

## Investment Objectives & Approach

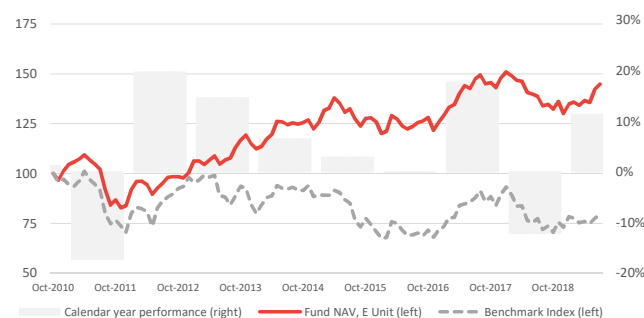
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside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

In July Emerging Europe ex-Russia equities gained 2.7% in € terms, outperforming global emerging markets (+0.9% in €) and developed Europe (-0.1%). Emerging Europe performance was driven by strong boost of Turkey (+5.8% in lira, +12.7% in €) and Greece (+3.6%). Turkish lira rallied despite the 425bp cut in policy rate to 19.75% versus market consensus of -250bp. The central bank referenced the ongoing disinflation process, cut its 2019 inflation forecast down to 13.9% from 14.6% (in 2020 expects 8.2%), signalling further cuts to come this year. Greece extended its rally on the general election outcome as the centre-right New Democracy led by Kyriakos Mitsotakis secured 40% support in the parliament. Already at the end of July the Greek parliament passed a new bill outlining up to 30% reduction in the hugely unpopular property tax implemented at the height of the euro crisis in 2012. Avaron Emerging Europe Fund delivered +1.8% return in July, underperforming the benchmark due to UW in Turkey and Greece. YTD the Fund is up 11.4% compared to 9.0% of the benchmark. Positioning of the Fund is conservative as we have around 14% of cash in the portfolio and the portfolio is underweight in the high beta Turkish market. The selection of companies in the Fund portfolio trade at 10.9x 1YR FWD P/E. The portfolio's cash flow yield stands at 9% and dividend yield at 5%+ on an average pay-out rate of 63%.

To receive detailed fund manager comment please send a request to [info@avaron.com](mailto:info@avaron.com).

## Performance, E Unit



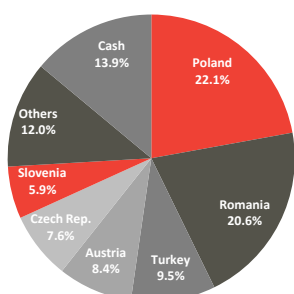
Perf overview	Net return E Unit	Index return*
1 month	1.8%	2.7%
YTD	11.4%	9.0%
3 months	5.9%	4.9%
6 months	7.4%	1.7%
1 year	4.4%	2.9%
3 years	17.1%	15.2%
5 years	16.4%	-13.6%
7 years	52.5%	-7.4%
8 years	41.9%	-13.2%

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

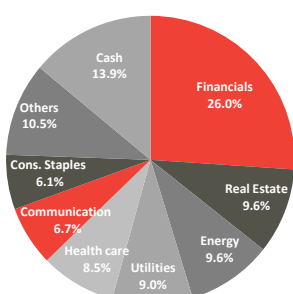
## Calendar year return, E Unit

Year	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%

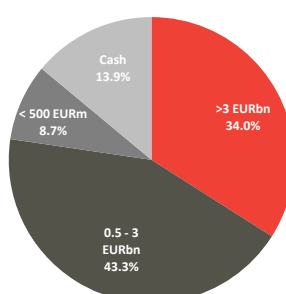
## Geographic breakdown



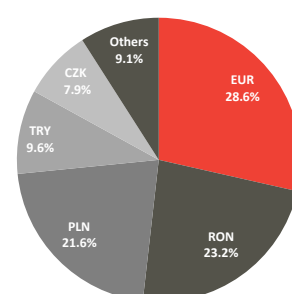
## Sector breakdown



## Market Cap breakdown



## Net currency breakdown



## Country allocation

	Change						Contribution analysis					
	Jul-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Poland	22.1%	-0.3%	1.6%	5.9%	12.2%	17.0%	-0.6%	0.7%	1.4%	2.5%	6.2%	6.3%
Romania	20.6%	1.5%	1.2%	2.2%	8.2%	2.6%	0.8%	3.4%	4.6%	6.2%	12.2%	13.0%
Turkey	9.5%	1.5%	-2.7%	-7.8%	-7.6%	-10.6%	1.2%	1.1%	-1.8%	0.6%	-7.0%	-7.9%
Austria	8.4%	0.9%	0.7%	-1.6%	-11.3%	-3.7%	0.6%	0.7%	0.6%	1.4%	6.6%	9.0%
Czech Rep.	7.6%	0.1%	0.3%	0.3%	-3.3%	1.0%	-0.1%	0.1%	-0.3%	0.5%	2.2%	3.7%
Slovenia	5.9%	0.0%	0.2%	2.4%	1.7%	2.2%	-0.1%	0.3%	0.6%	0.3%	0.6%	0.4%
Hungary	4.4%	0.1%	-0.4%	1.2%	3.4%	1.3%	-0.1%	-0.5%	0.2%	-0.2%	0.0%	1.1%
Baltics	2.9%	0.1%	-0.2%	-0.4%	0.7%	-2.1%	0.0%	0.0%	0.1%	0.2%	0.6%	1.9%
Croatia	2.0%	0.1%	0.1%	0.2%	1.2%	2.0%	0.1%	0.1%	0.0%	0.2%	0.1%	0.1%
Others	2.7%	0.1%	0.3%	1.5%	0.7%	-1.5%	0.1%	0.3%	0.3%	0.4%	0.9%	1.8%

## Sector allocation

	Change						Contribution analysis					
Financials	26.0%	0.2%	1.1%	-1.9%	-2.9%	3.7%	-0.3%	0.3%	-2.4%	1.1%	4.2%	4.4%
Real Estate	9.6%	0.9%	0.9%	-1.5%	-7.8%	-2.9%	0.6%	0.9%	0.7%	1.6%	2.6%	4.0%
Energy	9.6%	0.8%	0.1%	2.0%	3.7%	1.1%	0.5%	1.6%	2.8%	3.4%	6.9%	6.0%
Utilities	9.0%	0.3%	0.9%	-0.1%	-1.7%	-6.8%	0.1%	1.3%	1.6%	1.8%	4.7%	5.1%
Health care	8.5%	0.0%	-0.2%	1.9%	3.2%	2.7%	-0.1%	-0.2%	0.5%	0.2%	0.7%	1.1%
Communication	6.7%	0.1%	1.0%	2.0%	5.6%	2.1%	-0.1%	0.9%	1.7%	1.8%	1.4%	1.8%
Consumer Staples	6.1%	0.9%	0.8%	3.4%	5.5%	4.7%	0.7%	0.7%	1.0%	1.1%	1.3%	3.6%
Cons. Discr.	5.6%	0.4%	0.8%	0.3%	-1.5%	-1.1%	0.3%	0.7%	-0.2%	0.8%	0.7%	3.9%
Others	4.9%	0.4%	-4.2%	-2.0%	1.6%	4.9%	0.3%	0.0%	0.1%	0.4%	-0.2%	-0.4%

## Style allocation

	Change						Contribution analysis					
Cyclical	47.9%	1.8%	-2.0%	-1.0%	3.2%	13.9%	0.7%	2.6%	0.7%	6.1%	10.6%	9.2%
Non-cyclical	22.1%	1.0%	1.4%	4.7%	6.4%	-2.3%	0.5%	1.4%	2.8%	2.7%	5.1%	9.8%
Asset play	16.1%	1.2%	1.8%	0.3%	1.2%	4.1%	0.7%	2.2%	2.4%	3.3%	5.9%	8.3%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	0.0%	-7.4%	0.0%	0.0%	0.0%	0.0%	0.0%	-0.4%
High yield bonds	0.0%	0.0%	0.0%	0.0%	-4.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.7%	2.5%
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	13.9%	-4.1%	-1.2%	-4.0%	-5.8%	-8.3%	0.0%	0.1%	-0.1%	0.1%	-0.5%	-0.5%

## Risk metrics

	5Y risk*
Alpha	5%
Volatility & stand. deviation	9.2%
Beta	0.46
Sharpe ratio	0.37
Information ratio	0.57
Tracking error	10.5%

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

## Fund statistics

Number of positions	37
Top10	48.6%
Top20	70.5%
Gross exposure	86.1%
Net exposure	86.1%
Concentration coefficient	31
Median market cap MEUR	1760
Average market cap MEUR	2834

## Turnover

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

\*Adjusted for fund flows

## Liquidity analysis\*

	20%	50%
3 days	62.9%	74.7%
2 weeks	78.5%	92.8%
4 weeks	90.0%	96.3%

\*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

<b>Investment Manager</b>	AS Avaron Asset Management
<b>Fund type</b>	UCITS V, public common investment fund
<b>Launch date</b>	April 23, 2007
<b>Domicile</b>	Estonia
<b>Currency</b>	EUR
<b>Dividends</b>	reinvested
<b>Fund size, MEUR</b>	60.7
<b>Total AUM, MEUR</b>	375+

**TER 2018** 0.37% (excluding management and performance fees)

	NAV	TER 2018	TER 2018
	31-Jul-2019	excl. perf fee	incl. perf fee
<b>B unit</b>	5.0897 EUR		
<b>C unit</b>	17.2317 EUR	1.58%*	1.67%*
<b>D unit</b>	14.3148 EUR	2.37%	2.37%
<b>E unit</b>	14.4762 EUR	1.22%	1.46%

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

<b>Cut-off</b>	10am CET
<b>NAV frequency</b>	Daily dealing, T+3
<b>Public offering</b>	France, Switzerland, Germany, United Kingdom, Finland, Sweden, Estonia, Latvia
<b>Morningstar rating</b>	Yes, three stars (5 years)
<b>Tax transparency</b>	Germany, Switzerland
<b>Supervised by</b>	Estonian FSA
<b>Custodian</b>	Swedbank AS
<b>Transfer agent</b>	Swedbank AS
<b>NAV calculation</b>	Swedbank AS
<b>External auditor</b>	KPMG
<b>Internal auditor</b>	PWC
<b>Fund documents &amp; prospectus</b>	<a href="http://www.avaron.com/documents">www.avaron.com/documents</a>

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

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

### 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](mailto:info@avaron.com)  
[www.avaron.com](http://www.avaron.com)

## 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.



**Kristel Kivimägi-Priisalm**  
Managing Partner,  
CEO & COO



**Peter Priisalm**  
Partner, co-CIO,  
Investment Manager



**Valdur Jaht**  
Partner, co-CIO,  
Investment Manager

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