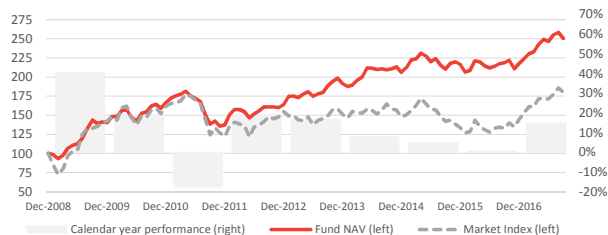


Investment Objectives & Approach

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
Immofinanz	AT	Real Estate	2299	6.6%	-1.8%	-0.1%
Komercni Banka	CZ	Financials	7020	6.2%	-0.2%	0.0%
SC Fondul Proprietatea	RO	Utilities	1852	4.7%	-3.1%	-0.1%
OMV Petrom	RO	Energy	3562	4.5%	-3.8%	-0.1%
PKO Bank Polski	PL	Financials	10237	4.2%	-5.0%	-0.2%
BRD-Groupe Societe Generale	RO	Financials	1886	3.7%	-4.9%	-0.2%
Turkiye Garanti Bankasi	TR	Financials	9654	3.3%	-11.9%	-0.4%
Yapi Ve Kredi Bankasi	TR	Financials	4459	3.2%	-13.1%	-0.5%
KRKA	SI	Health Care	1810	3.2%	-2.8%	-0.1%
Atrium European Real Estate	AT	Real Estate	1493	2.9%	1.6%	0.0%
10 largest positions total				42.6%		-1.8%

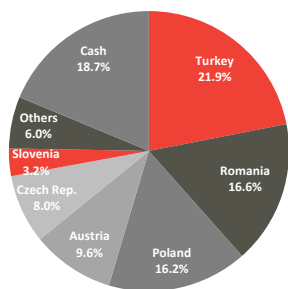
Perf overview	Fund net return	Index return*
1 month	-3.1%	-3.0%
YTD	14.9%	24.4%
3 months	1.6%	5.1%
6 months	7.5%	11.7%
1 year	14.5%	35.7%
3 years	19.6%	9.3%
5 years	55.6%	21.9%
7 years	54.4%	14.9%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

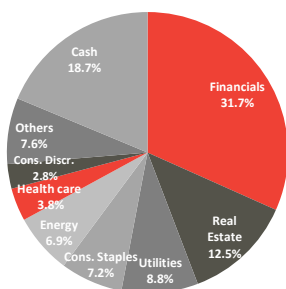
Calendar year return	Gross	Net	Index*
2016	2.1%	0.6%	8.2%
2015	6.7%	5.0%	-9.6%
2014	9.4%	7.8%	-2.1%
2013	18.5%	16.7%	-2.4%
2012	21.1%	19.2%	26.5%
2011	-16.3%	-17.6%	-24.3%
2010	20.8%	18.9%	13.4%
2009	42.6%	40.4%	42.6%

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

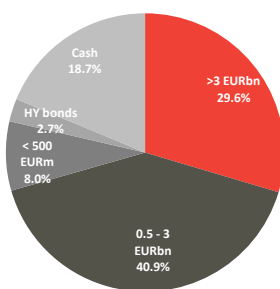
Geographic breakdown



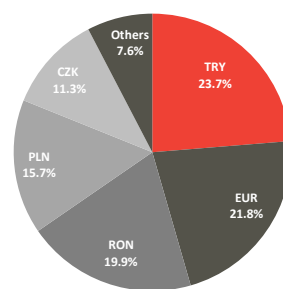
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Sep-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Turkey	21.9%	-1.5%	-0.6%	2.3%	10.0%	19.5%	-1.9%	-0.7%	1.3%	3.3%	3.1%	11.1%
Romania	16.6%	-0.3%	-1.8%	2.9%	-2.4%	0.9%	-0.4%	0.3%	4.4%	3.9%	4.3%	19.1%
Poland	16.2%	0.1%	1.1%	7.6%	7.6%	10.7%	-0.2%	0.8%	3.6%	3.3%	3.2%	3.5%
Austria	9.6%	-0.3%	0.1%	-10.0%	-5.3%	1.8%	-0.1%	0.7%	3.7%	2.7%	8.6%	10.5%
Czech Rep.	8.0%	-2.9%	-2.7%	-1.8%	3.5%	-13.0%	0.1%	0.8%	2.7%	2.2%	2.3%	2.5%
Slovenia	3.2%	-0.1%	-0.2%	-1.0%	-0.6%	-1.2%	-0.1%	0.2%	-0.4%	0.3%	-0.4%	1.6%
Croatia	1.9%	-0.1%	-0.2%	1.1%	1.9%	-1.3%	-0.1%	-0.1%	0.2%	0.1%	0.3%	0.2%
Baltics	1.7%	-0.2%	0.2%	0.0%	-2.6%	0.1%	-0.1%	0.3%	0.3%	0.3%	1.9%	2.7%
Bulgaria	1.2%	0.0%	0.0%	0.0%	-0.6%	-8.5%	0.0%	0.0%	0.3%	0.1%	0.4%	6.5%
Others	1.2%	1.8%	1.8%	2.1%	6.5%	8.9%	-0.1%	-0.1%	0.4%	0.3%	2.0%	10.9%

Sector allocation

	Sep-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	31.7%	-1.9%	-2.1%	0.2%	11.0%	9.2%	-1.4%	0.1%	6.8%	6.6%	9.7%	28.0%
Real Estate	12.5%	-0.4%	-0.2%	-2.7%	-1.4%	1.4%	-0.2%	0.5%	0.7%	1.4%	3.5%	8.1%
Utilities	8.8%	-0.2%	0.1%	-2.2%	-9.3%	-4.0%	0.0%	0.6%	2.3%	2.4%	-0.1%	10.0%
Consumer Staples	7.2%	0.5%	2.6%	4.5%	6.7%	5.6%	-0.1%	0.7%	1.5%	1.8%	3.7%	3.8%
Energy	6.9%	0.1%	0.0%	1.3%	-1.5%	3.4%	-0.1%	0.4%	2.7%	1.3%	2.4%	3.7%
Health care	3.8%	-0.2%	-1.2%	-1.1%	-2.0%	-0.6%	-0.1%	0.1%	0.1%	0.7%	0.6%	3.6%
Cons. Discr.	2.8%	-3.1%	-4.3%	-2.8%	-3.5%	-5.3%	-0.2%	0.5%	1.9%	2.0%	5.1%	9.8%
Industrial	2.5%	-0.6%	-0.5%	-0.2%	2.5%	1.5%	-0.5%	-0.3%	0.3%	0.4%	0.5%	2.7%
Others	5.1%	6.3%	6.5%	4.2%	4.8%	-10.1%	-0.2%	-0.5%	0.1%	0.0%	0.4%	-0.9%

Style allocation

	Sep-17	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	44.0%	-2.9%	-3.8%	-0.3%	12.5%	25.2%	-2.5%	0.0%	9.1%	7.6%	13.1%	27.8%
Non-cyclical	17.3%	-2.0%	0.2%	1.9%	-4.0%	-11.9%	-0.1%	1.6%	4.7%	5.7%	6.0%	10.7%
Asset play	17.2%	-0.7%	-0.5%	0.6%	5.0%	-5.2%	-0.3%	0.6%	1.7%	2.6%	4.0%	19.6%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	-9.1%	-5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.7%
High yield bonds	2.7%	0.0%	-0.2%	-1.4%	2.7%	-2.6%	0.0%	0.0%	0.7%	0.4%	2.5%	3.0%
FX Derivatives	0.1%	-0.1%	-0.1%	0.1%	0.1%	0.1%	-0.1%	-0.1%	0.2%	0.2%	0.2%	0.9%
Cash	18.7%	5.5%	4.3%	-1.0%	-7.2%	-0.6%	0.0%	-0.1%	-0.3%	-0.2%	-0.2%	-0.2%

Risk metrics

	3Y risk*
Alpha	5%
Volatility & stand. deviation	9.8%
Beta	0.43
Sharpe ratio	0.65
Information ratio	0.27
Tracking error	11.4%

* MSCI EFM Central and Eastern Europe & CIS ex Russia

Fund statistics

Number of positions	37
Top10	42.6%
Top20	65.8%
Gross exposure	81.3%
Net exposure	81.1%
Concentration coefficient	37
Median market cap MEUR	1810
Average market cap MEUR	2493

Turnover

	Adj*
FY 2016	17.7%
FY 2015	22.2%
FY 2014	47.9%

* Adjusted for fund flows

Liquidity analysis*

	20%	50%
3 days	65.6%	79.4%
2 weeks	82.6%	93.6%
4 weeks	91.6%	98.6%

* 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	72.2
Total AUM, MEUR	488.7
Strategy size, MEUR	467.5

TER 2016 0.28% (excluding management and performance fees)

	ISIN Code	NAV 30-Sep 2017
A unit	EE3600090049	4.8333 EUR
B unit	EE3600090056	5.1169 EUR
C unit	EE3600102901	17.3286 EUR
D unit	EE3600108866	14.5961 EUR
E unit	EE3600108874	14.4884 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, four stars (3 & 5 years)
Tax transparency	Germany
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

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 11 investment professionals, in Estonia and Poland, focus on active investment management. In total 17 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 herein, or omitted to be included herein, or 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 September rounding up a strong Q3 performance on supportive macro and Q2 earnings season. MSCI World gained 2.1% in \$. US dollar staged a turnaround in September gaining 0.8% on the euro driven by increased rate expectations after Fed Chairwoman Yellen reiterated the case for continuing hikes. In Q3 the dollar lost 3.3% vs. the euro.

Emerging markets took a breather after a very strong 8 months of the year, down 0.5% in \$ (+0.3% in €) in September. In Q3 MSCI EM gained 7.0% in \$ (+3.5% in €). **Emerging Europe stocks (MSCI EFM CEEC ex-RU) underperformed in September after the strong rally the month before, losing 3.0% in € (+5.1% in Q3).** Strong profit taking emerged in Turkey and Turkish lira amid the Kurdish independence referendum in Northern Iraq and increased geopolitical tension. Polish zloty and Hungarian forint weakened in September as the regional asset class saw outflows.

	1 month	1 month	YTD	1 year	3 years	5 years
Country / Returns in local FX	in euros	in euros	in euros	in euros	in euros	in euros
US	1.9%	2.8%	0.2%	10.5%	36.6%	85.2%
Europe	5.2%	5.2%	11.7%	22.8%	20.7%	59.6%
Emerging Markets	-0.5%	0.3%	11.7%	13.9%	15.0%	17.1%
Emerging Europe*	-3.0%	-3.0%	24.4%	35.7%	9.3%	21.9%
Poland	-1.1%	-2.5%	26.9%	36.0%	13.6%	44.0%
Czech Republic	2.2%	2.7%	17.9%	25.8%	11.5%	3.2%
Hungary	-2.1%	-4.0%	15.7%	33.4%	108.0%	91.3%
Baltics	-2.7%	-2.7%	12.2%	17.6%	40.9%	59.3%
Romania	-2.2%	-2.1%	9.8%	9.8%	4.1%	68.2%
Bulgaria	-2.5%	-2.5%	17.3%	36.4%	27.4%	117.7%
Croatia	-4.3%	-5.3%	-8.4%	-6.4%	-3.6%	10.6%
Slovenia	-2.0%	-2.0%	11.0%	7.4%	-4.9%	37.5%
Serbia	-0.7%	-0.7%	4.0%	16.9%	8.4%	62.1%
Macedonia	1.5%	1.6%	25.8%	37.6%	57.8%	45.0%
Bosnia & Herzeg.	-0.5%	-0.5%	-9.2%	-13.3%	-8.6%	-13.9%
Turkey	-6.5%	-8.6%	15.9%	7.7%	-6.1%	-6.9%
Austria	2.6%	2.6%	26.6%	37.9%	50.5%	54.7%

Source: Thomson Reuters. * MSCI EFM Central and Eastern Europe & CIS (CEEC) ex Russia

Local currencies to euro	Last month	YTD	1 year	2 years	3 years	5 years
Poland	-1.5%	2.1%	-0.4%	-1.5%	-3.0%	-4.4%
Hungary	-1.9%	-0.7%	-1.1%	0.6%	-0.2%	-8.3%
Czech	0.4%	3.9%	4.0%	4.6%	5.7%	-3.2%
Romania	0.0%	-1.3%	-3.3%	-3.9%	-4.1%	-1.3%
Croatia	-1.0%	0.7%	0.3%	2.1%	2.3%	-1.2%
Serbia	-0.1%	3.5%	3.3%	0.7%	-2.7%	-3.7%
Turkey	-2.3%	-11.9%	-19.9%	-19.7%	-31.7%	-45.1%

Source: Thomson Reuters

Avaron Emerging Europe Fund lost 3.1% in September, almost in line with the regional index. In Q3 the Fund gained 1.6% vs. +5.1% of the index due to large UW in Poland where the blue-chip index WIG20 rallied 4.7% in €. At the same time Romanian equities that have a notable OW in the portfolio lost 0.5% in €. In 5 years the Fund has delivered +55.6% return vs. +21.9% for the index with lower volatility (9.1% vs. 15.4% for the index), resulting in 7.7% alpha.

Key changes in the portfolio

In September we **exited the Czech nonwovens producer Pegas** (2.8% of the portfolio) via a voluntary tender offer at CZK 1,010 by the Czech family office R2G Rohan (8% above the market

price) as the stock had posted strong +35% return in euros year-to-date and there was limited upside left to our fair value target. During the month we also made selective additions to the existing positions in Poland, Romania and Turkey.

Outlook

Eurozone leading indicators continue to signal that the economy is in a boom phase. September flash composite PMI registered one of the strongest gains in 6 years reflecting the continuation of robust demand as growth accelerated both in manufacturing and services sectors. The index suggests a slight acceleration in the quarterly GDP growth to 0.7% in Q3. Amid rising momentum in business activity the inflationary pressures picked up as input and selling prices advanced. Given this, we expect a gradually more hawkish stance from the ECB.

Macro environment in Emerging Europe remains strong as business sentiment is robust, while regional consumer continues to be supported by tightening labour markets. September leading indicators reinforce the recent trend of rising growth momentum in the region. Inflation rates in the region remain still relatively modest though inflationary pressures in several countries are building up, leading to monetary tightening in the upcoming 12 months. In Greece another bailout programme review is looming that is unlikely to be a smooth process but we believe that the general improvement trend in the local economy will remain intact. Growth in Turkey has likely accelerated further in Q3 and should remain strong ahead of the 2019 presidential elections. We expect inflation to ease at the beginning of 2018 that would enable the central bank to lower local rates.

Positioning

At the end of Q3 the cash position in the Fund stood at 19%, up almost 6ppt mom on positive fund flows. **We hold our conviction towards Romanian investments** (16.6% in the portfolio vs. 4.3% in the index) on reasonable valuations (MSCI Romania at 9.3x 2017f P/E) and strong macro environment but highlight the rising risks stemming from pro-cyclical fiscal policy. In mid-term the upgrade to Emerging Market status (from frontier market status) should serve as a trigger for re-rating. We expect the announcement to take place over 2018, resulting in additional inflows to the Romanian equities from global emerging market funds as GEM funds are much larger compared to frontier market funds.

Compared to the benchmark index the portfolio is significantly UW (16.2% vs. 64.4%) in Poland as the valuations are somewhat demanding, especially among small and mid-caps. Poland (WIG Index) trades at 12.8x 2017f P/E being the most expensive market in the region on an index basis.

In the **Czech Republic and Hungary** we find only a select list of attractive names in banking, energy, pharma and manufacturing. On an index basis Hungary is trading at 11.1x and the Czech market at 12.3x 2017f P/E. Compared to the benchmark the Fund is UW in Hungary (0.7% vs. 16.5%) and has neutral weight in the Czech Republic (8.0% vs. 8.3%).

Investor Contact

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

Signatory of:



We remain relatively constructive on Turkey (off-benchmark, 21.9% of the portfolio) despite the strong YTD market performance, somewhat uncertain currency outlook and re-emerged geopolitical tensions after the Kurdish independence referendum in Northern Iraq. On a selective basis we find companies of high quality in Turkey that offer decent value and growth. On an index basis (MSCI Turkey) local equities trade at 8.6x 2017f P/E with 31% expected EPS growth while the banks are valued at 5.8x P/E (25% expected EPS growth).

Among **Austrian-listed companies** (off-benchmark, 9.6% of the portfolio) we hold Emerging Europe real estate companies, which **offer attractive valuations and high liquidity**.

The selection of companies in the Fund portfolio trade at 11.7x 2017f P/E, on par with the benchmark index. Despite the cyclical upturn in the markets we hold true to our value driven bottom-up approach favouring companies with strong balance sheets and solid sustainable free cash flow generation. The aggregate net gearing of our portfolio companies stands at 17%, free cash flow yield at 8% and dividend yield between 4-5% on average pay-out rate of 77%.

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.

	% 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	44.0%	11.2	10.7	10.1	14.3%	5.6%	4.5	4.1	4.2%	-	1.19
Non-cyclical	17.3%	17.9	15.9	13.9	23.4%	14.3%	7.3	6.6	2.8%	-	1.30
Asset play	17.2%	-	-	-	-	-	-	-	7.0%	0.68	0.70
Total equity	78.5%	12.5	11.7	10.9	16.1%	7.4%	5.8	5.3	4.5%	-	1.05
CY* YTM**											
Bonds	2.7%	7.7%	7.4%								

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

Investor Contact

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