

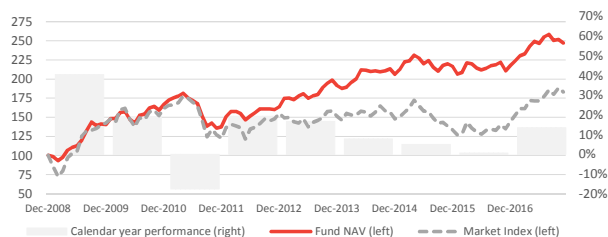
Investment Objectives & Approach

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.

Performance

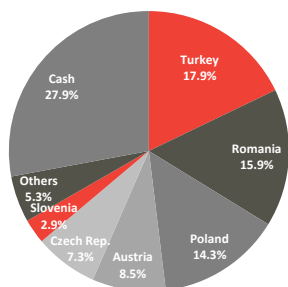


Past performance is not a guarantee or indicative of future results. The Fund was launched in 2007 as a small cap fund. From 2009 it operates as an all cap fund with small and mid-cap bias.

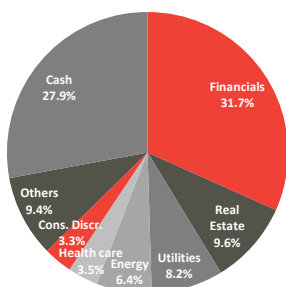
Top 10 positions	Country	Sector	Market Cap MEUR	% of assets	Perf EUR 1 mo	Contr to return
Immofinanz	AT	Real Estate	2250	5.7%	-7.1%	-0.4%
Komerční Banka	CZ	Financials	6689	5.4%	-4.5%	-0.3%
PKO Bank Polski	PL	Financials	12574	4.8%	10.1%	0.4%
SC Fondul Proprietatea	RO	Utilities	1834	4.3%	-0.9%	0.0%
OMV Petrom	RO	Energy	3502	4.1%	-0.5%	0.0%
BRD-Groupe Societe Generale	RO	Financials	1943	3.5%	3.1%	0.1%
Türkiye Garanti Bankası	TR	Financials	8648	3.2%	-12.8%	-0.5%
Bank Pekao	PL	Financials	7989	3.1%	8.6%	0.2%
KRKA	SI	Health Care	1781	2.9%	-1.1%	0.0%
Atrium European Real Estate	AT	Real Estate	1542	2.8%	1.8%	0.0%
10 largest positions total				39.8%		-0.4%

Perf overview	Fund net return	Index return*	Calendar year return	Year	Gross	Net	Index*
1 month	-1.8%	-2.9%		2016	2.1%	0.6%	8.2%
YTD	13.4%	26.4%		2015	6.7%	5.0%	-9.6%
3 months	-4.4%	-1.5%		2014	9.4%	7.8%	-2.1%
6 months	-0.8%	6.7%		2013	18.5%	16.7%	-2.4%
1 year	17.2%	35.8%		2012	21.1%	19.2%	26.5%
3 years	15.9%	16.9%		2011	-16.3%	-17.6%	-24.3%
5 years	54.5%	23.7%		2010	20.8%	18.9%	13.4%
7 years	55.2%	20.2%		2009	42.6%	40.4%	42.6%
* MSCI EFM Central and Eastern Europe & CIS ex Russia							
CAGR of calendar years							
Years	Fund		Index*				
2015-2016	2.8%		-1.1%				
2014-2016	4.4%		-1.4%				
2012-2016	9.7%		3.4%				

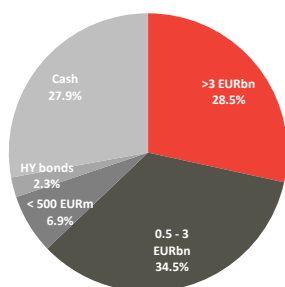
Geographic breakdown



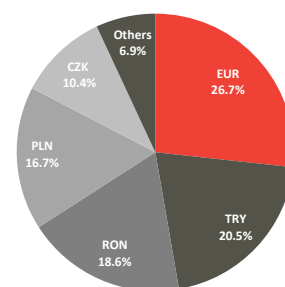
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Change						Contribution analysis					
	Nov-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	17.9%	-4.1%	-5.6%	-0.4%	3.2%	13.4%	-1.8%	-3.8%	2.4%	1.4%	-1.6%	8.5%
Romania	15.9%	0.0%	-1.0%	0.0%	0.8%	-3.0%	0.3%	-0.5%	4.8%	4.2%	5.2%	19.1%
Poland	14.3%	-1.6%	-1.8%	6.6%	4.2%	11.8%	0.7%	1.0%	5.4%	4.5%	4.8%	6.7%
Austria	8.5%	-0.8%	-1.4%	-11.8%	-8.1%	-2.2%	-0.4%	-0.3%	2.8%	2.2%	7.6%	9.0%
Czech Rep.	7.3%	-0.5%	-3.5%	-2.6%	1.1%	-10.8%	-0.2%	-0.1%	2.5%	2.1%	2.3%	3.5%
Slovenia	2.9%	-0.2%	-0.4%	-0.5%	-0.4%	-1.5%	0.0%	-0.1%	0.5%	0.2%	0.0%	2.0%
Croatia	1.7%	-0.1%	-0.3%	0.9%	1.7%	-4.3%	0.0%	-0.1%	0.1%	0.1%	0.3%	0.3%
Baltics	1.7%	0.1%	-0.2%	0.0%	-2.7%	-3.6%	0.1%	0.0%	0.5%	0.4%	1.7%	2.5%
Bulgaria	1.1%	-0.1%	-0.2%	-0.2%	-0.6%	-12.2%	0.0%	-0.1%	0.2%	0.1%	0.4%	6.2%
Others	0.8%	1.3%	1.2%	1.5%	4.3%	9.5%	-0.1%	-0.3%	0.1%	0.0%	1.4%	9.8%

Risk metrics	3Y risk*
Alpha	3%
Volatility & stand. deviation	9.8%
Beta	0.42
Sharpe ratio	0.54
Information ratio	-0.02
Tracking error	11.6%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

Sector allocation

	Change						Contribution analysis					
	Nov-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	31.7%	-2.2%	-1.9%	3.2%	8.2%	5.7%	-0.7%	-1.9%	8.7%	6.3%	7.4%	26.7%
Real Estate	9.6%	-0.8%	-3.4%	-6.8%	-5.3%	-7.1%	-0.4%	-0.5%	1.0%	0.9%	2.2%	6.2%
Utilities	8.2%	-0.3%	-0.7%	-2.6%	-6.9%	-7.9%	0.0%	0.1%	2.8%	2.6%	0.3%	10.8%
Energy	6.4%	-0.3%	-0.4%	-1.8%	-0.8%	2.3%	0.1%	-0.2%	1.9%	1.4%	3.2%	3.7%
Health care	3.5%	-0.2%	-0.5%	-0.7%	-1.1%	-2.4%	0.0%	-0.2%	1.0%	0.7%	1.0%	4.0%
Cons. Discr.	3.3%	0.6%	-2.7%	-2.0%	-3.5%	-4.8%	0.2%	0.0%	2.3%	2.1%	4.4%	9.6%
Consumer Staples	2.7%	-3.5%	-4.0%	0.2%	-1.0%	-0.5%	-0.4%	-0.3%	1.5%	1.5%	3.3%	3.2%
Telecom	2.3%	-0.1%	0.5%	1.2%	1.8%	-9.0%	0.0%	0.0%	0.1%	0.1%	0.2%	0.1%
Others	4.5%	4.6%	4.1%	2.8%	4.4%	1.3%	-0.3%	-1.3%	0.0%	-0.3%	0.1%	3.3%

Fund statistics

Number of positions	37
Top10	39.8%
Top20	59.5%
Gross exposure	72.1%
Net exposure	72.2%
Concentration coefficient	45
Median market cap MEUR	1823
Average market cap MEUR	2688

Style allocation

	Change						Contribution analysis					
	Nov-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	43.7%	-2.0%	-3.1%	-1.7%	10.0%	19.9%	-0.6%	-3.1%	10.6%	7.5%	10.8%	27.1%
Non-cyclical	12.3%	-3.9%	-6.9%	-2.1%	-8.7%	-19.6%	-0.4%	-0.2%	6.1%	5.5%	5.9%	13.5%
Asset play	13.9%	-1.1%	-4.0%	-2.6%	-2.0%	-10.6%	-0.5%	-0.7%	2.1%	2.1%	2.9%	17.5%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-5.6%	-10.2%	0.0%	0.0%	0.0%	0.0%	0.0%	6.1%
High yield bonds	2.3%	-0.3%	-0.3%	-1.9%	2.3%	-1.8%	-0.1%	0.0%	0.5%	0.4%	2.4%	2.8%
FX Derivatives	-0.1%	-0.1%	-0.3%	-0.1%	-0.1%	-0.1%	-0.1%	-0.3%	-0.1%	-0.1%	0.0%	0.6%
Cash	27.9%	7.4%	14.7%	8.4%	4.1%	22.4%	-0.1%	-0.1%	-0.2%	-0.2%	-0.2%	-0.2%

Turnover

	Adj*
FY 2016	17.7%
FY 2015	22.2%
FY 2014	47.9%

* Adjusted for fund flows

Liquidity analysis*	20%	50%
3 days	67.9%	80.5%
2 weeks	83.7%	93.9%
4 weeks	92.1%	98.2%

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

Fund Facts - Avaron Emerging Europe Fund

Investment Manager	AS Avaron Asset Management
Fund type	Open-ended, UCITS-IV
Launch date	April 23, 2007
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	78.0
Total AUM, MEUR	476.6
Strategy size, MEUR	457.5

TER 2016 0.28% (excluding management and performance fees)

	ISIN Code	NAV 30-Nov 2017
A unit	EE3600090049	4.7646 EUR
B unit	EE3600090056	5.0484 EUR
C unit	EE3600102901	17.0960 EUR
D unit	EE3600108866	14.3820 EUR
E unit	EE3600108874	14.3034 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 (3 & 5 years)
Tax transparency	Germany
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.



Kristel Kivimurm-Priisalm
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 CEO & COO



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 Partner, co-CIO,
 Investment Manager



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 Partner, co-CIO,
 Investment Manager

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Short overview of the month

Global equities were mixed in November following strong performance over the past two months. Rally continued in the US (in \$ terms), while European stocks delivered negative returns. During the month MSCI World gained 2.0% in \$, while the weak dollar (-2.2% vs. the euro) pushed the € based performance into red. Emerging markets were almost flat in \$ terms thanks to the relative strength of Chinese and Russian equities amid broad based slump among other larger index components.

Country / Returns	1 month in local FX	1 month in euros	YTD in euros	1 year in euros	3 years in euros	5 years in euros
US	2.8%	0.6%	4.5%	7.1%	33.9%	103.9%
Europe	-2.8%	-2.8%	11.1%	19.9%	18.8%	58.7%
Emerging Markets	0.2%	-2.0%	14.8%	15.5%	16.7%	21.4%
Emerging Europe*	-2.9%	-2.9%	26.4%	35.8%	16.9%	23.7%
Poland	-3.7%	-2.9%	26.5%	36.1%	16.7%	35.5%
Czech Republic	-0.6%	0.0%	21.7%	27.4%	13.9%	5.1%
Hungary	-2.4%	-2.9%	19.4%	28.7%	118.1%	90.1%
Baltics	0.8%	0.8%	14.2%	15.7%	42.9%	54.8%
Romania	-0.6%	-1.4%	7.6%	10.6%	7.4%	58.4%
Bulgaria	-1.0%	-1.0%	13.4%	18.2%	29.3%	103.0%
Croatia	0.0%	-0.4%	-6.0%	-6.4%	6.3%	6.3%
Slovenia	-1.9%	-1.9%	8.9%	13.2%	-3.9%	32.6%
Serbia	1.8%	1.8%	7.5%	10.9%	8.1%	48.8%
Macedonia	-3.0%	-3.0%	19.0%	15.3%	37.0%	47.0%
Bosnia & Herzeg.	-0.9%	-0.9%	-11.3%	-11.7%	-13.1%	-17.1%
Turkey	-5.6%	-10.7%	5.6%	9.6%	-28.6%	-29.3%
Austria	-1.8%	-1.8%	27.7%	32.8%	46.5%	45.3%

Source: Thomson Reuters. * MSCI EFM Central and Eastern Europe & CIS (CEEC) ex Russia

Local currencies to euro	Last month	YTD	1 year	2 years	3 years	5 years
Poland	1.7%	3.8%	1.6%	0.2%	-0.3%	-2.4%
Hungary	0.1%	-0.6%	-0.9%	-0.2%	-1.0%	-8.9%
Czech	1.4%	5.3%	5.3%	5.6%	8.3%	-2.2%
Romania	0.0%	-1.4%	-2.1%	-3.6%	-4.1%	-1.2%
Croatia	-0.4%	0.3%	-0.2%	0.8%	1.9%	-0.3%
Serbia	-0.2%	3.2%	3.0%	0.7%	-0.5%	-5.0%
Turkey	-4.7%	-16.0%	-23.1%	-27.4%	-36.9%	-47.3%

Source: Thomson Reuters

Emerging Europe stocks (MSCI EFM CEEC ex-RU) lost 2.9% in € due to a slump in Poland and Hungary reversing the outperformance of the previous month. Pressure on Turkish currency and equity market increased amid the unfolding of the so-called Reza Zarrab case in New York court. Zarrab, a Turkish-Iranian gold trader, together with nine other defendants were charged with violation of Iranian sanctions, money laundering and fraud. Prior to the start of the hearings Reza Zarrab pleaded guilty on all accounts and became a key witness against the other defendants of whom only Hakan Attilla, the former deputy CEO of Halkbank, is standing trial, while the rest reside in Turkey. During the first hearings Zarrab has testified that in 2012 Zafer Caglayan, the former Minister of Economic Affairs under Prime Minister Recep Tayyip Erdogan, had told him that Erdogan had instructed Turkish banks to participate in an international money laundering scheme, allowing Iran access to global markets despite the sanctions. The trial has important implications domestically in Turkey but also for the relations with the US.

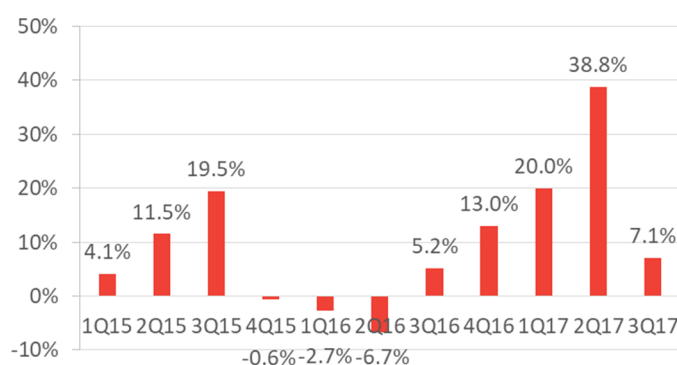
As of end-November we had 17.9% of the Fund invested in Turkey of which 7.4% in three banks – Garanti, Yapi Kredi and Akbank, and 2.3% in Vakifbank 2027 8% \$-denominated subordinated bonds, callable in 2022 that we have subsequently sold out of the portfolio. Since the initiation of the Vakifbank subdebt position in January we clocked in a 9% capital gain in \$ on top of the accrued coupon. We decided to exit the position as Vakifbank is state-owned and our initial capital gain target had been delivered. Remaining banking sector holdings are all privately owned and are not connected to the violation of the sanctions.

Avaron Emerging Europe Fund lost 1.8% in November outperforming the benchmark due to our limited exposure in Poland and Hungary (14.9% of the portfolio) that together account for 80% of the index. In 5 years the Fund has delivered +54.5% return vs. +23.7% for the index with lower volatility (9.1% vs. 15.4% for the index), resulting in 7.4% alpha.

Review of Q3 earnings

Q3 earnings of our portfolio companies were somewhat mixed as 70% of the 35 portfolio companies delivered positive earnings momentum on local currency basis, while 30% saw decline in adjusted net profit. **Excluding the revaluation affected asset driven companies** (real estate investments and Romanian restitution fund Fondul Proprietatea that account for 13.9% of the portfolio) **the aggregate adjusted earnings of our portfolio companies grew 7% yoy in €**. Banks in our portfolio (27.2% of the Fund) delivered mixed results with earnings down 2% yoy in €, decline largely attributable to 30% lower euro-based result of Turkish Yapi Kredi bank. Non-financials (28.8% of the portfolio) reported strong 19% yoy earnings growth in € terms on the back of cyclical upturn in the region.

Adj. YoY EPS growth of the portfolio companies



Our equity holdings in Turkey (15.5% of the portfolio) posted 9% aggregate earnings growth in local currency (lc), while significantly weaker lira pushed the bottom line into red in € terms. Average lira exchange rate in Q3 was 20% lower yoy. Earnings growth of our banking sector holdings (7.4% of the portfolio) was 4% yoy in lc, while non-banks delivered 23% higher earnings. Yapi Kredi bank, the 2nd largest holding in Turkey (2.5% of the portfolio) posted operationally solid figures, while conservative provisioning pushed bottom line down 8% yoy in lc. Net interest income of the bank was up 6% yoy on the

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back of 17% yoy loan growth. Net fees were up 13%, while OPEX grew 8% and risk costs 28% yoy. Yapi Kredi has above average NPL ratio of 4.3% due to high importance of credit card exposure in the portfolio. For 2017 we expect the bank to deliver high single-digit operating income and adjusted net earnings growth, while momentum should somewhat pick up going into 2018. Yapi Kredi trades at 5.0x 2018f P/E, 0.6x P/B with 12% expected ROE.

The largest non-bank exposure that we have in Turkey is life and private pension insurance company Anadolu Hayat (2.2% of the portfolio) that delivered 23% yoy adjusted net profit growth in 1c. Insurance business of the company delivered stable technical profit growth of 3% yoy on 21% increase in gross written premiums. Pension insurance remains the growth engine with segment's profit up 72% yoy on the back of rising contributions (+26% yoy) to the pension funds. For 2017 we expect 16% adjusted EPS growth with slight slowdown in momentum in 2018 as auto-enrolment related front-loaded costs that was introduced this year will be a burden in short to mid-term. Anadolu Hayat trades at 13.9x 2018f P/E, 2.8x P/B and 23% expected ROE.

Polish companies (14.3% of the portfolio) recorded 13% yoy earnings growth in 1c terms driven by 33% increase in the adj EPS of our largest holding bank PKO (4.8% of the portfolio) that benefits from the strong macro environment. Net interest income of the bank was up 11% yoy, fee income 12% yoy, while OPEX was flat and risk costs declined 7%. For 2017 we expect the bank to deliver 29% earnings growth on adjusted basis with momentum significantly fading going into 2018. PKO trades at 16.5x 2018f P/E (12.7x excluding the banking tax burden), 1.4x P/B with 9% expected ROE and 3% DY.

Romanian companies excluding Fondul (11.6% of the portfolio) posted strong aggregate earnings growth, up 40% yoy in local currency (1c). Our largest holding besides Fondul, integrated oil and gas company Petrom (4.1% of the portfolio) delivered 35% yoy higher bottom line in 1c on higher crude and gas prices, improving operational efficiency in upstream, and strong refining macro and retail demand. Based on our expectation of \$53-56/bbl Urals crude price for 2017-19 the company should be able to deliver 40%+ higher EBITDA compared to 2016 after efficiency improvements during 2015-16 period. Petrom is expected to deliver low double-digit free cash flow yield in upcoming years resulting in 7-8% DY. The company trades at 5.8x 2018f P/E and 1.9x EV/EBITDA with zero net debt in the balance sheet.

Among our largest holdings in the Fund the regional real estate company Immofinanz (5.7% of the portfolio) reported mixed results. Rental income accelerated 2% yoy, while income from asset management grew 14%. Overheads were high, up 54% yoy and ca 1/3rd above the recent quarterly run rate, attributable to numerous recently-launched initiatives aimed at efficiency improvements. The company posted €2.8mil negative revaluation on continuing portfolio vs. €27.5mil negative revaluation a year earlier. Prior the earnings' report Immofinanz

announced the sale of its Russian assets unlocking €75mil equity and implying ca €170mil final write-off. NAV stood at €2.81 per share, down 10% yoy and 3% qoq. The share trades at 28% discount to the NAV and is expected to narrow based on portfolio efficiency improvements and increasing FFO (funds from operations).

The Czech bank Komerční (5.4% of the portfolio) posted operationally weak but strong bottom line figures. Net interest income was down 3% yoy, fees 7%, while cost remained almost flat. Weak operating profit was compensated by non-existent risk costs, pushing the adjusted earnings up 7% yoy. For 2017 we expect high single-digit adjusted earnings growth for the bank, while in 2018 pressure should emerge on normalising risk costs. Komerční trades at 14.1x 2018f P/E, 1.5x P/B with expected ROE of 11% and DY of 4%+.

The quarterly figures of the Romanian restitution fund Fondul Proprietatea (4.3% of the portfolio) revealed a jump in dividend income (+3.5x yoy) on the back of extraordinary dividends from Hidroelectrica and Bucharest Airport. In September Fondul reduced its shareholding in Petrom by 2.6% to below 10% and by 1st of November finalized the sale of minority stakes in Electrica distribution companies that accounted for 7.1% of NAV. Additionally, the fund is looking for exit options for holdings that account for 52.7% of NAV (eg. Hidroelectrica, Salrom, minority stakes in ENEL subsidiaries). NAV per share as of end-October amounted to RON 1.21, up 6% yoy. Fondul trades at 30% discount to NAV and in the form of capital reduction pays 6% yield on the current share price excluding special distributions from disposals.

Key changes in the portfolio

In November we **exited Polish food retailer Dino** that had almost doubled in share price since the IPO in April. At the same time we **participated in the IPO of Sphera Franchise Group, Romanian franchisee of KFC, Pizza Hut and Taco Bell.** Sphera operates 67 KFC, 21 Pizza Hut Dine-In and 16 Pizza Hut Delivery restaurants, and just opened the first Taco Bell in Romania. Based on the agreement with Yum, Sphera is planning to open additional 105 restaurants by end-2022. We expect the company to deliver 25-30% p.a. sales growth for the upcoming years, 14-15% EBITDA and 10% net margin. Sphera trades at 15.2x 2018f P/E, 10.1x EV/EBITDA and is expected to pay 6%+ DY from 2018 onwards.

Outlook

Eurozone leading indicators continue to signal that the economy is in a boom phase. November flash composite PMI slightly shot up to 6.5-year high with momentum picking up in output, demand, employment and inflation. Prices increased at the highest rate in 6 years, while employment showed the steepest rise in 17 years. The index suggests accelerating growth for the monetary union to 0.8% quarterly level from 0.6% in Q3 (+2.5% annual growth).

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Macro environment in Emerging Europe remains strong as business sentiment is robust, while regional consumer continues to be supported by tightening labour markets. Preliminary Q3 GDP data showed exceptional growth figures – Romania posted 8.6%, Poland and Czech Republic 5.0%, and Hungary 3.8% annual economic expansion. Greece and Turkey are yet to report the Q3 growth.

November leading indicators reinforce the recent trend of rising growth momentum in the region. Inflation rates in the region remain still relatively modest, though inflationary pressures in several countries are building up, leading to monetary tightening in the upcoming 12 months. In Greece another bailout programme review is looming that is unlikely to be a smooth process but we believe that the general improvement trend in the local economy will remain intact. Growth in Turkey has likely accelerated further in Q3 close to 10% and should remain strong ahead of the 2019 presidential elections. Recent bout of currency weakness will add to the short-term inflationary pressures but we continue to expect moderation in 2018. Increased tensions with US and Germany have not yet had a meaningful impact in terms of capital flows but the risk exists.

Positioning

At the end of November the **cash position in the Fund stood at 28%**, notably higher month-on-month as the markets offer limited value opportunities amid almost euphoric sentiment. Given such market set-up we deem prudent to maintain higher than average cash buffer in order to take advantage of potential market correction once the sentiment turns.

We hold our conviction towards Romanian investments (15.9% in the portfolio vs. 4.1% in the index) on reasonable valuations (MSCI Romania at 8.6x 2018f P/E) and strong macro environment but highlight the overheating risks stemming from pro-cyclical fiscal policy. In mid-term the upgrade to Emerging Market status (from frontier market status) should serve as a trigger for re-rating. We expect the announcement to take place over 2018, resulting in additional inflows to the Romanian equities from global emerging market funds as GEM funds are much larger compared to frontier market funds.

Compared to the benchmark index the portfolio is significantly UW (14.3% vs. 64.2%) **in Poland** as largely local equities seem fairly valued, especially small and mid-caps. Poland (WIG Index) trades at 11.4x 2018f P/E. In **the Czech Republic and Hungary** we find only a select list of attractive names in banking, energy, and pharma sectors. On an index basis Hungary is trading at 10.7x, the Czech market at 13.7x 2018f P/E. Compared to the benchmark the Fund is UW in Hungary (0.6% vs. 16.6%) and almost neutral in the Czech Republic (7.3% vs. 8.7%).

Despite the recent developments we remain relatively constructive on Turkey (off-benchmark, 17.9% of the portfolio) as we find companies of high quality in Turkey that offer decent value and growth. Fundamentally Turkish lira seems slightly undervalued but given the high inflation, increased domestic

political tensions and deteriorating international relations short-term currency outlook remains uncertain. On an index basis (MSCI Turkey) local equities trade at 7.5x 2018f P/E and banks at 4.8x P/E.

Among **Austrian-listed companies** (off-benchmark, 8.5% of the portfolio) we hold Emerging Europe real estate companies, which **offer attractive valuations on high discounts to NAV and solid dividend streams**.

The selection of companies in the Fund portfolio trade at 10.0x 2018f P/E, below 11.3x of the benchmark index. Despite the cyclical upturn in the markets we hold true to our value driven bottom-up approach favouring companies with strong balance sheets and solid sustainable free cash flow generation. The aggregate net gearing of our portfolio companies stands at 16%, free cash flow yield at 9% and dividend yield at 5% on average pay-out rate of 76%.

	% of the Fund	12M	P/E adj 2017	2018	EPS adj growth 2017	2018	EV/EBITDA 2017	2018	Div yield 2016	P/NAV 12M	P/B 12M
Cyclical	43.7%	10.6	10.0	9.6	16.1%	4.3%	4.5	4.0	4.4%	-	1.18
Non-cyclical	12.3%	14.8	13.2	11.7	26.4%	13.6%	6.1	5.6	3.9%	-	1.06
Asset play	13.9%	-	-	-	-	-	-	-	7.4%	0.73	0.77
Total equity	69.9%	11.3	10.5	10.0	17.7%	5.9%	5.2	4.7	4.9%	-	1.05
CY* YTM**											
Bonds	2.3%	7.9%	7.9%	7.7%							

* CY - Current yield, ** YTM - Yield to maturity

The Swiss representative is Carnegie Fund Services S.A., 11, rue du Général-Dufour, 1204 Geneva. The Swiss paying agent is Banque Cantonale de Genève, 17, quai de l'Île, 1204 Geneva, Switzerland. The Prospectus, the Fund Rules, the Key Investor Information Documents (KIIDs), the financial reports and further information can be obtained free of charge from the Swiss representative. The last share prices can be found on www.fundeye.com. For the shares of the Fund distributed to non-qualified investors in and from Switzerland and for the of the Fund distributed to qualified investors in Switzerland, the place of jurisdiction is Geneva. Each time performance data is published, it should be noted that the past performance is no indication of current or future performance, and that it does not take account of the commissions and costs incurred on the issue and redemption of shares.

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