

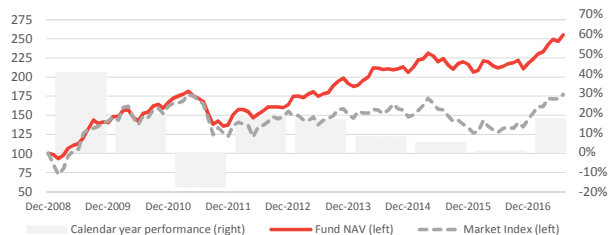
Investment Objectives & Approach

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 | 2164 | 6.4% | 2.7% | 0.2% |
| Komercni Banka AS | CZ | Financials | 6920 | 6.2% | 4.0% | 0.2% |
| SC Fondul Proprietatea SA | RO | Utilities | 1925 | 5.0% | 5.0% | 0.3% |
| OMV Petrom SA | RO | Energy | 3917 | 4.7% | 11.2% | 0.5% |
| PKO Bank Polski SA | PL | Financials | 10819 | 4.6% | 6.1% | 0.3% |
| BRD-Groupe Societe Generale | RO | Financials | 2150 | 4.5% | 4.4% | 0.2% |
| Turkiye Garanti Bankasi | TR | Financials | 10614 | 3.7% | 3.7% | 0.2% |
| Yapi Ve Kredi Bankasi | TR | Financials | 4732 | 3.4% | -2.6% | -0.1% |
| KRKA | SI | Health Care | 1803 | 3.2% | 5.0% | 0.1% |
| Bank Pekao SA | PL | Financials | 7883 | 3.0% | 1.6% | 0.1% |
| 10 largest positions total | | | | 44.9% | | 2.0% |

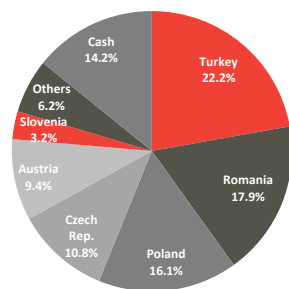
| Perf overview | Fund net return | Index return* |
|---------------|-----------------|---------------|
| 1 month | 3.4% | 3.3% |
| YTD | 17.0% | 22.4% |
| 3 months | 5.1% | 3.1% |
| 6 months | 14.0% | 15.7% |
| 1 year | 19.1% | 33.3% |
| 3 years | 21.6% | 16.9% |
| 5 years | 63.8% | 29.4% |
| 7 years | 67.1% | 18.6% |

* MSCI EFM Central and Eastern Europe & CIS ex Russia

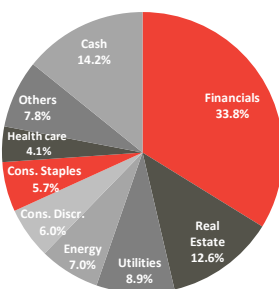
| Calendar year return | Gross | Net | Index* |
|----------------------|--------|--------|--------|
| 2016 | 2.1% | 0.6% | 8.2% |
| 2015 | 6.7% | 5.0% | -9.6% |
| 2014 | 9.4% | 7.8% | -2.1% |
| 2013 | 18.5% | 16.7% | -2.4% |
| 2012 | 21.1% | 19.2% | 26.5% |
| 2011 | -16.3% | -17.6% | -24.3% |
| 2010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

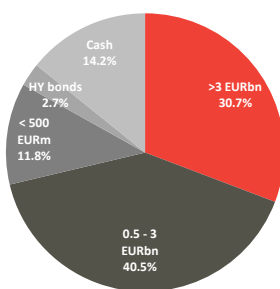
Geographic breakdown



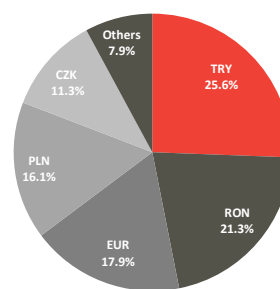
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

| | Jul-17 | 1 mo | 3 mo | 12 mo | 3 years | 5 years | 1 mo | 3 mo | 12 mo | YTD | 3 years | 5 years |
|------------|--------|-------|-------|--------|---------|---------|-------|-------|-------|------|---------|---------|
| Turkey | 22.2% | -0.3% | -1.2% | 5.0% | 2.1% | 19.2% | 0.5% | 1.1% | 3.0% | 4.6% | 2.2% | 11.9% |
| Romania | 17.9% | -0.5% | -2.6% | 5.5% | -0.1% | 2.5% | 1.2% | 1.4% | 6.1% | 4.9% | 6.9% | 21.6% |
| Poland | 16.1% | 1.0% | 1.4% | 6.1% | 10.9% | 7.7% | 0.8% | 0.7% | 4.6% | 3.4% | 4.7% | 3.7% |
| Czech Rep. | 10.8% | 0.2% | 0.0% | 0.0% | 4.3% | -10.4% | 0.6% | 0.8% | 1.3% | 1.9% | 2.8% | 4.7% |
| Austria | 9.4% | -0.1% | 0.1% | -10.3% | -2.7% | 3.6% | 0.3% | 1.0% | 4.9% | 2.2% | 7.2% | 10.2% |
| Slovenia | 3.2% | -0.1% | 0.0% | -1.0% | -0.5% | -0.3% | 0.1% | 0.3% | -0.3% | 0.3% | -0.5% | 2.7% |
| Croatia | 2.0% | 0.0% | 1.2% | 1.2% | 2.0% | -0.4% | 0.0% | 0.2% | 0.4% | 0.2% | 0.4% | 0.2% |
| Baltics | 1.8% | 0.2% | 0.1% | -0.4% | -3.2% | 0.1% | 0.3% | 0.3% | 0.2% | 0.3% | 1.6% | 2.9% |
| Bulgaria | 1.2% | 0.0% | 0.0% | -0.2% | -0.5% | -9.1% | 0.0% | 0.1% | 0.3% | 0.1% | 0.4% | 7.2% |
| Others | 1.2% | 1.8% | 1.7% | 2.3% | 6.1% | 13.1% | -0.1% | -0.2% | 0.3% | 0.2% | 2.2% | 12.4% |

Sector allocation

| | Jul-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% | 0.0% | -0.4% | 4.9% | 11.5% | 10.0% | 1.2% | 1.1% | 10.0% | 7.8% | 10.1% | 31.2% |
| Real Estate | 12.6% | -0.2% | -0.1% | -4.9% | 0.0% | 3.4% | 0.3% | 1.1% | 1.0% | 1.1% | 2.4% | 8.5% |
| Utilities | 8.9% | 0.3% | -1.8% | -1.8% | -6.9% | -2.3% | 0.6% | 0.4% | 2.0% | 2.4% | 2.4% | 11.1% |
| Energy | 7.0% | 0.0% | -0.2% | 1.1% | -1.5% | 3.3% | 0.6% | 0.2% | 3.3% | 1.5% | 2.4% | 4.2% |
| Cons. Discr. | 6.0% | -1.2% | -0.9% | -1.2% | -0.8% | -5.3% | 0.6% | 1.1% | 1.7% | 2.1% | 4.8% | 10.4% |
| Consumer Staples | 5.7% | 1.1% | 1.6% | 5.1% | 4.2% | 4.1% | 0.3% | 0.9% | 0.9% | 1.4% | 3.2% | 3.6% |
| Health care | 4.1% | -0.9% | -1.0% | -1.1% | -1.6% | 0.5% | 0.1% | 0.5% | 0.3% | 0.7% | 0.6% | 4.7% |
| Industrial | 3.0% | 0.1% | 0.5% | -0.2% | 3.0% | 1.5% | 0.2% | 0.7% | 1.3% | 0.9% | 1.0% | 2.9% |
| Others | 4.8% | 6.1% | 6.0% | 3.8% | 0.2% | -6.4% | -0.2% | -0.2% | 0.5% | 0.3% | 0.9% | 1.0% |

Style allocation

| | Jul-17 | 1 mo | 3 mo | 12 mo | 3 years | 5 years | 1 mo | 3 mo | 12 mo | YTD | 3 years | 5 years |
|-------------------|--------|-------|-------|-------|---------|---------|-------|-------|-------|-------|---------|---------|
| Cyclical | 47.0% | -0.7% | -0.5% | 2.3% | 13.0% | 23.7% | 2.3% | 2.4% | 14.1% | 10.0% | 13.6% | 30.5% |
| Non-cyclical | 18.4% | 1.3% | 0.3% | 2.7% | -5.9% | -9.2% | 1.0% | 2.5% | 3.6% | 5.2% | 7.3% | 13.7% |
| Asset play | 17.6% | -0.1% | -0.5% | 2.7% | 5.6% | -2.1% | 0.5% | 1.2% | 2.5% | 2.5% | 4.8% | 21.7% |
| Convertible bonds | 0.0% | 0.0% | 0.0% | 0.0% | -7.4% | -5.1% | 0.0% | 0.0% | 0.0% | 0.0% | -0.4% | 7.5% |
| High yield bonds | 2.7% | -0.2% | -0.4% | -2.2% | 2.7% | -7.3% | -0.1% | -0.2% | 0.7% | 0.4% | 2.5% | 3.3% |
| FX Derivatives | 0.1% | -0.1% | -0.2% | 0.1% | 0.1% | 0.1% | -0.1% | -0.2% | 0.1% | 0.1% | 0.2% | 0.9% |
| Cash | 14.2% | -0.2% | 1.3% | -5.6% | -8.0% | -0.2% | -0.1% | -0.2% | -0.2% | -0.1% | -0.1% | -0.1% |

Risk metrics

| | 3Y risk* |
|-------------------------------|----------|
| Alpha | 5% |
| Volatility & stand. deviation | 9.7% |
| Beta | 0.43 |
| Sharpe ratio | 0.71 |
| Information ratio | 0.12 |
| Tracking error | 11.5% |

* MSCI EFM Central and Eastern Europe & CIS ex Russia

Fund statistics

| | |
|---------------------------|-------|
| Number of positions | 39 |
| Top10 | 44.9% |
| Top20 | 69.4% |
| Gross exposure | 85.8% |
| Net exposure | 85.7% |
| Concentration coefficient | 34 |
| Median market cap MEUR | 1803 |
| Average market cap MEUR | 2419 |

Turnover

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

* Adjusted for fund flows

Liquidity analysis*

| | 20% | 50% |
|---------|-------|-------|
| 3 days | 64.3% | 77.9% |
| 2 weeks | 82.2% | 94.2% |
| 4 weeks | 92.1% | 98.8% |

* 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 | 70.5 |
| Total AUM, MEUR | 481.3 |
| Strategy size, MEUR | 461.0 |

TER 2016 0.28% (excluding management and performance fees)

| | ISIN Code | NAV 31-Jul 2017 |
|---------------|--------------|-----------------|
| A unit | EE3600090049 | 4.9251 EUR |
| B unit | EE3600090056 | 5.2098 EUR |
| C unit | EE3600102901 | 17.6694 EUR |
| D unit | EE3600108866 | 14.8801 EUR |
| E unit | EE3600108874 | 14.7402 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

Contact Information

Avaron Asset Management
 Narva mnt 7D, 10117 Tallinn
 ESTONIA
 Phone: +372 66 44 205
 Fax: +372 66 44 201
 E-mail: info@avaron.com
www.avaron.com

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



Valdur Jaht
 Partner, co-CIO,
 Investment Manager

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Short overview of the month

Global equities continued to edge higher in July. MSCI World moved up 2.3% in \$, while weaker dollar pushed the performance in € into red (-1.3%). YTD the dollar has lost 11.2% against the euro. Emerging Market equities rallied strongly, up 5.5% in \$ (+1.8% in €) on the back of rising risk appetite and fund flows. **Emerging Europe stocks (MSCI EFM CEEC ex-RU) headed similarly north returning 3.3% in € terms.** Among regional currencies Turkish lira lost 3.5% vs. the euro on the back of the dollar weakness.

| 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 | 1.9% | -1.6% | -2.0% | 7.2% | 44.7% | 89.2% |
| Europe | 0.3% | 0.3% | 7.0% | 18.3% | 19.9% | 69.6% |
| Emerging Markets | 5.5% | 1.8% | 9.8% | 15.2% | 13.1% | 14.3% |
| Emerging Europe* | 3.3% | 3.3% | 22.4% | 33.3% | 16.9% | 29.4% |
| Poland | 2.6% | 2.0% | 25.2% | 38.8% | 22.9% | 47.8% |
| Czech Republic | 2.9% | 3.1% | 13.4% | 18.6% | 11.9% | 6.6% |
| Hungary | 1.6% | 3.2% | 13.7% | 32.5% | 110.5% | 84.4% |
| Baltics | 5.9% | 5.9% | 11.3% | 17.6% | 35.3% | 46.1% |
| Romania | 5.4% | 5.4% | 16.2% | 20.3% | 16.1% | 68.1% |
| Bulgaria | 1.7% | 1.7% | 22.0% | 56.1% | 32.3% | 124.3% |
| Croatia | 1.1% | 1.1% | -3.6% | 7.4% | 7.0% | 11.4% |
| Slovenia | 2.1% | 2.1% | 13.3% | 13.0% | 0.4% | 54.7% |
| Serbia | 1.6% | 1.9% | 3.5% | 16.9% | 17.7% | 59.6% |
| Macedonia | 9.6% | 9.1% | 16.4% | 34.1% | 45.3% | 27.0% |
| Bosnia & Herzeg. | 1.1% | 1.1% | -10.1% | -10.0% | -12.5% | -10.6% |
| Turkey | 7.1% | 3.4% | 22.3% | 14.3% | -9.9% | -14.2% |
| Austria | 3.6% | 3.6% | 22.9% | 44.1% | 39.3% | 54.2% |

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 | -0.6% | 3.4% | 2.4% | -2.6% | -1.8% | -3.2% |
| Hungary | 1.5% | 1.8% | 2.6% | 1.0% | 3.4% | -8.3% |
| Czech | 0.2% | 3.6% | 3.6% | 3.9% | 6.1% | -3.2% |
| Romania | 0.0% | -0.5% | -2.0% | -3.3% | -2.9% | 0.2% |
| Croatia | 0.0% | 1.8% | 1.0% | 2.5% | 3.1% | 1.1% |
| Serbia | 0.4% | 2.6% | 2.7% | 0.0% | -2.8% | -2.2% |
| Turkey | -3.5% | -11.0% | -19.9% | -27.0% | -31.2% | -47.0% |

Source: Thomson Reuters

Avaron Emerging Europe Fund added 3.4% in July, in line with the regional index. In 5 years the Fund has delivered +63.8% return vs. +29.4% for the index with lower volatility (9.1% vs. 15.6% for the index), resulting in 8.3% alpha.

Political opportunism in Poland

Early summer Polish government led by the right-populist Law & Justice (PiS) embarked on another step in changing the country's legal and political landscape. The government pushed through, in an express mode, three controversial bills curtailing the independence of the judiciary from the political system. This sparked sizable public protests in Warsaw and other larger cities, and drew harsh comments from constitutional law specialists, European Commission and the US State Department placing Poland once again in the negative spotlight. Late-July President Duda, elected as the Law & Justice candidate in 2015, vetoed two (Supreme Court, National Justice Board) out of the three bills and promised to present his own proposals within the next two months.

This is the first clear clash between the President and the ruling party leader Mr. Jarosław Kaczyński. Beforehand President Duda launched an initiative to hold an important constitutional referendum in November 2018 (on the 100th anniversary of independence) that would encompass questions on new proposals to the several malfunctioning aspects of the current political and legal system in the country. The response of PiS was less than lukewarm. Well-known secret is that Mr. Duda is not engaged in consultations of core decisions taken by the party's politburo, which this time decided to make a speculative, fast-track replacement of the Supreme Court and National Justice Board judges using simple-majority voted bills without public consultation.

PiS opportunistic manoeuvres can be explained by the following short-term calculations. Summer season was deemed to distract public opinion from the topic, especially after the strong positive message from Donald Trump's visit. Moreover, there is certain conviction in the party that because of the September elections in Germany no real counter actions from the EU are possible in short-term. And finally, the judiciary is perceived by the government as the last bastion of post-communistic evil in Poland with a few prominent PiS members facing important court verdicts next months for their allegedly illegal actions during 2005-07 (PiS used controversial provocations and bribery setups to de-mask corruption of the opposition Civil Platform members). Needless to say, placing majority of power over judiciary in the hands of the Justice Minister would be more than welcome for the party leaders. Mr. Duda's vetoes were not only aimed at calming down the situation on the streets but also using an opportunity to accentuate that he is not the Kaczyński's notary and claim back centrist voters that helped to secure success of his presidential campaign. The President was also supported by the former advisors to the late President Lech Kaczyński (twin brother of the current PiS leader) who was much more moderate in his views and political actions than his brother Jarosław.

Market reaction to this political fuss was very mild. Zloty was marginally sold down vs. the euro from 4.20 to 4.26, while we saw virtually no reaction on the debt side. The implications for the future depend on the final shape of the new Presidential proposals that would define whether we speak about the full divorce between the Presidential Palace and PiS or some amicable consensus is yet to be found. However, certain political ideas that were previously advertised as the Presidential projects might be downgraded on the governmental agenda as a repercussion due to the President's "disloyalty". From the equity market perspective the Swiss mortgage bill is the main pivotal topic and its further derailing might be positive for the banks. Should President Duda's relations with PiS freeze, more manoeuvring room will appear for the opposition parties, hence the check and balances mechanism in Poland might improve. Especially in comparison to Hungary, where Victor Orban has already implemented similar changes that Mr. Kaczyński just failed to achieve. On the flipside, the third bill signed by Mr. Duda about the reform in

Investor Contact

Tel: +372 664 4205 | E-mail: info@avaron.com | www.avaron.com
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the Common Courts is also not free from disputable clauses. The IT companies cooperating with governmental bodies might face nationalization of their intellectual property rights in case of serious cyber security risk incident on the national level, which might negatively impact public tendering in the IT sector. The interference of the Ministry of Justice in the Common Court's management selection is also deemed as not adequately restricted.

These recent developments revealed the first cracks in the so far very smooth and fluent executive governmental machine. In the short-term we see little pass through onto the markets and economy from this, but in the long-run enhanced pluralism in the ruling circles might prevent the execution of further negative ideas. Or lead to even faster elections than planned, though it is way too early to speculate about that.

Key changes in the portfolio

In July we **finished the exit from Turkish LCV producer Ford Otomotiv** on limited upside following strong stock price performance. At the same time we **added Turkish bottling company Coca-Cola Icecek and Polish mobile operator Play** to the portfolio. Coca-Cola Icecek (CCI) produces and distributes sparkling and still beverages of Coca-Cola Company. It operates 25 plants in 10 countries in Middle East and Central Asia with total population of 380 million. Turkey accounts roughly half of the business in terms of volumes. Other larger markets include fast growing Pakistan (23% of volumes) and Iraq (9% of volumes). CCI is expected to deliver 15-20% p.a. growth in 3-5 years and is trading at 14.9x 2019f P/E, 6.9x EV/EBITDA.

During the month we participated in the IPO of Polish mobile operator Play. The company holds 26% market share in the oligopolistic mobile segment with a solid historical growth track coming from 11% market share in 2011. We foresee solid double-digit cash flow yield that enables to pay 7-8% DY in upcoming years (70% payout assumption). Play trades at 8.5x 2019f P/E and 6.1x EV/EBITDA.

Outlook

Eurozone economy continues to expand at a solid pace according to the July flash composite PMI survey. Despite losing some momentum for the second consecutive month the index remains at high level (55.8) in historical standards. Inflationary pressures also eased as the increase in average prices charged for goods and services slipped to the lowest since January. The index points towards 0.6% quarterly GDP growth, slightly lower from the indicative 0.7% in Q2. Moderating growth and inflation should ease the tapering risks in Europe. **Positive business sentiment in Emerging Europe remains in place as confidence and hiring appetite are strong.** July manufacturing PMI figures in CE3 moved in sync with the Eurozone trends. Data from Czech Republic, Hungary and Poland indicated slight softening but overall solid level of growth. In Turkey the July manufacturing PMI rose to 53.6, the highest level in 3.5 years, on the back of strong uptick in output and new orders indicating improving business conditions. At the

same time the inflationary pressures continued to ease. Conditions in Greek manufacturing sector improved for the second month in a row as the index stayed above the no-change 50.0 mark at 50.5 driven by output growth and rising job creation. In the long-run, however, the austerity measures that the country has agreed to will continue to restrict growth. **Emerging Europe growth outlook for 2017 has ticked up closer to 4% after the strong Q2.** Economic activity in the region continues to be underpinned by tight 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 July the cash position in the Fund stood at 14%, flat mom. **We remain relatively constructive on Turkey** despite strong YTD market performance and somewhat uncertain currency outlook. On an index basis (MSCI Turkey) local equities trade at 9.4x 2017f P/E with 25% expected EPS growth, while the banks are valued at 6.7x P/E (12% expected EPS growth). **We hold our conviction towards Romanian investments** on reasonable valuations (MSCI Romania at 10.4x 2017f P/E) and strong macro environment but remain constrained by the lack of market depth and liquidity. Statements on radical fiscal and pension reforms issued by the new government in June have been withdrawn recently. **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 12.8x 2017f P/E) and we dislike the state ownership that large part of blue chips are subject to. Also, the political environment remains unsupportive as the government continues on the path of power consolidation. 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 select list of attractive names in banking, energy, pharma and manufacturing. On an index basis Hungary is trading at 11.5x and the Czech market at 12.8x 2017f P/E.

The selection of companies in the Fund portfolio trade at 12.7x 2017f P/E, slightly above the 12.1x 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 21% and dividend yield between 4-5% on average pay-out rate of 77%.

| | % of the | P/E adj | | EPS adj growth | | EV/EBITDA | | Div yield | P/NAV | P/B | |
|--------------|----------|---------|------|----------------|-------|-----------|------|-----------|-------|------|------|
| | Fund | 12M | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2016 | 12M | 12M |
| Cyclical | 47.0% | 12.5 | 11.9 | 10.6 | 8.2% | 12.3% | 5.0 | 4.4 | 4.0% | - | 1.24 |
| Non-cyclical | 18.4% | 17.7 | 15.3 | 14.2 | 18.5% | 7.7% | 7.4 | 6.9 | 3.2% | - | 1.25 |
| Asset play | 17.6% | - | - | - | - | - | - | - | 7.0% | 0.65 | 0.68 |
| Total equity | 83.0% | 13.6 | 12.7 | 11.4 | 10.4% | 11.3% | 6.1 | 5.6 | 4.5% | - | 1.06 |
| CY* YTM** | | | | | | | | | | | |
| Bonds | 2.7% | 7.6% | 7.4% | | | | | | | | |

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

Investor Contact

Tel: +372 664 4205 | E-mail: info@avaron.com | www.avaron.com
Authorised and regulated by Estonian Financial Supervision Authority

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.

Investor Contact

Tel: +372 664 4205 | E-mail: info@avaron.com | www.avaron.com
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