

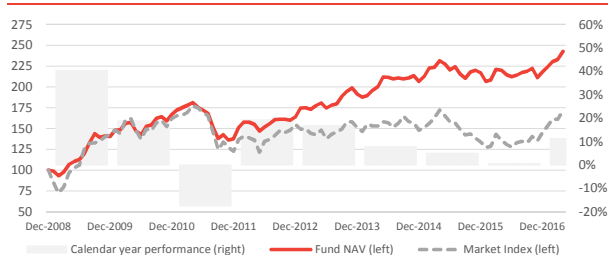
Investment Objectives & Approach

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
Komerční Banka AS	CZ	Financials	6756	6.4%	-0.7%	0.4%
ImmoFinanz AG	AT	Real Estate	1864	6.2%	6.6%	0.4%
SC Fondul Proprietatea SA	RO	Utilities	1997	5.5%	1.7%	0.1%
PKO Bank Polski SA	PL	Financials	10430	4.7%	-6.2%	0.5%
OMV Petrom SA	RO	Energy	4018	4.6%	6.8%	0.3%
BRD-Groupe Societe Generale	RO	Financials	1848	4.1%	-2.0%	-0.1%
Türkiye Garanti Bankası	TR	Financials	10401	3.8%	13.7%	0.4%
Yapi Ve Kredi Bankası	TR	Financials	4838	3.7%	2.4%	0.5%
Bank Pekao SA	PL	Financials	8722	3.5%	10.2%	0.2%
KRKA	SI	Health Care	1715	3.2%	3.1%	0.0%
10 largest positions total				45.8%		2.7%

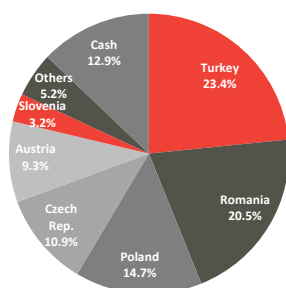
Perf overview	Fund net return	Index return*
1 month	4.1%	6.6%
YTD	11.3%	18.8%
3 months	8.4%	12.2%
6 months	9.3%	22.7%
1 year	10.4%	26.6%
2 years	4.9%	-0.1%
3 years	21.2%	12.5%
4 years	36.5%	20.8%
5 years	56.7%	26.4%
7 years	54.4%	6.2%

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%

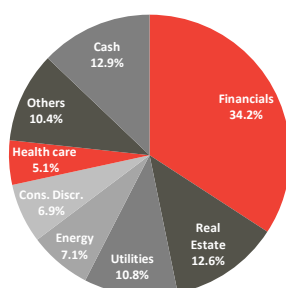
CAGR of calendar years	Fund	Index*
2015-2016	2.8%	-1.1%
2014-2016	4.4%	-1.4%
2012-2016	9.7%	3.4%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

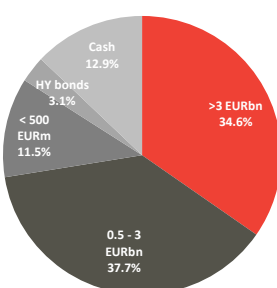
Geographic breakdown



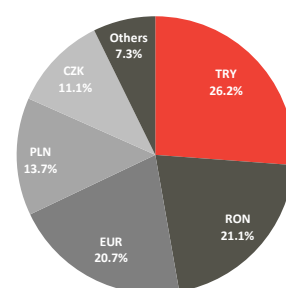
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

Country	Apr-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	23.4%	0.3%	2.0%	6.7%	-2.0%	18.6%	1.7%	2.9%	-1.8%	6.3%	12.4%	
Romania	20.5%	-0.2%	2.4%	6.8%	4.8%	2.9%	0.4%	1.6%	5.8%	3.2%	6.8%	15.3%
Poland	14.7%	2.6%	3.2%	3.6%	10.7%	5.2%	0.8%	1.3%	2.8%	2.5%	3.9%	3.6%
Czech Rep.	10.9%	-0.3%	0.3%	1.6%	3.6%	-6.2%	0.5%	0.9%	0.6%	1.1%	1.8%	5.0%
Austria	9.3%	-3.0%	-6.7%	-7.2%	-0.5%	3.3%	0.7%	1.2%	4.0%	1.2%	5.0%	8.6%
Slovenia	3.2%	-0.2%	-0.1%	0.4%	-0.6%	-0.8%	0.0%	0.0%	-0.4%	0.0%	-0.5%	1.6%
Baltics	1.6%	-0.1%	-0.1%	-0.6%	-3.6%	-2.1%	0.0%	0.0%	0.1%	0.1%	1.2%	2.4%
Bulgaria	1.3%	-0.1%	0.0%	-0.2%	-0.9%	-9.1%	0.0%	0.0%	0.3%	0.0%	0.2%	9.2%
Croatia	0.8%	0.0%	0.0%	0.8%	0.8%	-1.1%	0.0%	0.0%	0.2%	0.1%	0.2%	0.1%
Others	1.4%	2.2%	2.5%	2.7%	7.2%	13.0%	0.1%	0.4%	0.6%	0.4%	2.4%	11.4%

Contribution analysis

Risk metrics	3Y risk*
Alpha	5%
Volatility & stand. deviation	9.8%
Beta	0.43
Sharpe ratio	0.69
Information ratio	0.23
Tracking error	11.4%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

Sector allocation

Sector	Apr-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	34.2%	-2.0%	-2.2%	3.3%	11.5%	7.5%	2.4%	4.7%	6.2%	6.4%	10.8%	28.1%
Real Estate	12.6%	-0.1%	0.0%	-0.6%	1.7%	3.6%	0.5%	0.5%	-0.2%	0.1%	1.3%	9.5%
Utilities	10.8%	-0.6%	-0.9%	-0.4%	-3.6%	-0.5%	0.0%	0.6%	2.2%	1.9%	3.3%	9.2%
Energy	7.1%	0.4%	2.0%	-0.5%	1.0%	2.7%	0.3%	0.7%	3.0%	1.3%	2.3%	3.7%
Cons. Discr.	6.9%	0.0%	0.3%	1.8%	-5.5%	-5.7%	0.4%	0.6%	0.5%	1.0%	5.5%	10.5%
Health care	5.1%	-0.1%	0.0%	1.4%	-0.9%	1.1%	0.2%	0.3%	0.0%	0.2%	0.4%	3.3%
Consumer Staples	4.2%	1.6%	1.8%	4.2%	2.5%	2.5%	0.3%	0.5%	0.0%	0.5%	2.3%	2.6%
Industrial	2.5%	-0.1%	-0.1%	-0.8%	2.5%	0.4%	0.1%	0.0%	-0.3%	0.1%	0.3%	1.4%
Others	3.7%	5.3%	5.5%	3.7%	-1.2%	-4.2%	0.0%	0.4%	0.7%	0.5%	1.0%	1.4%

Fund statistics

Number of positions	38
Top10	45.8%
Top20	70.6%
Gross exposure	87.1%
Net exposure	86.8%
Concentration coefficient	33
Median market cap MEUR	1486
Average market cap MEUR	2532

Style allocation

Style	Apr-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	47.5%	-1.6%	0.7%	5.6%	9.9%	16.8%	2.8%	5.0%	7.5%	7.2%	14.7%	25.9%
Non-cyclical	18.1%	1.0%	1.8%	4.5%	-6.2%	-6.1%	0.7%	1.7%	1.8%	2.5%	5.8%	10.5%
Asset play	18.1%	-0.3%	2.3%	3.4%	6.8%	-2.2%	0.6%	0.9%	1.5%	1.3%	4.6%	20.7%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-6.3%	-4.1%	0.0%	0.0%	0.0%	0.0%	-0.7%	7.1%
High yield bonds	3.1%	-0.1%	-4.0%	-2.0%	3.1%	-6.1%	0.1%	0.4%	1.0%	0.5%	2.5%	4.5%
FX Derivatives	0.3%	0.0%	0.3%	0.3%	0.3%	0.3%	0.0%	0.3%	0.3%	0.3%	0.4%	1.0%
Cash	12.9%	1.0%	-1.2%	-11.8%	-7.6%	1.5%	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	66.3%	78.0%
2 weeks	83.2%	96.7%
4 weeks	94.6%	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	66.8
Total AUM, MEUR	487.2
Strategy size, MEUR	467.9

TER 2016 0.28% (excluding management and performance fees)

	ISIN Code	NAV 30-Apr 2017
A unit	EE3600090049	4.6909 EUR
B unit	EE3600090056	4.9556 EUR
C unit	EE3600102901	16.8995 EUR
D unit	EE3600108866	14.1824 EUR
E unit	EE3600108874	14.0115 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

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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.



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 CEO & COO



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 Partner, co-CIO,
 Investment Manager



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Short overview of the month

Global equities delivered solid returns in April as MSCI World was up 1.3% in \$. In euro terms the performance was negative as the euro gained on the dollar amid favourable outcome of the first round of French presidential elections. During the month the dollar lost 2.2% against the euro. Emerging Market equities continued to head north, up 2.0% in April and 13.4% YTD in \$ (-0.2% and +9.5% in €, respectively).

Emerging Europe (MSCI EFM CEEC ex-RU) strongly outperformed led by the surge in Polish equities on increased flows into blue-chip banks amid improving macro outlook. Turkish stocks also posted strong gains after the constitutional referendum that resulted in a narrow victory (51.4% in favour) for the approval of the amendments. As a result Turkey will move to an executive presidency from the current parliamentary system following the 2019 general and presidential elections. Although the approval of the constitutional amendments was market positive along with post-referendum comments that there will be no early elections, the society is highly polarized and local political situation remains tense. We face the risk of continuing populist policies by the AKP and limited attention to the economic reforms. Bolstering economic growth and employment will be the main focus prior to the 2019 elections as there is a high correlation of these metrics and the support for AKP. However, the measures to revive the economy will not likely be structural but rather public expenditure driven.

Emerging Europe currencies were largely stable. More notable weakness was seen only in the Hungarian forint amid the Orban-Soros clash over status of the Central European University (CEU), founded by Soros, which is facing closure on the recently enacted new higher education laws.

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	0.9%	-1.3%	2.8%	21.3%	61.1%	107.2%
Europe	2.0%	2.0%	8.9%	20.9%	20.7%	78.1%
Emerging Markets	2.0%	-0.2%	9.5%	22.3%	25.1%	15.8%
Emerging Europe*	6.6%	6.6%	18.8%	26.6%	12.5%	26.4%
Poland	6.4%	6.6%	24.1%	33.8%	18.1%	51.1%
Czech Republic	2.7%	3.5%	10.1%	10.9%	2.1%	-0.2%
Hungary	4.2%	2.8%	1.8%	22.3%	85.5%	65.6%
Baltics	1.0%	1.0%	3.7%	9.8%	24.5%	40.4%
Romania	2.0%	2.3%	16.1%	26.0%	25.2%	51.1%
Bulgaria	3.7%	3.7%	12.1%	48.5%	9.2%	117.8%
Croatia	-4.4%	-4.7%	-3.5%	13.2%	12.5%	6.1%
Slovenia	1.0%	1.0%	9.0%	9.9%	4.8%	31.4%
Serbia	-1.6%	-1.2%	0.7%	16.1%	15.9%	33.5%
Macedonia	-3.4%	-3.4%	1.7%	27.0%	29.4%	9.5%
Bosnia & H	1.5%	1.5%	-10.2%	-11.7%	-13.3%	-17.7%
Turkey	6.4%	6.5%	16.0%	-8.4%	-2.9%	-5.2%
Austria	6.4%	8.8%	19.1%	23.0%	-6.3%	16.9%

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	0.1%	4.1%	3.4%	-4.3%	-0.5%	-1.3%
Hungary	-1.4%	-1.1%	-0.2%	-2.9%	-1.8%	-8.4%
Czech	0.7%	0.5%	0.7%	2.3%	2.2%	-7.3%
Romania	0.4%	0.0%	-1.2%	-2.6%	-2.0%	-2.6%
Croatia	-0.3%	1.1%	0.6%	1.4%	1.9%	0.3%
Serbia	0.6%	0.1%	-0.5%	-2.5%	-6.0%	-9.3%
Turkey	0.1%	-4.1%	-17.2%	-22.5%	-24.3%	-39.9%

Source: Thomson Reuters

Avaron Emerging Europe Fund gained 4.1% in April, underperforming the regional index due to heavy UW in Poland. In 5 years the Fund has delivered +56.7% return vs. +26.4% for the index with lower volatility (9.3% vs. 16.2% for the index), resulting in 7.5% alpha.

Key changes in the portfolio

In April we **exited the regional bank Erste Group** on limited upside after strong stock price performance (+16.5% YTD). At the same time we **added Polish bank Handlowy and retailer Dino** to the portfolio. Bank Handlowy is the 10th largest bank in Poland by assets, owned 75% by Citigroup. Its business model is geared towards corporate banking enabling to capture the revival of private investments in Poland and rising capital market activity. The bank has negligible exposure to the segments that are suffering due to regulatory changes (e.g. FX mortgages, lower cost towards Bank Guarantee Fund). High capitalization (17.2% Tier-1) allows 100% payout, resulting in 6% dividend yield. The bank trades at 16.8x 2018f P/E, 1.4x P/B with expected ROE of 10%.

During the month we participated in the IPO of the Polish retail chain Dino. The company sold 49% existing shares to the public as private equity fund Enterprise Investors exited. It was the largest IPO on the Polish market since 2013 (€400mil) raising significant investor interest. Dino is one of the fastest growing retailers in Poland operating mid-sized supermarkets of around 600 square metres of sales area and up to 5,000 stock keeping units. Location wise the focus is on smaller towns, rural and suburban areas where it is challenging to make large discount formats to become economically viable. As of end-2016 the company operated 628 stores of which more than 80% are owned. We expect the company to continue with the expansion of its network in the upcoming years and to double its sales by 2020. Based on the IPO price Dino is valued at 14.6x 2018f P/E and 9.5x EV/EBITDA.

Outlook

Economic expansion in the Eurozone economy continued in April as the flash composite PMI surged to a new 6-year high of 56.7 (March: 56.4). Strong growth is seen across the board as buoyant demand drives optimistic business outlook and job creation. **The recent robust data indicates an uptick in quarterly GDP growth level from 0.4% in Q4 to 0.7%.** Inflationary pressures remained at the strongest in the past 6 years reflecting higher commodity prices and weak euro but also tightening supply chains. The continuation of such robust demand conditions pose increasing risks of tightening by the ECB.

Manufacturing PMI figures of Emerging Europe countries were solid as new orders grew on the back of improving external and internal demand. **Greece was the only exception** as orders dropped further amid weak demand, keeping the manufacturing PMI in the contraction zone. In Turkey we saw solid growth in output, new orders and job creation. Positive was also the moderation of price pressures, the lowest since last October.

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

Looking ahead we are starting to see slight upside risks to our regional growth expectation of 3% driven by increasing demand, investments and tightening labour market conditions.

Positioning

At the end of April the cash position in the Fund stood at 13%, marginally higher vs. the previous month. **We maintain our constructive view on Turkey** despite uncertainty on the economic and currency outlook, while the valuations of certain companies are appealing and already reflect economic slowdown risks. On an index basis (MSCI Turkey) local equities trade at 9.0x 2017f P/E, while banks are valued at 5.8x P/E.

Similarly, we hold our conviction towards Romanian investments on solid valuations (MSCI Romania at 10.2x 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 somewhat demanding (WIG Index at 13.2x 2017f P/E) and large part of blue chips being controlled by the government. 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 very select list of attractive names in banking, energy, pharma and manufacturing. On an index basis Hungary is trading at 11.7x and the Czech market at 13.0x 2017f P/E.

The selection of companies in the Fund portfolio trade at 12.0x 2017f P/E, below the 12.4x of the benchmark index, and 5.6x EV/EBITDA. Our value driven bottom-up approach favours companies with strong balance sheets and solid sustainable dividend payout capacity. The aggregate net gearing of our portfolio companies stands below 20% and sustainable dividend yield of around 4-5% on average payout rate of 73%.

	% 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	47.5%	12.1	11.2	9.9	6.8%	13.7%	4.7	4.2	3.9%	-	1.25
Non-cyclical	18.1%	14.9	14.6	13.7	5.6%	6.4%	6.5	6.2	3.8%	-	1.10
Asset play	18.1%	-	-	-	-	-	-	-	7.2%	0.63	0.65
Total equity	83.8%	12.8	12.0	10.7	6.5%	12.1%	5.6	5.1	4.6%	-	1.02
		CY*		YTM**							
Bonds	3.1%	7.7%	7.4%								

* 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.

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