

Investment Objectives & Approach

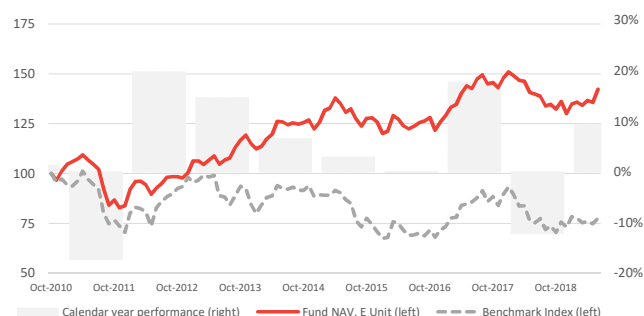
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside 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, June 2019

Global equities (+6.5% in \$, +4.5% in €) and Emerging Markets (+5.7% in \$, +3.8% in €) soared in June following the previous month's correction amid Fed's dovish monetary policy stance and hope for a China-US trade pact. Emerging Europe (MSCI EFM EUROPE + CIS (E+C) ex Russia) slightly underperformed adding 3.6% in € terms as the regional performance was mixed. Polish stocks (+3.9% in €) continued to move upwards after the announcement of the pension system reform plan removed the potential overhang risk to the market resulting from outflows of the 2nd pillar pension funds. Positive sentiment also prevailed in Greece (+4.6% in €), Romania (+4.2% in €) and Turkey (+5.6% in €). Romanian stocks continue to re-rate as analysts continue to upgrade earnings estimates following the milder than initially anticipated sector based taxation impact and solid Q1 figures. Avaron Emerging Europe Fund delivered +4.8% return in June, outperforming the benchmark due to OW Romania and strong performance of Polish stock picks. YTD the Fund is up 9.4% compared to 6.2% of the benchmark. The Fund is overweight in Romania where stocks are reasonably valued. The Fund portfolio companies trade at 11x 1-year forward P/E and provide 5%+ dividend yield on an average pay-out rate of 63%.

To receive detailed fund manager comment please send a request to info@avaron.com.

Performance, E Unit

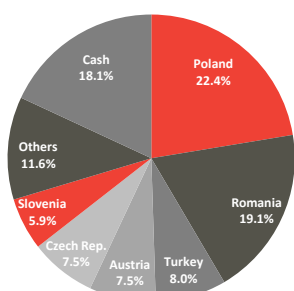


Perf overview	Net return E Unit	Index return*
1 month	4.8%	3.6%
YTD	9.4%	6.2%
3 months	5.9%	3.0%
6 months	9.4%	6.2%
1 year	1.7%	3.1%
3 years	16.2%	12.4%
5 years	13.0%	-16.2%
7 years	53.4%	-6.2%
8 years	35.9%	-17.9%

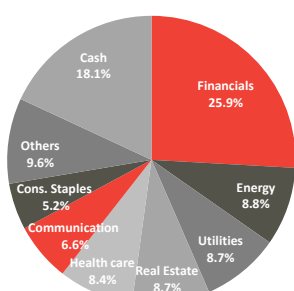
* MSCI EFM EUROPE + CIS (E+C) ex Russia

Calendar year return, E Unit	Gross	Net	Index*
2018	-10.9%	-12.2%	-18.6%
2017	19.2%	17.7%	25.3%
2016	2.1%	-0.1%	1.2%
2015	6.7%	2.9%	-20.0%
2014	9.4%	6.5%	4.7%
2013	18.5%	14.6%	-13.9%
2012	21.1%	19.7%	39.3%
2011	-16.3%	-17.3%	-27.5%

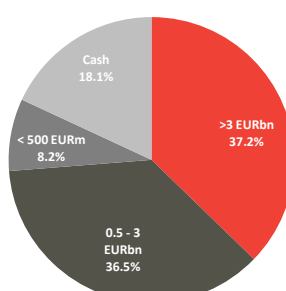
Geographic breakdown



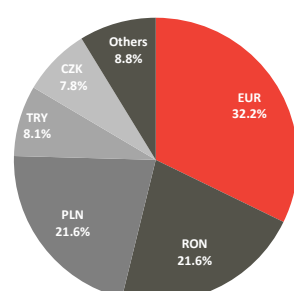
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Change						Contribution analysis					
	Jun-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Poland	22.4%	0.4%	2.1%	7.2%	12.6%	18.5%	2.0%	2.0%	3.0%	3.0%	6.7%	6.4%
Romania	19.1%	-0.3%	0.5%	0.8%	7.3%	3.2%	1.4%	3.6%	3.8%	5.2%	11.9%	11.3%
Turkey	8.0%	0.0%	-4.1%	-12.1%	-8.1%	-13.2%	0.6%	-0.6%	-6.3%	-0.6%	-9.7%	-7.0%
Austria	7.5%	-0.5%	0.0%	-1.7%	-11.2%	-5.5%	0.1%	0.4%	0.7%	0.8%	6.8%	7.1%
Czech Rep.	7.5%	-0.3%	-0.4%	0.2%	-1.6%	0.8%	0.2%	0.0%	0.2%	0.6%	2.8%	3.7%
Slovenia	5.9%	-0.3%	0.5%	2.5%	2.4%	2.0%	0.2%	0.4%	0.8%	0.4%	1.1%	0.3%
Hungary	4.3%	-0.2%	-0.3%	2.1%	3.4%	0.9%	0.1%	-0.1%	0.3%	-0.1%	0.1%	0.7%
Baltics	2.8%	-0.4%	-0.3%	-0.4%	0.7%	-2.0%	0.0%	0.1%	0.1%	0.2%	0.7%	1.7%
Croatia	1.9%	0.0%	0.0%	0.1%	1.3%	1.9%	0.1%	0.1%	-0.1%	0.2%	0.1%	0.1%
Others	2.6%	0.0%	1.1%	1.0%	0.7%	-1.5%	0.2%	0.3%	0.3%	0.3%	0.8%	1.7%

Sector allocation

	Change						Contribution analysis					
	Jun-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	25.9%	-0.3%	0.7%	-3.3%	-4.6%	4.9%	1.5%	0.8%	-2.7%	1.4%	4.5%	4.3%
Energy	8.8%	-0.3%	-0.3%	0.9%	2.6%	1.0%	0.3%	1.6%	2.1%	2.9%	6.1%	4.9%
Utilities	8.7%	-0.3%	0.8%	0.0%	-1.0%	-5.6%	0.8%	1.6%	1.8%	1.7%	5.6%	4.6%
Real Estate	8.7%	-0.5%	0.1%	-1.6%	-6.2%	-3.0%	0.2%	0.5%	0.7%	0.9%	1.8%	3.5%
Health care	8.4%	-0.4%	-0.1%	2.9%	4.0%	2.2%	0.2%	0.2%	0.8%	0.2%	1.2%	0.6%
Communication	6.6%	0.5%	0.8%	1.8%	5.7%	1.9%	1.0%	1.2%	1.7%	1.8%	1.5%	1.8%
Consumer Staples	5.2%	-0.2%	0.0%	2.3%	5.2%	3.5%	0.2%	0.2%	-0.1%	0.4%	0.6%	2.7%
Cons. Discr.	5.2%	0.1%	0.3%	-0.4%	0.7%	-4.4%	0.4%	0.5%	-0.8%	0.6%	0.8%	4.2%
Others	4.4%	-0.3%	-3.1%	-2.9%	1.0%	4.4%	0.2%	-0.5%	-0.8%	0.1%	-0.7%	-0.6%

Style allocation

	Change						Contribution analysis					
	Jun-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	46.0%	-0.8%	-2.3%	-5.2%	3.1%	11.0%	2.6%	2.6%	-1.7%	5.3%	8.8%	8.3%
Non-cyclical	21.0%	-0.3%	0.6%	4.9%	8.7%	-2.2%	1.3%	1.5%	2.2%	2.2%	6.4%	8.3%
Asset play	14.9%	-0.6%	0.9%	-0.1%	0.4%	3.8%	0.9%	2.0%	2.3%	2.5%	5.4%	7.6%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	0.0%	-7.7%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.7%
High yield bonds	0.0%	0.0%	0.0%	0.0%	-4.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.8%	2.4%
FX Derivatives	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
Cash	18.1%	1.7%	0.8%	0.3%	-7.5%	-4.9%	0.0%	0.1%	0.1%	0.1%	-0.5%	-0.4%

Risk metrics

	5Y risk*
Alpha	4%
Volatility & stand. deviation	9.2%
Beta	0.46
Sharpe ratio	0.30
Information ratio	0.57
Tracking error	10.4%

* MSCI EFM EUROPE + CIS (E+C) ex Russia

Fund statistics

Number of positions	37
Top10	46.5%
Top20	67.3%
Gross exposure	81.9%
Net exposure	81.9%
Concentration coefficient	34
Median market cap MEUR	1766
Average market cap MEUR	2837

Turnover

	Adj*
FY 2018	20.7%
FY 2017	28.5%
FY 2016	17.7%

*Adjusted for fund flows

Liquidity analysis*

	20%	50%
3 days	65.2%	75.5%
2 weeks	78.4%	91.8%
4 weeks	88.4%	96.5%

*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	UCITS V, public common investment fund
Launch date	April 23, 2007
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	62.8
Total AUM, MEUR	375+

TER 2018 0.37% (excluding management and performance fees)

	NAV	TER 2018	TER 2018
	30-Jun-2019	excl. perf fee	incl. perf fee
B unit	5.0010 EUR		
C unit	16.9298 EUR	1.58%*	1.67%*
D unit	14.0749 EUR	2.37%	2.37%
E unit	14.2187 EUR	1.22%	1.46%

* C unit management fee lowered to 1.15% and performance fee cancelled as of 06.09.2018

Cut-off	10am CET
NAV frequency	Daily dealing, T+3
Public offering	France, Switzerland, Germany, United Kingdom, Finland, Sweden, Estonia, Latvia
Morningstar rating	Yes, three 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

	ISIN code	WKN code	Bloomberg ticker	Reuters RIC	Telekurs ID
C unit	EE3600102901	A0PEFO	AVAEESC ET	LP68063797	CH10799792
D unit	EE3600108866	A1W7P0	AVEMEUD ET	LP68083763	CH12407332
E unit	EE3600108874	A113GN	AVEMEUE ET	LP68083764	CH12414216

Unit class	D (Retail)	C (Institutional)	E (Institutional)
Min. initial investment	-	500,000 EUR	500,000 EUR
Front-end load	-	-	-
Management fee	2%	1.15%	0.85%
Performance fee (unit based)	-	-	15% over MSCI EFM EUROPE + CIS (E+C) ex RU index, annual reset (June 30)
Back-end load	-	-	-

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About Avaron Asset Management

Avaron Asset Management (founded in 2007) is an independent management-owned investment manager with a clear focus on stock-picking (bottom-up) and value investing in Emerging Europe region. We aim to deliver positive risk-adjusted return to our clients over the market cycle. Our portfolios are long-only and invest in listed stocks.

Investment ideas are generated through in-house proprietary research of approximately 250 Emerging Europe companies, backed by regular on the ground visits and meetings. Our stock selection is primarily driven by the upside to internally set target prices on single company level. We invest only in business models that we understand and can model ourselves focusing on companies with leading market positions and strong recurring revenue streams. In addition, we have integrated ESG analysis into our investment process and adhere to the UN Principles for Responsible Investment (UN PRI). Our team of 19 professionals (including 11 in the investment team), based in Estonia and Poland, takes care of around 400 million euros of mainly professional investor assets.

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



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