EXPENSES

### FEES AND EXPENSES PAID BY THE UNITHOLDER

The Management Company applies Subscription Fee of 1% from subscription amount. No redemption fee is applied when redeeming the 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.

### FEES AND EXPENSES PAID BY THE FUND

At the expense of the Fund the Management Company is paid a Management Fee. The rate of the Management Fee depends on the Unit class. Under conditions described below the Management Company is entitled to receive Performance Fee in case of Avaron High Yield Bond Fund Unit B. No Performance Fee is paid for other Unit classes. For Fund's asset safekeeping services the Fund pays a Depositary Fee to Swedbank AS (read more in the section Depositary below). The Fund may bear other expenses for rendering services necessary for operation. All fees 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 Fund shall pay expenses related to the management of the Fund, as specified in the Rules (including 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.

Considering the fees and expenses described also elsewhere in the Prospectus, the table below shows all the fees and expenses related to the investment:

	A Unit	B Unit	C Unit	D Unit
<b>Minimum initial subscription</b>	100 EUR	100 EUR	250,000 EUR	1,000,000 EUR
<b>Fees and expenses paid by the Fund:</b>				
Management Fee per year	0.9%	0.3%	0.75%	0.55%
Performance Fee	None	9% of return, high-water mark	None	None
Depositary Fee (excl. VAT)	0.08% per annum plus 0.03%-0.25% per annum according to fee schedule of the Depositary depending on where the Fund's assets are safekept*			
Other expenses	According to the price list of the service provider			

<b>Expenses borne by the Unitholder:</b>				
Subscription fee	1%	1%	1%	1%

\* The total Depositary Fee (excl. VAT) per annum may be 0.33%. The Depositary calculates the actual fee in the end of the month on weighted average basis. The fee for safekeeping the assets depends on which sub-custodian of the Depositary holds the instruments in the Fund's portfolio.

## PERFORMANCE FEE

Performance Fee calculation is based on the high-water mark (HMW) principle. The Management Company is entitled to receive Performance Fee from the increase of the net asset value of B Unit in case the Unit's net asset value exceeds the highest historical net asset value as of the end of the month. If the net asset value of the B Unit decreases, the Management Company shall not be entitled to the Performance Fee before the net asset value of B Unit exceeds the highest historical month end net asset value.

The Performance Fee crystallisation period is calendar month. The first period to measure the Performance Fee began with October 9<sup>th</sup> 2023. If Performance Fee is due at the end of the calendar month, 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 month.

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.

Year	Unit NAV EUR (before performance fee)
<b>M0</b>	10
<b>M1</b>	10.5
<b>M2</b>	10.3
<b>M3</b>	10.7

<b>M1</b>	Highest historical month end NAV 10 EUR Unit return: $10.5 - 10 = 0.5$ EUR per unit Performance fee: $0.5 * 9\% = 0.045$ EUR per unit NAV after performance fee: <b>10.455</b>
<b>M2</b>	Highest historical month end NAV 10.455 EUR Unit return: $10.3 - 10.455 = -0.155$ EUR per unit No Performance Fee is paid.
<b>M3</b>	Highest historical month end NAV 10.455 EUR Unit return: $10.7 - 10.455 = 0.245$ EUR per unit Performance fee: $0.2 * 9\% = 0.0220$ EUR per unit NAV after performance fee and new highest historical month end NAV 10.678 EUR

## 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](http://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 owned by OÜ Princo and OÜ Venatio, the companies belonging to founders of the Management Company Kristel Kivinurm-Priisalm, Valdur Jaht and Peter Priisalm. The beneficial owners of the Management Company are 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 who are long-term employees - Rain Leesi (Investment Manager, Head of Research and Trading), Piotr Jurga (Senior Analyst) and Reino Pent (Senior Analyst). 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. AS Avaron Asset Management manages other UCITS funds - Avaron Emerging Europe Fund, Avaron Emerging Europe Smaller Companies Fund MASF - and an alternative investment fund - Avaron Flexible Strategies Fund.

### 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 Supervisory Board of Avaron. A remuneration committee is established at the Management Company. The remuneration of the Management Company's employees mainly consists of a fixed 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](http://www.avaron.com). Upon request of the Unitholder, the remuneration policy shall be provided by the Management Company free of charge in the form desired by the investor.

## **DEPOSITARY**

**The Depositary of the Fund is Swedbank AS**, registry code 10060701, registered address at Liivalaia 8, 15040 Tallinn, Estonia. Swedbank AS is established on 10.01.1992 and it holds the credit institution activity license EP-13PO issued for an unspecified term on 26.01.1993 by the board of the Bank of Estonia. Swedbank 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](http://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](http://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.

## APPENDIX 1.

The table below shows the performance of A and B Unit of the Fund as the percentage loss or gain per year over a previous year. The figures below have been calculated for the calendar year based on the net asset value of the Fund. The performance is shown after deduction of ongoing charges and incidental costs allocated to the particular Unit.

	<b>1 year</b>
<b>A unit</b>	11.5%
<b>B unit</b>	10.9%
<b>C unit</b>	insufficient data*
<b>D unit</b>	insufficient data*

\* Fund's C and D Unit have been first issued on 19.12.2024 and there is currently insufficient data to provide a useful indication of past performance. The past performance of C and D Unit shall be included when there is sufficient data at least for full calendar year.

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 HIGH YIELD BOND FUND

These Fund Rules registered with the Financial Supervision Authority are effective as of January 21<sup>st</sup>, 2025.

#### 1. Definitions and interpretation

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

<b>Applicable Law</b>	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
<b>Banking Day</b>	a day when credit institutions are generally open for business in Estonia, excluding Saturdays, Sundays, national and public holidays
<b>Depository Fee</b>	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
<b>Financial Supervision Authority</b>	the Estonian Financial Supervision Authority (in Estonian: <i>Finantsinspektsioon</i> ), hereinafter referred to with an abbreviation EFSA
<b>Fund</b>	Avaron High Yield Bond Fund, constituted pursuant to these Rules
<b>Investment Policy</b>	the investment strategy and objectives of the Fund, as stipulated in the Prospectus
<b>Investment Restrictions</b>	the investment restrictions applicable to the management of the Fund, as stipulated in the Prospectus
<b>KID</b>	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
<b>Management Company</b>	AS Avaron Asset Management, registry code of 11341336, with registered address at Narva Road 7D, 10117 Tallinn, Estonia
<b>Management Fee</b>	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
<b>Performance Fee</b>	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
<b>Prospectus</b>	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
<b>Registrar</b>	the registrar of the Unit Registry, as identified in the Prospectus
<b>Rules</b>	these rules, constituting the Fund and regulating the legal relationship between the Management Company and the Unitholders, including the investment management mandate provided hereunder
<b>Trade Date</b>	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)
<b>Unit</b>	a unit representing a holding in the Fund
<b>Unit Registry</b>	registry of Units, maintained electronically by the Registrar
<b>Unitholder</b>	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 High Yield Bond Fund (in Estonian: *Avaroni Völakirjafond*) has been registered with the EFSA on January 20<sup>th</sup>, 2025. The Fund qualifies and is authorized as a UCITS fund. The Fund is located in Estonia at the registered address of the Management Company, as provided in clause 3.1.
- 2.2 The Fund is a public common investment fund constituted by the Rules and is not a separate legal person. 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 on the homepage of the Management Company.

## **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 is to invest in corporate high yield bonds primarily in Europe.
- 4.2 Subject to the Investment Policy and Investment Restrictions, the Fund's assets can be invested into various debt instruments, equities, and deposits. The Fund is not allowed to sell short for investment purposes. The Fund may use short-term leverage of up to 10% of its NAV for investment purposes. The Fund may use FX derivatives only for hedging the bonds'

underlying currency risks and interest rate derivatives for managing the Fund's interest rate exposure. The Fund shall not grant loans or guarantees in favour of a third party. The allocation of the Fund's assets between different 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 countries, 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 investor 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 four classes of Units:
- Avaron High Yield Bond Fund A Unit (ISIN EE3600001855)
  - Avaron High Yield Bond Fund B Unit (ISIN EE3600001863)
  - Avaron High Yield Bond Fund C Unit (ISIN EE3600001897) and
  - Avaron High Yield Bond Fund D Unit (ISIN EE3600001905)
- 5.4 The classes of Units differ in terms of fees as stated below in clause 6.1 of these rules and minimum investment amount on initial subscription as described in the prospectus. Units of the same class grant equal rights to Unitholders on equal bases.
- 5.5 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).
- 5.6 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 where the subscription fee shall be added calculated as of the Trade Date.
- 5.7 Redemption orders below or equal to 25,000 EUR per Unitholder per calendar month are redeemed with 10 Banking Days' prior notice, redemption orders above 25,000 EUR and up to or equal to 1 million EUR per Unitholder per calendar month are redeemed with one month's prior notice and redemption orders above 1 million EUR are redeemed with two month's prior notice, considering the restrictions described in the prospectus. Detailed terms and procedure for Unit transactions, including applicable cut-off times and redemption fees, are provided in the Prospectus.
- 5.8 By submitting a subscription order, the future 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.
- 5.9 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:
- a) right to demand redemption of Units;
  - b) right to transfer the Units to third parties;
  - c) 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;
  - d) right to access and receive information regarding the Fund;

- e) upon request, to receive a confirmation from the Registrar relating to Units registered to his or her name in the Registry;
  - f) to exercise other rights provided by the imperative provisions of the Applicable Law.
- 5.10 The Units may be exchanged for another class of Units of the Fund or 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.
- 5.11 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.
- 5.12 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.
- 5.13 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 <https://avaron.com/documents/>). 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.
- 5.14 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 reflect 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.
- 5.15 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. 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. The Management Fee is calculated on the basis of the market value of the Fund's assets and is deducted from the market value of the Fund's assets on daily basis. The annual rate of the Management Fee depending on the class of Unit is:

A Unit	B Unit	C Unit	D Unit
0.9%	0.3%	0.75%	0.55%

- 6.2 In addition to the Management Fee, the Management Company is entitled to the Performance Fee from the increase of the net asset value of B Unit in case the Unit's net asset value exceeds the highest historical net asset value as of the end of the month. If the net asset value of the B Unit decreases, the Management Company shall not be entitled to the Performance Fee before the net asset value of B Unit exceeds the highest historical month end net asset value. The Performance Fee crystallisation period is calendar month. The first period to measure the Performance Fee began with October 9<sup>th</sup> 2023. If Performance Fee is due at the end of the calendar month, 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 month. No Performance Fee is paid for other Unit classes.
- 6.3 The Depositary shall be paid a Depositary Fee for its services on the account of the Fund. The rate of the Depositary Fee and payment conditions are provided in the Prospectus. The Depositary Fee is calculated on the basis of the market value of the Fund's assets and is deducted from the market value of the Fund's assets on daily basis.
- 6.4 The Management Fee and Depositary Fee shall be accrued on each day the net asset value of the Fund is calculated and shall be paid out monthly for the previous calendar month.
- 6.5 The following costs and expenses shall be paid on the account of the Fund:
- 6.5.1 Operational expenses related to the management of the Fund, including:
- a) expenses related to safekeeping the Fund's assets;
  - b) expenses related to auditing the Fund and its reports;

- c) Fund administration fees to the service provider (the service includes keeping the Fund's accounts and calculating net asset value);
  - d) 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);
  - e) charges related to registering amendments to the Rules and/or Prospectus, translating and distributing the Fund documents;
  - f) expenses related to marketing and distribution of the Fund, including initial set-up, ongoing registration, listing and quotation fees of distribution platforms;
  - g) charges related to registering and distributing the Fund abroad, including charges to local authorities;
  - h) fees and costs made for acts and actions which are unavoidable and obligatory for Fund's activities (including maintaining the LEI code, approving documents by notary public);
  - i) legal (including court costs) expenses incurred by the Fund.
- 6.5.2 Investment related costs charged to the Fund, including:
- a) expenses related to making transactions with Fund's assets (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 in relation to exercising any rights arising from the assets of the Fund;
  - c) interest rate costs and taxes to the Fund's investments.
- 6.5.3 Liquidation costs as described in section Liquidation of the Fund below.
- 6.6 The total fees and expenses (excl. liquidation fees) paid on behalf of the Fund may not exceed 5% of the weighted average net asset value of the Fund's assets per year.

## **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](http://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](http://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](http://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.