

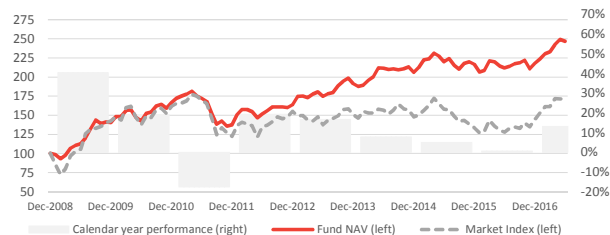
Investment Objectives & Approach

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 AG	AT	Real Estate	2106	6.4%	3.0%	0.2%
Komercni Banka AS	CZ	Financials	6656	6.2%	-1.2%	-0.1%
SC Fondul Proprietatea SA	RO	Utilities	1833	5.0%	-3.6%	-0.2%
PKO Bank Polski SA	PL	Financials	10177	4.5%	-6.6%	-0.3%
BRD-Groupe Societe Generale	RO	Financials	2059	4.5%	4.0%	0.2%
OMV Petrom SA	RO	Energy	3520	4.4%	-13.8%	-0.7%
Turkiye Garanti Bankasi	TR	Financials	10210	3.7%	0.8%	0.0%
Yapi Ve Kredi Bankasi	TR	Financials	4846	3.7%	0.8%	0.0%
KRKA	SI	Health Care	1804	3.3%	1.9%	0.1%
Atrium European Real Estate	AT	Real Estate	1473	3.1%	3.4%	0.1%
10 largest positions total				44.7%		-0.7%

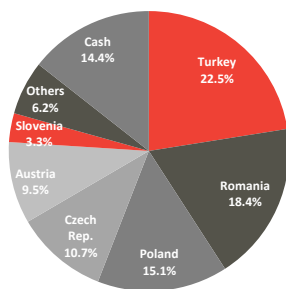
Perf overview	Fund net return	Index return*
1 month	-1.1%	0.0%
YTD	13.1%	18.4%
3 months	5.8%	6.4%
6 months	13.1%	18.4%
1 year	16.2%	34.2%
2 years	12.0%	8.5%
3 years	16.6%	9.4%
4 years	41.3%	24.6%
5 years	62.4%	27.5%
7 years	72.8%	24.8%

Calendar year return	Gross	Net	Index*
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%
2009	42.6%	40.4%	42.6%

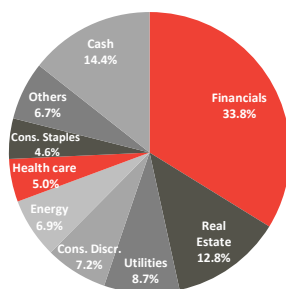
CAGR of calendar years	Fund	Index*
2015-2016	2.8%	-1.1%
2014-2016	4.4%	-1.4%
2012-2016	9.7%	3.4%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

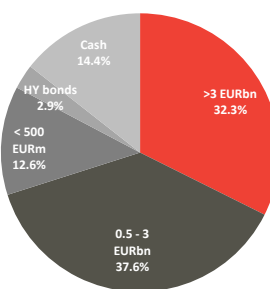
Geographic breakdown



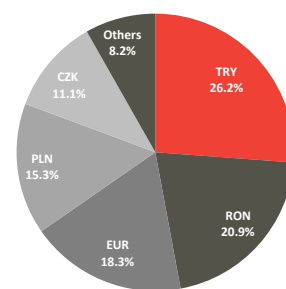
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Jun-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	22.5%	-0.4%	-0.6%	6.4%	1.3%	16.9%	0.4%	2.4%	0.9%	4.0%	3.5%	11.8%
Romania	18.4%	-2.7%	-2.3%	6.5%	2.4%	3.4%	-1.1%	0.9%	5.5%	3.5%	4.9%	21.0%
Poland	15.1%	-0.5%	2.9%	5.2%	11.1%	6.7%	-0.4%	0.5%	3.7%	2.5%	3.4%	3.1%
Czech Rep.	10.7%	-0.3%	-0.5%	1.6%	4.0%	-8.6%	-0.2%	0.7%	1.3%	1.3%	2.2%	4.7%
Austria	9.5%	0.0%	-2.8%	-9.2%	-3.5%	3.5%	0.3%	1.4%	5.3%	1.9%	5.6%	9.6%
Slovenia	3.3%	0.1%	-0.1%	-0.2%	-0.6%	-0.3%	0.1%	0.2%	0.0%	0.1%	-0.8%	2.6%
Croatia	2.1%	0.2%	1.2%	1.5%	2.1%	-0.3%	0.0%	0.2%	0.4%	0.2%	0.4%	0.3%
Baltics	1.5%	0.0%	-0.2%	-0.5%	-3.3%	-0.2%	0.0%	0.0%	0.0%	0.1%	1.0%	2.5%
Bulgaria	1.3%	0.0%	-0.1%	-0.2%	-0.5%	-8.8%	0.0%	0.1%	0.3%	0.1%	0.5%	7.9%
Others	1.4%	2.1%	2.0%	2.5%	6.9%	13.4%	0.0%	0.0%	0.5%	0.4%	1.8%	12.3%

Risk metrics	3Y risk*
Alpha	4%
Volatility & stand. deviation	9.8%
Beta	0.43
Sharpe ratio	0.56
Information ratio	0.19
Tracking error	11.5%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

Sector allocation

	Jun-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	33.8%	-0.4%	-2.3%	3.4%	12.8%	7.2%	-0.4%	2.1%	8.5%	6.4%	8.3%	30.2%
Real Estate	12.8%	0.0%	0.0%	-2.2%	1.1%	3.8%	0.3%	1.4%	0.6%	0.9%	2.3%	8.8%
Utilities	8.7%	-2.0%	-2.7%	-1.1%	-5.7%	-2.2%	-0.4%	0.0%	2.3%	1.8%	1.4%	11.2%
Cons. Discr.	7.2%	-1.0%	0.3%	2.7%	-2.4%	-4.1%	0.0%	0.9%	1.4%	1.5%	4.7%	9.9%
Energy	6.9%	-0.9%	0.2%	0.7%	-0.9%	3.3%	-0.9%	0.0%	2.4%	0.9%	1.3%	3.8%
Health care	5.0%	0.0%	-0.3%	0.6%	-1.3%	1.3%	0.0%	0.5%	0.6%	0.6%	-0.1%	4.6%
Consumer Staples	4.6%	0.3%	2.0%	4.6%	2.9%	2.9%	0.3%	0.8%	0.6%	1.1%	2.7%	3.2%
Industrial	3.0%	0.2%	0.4%	-0.4%	3.0%	1.3%	0.2%	0.6%	0.8%	0.6%	0.8%	2.4%
Others	3.7%	5.2%	5.2%	3.1%	-0.7%	-5.2%	0.0%	0.0%	0.7%	0.4%	1.1%	1.7%

Fund statistics

Number of positions	38
Top10	44.7%
Top20	69.1%
Gross exposure	85.6%
Net exposure	85.4%
Concentration coefficient	34
Median market cap MEUR	1588
Average market cap MEUR	2389

Style allocation

	Jun-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	47.8%	-1.9%	-1.4%	4.9%	12.8%	21.4%	-1.1%	2.7%	11.1%	7.4%	10.6%	28.0%
Non-cyclical	17.1%	-1.3%	0.0%	4.8%	-6.2%	-8.6%	0.1%	2.2%	3.6%	4.0%	5.4%	13.3%
Asset play	17.7%	-0.4%	-0.7%	3.2%	6.6%	-1.1%	0.1%	1.4%	2.1%	1.9%	4.3%	22.7%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-7.7%	-5.1%	0.0%	0.0%	0.0%	0.0%	-0.7%	7.4%
High yield bonds	2.9%	0.0%	-0.3%	-1.8%	2.9%	-7.2%	-0.1%	0.0%	0.9%	0.5%	2.4%	3.6%
FX Derivatives	0.2%	0.0%	-0.1%	0.2%	0.2%	0.2%	0.0%	0.0%	0.2%	0.2%	0.3%	1.0%
Cash	14.4%	3.7%	2.5%	-11.2%	-8.6%	0.4%	0.0%	-0.1%	-0.1%	0.0%	0.0%	0.0%

Turnover

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

* Adjusted for fund flows

Liquidity analysis*	20%	50%
3 days	65.2%	78.9%
2 weeks	83.4%	94.8%
4 weeks	93.0%	98.3%

* 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	68.0
Total AUM, MEUR	467.3
Strategy size, MEUR	446.9

TER 2016 0.28% (excluding management and performance fees)

	ISIN Code	NAV 30-Jun 2017
A unit	EE3600090049	4.7630 EUR
B unit	EE3600090056	5.0362 EUR
C unit	EE3600102901	17.1164 EUR
D unit	EE3600108866	14.3936 EUR
E unit	EE3600108874	14.2480 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, five stars (3 years & 5 years)
Tax transparency	Germany
Supervised by	Estonian FSA
Custodian	Swedbank AS
Transfer agent	Swedbank AS
NAV calculation	Swedbank AS
External auditor	Deloitte
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 8 investment professionals, in Estonia and Poland, focus on active investment management. In total 14 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
 Managing Partner,
 CEO & COO



Peter Priisalm
 Partner, co-CIO,
 Investment Manager



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 Investment Manager

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Short overview of the month

Global equities were mixed in June. MSCI World edged up 0.2% in \$, while in € terms the performance was negative (-1.4%) as the dollar continued to lose ground against the euro (-1.6%). In Q2 the greenback dropped 6.7% vs. the euro. Softer economic data, delays in implementation of tax reforms and infrastructure spending in the US, and relative economic improvement in the Eurozone have caused a shift in the respective interest rate expectations. Emerging Market equities posted +0.5% return in June with index up 17.2% YTD in \$ (-1.1% and +7.9% in €, respectively), strongly outperforming MSCI World.

Emerging Europe equity market (MSCI EFM CEEC ex-RU) was flat in € terms. Performance of the regional market was mixed as were the changes in currencies. **Notable downward move was seen in the Romanian stock market** that posted a 10.4% loss in € terms amid the change in the government that brought along a few proposals regarding taxation and pension system.

Country / Returns	1 month in local FX	1 month in euros	Year to date in euros	1 year in euros	3 years in euros	5 years in euros
US	0.5%	-1.1%	-0.4%	12.2%	48.1%	99.5%
Europe	-3.0%	-3.0%	6.7%	23.3%	15.5%	79.8%
Emerging Markets	0.5%	-1.1%	7.9%	17.8%	15.3%	20.8%
Emerging Europe*	0.0%	0.0%	18.4%	34.2%	9.4%	27.5%
Poland	1.5%	0.3%	22.7%	41.1%	15.5%	48.7%
Czech Republic	-2.2%	-1.3%	10.0%	24.4%	2.1%	7.8%
Hungary	1.9%	1.7%	10.2%	36.7%	89.8%	84.9%
Baltics	1.9%	1.9%	5.2%	14.8%	26.0%	46.4%
Romania	-10.4%	-10.4%	10.3%	20.3%	7.6%	88.7%
Bulgaria	6.4%	6.4%	20.0%	54.4%	27.6%	125.7%
Croatia	0.1%	0.1%	-4.7%	13.0%	6.4%	11.6%
Slovenia	-0.2%	-0.2%	11.0%	16.5%	-3.1%	53.4%
Serbia	-2.0%	-0.3%	1.6%	20.6%	20.1%	57.2%
Macedonia	1.0%	1.0%	6.7%	33.6%	40.2%	23.3%
Bosnia & Herzeg.	-0.9%	-0.9%	-11.1%	-11.2%	-11.4%	-7.5%
Turkey	3.0%	1.5%	18.3%	4.0%	-7.8%	-10.0%
Austria	-0.5%	-0.5%	18.6%	48.2%	24.2%	58.1%

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

Local currencies to euro	Last month	Year to date	1 year	2 years	3 years	5 years
Poland	-1.3%	4.0%	3.5%	-0.9%	-1.7%	0.3%
Hungary	-0.2%	0.2%	2.3%	2.1%	0.5%	-7.4%
Czech	0.9%	3.4%	3.7%	4.4%	5.0%	-2.2%
Romania	0.2%	-0.5%	-0.9%	-1.9%	-3.9%	-2.4%
Croatia	0.1%	1.8%	1.7%	2.5%	2.3%	1.4%
Serbia	1.6%	2.2%	2.2%	-0.2%	-4.1%	-4.1%
Turkey	-1.4%	-7.8%	-20.6%	-25.8%	-27.9%	-43.0%

Source: Thomson Reuters

Avaron Emerging Europe Fund lost 1.1% in June, underperforming the regional index due to notable OW in Romania. In 5 years the Fund has delivered +62.4% return vs. +27.5% for the index with lower volatility (9.1% vs. 15.7% for the index), resulting in 8.2% alpha.

Government change in Romania

In Romania governing Social Democratic Party (PSD) that took a strong victory during the December general elections decided to oust the PM Sorin Grindeanu in a non-confidence vote citing he had lost the party's support after failing to implement its reform program. Grindeanu's position came under threat after the negative performance review of PSD, but he refused to

resign accusing the PSD leader Liviu Dragnea in seeking to concentrate power in his hands. Relations between Grindeanu and Dragnea became tense after the failure to push through a bill that would have decriminalized several corruption offenses and let Dragnea, who is on trial for alleged abuse of power and voter fraud, to run for the PM himself. The bill was dismissed by the government amid the largest mass protests since the fall of the Ceausescu's regime in 1989.

After forming a new government, led by the PM Mihai Tudose, PSD put forward a document outlining several important changes to the fiscal rule including the substitution of the traditional corporate income tax with a proportional revenue based tax, step-by-step increase in pensions and minimum wages until 2020 with a sharp hike in minimum wage (from the current ca. 40% average wage level to ca. 60%) already planned for 2018, and the reduction of personal income tax rate to 10% from the current 16% alongside with broadening the income base. Also, the government will continue with the previously planned further VAT reduction, just with a slight delay. All-in-all, the strategy of PSD's aggressive fiscal spending remains in place but we see somewhat increased risks in terms of the country's fiscal outlook. Current consensus expectation for fiscal deficit in Romania stands at 3%.

The most surprising comment, however, was made by the designate Financial Minister Ionut Misa regarding the pension reform, essentially outlining the elimination of the 2nd pillar pension funds. According to the statement persons who have contributed to the 2nd pillar would have the option to choose whether to move their assets into the state pension system or to the voluntary 3rd pillar pension funds. The Finance Minister later withdrew the statement and such plan was also denied by the new PM and by the PSD leader. The 2nd pillar system Romania was set up in 2008 and has grown in size close to €8bn of which 20% is invested in listed equities, predominantly local, and 63% in local sovereign debt. Given that in Romania there is no pressing problems related with the public debt (37.6% of GDP as of end-2016), we do not see a need for the government to dismantle the so far well-working system.

Key changes in the portfolio

In June we finished our exit from the operator of Romanian national electricity grid Transelectrica on limited upside. We also started to scale down Turkish light commercial vehicle producer Ford Otomotiv on strong year-to-date stock price performance as it reached our fair value target. At the same time we added Turkish cement producer Akcansa to the portfolio and should price allow will continue to increase the position. Akcansa is the 2nd largest cement producer in Turkey with 9-10% market share in terms of installed capacity. The company operates in the Marmara, Aegean and Black Sea regions where it holds ca. 35% market share and is thus best positioned to take advantage of the large infrastructure and housing spending in Istanbul. Akcansa trades at 9.2x 2018f P/E, 6.5x EV/EBITDA and offers 9% dividend yield.

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Outlook

Eurozone economy continues to expand at a solid pace as Q2 composite PMI showed the strongest expansion in 6 years. The recent robust data indicates quarterly GDP growth accelerating to 0.7%. Job creation, especially in manufacturing, remains strong as companies continue to expand to meet demand. Price pressures remain albeit moderating on the back of lower commodity prices as capacity is strained.

June manufacturing PMI figures of Emerging Europe point towards a continuation of the impressive economic growth we saw in Q1. The CE3 surveys showed a slight pick-up in Poland, stable growth in the Czech Republic and a minor drop in Hungary, consistent on aggregate of around 8% yoy industrial production growth. In Turkey the June PMI signalled the fastest rate of expansion in 3.5 years, while input price inflation continued to slow to the lowest level since September 2016. Manufacturing sector in Greece saw output and new orders to increase for the first time in 10 months. At the same time the businesses increased the staffing numbers for the second consecutive month. In the long-run, however, the austerity measures that the country has agreed to will continue to restrict growth.

Given the strong Q2 data **the regional growth outlook for 2017 has ticked up close to 4%**. Economic activity in Emerging Europe continues to be underpinned by tightening labour markets that is starting to feed into inflation. This should push local central banks to tighten the monetary policy over the next 12-18 months. Turkey remains the exception here as inflation is slightly subsiding from the recent highs, which may allow for somewhat looser policy going forward.

Positioning

At the end of May the cash position in the Fund stood at 14%, up 3ppt vs. May. **We remain rather constructive on Turkey** despite strong YTD market performance and somewhat uncertain currency outlook. On an index basis (MSCI Turkey) local equities trade at 9.1x 2017f P/E with 22% expected EPS growth, while the banks are valued at 6.4x P/E (19% expected EPS growth). **We hold our conviction towards Romanian investments** on reasonable valuations (MSCI Romania at 9.8x 2017f P/E) and strong macro environment, but remain constrained by the relative illiquidity. Recent political developments have increased uncertainty over the fiscal outlook, however, we do not see major risks related to the plans of the new government yet. Pension system dismantling seems rather unlikely but would be a major negative for the local stock market.

In Poland we are invested predominantly in financials with additional selective picks from the non-financial space. Overall the valuations in Poland are somewhat demanding (WIG Index at 12.6x 2017f P/E) and we dislike the state ownership that large part of blue chips are subject to.

Among **Austrian-listed companies** we hold Emerging Europe real estate companies, which **offer attractive valuations and high liquidity**. In the Czech Republic and Hungary we find only a very select list of attractive names in banking, energy, pharma and manufacturing. On an index basis Hungary is trading at 11.4x and the Czech market at 12.5x 2017f P/E.

The selection of companies in the Fund portfolio trade at 12.0x 2017f P/E, slightly above the 11.8x of the benchmark index. Over the past 3 months we have seen a notable upward revision for the consensus EPS figure of the benchmark (+9-10% for 2017 and 2018) reflecting the upbeat regional sentiment. Similarly, the aggregate EPS growth estimate of our portfolio companies has risen to 12% for 2017 from 4% three months ago, while our 2018 estimates have stayed almost unchanged.

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 22% and cash flow yield at 5%. At current market prices the aggregate DY of the portfolio is between 4-5% on average pay-out rate of 78%.

	% of the Fund	P/E adj			EPS adj growth		EV/EBITDA		Div yield	P/NAV	P/B
		12M	2017	2018	2017	2018	2017	2018	2016	12M	12M
Cyclical	47.8%	12.2	11.3	9.8	10.8%	14.6%	4.8	4.1	4.1%	-	1.22
Non-cyclical	17.1%	17.0	14.8	14.6	16.3%	1.2%	7.2	6.9	3.5%	-	1.16
Asset play	17.7%	-	-	-	-	-	-	-	7.3%	0.63	0.66
Total equity	82.5%	13.2	12.0	10.8	11.9%	11.7%	5.8	5.3	4.7%	-	1.02
		CY* YTM**									
Bonds	2.9%	7.7%	7.4%								

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

Responsible investment activities

In Q2 Avaron participated for the first time in Estonian Responsible Business Index and received the highest gold level quality label. The Index aims at assisting Estonian companies to define, evaluate and monitor their economic, social and environmental impact. The quality label is given to organizations that show high performance and systematic approach in responsible activities towards local community, environment, workplace and marketplace. We are proud to have scored the highest among the small enterprises, proving that our efforts in adopting responsible business and investment practices are bearing fruit.

In May we lent our support to a statement that was sent to the representatives of the World Health Organization (WHO) and national health ministers supporting the tobacco control measures already taken by governments and encouraging them to continue their efforts. According to the WHO, tobacco is a primary driver in recent sharp rise in chronic non-communicable disease, killing 6 million people per year. Smoking costs the global economy more than \$1 trillion a year, according to a 2017 joint study by the WHO and the U.S. National Cancer Institute, far outweighing global revenues from tobacco taxes. Since 2011 Avaron has decided to limit financing business models reliant on tobacco and cigarette production.

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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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