

Investment Objectives & Approach

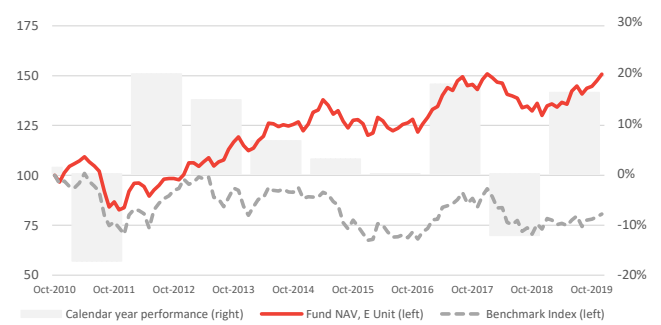
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside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

December was another great month for global equities with easing monetary conditions supporting asset prices, lower trade tensions and finally prospects on Brexit. MSCI World gained 2.9% in \$, while strengthening euro lowered return in € to +1.1%. Reversing the trend from November, Emerging Markets outperformed, up 7.2% in \$ (+5.3% in €). Emerging Europe ex Russia posted 1.8% gain in € thanks to strong performance of Hungary, the Czech Republic and Polish mid-caps. Turkish equities' strong 7% local currency return was diluted by lira's 5% depreciation against euro. Lira's weakness was caused by accelerated loan growth after aggressive policy rate cuts and government's push for growth that reignited fears of increasing imbalances. Avaron Emerging Europe Fund delivered +2.3% return driven by strong contribution from Turkey and Hungary. In 2019 the Fund achieved a +16% return compared to +10.3% of the benchmark. The top 3 contributors to the Fund's 2019 performance were our Romanian picks (+7.4% contribution) while the top 3 negative contributors were Polish banks (-0.9% contribution). Romania outperformed due to lower base, reversal of government special tax plan and continued strong GDP growth fuelled by household consumption. Polish banking sector got a hit due to the State's involvement in SEO's investment process, unclear pension reform and Swiss franc mortgage conversion risk. In 2020 our top picks are in Poland, Turkey and Romania. The fund portfolio companies trade at 10.5x 1YR forward earnings, enjoy 9% cash flow yield and 5%+ dividend yield.

To receive detailed fund manager comment please send a request to info@avaron.com.

Performance, E Unit

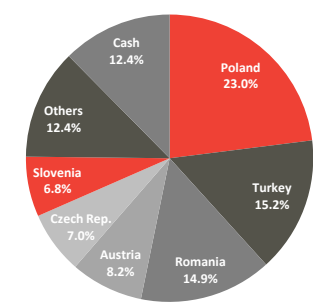


Perf overview	Net return E Unit	Index return*
1 month	2.3%	1.8%
YTD	16.0%	10.3%
3 months	5.0%	3.9%
6 months	6.0%	3.9%
1 year	16.0%	10.3%
3 years	19.9%	12.5%
5 years	23.2%	-8.9%
7 years	50.4%	-17.9%
8 years	80.1%	14.4%

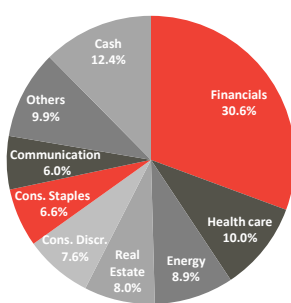
* MSCI EFM EUROPE + CIS (E+C) ex Russia

Calendar year return, E Unit	Gross	Net	Index*
2019	18.0%	16.0%	10.3%
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%

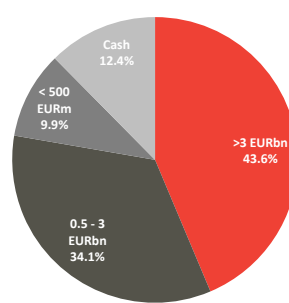
Geographic breakdown



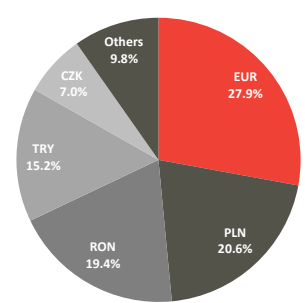
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Dec-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Poland	23.0%	-0.1%	0.9%	3.0%	12.5%	13.0%	0.3%	0.6%	2.0%	2.0%	4.6%	5.5%
Turkey	15.2%	1.5%	4.9%	3.2%	-3.7%	4.0%	0.7%	1.7%	2.8%	2.8%	-3.5%	-5.7%
Romania	14.9%	0.0%	-5.1%	-2.4%	-1.6%	-0.1%	0.3%	0.6%	8.1%	8.1%	13.2%	14.2%
Austria	8.2%	-0.3%	0.2%	0.9%	-8.3%	-7.5%	-0.1%	-0.2%	1.6%	1.6%	4.2%	11.9%
Czech Rep.	7.0%	0.1%	-0.2%	-0.4%	-2.9%	0.9%	0.2%	0.2%	0.1%	0.1%	2.5%	3.0%
Slovenia	6.8%	0.3%	0.6%	1.3%	3.3%	3.4%	0.4%	1.0%	1.4%	1.4%	2.3%	2.0%
Hungary	5.2%	0.4%	1.0%	0.0%	4.3%	2.9%	0.6%	1.3%	0.8%	0.8%	0.9%	2.3%
Baltics	2.4%	0.0%	-0.1%	-0.6%	0.7%	-2.1%	0.0%	0.1%	0.2%	0.2%	0.8%	2.3%
Greece	2.0%	0.0%	0.5%	2.0%	2.0%	2.0%	0.0%	0.1%	0.4%	0.4%	0.4%	0.4%
Others	2.8%	0.0%	-0.2%	-0.2%	0.2%	-0.6%	0.0%	0.0%	0.4%	0.4%	0.3%	1.4%

Sector allocation

	Dec-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	30.6%	0.3%	3.6%	5.4%	-4.0%	8.1%	0.9%	1.7%	1.7%	1.7%	2.7%	6.1%
Health care	10.0%	0.6%	1.4%	0.9%	5.2%	5.4%	0.8%	2.1%	2.1%	2.1%	3.2%	3.7%
Energy	8.9%	1.0%	1.0%	0.9%	4.1%	1.7%	0.1%	0.4%	4.0%	4.0%	5.8%	8.1%
Real Estate	8.0%	-0.4%	-1.0%	-0.5%	-3.9%	-6.7%	-0.1%	-0.4%	1.5%	1.5%	2.6%	4.8%
Cons. Discr.	7.6%	0.2%	1.7%	2.6%	1.9%	3.6%	0.3%	0.9%	1.9%	1.9%	2.2%	4.7%
Consumer Staples	6.6%	0.0%	-0.1%	1.4%	4.2%	2.8%	0.1%	-0.3%	1.2%	1.2%	2.0%	3.8%
Communication	6.0%	0.1%	0.4%	0.7%	3.6%	5.5%	0.2%	0.8%	2.1%	2.1%	1.4%	1.7%
Industrial	4.7%	0.1%	0.5%	-1.6%	2.1%	4.7%	0.2%	0.3%	0.7%	0.7%	1.0%	1.1%
Others	5.2%	0.0%	-5.0%	-3.1%	-6.6%	-9.3%	0.1%	0.1%	2.7%	2.7%	5.0%	3.1%

Style allocation

	Dec-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	53.6%	1.6%	7.0%	7.2%	7.6%	23.9%	1.5%	3.5%	9.1%	9.1%	9.8%	15.0%
Non-cyclical	24.0%	0.6%	1.5%	3.3%	9.1%	2.7%	1.1%	2.4%	4.9%	4.9%	8.9%	10.7%
Asset play	10.0%	-0.4%	-6.0%	-3.7%	-6.0%	-8.1%	-0.1%	-0.5%	3.9%	3.9%	6.7%	8.4%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	0.0%	-2.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
High yield bonds	0.0%	0.0%	0.0%	0.0%	-4.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	2.6%
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	12.4%	-1.8%	-2.5%	-6.8%	-6.6%	-15.9%	0.0%	0.0%	0.0%	0.0%	-0.5%	-0.5%

Risk metrics

	5Y risk*
Alpha	5%
Volatility & stand. deviation	9.2%
Beta	0.46
Sharpe ratio	0.50
Information ratio	0.60
Tracking error	10.2%

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

Fund statistics

Number of positions	42
Top10	46.0%
Top20	67.4%
Gross exposure	87.6%
Net exposure	87.6%
Concentration coefficient	34
Median market cap MEUR	1968
Average market cap MEUR	3233

Turnover

	Adj*
FY 2019	26.1%
FY 2018	20.7%
FY 2017	28.5%

* Adjusted for fund flows

Liquidity analysis*

	20%	50%
3 days	66.6%	75.3%
2 weeks	78.3%	91.0%
4 weeks	91.5%	98.9%

*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	UCITS V, public common investment fund
Launch date	April 23, 2007
Domicile	Estonia
Currency	EUR
Dividends	reinvested
Fund size, MEUR	62.1
Total AUM, MEUR	390+

TER 2019 0.38% (excluding management and performance fees)

	NAV	TER 2019	TER 2019
	31-Dec-2019	excl. perf fee	incl. perf fee
B unit	5.3135 EUR	1.63%	1.63%
C unit	17.9968 EUR	1.53%	1.53%
D unit	14.8972 EUR	2.38%	2.38%
E unit	15.0782 EUR	1.23%	1.25%

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

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

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

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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:



Principles for Responsible Investment



RESPONSIBLE BUSINESS INDEX
GOLD LEVEL 2019



Kristel Kivimägi-Priisalm
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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