

## Investment Objectives & Approach

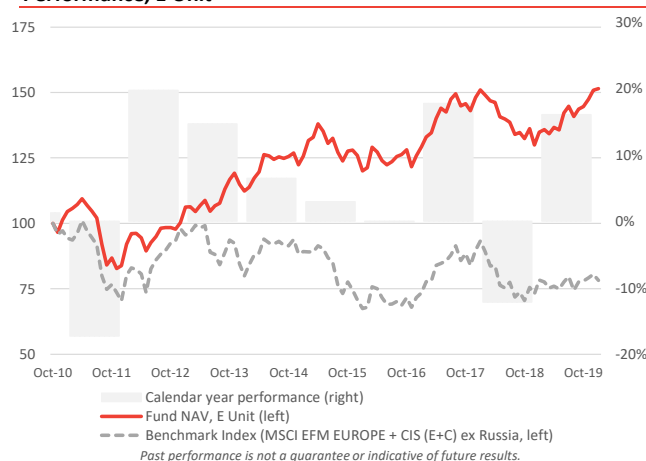
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside 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, January 2020

Global equities started the year with a typical risk-off month amid fears over coronavirus and its impact on the Chinese economy. MSCI World lost 0.7% in \$ (+0.4% in €) as US stocks outperformed getting support from the strong Q4 earnings' of tech companies while Emerging Markets were down 4.7% in \$ (-3.7% in €) on the back of notable weakness across all of the main EM countries. Emerging Europe (MSCI EFM EUROPE + CIS (E+C) ex Russia) fared a bit better losing 2.9% in € thanks to strong performance of most frontier countries and Turkey (+4.7% in €). Turkish equities extended its rally driven by the relative undervaluation compared to MSCI EM (ca. 50%) and improving economic activity. Moves in CE3 currencies were a reflection of the broader risk-off sentiment as investors sold Hungarian forint and Polish zloty, while buying into the regional safe-haven currency, the Czech koruna. Avaron Emerging Europe Fund delivered +0.5% return in January driven by strong contribution from Turkey (+0.9ppt) and off-benchmark frontier stocks. Emerging Europe's leading indicators remain on the soft side but have been selectively showing slight signs of improvement over the past few months. January industrial sector surveys show continued contraction in the Czech Republic and Poland, and moderate expansion in Greece and Hungary. Turkey's manufacturing PMI climbed out of the contraction territory for the first time in 22 months, signalling modest improvement in business conditions on the back of new orders' growth. We continue to find the most attractive cases from Poland, Turkey and Romania. The Fund portfolio companies trade at 10.6x 1YR FWD P/E and offer 5%+ dividend yield.

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

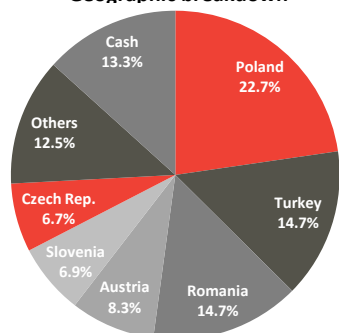
## Performance, E Unit



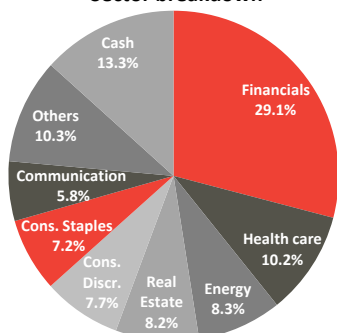
Perf overview	E Unit return	Index return*	Calendar year return, E Unit			
			Year	Gross	Net	Index*
1 month	0.5%	-2.9%	2019	18.0%	16.0%	10.3%
YTD	0.5%	-2.9%	2018	-10.9%	-12.2%	-18.6%
3 months	4.8%	0.3%	2017	19.2%	17.7%	25.3%
6 months	4.7%	-1.8%	2016	2.1%	-0.1%	1.2%
1 year	12.4%	-0.1%	2015	6.7%	2.9%	-20.0%
3 years	17.3%	6.6%	2014	9.4%	6.5%	4.7%
5 years	20.6%	-12.3%	2013	18.5%	14.6%	-13.9%
7 years	42.6%	-18.1%	2012	21.1%	19.7%	39.3%
8 years	64.7%	-2.3%	2011	-16.3%	-17.3%	-27.5%

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

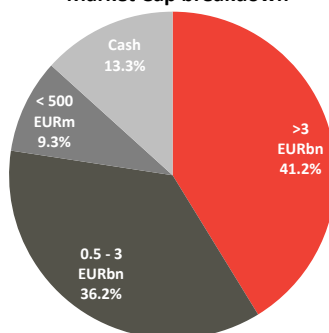
## Geographic breakdown



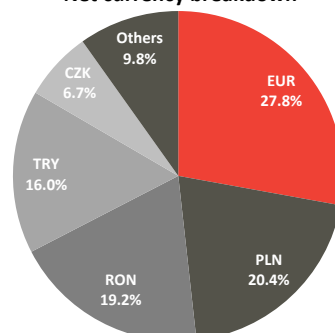
## Sector breakdown



## Market Cap breakdown



## Net currency breakdown



## Country allocation

	Jan-20	1 mo	Change	3 mo	12 mo	3 years	5 years
Poland	22.7%	-0.3%	-1.3%	2.4%	11.3%	12.4%	
Turkey	14.7%	-0.5%	2.5%	1.3%	-6.7%	1.3%	
Romania	14.7%	-0.2%	-4.8%	-1.3%	-3.4%	-0.4%	
Austria	8.3%	0.1%	-0.7%	0.7%	-7.6%	-10.5%	
Slovenia	6.9%	0.2%	0.7%	1.7%	3.6%	3.7%	
Czech Rep.	6.7%	-0.3%	-0.4%	-0.9%	-3.8%	-1.5%	
Hungary	5.2%	0.0%	0.5%	0.1%	4.3%	2.8%	
Baltics	2.4%	0.1%	0.0%	-0.6%	0.7%	-2.5%	
Greece	2.0%	0.0%	0.0%	2.0%	2.0%	2.0%	
Others	2.9%	0.1%	0.0%	0.0%	0.3%	-0.6%	

## Sector allocation

	Jan-20	1 mo	Change	3 mo	12 mo	3 years	5 years
Financials	29.1%	-1.5%	-1.7%	4.7%	-7.2%	0.0%	
Health care	10.2%	0.1%	1.0%	1.4%	5.0%	5.5%	
Energy	8.3%	-0.6%	0.4%	0.3%	3.1%	1.1%	
Real Estate	8.2%	0.2%	-0.7%	-0.5%	-4.5%	-7.6%	
Cons. Discr.	7.7%	0.1%	0.7%	2.3%	1.1%	3.3%	
Consumer Staples	7.2%	0.6%	1.0%	1.6%	4.9%	2.9%	
Communication	5.8%	-0.2%	-0.1%	0.4%	3.3%	5.3%	
Industrial	4.9%	0.2%	0.2%	-2.3%	2.3%	4.9%	
Others	5.4%	0.2%	-4.6%	-2.3%	-7.2%	-8.8%	

## Style allocation

	Jan-20	1 mo	Change	3 mo	12 mo	3 years	5 years
Cyclical	51.6%	-2.0%	-0.2%	4.6%	4.8%	18.5%	
Non-cyclical	24.6%	0.6%	1.7%	3.8%	8.3%	2.7%	
Asset play	10.5%	0.4%	-5.3%	-2.9%	-5.3%	-8.4%	
Cash	13.3%	0.9%	3.7%	-5.5%	-0.8%	-6.7%	

## Contribution analysis

	1 mo	3 mo	12 mo	YTD	3 years	5 years
Poland	0.1%	0.1%	0.9%	0.1%	3.4%	5.2%
Turkey	0.9%	2.7%	1.6%	0.9%	-2.8%	-8.0%
Romania	-0.1%	0.9%	8.9%	-0.1%	11.3%	13.9%
Austria	0.2%	-0.1%	1.1%	0.2%	4.6%	13.2%
Slovenia	0.2%	1.2%	1.7%	0.2%	2.6%	2.4%
Czech Rep.	-0.2%	0.0%	-0.7%	-0.2%	2.1%	2.4%
Hungary	0.0%	0.8%	0.2%	0.0%	1.0%	2.3%
Baltics	0.1%	0.1%	0.1%	0.1%	0.8%	1.7%
Greece	0.0%	0.1%	0.4%	0.0%	0.4%	0.4%
Others	0.1%	0.1%	0.5%	0.1%	0.4%	1.4%

## Risk metrics

	5Y risk*
Alpha	5%
Volatility & stand. deviation	9.2%
Beta	0.47
Sharpe ratio	0.45
Information ratio	0.63
Tracking error	10.1%

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

## Turnover

	Adj*
FY 2019	26.1%
	32.7%

\* Adjusted for fund flows

## Fund statistics

Number of positions	41
Top10	45.3%
Top20	67.5%
Gross exposure	86.7%
Net exposure	86.7%
Concentration coefficient	34
Median market cap MEUR	2001
Average market cap MEUR	3134

## Liquidity analysis<sup>1</sup>

	20%	50%
3 days	66.7%	74.9%
2 weeks	77.9%	90.5%
4 weeks	91.2%	98.7%

<sup>1</sup> 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>Cut-off</b>	10am CET
<b>Fund type</b>	UCITS V	<b>NAV frequency</b>	Daily dealing, T+3
<b>Launch date</b>	April 23, 2007	<b>Supervised by</b>	Estonian FSA
<b>Domicile</b>	Estonia	<b>Custodian</b>	Swedbank AS
<b>Currency</b>	EUR	<b>Transfer agent</b>	Swedbank AS
<b>Dividends</b>	reinvested	<b>NAV calculation</b>	Swedbank AS
<b>Fund size, MEUR</b>	62.5	<b>External auditor</b>	KPMG
<b>Total AUM, MEUR</b>	390+	<b>Internal auditor</b>	PWC

	NAV	ISIN code	TER 2019
<b>B unit</b>	5.3681 EUR	EE3600090056	1.63%
<b>C unit</b>	18.1833 EUR	EE3600102901	1.53%
<b>D unit</b>	15.0407 EUR	EE3600108866	2.38%
<b>E unit</b>	15.1508 EUR	EE3600108874	1.25%

<b>Public offering</b>	France, Switzerland, Germany, United Kingdom, Finland, Sweden, Estonia, Latvia
<b>Tax transparency</b>	Germany, Switzerland
<b>Platforms &amp; execution</b>	Allfunds, MFEX, Clearstream AFS, SIX SIS AG, RBC Investor Services
<b>Morningstar rating</b>	Yes, four stars (5 years)
<b>Fund documents &amp; prospectus</b>	<a href="http://www.avaron.com/documents">www.avaron.com/documents</a>

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

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

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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 17 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.

Signatory of:



**Kristel Kivimurm-Prisalm**  
Managing Partner,  
CEO & Investor Relations



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



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



**Rain Leesi, CFA**  
Investment Manager

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