

Investment Objectives & Approach

The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside to internally set target prices, taking into account company quality, liquidity and FX outlook. By implementing our investment process we aim to outperform the market with lower volatility.

The Fund typically invests in 30-40 regional companies, who generally demonstrate a competitive advantage or attractive risk/return features.

It adheres to the UN Principles for Responsible Investment. Suitable for investors seeking a stock picking portfolio in Emerging Europe, it acts as medium to long term diversifier in a global Emerging Markets, European or Global Equity portfolio.

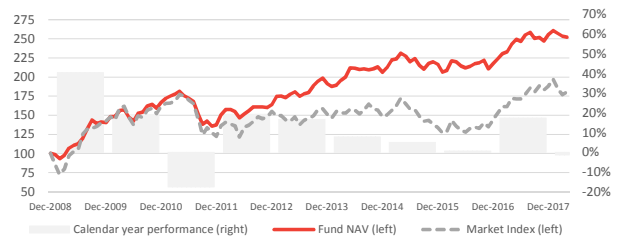
Fund Manager's Comment, April 2018

Global stocks rebounded in April on the back of strong performance of European equities. Stellar Q1 earnings have supported the stock market, however, rising worries over increasing inflation and interest rates continue to weigh on investor sentiment. Emerging Europe stocks (MSCI EFM CEEC ex-RU) rallied in unison with European equities, gaining 2.2% in April led by a rebound in Poland (+2.1%) and Hungary (+2.4%). The Turkish market suffered (down 9.8%) as investors worry about overheating and high inflation, while the domestic political outlook remains uncertain despite the announcement on early elections to be held in June. Greek stocks on the other hand strongly outperformed (+10%) as the CEO of the second-largest lender National Bank of Greece mid-month made a statement that local banks will successfully pass the European Central Bank's stress test.

Avaron Emerging Europe Fund lost 0.4% in April, underperforming the benchmark due 1.0ppt negative contribution from off-benchmark Turkish holdings and strong underweight in Poland. YTD the Fund is down 1.4% compared to -4.1% of the benchmark. The selection of companies in the Fund portfolio trade at 9.8x 1YR FWD P/E. We favour companies with strong balance sheets, and solid and sustainable free cash flow generation. We currently run 30% cash position due to limited attractive value opportunities and become more constructive on the market in case of 10%+ drop in stock prices.

To receive portfolio managers' detailed monthly report please send a request to info@avaron.com.

Performance



Past performance is not a guarantee or indicative of future results. The Fund was launched in 2007 as a small cap fund. From 2009 it operates as an all cap fund with small and mid-cap bias.

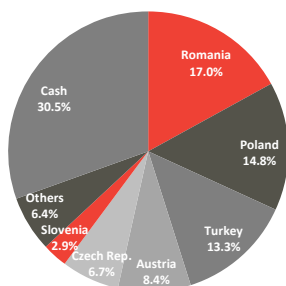
Perf overview	Fund net return	Index return*
1 month	-0.4%	2.2%
YTD	-1.4%	-4.1%
3 months	-3.3%	-8.4%
6 months	0.2%	-4.1%
1 year	3.9%	5.1%
3 years	9.0%	4.9%
5 years	41.9%	27.0%
7 years	39.2%	1.9%
10 years	6.7%	-3.6%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

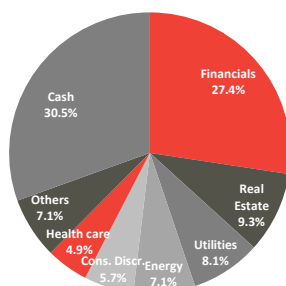
Year	Calendar year return		
	Gross	Net	Index*
2017	19.2%	17.3%	30.1%
2016	2.1%	0.6%	8.2%
2015	6.7%	5.0%	-9.6%
2014	9.4%	7.8%	-2.1%
2013	18.5%	16.7%	-2.4%
2012	21.1%	19.2%	26.5%
2011	-16.3%	-17.6%	-24.3%
2010	20.8%	18.9%	13.4%

CAGR of calendar years		
Years	Fund	Index*
2016-2017	8.6%	18.6%
2015-2017	7.4%	8.4%
2013-2017	9.3%	4.0%

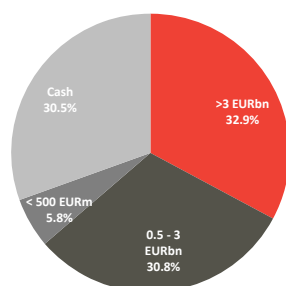
Geographic breakdown



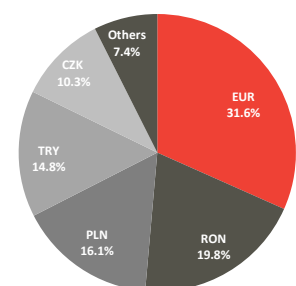
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Apr-18	Change					Contribution analysis					
		1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Romania	17.0%	0.9%	0.8%	-3.5%	0.3%	-2.4%	0.5%	1.1%	2.9%	2.1%	6.1%	15.8%
Poland	14.8%	0.2%	-1.4%	0.2%	3.9%	11.3%	-0.1%	-1.6%	1.6%	-1.0%	2.4%	6.8%
Turkey	13.3%	-1.2%	-2.8%	-10.1%	4.0%	8.7%	-1.0%	-2.1%	-2.2%	-2.0%	-1.1%	6.2%
Austria	8.4%	0.4%	0.6%	-0.9%	-15.6%	-5.8%	0.2%	0.4%	1.6%	0.1%	3.7%	8.0%
Czech Rep.	6.7%	-0.4%	-0.2%	-4.1%	-2.7%	-2.6%	0.1%	0.2%	1.5%	0.4%	1.4%	4.4%
Slovenia	2.9%	0.1%	0.1%	-0.3%	-0.4%	-3.0%	0.0%	0.0%	0.5%	0.0%	-0.4%	1.5%
Hungary	2.0%	0.0%	1.4%	1.2%	0.9%	-9.8%	0.0%	-0.2%	-0.2%	-0.2%	0.7%	5.0%
Croatia	1.6%	0.1%	0.1%	0.8%	1.6%	-2.5%	0.0%	0.0%	0.0%	0.0%	0.2%	-0.2%
Baltics	1.5%	0.0%	-0.2%	-0.2%	-2.6%	-5.8%	0.0%	-0.3%	0.3%	-0.3%	1.0%	1.4%
Others	1.4%	2.2%	2.3%	2.4%	3.9%	12.0%	0.1%	0.0%	-0.1%	0.0%	0.8%	4.8%

Sector allocation

		Change					Contribution analysis					
							1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	27.4%	-0.9%	-4.1%	-6.8%	-4.2%	-0.5%	-0.8%	-2.5%	0.2%	-1.5%	5.9%	21.5%
Real Estate	9.3%	0.4%	0.6%	-3.3%	-4.2%	-6.9%	0.2%	0.3%	1.4%	0.1%	0.0%	4.4%
Utilities	8.1%	0.4%	-0.8%	-2.7%	-7.2%	-5.5%	0.2%	0.2%	1.3%	0.6%	0.6%	8.5%
Energy	7.1%	0.5%	1.0%	-0.1%	-2.0%	2.3%	0.3%	0.6%	1.1%	1.2%	2.8%	3.1%
Cons. Discr.	5.7%	1.1%	2.6%	-1.2%	1.9%	-0.7%	0.0%	-0.4%	1.0%	-0.4%	3.7%	8.4%
Health care	4.9%	0.1%	1.6%	-0.3%	0.5%	-2.3%	0.0%	-0.3%	0.4%	-0.2%	0.3%	3.9%
Consumer Staples	2.4%	0.0%	-0.1%	-1.8%	-0.2%	0.3%	-0.1%	-0.3%	0.9%	-0.2%	1.0%	3.1%
Telecom	1.9%	-0.1%	-0.1%	0.8%	1.5%	-4.4%	-0.1%	-0.1%	-0.2%	-0.1%	0.0%	-0.2%
Others	2.8%	3.8%	3.3%	2.5%	1.8%	-0.9%	-0.1%	-0.2%	-0.3%	-0.2%	0.4%	0.9%

Style allocation

		Change					Contribution analysis					
							1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	41.4%	-0.9%	-4.3%	-6.2%	6.2%	13.4%	-0.6%	-2.5%	1.7%	-1.0%	9.8%	21.9%
Non-cyclical	14.6%	0.3%	3.2%	-3.5%	-6.6%	-10.1%	0.1%	-0.6%	2.9%	-0.3%	1.9%	12.9%
Asset play	13.6%	0.6%	-0.3%	-4.6%	-3.5%	-7.4%	0.3%	0.5%	1.8%	0.5%	1.6%	12.9%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-1.6%	-16.5%	0.0%	0.0%	0.0%	0.0%	-0.1%	2.9%
High yield bonds	0.0%	0.0%	0.0%	-3.1%	-6.6%	-2.0%	0.0%	0.0%	-0.2%	0.0%	1.5%	2.5%
FX Derivatives	0.0%	0.0%	0.0%	-0.3%	0.0%	-0.1%	0.0%	0.0%	-0.3%	0.0%	0.0%	0.6%
Cash	30.5%	-0.1%	1.5%	17.6%	12.1%	22.7%	0.0%	0.0%	-0.3%	0.0%	-0.2%	-0.2%

Risk metrics

	3Y risk*
Alpha	2%
Volatility & stand. deviation	9.5%
Beta	0.42
Sharpe ratio	0.34
Information ratio	0.11
Tracking error	11.4%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

Fund statistics

Number of positions	38
Top10	37.6%
Top20	56.2%
Gross exposure	69.5%
Net exposure	69.5%
Concentration coefficient	50
Median market cap MEUR	1901
Average market cap MEUR	2923

Turnover

	Adj*
FY 2017	28.5%
FY 2016	17.7%
FY 2015	22.2%

* Adjusted for fund flows

Liquidity analysis*

	20%	50%
3 days	70.0%	80.9%
2 weeks	84.7%	95.4%
4 weeks	93.0%	98.7%

* Proportion of portfolio that can be turned into cash based on past 6 month average trading volume if Fund accounted for 20% & 50% of tradina volume

Fund Facts - Avaron Emerging Europe Fund

Investment Manager	AS Avaron Asset Management
Fund type	UCITS, public common investment fund
Launch date	April 23, 2007
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	82.5
Total AUM, MEUR	482.1
Strategy size, MEUR	470.1

TER 2017 0.22% (excluding management and performance fees)

	ISIN Code	NAV 30-Apr 2018
A unit	EE3600090049	4.8514 EUR
B unit	EE3600090056	5.1511 EUR
C unit	EE3600102901	17.4267 EUR
D unit	EE3600108866	14.6277 EUR
E unit	EE3600108874	14.6170 EUR

A & B units only for investors who owned units as of May 30, 2009

C, D & E units for all investors

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

Unit class	D (Retail)	C (Institutional)	E (Institutional)
Min. initial investment	-	125,000 EUR	1M EUR
Front-end load	2%	-	-
Management fee	2%	1.25%	0.85%
Performance fee (unit based)	-	10% over 12-month EURIBOR, HWM	15% over MSCI EFM CEEC ex-Russia Index, annual reset (June 30)
Back-end load	-	-	-

Bloomberg tickers

A unit: AVAEESA
 B unit: AVAEESB
 C unit: AVAEESC
 D unit: AVEMEUD
 E unit: AVEMEUE

See Lipper, TK Valoren tickers:
www.avaron.com/fundfacts_aef

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About Avaron Asset Management

Avaron Asset Management is an independent management-owned asset manager with a clear focus on Emerging Europe listed equities and fixed income. Our 11 investment professionals, in Estonia and Poland, focus on active investment management. In total 17 professionals are employed by Avaron.

We combine top down macroeconomic and sector analysis with bottom-up research. We source investment ideas through in-house proprietary research on approximately 300 companies, backed by regular visits and meetings. We seek inefficiencies in the valuation of companies' equity and debt with the aim to invest in well managed companies with leading market positions, highly motivated and dynamic management teams and competitive edge. Our preference goes to investments with attractive risk/return.

We adhere to the *UN Principles for Responsible Investment* (PRI) and are supervised by the Estonian Financial Supervision Authority.



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 CEO & COO



Peter Priisalm
 Partner, co-CIO,
 Investment Manager



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 Partner, co-CIO,
 Investment Manager

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