

Investment Objectives & Approach

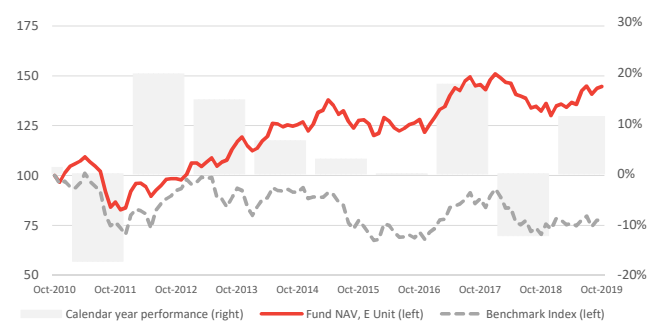
The Fund invests actively in listed equities of European Union new member states and accession countries (Emerging Europe, ex Russia). Benchmark agnostic, it emphasizes bottom-up, value oriented stock picking with a strong small and mid-cap bias. The Fund's investment objective is to maximise upside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

Equity markets continued to move upwards driven by hopes that the monetary expansion will stop the global cyclical downturn and not spill over into the services sector. In October MSCI World gained 2.5% in \$, while weaker dollar wiped out the return in euros (+0.1%). Emerging Markets outperformed after lagging in Q3, up +4.1% in \$ (+1.7% in €). Mixed performance of Emerging Europe resulted in 0.6% (in €) gain in Emerging Europe (MSCI EFM EUROPE + CIS (E+C) ex Russia) index. Turkish market witnessed a heavy sell-off (-9.4% in €) driven by falling equity prices and lira (-3.4% to €) while Central European markets were supported by investors' risk on mood and appreciating currencies (+1-2.5% to €). Turkish lira and equities got hit upon Turkey launching a military ground incursion into Syria in an attempt to create a safe zone along its border inside Syria and clear it from the Kurdish-led forces. The Turkish government plans to develop housing in the safe zone to enable the return of some of the 4 million Syrian refugees living in Turkey. After the initially severe sell-off Turkish equities and lira recovered as the US sanctions imposed were milder than expected and which by now have already been lifted. Avaron Emerging Europe Fund delivered +0.7% return in October. Positioning of the Fund has become a bit more constructive as the cash level has dropped to 10% via increasing our exposure in Turkey, Poland and Greece. The Fund portfolio trades at 10x 1YR forward P/E. Portfolio companies offer 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

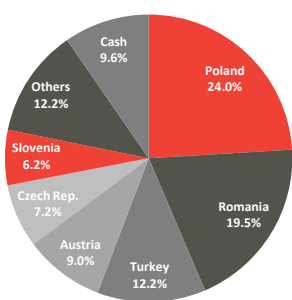


Perf overview	Net return E Unit	Index return*
1 month	0.7%	0.6%
YTD	11.3%	6.8%
3 months	-0.1%	-2.0%
6 months	5.8%	2.7%
1 year	9.3%	10.7%
3 years	13.0%	8.9%
5 years	15.2%	-14.7%
7 years	47.0%	-15.6%
8 years	66.8%	1.9%

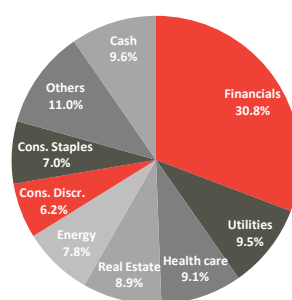
* MSCI EFM EUROPE + CIS (E+C) ex Russia

Calendar year return, E Unit	Gross	Net	Index*
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%

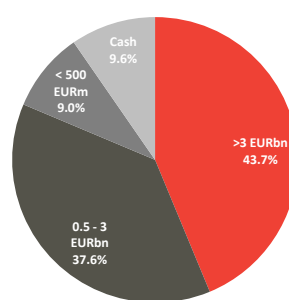
Geographic breakdown



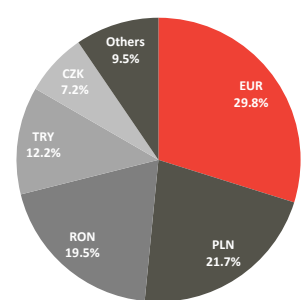
Sector breakdown



Market Cap breakdown



Net currency breakdown



Country allocation

	Oct-19	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Poland	24.0%	1.9%	1.9%	4.2%	16.0%	14.9%	0.6%	-0.5%	3.0%	2.0%	4.6%	4.8%
Romania	19.5%	-0.5%	-1.1%	-2.4%	5.5%	2.2%	-0.3%	0.6%	3.7%	6.8%	12.3%	12.8%
Turkey	12.2%	1.9%	2.7%	0.8%	-6.5%	-0.7%	-0.1%	0.3%	0.9%	0.9%	-7.2%	-7.0%
Austria	9.0%	1.0%	0.6%	1.3%	-10.3%	-8.2%	0.1%	0.3%	1.4%	1.8%	4.5%	9.8%
Czech Rep.	7.2%	-0.1%	-0.4%	-0.4%	-2.8%	3.1%	-0.1%	-0.7%	-0.3%	-0.1%	1.8%	2.6%
Slovenia	6.2%	0.0%	0.3%	2.5%	2.5%	2.7%	0.1%	0.2%	1.0%	0.5%	0.9%	0.8%
Hungary	4.7%	0.5%	0.3%	-0.3%	3.9%	1.6%	0.5%	0.2%	0.2%	0.1%	0.2%	1.2%
Baltics	2.5%	0.0%	-0.4%	-0.5%	0.9%	-1.8%	0.0%	0.0%	0.2%	0.2%	0.7%	2.3%
Greece	2.1%	0.5%	0.6%	2.1%	2.1%	2.1%	0.0%	0.0%	0.3%	0.3%	0.3%	0.3%
Others	3.0%	0.0%	-0.3%	-0.9%	0.5%	-0.5%	0.0%	0.0%	0.3%	0.4%	0.4%	1.3%

Sector allocation

	Change	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Financials	30.8%	3.8%	4.7%	7.3%	0.1%	9.9%	0.4%	-0.7%	0.8%	0.4%	0.1%	3.7%
Utilities	9.5%	-0.3%	0.4%	-1.1%	-1.1%	-7.8%	-0.2%	0.4%	2.0%	2.2%	5.3%	3.2%
Health care	9.1%	0.5%	0.7%	0.4%	4.6%	3.6%	0.6%	0.4%	1.0%	0.6%	1.2%	1.8%
Real Estate	8.9%	-0.1%	-0.7%	-0.6%	-6.0%	-5.2%	0.0%	0.2%	1.4%	1.8%	2.5%	4.5%
Energy	7.8%	-0.1%	-1.7%	-2.3%	1.5%	-1.8%	0.0%	0.0%	1.2%	3.4%	6.0%	6.7%
Cons. Discr.	7.0%	1.1%	1.4%	1.7%	1.6%	0.5%	0.2%	0.3%	0.8%	1.1%	1.2%	4.2%
Consumer Staples	6.2%	-0.4%	0.1%	1.4%	3.6%	5.8%	-0.4%	-0.1%	1.4%	1.0%	1.4%	3.7%
Communication	5.9%	0.3%	-0.8%	0.9%	4.9%	5.4%	0.3%	-0.2%	1.9%	1.6%	1.2%	1.3%
Others	5.1%	0.4%	0.3%	-1.2%	2.5%	5.1%	0.0%	0.1%	0.2%	0.5%	-0.6%	-0.3%

Style allocation

	Change	1 mo	3 mo	12 mo	3 years	5 years	1 mo	3 mo	12 mo	YTD	3 years	5 years
Cyclical	51.8%	5.2%	3.9%	5.0%	7.7%	18.4%	0.4%	-0.3%	3.4%	5.8%	5.9%	10.1%
Non-cyclical	22.9%	0.4%	0.8%	0.9%	8.2%	2.3%	0.6%	0.1%	4.1%	2.9%	5.8%	8.4%
Asset play	15.7%	-0.3%	-0.4%	0.6%	-0.3%	0.7%	-0.2%	0.6%	3.2%	3.9%	6.1%	7.7%
Convertible bonds	0.0%	0.0%	0.0%	0.0%	0.0%	-6.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
High yield bonds	0.0%	0.0%	0.0%	0.0%	-3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	2.5%
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	9.6%	-5.3%	-4.3%	-6.5%	-11.7%	-15.3%	0.1%	0.0%	0.1%	0.1%	-0.6%	-0.5%

Risk metrics

	5Y risk*
Alpha	4%
Volatility & stand. deviation	9.2%
Beta	0.46
Sharpe ratio	0.34
Information ratio	0.58
Tracking error	10.3%

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

Fund statistics

Number of positions	40
Top10	50.1%
Top20	72.1%
Gross exposure	90.4%
Net exposure	90.4%
Concentration coefficient	29
Median market cap MEUR	1817
Average market cap MEUR	3177

Turnover

	Adj*
FY 2018	20.7%
FY 2017	28.5%
FY 2016	17.7%

*Adjusted for fund flows

Liquidity analysis*

	20%	50%
3 days	63.2%	72.7%
2 weeks	77.7%	91.0%
4 weeks	92.0%	98.5%

*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	58.8
Total AUM, MEUR	370+

TER 2018 0.37% (excluding management and performance fees)

	NAV 31-Oct-2019	TER 2018 excl. perf fee	TER 2018 incl. perf fee
B unit	5.0910 EUR		
C unit	17.2403 EUR	1.58%*	1.67%*
D unit	14.2912 EUR	2.37%	2.37%
E unit	14.4629 EUR	1.22%	1.46%

* C unit management fee lowered to 1.15% and performance fee cancelled as of 06.09.2018

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	A0PEFO	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.



Kristel Kivivurm-Priisalm
Managing Partner,
CEO & Investor Relations



Peter Priisalm
Partner, co-CIO,
Investment Manager



Valdur Jaht
Partner, co-CIO,
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Rain Leesli, CFA
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