

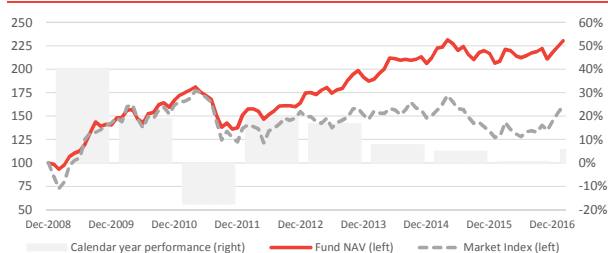
Investment Objectives & Approach

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 |
|-----------------------------|---------|-------------|-----------------|-------------|---------------|-----------------|
| SC Fondul Proprietatea SA | RO | Utilities | 2025 | 6.3% | 2.0% | 0.1% |
| Komercni Banka AS | CZ | Financials | 6444 | 6.2% | 3.6% | 0.2% |
| Erste Group Bank | AT | Financials | 11802 | 5.4% | -2.4% | -0.1% |
| PKO Bank Polski SA | PL | Financials | 9656 | 4.4% | 9.0% | 0.4% |
| BRD-Groupe Societe Generale | RO | Financials | 1844 | 4.1% | 3.7% | 0.1% |
| OMV Petrom SA | RO | Energy | 3741 | 3.9% | 5.0% | 0.1% |
| Turkiye Garanti Bankasi | TR | Financials | 9378 | 3.5% | 9.7% | -0.1% |
| Bank Pekao SA | PL | Financials | 8526 | 3.4% | 3.9% | 0.1% |
| Yapi Ve Kredi Bankasi | TR | Financials | 4335 | 3.4% | 6.4% | 0.2% |
| KRKA | SI | Health Care | 1705 | 3.2% | 0.0% | 0.0% |
| 10 largest positions total | | | | 43.7% | | 1.1% |

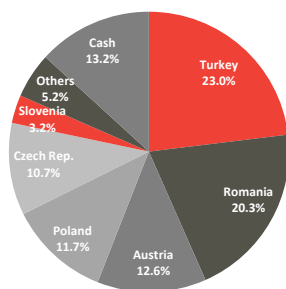
| Perf overview | Fund net return | Index return* |
|---------------|-----------------|---------------|
| 1 month | 3.0% | 5.2% |
| YTD | 5.7% | 11.4% |
| 3 months | 9.3% | 19.6% |
| 6 months | 6.0% | 20.0% |
| 1 year | 10.6% | 25.3% |
| 2 years | 3.5% | 3.2% |
| 3 years | 21.7% | 3.8% |
| 4 years | 31.7% | 7.9% |
| 5 years | 46.3% | 14.6% |
| 7 years | 55.4% | 12.0% |

* MSCI EFM Central and Eastern Europe & CIS ex Russia

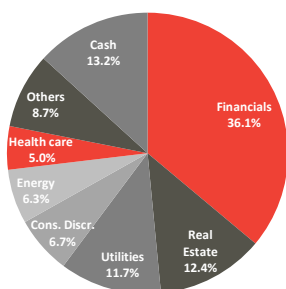
| Calendar year return | Gross | Net | Index* |
|----------------------|--------|--------|--------|
| 2016 | 2.1% | 0.6% | 8.2% |
| 2015 | 6.7% | 5.0% | -9.6% |
| 2014 | 9.4% | 7.8% | -2.1% |
| 2013 | 18.5% | 16.7% | -2.4% |
| 2012 | 21.1% | 19.2% | 26.5% |
| 2011 | -16.3% | -17.6% | -24.3% |
| 2010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

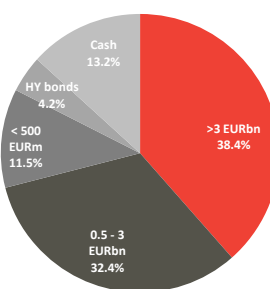
Geographic breakdown



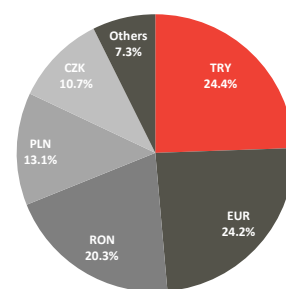
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

| Country | Feb-17 | 1 mo | 3 mo | 12 mo | 3 years | 5 years | 1 mo | 3 mo | 12 mo | YTD | 3 years | 5 years |
|------------|--------|-------|-------|-------|---------|---------|-------|------|-------|-------|---------|---------|
| Turkey | 23.0% | 1.6% | 4.8% | 2.9% | 1.3% | 16.9% | 1.3% | 1.9% | -0.7% | 1.3% | 12.1% | 10.2% |
| Romania | 20.3% | 2.2% | 4.4% | 2.3% | 5.3% | 1.7% | 0.6% | 2.9% | 4.0% | 2.1% | 5.6% | 12.6% |
| Austria | 12.6% | -3.4% | -7.6% | -6.3% | 1.2% | 6.1% | -0.1% | 0.5% | 4.0% | -0.2% | 2.8% | 6.1% |
| Poland | 11.7% | 0.3% | 4.0% | -5.7% | 7.2% | 1.2% | 0.6% | 2.7% | 2.5% | 1.8% | 2.9% | 2.4% |
| Czech Rep. | 10.7% | 0.1% | 0.7% | 0.4% | 3.4% | -5.9% | 0.4% | 0.8% | 1.5% | 0.5% | 1.2% | 4.3% |
| Slovenia | 3.2% | -0.1% | -0.1% | -0.3% | -0.8% | -1.1% | 0.0% | 0.0% | -0.5% | -0.1% | -0.4% | 1.0% |
| Baltics | 1.6% | -0.1% | 0.0% | -0.9% | -4.5% | -1.8% | 0.0% | 0.1% | 0.3% | 0.1% | 0.7% | 2.8% |
| Bulgaria | 1.3% | 0.0% | 0.0% | -0.5% | -1.0% | -9.4% | 0.0% | 0.1% | 0.3% | 0.0% | 0.4% | 9.7% |
| Croatia | 0.9% | 0.1% | 0.1% | 0.9% | 0.9% | 0.9% | 0.1% | 0.1% | 0.3% | 0.1% | 0.3% | 0.1% |
| Others | 1.2% | 1.9% | 1.9% | 3.0% | 6.8% | 12.0% | 0.1% | 0.1% | 0.3% | 0.1% | 1.7% | 9.6% |

Contribution analysis

| Risk metrics | 3Y risk* |
|-------------------------------|----------|
| Alpha | 6% |
| Volatility & stand. deviation | 10.1% |
| Beta | 0.45 |
| Sharpe ratio | 0.68 |
| Information ratio | 0.49 |
| Tracking error | 11.3% |

* MSCI EFM Central and Eastern Europe & CIS ex Russia

Sector allocation

| Sector | Feb-17 | 1 mo | 3 mo | 12 mo | 3 years | 5 years | 1 mo | 3 mo | 12 mo | YTD | 3 years | 5 years |
|--------------|--------|-------|-------|-------|---------|---------|------|-------|-------|-------|---------|---------|
| Financials | 36.1% | -0.2% | 7.6% | -7.7% | 15.7% | 7.5% | 1.6% | 4.8% | 5.6% | 2.9% | 11.7% | 23.1% |
| Real Estate | 12.4% | -0.3% | -4.0% | 0.2% | 0.4% | 3.1% | 0.1% | -0.3% | 0.6% | -0.4% | 1.0% | 9.3% |
| Utilities | 11.7% | 0.1% | 0.9% | -1.6% | -3.5% | 7.7% | 0.4% | 1.8% | 2.4% | 1.6% | 3.5% | 7.8% |
| Cons. Discr. | 6.7% | 0.1% | 1.4% | 0.4% | -5.5% | -5.6% | 0.3% | 0.8% | 0.8% | 0.6% | 6.7% | 10.6% |
| Energy | 6.3% | 1.1% | -1.9% | -3.4% | 1.1% | -9.7% | 0.2% | 1.3% | 2.5% | 0.7% | 1.9% | 2.5% |
| Health care | 5.0% | -0.1% | 0.8% | 0.2% | -1.1% | 0.6% | 0.1% | 0.2% | -0.2% | 0.0% | 0.2% | 2.5% |
| Industrial | 2.6% | -0.1% | 0.0% | -2.0% | 2.6% | 0.3% | 0.0% | 0.2% | 0.2% | 0.1% | 0.2% | 1.2% |
| IT | 2.4% | 0.0% | 1.3% | 2.4% | 2.4% | 2.4% | 0.0% | 0.2% | 0.2% | 0.0% | 0.2% | 0.2% |
| Others | 3.4% | 4.8% | 4.9% | 3.0% | -0.1% | 1.9% | 0.2% | 0.2% | -0.2% | 0.2% | 2.0% | 1.7% |

Contribution analysis

Fund statistics

| | |
|---------------------------|-------|
| Number of positions | 39 |
| Top10 | 43.7% |
| Top20 | 69.0% |
| Gross exposure | 86.8% |
| Net exposure | 86.5% |
| Concentration coefficient | 35 |
| Median market cap MEUR | 1705 |
| Average market cap MEUR | 2728 |

Style allocation

| Style | Feb-17 | 1 mo | 3 mo | 12 mo | 3 years | 5 years | 1 mo | 3 mo | 12 mo | YTD | 3 years | 5 years |
|-------------------|--------|-------|-------|-------|---------|---------|------|------|-------|------|---------|---------|
| Cyclical | 50.3% | 3.5% | 4.8% | -5.1% | 16.6% | 12.4% | 1.6% | 6.2% | 7.6% | 3.3% | 16.8% | 20.0% |
| Non-cyclical | 16.4% | 0.0% | 1.9% | -0.4% | -8.7% | -3.7% | 0.7% | 2.0% | 1.1% | 1.6% | 5.0% | 7.8% |
| Asset play | 15.6% | -0.1% | -0.8% | -1.4% | 3.2% | -5.7% | 0.3% | 0.6% | 2.0% | 0.5% | 4.4% | 19.1% |
| Convertible bonds | 0.0% | 0.0% | 0.0% | 0.0% | -7.4% | -2.0% | 0.0% | 0.0% | 0.0% | 0.0% | -1.1% | 6.9% |
| High yield bonds | 4.2% | -2.8% | 0.1% | -1.6% | 4.2% | -4.8% | 0.3% | 0.5% | 1.2% | 0.4% | 2.3% | 5.0% |
| FX Derivatives | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.2% | 0.3% | 0.2% | 0.2% | 0.2% | 0.3% | 0.9% |
| Cash | 13.2% | -0.8% | -6.2% | 8.3% | -8.3% | 3.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |

Turnover

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

* Adjusted for fund flows

| Liquidity analysis* | 20% | 50% |
|---------------------|-------|-------|
| 3 days | 68.0% | 80.0% |
| 2 weeks | 84.6% | 96.0% |
| 4 weeks | 92.7% | 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 | 66.3 |
| Total AUM, MEUR | 468.9 |
| Strategy size, MEUR | 449.4 |

TER 2016 0.28% (excluding management and performance fees)

| | ISIN Code | NAV 28-Feb 2017 |
|---------------|------------------|------------------------|
| A unit | EE3600090049 | 4.4593 EUR |
| B unit | EE3600090056 | 4.7071 EUR |
| C unit | EE3600102901 | 16.1025 EUR |
| D unit | EE3600108866 | 13.4884 EUR |
| E unit | EE3600108874 | 13.3015 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

Important Legal Information

This material has been drawn up by AS Avaron Asset Management (hereafter: Avaron), a fund management company registered in Estonia which is authorised and supervised by the Estonian Financial Supervision Authority. The contact details of Avaron are as follows: address Narva mnt 7D, 10117 Tallinn, Estonia; phone +372 6644 205; fax +372 6644 201; e-mail info@avaron.com. This material is the copyright property of Avaron, unless noted otherwise, and all rights are reserved.

This material contains data and facts on investments and funds managed by Avaron, which are provided for information purposes only. No investment advice is offered or given by Avaron to persons using this material. This material is complimentary to and not a substitute for independent professional advice from a person qualified to provide it in your home country. Reliance on this material for the purpose of buying the securities to which this material relates may expose a person to a significant risk of losing all of the property or other assets invested. The information herein is, to the best of the knowledge of Avaron, in accordance with the facts. However, Avaron, none of its affiliates, directors or officers accept any liability in respect of the accuracy or completeness of any information provided, or omitted to be provided, by any third party. All information and expressions of opinion contained in this material are subject to change without notice. This material does not constitute or form part of a distribution or an offer or solicitation to buy or sell any securities (in particular, shares or units in any of Avaron funds) to any person in any jurisdiction in which such distribution, offer or solicitation would be contrary to local law or regulation. In particular, the information herein is not for distribution, and does not constitute an offer to sell or buy, or the solicitation of any offer to sell or buy, any securities in the United States of America or to or for the benefit of United States persons (within the meaning of Regulation S under the Securities Act of 1933). In relation to persons in the United Kingdom, the information herein is directed only at Investment Professionals in the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. This material should not be relied on by persons in the United Kingdom who are not Investment Professionals. Any investment or investment activity to which this material relates is available in the United Kingdom only to Investment Professionals and will be engaged in only with Investment Professionals.

Subscription of Avaron funds should be made on the basis on the funds' prospectus and key investor information, the relevant fund rules and the latest available annual or semi-annual reports. These documents can be obtained from Avaron. Past performance is not indicative of future results. The value of investments and any income derived from the funds may fall as well as rise and investors may not get back the amount invested. An investment in the funds entails risks, some of which are described in the prospectuses of the funds. Investors should be aware of the high risks associated with investments in emerging markets such as Central and Eastern Europe. This material may include forward looking statements which are based on Avaron's current opinions, expectations and projections. We undertake no obligation to update or revise any forward looking statements. Actual results could differ materially from those anticipated in the forward looking statements. Any dispute, controversy or claim arising out of or in connection with the information provided in this material shall be settled in accordance with Estonian law exclusively in Estonian courts.

Short overview of the month

Global equities rallied in February with MSCI World up 2.6% in \$ and 4.3% in € as the dollar recouped January losses. Emerging Market equities continued to surge, up 3.0% in February and 8.6% YTD in \$ (+4.7% and +7.7% in €, respectively). **Emerging Europe (MSCI EFM CEEC ex-RU) rallied alongside, posting +5.2% return in €,** driven by the continuing strong performance of Poland on positive fund flows. Among Emerging Europe currencies Turkish lira recovered some of the losses as investor sentiment improved amid the favourable global risk-on attitude and stabilization efforts by local monetary authorities.

| 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 | 3.7% | 5.5% | 4.7% | 25.4% | 65.4% | 117.9% |
| Europe | 2.9% | 2.9% | 1.1% | 16.1% | 14.3% | 53.1% |
| Emerging Markets | 3.0% | 4.7% | 7.7% | 29.7% | 26.1% | 9.2% |
| Emerging Europe* | 5.2% | 5.2% | 11.4% | 25.3% | 3.8% | 14.6% |
| Poland | 5.6% | 6.0% | 15.2% | 29.4% | 4.7% | 34.2% |
| Czech Republic | 2.3% | 2.3% | 3.5% | 11.4% | -5.0% | -13.2% |
| Hungary | -1.3% | -0.7% | 0.6% | 38.2% | 81.5% | 55.4% |
| Baltics | -0.1% | -0.1% | 1.2% | 11.5% | 15.9% | 42.6% |
| Romania | 6.0% | 5.3% | 12.8% | 23.1% | 23.2% | 45.2% |
| Bulgaria | 1.5% | 1.5% | 4.2% | 36.6% | 2.8% | 94.9% |
| Croatia | 3.7% | 4.3% | 13.1% | 41.1% | 27.3% | 26.5% |
| Slovenia | 6.8% | 6.8% | 10.3% | 15.3% | 9.1% | 40.9% |
| Serbia | 2.8% | 2.9% | -0.2% | 21.8% | 18.3% | 17.0% |
| Macedonia | 3.0% | 3.0% | 7.5% | 27.2% | 30.1% | 6.1% |
| Bosnia & H | -2.6% | -2.6% | -7.3% | -4.7% | -8.5% | -16.2% |
| Turkey | 1.4% | 7.3% | 7.6% | -3.5% | 10.5% | -12.9% |
| Austria | 2.6% | 2.6% | 4.9% | 27.5% | 6.1% | 25.1% |

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 | 0.3% | 2.2% | 1.0% | -3.6% | -3.4% | -4.1% |
| Hungary | 0.7% | 0.4% | 0.7% | -1.6% | 0.5% | -6.2% |
| Czech | 0.0% | 0.0% | 0.2% | 1.9% | 1.2% | -7.8% |
| Romania | -0.5% | 0.3% | -1.1% | -2.0% | -0.5% | -3.8% |
| Croatia | 0.4% | 1.4% | 2.5% | 3.1% | 2.8% | 1.4% |
| Serbia | 0.1% | -0.6% | -0.6% | -3.1% | -6.7% | -11.3% |
| Turkey | 5.6% | -3.8% | -16.4% | -27.2% | -21.0% | -39.5% |

Source: Thomson Reuters

Avaron Emerging Europe Fund gained 3.0% in January, underperforming the regional index due to high cash level and significant UW in Poland. In 5 years the Fund has delivered a +46.3% return vs. +14.6% for the index with lower volatility (9.3% vs. 16.3% for the index), resulting in 6.8% alpha.

Earnings season in Emerging Europe is in full steam. By end-February we had **65% of the portfolio companies reported**. **Aggregate portfolio earnings in Q4 were up 2.7% yoy in €** driven by the strong figures from Romania and one of our largest positions, regional banking group Erste. Romanian holdings (20.3% of the portfolio) excluding the closed-end restitution fund Fondul Proprietatea (6.3% of the portfolio) posted 96% yoy growth in adjusted EPS in € terms as we saw a strong recovery in utility and energy sectors after several quarters of weakness, while our banking sector pick BRD-GSG continued to show improvements in cost of risk that is very supportive for net earnings (+48% yoy in €).

Erste Group (5.4% of the portfolio) delivered 3% yoy growth in operating income, flat pre-provision operating result, while risk costs decreased 37% yoy. Excluding one-offs (incl. Austrian one-off banking tax payment) adjusted net earnings were up 32% yoy and ROTE (Return on Tangible Equity) for 2016 increased to 14% from 11% in 2015.

Key changes in the portfolio

In February we **exited Raiffeisen International 2021 subordinated debt** instrument as the pricing of the bond had in our view reached a fair value level of 3% YTM. The investment delivered 15.3% annualized return for the holding period of 2.1 years. At the same time we **added to our positions in Romanian bank BRD-GSG** and integrated oil & gas company Petrom. During February the 1:1 exchange of Turkish Vakifbank 2022 subordinated \$-denominated bonds to 2027 8% subdebt issue, callable in 2022, took place. We added the 2022 issue to the portfolio in January with an expectation of around 18% return in 1-year including the 8% coupon of the new issue. We bought the 2022 bonds at 93.6, while the new issue is now trading at 100.6, 2.5% lower than the equivalent YTW level of the old bond.

Post-Q4 reporting we also **made a partial switch from Turkish Halkbank to Garanti bank** driven by increased concerns on Halkbank's asset quality outlook. Credibility of Halkbank has in our view deteriorated as it will start using Islamic International Rating Agency rating for its FX claims, being the only bank so far who has confirmed switching from Fitch. Secondly, the bank is bound to benefit a lot from the existing credit guarantee fund and more importantly from the upcoming one, which will be SME and Halkbank specific. As a result SME loans risk weighting will be decreased from 75-100% to 0%. This will enable the bank to prop up the headline figures but will for sure increase transparency and comparability issues.

Garanti is the third-largest bank in Turkey with 12% market share. It has a strong management team with proven track. Through the years the bank has been growing in line with the sector, while risk costs have been constantly below the sector average and operational efficiency high. The bank trades at 7.2x 2018f P/E, 1.0x trailing BV and 13% expected ROE.

Outlook

Eurozone economy continued to expand in February based on the flash composite PMI that surged to a 70-month high of 56.0 (January: 54.4). The **data indicates an uptick in quarterly GDP growth level from 0.4% to 0.6%**. Signs of accelerating growth and growing inflationary pressures are definitely welcome, however, we do not expect any meaningful monetary policy change from ECB in 2017 in the face of political uncertainty related to elections in the Netherlands, France and Germany.

February manufacturing PMIs in CE3 (Czech Republic, Hungary, Poland) remained strong with the weighted average reading moving up to a 6-year high. Such robust PMI levels indicate around 8-9% yoy industrial production growth. **PMI in Turkey**

Investor Contact

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

Signatory of:



An investor initiative in partnership with
UNEP FI and the UN Global Compact

continued to rise, reaching a 5-month high of 49.7 that suggests 3% yoy industrial production growth.

Conditions in the Greek manufacturing sector continue to deteriorate as new orders, i.e. demand, slowed down further. As the competitive situation in Greece following the crisis is very tight then margins in manufacturing have come under renewed pressure stemming from increased commodity prices, and has led to job losses in the sector.

European Commission Economic Sentiment Indicators (ESI) of Emerging European countries in February showed slight declines in the Czech Republic, Greece, Poland and Romania, while in Hungary ESI rose for the 4th month in row. Consumer-related sectors remain the main driver of the regional economies based on the ESI data. **Looking ahead we expect the regional growth to remain steady at around 3%** on tightening labour market conditions and eased fiscal conditions, and do not see major risks on growth based on the first two months data.

Positioning

At the end of February the cash position in the Fund stood at 13%, marginally lower vs. the previous month. In terms of positioning **we maintain our constructive view on Turkey** despite high uncertainty on the economic and currency outlook as the valuations of certain companies are appealing and already reflect significant economic slowdown risks.

We maintain our conviction towards Romanian investments on solid valuations (MSCI Romania at 9.1x 2017f P/E) and optimistic macro outlook, but remain constrained by the relative illiquidity.

In Poland we are invested predominantly in financials, while overall the valuations are rather demanding (WIG Index at 12.8x 2017f P/E) and large part of blue chips being controlled by the government. Among **Austrian-listed companies** we hold names focused on Emerging Europe real estate and banking sectors, 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 these markets are trading at 11.8-12.4x 2017f P/E.

The selection of companies in the Fund portfolio trade at 11.0x 2017f P/E, below the 11.9x of the benchmark index, and 5.3x EV/EBITDA. Our value driven bottom-up approach favours companies with strong balance sheets and solid sustainable dividend pay-out capacity. The aggregate net gearing of our portfolio companies stands below 20% and sustainable dividend yield around 4-5%.

| | % 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 | 50.3% | 11.0 | 10.3 | 9.2 | 2.8% | 12.2% | 4.6 | 4.0 | 4.5% | - | 1.16 |
| Non-cyclical | 16.4% | 14.2 | 13.8 | 12.9 | 9.1% | 7.0% | 6.1 | 5.8 | 4.3% | - | 1.01 |
| Asset play | 15.6% | - | - | - | - | - | - | - | 8.2% | 0.63 | 0.67 |
| Total equity | 82.3% | 11.7 | 11.0 | 9.9 | 4.0% | 11.2% | 5.3 | 4.8 | 5.2% | - | 0.99 |
| | | CY* YTM** | | | | | | | | | |
| Bonds | 4.2% | 7.2% | 6.7% | | | | | | | | |

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

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
Authorised and regulated by Estonian Financial Supervision Authority

Signatory of:



An investor initiative in partnership with
UNEP FI and the UN Global Compact